



DENVER
THE MILE HIGH CITY

Series 2016
Excise Tax Revenue Bonds
(National Western Center Campus and
Colorado Convention Center Projects)

January 26, 2016

Key Financing Milestones

- **June 2015 / November 2015: NWC and CCC Ballot Measure 2C approved by City Council and Denver voters**
 - Repealed expiration in 2023 of the 1.75% portions of the City’s Lodger’s Tax and Short Term Car Rental Tax
 - \$778 million of debt authorized:

Figures in '000s	Convention Center	National Western Center	Total
Project Fund	\$103,950	\$476,075	\$580,028
Total Bond Par	\$105,000	\$530,000	\$635,000
Authorized Par*			\$778,000

*Includes amounts for interest, reserves, transaction costs, and flexibility to bond against RTA Funds

- **December 2015: City Council approved NWC Land Acquisition Ordinance (ORD#15-0900)**

Recap: Excise Tax Revenue Bonds

- Revenue bonds are payable solely from a specific, pledged revenue source
 - These bonds are repaid from specific excise taxes
- Must be voter authorized (TABOR)
- Pledged revenues and financial covenants (i.e. debt service coverage ratio) limit bonding capacity
- Existing excise tax revenue bonds of \$171 million (Series 2005A and 2009A Bonds) originally issued in 2001 for the Colorado Convention Center expansion financing.
 - 2005A Bonds mature in 2020; 2009A Bonds mature in 2023
 - Supported by the following pledged revenues:
 - ✓ 4.75% of total 10.75% CCD Lodger's Tax
 - ✓ 3.75% of total 7.25% CCD Short Term Car Rental Tax
 - ✓ 0.50% of total 4.00% CCD Food & Beverage Tax

Total Par Up to \$425 million consisting of:

- 1) \$200 million project funds for NWC
- 2) \$6 million project funds for CCC
- 3) \$200 million for the advance refunding of all existing excise tax bonds of \$171 million
- 4) Debt service reserve fund (if required), flexibility for market fluctuations, and costs of issuance (attorney fees, rating agencies, underwriter costs, etc.)

Initial costs related to the development of the National Western Center (NWC):

- Planning and professional services
- 100% of the land acquisition within the NWC boundaries (70+ acres):
 - 61 parcels to be acquired (including CDOT, DPS, and State-owned parcels) – *approved by City Council in December 2015*
 - Associated costs: appraisals, title, survey, relocation, environmental, demolition, contingency
 - Reimbursement to the General Fund of \$2 million for Oct-15 purchase of 5135 Race Court (International Paper)
- Early rail consolidation, utility design & construction, design and preliminary civil work for Segment 3 of Brighton Boulevard, preliminary engineering studies for river edge, parking site studies, contingency
- \$3.5 million purchase of 5300 Franklin (outside of NWC Campus) for relocation property – *approved by Finance Committee on 1/12/16*

*Mission: Make the **Colorado Convention Center (CCC)** a major driver of Denver tourism, best-in-class for the next 20 years by responding to trends in convention, trade-show and meeting business.*

2C Measure:

Enhancements to and expansion of the Colorado Convention Center including exhibit and meeting spaces and necessary technological improvements.

Planned improvements include:

- Rooftop Expansion
- Lobby enhancements
- Technology upgrades
- Arrival improvements

\$6 million debt proceeds will be applied to initial:

- Contracting of a Project Management Team and staffing.
- Development of a comprehensive facilities program for the expansion.
- Clearly define the scope and success criteria for the project.
- Create a design and construction delivery strategy.

Up to \$200 million Refunding of Existing Bonds

Refunding: Method by which outstanding bonds are “refinanced” by the issuance of new bonds.

- A financing tool used to reduce interest costs and/or to remove restrictive covenants of outstanding bonds.

The advance refunding of all existing Excise Tax Revenue Bonds will achieve:

- ✓ Reduce financing costs: expected interest rate of new refunding bonds of 2.5-3.5% vs. existing interest rate of remaining old bonds of 5.13%-6.00%.
- ✓ Allows for the amendment and strengthening of the existing pledged revenues and flow of funds – *this will reduce borrowing costs for the 2016 issuance and future issuances.*

Currently Pledged Revenues



Lodger's Tax

Convention Center Expansion Tax	1.75%	}	4.75%
Convention Center Bonds	3.00%		
<u>General Fund, Denver</u>	3.25%		
<u>VISIT DENVER</u>	2.75%		
<i>Subtotal: Collected by CCD</i>	10.75%		
Regional Transportation District (RTD)	1.00%		
Cultural Facilities District	0.10%		
Colorado State Tax	<u>2.90%</u>		
Total	14.75%		



