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Finance and Governance Committee (Item #19-1072)

Finance and Governance Committee

Agenda

- **Ordinance Request Summary**
- **General Obligation Bond Overview**
- **Elevate Denver Bond Program**
  - Program Update
- **Third Issuance Ordinance Request (Item #19-1072)**
  - Financing Structure
  - Ordinance Request
  - Key Financing Terms
  - Tentative Financing Timeline

Ordinance Request

Summary

- **Seeking approval for:**
  - Item #19-1072 Authorization of the issuance of City and County of Denver General Obligation (GO) Bonds, Series 2019C, in a par amount not to exceed $118 million.
    - Funding for Citywide capital projects within Elevate Denver Bond Program (authorized under the 2017 election)

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General Obligation Bonds Overview

General Obligation Bonds Overview

Capital Funding Roadmap

Pay-As-You-Go

- Capital Improvement Fund

Multi-Year Financing Tools

- General Obligation Bonds
- Revenue Bonds
- Certificates of Participation, Capital Leases

Multi-Year Financing Tools Overview

Financing Mechanism	Description	Revenue Repayment Source
General Obligation (GO) Bonds*	Long-term obligation, secured by the full faith and credit of the City	Ad valorem taxes (dedicated Property Tax Mill Levy)
Revenue Bonds • **Excise Tax Bonds*** • **Enterprise: DEN, Golf, Wastewater**	Issued for a specific capital project and repaid solely by an associated revenue stream	New or renewed special taxes or fees (seat, lodgers, food & beverage, car rental, occupational privilege, fees)
Certificates of Participation (COPs) & Capital Leases	Lease purchase with City asset used as collateral. Subject to annual appropriation	Existing revenues; new fees, new revenue increment, program savings
Commercial Paper	Short-term unsecured debt obligation primarily used for interim financing	Generally repaid with bond proceeds

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* Requires approval of majority of Denver voters.

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General Obligation Bonds Overview

Municipal Bonds

What is a Municipal Bond?

- A long-term debt obligation issued by state and local governments/authorities 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).
- Municipal bonds are 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 acquire assets without waiting for sufficient cash to purchase them outright.
- Spreads the cost of acquiring assets to those who benefit from it both today and in the future.
- Allows the City to leverage its limited resources by accessing the capital market generally at a lower cost than if it were to obtain a private loan from a bank.

Who buys municipal bonds?

- Buyers include large institutional investors, retail investors, property and casualty companies, trust departments, and others.
- The City is working towards a Mini-Bond issuance in 2020. The City's goal for the Elevate Denver Mini-Bond issuance is to provide Denver- and Colorado-residents with an investment opportunity, with low-denominations, to fund city-wide projects.

General Obligation Bonds Overview

General Obligation Bond Program History

- General Obligation Bonds are a long-term financing obligation backed by the full faith and credit of the city and payable from dedicated property tax mill levies.
  - Must be voter authorized (TABOR)
  - City Charter limits GO debt to 3% of actual real and personal property value ($4.2B as of 2018)
- City's GO Bonds are rated AAA (highest ratings by the three nationally recognized rating agencies).
- Denver voters have authorized major general obligation bond issues every 9 years or so to restore, replace, and expand our existing capital assets.

1989 GO Bond Issuance	$241.7M
1998 GO Bond Issuance *(Neighborhood Bonds)*	$98.6M
2007 GO Bond Issuance *(Better Denver Bond)*	$549.7M
2017 GO Bond Issuance *(Elevate Denver Bond)*	$937.4M

General Obligation Bonds Overview

GO Bond Funding Legal Considerations

Ballot Questions

- Organized by purpose and outline legal requirements for use of funding
- TABOR requirements (dollar limits and property tax language)
- State law and charter requirements for GO Bonds
- Financial parameters

Companion Ordinance

- Designates purposes and level of funding to be undertaken with proceeds of GO bonds.
- Addition or removal of a line item project requires City Council approval.

