



**DENVER**  
THE MILE HIGH CITY

# **Financing Overview & 2017 GO Bond Capacity Update**

Department of Finance

April 2017

FOR CITY SERVICES VISIT | CALL  
**DenverGov.org** | **311**



# Municipal Bond Overview

## What is a Municipal Bond?

- A debt obligation issued by state and local governments to fund public purpose capital improvements such as roads and public facilities.
- Bonds constitute a formal agreement to pay between borrower (issuer) and lender (investor).
- Generally issued as tax-exempt obligations because of the public purpose nature of the projects being financed.

## Why do governments issue bonds?

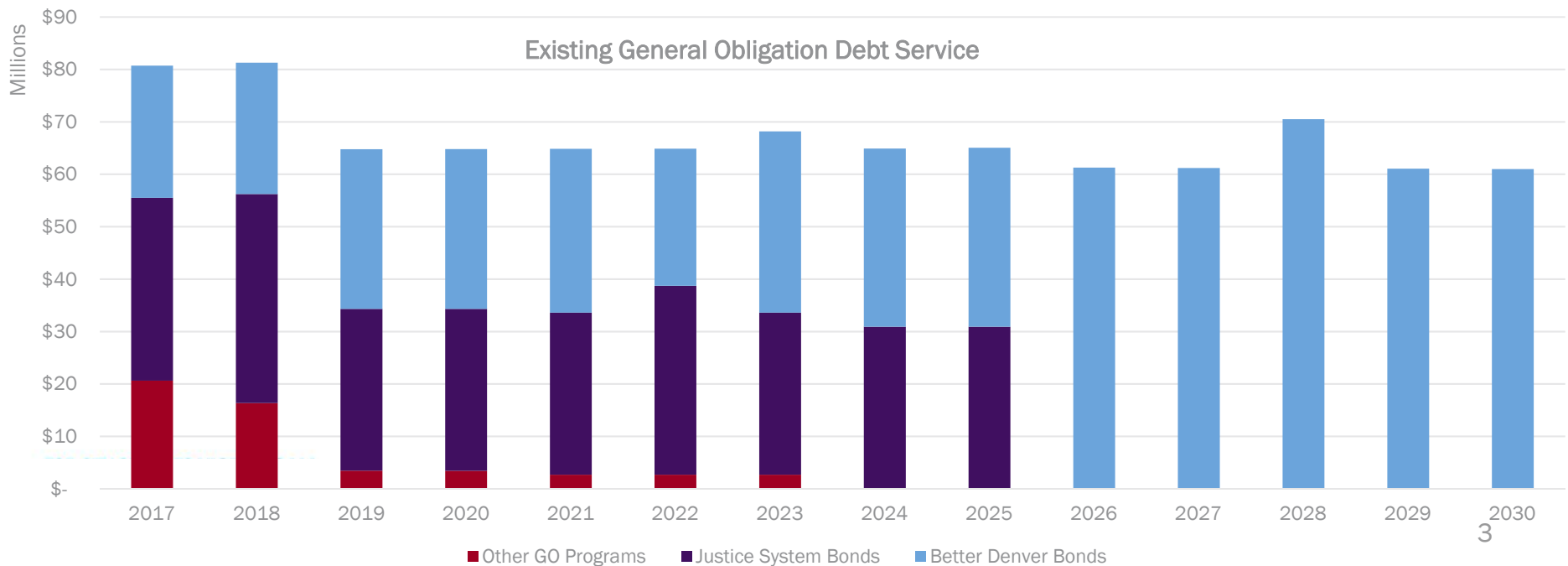
- Allows the City to leverage its limited resources and acquire or improve assets without waiting for sufficient upfront cash.
- Spreads the cost of acquiring assets to those who benefit from it both today and in the future.

## Who buys municipal bonds?

- Buyers include large institutional investors such as mutual funds, insurance companies, trust departments, etc. as well as retail investors.

# General Obligation Bonds

- Backed by the full faith and credit of the City and payable from dedicated property tax mill levies.
- Must be voter authorized (TABOR):
  - Last GO bond initiative was 2007 Better Denver Bond Program which authorized \$550M to fund capital improvements throughout the City.
  - 2017 GO Bond authorization to be presented to voters in November 2017.
- Approximately \$716 million principal amount of GO Bonds currently outstanding.
- City Charter limits GO debt to 3% of actual real and personal property value (\$3B as of 2016).



