



## Legislation Text

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A Resolution Approving the Issuance of Debt by the Morningview Metropolitan District in the Form of Series 2017 Limited Tax General Obligation Bonds

(Legislative)

**Presenter:**

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

**Summary:**

This is a request to approve issuance of formal debt in the principal amount of up to \$1,300,000 by Morningview Metropolitan District ("District") in the form of a 2017 Limited Tax General Obligation Bond (the "Bonds"), to be repaid from property tax and other allowable District revenues. The City's Special District Policy and the Districts' service plan require that City Council's approval be obtained prior to issuing any debt.

Authorization of this debt issuance will require a 2/3rds majority of the entire City Council (at least six affirmative votes) pursuant to City Charter section 7-100.

**Previous Council Action:**

In 2013 City Council approved a service plan for the District by Resolution 72-13 (the "Service Plan").

This item was introduced at a City Council work session on August 21, 2017.

**Background:**

If approved, the proposed debt would be the first debt formally issued by the District.

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements, primarily utilizing a property tax mill levy as the revenue source. Metropolitan districts are separate legal entities from the City, but their service plans require City Council approval of all formal debt. The standard of review of the debt instruments is consistency with the District's Service Plan and all applicable laws.

Consistent with City Council's Special District Policy and the Service Plan, the debt service mill levy for residential districts is limited to no more than 30.0 mills. The District currently levies this amount for debt service.

The proposed debt is anticipated to be in the form of a tax-exempt bond issue with an interest rate of 5.3% supported by a pledge of the District. The term of the Bonds will be up to 38.5 years, although the actual term could end up being somewhat shorter. A 30-year term is more typical for public debt issuances. However, the only limit in the Service Plan regarding the term of debt is the "Maximum Debt Service Mill Levy Imposition Term" of no greater than forty (40) years for residential districts. The proposal is consistent with this limit. The proposed debt also does not exceed the \$2,000,000 in

maximum authorized debt as allowed by the Service Plan.

The Bonds will be repaid from the debt service mill levy of the District along with applicable specific ownership taxes.

The Bonds will be privately placed with this developer. Although this practice is not particularly common, several existing Business Improvement Districts also have privately placed debt. For debt that is not marketed, a letter from an External Financial Advisor is required to provide an opinion that the interest rate and other terms of the issuance are competitive with marketed debt under otherwise similar circumstances. A draft of that letter is attached.

Of pertinence to both the topics of the term of the debt and its private placement, is the fact that the board of the District will likely “turn over” to resident property owner control in the near future. The Bonds are structured so they generally can be refinanced in the event a future board determines this is a financially feasible alternative.

The Bond proceeds are expected to be used to pay for and/or reimburse costs for a variety of public facilities including streets, water, wastewater stormwater, parks and recreation, as well as the costs of issuance. These costs and expenses are summarized in an attached document. In most cases these costs are accrued and managed in the form of developer advances/ reimbursement agreements. Although interest accrues on these balances, the reimbursement agreements do not constitute formally issued debt.

Attached as part of this agenda item are the following documents:

- PowerPoint
- Draft City Council resolution
- Cover/transmittal letter
- District Board authorizing resolution
- Certifications of costs
- Certification of external financial consultant
- Cash flow schedule
- Financing projections
- District counsel compliance letter

#### **Financial Implications:**

Liability for repayment of these Bonds will be limited to the properties within the Districts and will not extend to the general City or its taxpayers. Additionally, repayment obligations of the property owners are limited to the currently capped mill levy of 30.0 mills (Gallagher adjusted) pursuant to the limitations in the Service Plan.

City Charter section 7-100 requires that the total debt of any district shall not exceed ten percent (10%) 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.

#### **Board/Commission Recommendation:**

The City’s staff-level Special District Committee has been provided copies of these materials. No comments or concerns have been stated.

**Stakeholder Process:**

The board of the District is currently controlled by developer representatives.

**Alternatives:**

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

**Proposed Motion:**

Move the approve the resolution approving the issuance of Debt by the Morningview Metropolitan District in the form of 2017 Limited Tax General Obligation Bonds in the principal amount not to exceed \$1,300,000.

N/A