



**COLORADO**

Department of Transportation

# Nonattainment Area Air Pollution Mitigation Enterprise Financing Strategies



# Overview of financing options

- NAAPME has a variety of financing and funding options for future identified projects.
- Below is a summary of NAAPME’s financing and funding options in order to summarize each financing/funding vehicle.
- Due to the ongoing SB260 lawsuit, bonding against the fee revenues is problematic until the litigation is resolved.

## OVERVIEW OF FINANCING OPTIONS AVAILABLE TO NAAPME

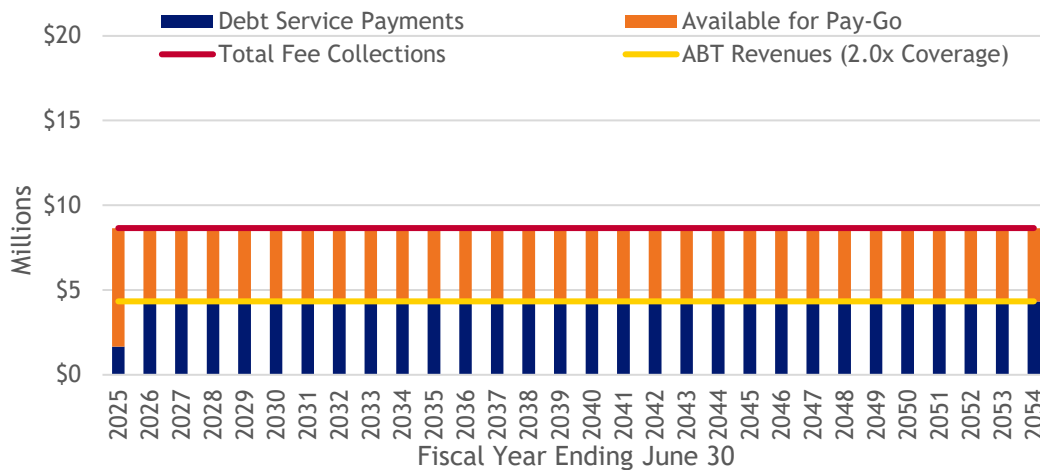
	FINANCING TERM	COST OF CAPITAL	PREPAYMENT OPTIONS	COSTS OF ISSUANCE	TIMING
<b>LONG-TERM REVENUE BONDS</b>	Typically 20-30 years, some investors are willing to extend out to 40 years	Current estimate 4.50-5.00%	Market convention is currently 10 years, but can be shortened if NAAPME has identified funds to prepay bonds	Approximately \$500,000-\$1,000,000	Transactions take approximately 90 - 120 days to price, on average
<b>BANK LOAN</b>	Most banks are only willing to lend 10-15 years	With shorter amortizations, bank loans typically carry lower interest rates, currently estimated at approximately 3.50%	Banks can be more flexible on prepayment options, but similar to bonds, shorter prepayment can increase the interest rate	Typically less than bonds, as fewer vendors and documentation are required. Approximately \$250,000	Bank transactions can be completed in approximately 60 - 90 days



