

**THE LAKES AT CENTERRA METROPOLITAN DISTRICT NOS. 2-3**  
[www.lakesatcenterramd.com](http://www.lakesatcenterramd.com)

**NOTICE OF COORDINATED SPECIAL MEETINGS AND AGENDAS**

**THE LAKES AT CENTERRA METROPOLITAN DISTRICT NO. 2**

James Laferriere	President & Chairperson	May 2025
Todd Carnes	Vice President	May 2025
Ralph Mathes	Secretary/Treasurer	May 2027
Josh Kane	Assistant Secretary	May 2025
Harold Lamport	Assistant Secretary	May 2025

**THE LAKES AT CENTERRA METROPOLITAN DISTRICT NO. 3**

Kim Perry	President & Chairperson	May 2025
Tim DePeder	Vice President/Asst. Secretary	May 2027
Josh Kane	Secretary/Treasurer	May 2025
Susan Draut	Assistant Secretary	May 2027
Karl Sutton	Assistant Secretary	May 2025

**DATE: August 28, 2023 (Monday)**

**TIME: 3:00 P.M.**

**PLACE: MS TEAMS**

[Click here to join the meeting](#) (Please press the control key and click to access hyperlink)  
**+1 720-721-3140; Conference ID: 326 481 201#** (If joining the meeting by phone)

**I. ADMINISTRATIVE ITEMS**

- A. Call to Order.
- B. Declaration of Quorum/Director disclosure of any potential conflicts of interest.
- C. Consider Approval of Agenda. **(Pages 1-2)**
- D. Public Comment. Limited to three (3) minutes per speaker.

**II. DISTRICT MANAGER ITEMS**

- A. District Managers' Report.

**III. FINANCIAL ITEMS**

- A. Consideration and Approval of directing staff to move forward with the refunding effort. **(Pages 3-25)**
- B. Consider Establishment of a Financing Work Group.

**IV. LEGAL ITEMS**

**V. DIRECTOR ITEMS**

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August 28, 2023  
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**VI. OTHER MATTERS**

**VII. EXECUTIVE SESSION**, pursuant to Colorado Open Meeting Law §24-6-402(4)(b) to consult with or receive advice from attorney regarding specific legal items, if necessary.

**VIII. ADJOURNMENT**

\*\*\*The next Regular Meeting is scheduled for TBD\*\*\*


**The Lakes at Centerra Metropolitan Districts  
Summary of Bond Issuance Scenarios**

Scenario	Issuance Date	Call Premium	Gross Savings (\$%)	PV Savings (\$)	PV Savings	Repayment Year	Comparison - Gross	Comparison - PV
Updated Base Case	1/15/2024	3%	23,363,367	7,590,246	22.91%	2043	N/A	N/A
Maintain 2047 Final	1/15/2024	3%	25,155,105	7,035,218	21.24%	2047	1,791,737	(555,027)
2024 Issuance	12/1/2024	2%	22,041,982	7,467,197	22.54%	2043	(1,321,385)	(123,049)
2025 Issuance	12/1/2025	1%	20,617,764	7,322,917	22.11%	2043	(2,745,603)	(267,329)
2026 Issuance	12/1/2026	0%	19,468,387	7,324,017	22.11%	2043	(3,894,980)	(266,229)



# The Lakes at Centerra Metropolitan Districts

Bond Refinance Discussion



# Why are we discussing a bond refinance today?

- ▶ The existing bonds are “callable” in 2023, which means they can be refinanced as early as 2023.
- ▶ Fiduciarly responsible to review existing bonds for potential refinancing to benefit district and residents.
- ▶ District asked Wells Fargo (2022 selected underwriter) and Piper Sandler (2022 selected municipal advisor) to evaluate refinance options and benefits.
- ▶ Evaluation indicates benefit to the district and residents.

