

**SERVICE PLAN
FOR
THUNDERVILLAGE METROPOLITAN DISTRICT
CITY OF PUEBLO, COLORADO**

Prepared

By

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I. INTRODUCTION

A. Purpose and Intent.

The District is an independent unit of local government, separate and distinct from the City, and, except as may otherwise be provided for by State or local law or this Service Plan, its activities are subject to review by the City only insofar as they may deviate in a material manner from the requirements of the Service Plan or as they may be in violation or breach of the City Improvement Agreement and/or the City Maintenance Agreement. It is intended that the District will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the District. The primary purpose of the District will be to finance the construction of the Public Improvements and to operate and maintain certain of the Public Improvements, as is further set forth herein.

B. Need for the District.

There are currently no other governmental entities, including the City, located in the immediate vicinity of the District that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction, installation and financing of the Public Improvements needed for the Project or the operation and maintenance of the same. Formation of the District is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic and convenient manner possible.

C. District Functions Generally.

The District shall be authorized to provide for the planning, design, acquisition, construction, and installation of the Eligible Public Improvements from the proceeds of TIF Revenues that are received by the District pursuant to the terms of the URA Financing Agreement and the City Improvement Agreement (each capitalized term as defined in Article II hereof). In addition to the TIF Revenues, the District shall have the authorization to levy property taxes for purposes of operation and maintenance functions, Interchange Construction as might be required, and for other legal purposes, including but not limited to planning, design, acquisition, construction, and installation of the Public Improvements, all as further detailed in this Service Plan. Property taxes that may be levied by the District shall be limited to the Maximum Mill Levy.

It is expected that certain Public Improvements will be dedicated to either the City or to other governmental entities according to the applicable procedures for the specific entity (including but not limited to standards relating to construction). Determination of specific Public Improvements to be dedicated to the City and/or other governmental entities, or to be retained by the District, will be the subject of separate actions and agreements among interested parties, including but not necessarily limited to the Approved Development Plan.

The City shall have and will exercise sole and exclusive jurisdiction over land use and building, e.g., zoning, subdivision, building size and location, required public improvements, and decisions affecting development of property within the boundaries of the District.

Construction of all Public Improvements shall be subject to and completed in conformity with all applicable ordinances, codes, standards, and regulations of the City.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan: means all City approved plans for the development of all or any part of the property within the District, including, without limitation, the Planned Unit Development Plan Guide and Site Plan, the Final Subdivision Plats and Subdivision Improvement Agreements, and as well as any site or construction plans approved by City staff from time to time and water, sewer, stormwater and drainage, traffic and transportation plans, as approved by the City.

Board: means the board of directors of the District.

City: means the City of Pueblo, Colorado.

City Approval: means approval by the City Council by resolution or ordinance, whichever is appropriate.

City Council: means the City Council of the City of Pueblo, Colorado.

City Improvement Agreement: means an agreement between the District and the City further clarifying the manner in which the District may utilize TIF Revenues and other legally available revenues toward the Eligible Public Improvements. Upon execution by the parties, the City Improvement Agreement shall be attached hereto and incorporated herein as **Addendum 1**.

City Maintenance Agreement: means an agreement between the District and the City defining those Public Improvements for which the District shall have responsibility for operating and maintaining, and shall include the applicable standards for the same. Upon execution by the parties, the City Maintenance Agreement shall be attached hereto and incorporated herein as **Addendum 2**.

Debt: means bonds or other financial obligations for the payment of which the District has promised to impose an *ad valorem* property tax mill levy, and/or any other legally available revenues of the District.

District: means the ThunderVillage Metropolitan District.

Eligible Public Improvements: means a part or all of the Public Improvements either within or outside the boundaries of the District for which TIF Revenues are pledged under the URA Financing Agreement for the planning, design, acquisition, construction, installation, relocation, redevelopment and/or financing, as the same may be further restricted or limited by the City Improvement Agreement, including without limitation, Public Improvements to the University Roadway network and drainage/detention

improvements that are part of the public improvement system for the Colorado State University-Pueblo that also serve or benefit the City.

