City Hall
107 N. Nevada Avenue
Colorado Springs, CO 80903

Legislation Text

File #: 14-0497, **Version:** 2

Ordinance No. 14-67 providing for the issuance of the City of Colorado Springs Briargate General Improvement District Limited Tax General Obligation Refunding Bonds, in the aggregate principal amount of $8,960,000 for the purpose of refunding the District's outstanding Limited Tax General Obligation bonds, Series 2003; authorizing the execution by the District of a tax compliance certificate, the bonds and related documents required in connection herewith; and making determinations as to other matters related to the bonds.

From:
Kara Skinner, Chief Financial Officer
Tom Florczak, Deputy City Attorney

Summary:
The Briargate General Improvement District ("the District") was organized in 2000 by the City of Colorado Springs Ordinance No. 00-127.

The ordinance to be presented authorizes the issuance of General Obligation Refunding Bonds, Series 2014 ("Series 2014 Bonds") in a principal amount of $8,960,000. The Series 2014 bonds will refund the remaining General Obligation Bonds, Series 2003 ("Series 2003 Bonds") currently outstanding in the amount of $8,640,000, fund accrued interest on the Series 2003 Bonds from the June 15 interest payment date to the closing date of approximately $225,120, and fund the costs of issuance. The refunding will result in a present value savings of at least $1 million and the refunding will allow the Limited Mill Levy to be eliminated at least five years earlier than if the Series 2003 Bonds are not refunded.

Per City Charter, Section 7-100, the refunding bonds will require approval by at least two-thirds (2/3) vote of the entire Council as the principal amount of the proposed refunding bonds will exceed 10% of the total assessed valuation of the taxable property within the district.

Previous Council Action:
The District held a special election of its qualified electors on November 7, 2000, at which voter approval was given for the issuance of General Obligation Bonds in the total principal amount not to exceed $19,000,000 for the construction and development of certain street improvements and water improvements within the District. The voter approved ballot question also approved any future refunding bonds.

The District authorized, sold, issued and delivered its Series 2003 Bonds dated January 7, 2004, originally issued in the principal amount of $8,800,000. The Series 2003 Bonds are secured by Pledged Revenue generated from a Limited Tax Mill Levy up to 12 mills.

Background:

Development within the District was significantly slower than what was originally anticipated and the District was unable to service the Series 2003 Bonds according to the debt service schedule. The Bond Ordinance was clear that the Series 2003 Bonds were sold as cash flow bonds and such was disclosed in the Limited Offering Memorandum ("LMO") - RISK FACTORS, Limitations Upon Remedies:

"The Bond Ordinance provides that to the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to draw interest at the rate borne by such Bond until the principal thereof is paid in full; provided that to the extent any Bond is not paid in full by June 15, 2043, all amounts due on such Bond, both principal and interest, shall be fully discharged and such Bond shall be deemed to have been paid in full."

The first partial principal payment was made in 2013. While the bonds are not in default (as they are cash flow bonds), with development within the district progressing well and therefore the credit improving, the City's Financial Advisor, Public Financial Management ("PFM"), identified an opportunity to reduce the interest rate on the remaining Series 2003 General Obligation Bonds of the District and to better align the debt structure with anticipated revenues to more clearly communicate to potential District property owners the anticipated length of the Limited Mill Levy.

The City formed a refunding team consisting of City Finance, the City Attorney's Office, the City's Financial Advisor (PFM), Bond Counsel (Kutak Rock), and Underwriters (George K. Baum & Company). The Underwriter was selected through an informal competitive Request for Proposals process.

The refunding team considered the credit and discussed whether to pursue a public offering or a competitive direct placement with a bank. Considering the credit, the market, and costs of issuance, the team decided to solicit bank term sheets through a competitive process. The solicitation was sent August 1, 2014. Proposals were due and received on August 19, 2014. Term sheets were received from five banks and were evaluated by the team. The refunding team recommended proceeding with the term sheet offered by JP Morgan Chase Bank.

Financial Implications:

The outstanding balance of the Series 2003 Bonds is $8,640,000 with an interest rate of 7.0%.

The par amount of the Series 2014 Refunding Bonds will be $8,960,000 with an interest rate of 2.96%. The Series 2014 Refunding Bonds will refund the remaining General Obligation Bonds, Series 2003 currently outstanding in the amount of $8,640,000, fund accrued interest on the Series 2003 Bonds from the June 15 interest payment date to the closing date of approximately $225,120, and fund the costs of issuance. However, even with this increase in outstanding par, the refunding will result in a present value savings of at least $1 million or 11.6% of refunded par. The refunding bonds have a maturity in 2030, whereas the outstanding bonds likely would not be repaid until 2035 or later. Thus the refunding will allow the Limited Mill Levy to be eliminated at least five years earlier than if the Series 2003 Bonds are not refunded.

The refunding bonds require the funding of a surplus account out of excess cash flows up to the amount of $500,000. The surplus account would be used to pay any debt service shortfalls, if necessary, thereby improving the security of the Bonds. The surplus account does not need to be reimbursed after it has reached the $500,000 threshold if it is necessary to use the funds for debt service.

After the surplus account is funded, all revenue generated by the Limited Mill Levy must be used only in repayment of principal, interest and any premium and for the bond reserve fund - the purposes authorized by the ballot securing voter approval for the issuance of the Series 2003 Bonds. Therefore, any excess revenue generated by the Limited Mill Levy will be applied to the debt.

The refunding bonds have a fixed redemption schedule with a maturity in 2030. Failure to make any payment of principal and interest on the Bonds when due constitutes a Special Event. Remedy for a Special Event enables the bond holder to require continuation of the mill levy until the bonds are paid in full.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

The Board could elect not approve the Bond Ordinance and the District would continue to make payments on the Series 2003 Bonds as revenue allows until the Series 2003 Bonds are paid in full or until June 15, 2043, at which point the bonds are considered fully discharged.

Proposed Motion:

Move approval of the Bond Ordinance as presented.

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF THE CITY OF COLORADO SPRINGS BRIARGATE GENERAL IMPROVEMENT DISTRICT LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, IN THE AGGREGATE PRINCIPAL AMOUNT OF $8,960,000 FOR THE PURPOSE OF REFUNDING THE DISTRICT’S OUTSTANDING LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2003; AUTHORIZING THE EXECUTION BY THE DISTRICT OF A TAX COMPLIANCE CERTIFICATE, THE BONDS AND RELATED DOCUMENTS REQUIRED IN CONNECTION HEREWITH; AND MAKING DETERMINATIONS AS TO OTHER MATTERS RELATED TO THE BONDS