# What bonds exist today?

Issue Description	\$29,035,000 Series 2018A “Senior Bonds”	\$4,090,000 Series 2018B “Sub Bonds”	\$8,500,000 Series 2018C “Junior Bonds”	\$7,816,276 Series 2018D “Junior Sub Bonds”
Outstanding Par	\$29,035,000	\$4,090,000	\$8,500,000	\$7,816,276
Call Date	Dec 1, 2023 @103% Dec 1, 2024 @ 102% Dec 1, 2025 @ 101% After Dec 1, 2026 @ par	Dec 1, 2023 @103% Dec 1, 2024 @ 102% Dec 1, 2025 @ 101% After Dec 1, 2026 @ par	Dec 1, 2027 @103% Dec 1, 2028 @ 102% Dec 1, 2029 @ 101% After Dec 1, 2030 @ par	n/a
Amortization (Maturity/Amount/Rate)	2027 - \$1.86M @ 4.625% 2037 - \$8.29M @ 5.125% 2047 - \$18.885M @ 5.25%	2047 - \$4.09M @ 7.625%	2052 - \$8.5M @ 7.5%	2056 - \$7.8M @ 0%
Security	Senior pledged revenue including all senior property tax revenue, specific ownership revenue and any other legally available money	Subordinate pledged revenue including all senior property tax revenue, specific ownership revenue and any other legally available money	Junior pledged revenue including all senior property tax revenue, specific ownership revenue and any other legally available money	Junior pledged revenue including all senior property tax revenue, specific ownership revenue and any other legally available money



# What are the key factors that support a beneficial refinance?

- ▶ Additional buildout since 2018
- ▶ Investment grade bond rating eligibility

# Additional buildout since 2018

	2018 <sup>1</sup>	versus	Now <sup>2</sup>
<b>Building and Occupancy</b>			
Total Completed Homes	83		785 <sup>3</sup>
Gross Assessed Value	\$12,327,519		\$25,108,754
<b>Debt Metrics</b>			
Outstanding Debt (Snr + Sub)	\$33,125,000		\$33,125,000
Debt / AV(Snr + Sub)	268.71%		131.93%



Presented to Board on May 19, 2023



# Investment grade bond rating eligibility

- ▶ By obtaining an investment grade bond rating, future financings would open the District to a new universe of investors including
  - ❖ Blackrock
  - ❖ Alliance Bernstein
  - ❖ Northern Trust
  - ❖ PIMCO
  - ❖ Nuveen
  - ❖ Allstate
  - ❖ State Farm
- ▶ With an investment grade rating, the District could additionally achieve better pricing as compared to a non-rated credit, even though we are in a higher interest rate environment.
  - ❖ For example, if the District were to finance a non-rated credit under current market conditions, coupons would be in the range of 6% to 7% with yields in the range of 6.10% to 6.70%<sup>1</sup>
  - ❖ If the District were to obtain an investment grade rating, in the current market rate environment, it could achieve coupons around 5% range with yields in the range of 2.75% on the short-end to 4.75% on the long-end<sup>1</sup>

(1) Based on recent Colorado Metropolitan Deals priced from December 2022 April 2023

***Project Area Characteristics/Tax Base (45% weight)***

- Incremental assessed value, used to assess the size of the tax base, is in the range of \$120 to \$240 million
- Median family income as a percentage of the US median family income is between 50% to 75%
- Top ten taxpayers' assessed value as a percentage of incremental assessed value, measures the tax base diversity, is between 10% to 20%
- Ratio of Incremental (cumulative) assessed value to total assessed value, used to assess the potential volatility of the tax base is in the range of 80% to 85%. The lower the ratio of incremental assessed value to total assessed value, the greater the potential volatility of the tax base

***Financial Strength (35% weight)***

- Maximum annual debt service coverage (Pledged revenue / largest annual debt service payment) is between 1.3x and 2x
- Three-year compound annual growth rate (CAGR) of tax increment revenue for the most recent three-year period is between -2% and 0%