- Median valuation growth estimate
  - Residential Valuation – 25.9%
  - Commercial Valuation – 20%
- Gallagher
  - 7.96% v. 7.2% residential valuation rate
  - Citywide Post Gallagher (7.2%) - 21%
- 2A vs. debt mills v. DPS and Urban Drainage Mills
  - 2A mills are estimated to float down
- FYI – 1 mill = \$26/yr = \$360,000 median home



# 2017 GO Bonding Capacity

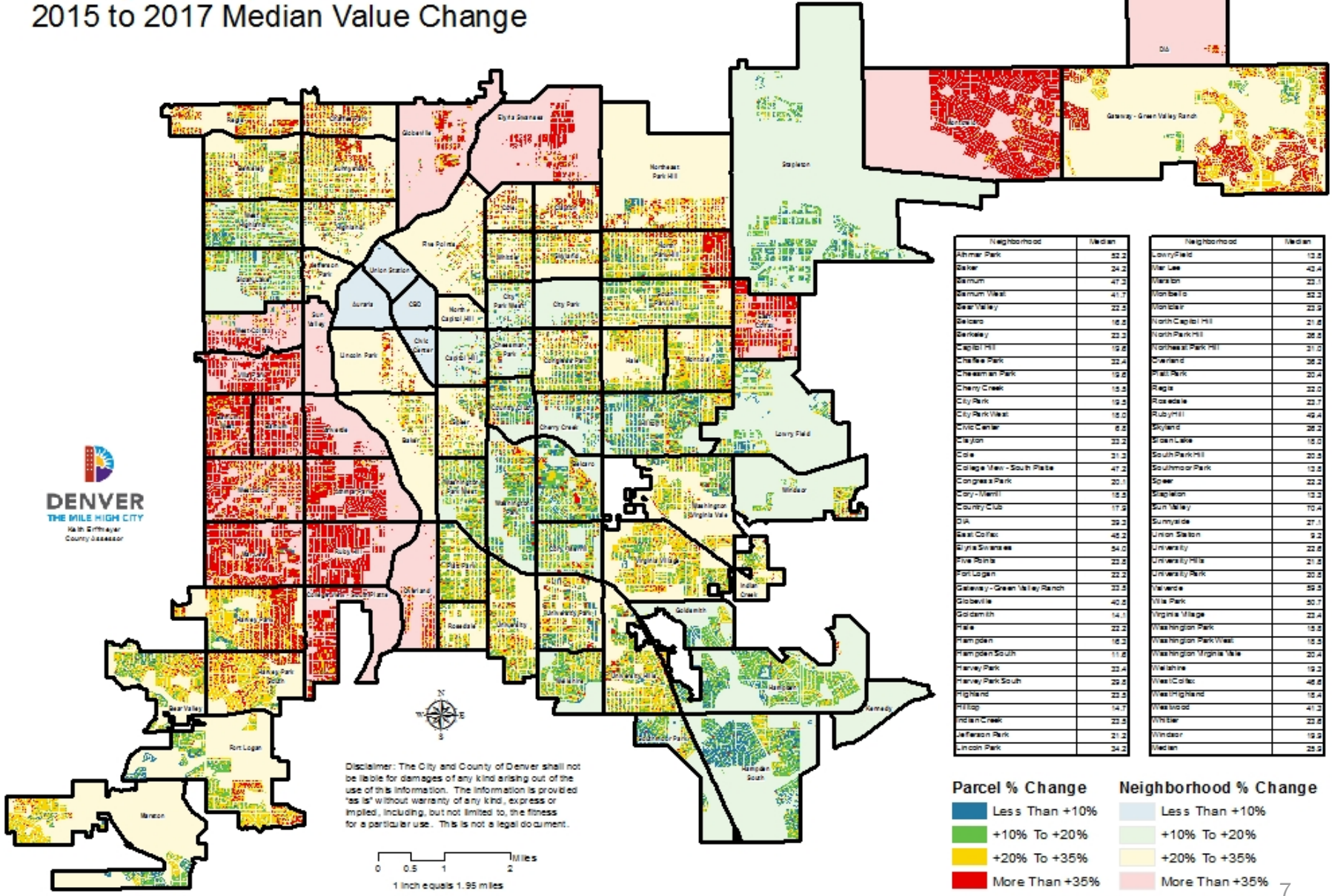
## Key Assumptions

- No tax increase (existing 8.433 debt mill levy unchanged)
- 21% growth in assessed property valuation in 2017 (2018 collection year), 2% growth every other year thereafter
- Term of bonds: 20 years, with 10-year call option, generally level debt service
- Multiple issuances over time
- Interest Rate: Current rates + buffer for rising interest rates
- Includes strategic actions taken to maximize 2017 GO capacity

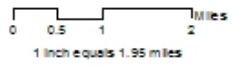
*Bonding capacity is based on preliminary assumptions and subject to change. Size and timing of bond issuances will be driven by the final project list, phasing of the overall 2017 GO Program and ultimate project readiness, and market conditions at the time of planned issuances.*

- Revised bond capacity
  - \$800m – 900m assuming no tax increase
  - Tax increase is still a topic of deliberation for the executive bond committee
- Considerations
  - Financial responsibility: debt burden and bond rating
  - What can the city deliver?
    - \$550m in BDB GO over 9 years
    - City agencies
    - Construction industry
    - Maintenance v. new projects
  - Property valuation growth
  - CIP needs for maintenance and demand based projects
- Guidance to subcommittees
  - Maintain the prioritization process that each group has utilized to date
  - Exec committee will recommend target to the Mayor for his consideration along with project options

