



Legislation Details (With Text)

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Title: A resolution of the City Council of the City of Colorado Springs, Colorado, approving an extension of time for the Woodmen Heights Metropolitan District No. 1 to issue second subordinate tax-supported revenue refunding bonds, originally referred to as Series 2012C, with the related bond documents

Sponsors:

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Attachments: 1. Woodmen Heights Refinance-Attachment 1-Slides, 2. Woodmen Heights Refinance -Attachment 2-Resolution, 3. Woodmen Heights Refinance-Attachment 3-Request, 4. Woodmen Heights Refinance-Attachment 4-Series C Bond Resolution, 5. Woodmen Heights Refinance-Attachment 5-Resolution 38-12

Date	Ver.	Action By	Action	Result
5/27/2014	1	City Council	adopted	Pass
5/12/2014	1	Council Work Session	referred	

A resolution of the City Council of the City of Colorado Springs, Colorado, approving an extension of time for the Woodmen Heights Metropolitan District No. 1 to issue second subordinate tax-supported revenue refunding bonds, originally referred to as Series 2012C, with the related bond documents.

Summary: On February 28, 2012, via Resolution 38-12 (“the 2012 Resolution”) City Council authorized the Woodmen Heights Metropolitan Districts (WHMD) to refinance existing debt and to issue some additional debt in the form of three (3) issues: Series 2012 A, B and C. The 2012 Resolution required all debt to be issued within one year of the date of Council approval. The Series A and B bonds have been issued, however the issuance of the Series C subordinate bonds has been delayed. Therefore, an extension of the original time period is required prior to issuance. Staff supports this extension based on no substantial change in the conditions or circumstances between the date of the prior approval and this time.

Previous Council Action: The Woodmen Heights Metropolitan Districts No. 1-3 (Districts) were established by election in November 2004, following approval by Council of a service plan on August 10, 2004 (Resolution No.178-04). On September 27, 2005, Council approved issuance of up to \$28,725,000 in bonds (Resolution 171-05). On October 25, 2005, City Council allowed for an increase in the par amount of the bonds up to no more than \$31,000,000 (Resolution 191-05). On August 14, 2007, City Council approved an amendment of the service plan (Resolution 144-07) to provide consistency with the City’s 2006 Special District Policy and Model Service Plan. On February 28, 2012 Council approved the issuance of Series 2012 A, B and C bonds in the not-to-exceed amounts of \$6,700,000, \$24,011,548 and \$6,139,878 respectively (Resolution 38-12). As noted the Series A and B refinancing bonds have subsequently been issued, while the Series C bonds have not been issued. On March 13, 2012 Council approved an amendment of the Consolidated Service Plan

for the Districts, which voluntarily reduced the maximum debt service mill levy for District 3 (the commercial district) from 50 to 30 mills, Gallagher-adjusted (Resolution 49-12).

Background: Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in commercial and residential areas, primarily utilizing a property tax mill levy as the revenue source. These districts are a separate legal entity from the City, but their service plan and the Special District Policy require City Council approval of all bond issues. The standard of review of the bond documents is consistency with the service plan.

The Woodmen Heights Metropolitan Districts include District No. 1 which is the master or control district, District No. 2 which includes the residential properties, and District No. 3 which is proposed to include commercial properties. In 2005, District No. 1 (the District) issued \$29,820,000 in debt at 7.0% interest in order to pay for public infrastructure that benefits the Districts. All of the usable proceeds of this issuance have been expended. In 2012 the District proposed and was approved for a refinancing plan to include three (3) related bond issues. The first two addressed the then-existing outstanding debt while the third would have addressed outstanding reimbursement amounts and agreements for public improvements between the District and various project developers.

Senior Tax-Supported Revenue Refunding Bonds, Series 2012A were issued for \$6,700,000 at 6.0% interest. This represented the portion of the existing, outstanding debt that could be fully serviced based on existing development and valuation as of 2012. Subordinate Convertible Capital Appreciation Tax-Supported Revenue Refunding Bonds, Series 2012B were issued for \$24,011,548 at 7.3% interest. These represented the proportion of the then-current debt for which repayment would be dependent on future development. A third issuance, Second Subordinate Tax-Supported Revenue Refunding Bonds, Series 2012C, were contemplated to be issued to convert \$6,139,878 in outstanding developer obligations (now accruing at an expected interest rate of up to 7.0%) to a 3.0% bond. The Series C bonds would not be paid until and unless the Series A and B bonds are fully paid off. The term of each of these bonds was or is expected to be 30 years.

Upon full issuance of the Series A, B and C bonds, total District bonded indebtedness will remain below the maximum of \$60,000,000 allowed in the service plan. Although the effective term of these bonds will be extended and some additional debt will be issued, the Council-imposed Maximum Debt Service Mill Levy Imposition term of 40 years for residential districts will not be exceeded.

The attached 2012 City Council Resolution had an added provision requiring these bonds to be issued within one year of City Council approval. The resolution also explicitly highlighted the 40-year maximum mill levy imposition term pertaining to residential metropolitan districts. This term began when the existing bonds were issued in 2005. The bond documents and City Council resolution were also evaluated with the intent to mitigate any concerns with the potential for “end user” capital debt service fees, even though this issue is not explicitly addressed in the approved service plan. Because these bonds were not, or will not be marketed, an opinion was provided by an external financial advisor that the proposed interest rates are consistent with or below rates that could have

been obtained had the bonds been marketed.

A maximum of 30.0 mills of property tax from Districts No. 2 and 3 have been or will be pledged toward debt service. In addition to the mill levy, the Districts have been assessing facilities fees related to subdivision platting. Additionally, there is a PILOT (Payment in Lieu of Taxes) Agreement pertaining to fees paid to the District for the Woodmen Valley Chapel, which is an otherwise tax exempt property. The bond documents recognize and clarify the use and flow of these revenues.

The District has provided an updated 2014 Series C bond resolution which is attached. This has been compared against the 2012 version and is substantially unchanged with the exception that the 2014 version reduces the maximum amount of these bonds from \$6,139,878 to an even \$6,100,000. This total amount may be issued in phases.

Financial Implications: Pursuant to the service plan, the City Special District Policy and the bond and loan documents themselves, the issuance of these bonds did not or will not constitute a financial obligation of the City. The documents will contain the limitations required by the City's Special District Policy.

Upon completion of this refinancing, the Woodmen Heights Metropolitan Districts will not have the capacity to finance any additional significant capital project costs over their currently authorized maximum mill levies and mill levy imposition terms. Therefore, any additional required public improvements will need to be financed via other methods.

Board/Commission Recommendation: The City's staff-level Special District Committee was provided with copies of the 2012 materials, and there were no adverse comments or concerns. The Committee has likewise been provided with this request to extend the time period for issuance of the Series C bonds and there have been no adverse comments or concerns.

Stakeholder process: Not applicable.

Alternative: City Council could choose to approve, deny or modify the proposed resolution allowing an extension of time to issue the subordinate Series C bonds.

Recommendation:

Approval of a resolution to extend by one year, the period within which to issue the Series C bonds in a form substantially consistent with the original 2012 City Council approval.

Proposed Motion:

Move approval of the resolution approving the issuance by the Woodmen Heights Metropolitan District No. 1 of a one-year extension of time to issue Second Subordinate Tax-Supported Revenue

Refunding Bonds, (originally referred to as Series 2012C), with the related bond documents.