***Legal Structure / Debt (20% Weight)***

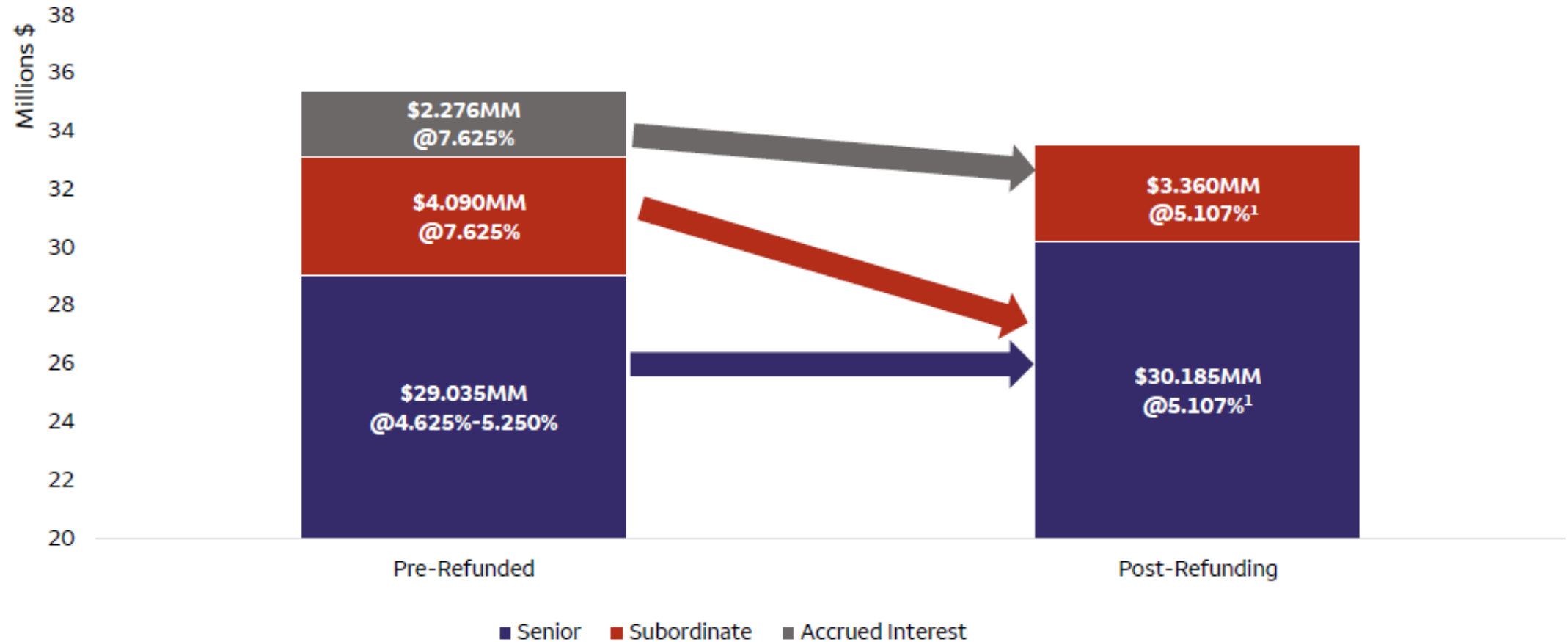
- The additional bonds coverage test requires coverage between 1.2x and 1.25x

# What are the primary financial model assumptions?

- ▶ All-in true interest cost (All-In TIC) of 5.107% on refunded debt.
- ▶ Annual market value growth of 3%

All-in true interest cost (All-In TIC) of 5.107% on refunded debt.

## Accrued Interest, Senior, and Subordinate Bond Treatment Post Refunding



(1) All-In TIC

# Annual market value growth of 3%

## Historical and Projected Growth Rate

- Using Historical Sales Data, Zonda and King & Associates, Inc calculated an average property value growth rate of 3% within the Timnath Market Area and Fort Collins MSA<sup>1</sup>
- According to the Zonda and King & Associates Inc Market Analysis for Larimer County as well as data reported by FRED, sales value has appreciated on average between 5.63% and 7.22%
  - ❖ This growth is driven by the District's
    1. Appeal to several different market segments generated by its diverse home offerings
    2. Central location with access to employment centers within the area

### Residential Appreciation Trends - Timnath Market Area and Fort Collins MSA

#### Town of Timnath Market Area - Home Value Index Trends

2012 (September)	\$362,000
2023 (March)	\$707,000
<b>Average Annual Appreciation</b>	<b>6.58%</b>

#### Fort Collins, MSA - Single family Home Price Index Trends

1992 (Q4)	76.59
2022 (Q4)	420.89
<b>Average Annual Appreciation</b>	<b>5.84%</b>

#### Projected Appreciation:

<b>Ongoing single-family projected appreciation rate</b>	<b>3.00%</b>
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### Larimer County New Home Sales Trends

