



Legislation Details (With Text)

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Title: A Resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of the Upper Cottonwood Creek Metropolitan District No. 4 Limited Tax General Obligation Bonds, Series 2023, and related bond documents in an amount not to exceed \$23,375,000 for a district located in the Wolf Ranch development in northern Colorado Springs.

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

Sponsors:

Indexes: Issuance of Debt, Metropolitan District

Code sections:

Attachments: 1. Resolution, 2. Applicant Upper Cottonwood Creek MD No 4 2023 BC PowerPoint, 3. 2023-02-02 Upper Cottonwood Creek MD No. 4 2023 - Bond Cash Flows, 4. 2023-02-02 Upper Cottonwood Creek MD No. 4 - 2023 LT GO Fairness Letter by RBC, 5. Draft Bond Resolution - UCC MD No. 4, 6. 2023 Draft GC Bond Opinion - UCC4, 7. Draft Bond Counsel Opinion - UCC MD No. 4, 8. Signed Resolution No. 41-23.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|---------------------------|----------|--------|
| 3/28/2023 | 1 | City Council | adopted | Pass |
| 3/13/2023 | 1 | City Council Work Session | referred | |

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of the Upper Cottonwood Creek Metropolitan District No. 4 Limited Tax General Obligation Bonds, Series 2023, and related bond documents in an amount not to exceed \$23,375,000 for a district located in the Wolf Ranch development in northern Colorado Springs.

Presenter

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

Summary:

The attached resolution will approve the issuance by the Upper Cottonwood Creek Metropolitan District No. 4 (“the District”) of Limited Tax General Obligation Bonds, Series 2023 in an amount not to exceed \$23,375,000 and the related bond documents. These bonds will be privately placed with the developer with an interest rate of 6.0%. This debt is being structured in the form of “draw down bonds” with successive draws to be taken in 2023, 2024 and 2025. This would be the third issuance of debt by this particular district. Based on the total of \$34,000,000 in debt authorized by this District, this 2023 issuance would effectively use up the remaining debt authorization.

The City’s Special District Policy requires that City Council approval be obtained prior to issuing of

any formal debt for metropolitan districts. This bond issue is contemplated by the District's Council-approved service plan. Copies of the bond documents and associated supporting materials are attached.

This agenda item was discussed by the City Council Budget Committee on February 28, 2023 and introduced at a Council Work Session on March 13, 2023. A summary of these discussions is provided below.

This property is located in City Council District No. 2.

Note: A summary of this item is provided with the PowerPoint included with the prior agenda item (debt issuance by District No. 3).

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.

The public improvements to be financed by this 2023 Bond consist of a portion of eligible completed street, water, sewer, and park and recreation improvements. A high-level summary of these costs is provided as an attachment to the immediately preceding agenda item. Essentially, this District No. 4 is being allocated an additional share of the remaining eligible costs for the overall Wolf Ranch project.

This District anticipates issuance of additional debt in the future, as the District continues to build out.

The Council-imposed \$34,000,000 limit on the aggregate total principal debt amount allowable for this District No. 4, will not be exceeded. However, there will be little or no remaining authorization. This will be the third debt issuance by this District. The first issuance of debt by this District was early in 2021 in the amount of \$5,095,000. The District issued an additional \$ 5,530,000 in bonds in early 2022, These 2023 Bonds will be repaid by a mill levy that will not exceed 34.311 mills per year, subject to additional Gallagher adjustments as described in the draft Bond Resolution. The 2023 Bonds will bear interest at 6% and are anticipated to finally mature on December 1, 2052.

This district is becoming substantially built out. Based on the accompanying cash flow projections, full buildout could be expected to occur within about 3-4 years.

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 being adjusted due to a change in the rate of assessment for residential property as allowed for in the Service Plan.

This agenda item was discussed by the Budget Committee on February 28, 2023. Clarifying questions were asked regarding the boundaries and buildout of the district and the status of the improvements to be funded. In this case it was represented that most but not all of the applicable improvements have been installed, with some "regional" improvements still in process. There was a question on the nature of the external advisor opinion and who it was provided by. District counsel

stated that District No. 3 has one resident board of directors member. Later, staff confirmed with counsel that for this district (No. 4) there are no resident board member, and there have been no responses for the self-nomination process for the upcoming May 2023 board elections.

This item was introduced at a Council Work Session on March 13, 2023, in conjunction with the following item concerning a proposed debt issuance by Upper Cottonwood Creek Metropolitan District No. 3. Certain clarifying questions were asked. However, there were no Council requests for changes or additional information.

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. Because these bonds will be privately placed, and therefore not subject to competitive marketing, a letter has also been provided by an external advisor with an opinion that the tax-exempt interest rate of 6% is reasonable.

These bonds are structured to have an optional call date of December 1, 2027, after which date the District board of directors would have the option of refinancing these bonds if conditions were favorable.

Because residential metropolitan districts also have an associated Maximum Debt Service Mill Levy Imposition Term of no longer than forty (40) years, the draft Council resolution also includes a final discharge date of no later than 2055.

City Charter Section 7-100 provides that the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

Board/Commission 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.

Previous Council Action:

The Wolf Ranch Master Plan was approved in 2001. In 2002, City Council first approved a joint service plan for the Upper Cottonwood Creek and Old Ranch Metropolitan Districts (Resolution 144-02). Council approved a consolidated service plan for the Upper Cottonwood Creek Metropolitan District Nos. 2, 3, 4 and 5 on March 28, 2006 (Resolution 38-06). On March 22, 2016 Council approved an Amendment to Service Plan to increase the Maximum Operating Mill Levy for Upper Cottonwood Creek Metropolitan District Nos. 3, 4, and 5 from 10.0 mills to 20.0 mills for so long as District Nos. 3, 4, and 5 continue to provide their respective current levels of service (Resolution 30-16). On March 9, 2021, Council authorized issuance of \$5,095,000 in debt by this District (Resolution 31-21). On October 26, 2021 Council approved a second service plan amendment which modified

the structure of these Districts and reallocated maximum debt limits among the Districts. On November 23, 2021 Council authorized a second issuance of \$5,530,000 in debt by this District (Resolution 178-21).

Alternatives:

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

Proposed Motion:

Adopt a resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds, Series 2023 in an amount not to exceed \$23,375,000 for the Upper Cottonwood Creek Metropolitan District No. 4. for a district located in the Wolf Ranch development in northern Colorado Springs.

Summary of Ordinance Language

N/A