

City and County of Denver  
Department of Finance  
Cash Risk and Capital Funding



**Series 2012C1-C3 Certificates of Participation (COPs)  
East Corridor Lease Purchase Agreement  
Transaction Summary**

Expected Closing: May 17, 2012

**D E N V E R**  
THE MILE HIGH CITY

April 11, 2012

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## Series 2012C1-C3 COPs/Lease Purchase Transaction

### Requested Ordinance

The ordinance will authorize the Manager of Finance to enter into a Lease Purchase Agreement on behalf of the City with a Leasing Trust and sell into the Trust six City owned facilities. Approval of the lease allows the Trustee on behalf of the Leasing Trust to execute and deliver an amount not to exceed \$45,000,000 of Certificates of Participation, Series 2012C1-C3 (tax-exempt and taxable).

### Background

- The proposed transaction is to provide the stipulated funds required by the recently approved Amended Intergovernmental Agreements between the City and RTD regarding East Corridor Improvements.
- The original RTD plan for the East Corridor rail line did not include sufficient dual tracking and other infrastructure along Pena Blvd that would enable an additional Gateway area station.
- The City and RTD have agreed to share in covering the cost associated with the enabling of the additional rail station. Furthermore, the City will cover the drainage and fiber optic communication expenses, totaling \$10 million, associated with implementation of the East Corridor commuter rail.
- RTD will reimburse the City up to \$27 million out of East Corridor Project contingency upon substantial completion (2017). If insufficient contingency remains once the project is complete, a minimum of \$12 million would be paid to the City in annual installments of \$2 million.



# Series 2012C1-C3 COPs/Lease Purchase Transaction

## Purpose

The transaction is being undertaken to provide funding of the following East Corridor improvements:

Drainage and Fiber Optics	\$10M
Grade separations, Dual Tracking and Enabling	<u>\$35M</u>
<b>Total Improvements (City's Initial Funding)</b>	<b>\$45M</b>

## COP Financing Structure

Goals of the financing structure are to realize the lowest cost of funds for the City while maximizing the City's flexibility to prepay COPs when reimbursements are received from RTD.

	Amount	Expected Rate	Call Feature
Series C1 (tax-exempt)	\$18M	2.77%	Non Callable
Series C2 (taxable)	\$15M	4.31%	prepayment option on Dec. 1, 2017
Series C3 (taxable)	\$12M	4.09%	prepayment option on Dec. 1, 2017
Total	\$45M	3.46%	



## Series 2012C1-C3 COPs/Lease Purchase Transaction

### **COP Financing Structure (Cont.)**

Under the COP structure, the City will sell properties into a Leasing Trust and will lease back and continue to occupy and use the facilities without interruption. The leased properties consist of a fire station located in District 9; 4 police stations, located in Districts 6, 9 and 11; and City office building located at 200 W. 14<sup>th</sup> which houses Environmental Health and the Elections Division.

If the City fails to appropriate the lease payment, Trustee can take possession of the assets for the benefit of the COP holder.

JP Morgan Chase, who was selected via a competitive bid process, will be the direct purchaser/holder of the 2012C1-C3 COPs. The Direct Purchase structure offers flexibility which is essential given the complexity of financial structure.

### **COP Terms**

- Term not to exceed 20 years (2032)
- COP payments total approximately \$2.5M/year and will be subject to annual appropriation by City Council
- Bank will allow for the release of leased property as COPs are repaid
- Series C2 and C3 subject to tender option in Dec. 2021 (if not fully redeemed in 2017)
- Costs associated with the transaction will be paid from proceeds