#### All Units

2018 (Q4)	\$465,641
2022 (Q4)	\$611,279
<b>Average Annual Appreciation</b>	<b>7.22%</b>

#### FRED Median Listing Price Larimer County, CO

1992 (Q4)	54.32
2022 (Q4)	272.92
<b>Average Annual Appreciation</b>	<b>5.63%</b>

# What are the estimated benefits of refinancing the bonds?

- ▶ Debt service savings
  - ▶ \$26.6M gross savings (decrease in overall debt service payments)
  - ▶ \$8.9M PV savings (savings in today's dollars)
  - ▶ 27% of refunded par
- ▶ Reduction in debt service mill levy
  - ▶ 15+ mills decrease in the debt service mill levy in ~20 years, instead of ~32 years
  - ▶ Decrease in mill levy will allow additional funding for operations and maintenance, or a decrease in overall property taxes paid by residents.
- ▶ Callable again in 5-10 year. Bonds could be refinanced if rates improve.

## Summary of Financing Alternatives

**6% BiRe**

### Sources of Funds

2023A Tax-Exempt Par	\$30,185,000
2023A Premium / Discount	\$1,633,050
2023B Tax-Exempt Subordinate Par	\$3,360,000
2018 DSRF	\$2,390,713
Revenues on Hand	\$195,624
Bond Fund on Hand	\$41,257
<b>Total Sources</b>	<b>\$37,805,644</b>

### Uses of Funds

Refunding 2018A Bonds	\$30,284,522
Refunding 2018B Bonds	\$6,366,387
Cost of Issuance	\$303,739
Underwriter's Discount	\$352,250
Bond Insurance	\$443,621
Surety	\$55,125
<b>Total Uses</b>	<b>\$37,805,644</b>

### Summary Statistics

Gross Refunding Savings (Net)	\$26,600,303
Refunding Savings (PV \$)	\$8,927,678
Refunding Savings (PV %)	26.951%
All-In TIC	5.107%
Average Life	20.95 Years
Total Debt Service (with <u>unref.</u> )	\$70,778,392
Debt Service Coverage (Low)	1.20x