IRS Requirements

- Bond funds are tax-exempt and therefore subject to IRS rules and regulations
- Once debt is issued, funds must be spent in three years
- Projects must be eligible

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Elevate Denver Bond Program Update

Project List Development

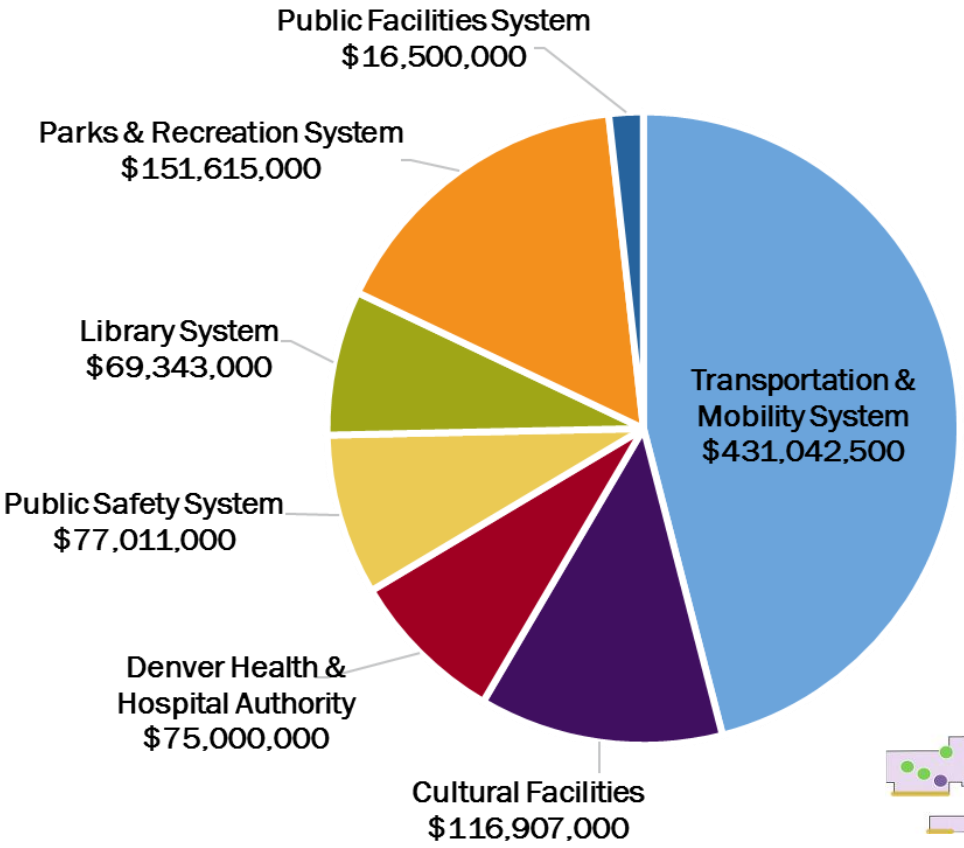
- Gathered list of potential projects
  - *Elevate 2020* (Six Year Capital Improvement Plan)
  - Cultural institutions on city owned land and DHHA
  - City Council and public

