



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER (CFO)
DATE: NOVEMBER 17, 2016
SUBJECT: Colorado Department of Transportation (CDOT) Headquarters/Region 1 Building
Project COP Update & Approval

Purpose

This memorandum presents to the Transportation Commission (TC) updates to the financing information for the new CDOT Headquarters (HQ)/Region 1 building. The project was approved at the August 2016 TC Meeting. Information for the new Region 2 and Region 4 HQ buildings is included in a separate memorandum within this month's packet.

Action

This month, the TC is being asked to review and approve the not to exceed Parameters for the issuance of Certificates of Participation (COPs) for the HQ/Region 1 building, expected to close in December 2016.

Background & Details

Background information related to the Headquarters/Region 1 building is included in previous Transportation Commission packets.

Series 2016 Certificates of Participation Update

The current plan anticipates COPs will be issued to finance the HQ/Region 1 in late December 2016. By issuing COPs for only the HQ/Region 1 building in December, the not to exceed Par value for the December issuance has been set at \$70 million. The additional \$13 million for the KOA facility will be included as part of the Region 2/Region 4 Headquarters building financing package.

CDOT Ratings

On October 31st, 2016 CDOT held calls with S&P and Moody's ratings agencies, requesting AA ratings from both agencies for its Series 2016 COPs, consistent with the State's COP ratings. CDOT anticipates receiving the ratings prior to the November TC Meeting, which will be discussed during the TC Meeting on November 17, 2016.

COP Timeline

- October 31, 2016: Ratings calls with S&P and Moody's
- November 9 2016: Final financing Documents submitted to CDOT
- November 16, 2016: CDOT receives ratings from S&P and Moody's
- November 17, 2016: CDOT requests final TC approval for HQ/Region 1 COPs

- Week of November 22, 2016: CDOT's COP Underwriters post Preliminary Offering Statement (POS) for marketing to investors
- Early December 2016: CDOT closes on Site with Stadium District. Construction to begin shortly thereafter.
- Week of December 5, 2016: CDOT, Financial Advisor (Stifel), and Bond Underwriters prices Series 2016 COPs
- Late December 2016: CDOT closes on Series 2016 COPs

Series 2016 COP Parameters Resolution

In order for CDOT to close on the Series 2016 COPs for the HQ/Region 1 building, the TC is being asked to approve a resolution (see Discuss & Act Agenda) that allows the CDOT 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 Parameter Resolution, the TC is granting the CDOT CFO the authority to approve such COPs, interest rates, annual lease payments (debt service), and a term length on the COPs up to specified "not to exceed" amounts. The not to exceed amounts specified in the resolution that the TC is being asked to approve are:

- Par Amount - \$70,000,000
- Max Annual Lease Payments - \$5,250,000
- Final Term of COPs - June 15, 2046

As previously discussed, CDOT will sell existing buildings and/or other pieces of land and proceeds will be used to redeem a portion of the COPs issued for the HQ/Region 1 to reduce future lease payments.

Key Benefits

Utilizing COPs for this project allows CDOT to realize the following financial and operational benefits:

- Borrow money at historically low interest rates and use dedicated funding for repayment of the new buildings
- Reduces ongoing operations and maintenance (O&M) for the existing facilities and providing new state of the art facilities for CDOT employees.
- Disposition of existing buildings and land will return funds to CDOT to redeem COPs (and reduce the ongoing lease payments) and return the tax base of the state and local municipalities.

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 2016 COPs Parameters Resolution.

Next Steps

The Division of Accounting and Finance (DAF) will update the Transportation Commission in future months on the status of the COPs and the overall financing of the HQ/Region 1 and Region 2/Region 4 facilities.

Attachments

Attachment A: Series 2016 Certificates of Participation Parameters Resolution

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Resolution Number TC-

Approving a Site Lease, a Lease Purchase Agreement and certain other documents and items relating thereto; providing other details in connection therewith; acknowledging the forms of Certificates of Participation evidencing undivided interests in the right to receive certain rental payments made by the State of Colorado, acting by and through the Colorado Department of Transportation under such Lease Purchase Agreement, and an Indenture of Trust providing the terms thereof; and providing the effective date of this resolution.

