



DENVER
THE MILE HIGH CITY

**RECAP-of Series 2020A1 (Taxable) and 2020A2 (Tax-exempt)
Refunding Certificates of Participation (COPs)
(November 2020 Overview)
AND
PROPOSED- Zoo Parking Garage Agreement and DMNS
Parking Garage Agreement Amendments**

March 2021
Department of Finance

- The proposed ordinances are administrative actions, that amend the City's parking garage agreements with the Denver Zoo and the Denver Museum of Nature and Science (DMNS) to formalize and document the revised payment schedules with these entities as a result of a recent COP refunding.
- The Series 2020A1-2 COP financing was approved by Council in November 2020 and authorized the refunding of previously issued Series 2010A and 2010B COPs for interest cost savings and payment relief in 2020 and 2021.
 - The 2010B COPS are associated with capital projects that benefited both the Zoo and DMNS and therefore as a result of the COP refunding, their proportionate share of the refunding payments is also being revised.
 - The payment obligation for both the Zoo and DMNS resides in their respective Parking Garage Agreements with the City.
 - The allocation of interest costs related to the payment deferral is in line with the proportionate share of each lease payment funding source (as shown on page 5).
- No other changes or term modifications are being done as part of the parking agreements amendments.

RECAP of December 2020 Finance Committee Agenda

- Certificates of Participation (COPs) Overview
- Background- COPS to be Refunded
- Financing Overview
 - Requested Ordinances
 - Financing Objectives
 - Key Financing Terms
- Timetable

CURRENT Ordinance Requests'

- Zoo Parking Garage Agreement and revised payment schedule
- DMNS Parking Garage Agreement and revised payment schedule

RECAP OF DECEMBER 2020 COP REFUNDING INFORMATION

- Type of financing that function similar to a bond but are not considered debt as they are subject to annual appropriation and do not require voter approval.
- COPs take the form of a lease purchase (“rent-to-own”) transaction- certificates represent an interest in a lease between a trustee (representing the COP holders/investors) and a state or local government.
- Typically used for the purchase or construction of real property.
- Annual payments made by the City are subject to annual appropriation by City Council
- A City-owned asset serves as the collateral (leased property) for a COP financing
 - Collateral is released when COPs retire
 - If the City fails to appropriate the COP lease payment, the Trustee takes possession of the pledged collateral for the benefit of the COP holders

Debt Policy for COPs (New Money):

- Long lived assets with high acquisition costs that would otherwise be disruptive if financed with cash are best candidates of COP financings
- Project to be financed must be deemed “essential” and necessary to the City
- New revenue stream and/or measureable cost savings dedicated to annual lease payments
- Annual lease payments shall not exceed 5% of acquiring fund’s annual revenues

Series 2010A COPs- \$14.5M outstanding Par Amount

- Transaction done to reimburse the Wastewater Management Division for land sold to the City for the relocation of Public Works facilities located on the Central Platte Campus and construction costs of the facilities
- Lease payments are fixed until 12/1/2020, after which the rate becomes variable (67% of LIBOR +210 basis points)

Series 2010B COPs- \$4.5M outstanding Par Amount

- Done to refund at a lower interest rate, three COP transactions: the 2001A, B and C to achieve interest cost savings
- The 2001A,B,C COPs provided funding for capital projects such as the parking garages at the Zoo and the Museum of Nature and Science and the Blair Caldwell African American Research Library

	Pledged Collateral/Leased Property	Current Approximate Lease Payment Funding Sources	Original maturity
2010A	Central Platte Campus DOTI (Public Works) facilities located at 1271 W. Bayaud	50% General Fund 50%- Capital Improvement Fund	12/1/2030
2010B	5440 Roslyn Office Complex (Bldgs A-F) and Wastewater Management Division Office	50%- General Fund 25%- Denver Museum of Nature & Science 25%- Zoo	12/1/2021

Council Request:

The proposed resolution seeks authorization to execute and deliver Series 2020A1 (taxable) and Series 2020A2 (tax exempt) Certificates of Participation for the purpose of refunding Series 2010A and Series 2010B Certificates of Participation in an amount not to exceed \$20.5 million.

- This refunding will not raise additional proceeds for new projects.
- The sources of funds for future annual lease payment will continue to consist of the General Fund, Capital Improvement Fund, the Zoo and the Denver Museum of Nature and Science.
- A request to amend Agreements between the City and Zoo and City and DMNS may be done upon the approval and closing of the refunding as an administrative matter to reflect the revised lease payments due under the refunding.

Expected Savings:

The refunding is expected to generate approximately 6% or \$1 million cumulative net present value savings- net of the cost to defer 2020 and 2021 payments.

