

**2021 OPERATING PLAN AND
BUDGET**

**FIRST AND MAIN
BUSINESS
IMPROVEMENT
DISTRICT NO. 2**

City of Colorado Springs, El Paso County, Colorado

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**2021
OPERATING PLAN FOR THE
FIRST AND MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**

1. PURPOSE AND SCOPE OF THIS DISTRICT

A. Requirement for this Operating Plan

The Business Improvement District Act, specifically Section 31-25-1211, C.R.S., requires that the First and Main Business Improvement District No. 2 (the “District”) file an operating plan and budget with the City Clerk no later than September 30 of each year.

Under the statute, the City is to approve the operating plan and budget within 30 days of the submittal of all required information.

The District operates under the authorities and powers allowed under the Business Improvement District Act, Section 31-25-1201, *et seq.*, Colorado Revised Statutes, as amended, as further described and limited by this Operating Plan.

B. What Must Be Included in the Operating Plan?

Pursuant to the provisions of the Business Improvement District Act, Section 31-25-1201, *et seq.*, Colorado Revised Statutes, as amended, this Operating Plan specifically identifies: (1) the composition of the Board of Directors; (2) the services and improvements to be provided by the District; (3) the taxes, fees, and assessments to be imposed by the District; (4) the estimated principal amount of the bonds to be issued by the District; and (5) such other information as the City may require.

The District’s original 2009 and subsequent Operating Plans, previously approved by the City, are incorporated herein by reference, and shall remain in full force and effect except as specifically or necessarily modified hereby.

C. Purposes.

As may be further articulated in prior years’ Operating Plans, the ongoing and/or contemplated purposes of this District for 2021 include financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts. Specific improvements and services provided by the District include water, sanitation, street, storm, park and recreation, and the operation and maintenance of the District consistent with prior years’ activities.

D. Ownership of Property or Major Assets.

The District owns certain street and landscaping improvements.

E. *Contracts and Agreement.*

Intergovernmental Agreement for Cost Sharing of Certain Public Improvements (January 28, 2009) between First & Main Business Improvement District and First & Main Business Improvement District No. 2; Intergovernmental Agreement for Operational Cost Sharing (January 1, 2014) between First and Main Business Improvement District and First and Main Business Improvement District No. 2, whereby First and Main Business Improvement District transfers revenue from its operational mill levy to the District, which is responsible for paying all operations and maintenance costs of the two Districts.

2. ORGANIZATION AND COMPOSITION OF THE BOARD OF DIRECTORS

A. *Organization.*

The First and Main Business Improvement District No. 2 was organized by the City of Colorado Springs, Colorado by Ordinance No. 08-144 on September 23, 2008.

B. *Governance.*

The District is governed by an elected board of directors.

C. *Current Board.*

The persons who currently serve as the Board of Directors are:

Timothy Seibert, President
Christopher S. Jenkins, Vice-President
David D. Jenkins, Secretary
Delroy L. Johnson, Assistant Secretary
Vacancy

Director and other pertinent contact information are provided in **EXHIBIT A.**

D. *Term Limits.*

The electors of the District voted to eliminate term limits in the May 2020 regular election.

E. *Advisory Board.*

The Board of Directors may appoint one or more advisory boards to assist the Board of Directors on such matters as the Board of Directors desires assistance. The Board of Directors shall, upon the appointment of an advisory board, set forth its duties, duration, and membership. The Board of Directors may provide rules of procedure for the advisory board or may delegate to the advisory board the authority to provide such rules. No advisory boards have yet been appointed to date.

3. BOUNDARIES, INCLUSIONS AND EXCLUSIONS

The District map is depicted in **EXHIBIT C**. The District does not anticipate inclusion or exclusion requests in the coming year.

4. PUBLIC IMPROVEMENTS

The District will be primarily concerned with the provision of public improvements and services within the boundaries of the District; however, there may be instances to provide improvements or services outside of the boundaries of the District as development and completion of existing projects occurs in 2021. The District shall have the authority to provide these improvements and services, but the revenue-raising powers of the District to recoup the costs of extraterritorial improvements and services shall be as limited by state law.

The public improvements that the District anticipates it will construct, install or cause to be constructed and installed, include those public improvements the costs of which may, in accordance with the Business Improvement District Act, Section 31-25-1201, *et seq.*, C.R.S., lawfully be paid for by the District, including, without limitation, water services, safety protection devices, sanitation services, marketing, streetscape improvements, street improvements, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, landscaping and storm and wastewater management facilities and associated land acquisition and remediation (the "Public Improvements"). The costs of such Public Improvements, including costs of design, acquisition, construction and financing, are referred to herein as the "Public Improvement Costs."