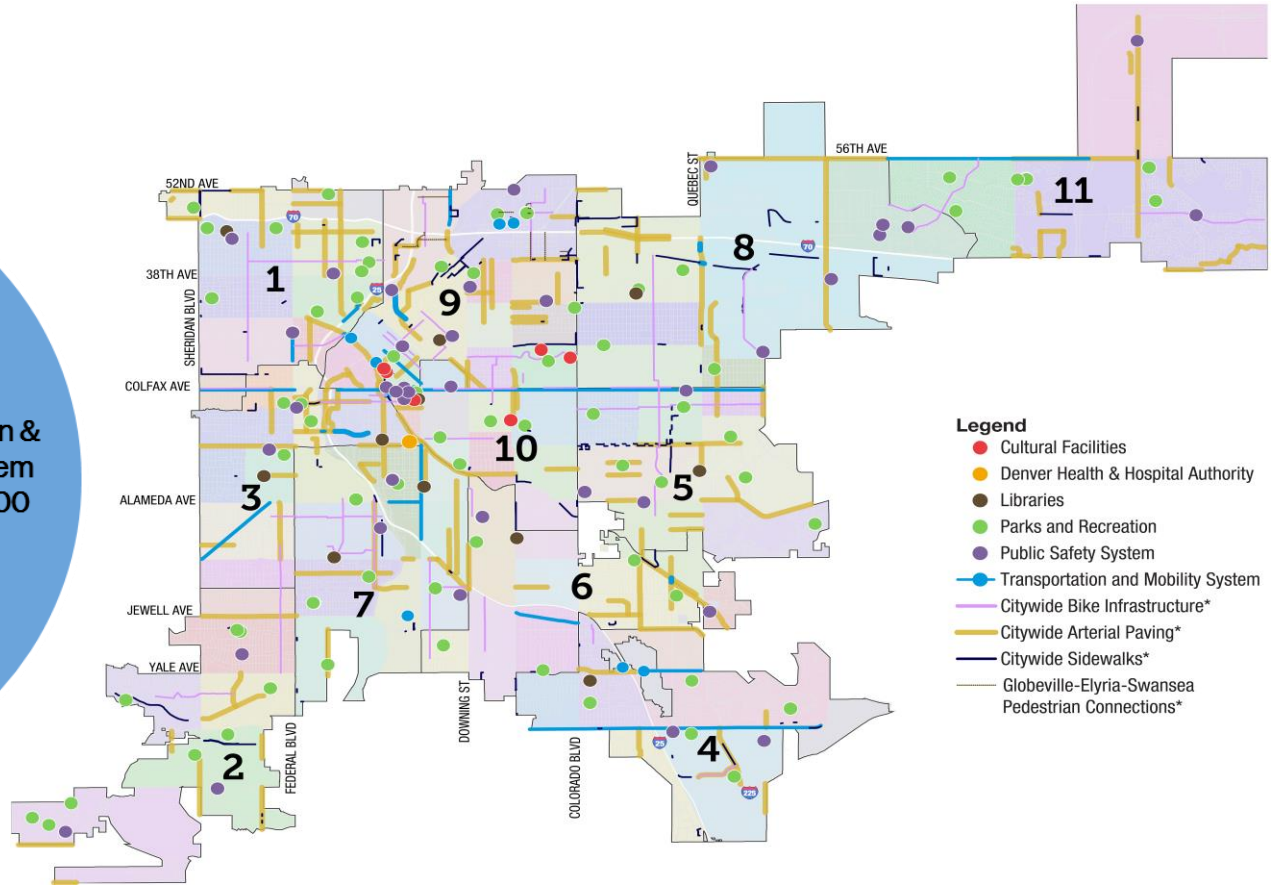
Project List Evaluation and Recommendation

- External stakeholder committee recommendations
- Mayor and Council review recommendations
- Recommendations shared with public
- Council hearings and unanimous referral to November 2017 ballot