# City & County of Denver Single Family and Townhome 2015 to 2017 Median Value Change



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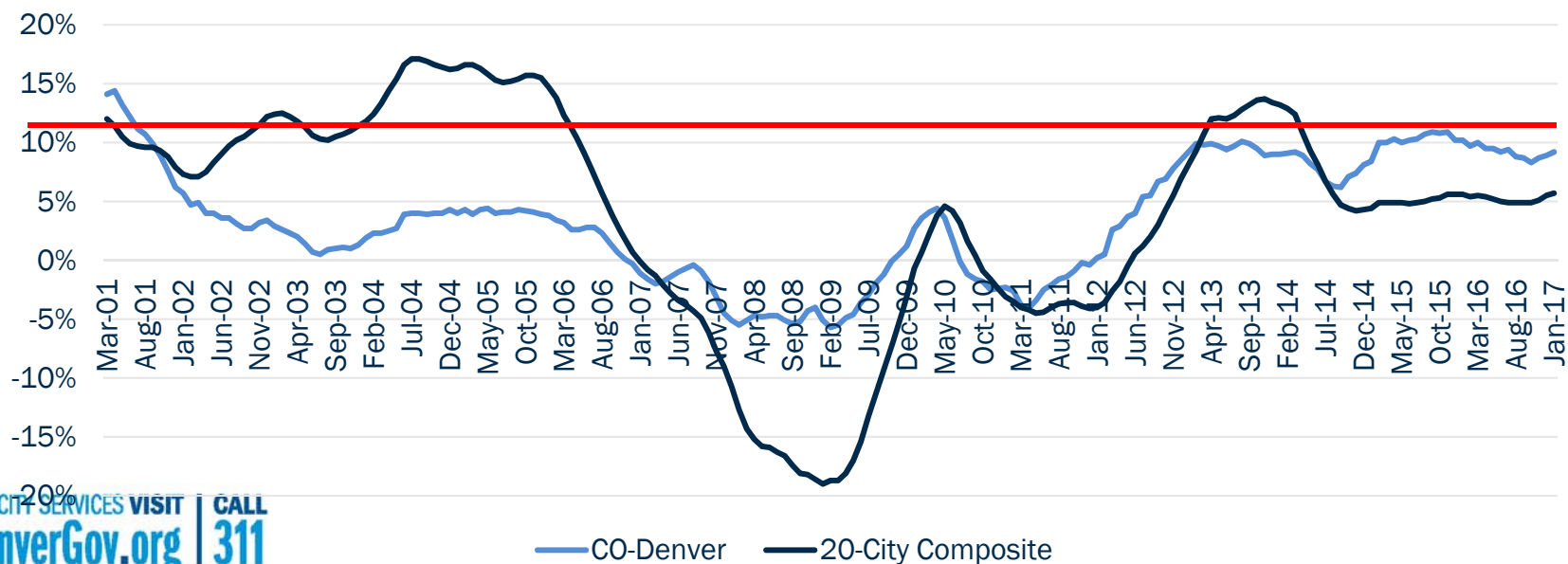
Neighborhood	Median	Neighborhood	Median
Altman Park	32.2	Lowry Field	13.2
Baker	24.2	Mar Lee	43.4
Barnum	47.3	Marston	23.1
Barnum West	41.7	Monterello	32.3
Beair Valley	23.5	Monterello	23.9
Belcaro	16.0	North Capitol Hill	21.6
Berkley	23.3	North Park Hill	26.4
Capitol Hill	19.6	Northeast Park Hill	21.0
Cherokee Park	32.4	Cleveland	26.2
Chesman Park	19.2	Platt Park	20.4
Cherry Creek	19.3	Regis	22.0
City Park	19.3	Rosedale	23.7
City Park West	18.0	Ruby Hill	49.4
Civic Center	6.0	Skyland	26.3
Clifton	22.2	Steen Lake	16.0
Cole	21.0	South Park Hill	20.9
College View - South Platte	47.2	Southmoor Park	13.0
Congress Park	20.1	Spencer	22.2
Cory - Merrill	16.0	Stapleton	13.3
Courty Club	17.9	Sun Valley	70.4
DA	25.3	Sunnyside	27.1
East Colfax	42.2	Union Station	9.2
Eight Swaves	34.0	University	22.6
Five Points	22.0	University Hill	21.0
Fort Logan	22.0	University Park	20.9
Glendale - Green Valley Ranch	33.0	Valeris	36.2
Globeville	40.0	Wile Park	30.7
Goldsmith	14.1	Virginia Village	23.4
Glenn	22.2	Washington Park	15.0
Hamden	16.3	Washington Park West	15.3
Hamden South	11.0	Washington Virginia Vale	20.4
Harvey Park	22.4	Walden	19.2
Harvey Park South	26.0	West Colfax	46.6
Highland	22.0	West Highland	15.4
Hittop	14.7	Westwood	41.3
Indian Creek	22.0	Whittier	23.6
Jefferson Park	21.2	Windsor	19.9
Lincoln Park	24.2	Windsor	25.9

Parcel % Change	Neighborhood % Change
Less Than +10%	Less Than +10%
+10% To +20%	+10% To +20%
+20% To +35%	+20% To +35%
More Than +35%	More Than +35%

# Residential Home Prices

In 2016, Denver-area home prices increased by an average of 9.2% year-over-year. Nationally, home prices grew by 5.2%.

