

Colorado Springs “Special Districts 101.5”

Session No. 5

City Council Work Session December 9, 2019

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Session 5 Topics



- 1) Follow-up from Session #4
- 2) SIMDs (Special Improvement Maintenance Districts)
- 3) Special district financial obligations
- 4) Debt authorizations
- 5) Debt issuances

Updates from Session 4



- Question on “Civil Liabilities”, “Checks and Balances”, Fiduciary Responsibilities
 - From Councilman Geislinger

Response: To be addressed in final session (Session 7)

SIMDs (Special Improvement Maintenance Districts)



- Created Under City Code
 - But subject to relevant Colorado Revised Statutes and Colorado Constitution
- Maintain public improvements on rights-of-way or other City property
- Total of seven
 - All created from 1979-1989
 - Four created for then-new development projects (primarily residential)
 - Three maintain streetscape improvements installed in what were established business corridors
- All but Platte Avenue have fixed mill levies
 - Platte Avenue SIMD assesses based on street frontage
- No separate boards; Council acts as *de facto* board
 - They do have Council-appointed advisory committees
 - Council annually certifies mill levies and approves budgets
- Dedicated Parks Department employees manage the districts and budgets, and perform the work
- Separate attachment provided

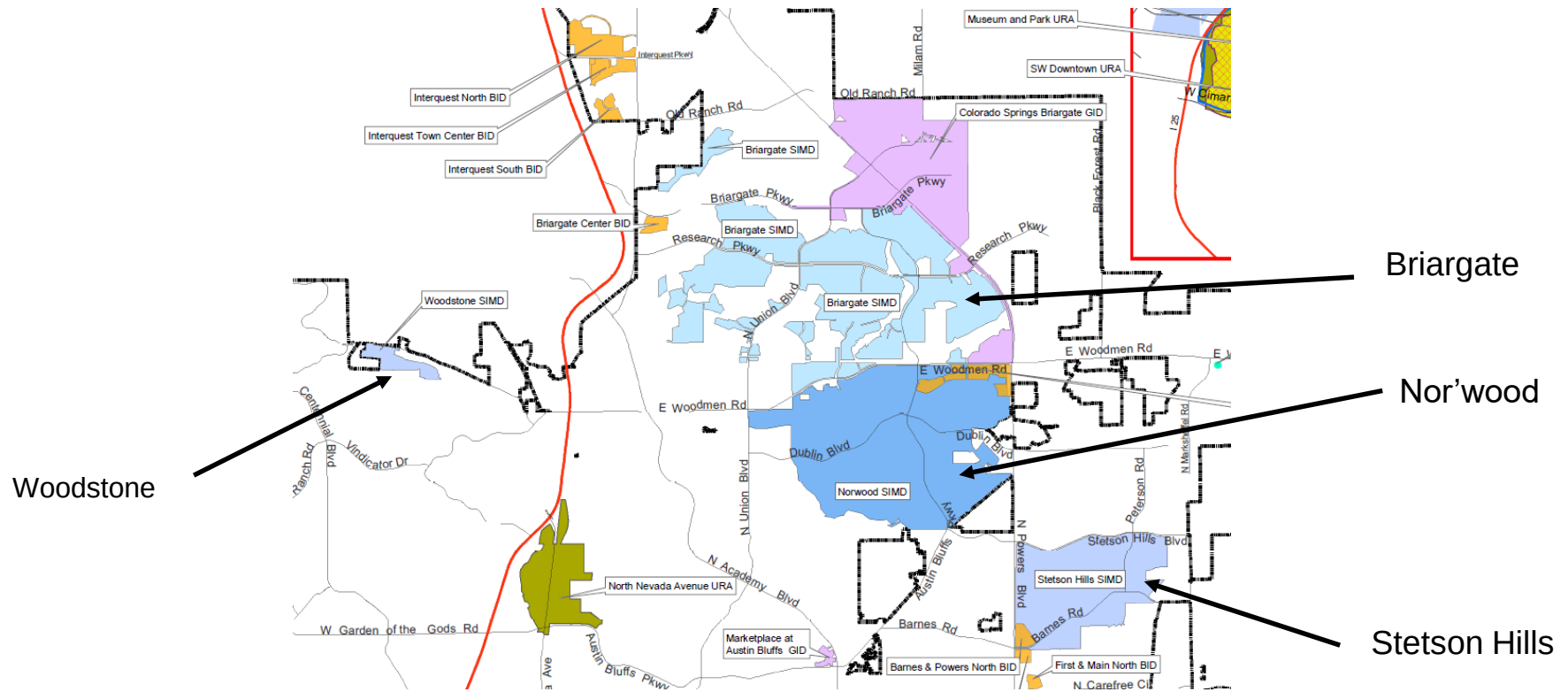
Existing SIMDs



Name	Date of Creation	2019 Mill Levy
Briargate	1983	4.409
Colorado Avenue Gateway	1988	1.009
Norwood	1981	3.995
Old Colorado City Security and Maint.	1979	13.416
Platte Avenue	1989	Assessed per front foot
Stetson Hills	1986	3.858
Woodstone	1986	3.615

