

Debt Policy / Overview of Existing Debt / Windy Gap Financing Options

June 1, 2021



Agenda

- Overview
- Debt Policy
- Refinancing Existing Debt
 - Certificate of Participation
 - Sales Tax
 - Sewer
 - 2012 Water
- Windy Gap Financing Overview
 - Benefits of Independent Finance
 - Funding Options
- Next Steps

Debt Policy Overview

Debt Policy Overview

- **Philosophy**
 - Guidance for issuance and mitigation of risk through control measures
- **Purpose: Why a Debt Policy is Important**
 - Provides community avenue to thrive to establish criteria for debt obligations
 - Serves as a functional tool for debt management and capital planning
- **Scope**
 - Applicable to all forms of general obligation of indebtedness

Debt Policy Overview

- **Authority**
 - Ability to borrow money or enter into obligations under City Council direction
 - Maintain compliance with Colorado Constitution and Taxpayer Bill of Rights
- **When Debt Could be Issued: Financing**
 - Specific conditions make it ideal
 - Immediate need
 - Market is favorable
- **When Debt Shouldn't be Issued: Cash Basis Financing**
 - May not be the right financing tool
 - Adverse impacts on the credit rating

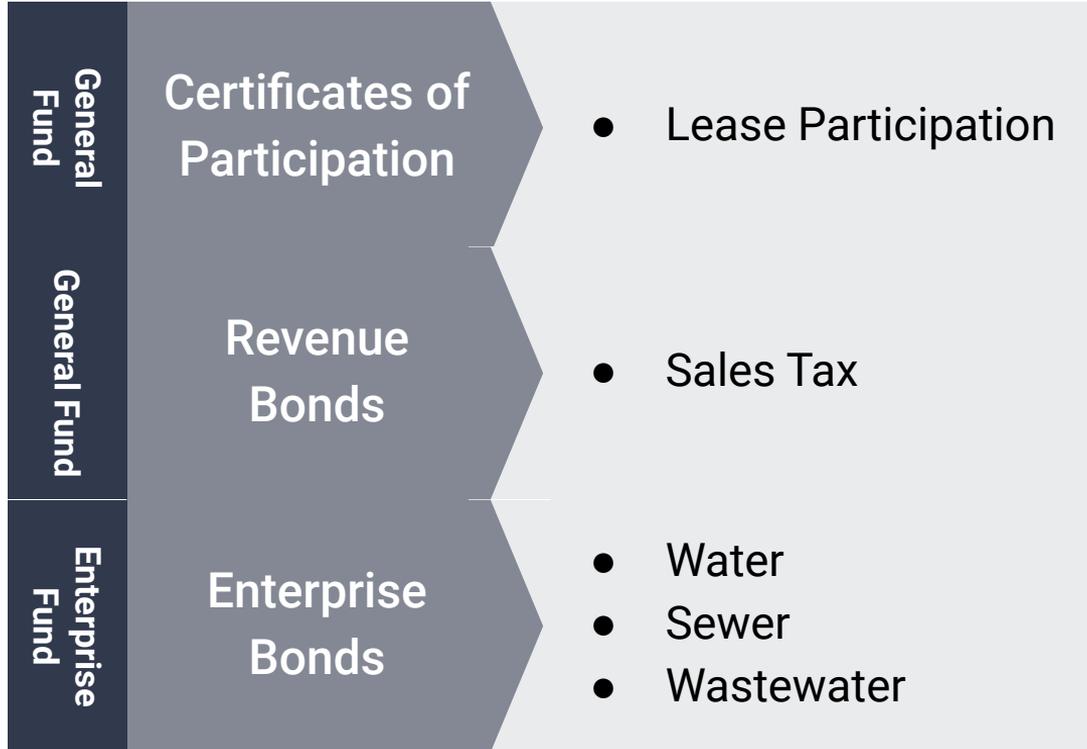
Debt Policy Overview

- **Types of Debt Financing and Structure**
 - Shortest period of time for allocation of costs to current and future beneficiaries
- **General Debt Limitations**
 - Limit to what is affordable and reasonable
- **Maturity Guidelines**
 - Not exceed the useful life of the asset
- **Management of Debt**
 - Continued review and evaluation

