



## Legislation Text

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**File #:** 21-100, **Version:** 1

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A resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed \$5,095,000 for the Upper Cottonwood Creek Metropolitan District No. 4

### **Presenter**

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

### **Summary:**

The attached resolution will approve the issuance by the Upper Cottonwood Creek Metropolitan District No. 4 ("the District") of Limited Tax General Obligation Bonds, Series 2021 in an amount not to exceed \$5,095,000 and the related bond documents. These bonds will be privately placed with the developer with an interest rate of 6.0%. This would be the first issuance of debt by this particular district. Future debt is anticipated as this District continues to build out.

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

This agenda item was discussed by the City Council Budget Committee on February 9, 2021 and introduced at Council Work Session on February 22, 2021.

Note: A summary of this item is provided with the PowerPoint included with the prior agenda item (debt issuance by District No. 3).

### **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 this 2021 Bond consist a portion of eligible completed street, water, sewer, and park and recreation improvements. A high-level summary of these costs is provided as an attachment to the immediately preceding agenda item. Essentially, this District No. 4 is being allocated an additional share of the remaining eligible costs for the overall Wolf Ranch project.

This District anticipates issuance of additional debt in the future, as the District continues to build out.

The Council-imposed \$30,000,000 limit on the aggregate total principal debt amount allowable for this District No. 4, will not be exceeded. This will be the first debt issuance by this District. The 2021 Bonds will be repaid by a mill levy that will not exceed 33.397 mills per year, subject to additional Gallagher adjustments as described in the draft Bond Resolution. The 2021 Bonds will bear interest at 6%, and will finally mature on December 1, 2050.

This District anticipates issuance of additional debt in the future, as the District continues to build out. To date, development in this district is approximately 25% built out, and the developer projects buildout in about 8 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 30 mills, which is being adjusted due to a change in the rate of assessment for residential property as allowed for in the Service Plan.

This agenda item was discussed by the Budget Committee on February 9, 2021. Discussion centered on development status within this district, potential for additional bonding, whether this District might someday approach or exceed the maximum debt limit for the District, board of directors composition, and potential for language addressing review of options for refinancing after development in this District matures.

When this agenda item was introduced at Council Work Session on February 22, 2021, there were no requests for additional information or follow-up, and Council directed this item be placed on the consent calendar for hearing.

### **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% is reasonable.

These bonds are structured to have an optional call date of December 1, 2028, 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 2055.

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).

**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 not to exceed \$5,095,000 for the Upper Cottonwood Creek Metropolitan District No. 4.

**Summary of Ordinance Language**

N/A