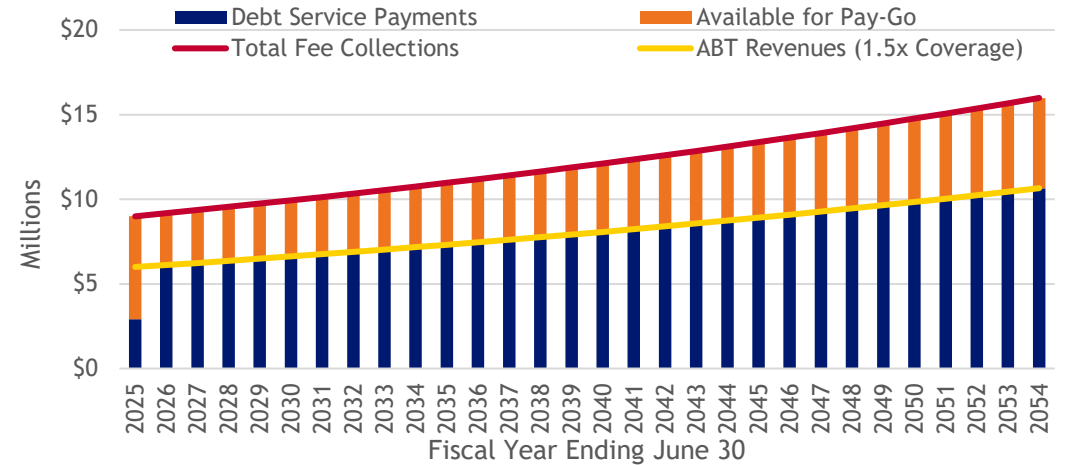
# NAAPME bonding capacity

- Stifel has prepared two bonding capacity scenarios for NAAPME and the Board to review:
  - Scenario 1: 2.00x coverage based on FYE2023 rideshare and retail delivery fee revenues, with no revenue growth during the life of the Bonds
  - Scenario 2: 1.50x coverage based on FYE2023 rideshare and retail delivery fee revenues, with 2% annual revenue growth over the life of the Bonds

Scenario 1



Scenario 2

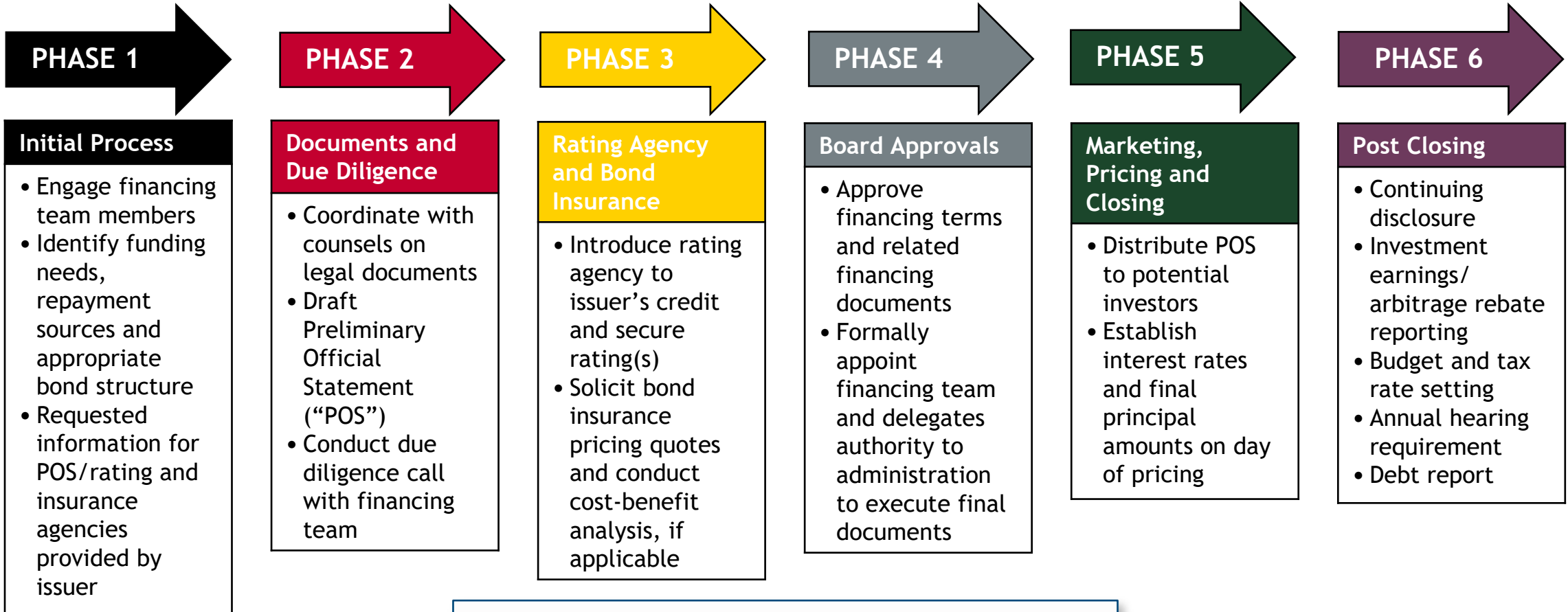


Structure	Scenario 1
Average Annual Fee Collection	\$8,650,462
Dated Date	12/1/2024
First Principal Payment	12/1/2025
Final Maturity	12/1/2053
Par Amount	\$66,185,000
Average Life	18.38
Total Repayment	\$127,016,500
Average Debt Service	\$4,379,879
Revenues Available for Pay-Go	\$132,497,347
Average Annual Revenues Available for Pay-Go	\$4,325,231