CCOB Debt Issuances

Existing Obligations

CCOB Debt Issuance Categories



CCOB Debt Issuances: Certificate of Participation

Certificate of Participation		
Issuance	Series 2016	Series 2017
Debt Service	\$1,364,262	\$28,026,250
Rating	Vectra Bank Direct Placement	Moody's Aa2
Purpose	Broomfield-Westminster Open Space Foundation	Detention Facility, Recreation Center
Final Maturity	2025	2027

**Next Steps: Non-Callable
No Further Refinancing Opportunity**

CCOB Debt Issuances: Sales Tax Revenue Bonds

Sales and Use Tax Bonds		
Issuance	Series 2012A	Series 2017
Debt Service	\$85,705,400	\$98,763,800
Rating	Moody's Aa3	Moody's Aa3
Tax Status	Tax Exempt & Taxable	Tax Exempt
Purpose	Refunding Flatirons	Dillon Road and Community Center
Final Maturity	2031	2037
Callable	12/01/2022	12/01/2027
Reserve Fund	\$7,888,130	\$5,718,545

Debt Service Coverage Ratio - General Fund				
Gen Fund Revenues	Gen Fund Expenses	Gen Fund Net Revenue	Max Annual Payment	Coverage Ratio
100,809,301	86,572,509	14,236,792	4,288,352	3.32x

Next Steps: Callable Refinancing Opportunity

CCOB Debt Refinance: Sales Tax Revenue Bonds

Current Options vs. Wait and Issue Tax-Exempt Refinancing Bonds in September-December, 2022
 (Assumes Refinancing All of the Callable Bonds Only (2023-2031) Callable on 12/1/2022 @ 100)

Series 2012 Sales Tax Bonds - Refinancing Analysis Option	(1) Saving's in Today's \$	(2) Amount being Refinanced	(1) / (2) % Savings	Existing Interest Rate	New Interest Rate	(3) Estimated Costs of Issuance	(4) Escrow Cost	(3) + (4) Total Financing Cost
Refinancing Today								
Taxable Advance Refunding	2,370,000	59,975,000	3.95%	3.30%	1.73%	750,000	63,150,000	63,900,000
Convertible (Taxable to Tax-Exempt) Refunding	3,250,000	59,975,000	5.42%	3.30%	1.49%			
Forward Tax-Exempt Refunding	3,460,000	59,975,000	5.77%	3.30%	1.43%			
Wait and Refinance in September-December, 2022 with Tax-Exempt Bonds								
Current Rates	6,250,000	59,975,000	10.42%	3.30%	0.80%	750,000	59,975,000	60,725,000
Current + 0.25%	5,550,000	59,975,000	9.25%	3.30%	1.05%			
Current + 0.50%	4,840,000	59,975,000	8.07%	3.30%	1.30%			
Current + 0.75%	4,130,000	59,975,000	6.89%	3.30%	1.55%			
Current + 1.00%	3,410,000	59,975,000	5.69%	3.30%	1.80%			
Current + 1.25%	2,690,000	59,975,000	4.49%	3.30%	2.05%			
Current + 1.50%	1,960,000	59,975,000	3.27%	3.30%	2.30%			



CCOB Debt Issuance: BURA Bonds

Event Center, Series 2005
 BNP Letter of Credit Backing
 Debt Reserve Fund: \$5,978,500
Next Steps: Refinancing Opportunity
 Evaluate and Discuss with Council

Year End	Principal	Interest	Debt Service	Balance
2021	2,675,000	1,190,100	3,865,100	36,995,000
2022	2,810,000	1,109,850	3,919,850	34,185,000
2023	2,950,000	1,025,550	3,975,550	31,235,000
2024	3,100,000	937,050	4,037,050	28,135,000
2025	3,255,000	844,050	4,099,050	24,880,000
2026	3,420,000	746,400	4,166,400	21,460,000
2027	3,590,000	643,800	4,233,800	17,870,000
2028	3,770,000	536,100	4,306,100	14,100,000
2029	3,960,000	423,000	4,383,000	10,140,000
2030 *	10,140,000	304,200	10,444,200	-
Total	39,670,000	7,760,100	47,430,100	



CCOB Debt Issuances: Sewer Bonds

	Sewer and Wastewater Revenue Bonds
Issuance	Series 2012
Debt Service	\$28,531,475
Rating	Moody's Aa3
Tax Status	Tax Exempt & Taxable
Final Maturity	2031
Callable	12/01/2022
Reserve Fund	\$3,869,013