Financial Plan: means the Financial Plan described in Section VI which describes (i) how the Public Improvements are to be financed; (ii) how the Debt is expected to be incurred; and (iii) the estimated operating revenue required for the first budget year.

Gallagher Adjustment: means adjustments to each component of the Maximum Mill Levy intended to offset the effect of adjustments to the ratio between market value and assessed value of taxable property within the District that would cause a reduction in the revenue otherwise produced from such mill levy based on the ratio between market value and assessed value starting with the year of the District's organizational election.

Interchange Construction: means construction of any part of the infrastructure required for the interchange at Highway 47 as the same may be required by the Colorado Department of Transportation and/or the Approved Development Plan.

Maximum Mill Levy: means a maximum mill levy that may be imposed upon property within the boundaries of the District for operational, maintenance, administrative and all other legal purposes of the District, as specifically set forth in Section VI(C).

Project: means the development of property within the Urban Renewal Plan for the ThunderVillage Urban Renewal Project Area, as approved by the City Council February 25, 2008.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described and authorized pursuant to the provisions of the Special District Act.

Service Area: means the property that is within the legal boundaries of the District at any given time.

Service Plan: means this service plan for the District approved by City Council.

Service Plan Amendment: means an amendment to the Service Plan approved by City Council in accordance with the City's ordinance and the applicable state law.

Special District Act: means Section 32-1-101, et seq., of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

TABOR: means Article X, Section 20 of the Constitution of the State of Colorado.

Taxable Property: means real or personal property within the Service Area subject to ad valorem taxes imposed by the District.

TIF Revenues: means those revenues received from the URA for property tax increment from commercially assessed property, as more specifically set forth in the URA Financing Agreement between the URA and the District.

URA: means the Urban Renewal Authority of Pueblo.

URA Financing Agreement: means the agreement between the URA and the District that shall set forth the provisions between the parties governing remittance of the TIF Revenues from the URA to the District and defining the Eligible Public Improvements for which TIF Revenues may be legally utilized, subject to the City Improvement Agreement. Upon execution by the parties, the URA Financing Agreement shall be attached hereto and incorporated herein as **Addendum 3**.

III. BOUNDARIES

The legal boundaries of the District include approximately nine hundred twenty-three (923) acres. A legal description of the District's boundaries is attached hereto as **Exhibit A**. A map of the District's boundaries is attached hereto as **Exhibit B**. It is not anticipated that the District's boundaries will change. Any inclusion or exclusion shall be subject to the prior approval of the City to ensure that the proposed boundary adjustments are consistent with the purposes and authorization set forth in this Service Plan. Any such inclusion or exclusion without the approval of the City shall be deemed a material modification.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The current assessed valuation of property currently within the Service Area is assumed to be \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the District's operation and maintenance requirements set forth in the City Maintenance Agreement. The population of the District at build-out is estimated to be approximately Five Thousand Six Hundred Ninety-Four (5,694) people.

Approval of this Service Plan by the City does not constitute or imply approval of the development of a specific area within the District, nor does it constitute or imply approval of the number of residential units or the total site/floor area of commercial or industrial buildings or any other development assumptions used in this Service Plan for forecasting purposes or any of the exhibits attached hereto, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District.

The District shall have the power and authority to provide the Public Improvements and related operations and maintenance services within and without the boundaries of the District, as such power and authority is described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein and in the URA Financing Agreement and the City Improvement Agreement.

B. Limitations of the District's Powers and Service Plan Amendment.

1. Operations and Maintenance Limitation. The District shall dedicate, subject to acceptance, certain Public Improvements to the City or other appropriate jurisdiction in a manner consistent with the Approved Development Plan, rules and regulations of the City and applicable provisions of the City's ordinances. Operation and maintenance of the dedicated Public Improvements by the District shall be governed by the provision of the City Maintenance Agreement. The District shall further be authorized to own, operate and maintain any part or all of the Public Improvements not required to be dedicated to the City or other appropriate jurisdiction. Determination of specific Public Improvements to be dedicated to the City and/or other governmental entities will be the subject of separate actions and agreements among interested parties.

