



Legislation Text

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A Resolution Approving the Issuance of Debt by Banning Lewis Ranch Metropolitan District No. 2 in the Form of Series 2016 Unlimited General Obligation Refunding Bonds (Legislative Item)

(Legislative)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Summary:

This is a request to approve issuance of formal debt in an aggregate amount of up to \$10,780,000 by the Banning Lewis Ranch Metropolitan District No. 2 ("District") in the form of unlimited general obligation refunding bonds, to be repaid from property tax, and other allowable District revenues. The City's Special District Policy and the District's service plan require that City Council's approval be obtained prior to issuing any debt. Approval of debt with an "unlimited" mill levy when the aggregate principal amount of the debt exceeds 3% (three percent) of the Assessor's market value of the property, is contingent on approval of the service plan amendment request being considered as the immediately preceding item on this agenda.

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

Previous Council Action:

On September 13, 2005, City Council approved the formation and service plan of the Banning Lewis Ranch Metropolitan Districts No. 1-7 (the "Districts") by Resolution No. 162-05. City Council has subsequently approved an Amended and Consolidated Plan (the "Service Plan") for the Districts No. 1-5 and 7, by Resolution No. 52-08 adopted on March 11, 2008. On May 26, 2009, by Resolution 118-09, City Council amended the 2008 Service Plan. On April 9, 2013 City Council approved the issuance of up to \$8,500,000 in initial debt for this District in the form of a bank-owned limited general obligation tax bonds, by Resolution No. 33-13. 2014 Series B limited tax general obligation tax subordinate bonds in an amount not to exceed \$3,000,000 were approved by City Council on April 22, 2014, 2014 Resolution No. 41-14.

This item was introduced at an October 24, 2016 Informal City Council Work Session.

Background:

Please refer to the immediately preceding agenda item for additional background.

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements, primarily utilizing a property tax mill levy as the revenue source. These

districts are separate legal entities from the City, but their service plans 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 is anticipated to be in the form of unlimited general obligation refunding bonds to be used solely to refinance the existing debt of the District. The interest rate will be formally established at the time of closing but is expected to be approximately 3.30%. The term of the bonds will be 30 years. The bonds will be repaid from a reduced debt service mill levy of 23.0 mills along with applicable specific ownership tax revenue.

This item could support the following Strategic Plan objective:

“Facilitate intergovernmental cooperation and regionalization to support efforts that provide efficiencies and improve services.”

Financial Implications:

As also discussed under the preceding agenda item, this decision represents basic risk management trade-off associated with the strong likelihood of lower overall tax and financing cost for resident property balanced against possibility of escalating mill levies in the relatively unlikely circumstance that property values in this area would decline substantially. Because the debt service mill levy would start out (and is intended to remain at) 23.0 mills, AV (assessed valuation) would need to decrease by about 24% before a greater-than-30.0 mill levy scenario could be triggered.

It should be noted that mature entities including cities, towns and utilities often issue debt with an unlimited pledge of applicable revenues.

City Charter section 7-100 requires that the total debt of any proposed district shall not exceed ten percent (10%) 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.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. One member of the Committee expressed initial concern with the proposed service plan amendment and asked questions about the origin and intent of the current policy. No other comments or concerns have been stated.

Stakeholder Process:

The resident-controlled board of directors of this District recommends approval of this proposed bond issue and has provided communication and outreach to other property owners including by e-mail and social media. It has been represented that, although there originally were questions, at this time there is substantial support for this opportunity for refinancing, and there is no significant opposition.

Alternatives:

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

Proposed Motion:

Move adoption of the resolution approving the issuance of debt by the Banning Lewis Ranch

Metropolitan District No. 2 in the form of Unlimited General Obligation Refunding Bonds, not to exceed \$10,780,000.

N/A