



4201 East Arkansas Avenue, Room 235  
Denver, CO 80222

## MEMORANDUM

**TO:** COLORADO TRANSPORTATION COMMISSION  
**FROM:** SCOTT RICHRATH, CHIEF FINANCIAL OFFICER  
**DATE:** FEBRUARY 19, 2015  
**SUBJECT:** STATE INFRASTRUCTURE BANK LOAN APPLICATION FOR CENTRAL CITY

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### Purpose

To present the State Infrastructure Bank (SIB) Committee's recommendation for the Central City SIB loan application.

### Action

Based on the recommendation from the SIB Committee's recommendation, the TC being asked to review and approve the Central City SIB loan request, totaling \$1,521,693.

### Loan Requests - Project Background

The City of Central has applied for four (4) individual SIB loans for the following projects:

**Storm Water Drainage Master Plan (\$185,000):** Central City has two separate major drainage basins. The main basin is approximately 220 acres and directs runoff towards the city center. The second basin is approximately 1,900 acres and collects and redirects water to a supply reservoir to the north. Streetscapes, Storm Water Management, and Erosion Control are significant operational and environmental water quality issues for the City. Central City Parkway creates substantial runoff and erosion control issues through the City, due to its lack of storm water infrastructure. The proposed storm water drainage infrastructure will help mitigate runoff issues and flooding while also enhancing the quality of the storm water collected in the basins.

**Central City Parkway Repairs (\$56,639):** In September 2013, Colorado experienced flooding all over the state, including Central City and its major thoroughfare, Central City Parkway. The City has been awarded a FEMA grant to repair the damage caused to the roadway and is seeking the necessary amount of grant match in order to complete the repairs.

**Nevada Street Retaining Wall Repairs (\$650,003):** Repairs to the Nevada Street Retaining Wall will include all necessary labor, supervision, equipment, tools, and materials to repair the existing wood and rock retaining wall located adjacent to Nevada Street and the Big T parking lot. Work includes but is not



limited to the construction of a new shot-crete retaining wall; concrete curb and gutter; installation of tie back anchors; and replacement asphalt paving.

**Central City Parkway Rock Fall Mitigation (\$630,000):** Central City Parkway experienced a rock slide in August of 2014. The initial slide amount was 1200-1500 cubic yards, which were immediately removed by Hammerlund Construction. After removing the initial debris, the City contracted Yeh and Associates and Flatirons construction to construct a long term remediation and mitigation plan. The City subsequently contracted Hammerlund to remove roughly 30,000 cubic yards of soil and rock, as described by the design elements of the survey outlined in the remediation and mitigation plan. The City offset the cost of the work by performing the hauling of debris and providing traffic control; reducing the cost of the total removal project by almost half.

TABLE I: Project Cost Summaries

Project	Loan Request	Total Project Cost
Storm water Drainage Master Plan	\$185,000	\$1,601,993
Central City Parkway Repairs	\$56,639	\$453,113
Nevada Street Retaining Wall Repair	\$650,003	\$650,003
Central City Rock Fall Mitigation	\$630,000	\$634,181
<b>Total</b>	<b>\$1,521,639</b>	<b>\$3,339,290</b>

Central City General Fund Pledge, Fund Balances and Primary Revenue Sources

Central City has proposed the SIB Loan to be issued on parity with the City’s outstanding lease purchase obligations and to be secured by an annual appropriation pledge from the City. Central City has sufficient general fund balances and annual revenue sources to repay principal plus interest over the term of the loan. Given the prominence of gaming in the City, gaming revenue and annual device fees are the two largest revenue components for the City’s general fund. The annual gaming revenue is directly related to the number of devices, such as slot machines and gaming tables, the City businesses have and each individual business’s success. The gaming tax is based on a calculation involving each City’s proportion of gaming taxes paid to the State. The gaming revenues are directly received by the State of Colorado and rebated back to the City on a monthly basis, the City has agreed to allow the State to retain any amounts necessary to repay the SIB loan, should the City fail to appropriate funds in any certain year.

The annual device fee revenues are broken into three different allocations: general, transportation, and marketing. Since 2000, annual gaming revenues have remained consistent, even when the economy weakened in 2009. Gaming revenues and Device fees provide sufficient coverage for the proposed SIB Loan Application by which the State Infrastructure Bank can withhold in the event of non-appropriation on the SIB Loan. The City has operated at a deficit in 2012 and 2013 due to an increase in the expenses of the water fund. It has begun paying on actual usage data provided by the meters in the City. In both years, the City has had a current asset balance over \$45,000,000 in each of those years that does include depreciating assets.



