



Legislation Details (With Text)

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Title:	Resolution Authorizing the Sands Metropolitan District No. 2 to Issue Debt in the form of Limited Tax General Obligation Bonds in Principal (par) Amount Not to Exceed \$12,315,000				
	Presenter: Carl Schueler, Comprehensive Planning Manager, Planning & Community Development				
Sponsors:					
Indexes:	Issuance of Debt, Metropolitan District				
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Attachments:	1. Resolution_Sands Metro Dist No.pdf, 2. PowerPoint, 3. Attachment 1- The Sands Metro District No. 2 - Authorizing Resolution (clean v2 08-18-2020), 4. Attachment 2- The Sands - Financing - Cover Letter - August 18 2020, 5. Attachment 3- The_Sands_MD_8.20.20, 6. Attachment 4-TSMD No. 2 - Pledge Agreement v3, 7. Attachment 5- The Sands MD 1-3 - District Boundary Map(3774662.1), 8. Attachment 6- The Sands MD No 2 Bond Issuance - Opinion of Compliance Letter - 2020 Bonds, 9. Attachment 7- External Financial Advisor Certification, 10. Attachment 8- District Budget Committee Response RE Allocation of Costs, 082720, 11. Attachment 9- Cost Allocation Exhibit, 12. Signed Resolution 84-20.pdf				

Date	Ver.	Action By	Action	Result
9/22/2020	1	City Council	adopted	Pass
9/8/2020	1	Council Work Session	referred	

Resolution Authorizing the Sands Metropolitan District No. 2 to Issue Debt in the form of Limited Tax General Obligation Bonds in Principal (par) Amount Not to Exceed \$12,315,000

Presenter:
Carl Schueler, Comprehensive Planning Manager, Planning & Community Development

Summary:
The attached resolution will approve the issuance by the Sands No. 2 Metropolitan District ("the District") of bonds in an aggregate amount not to exceed \$12,315,000 and the related bond documents. The District is proposing to issue this debt in the form of Limited Tax General Obligation Bonds, Series 2020. These bonds will be privately placed with this developer and have a maximum annual interest rate of 5.5%. The debt service mill levies and specific ownership taxes for the Sands Metropolitan District Nos. 1 and 3 (the "Districts") are also be pledged toward this debt by associated agreements.

The net revenues from these issuances will be used to reimburse costs for existing public improvements and related expenditures. The term of these bonds is anticipated to be 30 years, and

they are structured to have a discharge date of no later than 2057 consistent with the maximum 40 year debt mill levy imposition term as required by the service plan for these Districts,

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

This agenda item was introduced at a September 8, 2020 Council Work Session. Councilman Knight requested additional clarification regarding the proportional allocation of costs, by individual district.

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

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.

This metropolitan district is requesting authorization to issue tax-exempt privately placed bonds, in the form of Limited Tax General Obligation Bonds in an amount not to exceed \$12,315,000. This is the first formal issuance of debt by any of these Districts, and the Districts have represented that this will be the only such issuance.

The Sands Metropolitan District Nos. 1-4 were originally created in 2016 in unincorporated El Paso County. On December 10, 2019, City Council approved and amended and restated service plan for District Nos. 1-3 following annexation of these properties, thereby establishing Colorado Springs as the "approving authority" for these districts. Consistent with an intergovernmental agreement (IGA) executed between these districts and the City at the time of annexation, the maximum Gallagher adjusted debt service mill levy for residential portions of these metropolitan districts is allowed to be 40.0 rather than the more typical maximum of 30.0 mills as provided for in the City's Special District Policy. In this case, all three of these district intend to pledge up to 40 mills to service this debt.

Sands District No. 1 originally consisted of a very small director's parcel and has subsequently been expanded to include about 17 acres anticipated for industrial uses. District No. 2 is the residential district and is primarily being developed with single-family lots. District No. 3 is considered a commercial district and is subject to the standard Gallagher-adjusted mill levy caps (50.0 mills for debt service and up to 10.0 mills for operations and maintenance). Development in these district areas is projected to be fully absorbed within the next few years

The bonds would be unrated and privately placed, with a fixed interest rate of 5.5%. Because the bonds will be privately placed, the City requires an opinion of marketability from an external financial advisor. This is attached. The bonds are structured to have a term of 30 years (through 2050) and would have a discharge date of 2057, regardless of whether all of principal and interest payments have been made. This is consistent with the provision of metropolitan district model service plans which stipulate that a debt service mill levy (as defined by the service plan) shall not be imposed for a period in excess of 40 years. These Districts first certified mill levies for contractual obligations in 2017 for collection in 2018. The attached financial analysis projects that principal payments for these

bonds would not commence for about 5 years.

The District No. 2's current debt service and operational mill levies are Gallagher-adjusted, and are 44.531 and 11.133 mills, respectively. District No. 1's levies are 40.0 and 10.0 mills respectively. District No. 3 currently has a 35.0 mill debt service mill levy and no operational mill levy. Note: in all cases, these "debt mill levies" (as defined in the service plan) are currently certified for "contract obligations" rather than for "bond redemption" because to-date, these districts have no formally issued debt. In all cases, these full debt levies will be pledged toward these bonds.

The public improvements costs to be financed by this 2020 Bond consist of the majority of about \$13.075 Million in eligible costs as described in detail engineer's estimate and summarized in the attached financial projections.

The Council-imposed \$28,540,103 service plan limit on the aggregate total principal debt amount allowable for these three Districts, will not be exceeded.

These Series 2020 bonds will be structured to be "callable" in 10 years, such that a future potentially resident board might possibly be in a position to refinance them.

The City Council Budget Committee discussed this request at their August 25, 2020 meeting. They asked a number of questions, including on the nature and eligibility of the summarized costs, and asked to be provided the previously submitted detail on certified costs. They specifically requested information on, and an analysis of allocation of these costs to each of the individual districts, related to proportional benefit. This information will be provided by the applicant for this Work Session.

Included as attachments are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Draft district bond resolution
- Opinion from external financial advisor
- Financial projections - with summary of costs to be financed
- Draft opinion from District bond counsel

Previous Council Action:

City Council approved an amended and restated service plan for Sands Metropolitan District Nos. 1-3 on December 10, 2019 (Resolution 150-19), which action effectively transferred "approving authority" for these districts from El Paso County to the City. These properties were annexed into the City in 2018. A related 2018 intergovernmental agreement (IGA) between the Districts and the City, addressed the contemplated approach and disposition of these Districts.

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.

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 40 mills, which is subject to adjustment tied to any changes in the rate of assessment for residential property, as allowed for in the Service Plan.

City Council Appointed Board/Commission/Committee 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.

Alternatives:

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

Proposed Motion:

Move to adopt a resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds, Series 2020 total principal amount not to exceed \$12,315,000

N/A