

LEADERS IN  
INFRASTRUCTURE  
FINANCE

D.A. DAVIDSON & CO.  
SPECIAL DISTRICT GROUP

FROM BLUEPRINT TO BOTTOM LINE



D.A. Davidson & Co.  
member SIPC  
FIXED INCOME CAPITAL MARKETS



# Agenda

1. What is a Metropolitan District?
2. What does the Vista Ridge Metropolitan District do?
3. Details of currently outstanding debt
4. Plan to lower homeowner taxes
5. Costs/Benefit analysis



# Metropolitan Districts

- Metropolitan Districts are a form of local government in Colorado that has the authority to build several types of public infrastructure including (but not limited to):
  - Street improvements
  - Water and wastewater infrastructure
  - Park and recreation improvements
- Metropolitan Districts are created by the city in which they reside (Erie in this case)
  - They are created under a section of Title 32 of the Colorado Revised Statutes and governed by the Service Plan
  - In part, the Service Plan outlines the infrastructure and services that the district may provide
  - Vista Ridge's Service Plan contains limitations on the District's ability to impose taxes to repay debt, including a debt service mill levy cap of 42.827 mills
- Very common form of local government in Colorado
  - There are currently 1,479 Metropolitan Districts in the state
  - In place on essentially all new master planned subdivisions in the Denver Metro Area
  - Allow for new growth to pay its own way



# Vista Ridge Metropolitan District

- Created in 2000 with the authorization of the town of Erie, Colorado
  - No full-time employees, managed by Special District Management Services
- Governed by a 5 member board elected by District residents (all property owners)
  - James Spehalski (President), Christopher Koch (Treasurer), Scott Wood (Assistant Secretary), Michael Lund (Assistant Secretary), Brian Laird (Assistant Secretary)
- The District built the following infrastructure for the community
  - Roadways – Roadways within and adjacent to the development
  - Sewer and Stormwater Facilities – Main, service to pump house, storm sewer system, pond system, potable and non-potable water system
  - Recreation Amenities – Landscaping wall, main entry feature, streetscapes, pedestrian trails, open space area
  - All major infrastructure improvements have been conveyed to the Town of Erie for perpetual ownership and maintenance
- The District maintains the following improvements for the community
  - Collector road landscaping, non-potable water system, pedestrian trails, certain fencing improvements



# Vista Ridge Revenues

- District revenues for debt service are primarily derived from property taxes imposed on owners of real property within the boundaries of the District
- The property tax imposed by the District is calculated as a percentage of a home's market value times the mill levy imposed by the District as follows:
  - 57.827 mills currently levied by the District (42.827 mills for debt, 15 mills for operations)
  - 1 mill = 0.1% or 0.001 and is applied against the Assessed Value of a home
  - Assessed Value = 7.96% of the Weld County Assessor's determination of market value
  - \$500,000 home x 7.96% = \$39,800 Assessed Value
  - \$39,800 x 0.0578 = \$2,300 per year or \$192 per month
  - \$192 per month is the portion of this homeowner's property tax bill that is collected by the County on behalf of the Metropolitan District and escrowed for payment by the lender on the home
  - Property tax is deductible from income tax for tax payers itemizing their deductions



# Current Debt Situation

- Vista Ridge MD pledges the 42.827 mills it collects for debt to bonds that were issued in 2006 to pay for a portion of the community's public improvements
- \$31,970,000 Series 2006A Bond principal remains outstanding
  - 4.125% - 5.125% interest rate on remaining debt
  - 12/1/2040 final maturity
- \$4,945,000 Series 2006B Bond principal remains outstanding
  - 0% interest rate currently via restructuring in 2012, which pushed out payments to accommodate slower growth than projections from the initial bond sale in 2006
  - 9.5% interest rate (starting 1/1/17)
  - 12/1/2040 final maturity
  - The bonds will be pre-payable without penalty on 12/1/2021
- Subordinate bonds require the District to levy 42.827 mills until they are repaid
- The debt service mill levy can only drop once there is enough revenue annually to pay the Series 2006A bonds and the Series 2006B bonds are paid off