Year-Over-Year % Change in Home Prices

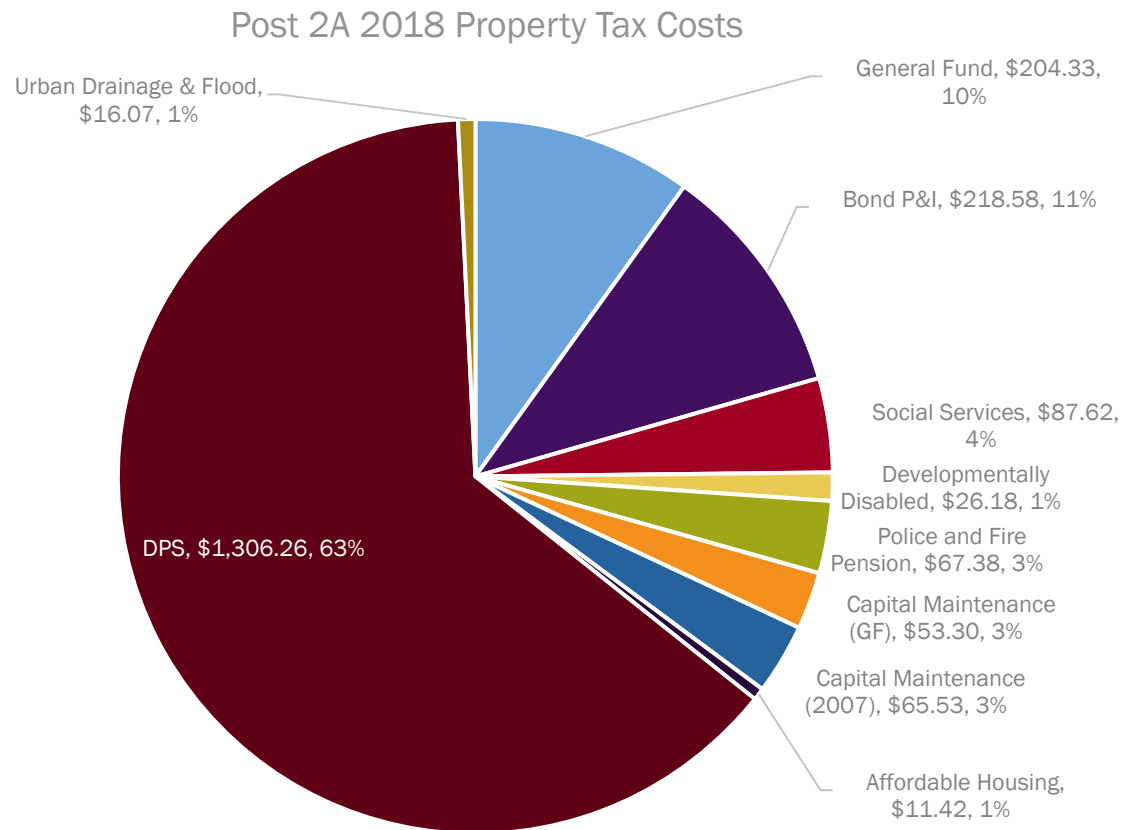




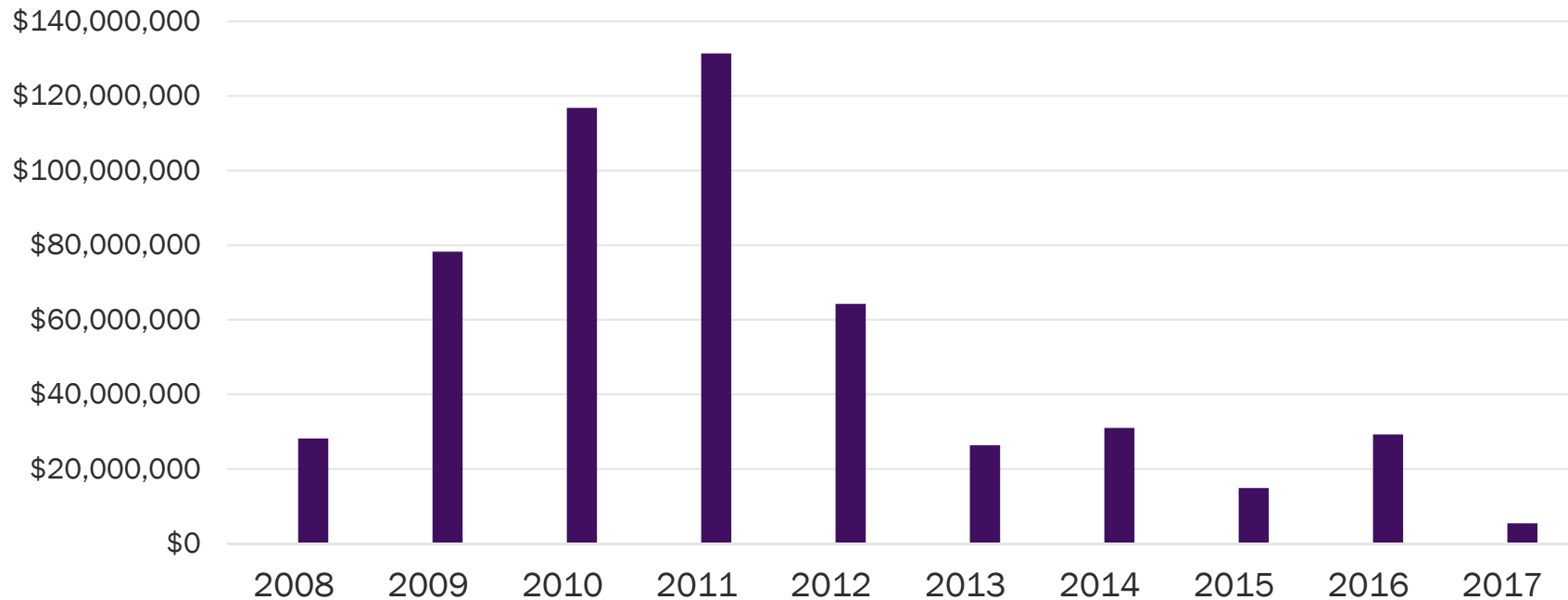
# Property Tax Bill

## Median Home: \$360,000

Total before 2A credits for a \$360k house: \$2,113  
Estimated after credits: \$2,057