Debt structure to optimize cost while managing risk:

- ✓ Refunding takes advantage of current low interest rates by locking in the rate for Series 2010A COPs through maturity (2030), which initial term rate is set to expire on December 1, 2020, eliminating future variable rate volatility and risk to the Libor Index.
- ✓ Provides lease payment relief by deferring a total of \$7 million in 2020 and 2021 by restructuring future COP payments, which provides essential payment relief and flexibility for the General Fund, Capital Improvement Fund, the Zoo and the Denver Museum of Nature and Science, during these challenging economic times.
- ✓ Allows for the termination of the 2010B COP and the release of leased property that serves as collateral. Deeding of title back to the City for the Wastewater building and the DOTI facilities at 5440 Roslyn currently pledged.

- Costs associated with the transaction will be paid from the proceeds of the financings.
- 2020A1-2 COPs will be sold as a private placement transaction to JP Morgan Chase (current holder of Series 2010A COPS) to maximize structuring flexibility
- Total Series A1-2 annual lease payments will be approximately \$2.3 million per year (subject to annual appropriation)

New Series	Tax Status	Interest Rate*	Purpose	Pledged Collateral	Estimated Par Amount*	Final Maturity	Current NPV Savings*
Series 2020A1	Taxable	Not to exceed 1.75%	-Refunds 2010B COPs	Central Platte Campus property located at 1271	\$5 Million	12/1/2024	(\$53k)
Series 2020A2	Tax Exempt	Not to exceed 2.50%	- Refunds 2010A COPs (conversion date of 12/1/2020)	W. Bayaud (currently pledged for 2010A COPs)	\$15.5 million	12/1/2030	\$1.2 million

* Par amount, interest rate, annual lease payments and savings will be finalized on the day of the rate-lock after Council approval. Restructuring portions will incur an economic cost.

Date	
November 10	Finance & Governance Committee
November 17	Mayor Council for Resolution Request
November 18	Filing of Documents with City Council
November 23	Single Reading of Refunding
November 24	Set and Fix Interest Rate
December 1	Closing of COP Refunding

AMENDMENTS TO ZOO PARKING GARAGE AGREEMENT AND DMNS PARKING GARAGE AGREEMENT

- City entered into agreement with the Zoo (2001) to provide \$8.5m in COP proceeds to design and construct a new parking garage.
- Per the agreement, the Zoo provides payment annually to the City to cover the Zoo parking garage share of the annual COP payment (approximately 25% of total annual COP payment).
- Amendment to Parking Garage Agreement will:
 - Extend the term of payments from October 2021 to October 2024 to align with the new restructured 2020A1 COP term
 - Increase Zoo payment schedule by \$54,600 for additional interest and cost of issuance expenses incurred as a result of the COP payment deferral in 2020 and 2021. These costs have been prorated throughout the remaining payment term.

Zoo 2021 Amended Schedule of Remaining Payments

Year	Zoo Payment Date	Payments	Yearly Total
2020	10/15/2020	\$0.00	
2021	4/15/2021	16,490	
	10/15/2021	16,490	32,979
2022	4/15/2022	15,556	
	10/15/2022	409,654	425,210
2023	4/15/2023	13,630	
	10/15/2023	410,556	424,186
2024	4/15/2024	12,500	
	10/15/2024	411,928	424,428
Total		1,306,803	1,306,803

- City entered into agreement with DMNS (2001) to provide \$10m in COP proceeds to design and construct a new parking garage.
- Per the agreement, DMNS provides payment annually to the City to cover the DMNS parking garage share of the annual COP payment (approximately 25% of total annual COP payment).
- Amendment to Parking Garage Agreement will:
 - Increase agreement by \$48,800 for the additional interest and cost of issuance expenses incurred as a result of the COP payment deferral in 2020 and 2021. These costs have been prorated throughout the remaining payment term.

DMNS Revised COP Payment Schedule

DMNS 2021 Amended Schedule of Remaining Payments

Year	Museum Payment Date	Payments	Yearly Total
2020	15-Oct-20	\$0	-
2021	15-Apr-21	15,556	
	15-Oct-21	140,468	156,024
2022	15-Apr-22	15,556	
	15-Oct-22	286,945	302,501
2023	15-Apr-23	10,828	
	15-Oct-23	800,872	811,700
2024	15-Apr-24	6,058	
	15-Oct-24	880,642	886,700
2025	15-Oct-25	786,700	786,700
2026	15-Oct-26	736,700	736,700
2027	15-Oct-27	686,700	686,700
2028	15-Oct-28	821,848	821,848
Total		\$5,188,873	\$5,188,873