Service plans within a Metropolitan District

The focus of this initiative is to prevent a development project from being sold out to a higher market at the expense of its financial obligations and community goals. Here's the scenario:

If a metro district has an outstanding debt of $40 million and the developer seeks to sell the project to another investor for $100 million, the bond payoff must be addressed before the transaction can proceed. The $40 million bond, which holds the first lien position, would need to be satisfied from the proceeds of the sale. This leaves a net difference of $$$$ million for the developer. Importantly, the bond agreement must ensure there are no prepayment penalties, protecting both the integrity of the financial structure and the community's investment.

A related concern is the timing of debt repayment. Under current structures, a service plan might allow up to ten years before requiring principal payments on bonds. Reducing this window to five years ensures earlier contributions toward reducing debt, mitigating the risk of prolonged financial burdens.

Additionally, development timelines must be enforced. Once a service plan is approved, clear deadlines for construction commencement—typically within 6 to 12 months—should be established, depending on associated costs and logistics. This prevents landowners or developers from indefinitely delaying progress while claiming no obligation to act. If there is no significant movement within the specified timeframe, property owners would be required to provide a detailed explanation of delays or barriers to construction.

This structured approach balances financial accountability, community benefits, and timely development, ensuring that projects align with broader goals rather than being exploited for speculative profit.

A commercial service plan should provide the same reflection as well!

Here's a more detailed version of the scenario you described:

A specific situation arises when a developer or property owner within a metropolitan district seeks to sell to a higher market or subdivide lots for individual sale. This can put the overall project in jeopardy if the financial obligations tied to the district's development—such as bond repayments for infrastructure costs—are not prioritized.

Here's how the scenario unfolds:

If a developer subdivides land within the district into individual lots and sells them at prices that exceed the originally projected lot-based value, the proceeds from these higher-than-expected sales must be directed toward the reduction of outstanding debts. Specifically, any profits beyond the baseline lot price should contribute directly to bond payments. This ensures that the financial structure supporting infrastructure construction costs remains intact.

For example, if a district issued bonds to fund roads, utilities, or other infrastructure, the proceeds from excess lot sales would help reduce the district's debt burden. This not only accelerates debt repayment but also ensures the project remains financially stable and less reliant on future speculative sales or additional financing.

Without this stipulation, developers might pocket excess profits without addressing the district's financial obligations, leaving the burden of repayment on other stakeholders, such as remaining landowners or future buyers. Furthermore, infrastructure projects could stall or fail if funds are diverted away from critical construction needs.

To safeguard against these risks, the district must establish clear guidelines requiring that all excess revenues from lot sales contribute to infrastructure-related bond repayments. This approach balances the potential for higher market sales with the district's long-term financial and operational stability, ensuring the project's viability and equitable outcomes for all stakeholders.

Proposed Changes to the Metro District Service Plan Agreement

The proposed revisions to the Metro District Service Plan Agreement should include comprehensive oversight by the current City Council to ensure transparency, accountability, and alignment with community interests. Under these changes, no portion of the oversight responsibilities should be delegated to the city manager through any policy amendments, as direct City Council involvement is essential for maintaining public trust and ensuring fair governance.

However, the city manager will play a crucial role in ensuring the effective execution of operations and maintenance obligations outlined in the revised service plans. This includes collaborating with the Metro District to address community needs, monitor performance standards, and ensure the long-term sustainability of public infrastructure and services.

These adjustments aim to balance strong oversight from the City Council with the city manager's operational expertise, creating a framework that promotes efficient management while safeguarding the public's interest.

Metro District changes
Proposed Changes to the Service Plan Agreement should include oversight by the current City Council and no portion is offset to the city manager under any policy changes. The city manager will make sure operations and maintenance is taken care of in these new service plans with Metro District's.

1. Section 5: Description of Proposed Powers, Improvements, and Services

- **Subsection C: Public Improvements**

The language in this section should be clarified to explicitly identify and detail all proposed public improvements. Each improvement must be specifically described, including its purpose, scope, location, estimated costs, timeline for completion, and any anticipated long-term maintenance requirements. This ensures transparency and provides clear expectations for stakeholders.

2. Section E: Extraterritorial Service Agreements

- **Subsection 8**

Revise the text to state: *"The district will not apply for grant funding distributed by any agency of the United States* *government or the State of Colorado without obtaining prior written approval from the City Council."* This change ensures that City Council retains oversight and control over the district's grant application activities, aligning them with broader city policies and priorities.

3. Land Acquisition and Bond Provisions

- **Approval Reference**

Amend all instances to reflect that approval is to be given by *"City Council or designee by City Council"* instead of the "city manager."

- **Land Acquisition**: Any acquisition of land must be approved by *"City Council or designee by City Council."*
- **Bond Issuance**: Prior to the conveyance of bonds, approval must

be granted by *"City Council or designee by City Council."*

4. Section VI: Financial Plan

- **Debt Issuance and Refinancing**

Replace all references to "city manager" with *"City Council or designee by City Council."*

- **Specific Changes**:
  - On page 15, fifth line: Amend to state, *"No less than three days prior to the debt issuance closing date, bond counsel for the district shall submit the required documentation to the City Council or designee by City Council."*
  - **30-Day Submission Requirement**: The district must submit all required documentation to *"City Council or designee by City*

Council" at least 30 days prior to execution.