**An ordinance request for this transaction was submitted March 30, 2012.**

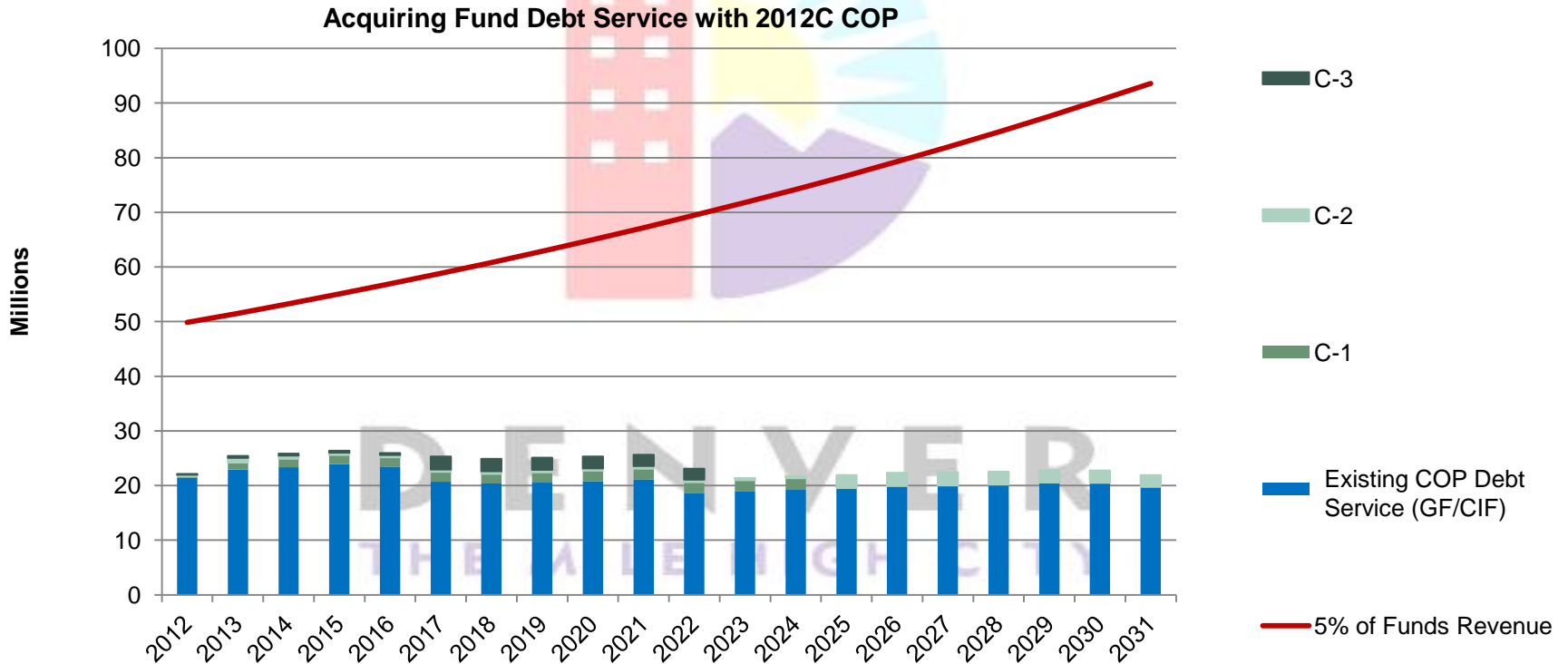


# 2012C1-C3 COP Payments vs. Revenue Limit

FASTER monies the city receives from the State have been identified as repayment source for the 2012C1-C3 COPs.

The COPs are structured conservatively assuming the use of only half of the City's annual FASTER payment, approximately \$2.5M.

Debt policy guidelines limit annual lease payments to no more than 5% of the acquiring fund's revenues. 2012C1-C3 annual lease payments are well within the 5% limit.





## Proposed Transaction Timetable

April 16	Reading of 20-93 at Council
April 17	Mayor Council
April 18	Filing of Documents
April 23	1 <sup>st</sup> Reading
April 30	2 <sup>nd</sup> Reading
May 1	Lock in Interest Rate
May 3	Publication
May 17	COP Closing

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