5. ADMINISTRATION, OPERATIONS, SERVICES AND MAINTENANCE

The District shall provide for ownership, operation, and maintenance of District facilities as activities of the District itself or by contract with other units of government or the private sector. Currently, the developer performs these functions on behalf of the District.

6. FINANCIAL PLAN AND BUDGET

1. 2021 Budget.

The 2021 Budget for the District is attached as **EXHIBIT B**.

2. Authorized Indebtedness.

At an election held on November 4, 2008, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$5,000,000 for water, \$20,000,000 for streets, \$5,000,000 for sanitation, \$5,000,000 for park and recreation, and \$20,000,000 for refunding of debt. The voters also approved an annual increase in taxes of \$150,000 annually, at a mill levy rate not to exceed one mill for operations and maintenance. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution. As set forth in the District's 2009 Operating Plan, the City has limited the amount of debt to be issued to a total of \$20,000,000 in the

authorized voted categories. This maximum debt authorization amount shall not be exceeded without express prior approval by the City.

3. ***Property Tax and Mill Levy Caps.*** The mill levy limitations in the 2009 Operating Plan (being 50 mills for debt service and one (1) mill for general operations and administrative expenses) remain unchanged.

4. ***District Revenues.***
See 2021 Budget attached hereto as **EXHIBIT B**.

5. ***Existing Debt Obligations.***
In 2009, the District issued the \$2,400,000 First and Main Business Improvement District No. 2 Limited Tax General Obligation Bonds, Series 2009 with an interest rate of 8.5% (the “2009 Bonds”). The 2009 Bonds are subject to optional redemption beginning December 1, 2012. The 2009 Bonds were issued pursuant to an authorizing resolution adopted by the Board of Directors of the District at a meeting held on January 28, 2009. As required by the District's 2009 Operating Plan, the issuance of the 2009 Bonds was approved by Resolution 53-09 of the City Council.

In early 2011, the District issued the \$2,000,000 First and Main Business Improvement District No. 2 Public Improvement Fee Revenue Bond, Series 2011 with an interest rate of 8.5% (the “2011 Bonds”). The 2011 Bonds are subject to optional redemption beginning December 1, 2012. The 2011 Bonds were issued pursuant to an authorizing resolution originally adopted by the Board of Directors of the District at a meeting held on August 25, 2010, and re-adopted at a meeting of the Board of Directors of the District held on December 1, 2010, as supplemented by a Sale Certificate executed and delivered by the President of the District. As required by the District's 2010 Operating Plan, the issuance of the 2011 Bonds was approved by Resolution 186-10 of the City Council.

In 2015, the District issued the \$1,750,000 First and Main Business Improvement District No. 2 Limited Tax General Obligation Bond, Series 2015 with an interest rate of 6.75% (the “2015 GO Bonds”). The 2015 GO Bonds were issued pursuant to an authorizing resolution originally adopted by the Board of Directors of the District at a meeting held on December 3, 2014, and Certification of Resolution adopted on April 22, 2015, as supplemented by a Sale Certificate executed and delivered by the President of the District. As required by the District's 2015 Operating Plan, the issuance of the 2015 Bonds was approved by Resolution 35-15 of the City Council.

In 2015, the District issued the \$1,725,000 First and Main Business Improvement District No. 2 Public Improvement Fee Revenue Bond, Series 2015 with an interest rate of 6.75% (the “2015 PIF Bonds”). The 2015 PIF Bonds were issued pursuant to an authorizing resolution originally adopted by the Board of Directors of the District at a meeting held on December 3, 2014, and Certification of Resolution adopted on December 3, 2014, as supplemented by a Sale Certificate executed and

delivered by the President of the District. As required by the District's 2015 Operating Plan, the issuance of the 2015 PIF Bonds was approved by Resolution 35-15 of the City Council.

The District will annually review the interest rate on its bonds regarding market interest rate and evaluate possibilities to refund such bonds to the extent allowed pursuant to the bond documents.

6. Future Debt Obligations.

In accordance with the City's Special District Policy this District shall request and obtain approval of City Council prior to issuance of any debt in accordance with the financing plan for the district as previously approved. The standards for City approval shall generally be consistent with the City's Special District Policy, as it may be amended, along with the most recently approved operating plan and budget and any requirements or limitations contained therein to the extent that they are consistent with the financing plans for the District.

7. Other Financial Obligations.

The District entered into an Intergovernmental Agreement during 2014 with First and Main Business Improvement District. The intergovernmental revenue represents transfers from First and Main Business Improvement District to provide funding for the overall administrative and operating costs for both Districts. The District anticipates a payment to the developer for prior capital infrastructure advances as evidenced in the 2021 Budget attached as **EXHIBIT B**.

