



Legislation Text

File #: 23-515, **Version:** 1

A Resolution of the City Council of the City of Colorado Springs, amending the previously approved Issuance of Debt by the Copper Ridge Metropolitan District in the form of a Tax-Exempt Bank Loan in a principal amount of up to \$24,530,000. (Legislative Item)

Presenter:

Mike Tassi, Assistant Director, Planning and Community Development
Peter Wysocki, Director of Planning and Community Development

Summary:

This is a request to amend a recently approved resolution, issuing additional debt from \$20,770,000 to \$24,530,000 by the Copper Ridge Metropolitan District ("District") in the form of a General Obligation and Revenue Supported Improvement Loan, series 2023 (Tax-Exempt Bank Loan) to be repaid primarily from the District's share of Pikes Peak Rural Transportation Authority ("PPRTA") funding in addition to a combination of property tax and public improvement fee (PIF) revenues. The revised debt amount also includes an interest rate increase from 6.6% to 8.2%.

Approval of this amended 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.

This District is located in City Council District 2.

Background:

Metropolitan districts are created under Colorado Statute and City Policy to finance and/ 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 Copper Ridge Metropolitan District has undertaken a series of formal new debt or refinancing issuances, beginning in 2013.

This proposed issuance is anticipated to be in the form of a tax-exempt commercial bank loan that will provide \$22,300,000 in additional proceeds to be used to construct the Voyager bridge over Powers and associated improvements (a PPRTA project). The interest rate will be formally established at the time of closing but is expected to be approximately 7.18%. The term of this additional loan will be up to 4.5 years from closing. The \$22,300,000 is broken down as follows:

- \$18,500,000 - project fund - refunded by PPRTA
- \$3,000,000 - capitalized interest
- \$100,000 - debt service reserve fund
- \$700,000 - cost of issuance

The loan will be repaid from the District's share of PPRTA funding (\$18,500,000) existing debt service mill levy of a maximum of 50 mills along with applicable specific ownership tax revenue, and revenue from the currently established 1.00% PIF applicable to sales within the District.

The maximum issuance and interest rate in the proposed resolution are slightly higher than what is shown in the Financial Plan (attached) and included in the Council Letter (attached). The request is for 10% over above the term sheet for the maximum issuance (\$24,530,000) and 100 basis points over the maximum interest rate (8.2%). This is proposed as a contingency to accommodate any future increases between the potential City Council approval of the amended resolution and time of closing.

For the sake of clarity, the following table shows the differences between the approved debt issuance from July 25, 2023, to the proposed amendment now before the City Council.

	Approved Resolution/Financial Plan	Amended Financial Plan	Amended Maximum Authorization
Project Fund	\$17,000,000	\$18,500,000	
Capitalized Interest	\$3,000,000	\$3,000,000	
Reserve Fund	\$100,000	\$100,000	
Cost of Issuance/rounding	\$670,000	\$700,000	
Total PAR Amount	\$20,770,000	\$22,300,000	\$24,530,000
Interest Rate	6.6%	7.18%	8.2%

Financial Implications:

Pursuant to the District's 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 contain the limitations required by the City's Special District Policy. This debt is being arranged with a third-party financial institution, but it has not been actively marketed. A letter has been provided by an external financial advisor with an opinion regarding the "fairness and feasibility of the interest rate and the structure of the debt".

City Charter Article 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.

Previous Council Action:

The District was established by an election in May 2008 following adoption by Council of a resolution authorizing creation of the District (Resolution No. 51-08). In 2010 City Council approved an urban renewal plan for the area where the District is located. In 2013, Council approved an initial debt issuance of \$1,850,000 in the form of a general obligation loan (Resolution No, 111-13). In 2014, Council authorized issuance of up to \$3,000,000 in debt as an additional loan (Resolution No, 63-14). On June 14, 2016, Council approved issuance of up to \$11,250,000 in debt in the form of a limited tax general obligation loan (Resolution No, 61-16). On February 13, 2018, Council authorized

issuance of up to \$6,000,000 in additional debt in the form of another bank loan (Resolution No. 8-18).

On May 28, 2019, Council approved Resolution No, 52-19 authorizing debt to be issued an amount not-to-exceed \$61,000,000. On September 10, 2019, Council approved a request to increase that authorization to up to \$70,000.000 (Resolution 84-19). Council has also approved several actions pertinent to the urban renewal designation for this area.

On July 25, 2023, City Council approved Resolution No. 98-23 authorizing a debt issuance in the form of a bank loan for up to \$20,770,000 with an interest rate of 6.6%

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. No comments or concerns were expressed.

Stakeholder Process:

N/A

Alternatives:

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

Proposed Motion:

Move to adopt a resolution authorizing and amending the issuance of debt by the Copper Ridge Metropolitan District in the form of a General Obligation and Revenue Supported Improvement Loan, series 2023 (Tax-Exempt Bank Loan)

N/A