2. Construction Standards Limitation. The District will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. The District will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

3. Consolidation and Dissolution Limitation. The District shall not file a request with any court to consolidate with another Title 32 district and shall not undertake dissolution proceedings without the prior written consent of the City. Any such consolidation or dissolution without prior written consent of the City shall be deemed a material modification.

4. Bankruptcy Limitation. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Mill Levy have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, C.R.S. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the "political or governmental powers" reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the "regulatory or electoral approval necessary under applicable nonbankruptcy law" as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Mill Levy for the purpose for which it is imposed, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the City as part of a Service Plan Amendment.

5. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances without the need for numerous amendments. No

modification shall be required for an action of the District which does not materially depart from the provisions of this Service Plan, the City Improvement Agreement, or the City Maintenance Agreement. Material modifications to this Service Plan may be made only in accordance with Section 32-1-207, C.R.S. Nothing herein is intended to modify or prevent the use of the provisions of Section 32-1-207(3) (b), C.R.S. A "material modification" means a material modification as set forth in Section 32-1-207, C.R.S. and as described in this Service Plan.

C. Preliminary Engineering Survey.

The District shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the District, subject to the limitations of the URA Financing Agreement and the City Improvement Agreement pertaining to the Eligible Public Improvements.

VI. FINANCIAL PLAN

A. General.

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the District. The Financial Plan for the District shall be to issue such Debt as the District can reasonably pay from the TIF Revenues and other legally available revenues. With the specific exception of bonds that may be issued in connection with the Interchange Construction, it is anticipated that the Debt shall be issued primarily in the form of reimbursement obligations to property owners for purposes of reimbursing such property owners for the actual costs associated with the Public Improvements and interests thereon. Multi-fiscal year reimbursement obligations will be permitted to be issued by the District in order to recognize the reimbursement obligations and may be paid from the TIF Revenues or from surplus revenues that may be derived from the five (5) mills of property tax levy permitted hereunder for operations and maintenance, but only after all maintenance obligations set forth under the City Maintenance Agreement have been satisfied. All such reimbursement obligations shall be issued on the basis of a multi-fiscal year cash flow instrument, requiring repayment to the respective property owner when, and if, the District has legally available revenues to do so. Subject to legally available revenues of the District, the total Debt that the District shall be authorized to issue shall be permitted to be issued on a schedule and in such year or years as the District determines shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the District may be payable from any and all legally available revenues of the District, including available revenues derived from the Maximum Mill Levy subject to the limitation and the purpose for which such mill levy is imposed pursuant to subsection VI(C) below.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. In the event of a default, the proposed maximum interest rate on any Debt is not expected to exceed eighteen percent (18%). The proposed maximum underwriting discount will

be three percent (3%). Debt, when issued, will comply with all relevant requirements of this Service Plan, and State law and Federal law as then applicable to the issuance of public securities.

C. Maximum Mill Levy.

Subject to the Gallagher Adjustment, the Maximum Mill Levy shall be limited to five (5) mills for operations and maintenance and other legal purposes of the District (including reimbursement to the property owners for the actual costs associated with Public Improvements but only after District obligations set forth in the City Maintenance Agreement have been satisfied) and up to ten (10) mills for funding the cost of the Interchange Construction. The District's ability to impose any mill levy for purposes of the Interchange Construction shall be conditional upon such construction being required by the Colorado Department of Transportation and/or the Approved Development Plan, and shall be expressly limited to use in funding the Interchange Construction.

D. Tax Increment Funding.

The District is authorized to receive TIF Revenues, which TIF Revenues may be used to construct the Eligible Public Improvements and/or reimburse funds that developers and/or owners of property within the District have advanced for construction of such Eligible Public Improvements. Use of the TIF Revenues for these purposes shall be expressly governed and limited by the provisions of the URA Financing Agreement and the City Improvement Agreement.