The District has total outstanding developer advances in the principal amount of \$10,014,285 and total interest of \$8,717,650, which accrues interest at a rate of 7%.

8. City Charter Limitations.

In accordance with 7-100 of the City Charter, the District shall not issue any debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development. As set forth in 7-100 of the City Charter, the total debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

9. Non-Default Provisions.

Limited tax general obligation bonds issued by the District shall be structured and/or credit enhancements provided such that the bonds cannot default as long as the District is imposing the required maximum allowed mill levy.

10. Privately Placed Debt.

Prior to the issuance of any privately placed debt for capital related costs, the District shall obtain the certification of an External Financial Advisor regarding the fairness and feasibility of the interest rate and the structure of the debt.

- 11. The debt of the District will not constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of the debt of the District. This will be clearly stated on all offering circulars, prospectus, or disclosure statements associated with any securities issued by the District.

7. MUNICIPAL OVERSIGHT OF DISTRICT ACTIVITIES

- (a) **Audit.**
The District agrees to submit an annual audit to the City Finance Department no later than March 1st of each year which is performed by an independent certified public accounting firm. Even if the state grants an audit exemption, the District must submit an annual audit as specified above.
- (b) **SID Formation.**
The District affirms that it will provide an Amended Operating Plan and seek prior approval of City Council prior to formation of any Special Improvement District within its boundaries in the future.
- (c) **City Authorization Prior to Debt Issuance.**
In accordance with the City’s Special District Policy, and notwithstanding any statements of intent in the Budget and Operating Plan, this District shall request and obtain approval of City Council prior to issuance of any debt in accordance with the financing plan for the District as previously approved. The standards for City approval shall generally be consistent with the City’s Special District Policy, as it may be amended, along with the most recently approved operating plan and budget and any requirements or limitations contained therein to the extent that they are consistent with the financing plans for the District.
- (d) **Public Improvement Fees.**
The use of a public improvement fee (“PIF”) is in place to provide necessary funding revenues for the improvements financed by the District. The District will utilize revenues from the PIF for such purposes.
- (e) **Condemnation.**
The Colorado Revised Statutes do not authorize BIDs to use powers of eminent domain. The exercise of eminent domain authority by any City-authorized district is also specifically prohibited without express prior City Council approval.

8. 2021 ACTIVITIES, PROJECTS AND CHANGES

- 1. **Activities.**
The District does not anticipate activity for commercial development in 2021. The District provides maintenance and operation services on behalf of First and Main Business Improvement District.

2. ***Projects and Public Improvements.***

The District does not presently anticipate funding the design, installation or acquisition of additional public improvements during 2021. If the District acts to fund additional improvements during calendar year 2021, an amendment to this Operating Plan will be sought in accordance with the provision of Section 3-25-1211, C.R.S.

3. ***Summary of 2021 Activities and Changes from Prior Year.***

The District's activities and will focus on district administration and payment of its bonds.

Boundary changes: Not anticipated for the upcoming year.

Changes to board or governance structure: An appointment may be made to the Board of Directors to fill the vacancy.

Mill levy changes: Mill levies remain the same for the upcoming year.

New, refinanced or fully discharged debt: Not anticipated for the upcoming year.

Elections: Not anticipated for the upcoming year.

Major changes in development activity or valuation: Not anticipated for the upcoming year.

Ability to meet current financial obligations: See 2021 Budget attached as EXHIBIT B.

9. **DISSOLUTION**

The District may be dissolved under the conditions of Section 31-25-1225, C.R.S. Perpetual existence is not contemplated at this time.

10. **CONCLUSION**

It is submitted that this Operating Plan and Budget for the District meets the requirements of the Business Improvement District Act and further meets applicable requirements of the Colorado Constitution and other law. It is further submitted that the types of services and improvements to be provided by the District are those services and improvements which satisfy the purposes of Part 12 of Article 25 of Title 31, C.R.S.