# Debt Refunding Options

- At the direction of the board, D.A. Davidson reviewed three options for refunding the existing debt
- The differences among the plans include
  - Refunding the A bonds only or both the A and B bonds
  - Keeping the current final maturity of 2040 or extending it to 2046
  - Removing the mill levy cap or leaving it in place
  - Bond credit ratings based on the mill levy status
  - Different interest rates based upon mill levy status
- The following slide summarizes the key features of each plan



# Summary of Refunding Options

	Bond Maturity	Debt Cap	Interest Rate	PV Savings \$*	PV Savings %	Annual Savings	2018 Debt Levy
<b>Existing Debt</b>	2040	42.8	5.66%	N/A	N/A	N/A	42.8
<b>Option 1</b> (Senior Only)	2040	42.8	3.26%	\$5.3mm	16.7%	\$334,000	42.8
<b>Option 2</b> (Senior Only + extension)	2046	42.8	3.46%	\$4.5mm	14.0%	\$530,000	42.8
<b>Option 3</b> (Senior + Sub)	2040	None	3.15%	\$8.1mm	21.9%	\$492,000	31.5

Option 3 eliminates the mill levy cap, but has the lowest interest rate, the highest savings, mill levy reduction in 2018, and avoids an extension of the debt

\* PV stands for present value which is the sum of annual savings in 2016 dollars.



# Benefits/Risks of Mill Levy Cap Removal

## ▪ Benefits

- 26% reduction in property taxes related to metro district debt service, which equates to \$450 per year on a \$500,000 home
- Almost \$3 million more present value savings available with the cap removed versus plans with the cap remaining in place
- Most interest rate reduction of any option considered
- Mill levy reduction in 2018 only possible with the cap removed
- Results in the highest credit rating possible for the district
- Improves the likelihood of receiving bond insurance, which will broaden market interest

## ▪ Key Risks

- If assessed values drop by more than 13% in Option 3 and never recover, the debt levy will go above the old cap
  - The average home price decline in Erie during the financial crisis was around 5% (see slide 13)
  - All commercial property within the district makes up about 8% of total assessed value, so even dramatic swings in commercial values would not on its own push the district back over the prior mill levy cap



# Process and Next Steps

1. Community feedback collected for the next 10 days via the District Manager
  - Lisa Johnson, Special District Management Services Inc.
  - [ljohnson@sdmsi.com](mailto:ljohnson@sdmsi.com)
  - (303) 987-0835
2. Discuss financing proposal with the City Staff
3. Submit a request to City staff to remove the debt taxes cap
4. A Public Hearing of City Council on the request to remove the debt taxes cap
5. Issuance of a resolution approving the removal of the debt taxes cap by Erie Town Council at a Public Hearing
6. Create bond documentation
7. Sell bonds to fund the repayment of existing debt
8. Close the financing in September 2016
9. Lower property taxes for residents as early as 2017