Next Steps: Callable Refinancing Opportunity

**City and County of Broomfield
Sewer Enterprise
Cash Flows**

	2019	2020	2021	2022
Revenues				
Charges for Services	9,445,248	10,017,838	10,318,373	10,627,924
Development Fees (Tap Fees)	14,792,165	12,950,245	13,338,752	13,738,915
Intergovernmental		14,754	15,197	15,653
Transfers In	1,403,177	1,404,591	1,446,729	1,490,131
Miscellaneous	694,969	612,403	630,775	649,698
Total Revenues	26,335,559	24,999,831	25,749,826	26,522,321
Expenses				
Sewer System Operations and Maintenance	1,184,678	1,014,786	1,040,156	1,066,160
Sewer Treatment	2,650,155	2,847,267	2,918,449	2,991,410
Industrial Pretreatment	189,440	186,735	191,403	196,188
Laboratory Operations	537,270	578,430	592,891	607,713
Storm Water	427,298	470,042	481,793	493,838
Administration and Billing	406,867	403,365	413,449	423,785
Other Expenses	1,600,864	1,107,245	1,134,926	1,163,299
Services Provided by General Fund	1,725,062	1,598,744	1,638,713	1,679,680
Total Expenses	8,721,634	8,206,614	8,411,779	8,622,074
Net Revenue Available for Debt Service	17,613,925	16,793,217	17,338,047	17,900,247
Debt Service	3,852,413	3,858,013	3,869,013	2,430,013
Net Cash Flow	13,761,513	12,935,205	13,469,034	15,470,234
D/S Coverage (with Tap Fees)	4.57	4.35	4.48	7.37
D/S Coverage (without Tap Fees)	0.73	1.00	1.03	1.71



CCOB Debt Refinance: Sewer Bonds

**Current Options vs. Wait and Issue Tax-Exempt Refinancing Bonds in September-December, 2022
(Assumes Refinancing All of the Callable Bonds Only (2023-2031) Callable on 12/1/2022 @ 100)**

Series 2012 Sewer Revenue Bonds - Refinancing Analysis Option	(1) Saving's in Today's \$	(2) Amount being Refinanced	(1) / (2) % Savings	Existing Interest Rate	New Interest Rate	(3) Estimated Costs of Issuance	(4) Escrow Cost	(3) + (4) Total Financing Cost
Refinancing Today								
Taxable Advance Refunding	840,000	18,900,000	4.44%	3.35%	1.73%	250,000	19,920,000	20,170,000
Convertible (Taxable to Tax-Exempt) Refunding	1,190,000	18,900,000	6.30%	3.35%	1.43%			
Forward Tax-Exempt Refunding	1,260,000	18,900,000	6.67%	3.35%	1.37%			
Wait and Refinance in September-December, 2022 with Tax-Exempt Bonds								
Current Rates	2,070,000	18,900,000	10.95%	3.35%	0.80%	250,000	18,900,000	19,150,000
Current + 0.25%	1,850,000	18,900,000	9.79%	3.35%	1.05%			
Current + 0.50%	1,630,000	18,900,000	8.62%	3.35%	1.30%			
Current + 0.75%	1,400,000	18,900,000	7.41%	3.35%	1.55%			
Current + 1.00%	1,170,000	18,900,000	6.19%	3.35%	1.80%			
Current + 1.25%	940,000	18,900,000	4.97%	3.35%	2.05%			
Current + 1.50%	710,000	18,900,000	3.76%	3.35%	2.30%			

CCOB Debt Pay Off: Water Bonds

Broomfield Water Enterprise Water Revenue Bonds, Series 2012 Rating - Moody's Aa3

Year End	Principal	Interest	Debt Service	Ending Balance
2021	5,185,000	532,500	5,717,500	5,465,000
2022	5,465,000	273,250	5,738,250	-
Total	10,650,000	805,750	11,455,750	

Reserve Fund 4,975,000

The Series 2012 Bonds were issued to refinance the Water Revenue Bonds, Series 2002 for debt service savings. These bonds cannot be refinanced any further and are fully repaid in 2022.