# By the Numbers: Cash Flows Produced By a Refunding of the 2018A&B Bonds

Year	Prior Debt Service							Savings Comparison						
	Refunded 2018A Debt Service	Refunded 2018B Debt Service	Refunded 2022C Debt Service	Remaining 2022C Debt Service	Remaining 2022D Debt Service	Application of DSRF on Hand	Net Prior Debt Service	2023 Refunding Debt Service	Remaining 2022C Debt Service	Remaining 2022D Debt Service	Total Debt Service Post Refunding	Discount Rate	PV Factor	PV Savings
2022							\$0	\$0				5.0000%	1.035	\$0
2023	\$1,677,350	\$0	\$0	\$0	\$0	\$0	\$1,677,350	\$1,509,612	\$0	\$0	\$1,509,612		0.986	\$165,391
2024	\$1,804,256	\$163,646	\$0	\$0	\$0	\$0	\$1,967,903	\$1,967,419	\$1,216	\$0	\$1,968,635		0.939	-\$688
2025	\$1,859,919	\$445,212	\$0	\$0	\$0	\$0	\$2,305,131	\$2,304,619	\$1,729	\$0	\$2,306,347		0.894	-\$1,088
2026	\$1,937,344	\$735,622	\$0	\$0	\$0	\$0	\$2,672,965	\$2,672,575	\$2,119	\$0	\$2,674,694		0.852	-\$1,472
2027	\$1,960,375	\$908,702	\$0	\$0	\$0	\$0	\$2,869,077	\$2,868,381	\$2,814	\$0	\$2,871,195		0.811	-\$1,719
2028	\$1,996,325	\$1,157,036	\$0	\$0	\$0	\$0	\$3,153,361	\$2,684,631	\$468,729	\$0	\$3,153,361		0.773	\$0
2029	\$1,996,600	\$1,226,538	\$0	\$0	\$0	\$0	\$3,223,138	\$1,749,350	\$1,473,788	\$0	\$3,223,138		0.736	\$0
2030	\$2,040,338	\$1,393,541	\$0	\$0	\$0	\$0	\$3,433,879	\$1,783,350	\$1,650,529	\$0	\$3,433,879		0.701	\$0
2031	\$2,040,231	\$1,393,648	\$0	\$0	\$0	\$0	\$3,433,879	\$1,784,600	\$1,649,279	\$0	\$3,433,879		0.667	\$0
2032	\$2,078,331	\$1,561,677	\$0	\$0	\$0	\$0	\$3,640,009	\$1,819,600	\$1,820,409	\$0	\$3,640,009		0.636	\$0
2033	\$2,077,588	\$1,562,052	\$0	\$0	\$0	\$0	\$3,639,640	\$1,821,600	\$1,818,409	\$0	\$3,640,009		0.605	-\$223
2034	\$2,119,794	\$1,738,516	\$0	\$0	\$0	\$0	\$3,858,310	\$1,857,100	\$2,001,007	\$390	\$3,858,496		0.576	-\$107
2035	\$2,122,644	\$1,736,403	\$0	\$0	\$0	\$0	\$3,859,046	\$1,854,350	\$2,003,763	\$383	\$3,858,496		0.549	\$302
2036	\$2,162,931	\$1,145,130	\$0	\$782,021	\$0	\$0	\$4,090,083	\$1,890,100	\$2,199,595	\$388	\$4,090,083		0.523	\$0
