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Metro District Review

Summary and Background Information:

Metro districts are a topic of ongoing concern for City Council. On December 19, 2022, Council passed Ordinance 2453, which placed a moratorium on the creation of new residential metro districts. The intent of the moratorium was to allow time for staff to provide answers to questions from Council and develop additional regulations. On November 27, 2023, Council passed Ordinance 2549, which enacted new regulations governing metro districts, as well as Resolution 2023-136, which adopted a new model service plan based on those regulations.

These regulations were the culmination of a multi-year process that included extensive public and stakeholder outreach and significant input from Council. The regulations were based on best practices gleaned from other cities and reviewed by third-party consultants to ensure they met Council's intent. Ordinance 2555, which would have repealed the moratorium, failed on first reading at the November 27, 2023 meeting in a 4-4-1 vote. Council indicated they wished to see additional information on potential alternatives to metro districts before considering a repeal of the moratorium.

At the February 26, 2024 study session, staff presented alternatives to metro districts, focusing on other forms of special district financing, including SIDs and GIDs. The presentation was designed to answer Council's outstanding questions and provide them the information necessary to make a decision on repealing the moratorium. Council gave staff direction to bring back an ordinance that would repeal the moratorium. Council considered Ordinance 2573 on first reading at the March 18, 2024 Council meeting. The ordinance failed 3-5-1.

Council provided staff with additional direction to conduct a thorough review of the service plans and mill levy certifications for all metro districts within Commerce City. The facts ascertained by this investigation will serve as the base for a larger investigation and analysis of metro districts in Commerce City. The results of this initial review were received on July 3, 2024. Concurrently, Staff has been examining other Colorado municipalities to understand how they finance new developments.

In order to conduct this review, Staff coordinated with outside counsel. Butler Snow performed a review of the service plans for all metro districts within Commerce City and

provided that information to Hilltop Securities. Hilltop then compared the mill levy limits authorized by the service plans (factoring in potential Gallagherization adjustments) to the most recently certified mill levies to verify that districts were collecting the proper amount from residents in property taxes. Additionally, Hilltop compared property tax collections for debt service to payments on outstanding debt and other obligations to verify that tax revenue collected by districts was being spent properly and in accordance with the financial plan contained within each district's service plan.

The findings of this investigation are included in the packet. A memo details a summary of the findings, which indicates that generally most districts are levying a debt service mill levy lower than the maximum rate allowed by their service plans and that districts levying a debt service mill levy were using those funds to make payments on debt or other obligations. The packet also includes the data collected showing a by-district breakdown of mill levy caps, adjustments, and mill levy certifications.

In addition to this investigation, Staff conducted research to analyze how other cities in the region fund new infrastructure. This investigation examined the current and historic policies of several Front Range communities towards metro districts and financing of new infrastructure. A memo summarizing the findings is included in the packet as well.

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Staff Member Presenting: Jim Tolbert, Assistant City Manager