City and County of Broomfield Water Enterprise

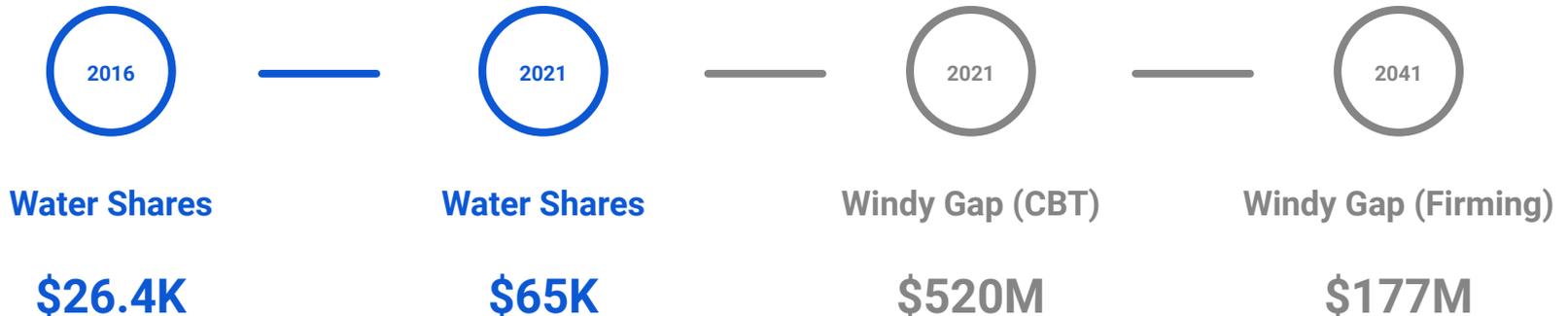
Cash Flows

	2019	2020
Revenues		
Charges for Services	16,325,469	18,174,825
Development Fees (Tap Fees)	20,346,207	15,230,607
Other Services	236,221	252,211
Water Leases and Royalties	442,924	279,543
Miscellaneous	198,855	125,231
Total Revenues	37,549,676	34,062,417
Expenses		
Personnel Services	3,316,433	3,299,169
Supplies and Materials	987,018	887,253
Contractual Services	5,540,673	6,993,235
Utilities	600,472	670,723
Services Provided by General Fund (CCOB Services)	2,467,528	2,390,895
Water Purchases	6,589,603	6,445,695
Total Expenses	19,501,727	20,686,970
Net Revenue Available for Debt Service	18,047,949	13,375,447
Debt Service	5,724,450	5,714,250
Net Cash Flow	12,323,499	7,661,197
D/S Coverage (with Tap Fees)	3.15	2.34
D/S Coverage (without Tap Fees)	(0.40)	(0.32)
Beginning Cash on Hand	57,648,357	69,971,856
Plus: Net Cash Flow	12,323,499	7,661,197
Less: Windy Gap Project	-	-
Ending Cash on Hand	69,971,856	77,633,053

Windy Gap Financing Overview

Investment to Meet Future Needs

- Windy Gap FIRMING Project will provide 5,600 acre-feet of reliable water supply
 - Supports 11,200 TE water licenses
- Outstanding Windy Gap cost is \$176M
 - \$22M cash payment
 - \$154M debt payment
- 2016: 734 Colorado Big Thompson (CBT) units were purchased for \$19.4M
 - Average cost was \$26.4K per unit
- Current shares of CBT are selling for \$65k per unit (more than double in 5 years)
- Cost to replace Windy Gap with CBT is \$520M in current market



Review of Prior Activities

October 13, 2020: Council Meeting

Council approved Windy Gap Allotment Contract

- \$22M payment from existing fund balance
- \$154M financial commitment
 - Flexibility with pooled financing vs. independent financing

January 2021: Financial Consulting Services

- Retained RBC Capital Markets to review financial health of existing funds, analyze current debt issuances, and draft a debt policy

April 20, 2021: Study Session

- Preliminary Review of Revenue Funds, Current Debt, Opportunities for Debt Refinancing (Sales/Use Tax, Sewer, BURA)

April 22, 2021: Windy Gap Lawsuit Settlement

April 27, 2021:

- Utility Rate Study RFP Issued
- Retained Bond Counsel (Butler Snow)