2037	\$2,163,606	\$0	\$0	\$1,929,476	\$0	\$0	\$4,093,083	\$1,892,350	\$2,199,931	\$802	\$4,093,083		0.498	\$0
2038	\$2,206,463	\$0	\$0	\$2,132,092	\$0	\$0	\$4,338,554	\$1,927,600	\$2,410,427	\$527	\$4,338,554		0.474	\$0
2039	\$2,207,675	\$0	\$0	\$2,130,879	\$0	\$0	\$4,338,554	\$1,927,800	\$1,005,127	\$1,405,627	\$4,338,554		0.452	\$0
2040	\$2,250,475	\$0	\$0	\$2,348,268	\$0	\$0	\$4,598,743	\$1,966,600	\$0	\$2,632,143	\$4,598,743		0.430	\$0
2041	\$2,252,500	\$0	\$0	\$2,346,243	\$0	\$0	\$4,598,743	\$1,967,400	\$0	\$2,631,343	\$4,598,743		0.410	\$0
2042	\$2,295,588	\$0	\$0	\$2,578,945	\$0	\$0	\$4,874,532	\$2,006,600	\$0	\$1,144,673	\$3,151,273		0.390	\$672,407
2043	\$2,297,375	\$0	\$0	\$2,577,157	\$0	\$0	\$4,874,532	\$2,002,600	\$0	\$0	\$2,002,600		0.372	\$1,067,252
2044	\$2,339,700	\$0	\$0	\$2,827,158	\$0	\$0	\$5,166,858	\$2,042,000	\$0	\$0	\$2,042,000		0.354	\$1,105,945
2045	\$2,340,200	\$0	\$0	\$2,826,658	\$0	\$0	\$5,166,858	\$2,045,750	\$0	\$0	\$2,045,750		0.337	\$1,052,017
2046	\$2,390,713	\$0	\$0	\$3,085,999	\$0	\$0	\$5,476,712	\$2,081,250	\$0	\$0	\$2,081,250		0.321	\$1,089,993
2047	\$2,387,638	\$0	\$0	\$5,992,574	\$0	\$0	\$8,380,212	\$2,081,750	\$0	\$0	\$2,081,750		0.306	\$1,925,617
2048	\$0	\$0	\$0	\$5,808,197	\$948	\$0	\$5,809,145	\$2,123,750	\$0	\$0	\$2,123,750		0.291	\$1,073,075
2049	\$0	\$0	\$0	\$5,259,952	\$549,193	\$0	\$5,809,145	\$2,125,000	\$0	\$0	\$2,125,000		0.277	\$1,021,630
2050	\$0	\$0	\$0	\$8,222	\$6,149,051	\$0	\$6,157,273	\$2,167,250	\$0	\$0	\$2,167,250		0.264	\$1,053,763
2051	\$0	\$0	\$0	\$617	\$1,117,085	\$0	\$1,117,701	\$2,163,250	\$0	\$0	\$2,163,250		0.252	-\$262,980
2052	\$0	\$0	\$0	\$46	\$0	\$0	\$46	\$2,205,000	\$0	\$0	\$2,205,000		0.240	-\$528,188
2053	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,205,000	\$0	\$0	\$2,205,000		0.228	-\$503,047
<b>TOTAL</b>	<b>53,005,956</b>	<b>15,167,723</b>	<b>0</b>	<b>42,634,505</b>	<b>7,816,276</b>	<b>0</b>	<b>118,624,460</b>	<b>63,498,237</b>	<b>20,708,869</b>	<b>7,816,276</b>	<b>92,023,382</b>			<b>26,601,078</b>