- **City Manager's Discretion for Comments**: Replace references to "city manager" with *"City Council or designee"* for comment authority and associated remedies.
- **Comment Deadline**: The City Council or its designee will provide comments on proposed terms within 30 days of receiving documentation.

5. Section VII: Regional Improvement Mill Levy

- **Section F**

Replace all references to the "city manager" with *"City Council or designee by City Council"* regarding the approval of regional improvements. This ensures oversight is retained by City Council or its designated authority.

6. Section VIII: Annual Report

- **Subsection A (General)**

The annual report must be submitted to *"City Council or designee by City Council"* no later than October 1 each year. This change guarantees that City Council or its designee receives timely updates on the district's performance and financial status.

7. Section XIV: Sanctions

- **Approval or Consent**

Update all references of "city manager approval or consent" to *"City Council or designee by City Council approval or consent."* This modification ensures consistent oversight and accountability by City Council.

8. Metro District Contribution to Road Operations and Maintenance

To address operational and maintenance costs, Metro Districts with bonds in place must contribute to the upkeep of roads within their district. Currently, the city provides services such as policing, general servicing, and ongoing maintenance for Metro District streets. The proposed adjustment includes an additional **10-mill levy**, which will remain in effect until all bond proceeds are fully repaid. Once repayment is complete, the levy will reduce to **5 mills**.

This policy ensures equitable cost-sharing and long-term sustainability of infrastructure maintenance.

1. Sec. 13-1000. – Purpose and policy preferences

Add the following at the end of subsection (c):

> *(Added) The city shall require explicit caps on total tax liabilities for district residents to ensure that increasing property valuations do not lead to unintended financial strain on homeowners.*

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2. Sec. 13-1001. – Definitions

Add the following definition:

> **Board Composition**: The structure of the district's board of directors, including the timelines and processes for transitioning from developer control to resident representation in accordance with state law.

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3. Sec. 13-2100. – Service plans

Add the following subsections:

> *(Added) (9) The service plan must include a detailed description of all proposed public improvements, including their purpose, scope, location, estimated costs, timeline for completion, and anticipated long-term maintenance requirements.*
>
> *(Added) (10) The district shall obtain prior written approval from the City Council before applying for any grant funding from agencies of the United States government or the State of Colorado.*

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4. Sec. 13-3101. – Service plans (Application Review)

Add the following to subsection (c) Service plan review:

> *(Added) (7) Development timelines shall be enforced through clear deadlines for construction commencement, typically within 6 to 12 months of service plan approval. Any delays must be accompanied by a detailed explanation of barriers to progress.*

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5. Sec. 13-3102. – Material modifications

Add the following at the end of subsection (a):

> *(Added) All proposed material modifications must include a timeline for accelerated debt repayment. Service plans shall limit the window for initial debt repayment to a maximum of five (5) years from bond issuance to ensure timely financial accountability.*

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6. Sec. 13-4001. – Transparency

Add the following subsections:

> *(Added) (d) The city shall require independent annual audits of all financial operations within the district to ensure compliance with reporting and transparency requirements.*
>
> *(Added) (e) All key financial and governance documents, including service plans, budgets, and annual reports, must be prominently displayed on both the district's and the city's websites for public access.*

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7. Sec. 13-4002. – Disclosures to purchasers and buyers

Add the following at the end of subsection (a):

> *(Added) The district shall implement compliance verification procedures to ensure that all required disclosures are provided to potential buyers in a timely and accurate manner.*

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8. Sec. 13-4003. – District default

Add the following to subsection (a):

> *(Added) No district shall issue additional debt until existing defaults or unresolved financial obligations are remedied to the satisfaction of the City Council. Exceptions are limited to refunding debt that results in a net present value savings.*

9. Sec. 13-3101. – Service plans

Add the following as subsection (d):

(Added) (d) Annual Budget Approval and Mill Levy Adjustment Clause:

- The District shall prepare and submit an annual budget to the City Manager for review and approval no later than October 1 of each calendar year. This budget must include:
  - Projected revenue from all sources, including property taxes, fees, and other legally available revenues.
  - Proposed expenditures for operations, maintenance, and debt service.
  - A detailed schedule of planned capital improvements for the following fiscal year.
- Concurrent with the budget submission, the District shall provide the City with the assessed valuation of all taxable property within the District Boundaries as certified by the County Assessor for the upcoming tax year.
- Based on the certified assessed valuation and the approved budget, the City shall calculate the mill levy rate necessary to fund the District's approved expenditures while complying with the limitations set forth in this Service Plan, including the Maximum Debt Mill Levy, Maximum Operation and Maintenance Mill Levy, and Maximum Combined Mill Levy.
- The District shall adopt the mill levy rate as approved by the City and ensure it is certified to the County in accordance with state law.
- The City shall ensure that the annual mill levy is adjusted to account for increases in property valuation, preventing the total tax burden on property owners from exceeding the funding needs of the District as outlined in the approved budget.
- The District shall provide a written explanation of any proposed increases in expenditures or mill levy rates in its annual budget submission.
- The City shall make the approved budget and mill levy rate publicly available on its website no later than December 15 of each year.
- Failure by the District to submit a budget or comply with the City-approved mill levy rate shall constitute a material modification of this Service Plan and may result in sanctions, including the withholding of permits, approvals, or enforcement actions as provided in this Service Plan.