



Legislation Text

File #: 23-107, **Version:** 1

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of the Upper Cottonwood Creek Metropolitan District No. 3 Limited Tax General Obligation Bonds, Series 2023 in the amount not to exceed \$4,115,000 and related bond documents, for a district located in the Wolf Ranch area in northern Colorado Springs

Presenter:

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Summary:

The attached resolution will approve the issuance by the Upper Cottonwood Creek Metropolitan District No. 3 ("the District") of Limited Tax General Obligation Bonds, Series 2023 in an amount not to exceed \$4,115,000 and the related bond documents. These bonds will be privately placed with the developer with an interest rate of 6.0% and are planned to be tax-exempt. This would be the fourth bond issuance by this District. These bonds would be issued at parity with the prior bonds issued by this District.

The City's Special District Policy requires that City Council approval be obtained prior to issuing of any formal debt for metropolitan districts. Copies of the bond documents and associated supporting materials are attached.

This agenda item was reviewed by the City Council Budget Committee on February 28, 2023, and the introduced to Council at Work Session on March 13, 2023. These discussions are summarized below.

This property is located in City Council District No. 2.

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, with independently elected boards.

The public improvements to be financed by these 2023 Bonds consist of a portion of eligible street, water, sewer, and park and recreation improvements. A high-level summary of these costs is provided as an attachment. Essentially, the District will be allocated an additional share of the remaining eligible costs for the overall Wolf Ranch project.

This will be the fourth and presumably final issuance of debt by this particular metropolitan district.

The Council-imposed \$22,500,000 limit on the aggregate total principal debt amount allowable for the District, which will not be exceeded. The 2023 Bonds will be repaid by a mill levy that will not exceed 34.274 mills per year, subject to additional Gallagher adjustments as described in the draft Bond Resolution. The 2022 Bonds will bear interest at 6% and will finally mature on December 1, 2052. This debt will be at parity with the prior 3 bond issuances.

The initial issuance of debt by this District was \$7,200,000. An amount of \$6,475,000 in additional debt was issued early 2021, followed by \$4,710,000 more later in early 2022. Unless the amount of debt authorized by the service plan for this metropolitan district is increased, this issuance will effectively use up the available debt authorization for this District. In late 2021, the District represented to Council that the third, early 2022 issuance would be the final one associated with developer reimbursement. However, the District has determined there will be an additional issuance, based on available Council-approved debt authorization for this District.

Development in the District is substantially underway. Based on the cash flow projections, it would appear that full buildout is projected to occur within about 2-3 years.

Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Service Plan. The Service Plan contains a "Gallagher adjusted" maximum debt service mill levy cap 30 mills, which is being adjusted due to a change in the rate of assessment for residential property as allowed in the Service Plan.

This agenda item was discussed by the Budget Committee on February 28, 2023. In response to questions, it was clarified that in the case of this District, the area is predominantly built out, and the applicable public improvements have been installed. District counsel stated that there is one resident District board member, who is not affiliated with the developer, and that the resident member voted in favor of the budget, including this proposed issuance. Counsel further noted that no additional individuals had completed the most recent director self-nomination form process for the upcoming May 2023 elections, although all residents had been notified by e-mail and/or postcard.

This item was introduced at a Council Work Session on March 13, 2023, in conjunction with the following item concerning a proposed debt issuance by Upper Cottonwood Creek Metropolitan District No. 4. Certain clarifying questions were asked. However, there were no Council requests for changes or additional information.

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Financial Implications:

Pursuant to the District service plan, the City Special District Policy, and the bond documents themselves, the issuance of these bonds does not constitute a financial obligation of the City. The bond documents contain the limitations required by the City's Special District Policy.

A draft opinion has been provided by the bond counsel for this metropolitan district that the bond documents are consistent with the approved service plan and with the City Special District Policy.

Because these bonds will be privately placed, and therefore not subject to competitive marketing, a letter has also been provided by an external advisor with an opinion that the tax-exempt interest rate of 6% and other terms are reasonable.

These bonds are structured to have an optional call date of December 1, 2027, after which date the District board of directors would have the option of refinancing these bonds if conditions were favorable.

Because residential metropolitan districts also have an associated Maximum Debt Service Mill Levy Imposition Term of no longer than forty (40) years, the draft Council resolution also includes a final discharge date of no later than 2056.

City Charter Section 7-100 provides that the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

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 no comments have been received.

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). On March 22, 2016, Council approved an Amendment to Service Plan to increase the Maximum Operating Mill Levy for Upper Cottonwood Creek Metropolitan District Nos. 3, 4, and 5 from 10.0 mills to 20.0 mills for so long as District Nos. 3, 4, and 5 continue to provide their respective current levels of service (Resolution 30-16). On October 22, 2019, Council authorized the first \$7,200,000 issuance of debt by this District (Resolution 109-19). On March 9, 2021, Council authorized issuance of an additional \$6,475,000 in debt (Resolution 30-21). On October 26, 2021, Council approved a second service plan amendment which modified the structure of these districts and reallocated maximum debt limits among the districts. On November 23, 2021, Council approved a third issuance of \$4,710,009 in debt by the District (Resolution 177-21).

Alternatives:

City Council could choose to approve, not approve or modify the proposed resolution.

Proposed Motion:

Adopt a resolution approving the issuance of the Upper Cottonwood Creek Metropolitan District No. 3 Limited Tax General Obligation Bonds, Series 2023 in the amount not to exceed \$4,115,000 and related bond documents, for a district located in the Wolf Ranch area in northern Colorado Springs

N/A