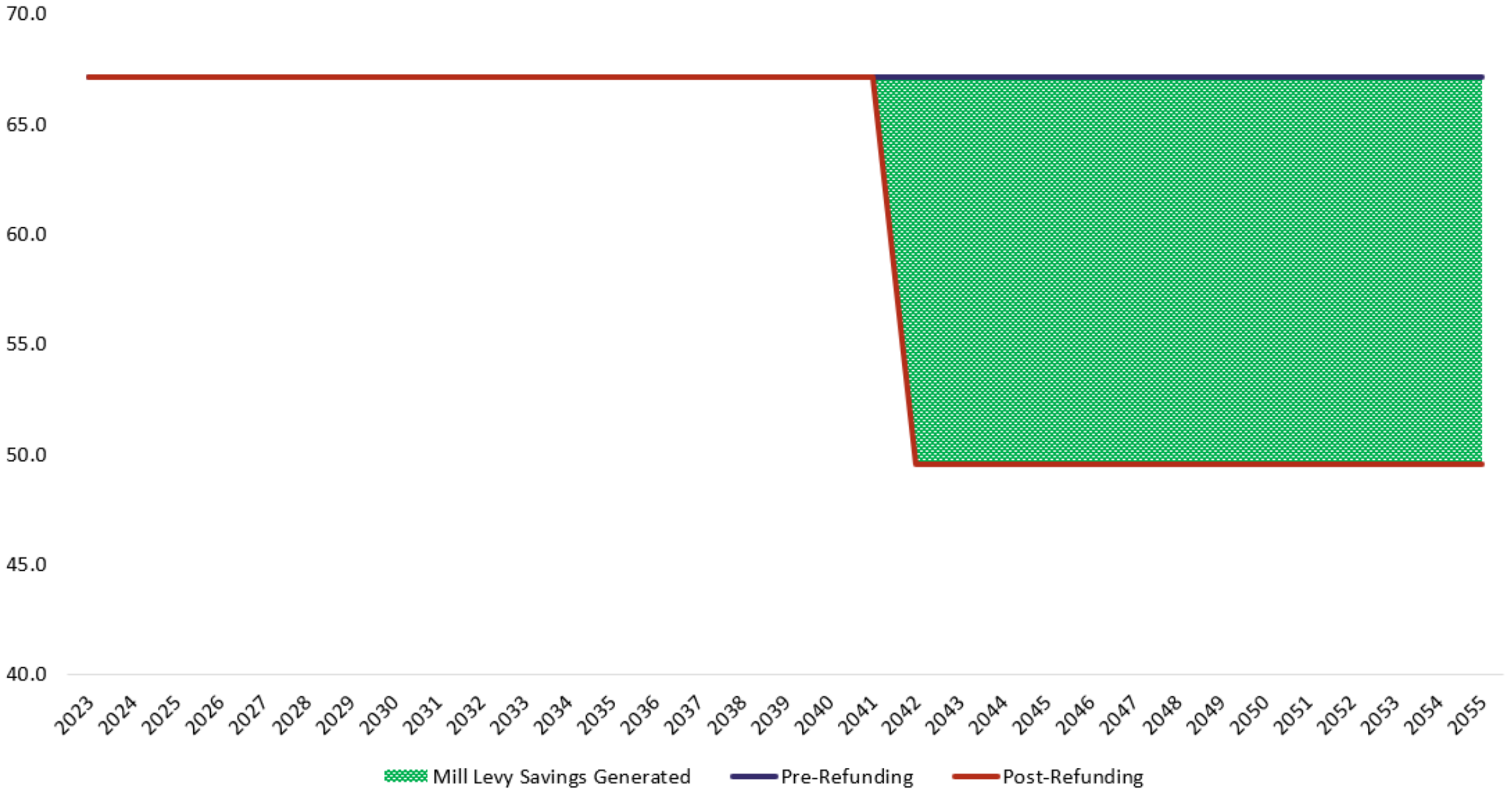
Refunded Debt Service

Refunding Debt Service

Gross Savings

NPV Savings





# Risk?

- ▶ A key element to a beneficial refinancing at the Lakes at Centerra MD is obtaining an investment grade bond rating. Wells Fargo believes that the District will be able to obtain an investment grade rating but there is no guarantee this will be accomplished. If the District does not get an investment grade rating, the bond refinance process would likely terminate. Any work by legal counsels, district management, market study, rating agency, and financial forecast provider that is performed prior to a bond refinance termination would need to be paid. Rough estimates indicate this could be \$100,000-\$150,000.



# What are the next steps?

- Engage a Finance Team
- Procure a Market Study
- Seek Bond Insurance Commitment
- Seek Bond Rating



# The Lakes at Centerra Metropolitan Districts

Bond Refinance Discussion

# Quick Recap

- ▶ The existing bonds are “callable” in 2023, which means they can be refinanced as early as 2023.
- ▶ Assessment performed by Wells Fargo (2022 selected underwriter) and Piper Sandler (2022 selected municipal advisor) indicate benefit to the district and residents to refinance in 2023.
  - ▶ Debt service savings
    - ▶ \$26.6M gross savings (decrease in overall debt service payments)
    - ▶ \$8.9M PV savings (savings in today's dollars)
  - ▶ Reduction in debt service mill levy
    - ▶ 15+ mills decrease in the debt service mill levy in ~20 years, instead of ~32 years
    - ▶ Decrease in mill levy will allow additional funding for operations and maintenance, or a decrease in overall property taxes paid by residents.