Structure	Scenario 2
Average Annual Fee Collection	\$11,955,757
Dated Date	12/1/2024
First Principal Payment	12/1/2025
Final Maturity	12/1/2053
Par Amount	\$117,060,000
Average Life	21.05
Total Repayment	\$240,0269,000
Average Debt Service	\$8,285,137
Revenues Available for Pay-Go	\$124,841,287
Average Annual Revenues Available for Pay-Go	\$4,161,376



# Financing Process



*The actual timeline for conducting a bond sale depends upon an Issuer’s objectives, the ability to coordinate other required efforts and market forces*





# Financing Participants

## Issuer

- Selects financing team
- Determines borrowing needs and key parameters of debt
- Authorizes issuance of bonds

## Rating Agency

- Provides credit rating on Issuer's bonds and existing obligations

## Bond / Disclosure Counsel

- Drafts Authorizing Resolution, Legal Opinion, offering document and closing documents
- Provides legal advice to issuer based on existing federal, State and local legislation and arbitrage/tax law

## Registrar / Paying Agent

- Commercial bank that maintains list of bondholders
- Pays principal and interest to bondholders

## Underwriter

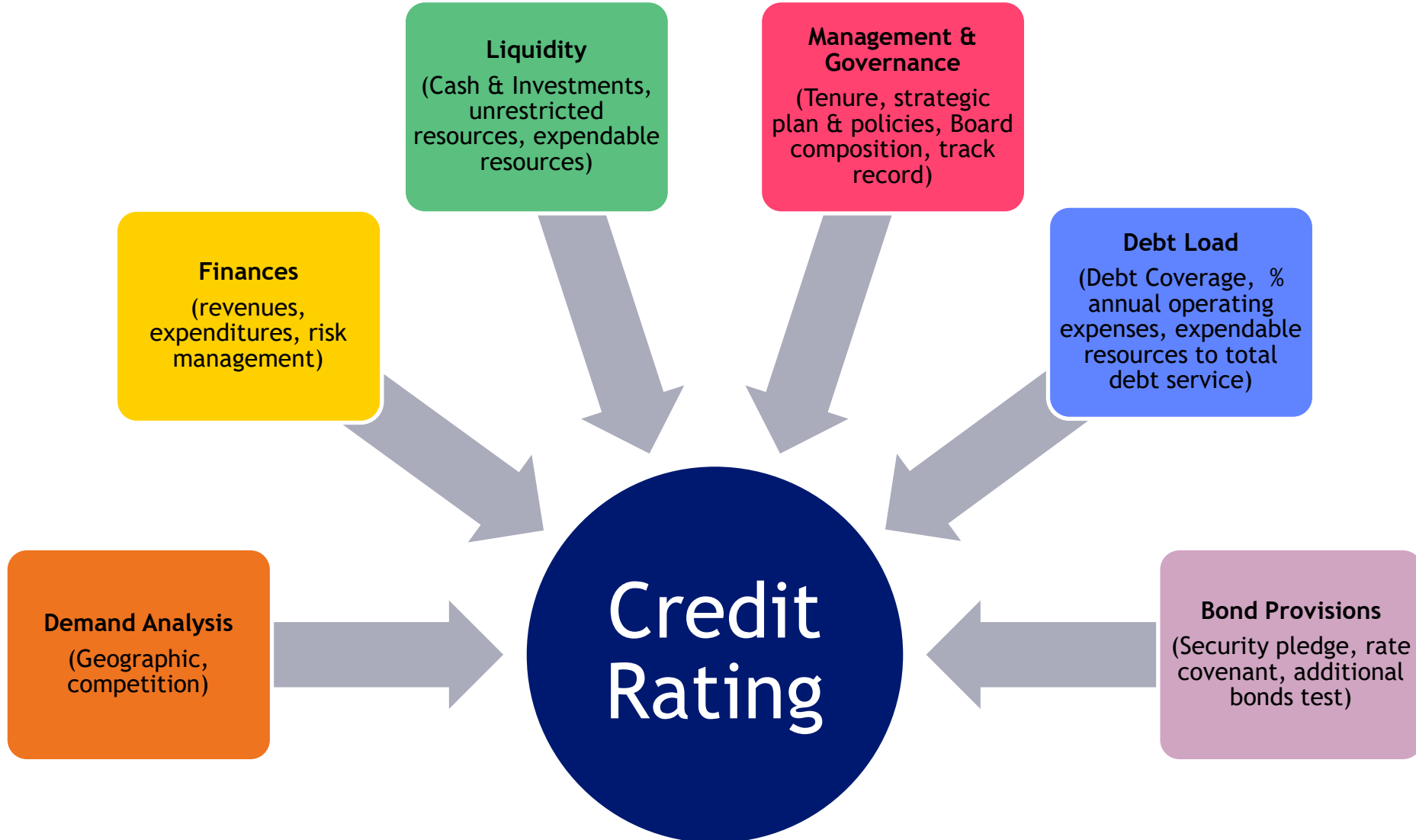
- Structures financing
- Provides underwriting and markets bonds, sets prices, and sells bonds to investors

