



Legislation Details (With Text)

File #:	20-163	Version:	1	Name:	Stetson Ridge MD No. 3
Type:	Resolution	Status:		Status:	Mayor's Office
File created:	4/8/2020	In control:		In control:	City Council
On agenda:	5/26/2020	Final action:		Final action:	5/26/2020

Title: A Resolution authorizing the Stetson Ridge Metropolitan District No. 3 to issue debt in the form of General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A and Subordinate General Obligation Limited Tax Bonds, Series 2020B (3) in an aggregate total principal amount not to exceed \$10,500,000.

(Legislative)

Presenter:
Carl Schueler, Comprehensive Planning Manager, Planning & Community Development
Peter Wysocki, Director, Planning and Community Development

Sponsors:

Indexes: Issuance of Debt, Metropolitan District

Code sections:

Attachments: 1. Resolution_StetsonRidgeMetroDist, 2. PowerPoint, 3. Attachment 1-Transmittal letter, 4. Attachment 2- Term Sheet (as of 02.28.2020), 5. Attachment 3- Senior Indenture - 04-07-20, 6. Attachment 4- Subordinate Indenture - 04-07-20, 7. Attachment 5- Opinion of District Counsel, 8. Attachment 6- Series A Fin. Projections 4-14-20, 9. Attachment 7- Series B Fin. Projections 4-14-20, 10. Attachment 8- cost summary - all public infrastructure, 11. Attachment 9- Report 2R - 04.08.13 - RETech cost report, 12. Attachment 10- Report 3 - 05.09.13 - RETech cost report, 13. Signed Resolution 34-20.pdf

Date	Ver.	Action By	Action	Result
5/26/2020	1	City Council	adopted	Pass
5/11/2020	1	City Council Work Session	referred	

A resolution authorizing the Stetson Ridge Metropolitan District No. 3 to issue debt in the form of General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A and Subordinate General Obligation Limited Tax Bonds, Series 2020B (3) in an aggregate total principal amount not to exceed \$10,500,000.

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Summary:

The attached resolution will approve the issuance by the Stetson Ridge No. 3 Metropolitan District (“the District”) of bonds in an aggregate amount anticipated to be \$8,130,000 and the related bond documents. The District is proposing to issue this debt in the form of General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A senior bonds in an anticipated amount of

\$7,010,000 and Subordinate General Obligation Limited Tax Bonds, Series 2020B (3) in an anticipated amount of \$1,119,000.

The net revenues from these issuances will be used to refund existing bonds issued by this District in 2012. These have a remaining balance of about \$4.9 Million. The remaining available proceeds are proposed to be used to repay additional developer advances of funds expended for the installation of public infrastructure within the District.

Both the Series 2020A bonds and 2020B bonds are anticipated to be tax-exempt and externally marketed. The Series A bonds are anticipated to be investment grade rated and be publically sold at true interest rate of approximately 3.03%. The Series B bonds will be subordinate and unrated, and will operate as “cash flow bonds” with a higher interest rate of approximately 8.0%. The terms of these bonds will be limited to the 40-year maximum debt service mill levy imposition term applicable to this District.

The City’s Special District Policy requires that City Council approval be obtained prior to issuing of any formal debt for metropolitan districts. These bond issues are contemplated by the District’s Council-approved service plan. Copies of the bond documents and associated supporting materials are attached.

Approval of this debt issuance will require a 2/3rds majority of the entire City Council (at least six affirmative votes) pursuant to City Charter Article 7-100.

At their May 11, 2020 Work Session, Council did not request any changes or specific additional information. The agenda materials have been updated in some cases, but with no substantive changes.

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, with independently elected boards.

This metropolitan district is requesting authorization to issue tax-exempt bonds in the form of General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A and Subordinate General Obligation Limited Tax Bonds, Series 2020B(3) in an anticipated par amounts of \$7,010,000 and \$1,119,000. The requested “not-to-exceed” amounts for these authorizations are \$8,500,000 and \$2,000,000 respectively.

