



COLORADO

Department of Transportation

Division of Accounting and Finance

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Denver, CO 80222

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER, AND DAVID FOX, DEPUTY PROPERTY
MANAGEMENT PROGRAM MANAGER
DATE: NOVEMBER 17, 2016
SUBJECT: Colorado Department of Transportation (CDOT) Region 2/Region 4/KOA Building
Projects COP Update

Purpose

This memorandum provides an update to the proposed Colorado Department of Transportation (CDOT) issuance of Certificates of Participation (COPs) related to the funding of the relocation of the Region 2/Region 4 HQ and KOA properties.

Action

Department staff is asking the TC to review and approve the updates to the proposed COPs to finance Region 2/Region 4 headquarters and the KOA property.

Background

In August, Department Staff reported that CDOT would issue COPs to finance the construction of the Headquarters/Region1 and KOA buildings in late 2016 and issue COPs to finance the construction of the Region 2/Region 4 buildings in the first quarter of calendar year 2017. The total project cost was estimated at \$128.0 million.

Since August, Department Staff has decided to issue COPs for only the HQ/Region building in December of 2016 and include the cost of the KOA building in the COPs that will be issued for Region 2/Region 4 facilities in 2017. Additionally, Colorado State Patrol has determined the need to finance its portion of the Region 2 facility (\$5.6 million), rather than repaying CDOT for the Transportation Commission Contingency Relief Funds (TCCRF) that were requested in the October Budget Supplement. CDOT will now include the \$5.6 million in its COPs for the Region2/Region 4/KOA project that will be issued in 2017. This brings the Project total to \$134.0 million.

In order to repay CDOT for the \$5.6 million for its portion of the Region 2 facility, CSP will enter into a lease with CDOT and will annually appropriate a lease payment in its budget until all debt service has been repaid. CDOT will use an Intergovernmental Agreement (IGA) to contractually define the terms of its lease with CSP.

Key Benefits

Utilizing COPs for this project will allow CDOT to obtain the following operational and financial benefits:

- Take advantage of historically low interest rate environment.
- Rare opportunity to finance an important project without any current bonding capacity; these projects represents one of the only opportunities to utilize financing to complete several significant projects and retain cash on hand for other non-financing eligible projects.
- Reduce operational costs by constructing LEED Certified, energy efficient buildings and collocating programs to reduce the overall square footage of occupied buildings.



Recommendation and Options

1. Approve proceeding with the preparation of the issuance of \$55 million of COPs for the financing of facilities related to Region 2, Region 4 and the KOA Property. In addition, the TC will be asked to provide a \$5.6 million lease agreement to the Region 2 project for the Colorado State Patrol (CSP) portion of the building. (Staff Recommendation)
2. Request further information.
3. Reject issuance of COPs for this project.

Next Steps

1. If approved, CDOT will begin COP issuance process, as detailed above in January 2017, expecting to close on the COPs in March 2017.
2. If not approved or if further information is required, Department staff will prepare responses to the TC as requested.

Attachments

Attachment A: Updated Region 2, Region 4, and KOA Property Resolution



Resolution #TC-16-11-

A resolution of the Colorado State Transportation Commission declaring the official intent of the Colorado Department of Transportation to reimburse itself from the proceeds of a future lease purchase financing for capital expenditures and providing certain other matters in connection therewith.

Approved by the Transportation Commission on November 17, 2016

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

WHEREAS, the Colorado State Transportation Commission (the “Commission”) is the governing body of CDOT; and

WHEREAS, CDOT presently intends to acquire, renovate and construct certain properties to house CDOT operations, including facilities in Pueblo, Colorado (the “Region 2 Project”) and Aurora, Colorado (the “KOA Project,” which together with the Region 2 Project, is referred to herein as the “Project”); and

WHEREAS, on September 15, 2016, the Transportation Commission approved Resolution #TC-16-9-15 (the “Region 2 Resolution”) declaring its official intent to reimburse itself for capital expenditures made prior to the date when funds are available from the planned lease purchase financing for the Region 2 Project; and

WHEREAS, the Region 2 Resolution initially provided that CDOT did not intend to reimburse itself with lease purchase financing proceeds for a portion of the Region 2 Project to be financed by the Colorado State Patrol; and

WHEREAS, as a result of changed funding circumstances, CDOT now intends to finance an additional \$5.6 million, and reimburse itself an additional \$5,600,000 from such lease purchase financing, for capital expenditures made by CDOT for the Region 2 Project to be constructed by CDOT; and

WHEREAS, on August 18, 2016, the Transportation Commission also approved Resolution #TC-16-8-6 declaring its official intent to reimburse itself for capital expenditures made prior to the date when funds are available from the planned lease purchase financing for the CDOT headquarters project; and

WHEREAS, in conjunction with the headquarters project, CDOT presently intends to construct certain additional facilities related to the KOA Project, and reimburse itself an additional \$13,000,000 from the planned lease purchase financing for capital expenditures made in relation to the KOA Project; and

WHEREAS, the initial expenditure of funds of CDOT for the KOA Project and the remainder of the Region 2 Project, other than preliminary expenditures, as such term is defined in 26 C.F.R. § 1.150-2(f)(2) (“Preliminary Expenditures”), occurred on a date that is within 60 days prior to the date hereof, or, as applicable, within 60 days prior to the date of the Region 2 Resolution; and

WHEREAS, such lease purchase financing is to occur within 18 months of either the date that CDOT first expended funds other than Preliminary Expenditures for the Project or the date that the Project is placed in service, whichever is later (but in no event more than three years after the date of the original expenditure of CDOT funds, other than Preliminary Expenditures, for the Project); and

WHEREAS, the Commission hereby desires to declare the official intent of CDOT, pursuant to 26 C.F.R. § 1.150-2, to reimburse itself for the expenditure of CDOT funds for the Project from the proceeds of a future lease purchase financing of CDOT.

NOW, THEREFORE, BE IT RESOLVED BY THE COLORADO STATE TRANSPORTATION COMMISSION:

Section 1. Dates of Capital Expenditures. All of the capital expenditures covered by this Resolution were or will be made not earlier than 60 days prior to the date of this Resolution. For the avoidance of doubt, the expenditures referenced in the preceding sentence do not include the Preliminary Expenditures, certain of which were made before 60 days prior to the date of this Resolution.

Section 2. Declaration of Official Intent. CDOT presently intends and reasonably expects to participate in a lease purchase financing within 18 months of either the date of the first expenditure of funds by CDOT for the capital expenditures covered by this Resolution (other than Preliminary Expenditures) or the date that the Project is placed in service, whichever is later (but in no event more than three years after the date of the original expenditure of CDOT funds, other than Preliminary Expenditures, for the Project), and to allocate an amount approximately equal to the \$18,600,000 of the proceeds thereof to

reimburse CDOT for its expenditures in connection with the remainder of the Region 2 Project and the KOA Project.

Section 3. Authorization for CDOT to Participate in Lease Purchase Financing. The Commission hereby authorizes CDOT, pursuant to 26 C.F.R. § 1.150-2 and consistent with this Resolution, to reimburse itself for the expenditure of CDOT funds on the Project, in an amount not to exceed \$18,600,000, from the proceeds of a future lease purchase financing of CDOT.

Section 4. Confirmation of Prior Acts. All prior actions of the officials and agents of CDOT that are in conformity with the purpose and intent of this Resolution and in furtherance of the Project shall be and the same hereby are in all respects ratified, approved and confirmed.

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its passage.

Herman Stockinger, Secretary
Transportation Commission of Colorado

Date