Source: El Paso County Assessor; 2018 mill levy, payable in 2019

Existing Primarily Residential SIMDs

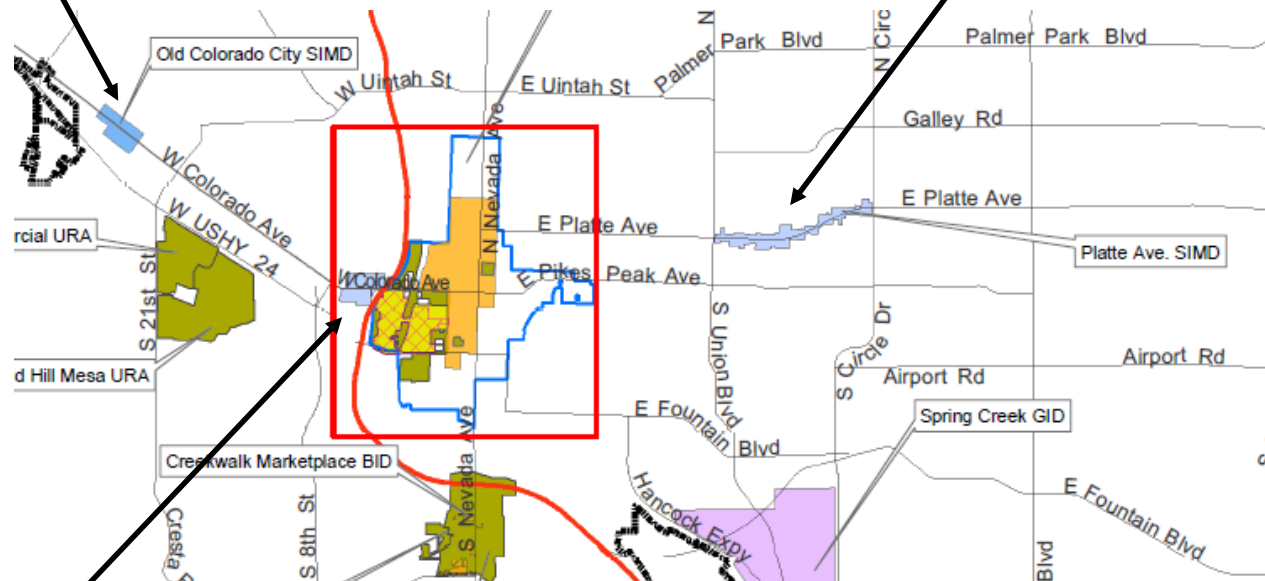


Existing “Business” SIMDs



Old Colorado City

Platte Avenue



Colorado Ave.
Gateway

SIMD Topics and Issues



- No new SIMDs in past 30 years
- Irrigation water costs are a concern with some SIMDs
- Capitalized maintenance costs are a concern with others
 - E.g. Old Colorado City Security and Maintenance SIMD
- Briargate SIMD boundary issues
 - Non-contiguous boundaries
 - Potential for conversion to a GID

Special District Financial Functions and/or Obligations



- **Costs of Creation** (not initially an obligation)
- **Administrative Overhead**
 - Reporting
 - Budgeting, accounting and auditing
 - Legal and elections
 - Other district management etc.
- **Ongoing Operations and Maintenance**
 - City owned property (e.g. landscaping on right-of-way)
 - Typically done without an IGA
 - District owned and maintained properties and facilities
 - E.g. parks, trails, detention ponds, community centers etc.
 - District-provided services and programs
 - E.g. trash service, internet, covenant enforcement

Functions and/or Obligations- Continued



- Contractual Obligations
 - Reimbursement agreements/ developer advances
 - Other contractual obligations
- Formally issued (multi-year) debt