May 11, 2021: Council Meeting

- \$2M Windy Gap Payment
- Revised Debt Approach

Windy Gap: Recommend Independent Financing

- **Benefits to Independent Finance for Broomfield**
 - **Reduced Fiscal Liability**
 - Not be responsible for taking on additional financial obligations if other participants in the pooled group default on their payments
 - **Greater Financial Autonomy**
 - Retain the option to restructure the debt in the future, if needed
 - Flexibility in payment structure that aligns with the financial forecast
 - **Potentially Lower Costs**
 - Broomfield's favorable credit rating and a shorter financing period than the pooled structure (i.e. less than 30 years), resulting in lower interest rates

Windy Gap Debt Finance: Water Bonds

Sources of Funds	20 Year	25 Year	30 Year
Bond Proceeds	166,415,000	165,025,000	164,155,000
Other Sources of Funds			
Debt Service Funds for 2021	1,214,500	1,214,500	1,214,500
Debt Service Reserve Fund	4,975,000	4,975,000	4,975,000
Supplemental Reserve Fund	5,000,000	5,000,000	5,000,000
Total Other Sources of Funds	11,189,500	11,189,500	11,189,500
Total Sources of Funds	177,604,500	176,214,500	175,344,500

Uses of Funds	20 Year	25 Year	30 Year
Escrow to Payoff 2012 Bonds	11,189,500	11,189,500	11,189,500
Project Fund	155,000,000	155,000,000	155,000,000
Debt Service Reserve Fund	10,388,600	8,983,800	8,093,800
Bond Insurance	228,494	246,981	267,019
Costs of Issuance & Underwriter's Discount	797,906	794,219	794,181
Total Uses of Funds	177,604,500	176,214,500	175,344,500
Current Estimated Interest Rate	2.18%	2.50%	2.71%



Windy Gap Debt Finance: Water Bonds

	Repayment Term Options		
	20 Year	25 Year	30 Year
Total Repayment	\$207,721,694	\$224,528,276	\$242,744,563
Avg Annual Payment	\$10,368,085	\$8,981,131	\$8,091,485
Annual Change	-	(\$1,404,800)	(\$890,000)
Cumulative Change			(\$2,294,800)

Based upon the City's Pro Forma Water Revenue Cash Flow Model and the above interest rate sensitivities, the City can adequately repay the Windy Gap Debt

Debt Service Coverage Ratio - Current Rates			
2021 Pro Forma Net Revenue	15,068,135	15,068,135	15,068,135
Maximum Annual Debt Service	10,388,600	8,983,800	8,093,800
Debt Service Coverage Ratio	1.45x	1.68x	1.86x
Debt Service Coverage Ratio - Current Rates + 0.50%			
2021 Pro Forma Net Revenue	15,068,135	15,068,135	15,068,135
Maximum Annual Debt Service	10,931,150	9,535,300	8,659,724
Debt Service Coverage Ratio	1.38x	1.58x	1.74x
Debt Service Coverage Ratio - Current Rates + 1.00%			
2021 Pro Forma Net Revenue	15,068,135	15,068,135	15,068,135
Maximum Annual Debt Service	11,492,400	10,108,450	9,248,500
Debt Service Coverage Ratio	1.31x	1.49x	1.63x

Recommendations

Windy Gap Financing Next Steps

- **Independent Financing**
 - Reduced Fiscal Liability
 - Autonomy of Control
- **Financing Tools**
 - Rating Agency Discussions
 - Enterprise Revenue
 - Utility Rate Study
 - Establishes Future Support

June 8: Council Meeting

- Resolution on Method of Payment for Windy Gap
- Resolution Authorizing City and County Manager to Pursue Debt for Windy Gap

June 21 through July 2: Discussions with Council

- Windy Gap and General Debt Financing

July 13: Council Meeting

- First Reading Windy Gap Debt Ordinance

July 31: Tour

- Colorado Big Thompson and Windy Gap Projects

August 10: Council Meeting

- Second Reading Windy Gap Debt Ordinance

Timeline for Windy Gap Funding

Non-Windy Gap Debt Refinancing Timeline

June 8: Council Meeting

- Adopt Debt Policy

June 15: Study Session

- 2020 Audit and Review of the Comprehensive Annual Financial Report

June 21 through July 2: Discussions with Council

- Windy Gap and General Debt Financing

Future Study Sessions

- BURA Bond Refinancing Discussion
- Direction on Current Debt Refinancing
 - BURA
 - Sales and Use Tax
 - Sewer