



Legislation Text

File #: 18-0422, Version: 1

Resolution Authorizing the Banning Lewis Ranch Metropolitan Regional Metropolitan District No. 1 to Issue Series 2018A Limited Tax General Obligation Bonds in an Amount Estimated to be 10,790,000, Series 2018B Subordinate Cash Flow Bonds in an Amount Estimated to be \$1,234,000 and Series 2018C Junior Subordinate Cash Flow Bonds in an Amount Estimated to be \$1,770,000.

(Legislative)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning and Development

Summary:

This is a request to approve issuance of formal debt in an aggregate amount of up to \$13,794,000 by the Banning Lewis Ranch Regional Metropolitan District No. 1 ("District") in the form of marketed Series A and B bond issues, and a developer-held Series C bond issue which will be subordinate to the other bonds. 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.

This request will be heard at the October 9, 2018 City Council meeting at which time **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 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 April 24, 2018 Council approved a Second Amended and Restated service plan the District- the Banning Lewis Ranch Regional Metropolitan District No.1 (formerly Banning Lewis Ranch Metropolitan District No. 6) by Resolution No. 39-18. City Council has previously authorized debt for Banning Lewis Ranch Metropolitan Districts No. 2 and No. 3, and issuance by District Nos. 4 and 5 are pending concurrent with this request. However, this would be the first debt formally issued by this particular district.

This agenda item was introduced to City Council at a Work Session on September 24, 2018.

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.

This Regional Metropolitan District essentially operates as an “overlay” district on top of the several of the “base” Banning Lewis Ranch Metropolitan District (in this case consisting of either District Nos. 2,3,4 or 5). This Regional District levies an additional Gallagher adjusted debt service mill levy of 9.95 mills, the proceeds of which may only be used to finance public improvements of a “regional” scale and nature as defined in this service plan.

The proposed Series A and B debt instruments are proposed to be non-taxable bonds marketed to third parties, and used to reimburse the developer for advances made to the District for public improvements already constructed, and as a source of funds for future improvements. The senior Series 2018A Limited Tax General Obligation Bonds are proposed to be issued in an amount estimated to be \$10,790,000. The immediately useable proceeds (“project funds”) are anticipated to be \$9,029,330 net of costs of issuance, capitalized interest and creation of a reserve fund. The interest rate, which will be set at closing, is expected to be about 5.25%.

The Series 2018B Subordinate Cash Flow Bonds are proposed to be issued in an Amount Estimated to be \$1,234,000. The immediately useable proceeds (“project funds”) are anticipated to be \$1,196,980 net of costs of issuance. The interest rate, which will be set at closing, is expected to be about 7.75%. Payments of pledged revenues for these bonds are only made after the senior bonds are serviced.

The Series 2018C Subordinate Cash Flow Bonds are proposed to be issued in an Amount Estimated to be \$1,770,000. The immediately useable proceeds (“project funds”) are anticipated to be \$1,752,300 net of costs of issuance. The interest rate, which should be fixed, is expected to be 8.00%, stepping down to 6.00% at the first optional redemption date. Payments of pledged revenues for these bonds are only made after the senior bonds are serviced, As these bonds are subordinate to both The Series A and B bonds, it is likely that additional interest could accrue, at least in the early years.

The term (maturity) of the Series A and B bonds would be 30 years. The term for the Series C bonds is set for 40 years, with the assumption that these bonds will not be serviceable immediately and therefore interest will accrue in the early years. There also will be no capitalized interest provided from the bond proceeds, and no reserve funded. However, 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.

Pledged revenues for each bond issue will include the maximum Gallagher-adjusted capped debt service mill levy of 9.95 mills along with associated specific ownership taxes and a \$1,000 per lot facility fee charged at the time of lot sales.

The improvements to be financed generally consist of a combination of installed and future public improvements that meet the particular parameters for qualifying “regional” improvements as set forth in the service plan. Some of the proceeds from the project funds will be used initially to reimburse prior expenditures, the remaining balance being set aside for reimbursement of yet-to-be constructed improvements.

The property in this Reginal District No. 1 is either already developed or currently under development. City-approved Planned Unit Development (PUD) zoning is in place to generally support the remaining anticipated land uses within this District.

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

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

The attachments are provided in the following order:

- Draft City Council Resolution
- Cover letter from District
- Term Sheets
- Development Projections and Bond Summaries
- Draft Statements of Indenture for Series A, B and C bonds
- Draft Compliance Letter from Bond Counsel
- External Financial Advisor Opinion for Series 2018C Bonds
- Summary of Costs to be Reimbursed
- Map of Regional District No. 1

The external financial advisor opinion as to the market feasibility of the interest rate for the Series C bonds is required because these bond will be developer held, at least initially.

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 issuance, formally issued debt of the District will remain well below the maximum of \$150,000,000 authorized by the service plan for Banning Lewis Ranch Regional Metropolitan Districts Nos. 1 and 2 in combination. 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 bond indentures, 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.

Board/Commission 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:

Not applicable.

Alternatives:

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

Proposed Motion:

Approve the resolution authorizing the Banning Lewis Ranch Regional Metropolitan District No. 1 to Issue Series 2018A Limited Tax General Obligation Bonds in an Amount Estimated to be 10,790,000, Series 2018B Subordinate Cash Flow Bonds in an Amount Estimated to be \$1,234,000 and Series 2018C Junior Subordinate Cash Flow Bonds in an Amount Estimated to be \$1,770,000.