Outwardly Facing Operations and Maintenance



- Types and extents vary greatly by district and may evolve over time
- Maintenance of improvements on district or non-districts properties
 - Some tied to development approvals; some provided as amenities
- Provision of services
- Some examples:
 - Streetscape landscaping and maintenance
 - Parks of various types and sizes
 - Common area maintenance
 - Community centers
 - Parking areas, drive aisles or garages
 - Sometimes including snowplowing
 - Covenant enforcement
 - Trash removal
 - Internet/broadband
 - Public art/ entry features

Developer Advances/ Reimbursement Agreements



- Agreements between developers and district(s)-
 - Not considered formal debt
 - Not a multi-year fiscal obligation
 - Subject to available revenues and annual appropriations
 - Inherently subordinate to any formally issued debt
 - Can be converted to formal debt or reimbursed directly (“pay as you go”)
 - May be for advances of operations and maintenance costs (particularly in early years)
 - Or for hard or soft public improvements costs
 - Per Special District Policy and Model Service Plans –No indebtedness for dedicated land costs
 - May accrue interest
 - Not directly addressed in Special District Policy, metropolitan district model service plans or BID operating plan and budget template
 - Typically disclosed in audits for districts are not audit-exempt
 - Annual activity reported in BID operating plans and budgets
 - Balances often greater than available district revenues/ debt issuance capacity

Existing Advances and Reimbursement Agreements



- Not applicable to GIDs or SIMDs
- Common with metropolitan districts and BIDs
 - Assumed for almost all developer-initiated districts, with continuing developer involvement
- Costs often accrued periodically as they are incurred
 - Balances can also change subject to:
 - Conversion to formal debt
 - Direct reimbursement by districts
 - Interest accrual if applicable

Formally Issued District Debt



- Multi-year fiscal obligations- not subject to annual appropriation
- Bond issues or commercial bank loans (or pledges)
- Ordinarily tax exempt
- City Council authorization required prior to issuance
 - Required by Special District Policy
 - May also be necessary to conform with City Charter
- District debt not an obligation of the City
- District/ Urban Renewal options
 - District or Urban Renewal Authority each with its own or other pledged revenues
 - District with an urban renewal TIF (tax increment financing)
 - Urban Renewal Authority with a District revenue pledge
- Private placement allowed subject to additional requirements
- May be for completed or planned public improvements
- Revenues may be based on primarily on existing valuation or future projections

Number of Districts That Have Issued Debt/ Amount of Debt Issued



- Council Authorization Required
 - Metropolitan district service plan and BID Operating Plan requirement
 - Circa 1993 City Charter provision requiring 2/3rds of entire Council to approve district debt in excess of 10% of assessed valuation
- BIDs
 - 10 have issued debt at this time
 - USAFA Visitors Center BID debt is approved and anticipated any day now
 - Southwest Downtown BID debt anticipated in near future
 - Two others may issue debt by year-end 2020
 - » Interquest Town Center BID
 - » MW Retail BID
 - Several have privately placed debt
- GIDs
 - Each of the 3 remaining GIDs have debt issued

Metropolitan District Debt



- About 29 metropolitan districts have issued debt or will in very near future; with one authorization pending

Interest Rates and Ratings



- Most district debt is unrated
- Typically higher relative and effective interest rates because:
 - Revenues limited to district boundaries
 - Mil levies (and fees) are capped
- Interest rates vary considerably based on:
 - Rates available at time of issuance
 - Available and projected AV (assessed valuations)
 - Coverage ratios
 - Private placement versus marketing
 - Senior or subordinate bonds
 - Any limits on debt service mill levy imposition terms

Recent Debt Issuance Trends and Issues



- Trend Toward Issuance of Senior and Subordinate Debt
 - “A, B and sometimes C” bonds
 - Improves coverage ratios of senior bonds
 - May allow for reimbursement of additional public improvements costs

Debt Authority and Status



- Voter- authorized maximums
 - Highest numbers; often allowing for overlap of purposes
- Maximum Council authorizations
 - Included in metropolitan district service plans, original BID ordinances, and/or subsequent annual approvals of BID plans
 - For multiple metropolitan district structures, there may be combined caps
- Formally issued debt
 - Limited in most cases by available or projected tax and fee revenues
- Pending debt issuances
 - Authorized but not yet issued
 - Authorization in process

Updated Schedule- Future Sessions



Session 6- January 13, 2019

- District powers and functions in addition to debt issuance
- District boards and elections/ TABOR

Session 7- January 27, 2019

- Contacts, annual reports, audits, data and disclosure
- Responsibilities/ checks and balances
- District dissolution, or conversion to resident boards
- Next steps