



Legislation Text

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A Resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed \$7,800,000 for the Upper Cottonwood Creek Metropolitan District No. 2

Presenter:

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Summary:

The attached resolution will approve the issuance by the Upper Cottonwood Creek Metropolitan District No. 2 ("the District") of Limited Tax General Obligation Bonds, Series 2018 in an amount not to exceed \$7,800,000 and the related bond documents.

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 item was discussed at the March 13, 2018 City Council Budget Committee meeting.

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 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). Council authorized issuance of up to \$2,250,000.00 in debt for District No. 2 on October 26, 2010 (Resolution 184-10). 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). As such, the 2016 operational mill levy increase does not affect this District No. 2.

This item was introduced at the March 12, 2018 City Council Work Session at which time there was no request for additional information.

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 the 2018 Bond consist of street, water, sewer, and park and recreation improvements, together with all necessary incidental, and appurtenant facilities, equipment, land and easements and extension of any improvements to said facilities. The Council-imposed \$25,000,000 limit on the aggregate total principal debt amount allowable will not be exceeded. The 2018 Bond will be repaid by a mill levy that will not exceed 33.166 mills per year, subject to additional Gallagher adjustments as described in the Bond Resolution. The 2018 Bond will bear interest at 6%, and will finally mature on December 1, 2047.

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. The enclosed tax levy analysis completed by RBC Capital Markets Corporation reflects an anticipated debt service mill levy amount of 33.166 mills. Because the assessment rate for residential property has decreased as a proportion of market value, the net impact of the higher mill levy is effectively neutral in terms of the amount of tax generated from a given amount of market value.

This item was presented at the March 13, 2018 City Council Budget Committee. Additional information or modifications were not requested at this meeting.

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. Because this is a largely developed property, there is a limited increase in assessed value projected over the life of these bonds. Therefore, there is limited risk associated with uncertain rates of future development.

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 in 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 provide a basis for this decision.

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.

Alternatives:

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

Proposed Motion:

Move to adopt a resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed \$7,800,000 for the Upper Cottonwood Creek Metropolitan District No. 2

N/A