



Legislation Text

File #: 18-0574, **Version:** 1

A Resolution authorizing issuance of debt by the Silver Hawk Metropolitan District in the form of general obligation limited tax bonds in an aggregate principal amount of \$1,030,000.

(Legislative Item)

Presenter:

Peter Wysocki, Director of Planning and Community Development

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Summary:

This is a request to authorize issuance of debt by the Silver Hawk Metropolitan District (“District”) in the form of general obligation limited tax Series 2019 bonds in an amount not to exceed \$1,030,000 in authorization. The City’s Special District Policy and the District’s service plan require that City Council’s approval be obtained prior to issuing any debt.

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.

This item was presented at the December 11, 2018 City Council Budget Committee meeting as described below. It was then introduced at a January 7, 2019 Council Work Session. No additional questions or requests for follow-up occurred as part of the Work Session.

Previous Council Action:

The District was established by election in November of 2016, following approval by Council of a service plan on October 11, 2016. (Resolution No. 103-16).

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 plan and the Special District Policy require City Council approval of all formal debt. The standard of review of the bond/loan documents is consistency with the service plan.

The Silver Hawk Metropolitan District is limited to a small single-family development of about 14.75 acres, and 70 dwelling units located in the southeast area of the City. Public improvements expenditures to be reimbursed from these bonds are associated with a combination of costs described in a detailed attachment.

The form of the proposed bond resolution is attached. This debt will be in the form of bonds that are

intended to be privately held by the developer and repaid by a mill levy that will not exceed 30 mills per year Gallagher-adjusted, along with associated specific ownership tax. The current Gallagher-adjusted rate is 33.167. The principal amount of the bond is proposed to be \$1,030,000, with a fixed interest rate of 5.75% and a term of approximately 40 years. The service plan for this District authorizes up to \$1,462,500 in total debt. This is the first and presumably only debt issuance by this District.

The bond proceeds would be used to reimburse prior eligible public improvement costs associated with properties within this District. Project and cost information is attached. Also attached is a financial forecast.

The bond documents include “limited default language” to the effect that the bonds will not default as long as the capped mill levy and associated specific ownership taxes are pledged toward repayment. Moreover, this bond is structured such that interest is expected to accrue in the early years of the 40-year term, and principal payments are not expected to begin for about 12 years.

Because the metropolitan district is limited to a small single-family residential development, resident property owners will be eligible to assume control of the District board. The bonds will be issued in a form whereby a resident board could potentially refinance them in the event there were an option for more favorable terms in the future.

A draft opinion that the proposed issuance will be consistent with the service plan and applicable Federal and State requirements has been provided. Because this is related party debt, an opinion from an External Financial Advisor is also provided, as to the competitiveness of the interest rate and terms.

The attached draft City Council resolution has an added provision requiring the closing of this loan to occur within one year of City Council approval. The bond documents have been evaluated with the intent to mitigate any concerns with the potential for “end user” capital debt service fees which are not allowable in approved service plan.

This agenda item was briefly discussed at the December 11, 2018 City Council Budget Committee. Members asked clarifying questions, and it was noted that the bond documents needed to be adjusted to assure that the 40-year Maximum Debt Service Mill Levy Imposition Term will be adhered to.

Financial Implications:

Pursuant to the service plan, the City Special District Policy, the notes and the bond documents themselves, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the limitations required by the City’s Special District Policy.

The bond documents and notes are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the 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 provide a basis for this decision.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials and has provided no additional comments.

Stakeholder Process:

N/A

Alternatives:

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

Proposed Motion:

Adopt a resolution authorizing issuance of debt by the Silver Hawk Metropolitan District in the form of general obligation limited tax bonds, Series 2019 in the aggregate principal amount of \$1,030,000 and with a fixed interest rate not to exceed 5.75%.

N/A