

# SORREL RANCH METROPOLITAN DISTRICT

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## NOTICE OF SPECIAL MEETING AND AGENDA

<u>Board of Directors:</u>	<u>Office:</u>	<u>Term/Expiration:</u>
Mark Selden	President	2022/May 2022
David Bourne	Treasurer	2023/May 2023
Melissa Zajac	Assistant Secretary	2023/May 2023
Ryan C. Jones	Assistant Secretary	2022/May 2022
<b>VACANT</b>		2022/May 2022
David Solin	Secretary	

**DATE:** *June 25, 2020 (Thursday)*

**TIME:** *6:00 P.M.*

**PLACE:** *Due to Executive Order D 2020 044 Safer at Home issued by Governor Polis on April 26, 2020, and Public Health Order 20-28 implementing the Executive Order, issued by the Colorado Department of Health and Environment (CDPHE) on April 26, 2020, this meeting will be held via teleconferencing and can be joined through the directions below:*

**IF YOU WOULD LIKE TO ATTEND THIS MEETING, PLEASE CALL IN TO THE CONFERENCE BRIDGE AT 1-877-250-3814 AND WHEN PROMPTED, DIAL IN THE PASSCODE OF 5592663.**

### I. ADMINISTRATIVE MATTERS

A. Present Disclosures of Potential Conflicts of Interest.

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B. Approve Agenda, confirm location of the meeting and posting of meeting notices.

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### II. PUBLIC COMMENTS

A. \_\_\_\_\_

### III. LEGAL MATTERS

A. Discuss Engagement of Underwriter.

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1. Review Requests for Proposal Responses and Discuss Interview Process (enclosure).

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2. Consider Engagement of Underwriter.

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3. Authorize necessary actions in conjunction with District Financing.

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IV. OTHER MATTERS

A. \_\_\_\_\_

V. ADJOURNMENT **THE NEXT REGULAR MEETING IS SCHEDULED FOR  
NOVEMBER 5, 2020.**

Sorrel Ranch Metropolitan District  
Underwriter Request for Proposal Summary Scorecard  
June 25, 2020

