

# Colorado Springs “Special Districts 101.5”

## Session No. 5

City Council Work Session December 9, 2019

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# Session 5 Topics



- 1) Follow-up from Session #4
- 2) SIMDs (Special Improvement Maintenance Districts)
- 3) Special district financial obligations
- 4) Debt authorizations
- 5) Debt issuances

# Updates from Session 4



- Question on “Civil Liabilities”, “Checks and Balances”, Fiduciary Responsibilities
  - From Councilman Geislinger

Response: To be addressed in final session (Session 7)

# SIMDs (Special Improvement Maintenance Districts)



- Created Under City Code
  - But subject to relevant Colorado Revised Statutes and Colorado Constitution
- Maintain public improvements on rights-of-way or other City property
- Total of seven
  - All created from 1979-1989
  - Four created for then-new development projects (primarily residential)
  - Three maintain streetscape improvements installed in what were established business corridors
- All but Platte Avenue have fixed mill levies
  - Platte Avenue SIMD assesses based on street frontage
- No separate boards; Council acts as *de facto* board
  - They do have Council-appointed advisory committees
  - Council annually certifies mill levies and approves budgets
- Dedicated Parks Department employees manage the districts and budgets, and perform the work
- Separate attachment provided

# Existing SIMDs



<b>Name</b>	<b>Date of Creation</b>	<b>2019 Mill Levy</b>
Briargate	1983	4.409
Colorado Avenue Gateway	1988	1.009
Norwood	1981	3.995
Old Colorado City Security and <u>Maint.</u>	1979	13.416
Platte Avenue	1989	Assessed per front foot
Stetson Hills	1986	3.858
<u>Woodstone</u>	1986	3.615

Source: El Paso County Assessor; 2018 mill levy, payable in 2019

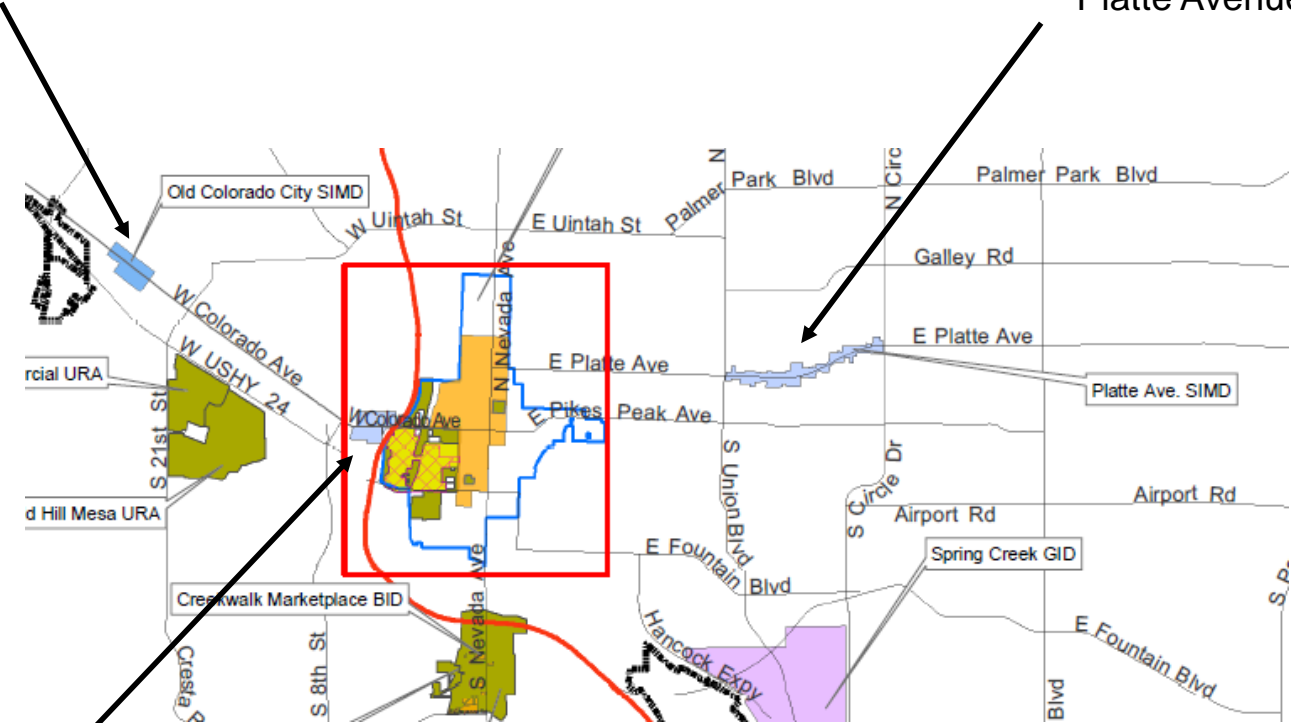


# Existing "Business" SIMDs



Old Colorado City

Platte Avenue



Colorado Ave.  
Gateway

# SIMD Topics and Issues



- No new SIMDs in past 30 years
- Irrigation water costs are a concern with some SIMDs
- Capitalized maintenance costs are a concern with others
  - E.g. Old Colorado City Security and Maintenance SIMD
- Briargate SIMD boundary issues
  - Non-contiguous boundaries
  - Potential for conversion to a GID



