



MEMORANDUM

To: Rob Zuccaro, Planning & Building Safety Director, City of Louisville
Kathleen Kelly, Kelly PC, City of Louisville Attorney
Kim Crawford, Butler Snow LLP

From: McGeady Becher P.C.

Date: February 7, 2020

Re: Supplemental Information Regarding the Proposed Redtail Ridge Metropolitan District Nos. 1, 2, 3 and 4 for February 18, 2020 Public Hearing on Service Plans

The purpose of this Memorandum is to provide supplemental information regarding how the Redtail Ridge Metropolitan District Nos. 1, 2, 3 and 4 (the “**Districts**”) will work together, after organization, to serve the Redtail Ridge development.

After organization and prior to the issuance of Debt, the Districts will enter into an intergovernmental agreement that will set forth the terms pursuant to which they will coordinate the issuance of Debt, the construction of the Public Improvements, the provision of programming and services and the administration, operation and maintenance of Public Improvements that are not to be maintained by another governmental entity.

The intergovernmental agreement terms will reflect the following principles: the responsibility of the Districts to finance and construct the Public Improvements as identified in the Service Plans, and as modified in the required Service Plan Amendment to each Service Plan, approved by the City Council (the “**Service Plans**”) to serve all phases of the Redtail Ridge development. To that end, the intergovernmental agreement will include the following provisions:

(a) **Debt Issuance by the Coordinating District.** District No. 1 will act as a “**Coordinating District**”. In its role as the Coordinating District, District No. 1 will commit to issue the Debt, within the limits of the Service Plans, to fund the Public Improvements.

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(i) The purpose of this promise of the Coordinating District, to District Nos. 2, 3 and 4, is to guarantee the Debt is issued and the Public Improvements are completed from the Debt that is issued, and to support the land uses approved by the City for all phases of the Redtail Ridge development.

(b) **Pledge of Debt Mill Levy of the Financing Districts.** District Nos. 2, 3 and 4 will agree to act as “**Financing Districts**” and, in that capacity, will agree to execute the necessary documents to impose and pledge a Debt Service Mill Levy to repay the Debt issued by the Coordinating District to fund the Public Improvements.

(i) The purpose of this promise of the Financing Districts to the Coordinating District is to assure the property taxes, projected in the Financial Plans attached as Exhibit E to the Service Plans, are available for repayment of the Debt to be issued by the Coordinating District.

(ii) This promise of the Financing Districts is necessary to assure all of the Public Improvements (which align with the land uses approved by the City for all phases of the Redtail Ridge development) described in the Service Plans, are completed.

(c) **Budget Process.** Each year, prior to the adoption of a Budget for the forthcoming year, the Coordinating District will agree to consult with the Financing Districts regarding:

(i) **General Fund.** The General Fund will present the proposed General Fund revenues and expenditures for the Budget Year, which will include administrative, operations and maintenance costs, services and programming costs. The Coordinating District will include with the draft General Fund Budget a three (3) year Capital Improvement Plan for the phasing and construction of the Public Improvements within that three (3) year period, and will include a projection of the construction, maintenance, repair and replacement of the Public Improvements to be constructed during that period. The Default General Fund Budget will be the General Fund Budget from the year before, increased to reflect the additional maintenance, repair and replacement of the Public Improvements to be required as projected by the Capital Improvement Plan. (See General Fund Budget Review provision below).

(ii) **Construction Fund.** The Construction Fund will present the revenues and expenditures for the Budget Year, which will include the costs for planning, design and construction of the Public Improvements and the revenues and expenditures related to any Bonds to be issued in that Budget Year;

(iii) **Debt Service Fund.** The Debt Service Fund will present the revenues and expenditures for the Budget Year, which will include revenues and expenditures for payment of principal and interest on Debt issued prior to that Budget Year and payment of any principal and interest on any Debt to be issued in that Budget Year.

(iv) **General Fund Budget Review.** The Financing Districts will review the draft Budget, and can propose additions or deletions to the General Fund Budget, however, they can only object to items in the General Fund Budget that impact the property taxes to be imposed by the objecting Financing District to fund such General Fund Budget.

(1) The Financing Districts will confirm the General Fund mill levy for each Financing District does not exceed the maximum Operations and Maintenance Mill Levy as defined in the Service Plans.

(2) If requested by any of the Financing Districts, the Coordinating District shall be required to publicly bid or solicit additional proposals for maintenance service agreements, consulting agreements or any vendor contracts for the proposed Budget Year.

(3) If the objecting Financing District and the Coordinating District cannot agree on the proposed increases in the General Fund Budget, the Default General Fund Budget (the General Fund Budget from the year before, increased to reflect the additional maintenance, repair and replacement of the Public Improvements to be required as projected by the Capital Improvement Plan) shall be the final General Fund Budget for the Budget Year to be used to fund the administration, operations and maintenance, repair and replacement of the completed Public Improvements for which the Districts are responsible under the Service Plans and the costs of programming and services.

(v) **Construction Fund Budget Review.** The Financing Districts will review the Construction Fund Budget and the Capital Improvement Plan.

(1) The Financing Districts can only object to the expenses included in the Construction Fund Budget or the Capital Improvement Plan if the proposed expenses are related to improvements that are not included as Public Improvements in the Service Plans and are not in substantial compliance with any final plat or site plan approved by the City or other governmental entity having jurisdiction over the proposed improvements.

(2) Prior to initiation of construction, the Coordinating District will notify the Financing Districts of the proposed construction, and upon the request of one or more of the Financing Districts, the Coordinating District will provide such Financing Districts with the plans for construction. The Financing Districts can object to the plans for construction based on one or more of the following criteria: a) the plans are not in substantial compliance with generally accepted architectural or engineering standards; b) the plans are not in compliance with any final plat or site plan as approved by the City or c) the plans are not in substantial compliance with the design standards of the City or other governmental entity having jurisdiction over the Public Improvements proposed to be constructed. If the Coordinating District and the Financing District(s) cannot resolve the objection, a dispute resolution process will be initiated that will include working with engineers to address the objections raised and revising the plans to

address the objections or confirming the objections lack merit as the plans meet the required standards.

(3) All construction costs will be verified by an engineer that has not worked for and is not working for the developer, or any entity affiliated with the developer. The cost verification engineer will verify the costs of all Public Improvements prior to reimbursement to any developer for funds advanced for costs related to the Public Improvements and prior to any disbursement of funds from the proceeds of District Debt issued for payment of the costs of Public Improvements. The cost verification engineer will verify, among other things, that the improvements to be funded are Public Improvements pursuant to the Service Plans and that the cost of the Public Improvements is reasonable and comparable to similar improvements constructed during that time period.

(vi) **Debt Fund Budget Review.** The Financing Districts will review the Debt Fund Budget to assure the property taxes to be imposed by each of the Financing Districts conforms to the intergovernmental agreement(s) made by the Financing Districts to repay the Debt issued by the Coordinating District and that the required Debt Mill Levy for each of the Financing Districts is within such District's Service Plan limits, including:

- (1) the Maximum Debt Mill Levy
- (2) the Maximum Debt Mill Levy Imposition Term
- (3) the Maximum Total Mill Levy
- (4) the Total Debt Issuance Limit

(d) **Budget Amendment Process.** All Budget Amendments shall follow the same procedure for review as the annual Budget process described above.