	DA Davidson	Jefferies	RBC	Stifel	Wells Fargo
<b>B. QUALIFICATIONS</b>	#1 underwriter of negotiated issuance in 16 of the past 25 yrs. Relevant experience with CO Metro Districts. 337 bonds underwritten in past 5 years. 67 loan placements over \$1.1bn. Recent experience with rated and insured bond deals.	No Colorado Metro District UW experience yet.	Top ranked negotiated UW for Colorado bonds, underwriting \$5.5bn since 2017. Strong local presence. Michael Perschitte managed \$7bn in debt on 125 projects in CO. E. Adams County MD - 2.82% rate, BBB w/insurance. Stapleton. Valley Club Pointe placement agent, 2.90% rate	#2 UW for CO issuances - 46 deals worth \$1.6bn. #1 ranked UW of negotiated transactions by number of issues. 803 deals for \$16.2bn in 2019. Denver office UW/PA 108 issuers \$12.6bn par value. Stonegate Village Lake MD private placement in process 1.24% rate, 5 year deal. South Sloans Lake MD Baa3 rating/insured. 3.46% TIC. Colliers Hill MD Baa2/Insured. 4.19% TIC	recent financings for Wyndham Hill, Vauxmont and Erie Commons and current engagements for Crystal Valley and Three Springs, which are expected to achieve investment grade ratings. Wells Fargo has served as placement agent on 141 transactions for a total par of \$4.1 billion.8 Of this amount, five transactions were for Metropolitan Districts: \$11.2 million for Galleria Metropolitan District (two transactions), \$16.9 million for Aurora Centertech Metropolitan District (two transactions), and \$1.7 million for Plum Creek Metropolitan District. Erie Commons, Wyndham Hill, Vauxmont, strong case studies.
Ranking (1 to 5)	1	5	3	2	4
Weighting %	15%	15%	15%	15%	15%
Weighted Rating	0.20	0.80	0.50	0.30	0.60
<b>C. CAPITAL</b>	Net capital position of \$92.9mm. Commit capital to highly rated deals but no recent examples of taking down metro district bonds. They did not take down bonds in Southshore deal where they could have. Instead that deal priced at wide spreads.	\$1.2bn excess net capital in 2019. Does not place capital limits on their municipal underwriting desk. Could underwrite single issue for over \$17bn w/out presale orders.	Excess net acapital \$1.6bn. Can underwrite single deals up to \$22bn. Committed \$14.95mln in 2016 to Park Creek.	\$335mm excess net capital. UW have authority to take down bonds after internal credit approval. Even NR deals. Takedown avg of 6% of par. Have not taken down MD bonds over last 5 years, however.	\$145bn. No formal limit on amount of bonds to be underwritten for any given transaction. Wells Fargo will make a proposal to purchase unsold bonds at the market clearing rate, even if the group determines that rate to be the same level as where we began the order period. In the table below we provide recent examples where we took down unsold balances.
Ranking (1 to 5)	5	3	2	4	1
Weighting %	10%	10%	10%	10%	10%
Weighted Rating	0.50	0.30	0.20	0.40	0.10
<b>D. SALES FORCE/DISTRIBUTION</b>	\$70mm daily orders. 35 TE bond sales people, 8 in Denver. Denver is their FI HQ. 370 Fas across 70 offices in US.	13 sales people for municipal securities. Avg. 22 years experience. Claim to bring in new investors. Institutional sales approach. Traded \$1.3bn of Colorado muni bonds in 2019. 155 sales over 2200 clients to supplement muni sales desk. Retail alliance with E Trade.	49 sales, trading and UW professionals in US. \$291bn AUM with 1,938 Fas nationwide. 215 branch offices. 9 Muni retail traders.	11 bankers and 2 CO dedicated Uws - Mike Imhoff and Lisa May. Mike Imhoff priced more CO deals than any other UW. 3309 brokers/Fas in 366 offices. 93 traders. 222 institutional sales. Alan Matlosz, Jim Lahay, Micael Lund. Mike Imhoff lead UW. Institutional and retail distribution if rated. 7th largest retail distribution network in US.	Wells Fargo's retail system placed \$6.6 million of orders Erie Commons. Notably, the Firm holds \$211.2 million of Colorado district bonds, ranking as the sixth largest investor in Colorado district bonds.6 Nationally, our retail system holds over \$1.9 billion of district bonds. 14 sales professionals in New York and Charlotte who cover an account base of over 425 institutions, encompassing the key buyers of municipal securities. Wells Fargo has 102 middle-market sales team who serve more than 10,000 community banks, asset managers, regional depositories, corporate trust departments, corporations, municipalities, and insurance companies through 16 regional sales offices (including 1 in Denver). Of note, we received numerous orders from middle market accounts for the Wyndham Hill, Erie Commons, and Vauxmont sales recently. Through Wells Fargo Advisors ("WFA"), our firm is among the top three retail brokerage firms in the U.S. Approximately 14,000 registered representatives in over 711 brokerage locations who work with clients with over \$1.6 trillion of assets.
Ranking (1 to 5)	4	5	3	2	1
Weighting %	10%	10%	10%	10%	10%
Weighted Rating	0.40	0.50	0.30	0.20	0.10
<b>E. STRUCTURE</b>	Single senior series investment grade rated bonds. Rating of Baa2 range with insurance and surety policy. 1.0x coverage on existing development and AV. Growth allows mill levy reduction. \$15.4mm bonds, \$15.485mm bank loan. 1.17x DSCR for bonds. 1.2x for bank loan. 3.00% TIC for bonds and 2.90% for bank loan. 2044 maturity. Mill levy projected to be 33.5 mills by 2025. Bank loan is option but not sure if 20 years available.	Baa investment grade rating expected, insurance wrap. Moody's rating. 1.27x DSCR for 2040 term; 1.44x 2044 term. TIC 3.43% to 3.56%. \$14.26mm to \$14.379mm par value.	BBB rated transaction with bond insurance. Negotiated UW is lowest cost of capital. Recommend extending debt to 2044 term to provide coverage + mill levy reduction opportunity. 1.25x DSCR. \$14.825mm par value. TIC 2.726%. 45 mills 2020. Bond insurance 60 bps to 70 bps. Surety 3% to 4%.	Rated and insured bonds sold in negotiated sale. 2044 maturity. Bank placement is an option, however 15 year term constrain and pool of potential lenders is tight. Bank option may not be able to restructure all of its debt and lower its mill levy. Recommend rated & insured bonds. Could lower mill levy btw 10 and 15 mills per year. Highlighting level debt service structure to achieve potential higher rating. Build up surplus fund for extra security. Obtain insurance and surety bond. 7 year or 10 year call feature. Estimate 3.12% TIC.	Rated & insured bonds sized at 1.25x DSCR, term of 2044. Baa2 rating, insurance, surety policy. 8 year par call option. All in TIC of 3.383%. Reduce mill levy to 44 mills.
Ranking (1 to 5)	1	5	2	3	4
Weighting %	20%	20%	20%	20%	20%
Weighted Rating	0.20	1.00	0.40	0.60	0.80
<b>F. MARKETING AND CREDIT ISSUES</b>	Greatest deman from largest # of investors. Moody's rating, insurance, target investors with interest leading up to pricing. Will pursue both bank loan placement and bonds.	Good marketing plan. No credit issues. Nothing extraordinary.	Investor education, meeting, internet road show. Limited investor base. Similar investor targets as other UW s. Standard approach. Bank placement is option. More discussion about their bank placement approach may be merited. Believe a market study is probably needed.	Believe the credit will be well received based on recent experience with similar credits. Sales force teach in, Sales point memo, Digital roadshow, Site visits, investor calls. Highlighted credit strengths and challenges well.	Expanded target investor market including their own retail distribution. Internet road show, sales force education, etc.
Ranking (1 to 5)	2	4	3	3	3
Weighting %	5%	5%	5%	5%	5%
Weighted Rating	0.10	0.20	0.20	0.20	0.20
<b>G. FIRM REFERENCES</b>	Colorado International Center MD No. 4 and Trails at Crowfoot MD	Sterling Ranch/Dominion Water and Sanitation District, Villages at Castle Rock MD/Prairie Farm MD and CHFA	Brookfield/Stapleton, Eastern Adams Metro District	Lambertson Farms MD, Todd Creek MD	Vauxmont MD, Erie Commons MD
Ranking (1 to 5)	3	3	3	3	3
Weighting %	0%	0%	0%	0%	0%
Weighted Rating	0.00	0.00	0.00	0.00	0.00
<b>H. UNDERWRITER'S COUNSEL</b>	Sherman & Howard and Thompson Coburn	Sherman & Howard and KC Veio	Garfield & Hecth; Butler Snow	Butler Snow, Sherman Howard	KC Veio, Peter Whitmore
Ranking (1 to 5)	3	3	3	3	3
Weighting %	0%	0%	0%	0%	0%
Weighted Rating	0.00	0.00	0.00	0.00	0.00
<b>I. COMPENSATION</b>	\$5/bond rated bonds; \$5/bond bank debt placement fee	\$10.42/bond for rated bonds. 1.042% placement agent fee for bank debt.	\$5/bank debt placement; \$7/bond rated bonds; \$10/bond NR bonds	\$4/bond placement agent. \$5/bond rated bonds.	\$12.74/bond rated; \$10/bond placement agent fee
Ranking (1 to 5)	2	4	3	1	5
Weighting %	20%	20%	20%	20%	20%

