

MEMORANDUM

DIVISION OF ACCOUNTING AND FINANCE

Office of Financial Management and Budget

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DATE: 6 April 6, 2012

TO: Transportation Commission

FROM: Ben Stein, CFO

SUBJECT: Refinancing Lease Elimination COPs

Accompanying this memorandum is a resolution authorizing the Department to refinance the Lease Elimination Certificates of Participation (COPs) it issued in 2004. These were issued in 2004 on a 30 year repayment schedule with a call date in June of 2014. The interest cost on these COPs is 5.00%.

The Department's financial advisor, Stifel Nicolaus, has completed an analysis which indicates that through a combination of restructuring and lower interest rates, CDOT can substantially lower the total borrowing cost associated with these COPs. Current intent is to refinance through either a public or private placement with the new issuance having between a 10 and 15 year life. The combination of the shortened life of these new certificates with today's interest rate environment will result in significantly lower interest rate. The shortened term (the current certificates are structured with a very heavy back load) will also decrease the amount of time principal is outstanding, further reducing interest costs. Annual payments will increase somewhat but overall this is a viable financial transaction.

Presuming competitive bids are received (and Stifel has indicated that banks are interested in a transaction such as this one) a private placement is possible with relatively modest issuance costs. A private placement eliminates the need for underwriters, ratings, and disclosure counsel.

If you have any questions regarding these COPs this memo, or the resolution, please do not hesitate to contact Laurie Freedle, Harry Morrow (if you have legal questions) or myself.