# Special District Financial Functions and/or Obligations



- **Costs of Creation** (not initially an obligation)
- **Administrative Overhead**
  - Reporting
  - Budgeting, accounting and auditing
  - Legal and elections
  - Other district management etc.
- **Ongoing Operations and Maintenance**
  - City owned property (e.g. landscaping on right-of-way)
    - Typically done without an IGA
  - District owned and maintained properties and facilities
    - E.g. parks, trails, detention ponds, community centers etc.
  - District-provided services and programs
    - E.g. trash service, internet, covenant enforcement

# Functions and/or Obligations- Continued



- **Contractual Obligations**
  - Reimbursement agreements/ developer advances
  - Other contractual obligations
- Formally issued (multi-year) debt

# Outwardly Facing Operations and Maintenance



- Types and extents vary greatly by district and may evolve over time
- Maintenance of improvements on district or non-districts properties
  - Some tied to development approvals; some provided as amenities
- Provision of services
- Some examples:
  - Streetscape landscaping and maintenance
  - Parks of various types and sizes
  - Common area maintenance
  - Community centers
  - Parking areas, drive aisles or garages
    - Sometimes including snowplowing
  - Covenant enforcement
  - Trash removal
  - Internet/broadband
  - Public art/ entry features

# Developer Advances/ Reimbursement Agreements



- Agreements between developers and district(s)-
  - Not considered formal debt
    - Not a multi-year fiscal obligation
    - Subject to available revenues and annual appropriations
    - Inherently subordinate to any formally issued debt
    - Can be converted to formal debt or reimbursed directly (“pay as you go”)
  - May be for advances of operations and maintenance costs (particularly in early years)
  - Or for hard or soft public improvements costs
  - Per Special District Policy and Model Service Plans –No indebtedness for dedicated land costs
  - May accrue interest
  - Not directly addressed in Special District Policy, metropolitan district model service plans or BID operating plan and budget template
  - Typically disclosed in audits for districts are not audit-exempt
    - Annual activity reported in BID operating plans and budgets
  - Balances often greater than available district revenues/ debt issuance capacity

# Existing Advances and Reimbursement Agreements



- Not applicable to GIDs or SIMDs
- Common with metropolitan districts and BIDs
  - Assumed for almost all developer-initiated districts, with continuing developer involvement
- Costs often accrued periodically as they are incurred
  - Balances can also change subject to:
    - Conversion to formal debt
    - Direct reimbursement by districts
    - Interest accrual if applicable

# Formally Issued District Debt



- Multi-year fiscal obligations- not subject to annual appropriation
- Bond issues or commercial bank loans (or pledges)
- Ordinarily tax exempt
- City Council authorization required prior to issuance
  - Required by Special District Policy
    - May also be necessary to conform with City Charter
- District debt not an obligation of the City
- District/ Urban Renewal options
  - District or Urban Renewal Authority each with its own or other pledged revenues
  - District with an urban renewal TIF (tax increment financing)
  - Urban Renewal Authority with a District revenue pledge
- Private placement allowed subject to additional requirements
- May be for completed or planned public improvements
- Revenues may be based on primarily on existing valuation or future projections

# Number of Districts That Have Issued Debt/ Amount of Debt Issued



- Council Authorization Required
  - Metropolitan district service plan and BID Operating Plan requirement
  - Circa 1993 City Charter provision requiring 2/3rds of entire Council to approve district debt in excess of 10% of assessed valuation
- BIDs
  - 10 have issued debt at this time
    - USAFA Visitors Center BID debt is approved and anticipated any day now
    - Southwest Downtown BID debt anticipated in near future
    - Two others may issue debt by year-end 2020
      - » Interquest Town Center BID
      - » MW Retail BID
  - Several have privately placed debt
- GIDs
  - Each of the 3 remaining GIDs have debt issued

# Metropolitan District Debt



- About 29 metropolitan districts have issued debt or will in very near future; with one authorization pending



# Interest Rates and Ratings



- Most district debt is unrated
- Typically higher relative and effective interest rates because:
  - Revenues limited to district boundaries
  - Mil levies ( and fees) are capped
- Interest rates vary considerably based on:
  - Rates available at time of issuance
  - Available and projected AV (assessed valuations)
  - Coverage ratios
  - Private placement versus marketing
  - Senior or subordinate bonds
  - Any limits on debt service mill levy imposition terms

# Recent Debt Issuance Trends and Issues



- Trend Toward Issuance of Senior and Subordinate Debt
  - “A, B and sometimes C” bonds
  - Improves coverage ratios of senior bonds
  - May allow for reimbursement of additional public improvements costs

# Debt Authority and Status



- **Voter- authorized maximums**
  - Highest numbers; often allowing for overlap of purposes
- **Maximum Council authorizations**
  - Included in metropolitan district service plans, original BID ordinances, and/or subsequent annual approvals of BID plans
  - For multiple metropolitan district structures, there may be combined caps
- **Formally issued debt**
  - Limited in most cases by available or projected tax and fee revenues
- **Pending debt issuances**
  - Authorized but not yet issued
  - Authorization in process

# Updated Schedule- Future Sessions



## Session 6- January 13, 2019

- District powers and functions in addition to debt issuance
- District boards and elections/ TABOR

## Session 7- January 27, 2019

- Contacts, annual reports, audits, data and disclosure
- Responsibilities/ checks and balances
- District dissolution, or conversion to resident boards
- Next steps