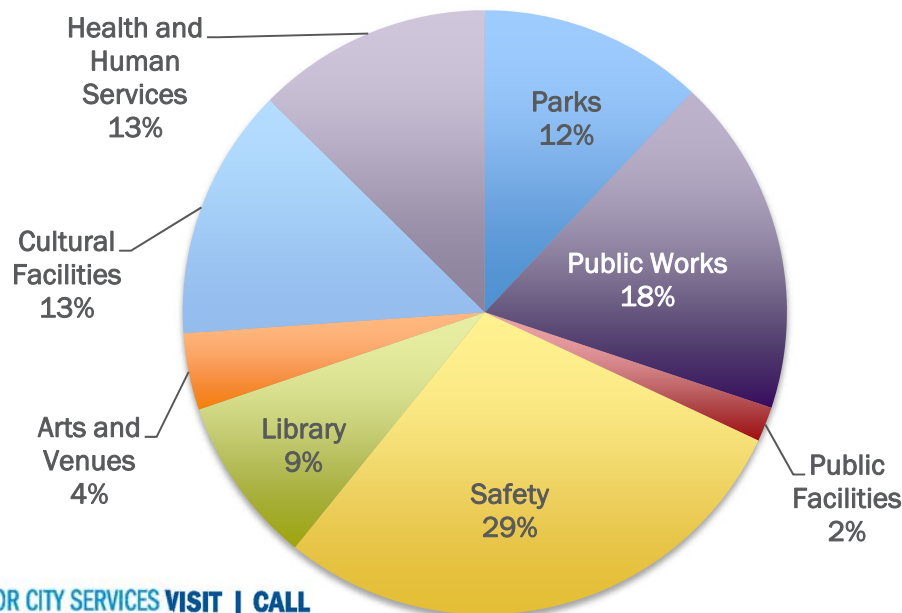


Better Denver Bond  
Amount Expended Per Year (Projects)

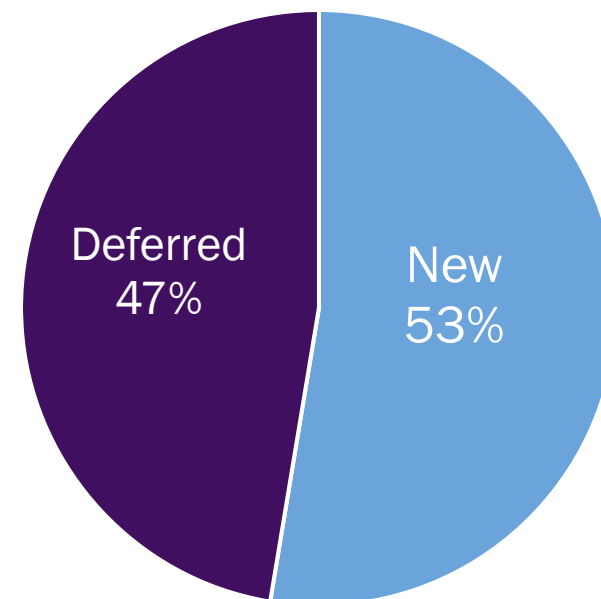


City has issued over \$1.6B in GO bonds since 1989 to address major rehabilitation and construct new projects.