Sorrel Ranch Metropolitan District  
Underwriter Request for Proposal Summary Scorecard  
June 25, 2020

	DA Davidson	Jefferies	RBC	Stifel	Wells Fargo
<b>Weighted Rating</b>	0.40	0.80	0.60	0.20	1.00
<b>J. PRICING TRANSPARENCY</b>	Will provide Pre pricing- a book containing a summary of issuance, a debt map of the District post-financing, comparable transactions to determine pricing level, a market update and economic indicators, and a discussion of the bond market calendar. Day of Pricing- will use the IPREO Gameday system to provide full transparency to investors placing orders on a maturity by maturity basis. Prior to signing BPA, an opportunity to review all orders and proposed re-price will be provided to the District.	Will provide a list of targeted institutional accounts, will post the POS and a slides-only roadshow at least one week prior to pricing, and will schedule one-on-one discussions with targeted accounts immediately following the release of three POS. Shows costs for IPREO so assume they will use.	Pricing indications day before pricing. Pre-pricing scale to District and MA. 90 minute pricing period on pricing day. IPREO system. Post pricing book with details.	No specific deliverables or plan to achieve pricing transparency was discussed.	Highlight transparency as point of emphasis. Pre pricing scales, ongoing dialog with MA, disclosure of investor targets, IPREO, post pricing book
Ranking (1 to 5)	3	4	2	5	1
Weighting %	10%	10%	10%	10%	10%
<b>Weighted Rating</b>	0.30	0.40	0.20	0.50	0.10
<b>K. ADDITIONAL INFORMATION</b>	Experience in many deals in the E470 corridor highlighted. Deal will be led by Kyle Thomas, relativey new banker at DAD. But supported by their lead underwriters and quantitative team.	#10 ranked underwriter for negotiated fixed long term debt nationally, ranked #4 for high yield debt and the #1 ranked senior manager by average transaction size for the last three years.	RBCCM's Colorado success is a reflection of our firm's ascendence in the national senior manager rankings. While our firm has enjoyed a consistent perch among the top five negotiated senior managers nationally, 2019 was a breakthrough year for the firm, as we have assumed the #4 spot among all municipal underwriters.	Long history in Colorado, Mike Imhoff, strong recent experience with similar credits.	With our substantial capital position we are able and willing to take bonds into inventory if necessary to maintain initial pricing levels that we view as on-market. Our firm does not allow investors to dictate the interest rate that would be required to move all of the bonds to be offered.
Ranking (1 to 5)	1	5	4	2	3
Weighting %	5%	5%	5%	5%	5%
<b>Weighted Rating</b>	0.10	0.30	0.20	0.10	0.20
<b>L. FIRM COMMITMENT UNDERWRITING</b>	Will provide firm commitment after the BPA is signed. They do highlight some MD deals where they took down bonds over last 5 years but it is rare and not their customary practice. Their lack of firm commitment UW on the Southshore deal resulted in sub optimal pricing.	As a practical matter, when we underwrite unsold balances as senior manager, we do not distribute these bonds and push liability off to the syndicate; rather, we own 100% of the bonds to ensure the orderly and controlled distribution of securities into the secondary market.	3 examples of taking down bonds in firm commitment UW. Latest was in 2018 Park Creek MD.	UW have authority to take down bonds after internal credit approval. Even NR deals. Takedown avg of 6% of par. Have not taken down MD bonds over last 5 years, however.	Have demonatrated ability and willingness to take down bonds. Have even contracted for it in other deals prior to signing BPA.
Ranking (1 to 5)	5	3	3	2	1
Weighting %	5%	5%	5%	5%	5%
<b>Weighted Rating</b>	0.30	0.20	0.20	0.10	0.10
<b>Total Weighted Rating</b>	2.50	4.50	2.80	2.60	3.20