# Question and Answer Session

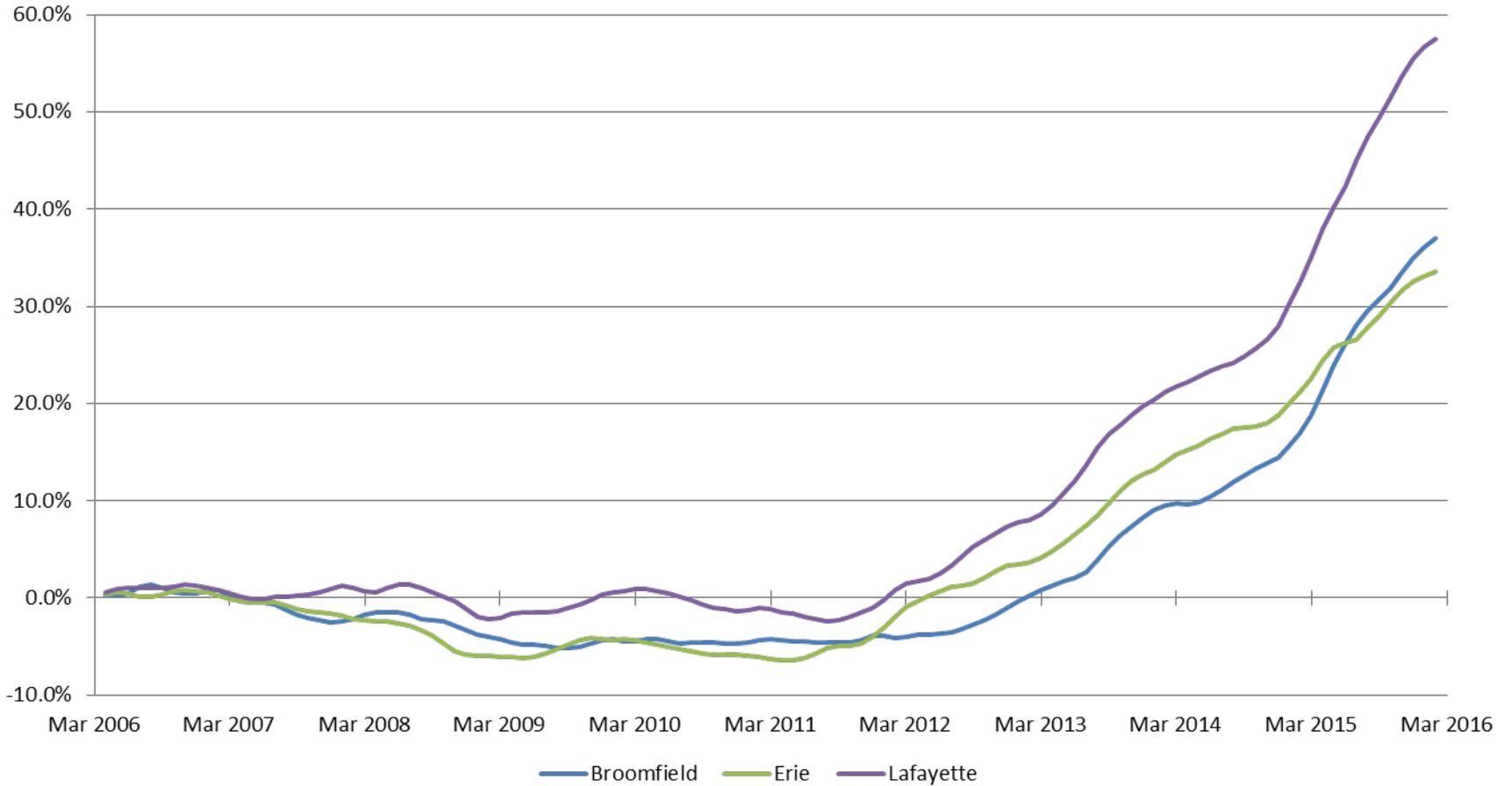


# Additional Information

## SUPPORTING INFORMATION



# Historical Home Value Trend



Source: Zillow Home Price History

Town of Erie

16 Sep. 2016

Board of Trustees

Town Board,

I am writing to express my support for the request by the Vista Ridge Metro District for an amendment to the Service Plan. As a 10 year resident and homeowner (and voter) in Vista Ridge, and hence, the Town of Erie, I am always looking for ways to make this a more attractive place to live. This amendment will allow the Metro District to lower the mill levy for residents of Vista Ridge by refunding the bonds at a more competitive rate. It's not often as a taxpayer that we see that happen, and I believe that it will positively affect property values in Vista Ridge and Erie. The Boards expressed desire to make Erie a very attractive place to live and do business will be well served by the approval of this amendment. I have spoken with a number of my neighbors, as well as attended informational meetings regarding this, and all the comments I have heard, once the amendment has been fully explained, have been positive. The resident are all for a possibility of a lowering of their tax rates. Please support this amendment and allow the Vista Ridge Metro District to refinance our bonds at a competitive rate.

