

Summary Notes- Draft

Special District Working Group February 18, 2021, 2:30 p.m.

Location: City Administration Building, Room 102, 30 South Nevada Ave., Colorado Springs, Colorado

Meeting started formally at about 2:35 p.m.

Attendees (In person or on Teams): All Working Group members except for Mr. Hoiles and Mr. Knechtel, plus Wysocki, Schueler, Marla Novak (HBA), Page Saulsbury, Elena Lobato, Sally Barber (City Auditor's Office), Angela Gilpin (Maverick Observer). Hannah Van Nimwegen for part of the meeting?

Ms. Greenberg from the City Attorney's Office and Ms. McDaniel (CFO) were not able to attend.

Note: Organization of these summary notes may not always follow the exacted chronological progression of the meeting

1) Introductions / Meeting Purpose

Members and guests introduced themselves, in person or on-line.

The priority goals for this meeting were summarized based on the agenda

It was agreed Ms. Bigelow could represent for Mr. Hoiles in his absence. She also provided a set of written comments addressing several of the agenda items. These were distributed and are included with the documentation for this meeting.

2) Summary Notes from February 4, 2022 Meeting- Carl Schueler

There was discussion under this item focused on Ms. Bigelow's comments on the minutes. In reference to Councilor Williams' comment on publishing in a paper other than the Gazette, she noted there would appear to be few options besides that in the City. She added that if debt issuances were going to no longer be reviewed by the City, there should be better access to the bond documents and better communication as to the fact that this is happening at all. The City should also get a copy of the full bond documents after closing. She took issue with the time and cost assumptions associated with the current process involving Council review and approval of formal debt issuances. Discussion followed.

3) Mill Levy Caps

(Also see brief staff memo sent out with meeting agenda and highlighted with this item)

Carl went through his memo and PowerPoint on this topic. Staff are recommending a new debt service cap of 50 for residential districts. This would match commercial districts and the County. This cap would

not be Gallagher adjustable back to prior dates, but could be adjusted on a forward-going basis if there were a subsequent change to the Statewide assessment rates. Policy language around overlay (e.g. regional improvement) districts could be focused on simply maintaining consistency with overall caps.

For O&M mill levies, staff proposed a new cap of up to 20 mills, again with no retrospective Gallagher adjustments. Staff suggests that a simple cap be applied as part of policy rather than applying a more complex approach related to justifications based on particular services being, or not being provided. For one thing, service plans authorize and do not necessarily commit districts to providing certain functions or services.

The was discussion on the differing and evolving roles of the City and districts in providing services and/or amenities.

The effective difference in market value-based revenue generating potential for residential versus commercial districts was explained (about 4 times lower for residentially assess properties).

In response to a question, district and development community representatives noted that TABOR elections questions are ordinarily worded to allow mill levies to be adjusted up or down as needed to meet district needs and obligations, as long as the remain at or below the caps.

It was noted that these mill levy cap changes would apply to new metropolitan districts going forward or to existing districts only if they requested a service plan amendment. Presumably, the impacts to BIDs would be limited (because most already have a debt service cap of 50) but if they requested a change this could occur with their annual Operating Plan and Budget approvals.

The current 40-year maximum residential debt service mill levy imposition term was mentioned, with an assumption that this would remain in place with the future Policy.

Ms. Bigelow (on behalf of Mr. Hoiles) pointed out that there was a reason Council set a lower cap for residential debt service mill levies back in 2006. This was to specifically represent the interests of residential taxpayers. (Also see her other written comments).

Questions were asked about why 20 mills is recommended for O & M, versus another number. Carl responded that this number would correspond with the highest previously approved limits, but otherwise has no direct relationship to costs. Moreover, in certain circumstances he noted a district with a lot of maintenance and service needs or preferences (for example- traditional HOA common area maintenance and other services), 20 mills would not be sufficient. However, districts have the option to (and in some cases will have) to assess fees for ongoing needs.

Ms. Henjum asked about the efficacy of having an overall aggregate cap. Carl responded that some jurisdictions have these; however he observed that once a debt service mill levy is committed to formal debt, there will be limited flexibility for resident board members to have the option of using that capacity for O &M purposes.

On the topic of sub-districts, Mr. Dykstra responded that this option is rarely used in his experience. However, Mr. Walker suggested he was reviewing one option. It was generally agreed to draft the Policy and new model plan to prohibit subdistricts without express City Council consent.

Related to the debt service caps, Councilwoman Williams requested an analysis of the differences in district-related costs between the City and the County.

4) Developer Advances

(Also see brief staff memo and PowerPoint sent out with meeting agenda and presented with this item)

Staff briefly presented background on this item, noting this topic is not currently addressed in City Policy or the metropolitan district model plans. Staff's recommendation is that the Working Group start with the current El Paso County policy which is a 20-year limit on advances, along with an interest rate not to exceed the Prime Rate plus 2%. It was clarified that the term would be separate and distinct from the terms of any subsequently issued formal debt.

Various questions were asked and comments were made. It was clarified that advances can be made for both facilities costs and operations and maintenance. However, O &M costs cannot be repaid from the proceeds of borrowing.

Mr. Stimple indicated he was okay with the County approach and the interest rate limit. He has never had an advance go for over 20 years. Ms. Henjum and Mr. Walker agreed. Ms. Bigelow commented that this information and process should be open and transparent, and the interest rates need to be reasonable.

5) Next Meeting and Future Agenda Topics

Carl noted the remaining major topics include subordinate bonds and related topics, conversion of district structures and boards, and disclosure. He noted he was assuming several of the listed minor topical items could be address off-line with the recommended language brought back to the Working Group for discussion only if needed.

Carl will be bringing back information on City/County district cost comparison.

Ms. Henjum suggested the list of topics be annotated to keep track of Working Group progress.

She also commented that she had reached out to a Denver area expert on districts whose opinion was that the City of Colorado Springs approach and policy framework was fairly reasonable.

The meeting concluded a little after 4:00 p.m.