



Legislation Details (With Text)

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Title: Authorization of Dublin North Metropolitan District No. 2 to Issue up to \$2,000,000 in Debt as a Limited Tax General Obligation Loan
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Indexes: Metropolitan District
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Attachments: 1. Dublin North Loan Resolution, 2. Dublin North-Loan Agreement, 3. Dublin North-Financial Plan, 4. Dublin North-NBH Term Sheet, 5. Opinion of Bond Counsel, 6. Opinion of General Counsel

Date	Ver.	Action By	Action	Result
11/10/2014	1	City Council	adopted	Pass
10/27/2014	1	Council Work Session	referred	

Authorization of Dublin North Metropolitan District No. 2 to Issue up to \$2,000,000 in Debt as a Limited Tax General Obligation Loan

From:
Peter Wysocki, Planning and Development Director, Planning and Development Department

Summary:
This introduces a request to approve issuance of formal debt in an aggregate amount of up to \$2,000,000 by the Dublin North Metropolitan District No. 2 ("District") in the form of a bank loan. The City's Special District Policy and the District's approved service plan require that City Council's approval be obtained prior to issuing any debt. Formal City Council action on this item would occur on November 10, 2014.

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.

Previous Council Action:
The District was established by election in May 2008, following approval by Council of a service plan earlier that year (Resolution No. 53-08). In 2012, Council made special appointments to the board of this District because it no longer had any eligible sitting board members. Council has approved a variety of land use actions for this project area during the past few years.

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 plans and the Special District Policy require City Council approval of all formal debt. The standard of review of the debt instruments is consistency with the service plan and all applicable laws.

The proposed debt instrument, which is a loan agreement, is attached. This debt will be in the form of a tax-exempt bank-held loan that will have a term of approximately ten years and will be structured in the form of two notes: Note 1 and Note 2. The balance of Note 1 will be distributed immediately upon closing to reimburse the developer for public improvements costs already incurred, while Note 2 would be a 'draw down' loan that is triggered upon completion of future improvements and/or when a determined amount of assessed valuation is in place to support the debt.

The improvements to be financed generally consist of the following streets, sidewalks, water, sewer, storm sewer and some landscaping improvements. These improvements are associated with Dublin Road, Wexford Lane, Sandyford Lane, Kilkenny Court, Donahue Drive, Finglas Drive, Vickie Lane and Edmondstown Drive.

The exact interest rate on Note 1 will be determined at or immediately prior to closing. This rate is expected to range from about 2.4% to 3.28% over the term of this note. The rate is indexed to a formula tied to what is known as the LIBOR (London Interbank Offered Rate)- much like the Prime Rate. The Note 2 interest rate will be based on a formula tied to the LIBOR. Certain events, such as failure to make timely payments or an adverse ruling on tax-exempt status will trigger increases on the rate; however, the rates are capped in accordance with the service plan. The only pledged revenues for this loan will be the maximum allowable debt service mill levy of 30.00 mills along with the associated specific ownership taxes.

The District has submitted preliminary opinions of its general counsel and its bond counsel. Copies of those are included.

The attached resolution has an added provision requiring the closing of this loan to occur within one year of City Council approval. Loan documents have been 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.

Financial Implications:

Pursuant to the service plan, the City Special District Policy, and the loan documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the limitations required by the City's Special District Policy. Because the debt will be placed with a financial institution and is not technically marketed, a letter will be provided by an external advisor with an opinion regarding the "fairness and feasibility of the interest rate and the structure of the debt". The District has solicited offers from several lenders and this will not be a related party transaction.

With this issuance, the total combined debt of the District will remain well below the maximum of \$10,000,000 authorized by the service plan. The loan documents are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the property owners. Although there is some potential for upward movement in the interest rate, there are maximum caps, and in any case the maximum exposure to resident property owners is limited to the debt service levy of 30.0 mills, Gallagher adjusted.

City Charter Article 7-100 requires that the total Debt of any proposed district shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire Council. The maximum capped mill levy and other provisions of the loan agreement, as well as representations from the District that the loan complies with the service plan and all applicable laws, provide a basis for Council's decision.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have been in support and/or stated no concerns.

Stakeholder Process:

Not applicable.

Alternatives:

City Council could choose to approve, deny or modify the proposed resolution.

Proposed Motion:

Move approval of the resolution approving the issuance by the Dublin North Metropolitan District No. 2 of a Taxable Limited Tax General Obligation Loan in principal amount not to exceed \$2,000,000.

Not applicable.