GO Bond Funding by Asset Category  
(1989-2007)



2007 Better Denver Bond  
New Projects v. Deferred Maintenance \$





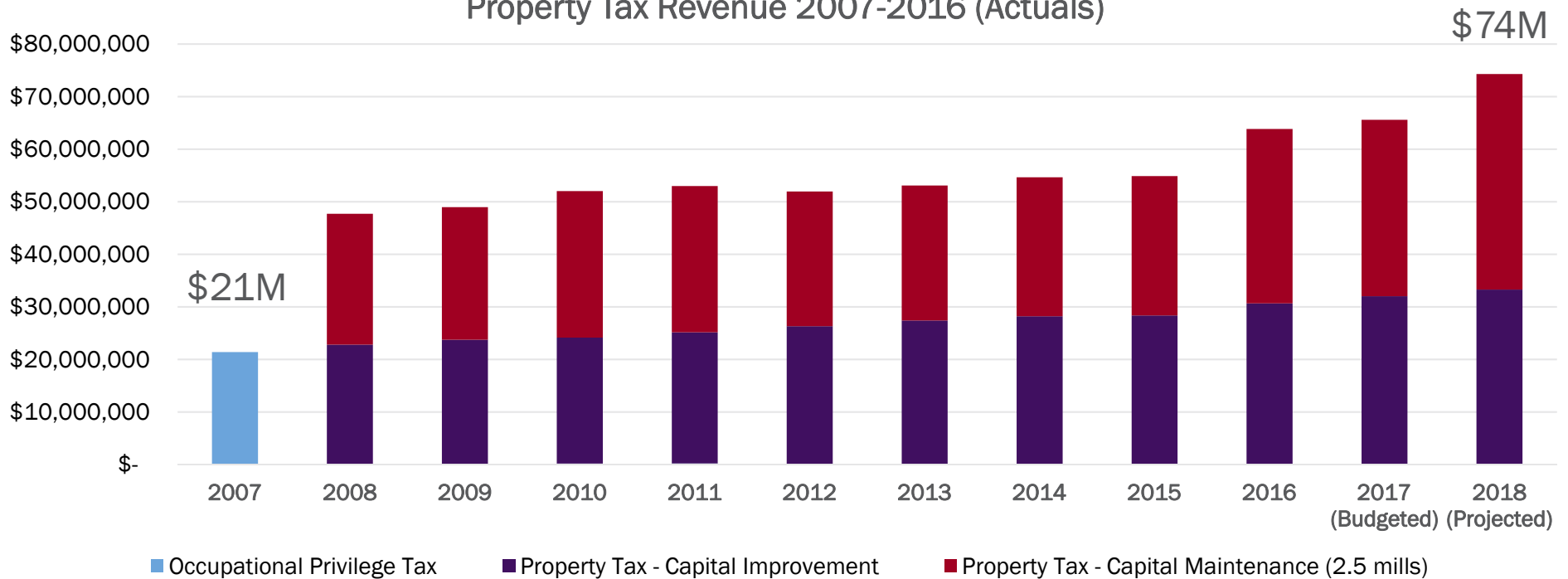
# Annual Maintenance 2007-2017

- Annual capital program balances the demand of maintaining \$8B in assets with needed capacity projects.
- Capital maintenance is a priority - 70% of the City's Annual Capital Improvement Program budget is dedicated to maintaining our existing assets (approximately \$59M annually).
- Denver capital program challenges
  - Population growth resulting in increased asset wear and tear
  - Saturated construction market
  - Construction pricing escalation
  - Decreased buying power



# Capital Improvement Fund Property Tax Historicals

Capital Improvement Program  
Property Tax Revenue 2007-2016 (Actuals)



- In 2007, Occupational Privilege Tax (OPT) was traded for property tax to provide a more stable and sustainable revenue source for capital improvements.
- The trade was coupled with 2.5 mills approved by voters in 2007 for capital maintenance.
- 2.5 mills projected to generate \$41M in 2018 (up from \$24.9M in 2008).