E. Conditions to Authority.

The authority of the District to certify any mill levy permitted hereunder and issue the reimbursement obligations authorized under Section VI (D) above is expressly conditional upon the following: (1) the District entering the URA Financing Agreement; (2) the District entering into the City Improvement Agreement, and; (3) the District entering into the City Maintenance Agreement. Notwithstanding the conditional authorization set forth in this Section, upon its organization, the District shall be expressly permitted to undertake all administrative action in order to comply with any Title 32 annual compliance issues that would otherwise affect its due organization or existence.

F. Security for Debt.

The District shall not have any authority to, and shall not, pledge any revenue or property of the City as security for the indebtedness set forth in this Service Plan. Approval of this Service Plan shall not be construed as imposing any liability on the City or as a guarantee by the City of payment of any of the District's obligations; nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the City for any of the District's obligations or, in the event of default by the District, in the payment of any such obligation.

G. TABOR Compliance.

The District will comply with the provisions of TABOR.

H. District's Operating Costs.

The estimated cost related to legal and accounting work in connection with the District's organization and initial legal, accounting and other costs pertaining to the District's initial operating budget and overall administration, including but not limited to statutory compliance are anticipated to be One Hundred Fifty Thousand Dollars (\$150,000), which will be eligible for reimbursement from legally available District mill levy revenues. It is not anticipated that the District will incur costs related to operations and maintenance of the Public Improvements in the first year following its organization.

VII. ANNUAL REPORT

A. General.

Unless otherwise directed by the City Manager of the City, the District shall be responsible for submitting an annual report to the City Manager's Office and the URA no later than August 1st of each year following the year in which the Order and Decree creating the District has been recorded.

B. Reporting of Significant Events.

The annual report shall include the following information and such other information as might be requested by the City Manager and/or the URA:

1. Boundary changes made or proposed to the District's boundaries as of December 31 of the prior year.
2. Intergovernmental Agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the District's rules and regulations, if any as of December 31 of the prior year.
4. A summary of any litigation which involves the District Public Improvements as of December 31 of the prior year.
5. Status of the District's construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the District for the current year.

8. Current year budget including a description of the Public Improvements to be constructed in such year.

9. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

11. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

VIII. CONCLUSION

It is submitted that this Service Plan for the District, as required by Section 32-1-203(2), C.R.S., and Section 32-1-204.5, C.R.S., establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the District;

2. The existing service in the area to be served by the District is inadequate for present and projected needs;

3. The District is capable of providing economical and sufficient service to the area within its proposed boundaries; and