Regards,

Scott Wood

2233 Lupine Place

Erie 80516

720-890-8323 – H

651-592-4564 – C

eaganfire@comcast.net

September 15, 2016

Town of Erie  
Board of Trustees  
645 Holbrook St.  
Erie, CO 80516

Dear Board of Trustees,

I am writing this letter to address the recent decision made by the Board of Directors for the Metropolitan District of Vista Ridge (District). I fully support their decision to refinance the bond holdings. Below I've outlined reasons for my support.

- The objective of the District is to lower taxes for residents of the Town of Erie, even though this is a direct benefit to Vista Ridge residents.
- Fiscal responsibility of an organization like the District should be prudent and beneficial to its representatives. In this case the District's decision is both prudent and beneficial.
- The District offered public notice to meet and discuss the options. The responses that evening were very positive and residents seem to agree that a refinance would benefit the taxpayers.

We share in the representation of these taxpayers and I'm asking for your help to lower taxes by the greatest amount.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Brian Laird". The signature is written in a cursive, flowing style.

Brian Laird  
Erie resident

## **Lisa Johnson**

---

**From:** Wendy H Davenson, LMFT, LAC <wdavenson@aol.com>  
**Sent:** Tuesday, June 14, 2016 9:58 AM  
**To:** Lisa Johnson  
**Subject:** Great meeting last night

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Lisa: thanks for the meeting last night - I thought it was very clearly presented - and I am in support of option 3. We had several people from Latitude present last night - not as many as I had hoped but...

I live across from the Goddard school play yard and the Metro district between my back yard and the side walk looks dreadful and is full of noxious weeds. To whom would I ask that the area be weeded and sprayed for thistles etc. and mowed?

Thank you.

*Wendy  
Latitude at Vista Ridge HOA President  
Wendy Davenson, LMFT, LAC  
AAMFT Approved Supervisor  
Erie, CO  
720 425-0637 Cell 203 241-2528*

## Lisa Johnson

---

**From:** Kim Gilbert <tazzip1@hotmail.com>  
**Sent:** Tuesday, June 14, 2016 4:50 PM  
**To:** Lisa Johnson  
**Subject:** Option 3 Vista Ridge

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi Lisa,

I attended last night's VR meeting. Thank you for hosting it. It was very well done and erased my skepticism toward raising the cap. I wanted to let you know that I'm all for Option 3 and appreciate all of the work that has gone into the refinancing.

Thanks, Kim Gilbert  
1924 Windemere Lane

Sent from Windows Mail

## Lisa Johnson

---

**From:** bc1375@comcast.net  
**Sent:** Tuesday, June 14, 2016 7:33 PM  
**To:** Lisa Johnson  
**Subject:** Re: Vista Ridge MD - copy of materials presented at community meeting

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

This was well received, thank you.

my feedback is I am in favor of the 3rd option, which removes the mil levy cap.

While the presentation was good, I did not see an estimate of refinance costs which appears would go to DA Davidson.

That should be included.

---

**From:** "Lisa Johnson" <ljohnson@sdmsi.com>  
**To:** "Lisa Johnson" <ljohnson@sdmsi.com>  
**Sent:** Tuesday, June 14, 2016 12:26:56 PM  
**Subject:** Vista Ridge MD - copy of materials presented at community meeting

Good afternoon,

Attached please find the PowerPoint presentation that was discussed with the community at the meeting last night. After your review, please do not hesitate to contact me with questions, comments, concerns and your thoughts regarding the different options presented.