The Stetson Ridge Metropolitan District No. 3 (“the District”) was originally created in 2006. Stetson Ridge Metropolitan District Nos. 1 and 2 were created separately in the Year 2000. District No. 3 is considered a residential district and is subject to the standard Gallagher-adjusted mill levy caps (30.0 mills for debt service and up to 10.0 mills for operations and maintenance). The District is intended to provide financing and a source of reimbursement for qualifying improvements within the approximately 155-acre Stetson Ridge No. 3 district area, along some ongoing maintenance of shared public facilities, and covenant enforcement. Residential development in this district area is complete, with about 40,000 square feet of commercial development remaining.

The Series 2020A bonds would be investment grade rated and publically sold, with a true interest

rate of approximately 3.03%, calculated over the life of the bonds. The “A” bonds are structured to have a term of about 27 years (through 2047) and would discharge in that year, regardless of whether all of principal and interest payments have been made.

The Series 2020B bonds would be nonrated but also marketed, with an expected interest rate of 8.0% percent. The “B” bonds will operate as “cash flow bonds” with both interest expected to accrue in the early years. These bonds are projected to mature in 2042, and with a discharge in 2047.

Consistent with recent Council direction, the District has proposed “not-to-exceed” caps of \$8,500,000 for the “A” bonds and \$2,000,000 for the “B” bonds. These limits are incorporated within the draft City Council resolution. Also incorporated in the Council resolution is a provision requiring approval of Council in the event the District were to determine the “B” bonds needed to be privately placed.

The District’s current debt service and operational mill levies are Gallagher-adjusted, and are 27.538 and 11.015 mills, respectively. However, the full service plan- authorized and Gallagher-adjusted debt service mill levy of 30.00 mills is being pledged toward this debt, if needed.

In addition to refunding the approximately \$4.9 Million in existing 2012 bonded indebtedness of this District, the additional public improvements costs to be financed by this 2020 Bond consist of a portion of about \$7.2 Million in eligible costs described in the attached engineer’s estimate.

The Council-imposed \$11,000,000 limit on the aggregate total principal debt amount allowable for this District will not be exceeded, once this transaction and the associated refunding are completed.

These Series 2020 bonds will be structured to be “callable”, such that a future potentially resident board might possibly be in a position to refinance these obligations subject to future financial conditions. The Series A bonds are expected to have a call date in 10 years in accordance with market standards for investment grade rated bonds, and the B bonds would be subject to refunding in 5 years.

The City Council Budget Committee discussed this request at their April 28, 2020 meeting and had a limited number of clarifying questions including about the facility fees and PILOT (payment in lieu of taxes) authority of this district. It was verified that these revenue sources are not intended to be pledged toward these bonds. The Committee also asked for verification that the proposed discharge dates are consistent with the maximum 40-year debt service mill levy imposition term in this service plan.

Included as attachments are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Term sheet
- Draft district bond resolution
- Draft senior and subordinate bond indentures
- Financial projections
- Draft opinions from District bond counsel
- Draft opinion from District general counsel
- Summary of additional costs to be financed

Previous Council Action:

City Council approved a consolidated service plan for the Stetson Ridge No. 3 Metropolitan District on August 22, 2006 (Resolution 125-06). This District was formally created later in 2006. The original 2012 \$4,990,000 debt of this District was issued without express City Council authorization.

This agenda item was introduced in a City Council Work Session on May 11, 2020, at which time there no specific requests for further information or changes to the documents.

Financial Implications:

Pursuant to the District service plan, the City Special District Policy, and the bond documents themselves, the issuance of these bonds does not constitute a financial obligation of the City. The bond documents contain the limitations required by the City's Special District Policy. A draft opinion has been provided by the bond counsel for this metropolitan district, that the bond documents are consistent with the approved service plan and with the City Special District Policy.

Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Service Plan. The Service Plan contains a "Gallagher adjusted" maximum debt service mill levy 30 mills, which is subject to adjustment tied to any changes in the rate of assessment for residential property, as allowed for in the Service Plan.

City Council Appointed Board/Commission/Committee Recommendation:

N/A

Stakeholder Process:

The staff-level Special District Committee has been provided with the materials associated with this request. As of the date of this staff report no comments have been received.

Alternatives:

City Council could choose to approve, not approve or modify the proposed resolution.

Proposed Motion:

Move to adopt a resolution approving the issuance of debt in the form of General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A and Subordinate General Obligation Limited Tax Bonds, Series 2020B (3) in an aggregate total principal amount not to exceed \$10,500,000.

N/A