4. The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

EXHIBIT A

Legal Description

EXHIBIT A

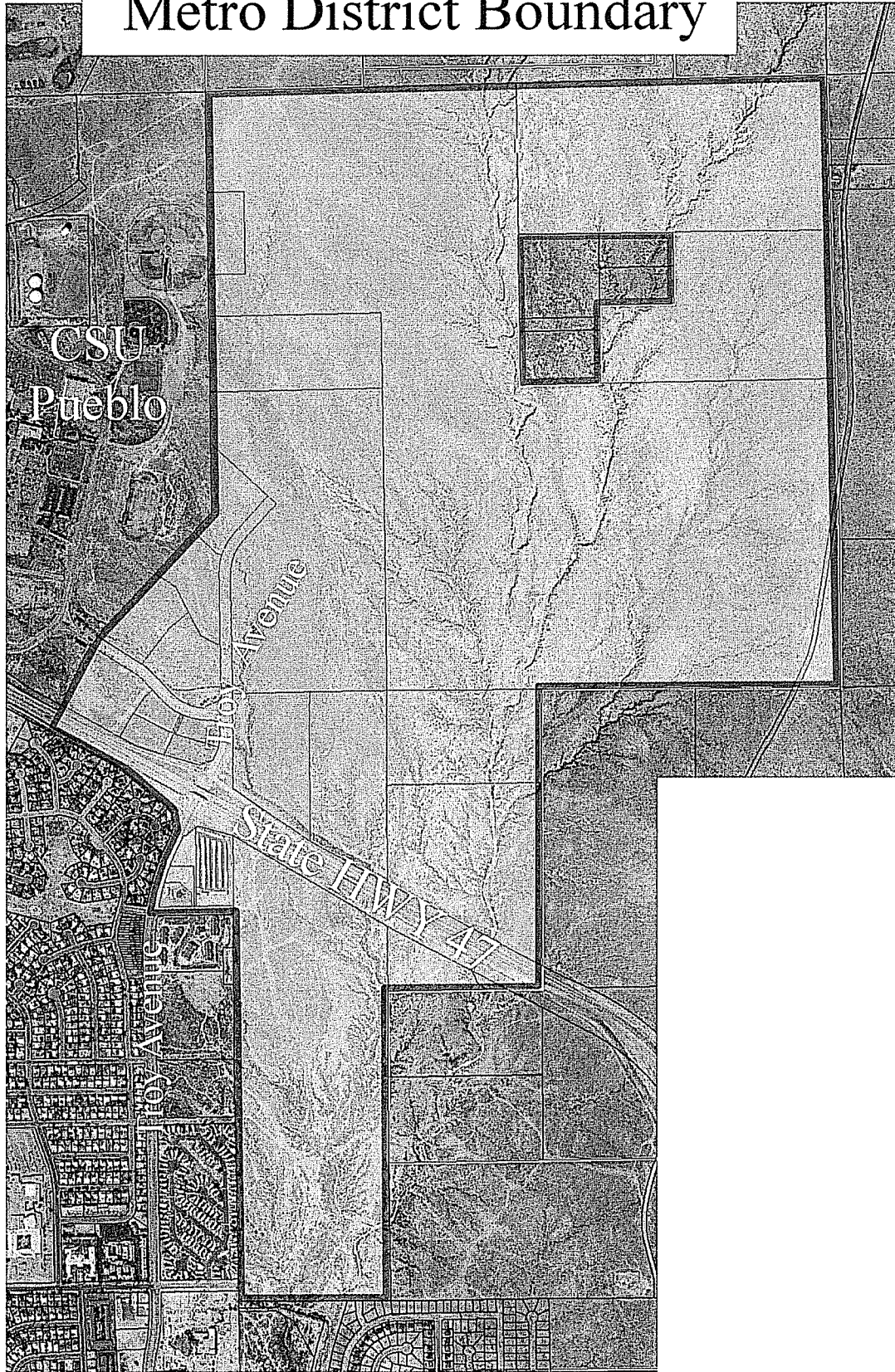
Beginning at the northwest corner of section 16, township 20 south, range 64 west, where it adjoins the easterly boundary of Colorado State University – Pueblo, thence eastward along the northern boundary line of Section 16 to the northeast corner of section 16, thence southward along the eastern boundary of Section 16 to the southeast corner of section 16, thence westward along the southern boundary of section 16 to the southwest corner of the southeast quarter of section 16, thence southward along the eastern boundary of the northwest quarter of section 21, township 20 south, range 64 west, to the southeast corner of the northwest quarter section, thence westward along the southern boundary of the northwest quarter of section 21 to the southwest corner of the easterly one-half of the northwest quarter of section 21, thence southward along the eastern boundary of the west one half of the southwest one quarter of section 21 to the southeast corner of the westerly one half of the southwest quarter of section 21, thence westward along the southern boundary of section 21 to the southwest corner of Section 21, thence northward along the western boundary of section 21 to the point of intersection with the southern right-of-way line of Drew Dix Drive, thence westward along the southern right-of-way line of Drew Dix Drive to the western right-of-way line of Troy Avenue, thence northward along the western right-of-way of Troy Avenue to the southern right-of-way line of State Highway 47, thence westward along the southern right-of-way line of State Highway 47 to a point that would be the southwest projection of the southeastern boundary line of Colorado State University – Pueblo, thence northeastward along the southeast boundary of Colorado State University – Pueblo to the point of intersection with the western boundary of Section 16, thence northward along the western boundary of Section 16 to the point of beginning, and excluding that portion of Section 16 which is not within the corporate limits of the City of Pueblo.

EXHIBIT B

District Boundary Map

ThunderVillage

Metro District Boundary



ADDENDUM 1

City Improvement Agreement

ADDENDUM 2

City Maintenance Agreement

ADDENDUM 3

URA Financing Agreement