



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
DATE: June 18, 2020
SUBJECT: CDOT Series 2020 Refunding Certificates of Participation

Purpose

This memorandum presents to the Transportation Commission (TC) updates to the financing information for the Department's Series 2020 Refunding Certificates of Participation, to be issued to refund a portion of its Series 2016 Certificates of Participation, which were used to finance the construction of the Denver Headquarters Facility (the "Refunding").

Action

This month, the TC is being asked to review and approve the not to exceed Parameters Resolution for the issuance of the Series 2020 Refunding Certificates of Participation (COPs) for the Refunding, expected to close in August 2020.

Background & Details

In December 2016, CDOT issued its \$70 million Headquarters Certificates of Participation Series 2016, in order to fund the construction of its new Headquarters building and to combine the Region 1 and Headquarters buildings in Denver. The original intent of the financing contemplated using the proceeds from the disposed properties to redeem a portion of the COPs once the prior facilities had been sold, accordingly the Series 2016 COPs included an option to redeem \$22.29 million on June 15, 2019. CDOT received \$17.2 million from the disposition of the Arkansas and Holly properties, with an additional \$5.6 million available from the sale of other properties and closeout of building projects. Additionally, the TC approved a \$1.9 million loan in August 2019 to defease the COPs in advance of all funds being available. However, with the current budgetary needs and historically low interest rates, a refinancing of these prior COPs will provide savings and preserve the cash on hand. Additional background information related to the original COPs and the Refunding have been included in previous TC packets.

Series 2016 Certificates of Participation Refunding Opportunity

The Series 2016 COPs included two separate optional redemption provisions, allowing CDOT to refund and/or defease a portion of the COPs for debt service savings. The Series 2016 COPs 2041 Term Bond priced with an optional redemption provision on June 15, 2019, the remainder of the COPs priced with an optional redemption date of June 15, 2026. CDOT can now redeem the 2041 Term Bond at any date for \$22.29 million, plus any accrued interest.



CDOT Ratings

In early July 2020 CDOT and the Treasurer's Office will hold calls with S&P and Moody's, requesting ratings from both rating agencies for the Series 2020 Refunding COPs, consistent with the State's and CDOT's existing ratings. Ratings of Aa2 (Moody's) and AA- (S&P) were recently assigned for the State's Rural Colorado COPs, Series 2020A. CDOT anticipates receiving the ratings the week of July 13, 2020 and will provide the TC with an update on the final ratings at its July 2020 Meeting.

COP Timeline

- June 5, 2020: Final financing Documents submitted to CDOT
- June 18, 2020: CDOT requests final TC approval for the Series 2020 Refunding COPs
- Week of July 6, 2020: Ratings calls with S&P and Moody's
- Week of July 13, 2020: CDOT receives ratings from S&P and Moody's
- Week of July 13, 2020: Series 2020 Refunding COP Preliminary Offering Statement (POS) disseminated for pre-marketing to investors
- Week of July 20, 2020: CDOT, Financial Advisor (Stifel), and Bond Underwriter (RBC) price Series 2020 Refunding COPs
- August 4, 2020: CDOT closes on Series 2020 Refunding COPs

Series 2020 Refunding COP Parameters Resolution

In order for CDOT to close on the Series 2020 Refunding COPs, the TC is being asked to approve a resolution (see Discuss & Act Agenda). This approval will delegate the authority to CDOT's Chief Financial Officer to sign the required certificates, POS, and any other documents approving the COPs on the behalf of CDOT and the TC. In approving such a resolution, known as a Parameters Resolution, the TC is granting the CDOT CFO the authority to approve such COPs, interest rates, annual lease payments (debt service), and term length on the COPs, up to specified "not to exceed" amounts. The not to exceed amounts specified in the resolution are as follows:

- Par Amount - \$22,290,000
- Max Annual Lease Payments - \$5,150,250
- Final Term of COPs - June 15, 2041

Key Benefits

Issuing the Refunding COPs will allow CDOT to realize the following financial and operational benefits:

- Reduce annual lease payments in Fiscal Year 2020-21 through Fiscal Year 2040-41
- Maintain funds received from the disposition of the previous Headquarters and Region 1 facilities for other budgetary needs or infrastructure/maintenance projects

Options and Recommendations

1. Approve the Parameters Resolution with the given not to exceed amounts by resolution (see Discuss & Act Agenda for resolution). **Staff Recommendation**
2. Request changes to the not to exceed parameters identified in the Parameters Resolution prior to review and approval.
3. Do not approve Series 2020 Refunding COPs Parameters Resolution.





Next Steps

Upon successful financial close of the Series 2020 COPs, CDOT will deposit the proceeds into an escrow to defease a portion of the outstanding Series 2016 COPs, reducing the Department's annual base rentals through June 15, 2041.

Attachments

Attachment A: Series 2020 Refunding Certificates of Participation Parameters Resolution