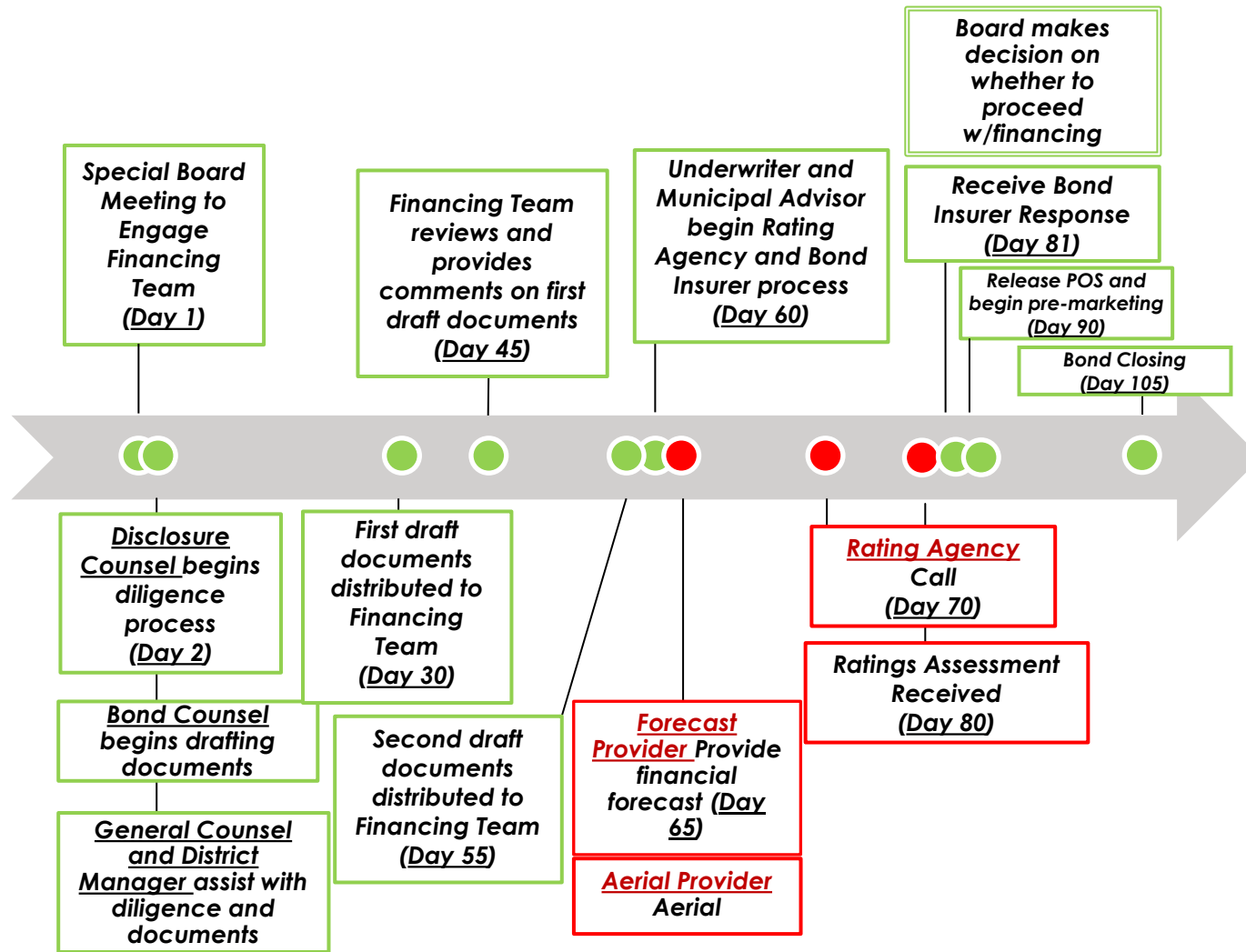


# Follow Up on Board Questions

- ▶ What is the financial risk in the unlikely event that a favorable rating is not received by the District?
- ▶ What are the pros and cons of refinancing now versus waiting?

# Lakes at Centerra Financing Timeline and Costs of Issuance

## Financing Timeline



● Indicate events that add to COI regardless rating outcome    ● Indicate events that are payable only when the bond sale closes

## Estimated Costs of Issuance Due Through Rating Feedback

Role	Amount
Disclosure Counsel	-
Bond Counsel	-
General Counsel	-
District Manager	-
Forecast Provider	\$5,000
Rating Agency	\$28,500
Market Study (if any)	\$15,000
Aerial Provider	\$2,000
Municipal Advisor	-
Underwriter's Counsel	-
Trustee	-
Verification Agent	-

**Total \$50,500**

## Estimated Costs of Issuance Due @ Closing

Role	Amount
Disclosure Counsel	\$55,000
Bond Counsel	\$65,000
General Counsel	\$55,000
District Manager	\$45,000
Forecast Provider	\$20,000
Rating Agency	\$38,000
Aerial Provider	\$2,000
Market Study (if any)	\$25,000
Municipal Advisor	\$50,000
Underwriter's Counsel	\$40,000
Trustee	\$14,000
Verification Agent	\$2,500

**Total \$411,500**

Presented to Board on August 4, 2023

# Pros and Cons of Executing a Refunding Today

## Pros of Executing a Refunding Today

- Eliminate Interest Rate Risk – while rates on the front end of the curve are elevated as a result of FOMC actions, the long end is still historically attractive
- By lowering interest rates sooner, the mill levy reductions happen sooner
- Small amount of issuance in 2023 could lead to greater investor demand for a rated/insured sale
- There have been surplus fund draws over the past few years as the actual development fell behind projections
  - By moving ahead with a financing, the District can reshape its debt and avoid any additional surplus fund draws, which should help the rating outcome and investor views of the credit

## Cons of Executing a Refunding Today

- 3% call premium declines over time
- Potential that the rating agency comes back with unexpected result that delay the financing a year
  - Bond documents would still be useable and consultants most likely to delay their fees; only fee that might be payable regardless of the outcome is the rating agency fee - this can be reimbursed via the delayed bond issuance





# What are the next steps?

- Engage a Finance Team
- Procure a Market Study, if needed
- Seek Bond Insurance Commitment
- Seek Bond Rating