



Legislation Text

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Resolution Authorizing the Bradley Ranch Metropolitan District to Issue Debt in the form of Limited Tax General Obligation Bonds in A Principal (par) Amount Not to Exceed \$ 8,391,822

Presenter:

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Summary:

The attached resolution will approve the issuance by the Bradley Ranch Metropolitan District (“the District”) of bonds in an aggregate amount not to exceed \$8,391,822 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 5.2%. The debt service mill levy and specific ownership taxes for the District will be pledged toward this debt.

The net revenues from these issuances will be used to reimburse costs for existing and planned public improvements, and related expenditures. The term of these bonds is anticipated to be 36 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 a district with residential properties.

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, at which time there were no specific questions or requests for additional information.

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 \$8,391,822. This would

be the first formal debt issuance by this District, and is represented as the only anticipated issuance.

The Bradley Ranch Metropolitan District originally approved by the City and created in 2006. However, it has been inactive for much of the subsequent period. Vertical development did not commence until very recently. The District projects full buildout of this project, with single-family homes, within the next few years.

These bonds would be unrated and privately placed, with a fixed interest rate of 5.2%. 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 36 years (through 2056) 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. This District first certified mill levies for contractual obligations in 2018 for collection in 2017. The attached financial analysis projects that principal payments for these bonds would commence in approximately the Year 2024.

This District's current debt service and operational mill levies are Gallagher-adjusted, and are 33.399 and 11.133 mills, respectively. Note: this "debt mill levy" (as defined in the service plan) is currently certified for "contract obligations" rather than for "bond redemption" because to-date, this district has no formally issued debt.

The public improvements costs to be financed by this 2020 Bond consist of the \$8.391 Million in eligible costs as described in detail engineer's estimate and summarized in the attached financial projections. The majority of these costs have been incurred, with a minority expected to be incurred in the near future,

The Council-imposed \$30,000,000 service plan limit on total principal debt amount allowable for this District, 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 will have discussed this request at their August 25, 2020 meeting. A number of questions were asked, and the Committee requested copies of the previously submitted certified accounting of cost detail.

Included as attachments are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Draft district authorizing resolution
- Certification from external financial advisor
- Financial projections - with overall 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 the Bradley Heights Metropolitan District August 22, 2006 (Resolution 130-06).

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 30 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 \$8,391,822.

N/A