EXHIBIT A
Director and Other Contact Information
First and Main Business Improvement District No. 2

BOARD OF DIRECTORS:

NAME & ADDRESS	POSITION	PHONE #/E-MAIL
Timothy Seibert Nor'wood Development Group 111 South Tejon, Suite 222 Colorado Springs, CO 80903	President	(w) 719-593-2600 (f) 719-633-0545 tseibert@nor-wood.com
Christopher S. Jenkins Nor'wood Development Group 111 South Tejon, Suite 222 Colorado Springs, CO 80903	Vice President	(w) 719-593-2600 (f) 719-633-0545 chrisjenkins@nor-wood.com
David D. Jenkins Nor'wood Development Group 111 South Tejon, Suite 222 Colorado Springs, CO 80903	Secretary	(w) 719-593-2600 (f) 719-633-0545 ddj@nor-wood.com
Delroy L. Johnson Nor'wood Development Group 111 South Tejon, Suite 222 Colorado Springs, CO 80903	Assistant Secretary	(w) 719-593-2600 (f) 719-633-0545 djohnson@nor-wood.com
Vacancy		

DISTRICT CONTACT:

DISTRICT MANAGER:

Delroy L. Johnson, Assistant Secretary Nor'wood Development Group 111 South Tejon, Suite 222 Colorado Springs, CO 80903 (w) 719-593-2600 (f) 719-633-0545 djohnson@nor-wood.com	Josh Miller CliftonLarsonAllen LLP 8390 East Crescent Parkway, Suite 600 Greenwood Village, CO 80111 (w) 303-779-5710 (f) 303-779-0348 josh.miller@claconnect.com
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ACCOUNTANT:

AUDITOR:

Carrie Bartow, CPA CliftonLarsonAllen LLP 102 South Tejon, Suite 350 Colorado Springs, CO 80903 (w) 719-635-0300 x 77839 (f) 719-473-3630 carrie.bartow@claconnect.com	BiggsKofford, PC 630 Southpointe Court, Suite 200 Colorado Springs, CO 80906 719-579-9090 (f) 719-576-0126
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INSURANCE AND BONDS:

STAFF:

T. Charles Wilson Insurance Service 384 Inverness Parkway Centennial, CO 80112 303-368-5757	N/A
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EXHIBIT B
2021 BID Budget
General Fund
Debt Service Fund
Capital Projects Fund
(including taxes, fees, assessments and estimated principal amount of bonds)

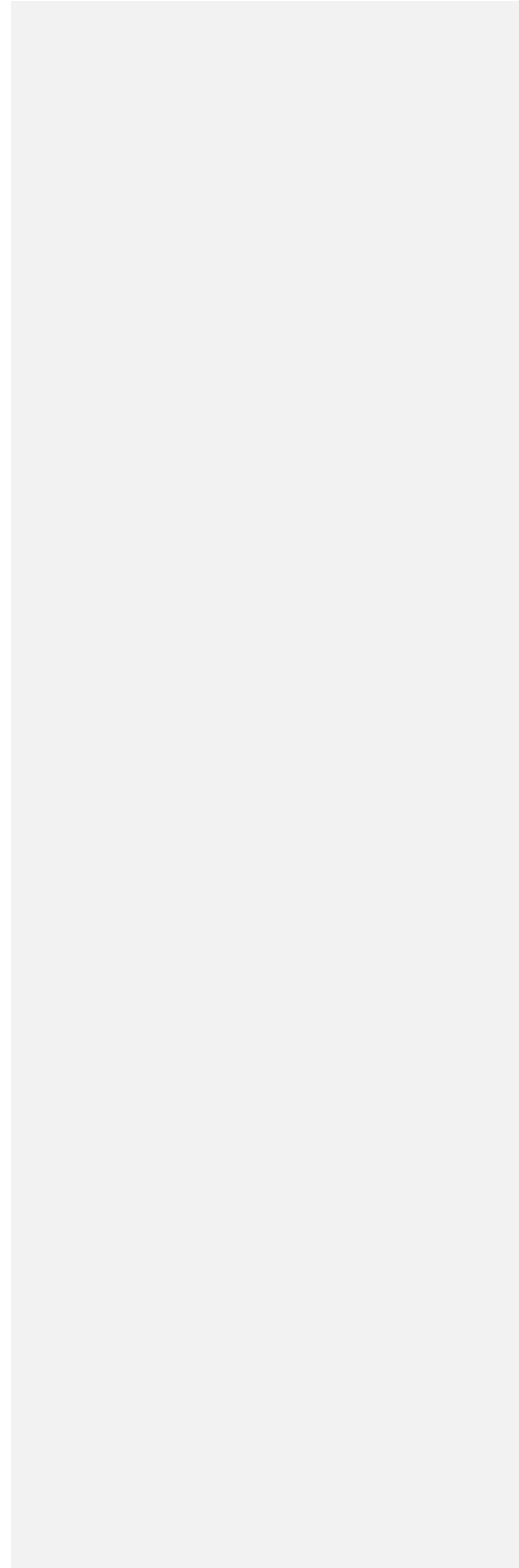


EXHIBIT C
District Boundary Map