Thank you and enjoy your day,  
Lisa

Lisa A. Johnson  
Vice President of Administration  
District Manager  
Special District Management Service, Inc.  
141 Union Blvd., Ste. 150  
Lakewood, CO 80228  
303-987-0835 (o)  
303-987-2032 (f)

## Lisa Johnson

---

**From:** Jennifer Munson <mauledbycat@hotmail.com>  
**Sent:** Monday, June 20, 2016 8:42 AM  
**To:** Lisa Johnson  
**Subject:** Refinancing the debt

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Lisa,  
Nick & I were at the meeting last week about refinancing the metro district's debt. First of all, thank you so much for announcing that (we received both the email & the paper mailer) and allowing those of us who want to be educated & informed the opportunity to understand what is going on and what it means for us as home owners and for VR as a whole. I don't do Facebook or any other social media gossip pages so as to avoid all of the b.s. & misinformation that gets spread around and I really did appreciate this meeting so that we got the correct information from the correct sources. Although removing the cap is a little scary, we think that option 3 makes the most sense for reducing property taxes, and overall has very little risk with the rate at which Erie is growing, especially if part of the new King Soopers' center is included in the metro district and will bring in more revenue.

Thank you again to all of the board members for their time and effort in organizing this meeting and inviting the people of Vista Ridge to attend.

With gratitude,  
Jennifer Munson & Nick Matheson

**Lisa Johnson**

---

**From:** Kim Benson <kimebenson@gmail.com>  
**Sent:** Sunday, July 03, 2016 9:54 AM  
**To:** Lisa Johnson  
**Subject:** Debt refinancing

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Lisa, this is a bit late, but I had attended the community meeting about the debt refinancing and just wanted to add my vote in support of the Board's recommendation to refinance the debt and remove the cap.

Hopefully you have gotten a fair amount of support!

Best regards and Happy 4th of July.

Kim

**Lisa Johnson**

---

**From:** Steve Williams <williams\_steve@comcast.net>  
**Sent:** Tuesday, June 14, 2016 9:07 PM  
**To:** Lisa Johnson  
**Subject:** Vista Ridge Metro District bond refinancing meeting

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi Lisa,

I attended the meeting on June 13<sup>th</sup>. Based on the presentation and discussion, I am in favor of refinancing option 3 and eliminating the mill levy cap. If you would be so kind to let me know when the public hearing with the Town of Erie is scheduled to occur I would like to attend in support of this.

Sincerely,

Steve Williams  
1406 Falcon Place, Erie, CO 80516

## Lisa Johnson

---

**From:** Suzanne Eyerman <suzanne.eyerman@gmail.com>  
**Sent:** Wednesday, June 15, 2016 2:52 PM  
**To:** Lisa Johnson  
**Subject:** Re: Vista Ridge MD - copy of materials presented at community meeting

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi Lisa,  
Option 1 saves money and has essentially no risk. Option 2 is a weaker version of that, so I'd prefer Option 1. Option 3 has some real risk, even if the chances seems small. Essentially I do not see the stability in the housing market that gives me confidence in this option. My husband (co-owner of our house) has the same opinion, by the way.  
Thank you!  
-Suzanne

On Wed, Jun 15, 2016 at 1:05 PM, Lisa Johnson <[ljohnson@sdmsi.com](mailto:ljohnson@sdmsi.com)> wrote:

Suzanne- thank you for the feedback. This is the correct way to communicate your choice. Is there any reasons you would like to give you're your support of Option 1 and opposition to Option 3?

Lisa A. Johnson

Vice President of Administration

District Manager

Special District Management Service, Inc.

141 Union Blvd., Ste. 150

Lakewood, CO 80228

303-987-0835 (o)

303-987-2032 (f)

---

**From:** Suzanne Eyerman [mailto:[suzanne.eyerman@gmail.com](mailto:suzanne.eyerman@gmail.com)]  
**Sent:** Tuesday, June 14, 2016 4:40 PM