Approved by the Transportation Commission on November 17, 2016

WHEREAS, the Colorado Department of Transportation is an executive department of the State of Colorado (the “State”); and

WHEREAS, the State, acting by and through the Colorado Department of Transportation (as so acting, “CDOT”), is authorized by Part 2 of Article 1 of Title 43, Colorado Revised Statutes, as amended (“C.R.S.”), including without limitation Sections 43-1-211 and 43-1-212, C.R.S., to enter into rental or leasehold agreements under which CDOT will acquire title to the buildings leased within a period not to exceed 30 years; and

WHEREAS, Section 43-1-212, C.R.S. requires that the plans, specifications, bids and contracts for such buildings and the terms of all such rental or leasehold agreement be approved by the governor, the Chief Engineer of CDOT, a majority of the members of the Colorado State Transportation Commission (“the Commission”) and the director of the Office of State Planning and Budgeting; and

WHEREAS, CDOT desires to lease certain property (as further defined in the below-defined Lease, the “Leased Property,”) in accordance with the Act pursuant to a Lease Purchase Agreement (the “Lease”) between Zions Bank, a Division of ZB, National Association, as trustee under the below-defined Indenture (the “Trustee”), as lessor, and CDOT, as lessee; and

WHEREAS, the Leased Property consists of the Trustee’s leasehold interest in the Sites and Improvements thereto (both as defined in the Indenture) to be leased by CDOT to the Trustee pursuant to a Site Lease (the “Site Lease”) between CDOT, as lessor, and the Trustee, as lessee; and

WHEREAS, in order to finance the lease by the Trustee of the Sites and the construction by the Trustee of the Improvements thereon, the Trustee will execute and deliver the “State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016” (the “Certificates”), pursuant to an Indenture of Trust (the “Indenture”) entered into by the Trustee for the benefit of the Owners (as defined in the Indenture) of the Certificates; and

WHEREAS, the Lease shall expire on June 30 of any CDOT fiscal year (a “Fiscal Year”) if the Commission has, on such date, failed, for any reason, to budget and allocate sufficient amounts authorized and directed to be used to pay all Base Rentals (as defined in the Indenture) scheduled to be paid and all Additional Rentals (as defined in the Indenture) estimated to be payable in the next ensuing Fiscal Year, and in certain other circumstances set forth in the Lease; and

WHEREAS, the Certificates shall evidence assignments of undivided interests in the right to receive certain revenues payable pursuant to the annually renewable Lease, shall be payable solely from the sources provided in the Lease and the Indenture, shall not constitute a mandatory charge or requirement of CDOT or the State in any Fiscal Year beyond a Fiscal Year in which the Lease shall be in effect, and shall not constitute or give rise to a general obligation or other indebtedness of CDOT or the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State, within the meaning of any constitutional or statutory debt provision or limitation; and

WHEREAS, no provision of the Certificates, the Indenture, the Lease, the Site Lease or any other document or instrument shall be construed or interpreted (a) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Commission for Base Rentals and Additional Rentals for such Fiscal Year; (b) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State within the meaning of Section 3 of Article XI of the Colorado Constitution, Section 20 of Article X of the Colorado Constitution, or any other limitation or provision of the Colorado Constitution, State statutes or other State law; (c) as a delegation of governmental powers by CDOT or the State; (d) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the Colorado Constitution; or (e) as a donation or grant by CDOT or the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the Colorado Constitution; and

WHEREAS, the State, acting by and through the State Treasurer, is expected to enter into a Certificate Purchase Agreement with Wells Fargo Bank, National Association, on behalf of the underwriting group composed of itself, George K. Baum & Company and Loop Capital Markets (collectively, the “Underwriters”) for the purchase and sale of the Certificates; and

WHEREAS, in connection therewith, the State, acting by and through the State Treasurer, is expected to prepare a Preliminary Official Statement and final Official Statement to be used and distributed by the Underwriters in connection with the offer and sale of the Certificates, and to enter into a Continuing Disclosure Undertaking for the benefit of the Owners of the Certificates; and

WHEREAS, in connection with the transactions described above, the Commission desires to: (a) authorize and approve the execution and delivery by CDOT of, and the performance by CDOT of its obligations under, the Site Lease and the Lease; (b) approve the plans, specifications, bids and contracts with respect to the Leased Property; (c) acknowledge the Indenture and the Certificates; and (d) authorize, approve, ratify, make findings and take other actions with respect to the foregoing and related matters;

NOW, THEREFORE, BE IT RESOLVED, by the Colorado State Transportation Commission:

Section 1. The Commission hereby approves the following documents, copies of which have been made available to the Commission, authorizes the Executive Director of CDOT and

all other appropriate officers and employees of CDOT and the Commission to execute and deliver, and to affix the seal of CDOT to, such documents in the respective forms made available to the Commission, with such changes therein, not inconsistent herewith, as are approved by the person(s) executing the same (whose signature thereon shall constitute conclusive evidence of such approval), and authorizes and directs the performance by CDOT of its obligations under such documents in the respective forms in which they are executed and delivered:

(a) the Site Lease; provided that the term thereof shall not extend beyond June 30, 2051; and

(b) the Lease; provided that (i) the Base Rentals that are payable by CDOT pursuant to the Lease shall not exceed \$5,250,000 per Fiscal Year, and (ii) the Scheduled Lease Term (as defined in the Lease) shall not extend beyond June 30, 2046.

Section 2. In connection with such approval of the Lease, the Commission hereby approves the plans, specifications, bids and contracts for the Leased Property in substantially the respective forms made available to the Commission.

Section 3. The Commission hereby acknowledges the Indenture, a copy of which has been made available to the Commission, with changes therein, not inconsistent herewith, as are approved by the office of the Colorado Attorney General; provided that (a) the aggregate principal amount of Certificates authorized to be executed and delivered thereunder shall not exceed \$70,000,000 and, (b) the final maturity of the Certificates authorized thereby shall be not later than June 15, 2046.

Section 4. The Commission hereby acknowledges the Certificates in the form appended to the Indenture, with changes therein, not inconsistent herewith, as are approved by the office of the Colorado Attorney General.

Section 5. The Commission hereby adopts, as if set forth in full herein, all the representations, covenants, agreements, findings, determinations and statements of or by CDOT set forth in the documents described in Section 1 hereof.

Section 6. The officers, employees and agents of CDOT and the Commission are authorized and directed to take all action necessary or appropriate to carry out the provisions of this resolution and the documents referred to herein and to carry out the transactions described herein or in such documents, including, without limitation, the execution and delivery of such certificates as may reasonably be required by the Underwriters, relating, among other matters, to the tenure and identity of the officials of CDOT and the Commission, the receipt of the purchase price for the Certificates, the absence of litigation, pending or threatened, expectations and covenants relating to the exclusion from gross income for federal income tax purposes of the portion of Base Rentals which is designated in the Lease and paid as interest on the Certificates, the sale and issuance of the Certificates and the investment of the proceeds of the Certificates.

Section 7. No provision of this resolution or any of the documents or instruments described herein shall be construed or interpreted: (a) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Commission for Base Rentals and Additional Rentals for such Fiscal Year; (b) as creating a

multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State within the meaning of Section 3 of Article XI of the Colorado Constitution, Section 20 of Article X of the Colorado Constitution, or any other limitation or provision of the Colorado Constitution, State statutes or other State law; (c) as a delegation of governmental powers by CDOT or the State; (d) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the Colorado Constitution; or (e) as a donation or grant by CDOT or the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the Colorado Constitution. The term of the Lease shall not extend beyond the Lease Term (as defined in the Lease), and CDOT shall have no obligation to make any payment beyond the current Fiscal Year in accordance with the provisions of the Lease.

Section 8. All action previously taken by the Commission and the officers, employees and agents of CDOT and the Commission directed toward the transactions described herein or in the documents referred to herein are hereby ratified, approved and confirmed.

Section 9. All prior acts, orders or resolutions, or parts thereof, of the Commission that are in conflict with this Resolution are hereby repealed, except that this repealer shall not be construed to revive an act, order or resolution, or part thereof, heretofore repealed.

Section 10. If any section, paragraph, clause or provision of this resolution or any of the documents referred to herein (other than provisions as to the payment of Base Rentals and Additional Rentals by CDOT during the Lease, including the requirement that the obligations of CDOT to pay Base Rentals and Additional Rentals under the Lease are conditioned upon the prior budgeting and allocation by the Commission of amounts for such purposes in accordance with the requirements of state law of the State, provisions for the quiet enjoyment of the Leased Property by CDOT during the Lease Term and provisions for the transfer of the Leased Property to CDOT or its designee) shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining sections, paragraphs, clauses or provisions of this Resolution.

Section 11. This resolution shall take effect immediately upon its introduction and passage.

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I hereby certify that the attached Resolution Number TC-_____ is a true and exact copy of the resolution adopted by the Commission on November 17, 2016.

By _____
Herman Stockinger, Secretary
Transportation Commission of Colorado

Date of Approval