



Legislation Text

File #: 20-504, **Version:** 1

Resolution authorizing the Banning Lewis Ranch Metropolitan District No. 3 to Issue Series 2020 General Obligation Limited Tax Refunding Bonds in an Aggregate Principal Amount Not to Exceed \$11,000,000.

(Legislative)

Presenter:

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

Summary:

This is a request to approve issuance of formal debt in an aggregate principal amount of approximately 10,000,000 by the Banning Lewis Ranch District No. 3 (“District”) in the form of a refunding bond issue. 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.

Refunding of the Series 2015A and B bonds previously issued by his District is projected to result in a net present value benefit to the District taxpayers, and will provide the resident board of directors of this District with an opportunity to reduce the debt service mill levy, at their discretion.

This request was introduced at the October 12, 2020 City Council Work Session at which time there were no additional questions or comments.

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.

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 City’s 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 Series 2020 bonds are anticipated to be non-taxable, marketed to third parties, and used to refund the existing Series 2015A Limited Tax General Obligation Bonds and Series 2015B Subordinate Cash Flow Bonds previously issued by this District. The new interest rate is expected to average about 2.67% over the life of the bonds, subject to pricing in conjunction with closing. The maturity date of the bonds is expected to be 2045 which would be the same as is now in place for the 2015 bonds. Pursuant to the Service Plan and the Special District Policy, because this District is

residential, a debt service mill levy cannot be in place for more than forty (40) years in any case. Therefore, the bond documents and the draft City resolution establish a maximum Year 2053 discharge date for these bonds.

Pledged revenues for each bond issue will continue to include the maximum capped debt service mill levy of 30.000 mills along with associated specific ownership taxes and a \$1,000 per lot system development fee charge at the time of lot sales (however noting this District is essentially all built out). The current Gallagher adjusted debt service mill levy is 33.398 mills.

When the consolidated plan for the multiple Banning Lewis Ranch Metropolitan Districts was first approved and implemented, District No. 1 was legally described as a small developer-owned parcel (the boundaries of which has subsequently been moved). Districts No. 2-7 were initially established as small “holding type” parcels with the intent of being “rolled out” in conjunction with the development of the overall master plan as it evolved. Districts 2-5 are the residential districts and Districts 6 and 7 have subsequently been re-purposed as regional overlay districts with their own restated service plans.

The improvements that were financed by the 2015 bonds generally consisted of streets, sidewalks, water, sewer, storm sewer and park/trail improvements.

Council’s role is to approve the “form” of the debt subject to minor changes (e.g. final interest rates, and some other final wording) that will occur prior to actual closing.

The attached resolution has a standard provision requiring the closing on these bonds to occur within one year of City Council approval.

The attachments are provided:

- Draft City Council resolution
- Transmittal letter from District
- Term Sheet
- DA Davidson PowerPoint summary of the proposed refunding
- Financial projections
- Draft statement of Indenture
- Draft compliance letter from bond counsel

This item was considered by the City Council Budget Committee on September 22, 2020. The Committee was supportive of this refinancing, but expressed a concern regarding the proposed “not-to-exceed” contingency of \$13,000,000 given the representation that about \$10,000,000 was expected to be issued. Their preference was for a contingency of no more than 10% greater than the anticipated principal amount, without unique justification. The District’s bond underwriters (DA Davidson) have subsequently responded that a 10% contingency is adequate in this case, and the draft Council resolution has been amended to reflect a not to exceed principal amount of \$11,000,000.

Previous Council Action:

The Banning Lewis Ranch Metropolitan Districts No. 1-7 (“Districts”) were established by election in

November 2005, following approval by Council of an initial service plan in that year (Resolution No. 162-05). On March 11, 2008, Council approved an amended and consolidated plan (“the Service Plan”) for District Nos. 1-5 and 7 (Resolution No. 52-08). Note: former District No. 6 has been reorganized into distinct regional metropolitan district pertaining specifically to wastewater improvements. On May 26, 2009, Council approved a minor amendment to the Service Plan to clarify overall debt authorizations within each district (Resolution No. 118-09). In 2013 and again in 2014 Council authorized issuance of bonds for Banning Lewis Ranch District No. 2. On October 27, 2015 Council authorized the initial issuance of debt by this District in the form of the currently outstanding 2015 Series A and B bonds (Resolution 108-15),

Financial Implications:

Pursuant to the service plan, the City Special District Policy, and the bond documents, the issuance of this debt does not constitute a financial obligation of the City.

With this refinancing, the formally issued debt of the District will remain well below the maximum of \$100,000,000 debt amount authorized by the service plan. The bond documents are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the tax paying property owners.

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.

City Council Appointed Board/Commission/Committee Recommendation:

The City’s staff-level Special District Committee has been provided copies of these materials. All comments received have stated no concerns.

Stakeholder Process:

N/A

Alternatives:

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

Proposed Motion:

Approve the Resolution Authorizing the Banning Lewis Ranch Metropolitan District No. 3 to Issue Series 2020 General Obligation Limited Tax Refunding Bonds in an Aggregate Principal Amount Not to Exceed \$11,000,000.

N/A