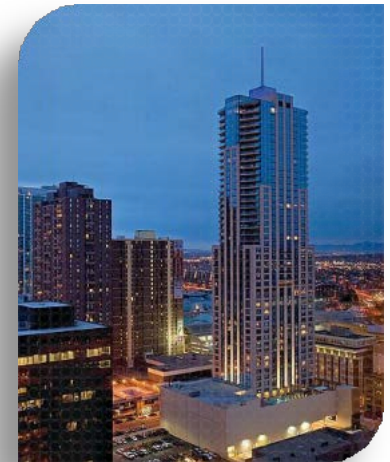
Food & Beverage Tax

Convention Center Bonds	0.50%
<u>General Fund, Denver</u>	3.50%
<i>Subtotal: Collected by CCD</i>	4.00%
Regional Transportation District (RTD)	1.00%
Cultural Facilities District	0.10%
Colorado State Tax	<u>2.90%</u>
Total	8.00%



Car Rental Tax

Convention Center Expansion Tax	1.75%	}	3.75%
Convention Center Bonds	2.00%		
<u>General Fund, Denver</u>	3.50%		
<i>Subtotal: Collected by CCD</i>	7.25%		
Regional Transportation District (RTD)	1.00%		
Cultural Facilities Tax	0.10%		
Colorado State Tax	<u>2.90%</u>		
Total	11.25%		



Proposed Credit Enhancement

Credit Enhancement: Improving structure of bonds to reduce investor risk

- Pledged revenues will include currently unpledged, General Fund components of Lodger's and Car Rental Taxes
- Additional pledged revenues allows the City to enhance the Excise Tax Revenue Bond credit for investors and ratings agencies and to ensure continued market access during economic downturns.
- ✓ **Additional pledge is primarily for optics; low risk to the General Fund:**
 - Pledged revenues are projected to cover debt service requirements by 2.8-4.7x – not expected to be used toward debt repayment.
 - Does not add to bonding capacity – bonding capacity under the voter approved ballot is based on *existing* pledged revenues.
 - **General Fund backing for credit enhancement purposes only.**
- ✓ **No *additional* risk to the General Fund:**
 - Even with the existing pledged revenues, the GF is already at risk for underperformance of excise tax collections. It is very unlikely that the City would default on our excise tax bonds, so the GF would likely step in to cover any shortfalls of existing pledged revenues.
- ✓ **Additional pledge is only related to portions of excise tax collections that have a nexus with tourism:**
 - Will not pledge currently unpledged Food & Beverage tax collections.
 - Maintains voter authorized intentions of the projects.

Par Amount	Up to \$425,000,000 <ul style="list-style-type: none"> • New Money: Up to \$225 million • Refunding: Up to \$200 million
Interest Rate	Not to exceed 5%*
Term	Not to exceed 30 years
Pledged Revenues	Lodger's Tax: 8.00% ST Car Rental Tax: 7.25% F&B Tax: 0.50%
Prepayment Options	Will include 10-year (or shorter) call on tax-exempt portion

* Based on current market conditions and expected ratings.

The final par amount, interest rate, and tax-exempt/taxable mix will be determined closer to and/or on the day of pricing and is dependent on market conditions.

- Municipal bonds are generally issued as **tax exempt** obligations (interest income earned by a investor is exempt from federal and local taxes) because of the public purpose nature of the projects being financed.
 - Key IRS requirement that tax-exempt proceeds must have a governmental use, with a very limited benefit for any private entity
- Up to \$200 million of the 2016 Bonds will be issued on a **taxable** basis:
 - ✓ Provides **flexibility** for anticipated private business uses on the National Western Center site (naming rights, retail, co-development opportunities, P3s, etc.)
 - 2016 bonds will be used to acquire all of the land across the campus not currently owned by the City or NWSS.
 - Taxable bonds will allow for project design and programming flexibility in the future.
 - ✓ Allows for the removal of restrictive covenants on the Series 2005A Bonds

Tentative Financing Timetable

Jan 19	Submit Ordinance Request
Jan 26	Finance Committee
Feb 1	Reading of 20-93 at Council
Feb 2	Mayor Council
Feb 18	Filing bond documents
Feb 22	First Reading
Feb 29	Second Reading
Mar 1-11	Investor Marketing
March 16	Pricing
March 30	Closing