Program Update

Program Overview





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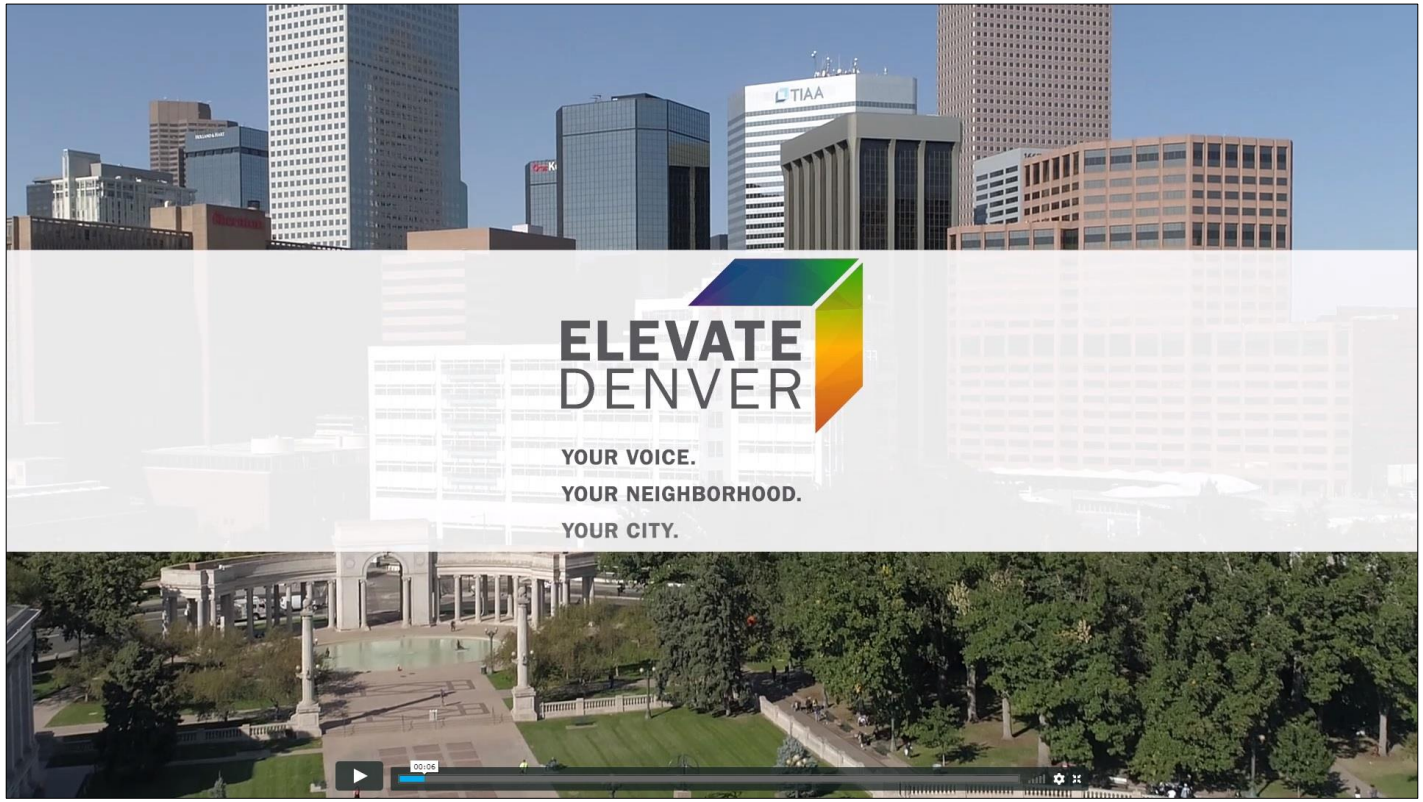
Program Update