## Underwriter's Counsel

- Manages due diligence call and prepares Bond Purchase Agreement
- Advises Underwriter on legal issues



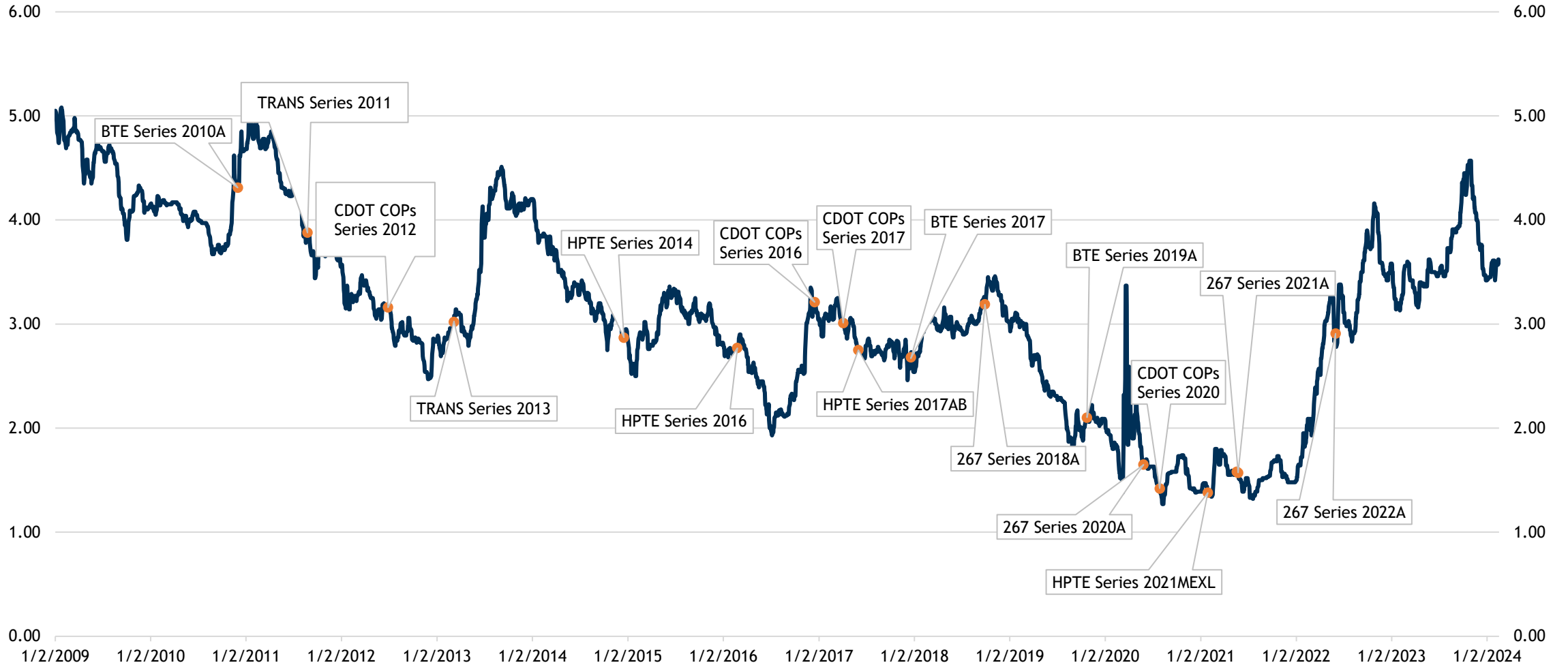
# Credit Quality





# MMD since 2009 with CDOT/HPTE/BTE bond sale dates

30-Year MMD Yield  
January 2, 2009 - February 16, 2024





# Interest Rate Forecast

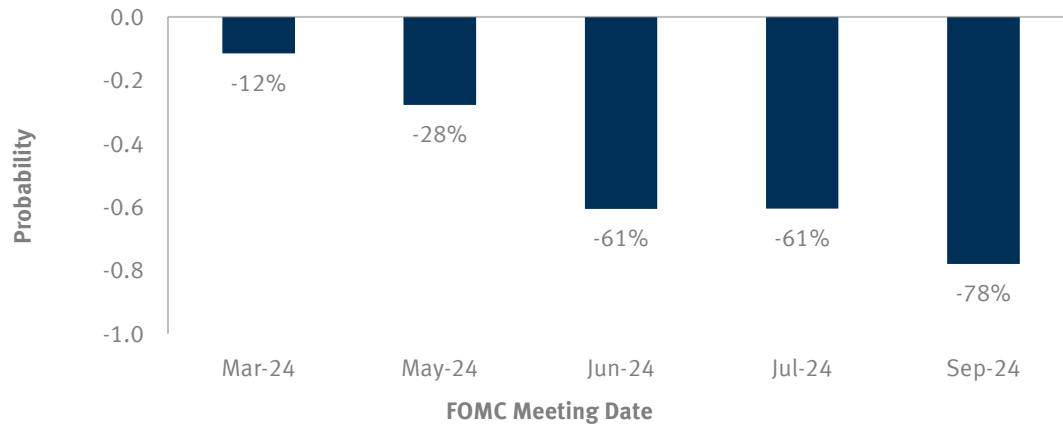
- On Friday, the PPI rose 0.3% in January, significantly more than expected, and resulting in a 0.9% increase year-over-year. Excluding food and energy costs, the core PPI jumped 0.5% at the start of the year, also more than double forecasts, and 2.0% over the past 12 months, reversing course from a 1.7% pace in December.
- In the details, goods costs fell 0.2% in January with food prices off 0.3% for the month. Energy costs also continued their retreat for the fourth consecutive month, down 1.7% in January. Services costs, on the other hand, rose 0.6%, the most in almost a year.
- The latest hotter-than-expected producer price report comes on the heels of a notably hotter consumer price report earlier last week.