While the Central City SIB application is secured by an annual appropriation pledge, precedence in the municipal marketplace exists for securing obligations with device tax revenue, the City of Black Hawk (CO) has issued bonds backed solely by the device tax revenues generated by the gaming operations within the City. The existence of an established legal pledge of device tax revenue to secure an obligation within the State of Colorado, adds additional assurance to the SIB loan committee that Central City can fulfill the terms of the SIB loan

#### Terms of the SIB Loan

The loan term is a maximum of 10 years with the pre-established interest rate of 2.50%, set semi-annually by the TC. The loan will be in parity to other current obligations the City has outstanding and will be repaid with an annual appropriation pledge by the City in its budget.

If the loan is approved, Central City has agreed to incorporate the following terms into the loan agreement:

1. Maintain a minimum Current Asset Balance equal to the balance of the remaining Highway SIB loan; and,
2. Allow CDOT to have consent rights to any new parity obligations before issued by the City; and,
3. Provide CDOT the ability to retain any gaming revenues to be rebated back to the City in the event of non-appropriation; and,
4. Enable CDOT to retain the right to secure any gaming or device fee revenues if non-appropriation should occur and HUTF (\$45,600 annual average over the past five years) funds do not cover principal and interest payments.

Semi -annually, Department staff will review the cash balance and annually review the annual financial report to ensure the SIB Reserve Fund amount is maintained. CDOT's Financial Advisor (Stifel) has reviewed each of the applications from the City, the City's financial reports and the outstanding lease purchase obligations and is comfortable with the credit package outlined above.

#### Key Benefits

The requested SIB loans will allow improvements to several different structures and roadways in Central City in addition to mitigating future damages caused by rock fall and storm water. The funds will ease maintenance burdens and provide safer travel to tourist visiting Central City, which will potentially create more gaming and device fee revenue for the State of Colorado.

#### Options and Recommendations

1. Approve the \$1,521,639 loan to the City of Central, based on the specified loan terms outlined above. **Staff and SIB Highway Committee Unanimous Recommendation.**
2. Request additional information about the loan application.
3. Deny SIB loan request.

#### Next Steps

If the loan is approved, OFMB will submit a loan agreement to the City of Central and issue the approved loan.



**Resolution #TC-XXXX**

**Transportation Commission of Colorado  
February 19, 2015**

**WHEREAS**, the Colorado State Infrastructure Bank (bank) is a transportation investment bank with the ability to make loans to public and private entities for the formation of public transportation projects within the state; and

**WHEREAS**, the General Assembly passed Legislation (43-1-113.5 CRS) that made certain provisions for the bank and established within the bank, a highway account, a transit account, an aviation account and a rail account; and

**WHEREAS**, a loan application has been submitted by the City of Central (borrower), to borrow \$1,521,639 to correct drainage issues and mitigate rockslide incidents; and

**WHEREAS**, the Transportation Commission has adopted rules, pursuant to 43-1-113.5 CRS, in 2 CCR 605-1 regarding the eligibility requirements, disbursement of funds, interest rates, and repayments of loans from the bank; and

**WHEREAS**, pursuant to 2 CCR 605-1, Rule VI, Section 4 the Review Committee has reviewed and is in support of the application; and

**WHEREAS**, 2 CCR 605-1, Rule VI, Section 6 (2) provides “loan agreements for construction will specify that funds will be disbursed in their entirety to a third party fiduciary or escrow agent” unless the Transportation Commission provides a specific exemption; and

**WHEREAS**, the borrower has expressed its intent to attain Colotnist (the agent) as the third party fiduciary, escrow, or administrative agent to confirm proper documentation from the borrower for loan draws and pay a 0.75% origination fee, with the Department’s Division of Highways, directly disbursing funds to the borrower upon receipt of the agent’s confirmation; and

**WHEREAS**, the Division of Project Support has reviewed and acknowledged the highway projects significance to transportation goals for which the Borrower requests to borrow funds; and

**WHEREAS**, a sufficient amount is available to loan in the highway account; and

**WHEREAS**, the term of the loan is ten (10) years with a 2.50% interest rate, set by the Transportation Commission semi-annually, the Borrower must maintain a minimum Current Asset Balance equal to the balance of the remaining Highway SIB loan; and, allow CDOT to have consent rights to any new parity obligations before issued by the City; and, provide CDOT the ability to retain any gaming revenues to be rebated back to the City in the event of non-appropriation: and, enable CDOT to retain the right to secure any gaming or device fee revenues if non-appropriation should occur and HUTF (\$45,600 annual average over the past five years) funds do not cover principal and interest payments; and

**NOW THEREFORE BE IT RESOLVED**, the Transportation Commission authorizes the Department, under the guidance and direction of the Chief Financial Officer, to execute a loan agreement with the borrower in an amount of \$1,521,639 under the terms and provisions set forth in the adopted rules.

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**Herman Stockinger, Secretary**  
**Transportation Commission of Colorado**