

# ICENOGLÉ • NORTON

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**TO:** City Council, City of Loveland Colorado

**FROM:** Alan D. Pogue *ADP*

**DATE:** June 28, 2010

**RE:** Service Plan Consent to Refinance District Bonds with Extended Maturity

## Request

The Board of Directors of the Centerra Metropolitan District No. 1 (“District”) is requesting the City Council’s consent, as required by the District’s Service Plan, to refinance existing outstanding District bonds, with an extended final maturity on those bonds.

## Background

Section V.E. of the Consolidated Service Plan for Centerra Metropolitan Districts No. 1-4 (“Service Plan”) estimates that any District bonds, when issued, will mature not more than forty years from the date of issuance. Section V.E. of the Service Plan further provides that the District shall not refinance any outstanding District bonds, which refinancing will lengthen the final maturity of such bonds, without the prior written approval of the City Council.

In October, 2004, the District issued bonds in the principal amount of \$57,000,000 (the “2004 Bonds”), the proceeds of which were used to fund significant public infrastructure to serve Centerra. The 2004 Bonds, when issued, had a final maturity date of December 2029; twenty-five years following the date of issuance.

In March 2008, the District issued bonds in the principal amount of \$112,000,000 (the “2008 Bonds”), the proceeds of which were used to refund/refinance the 2004 Bonds and to fund additional public infrastructure projects, including the I-25/US Highway 34 Interim Improvements and a portion of the I-25/Crossroads Boulevard improvements. The 2008 Bonds, when issued, had a final maturity date of December 2029; twenty-one years from the date of issuance. The refunding portion of the 2008 Bonds did not extend the final maturity of the 2004 bonds beyond the original maturity date of December 2029.

### **Current Financing Options**

The District's Board of Directors currently is exploring various financing options in 2010, one of which is to refund the 2008 Bonds with newly issued bonds that would mature in 2040. The advantages to the District under this option are as follows:

- Lower monthly debt service obligations (similar to comparing a 30 year mortgage to a 15 year mortgage) to allow for additional operations and maintenance responsibilities or additional long-term financings
- Allow the District to incur additional debt, the proceeds of which would be used to fund infrastructure projects in Centerra, pursuant to the terms of the MFA
- Allow the District to complete the additional borrowing prior to November and the election on Proposition 101, Amendment 60 and Amendment 61. Passage of Amendments 60/61 would significantly limit future District borrowings and thus impair the District's ability to finance future infrastructure projects.

The request before the Council on July 6 is to approve, as required by the Service Plan, the District's refinancing of its 2008 Bonds with new bonds that could mature in 2040. This extended maturity is still within the forty-year period contemplated by the Service Plan, and would yield a maturity period, from the initial date of issuance in 2004, of thirty-six years, again, within the Service Plan forty-year period. The requested consent would not place any financial burden on the City, as the City bears no responsibility or obligation for any of the District's debt obligations. Finally, the requested consent would allow the District to thoroughly examine all financing options in advance of November's election and would permit the District to be in the best position to optimize its financial position on a going forward basis.