- Following last week's inflation reports, investors dialed back expectations for a rate cut as soon as the May meeting. According to the CME FedWatch Tool, there is a 40% probability of a cut in May and a 60% probability that rates will remain steady in their current range, up from just a 15% probability a month ago.

## Bloomberg Consensus Yield Curve Projections (%)

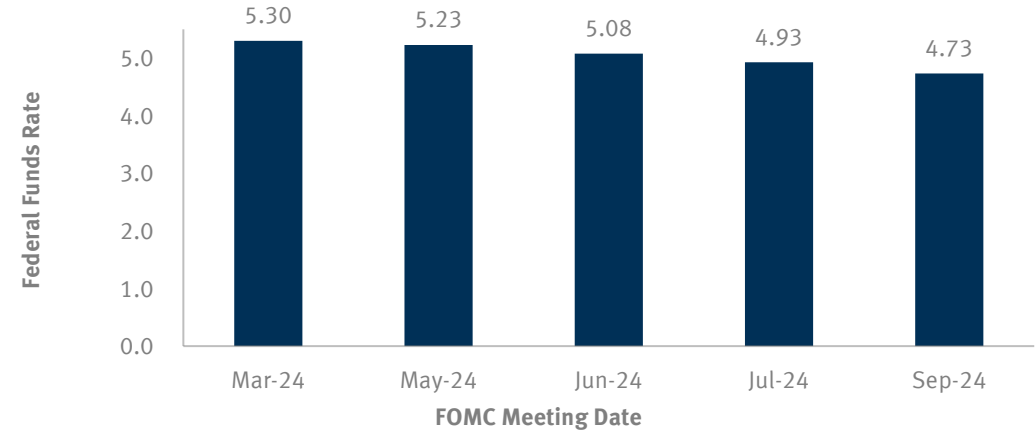
Market Consensus Yield Curve Projections (%)					
	Current	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Fed Funds	5.50	5.50	5.15	4.75	4.35
2-Yr UST	4.64	4.32	4.03	3.79	3.58
10-Yr UST	4.30	4.04	3.87	3.78	3.75
30-Yr UST	4.45	4.22	4.08	4.00	3.97

## Market Consensus Probability of a Rate Hike at Upcoming Fed Meetings

Calculated Using Fed Funds Futures. (Values > 100% indicate a greater than 25 bp hike)



## Market Consensus Implied Overnight Effective Rate After Each Fed Meeting



Sources: Stifel Fixed Income Strategy Department, US Treasury, Bloomberg, Thomson Reuters. As of February 16, 2024.