Financial Progress to Date

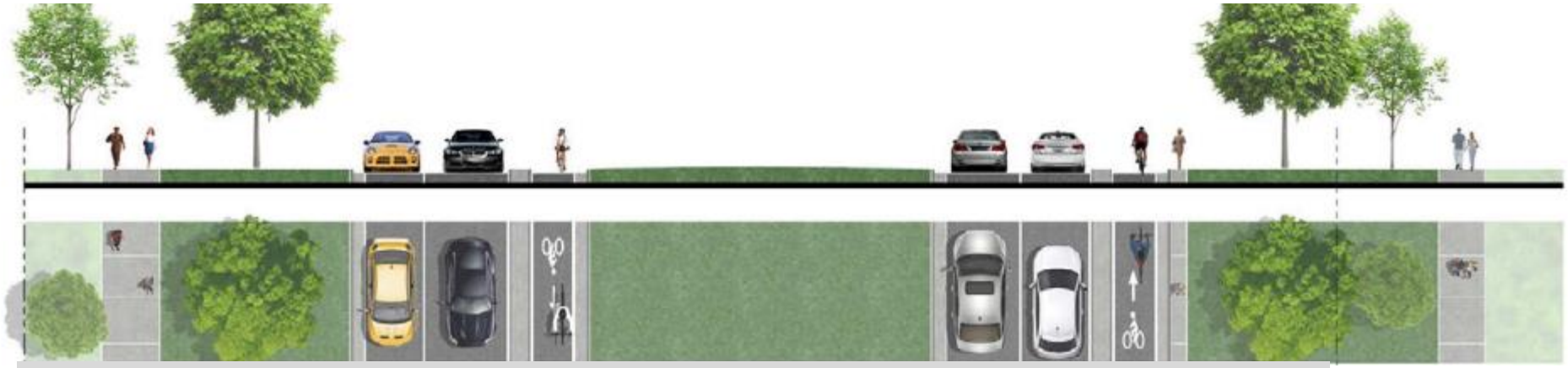
PURPOSE	TOTAL ELEVATE DENVER FUNDING	PROPOSED THIRD ISSUANCE	CUMULATIVE FUNDING THROUGH THIRD ISSUANCE
Transportation and Mobility	$431,042,500	$49,662,000	$90,843,000
Cultural Facilities	$116,907,000	Complete	$116,907,000
Denver Health	$75,000,000	Complete	$75,000,000
Public Safety	$77,011,000	$10,411,000	$15,849,000
Libraries	$69,343,000	$19,190,000	$24,502,000
Parks and Recreation	$151,615,000	$28,079,000	$58,604,000
Public Facilities	$16,500,000	$9,923,000	$10,550,000
Totals	**$937,418,500**	**$117,265,000**	**$392,255,000**

Elevate Denver Program Video



Program Update

2019 Accomplishments – Development and Design



High Comfort Bike Lanes – Held public meetings to receive input/feedback

Program Update

2019 Accomplishments – Construction

Denver Zoo:
Animal Hospital groundbreaking

Denver Health:
Outpatient Medical Center construction

Denver Botanic Gardens:
Freyer – Newman Center Topping Off

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Program Update

2019 Accomplishments – Completion

First Creek Park – Ribbon cutting and grand opening

Program Update

Denver Construction Careers Pilot

Elevate Denver Pilot Projects		Additional Pilot Projects
City Led Projects	**Partner Projects**	
• 47th and York Bike Pedestrian Bridge** • 56th Ave (Peoria to Peña)* • Broadway Corridor Multimodal* • Central Branch Library Renovation* • Green Valley Ranch Pool* • Police District 5 Replacement* • Washington Street Reconstruction* • 16th Street Mall**	• Denver Health Outpatient Medical Center • Denver Art Museum • Denver Botanic Gardens • Denver Center for the Performing Arts • Denver Museum of Nature & Science Denver Zoo	• Colorado Convention Center Expansion* • DEN Pena Blvd Phase 1* • National Western Campus: - Equestrian Center* -- Livestock Center* - Horizontal Integration Construction

* Project has 15% apprenticeship hours requirement.
** Project has or may have OJT requirements.

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Third Debt Issuance
Series 2019C Bonds

Third Debt Issuance

Financing Structure

- **Debt authorized under the Elevate Denver Bond Program will be phased and will result in multiple bond issuances over time.**
  - Timing to align with project readiness and ability to deliver
  - IRS requirements to spend down proceeds for tax-exempt bonds
  - Economic and market conditions could impact timing
  - All debt authorized by the ballot questions should be issued within a period of 10 years
- **Each issuance must be approved by City Council.**

Third Debt Issuance

Ordinance Request

Authorizes the issuance of City and County of Denver GO Bonds, Series 2019C in a principal amount not to exceed $118 million for the purpose of funding:

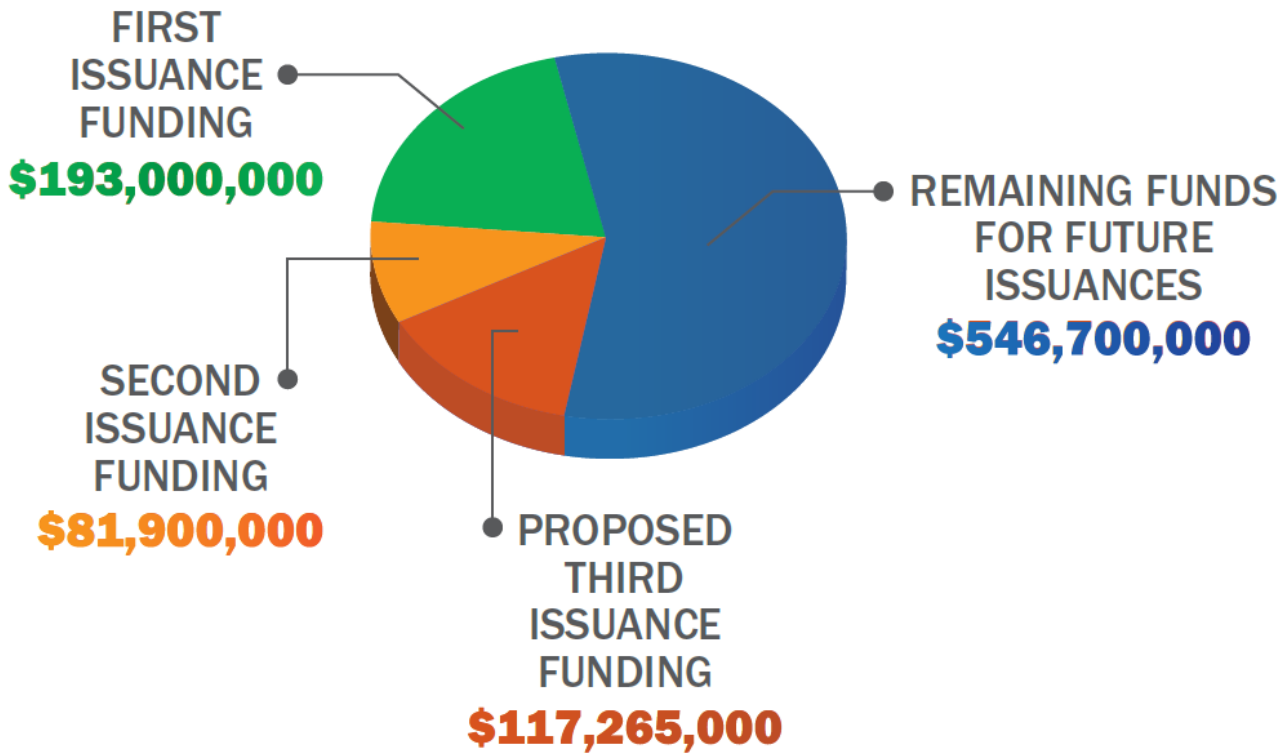
1. Toward Citywide Elevate Denver Bond projects
2. Associated costs of issuance (attorney fees, rating agencies fees, underwriter fees, etc.)

Third Debt Issuance

Elevate Denver Bond Program Issuance

Nearly $118 million of the 2019C Bond proceeds will go towards approximately 100 projects across the City.

- Fourth issuance anticipated by Q3 2020
- Several Bond projects progressing into Construction phase



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Third Debt Issuance

Key Financing Terms

	Series 2019C – New Money Elevate Denver Bonds
Par Amount*	$118 million
Purpose	Funding towards citywide Elevate Denver Bond projects
Interest Rate* (Tax-Exempt)	Not to exceed 4.5% *(current All-In Interest Cost is approximately 1.8%*)*
Term	Not to exceed 20 years
Expected Ratings	Unchanged from existing AAA / Aaa / AAA
Method of Sale	Competitive sale to achieve lowest cost of funds for the City

***Based on current market conditions. The final par amount and interest rate will be determined on the day of pricing and is dependent on market conditions.**

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Third Debt Issuance

Tentative Financing Timeline

October 7 ..... Communication of 20-93

October 15 ..... Finance & Governance Committee

October 22 ..... Mayor Council

October 24 ..... Filing of documents

October 28 ..... First Reading

November 4 ..... Second Reading

November 13* ..... Bond Pricing

November 21* ..... Bond Closing

Q3 2020* ..... Anticipated Fourth Issuance

** Tentative, subject to market conditions*

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Questions?