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Memorandum

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Date: July 3, 2024

To: Jason Rogers, City Manager
City of Commerce City, Colorado

Subject: Overlapping Metropolitan District Audit and Compilation

Hilltop Securities Inc. (“Hilltop”) has been engaged by the City of Commerce City, Colorado (the “City”) to compile and review certain publicly available information related to metropolitan districts which overlap the boundaries of the City. Based on direction from the City, Hilltop was to focus on two main areas for the review which included the following;

1. Compare the debt service mill levy for collections in 2024 to the mill levy cap detailed in the Service Plan, with adjustments, if any,
2. Identify property tax collections for debt service and compare to payments on outstanding debt or other obligations.

The metropolitan districts included in this audit were compiled by the law firm Butler Snow LLP. Butler Snow compiled the levies implemented for collection year 2024 and reviewed the service plan and any amendments to determine the maximum allowable debt service mill levies and the ability to adjust such mill levy for changes in the method of calculating assessed value, if any.

For those districts where the maximum debt service mill levy could be adjusted for changes in the method of calculating assessed valuation, the maximum levy was increased using a ratio of the residential assessment rate at the time of the approval of the Service Plan or applicable amendment to the current residential assessment rate. For the purposes of this initial analysis there was no adjustment made to this maximum levy calculation resulting from the per-parcel adjustments as allowed in SB 23B-001. Additional information and diligence is required to accurately calculate maximum levies resulting from those per parcel adjustments.

To identify the property tax collections of each district and the corresponding use of those collections for payments on debt or other obligations, the 2022 budget and 2022 audits were reviewed which is the most recently completed audit cycle as 2023 audits are generally not complete at this time. The revenues and expenses of each district’s debt service fund were reviewed to determine how those funds were being spent upon collection. Additionally, the outstanding balance of debt obligations was compared for year-end 2021 and year-end 2022 to confirm payments were generally applied as required.

The findings of the audit and review are that generally the majority of districts are levying a debt service mill levy lower than the adjusted allowable maximum levy, as adjusted when applicable, and therefore are in compliance with the maximum mill levy limits imposed in the service plan. There are certain districts where more information needs to be collected on the calculation of the adjusted maximum mill levy because is expected that those districts have made the additional per parcel adjustments as allowed in SB 23B-001. As stated above, Hilltop’s analysis has not made any per parcel adjustments allowed in SB 23B-001.

Additionally, the audit found that all districts that were levying a debt service mill levy were maintaining those funds in the debt service fund and being used to either make payments on debt or other obligations or being retained in the fund balance of the debt service fund.