



Legislation Text

File #: 16-00101, **Version:** 2

Resolution approving an amendment to the Service Plan for the Upper Cottonwood Creek Metropolitan District Nos. 2, 3, 4 and 5.

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development Department

Summary:

This service plan amendment would allow Upper Cottonwood Creek Metropolitan District Nos. 3, 4 and 5 to certify an operational mill levy of up to 20.0 mills. The current service plan limits the operational mill levy to 10.0 mills, which is consistent with the City's Model Service Plans and 2006 Special District Policy. The increase would be applicable only to District Nos. 3, 4 and 5, which are currently undeveloped. The maximum operational mill levy would remain at 10.0 mills for previously developed areas in the Upper Cottonwood Creek Metropolitan Districts, specifically Districts No. 1 and No. 2.

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).

This item was introduced at the March 7, 2016 Council Work Session.

Background:

Along with the Old Ranch Metropolitan District, the Upper Cottonwood Creek Metropolitan Districts (the "Districts") provide financing and a source of reimbursement for qualifying public improvements within the Wolf Ranch development (refer to attached Wolf Ranch Master Plan and District Facilities Maps). Additionally, the Districts provide significant ongoing ownership and operational functions within this development including maintaining parks, entry features, streetscape landscaping, and operating a recreation center. Future improvements are anticipated to add to these operations and maintenance requirements (e.g. additional parks, streetscapes and potentially another recreation center).

The structure of these Districts originated in the year 2002 with City approval of a service plan for the Old Ranch and Upper Cottonwood Creek Metropolitan District ("UCCMD"). The Old Ranch District was intended to function as the small servicing or master district with UCCMD serving as the financing district for the balance of the development. With these two districts, there was no stated intention to provide ongoing facilities maintenance or services. These districts were also limited to a

combined mill levy of only 20.0 mills (Gallagher adjusted). In 2006, in response to more liberal special district policy, the developers of the property came back to the City with a consolidated service plan for District Nos. 2-5, which allowed a higher combined residential district mill levy (30.0 mills for debt service and 10.0 for operations) and contemplated ongoing operational and service functions. District Nos. 2-4 were identified as the residential districts and District No. 5 was reserved as the commercial district. Residential properties developed from 2006 on have been included in District No. 2. District Nos. 3-5 have been held in reserve for future development.

The Districts and the developer have provided a detailed accounting of the accumulated balance of developer advances for operational purposes through 2015 (over \$3,000,000). They have also projected their operations and maintenance costs over the next 20 years. By this accounting, the predicted shortfall would grow by about \$9,000,000 during that period. These developer advances are currently accumulating without interest. By increasing the operational mill levy from 10.0 to 20.0 mills for new areas, the projection shows that operations could be funded at current levels, and developer advances could be fully reimbursed over time and eliminated as an ongoing need.

Alternatives to not increasing this mill levy would presumably include some combination of forgone developer reimbursements, new or increased District fees for services, a possible shifting of responsibilities to other entities such as HOAs (with their fees or assessments), or a reduction in service levels. As this development matures, the option of continuing to rely on operational subsidies will become infeasible.

The adoption of the 2006 Special District Policy and its associated Model Service Plans established the current 10.0 mill Maximum Operating Mill levy policy.

There is one existing metro district service plan, which serves as precedent for an increase in operational mill levies beyond the current cap of 10.0 as provided in the Special District Policy. The Banning Lewis Ranch (BLR) Metropolitan Districts have been allowed 20.0 mills since 2008 based on a somewhat similar justification. The developing areas of BLR are effectively responsible for constructing and maintaining their neighborhood parks, trails, landscaping and common areas. A recreation/community center is supported, with more such facilities anticipated.

If the request to allow for an increase of the operational mill levy to 20.0 mills is approved, City Council should be aware of prospective policy implications and choices. There are other metropolitan districts in the City that do or could have similar circumstances, including a combination of requirements (ownership and maintenance of parks) combined with amenities (enhanced landscaping and community/recreation centers). If these other districts were to make a sufficiently similar case, it would be logical to also approve corresponding operating mill levy increases for them.

There may be some internal equity issues associated with the emerging difference among the operational mill levy caps in the Upper Cottonwood Creek Metropolitan (UCCM) Districts. The original UCCM District is limited to a Gallagher-adjusted 4.02 mills for operations, with UCCM District Nos. 2-5 now limited to 10.0 mills. The proposed amendment would effectively result in three different operational mill levies, based primarily on the timing of the underlying development. If District Nos. 3-5 go to 20.0 mills there will be a significant difference in what property owners will be paying in property taxes for similar amenities and services. Given the pragmatic challenges associated with voter approval of mill levy increases in developed areas, the only practical alternatives are to either maintain an inequity or charge differential fees among districts.

Another policy issue relates to the presumption that areas with higher combined property tax mill levies may be less inclined to support City-wide, region-wide or possibly school district property tax issues if residents believe they are already being taxed at higher levels and/or their levels of service are perceived to be high compared with other areas of the City.

This item could support the City's strategic goal relating to building community and collaborative relationships by putting in place a framework that better assures financial resources will remain available to adequately maintain District facilities and services at levels anticipated and expected for this development.

Procedurally, this amendment would be processed in the form of a limited amendment document to be adopted by resolution. The resolution would refer to the original 2006 service plan that would remain in force and effect except as specifically amended by the new document. The other option would be to provide an entirely new "amended and restated service plan" that would supersede the existing document. This approach has been identified as problematic by the petitioners as it would add complexity to the court approval process for this change.

At the informal Council meeting on March 7, 2016, the petitioner agreed to modify the amendment to include additional "maintenance of effort" and "end user debt service fee limitation" language. A revised amendment document is attached.

With these changes, staff now recommends approval of this resolution.

Financial Implications:

There are no direct implications to general City taxpayers and ratepayers outside of the boundaries of these applicable metropolitan districts. However, the total property tax for the affected properties would increase by 10 mills.

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, there has been one comment expressing a concern for the precedent of shifting to up to 20 mills for operations versus the options of either reducing services or substituting other approaches to address the deficiency.

Alternatives:

City Council has the options of approving or denying this service plan amendment. Council could also continue the item with specific direction provided to staff and the petitioners. However, continuance might jeopardize a May 2016 election date.

Proposed Motion:

Move to adopt a resolution approving an amendment to the Service Plan for the Upper Cottonwood Creek Metropolitan District Nos. 2, 3, 4 and 5.

N/A