



## Legislation Details (With Text)

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<b>Type:</b>	Resolution	<b>Status:</b>		<b>Mayor's Office</b>	
<b>File created:</b>	2/21/2018	<b>In control:</b>		<b>City Council</b>	
<b>On agenda:</b>	4/10/2018	<b>Final action:</b>		<b>4/10/2018</b>	

**Title:** A Resolution authorizing issuance of debt by the Dublin North Metropolitan District No. 2 in the form of limited tax general obligation refunding and improvement bonds, Series 2018A, 2018B, and 2018C Notes with a multiple fiscal year pledge of ad valorem tax from Dublin North Metropolitan District No. 3 the combination of which will use an amount not to exceed \$4,000,000 in service plan authorization. (Legislative Item)

**Presenter:**

Conrad Olmedo, Comprehensive Planner II, Planning and Community Development  
Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

**Sponsors:**

**Indexes:** Issuance of Debt, Metropolitan District

**Code sections:**

**Attachments:** 1. RES\_DublinNorthMetroDistNo.pdf, 2. Figure 1 - Dublin North MD - Transmittal Letter, 3. Figure 2 - Dublin North MD No. 2 - 2018 Senior Indenture of Trust, 4. Figure 3 - Dublin North MD No. 2 - 2018 Subordinate Pledge Agreement, 5. Figure 4 - Dublin North MD No. 2 - 2018 Senior Pledge Agreement, 6. Figure 5 - Dublin North MD No. 2 - 2018 Subordinate Indenture of Trust, 7. Figure 6 - Subordinate Note, 8. Figure 7 - Dublin North MD No. 2 - Development Projection, 9. Figure 8 - Dublin North MD No. 1 - 2017 Map, 10. Figure 9 - Dublin North MD No. 2 - 2017 Map, 11. Figure 10 - Dublin North MD No. 3 - 2017 Map, 12. Figure 11 - Dublin North MD - General Council Opinion, 13. Figure 12 - Dublin North MD No. 2 - External Financial Advisor Certificate - Series 2018C, 14. Figure 13 - Dublin North MD No. 1 Public Improvement Cost Summary, 15. CC-Presentation-Dublin North, 16. Signed Resolution 29-18

Date	Ver.	Action By	Action	Result
4/10/2018	1	City Council	adopted	Pass
3/27/2018	1	City Council	postpone to a date certain	Pass
3/12/2018	1	Council Work Session	referred	

A Resolution authorizing issuance of debt by the Dublin North Metropolitan District No. 2 in the form of limited tax general obligation refunding and improvement bonds, Series 2018A, 2018B, and 2018C Notes with a multiple fiscal year pledge of ad valorem tax from Dublin North Metropolitan District No. 3 the combination of which will use an amount not to exceed \$4,000,000 in service plan authorization. (Legislative Item)

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**Summary:**

This is a request to authorize issuance of debt by the Dublin North Metropolitan District No. 2 ("District") in the form of limited tax general obligation refunding and improvement bonds, Series

2018A, 2018B, and 2018C Notes, but also supported by a Capital Pledge Agreement from District No. 3. 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 introduced at the March 12, 2018 City Council Work Session and was discussed briefly at the March 13, 2018 City Council Budget Committee meeting.

**Previous Council Action:**

The District was established by election in May 2008, following approval by Council of a service plan earlier that year (Resolution No. 53-08). In 2012, Council made special appointments to the board of this District because it no longer had any eligible sitting board members. In 2014, Council approved an Inclusion of Property (Resolution 107-14) and an Issuance of Debt for \$2,000,000 (Resolution 110-14,). Council has approved a variety of land use actions for this project area during the past few years.

**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 Dublin North Metropolitan Districts consist of District No.1 which is the small operating district, District No. 2, the residential district issuing this debt, and District No.3 which was originally anticipated for commercial, but has been developed as residential.

The proposed bond indentures and pledge agreements are attached. This debt will be in the form of "2018 Bonds" that will be repaid by a mill levy that will not exceed 30 mills per year, subject to Gallagher adjustments (the enclosed tax levy analysis completed by DA Davidson reflects an anticipated debt service mill levy amount of 33.166 mills).

The numbers for the three proposed issuances are summarized as follows:

2018A

Par Amount:	\$3,625,000 (estimated)
Refunding:	\$1,863,397 (estimated)
Project Fund:	\$1,255,356 (estimated) reimbursements to developer.
Interest Rate:	5.375% fixed (estimated)

2018B

Par Amount:	\$654,000 (estimated) reimbursements to the developer
Interest Rate:	7.75% fixed (estimated)

2018C Developer Notes

Total Par Amount:	\$891,000 (estimated)
Interest Rate:	8% fixed

District No. 2 previously entered into a 2014 loan agreement in the amount of \$2,000,000. The 2018 Bonds and Notes will total approximately \$5,170,000, with the overall proceeds being used first to retire the existing debt and then reimburse additional public improvements costs. District No. 3 Pledge Agreements are intergovernmental agreements whereby District No. 3 will transfer money to District No. 2 to pay debt service on the 2018 Bonds. District No. 2 will also impose a mill levy to retire the debt. The 2018 Bonds will refund the remaining loan amount of approximately \$1,863,397, reducing the total amount of debt issued by the Districts to \$3,306,603, which is within the debt limitation of \$10,000,000 established in the Districts' Service Plan.

Although District No. 2 will be issuing the 2018A and 2018B Bonds and 2018C Notes, the two Capital Pledge Agreements by District No. 3 also constitute legally issued debt and is therefore included in this City Council debt authorization. Because District Nos. 2 and 3 are both paying a portion of the debt, the Capital Pledge Agreements will not be counted as separate debt for purposes of using service plan debt authorization.

Prior to closing on this loan a formal opinion will be provided from the District's bond counsel that the proposed issuance will be consistent with the service plan and applicable Federal and State requirements. A draft opinion has been provided at this time. Because the 2018C Developer Notes will be acquired and held by the developer of this project, it is considered related party debt. As such, a letter from an external financial advisor is required in order to verify that the proposed rates are reasonable and competitive. It should be noted that this draft opinion refers to a principal amount of up to \$2,945,000 for the Series C developer bond. This apparently represents the total of remaining developer obligations. The actual amount of the Series 2018C note will be lower, in order to fall within the overall \$4,000,000 cap for all three issuances.

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, even though this issue is not explicitly addressed in the approved service plan.

This agenda item was briefly discussed at the March 13, 2018 City Council Budget Committee. Members asked clarifying questions and there were no outstanding discussion topics or concerns.

Note: Subsequent to introduction of this item to City Council on March 12, 2018, minor modifications have been made to this memo and the draft City resolution to address consistency of language and figures. These changes do not affect the financial limits or intent of the previously transmitted documents, and there have been no changes to the attachments as submitted by the applicant.

### **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. Although there is some potential for upward movement in the interest rate, there are maximum caps, and in any case the maximum exposure to resident property owners is limited to the debt service levy of

30.0 mills, Gallagher adjusted.

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 in 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. All comments received have been in support and/or stated no concerns.

**Stakeholder Process:**

N/A

**Alternatives:**

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

**Proposed Motion:**

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N/A