



## Contacts

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Debt Outlook and Overview  
**City of Lafayette, Colorado**

- In 6 – 12 months, Lafayette is planning to borrow for two significant capital projects:
  - Approximately \$9 million for street improvements
  - Approximately \$26 million for wastewater treatment plant improvements
- Both transactions will take a very traditional or “routine” approach, which is familiar to investors.
- But there are significant differences in the two approaches.

- The street improvements will be financed with an issue of Sales and Use Tax Revenue Bonds.
  - Approved by the voters of Lafayette in a TABOR debt election held in November, 2017
  - Will be secured and paid by the City's 3.0% Sales and Use Tax revenue stream
  
- This financing is similar to other governmental debt obligations of the City:
  - 2008 Sales Tax Revenue Bonds (final payment in 2019)
  - 2016 General Obligation Bonds (payable with a dedicated property tax levy through 2026)

- The 2017 election allows for the issuance of up to \$9.0 million of street Improvement Bonds.
- The total repayment cost may not exceed \$10,400,000
- The annual debt service payments may not exceed \$1,040,000
- These voted limits effectively will require repayment in 10 years.

- The improvements to the Wastewater Treatment Plant will be financed with an issue of Enterprise Revenue Bonds, issued by and through the City's Water Reclamation Enterprise.
  - TABOR does not apply to revenue bonds issued by a qualified enterprise, and no election is required.
  - Will be secured and paid by the net revenues of the City's Water Reclamation Enterprise (wastewater system).
  
- This financing is similar to other enterprise debt obligations of the City:
  - 2001 Water Reclamation Loan from CWRPDA (final payment in 2021)
  - 2012 Water Enterprise Revenue Bonds (payable from water system revenues through 2027)

- The Water Reclamation Bonds are currently expected to provide \$26.0 million of funding, which, along with other funds of the Enterprise, will be used to make improvements to the system to assure that wastewater treatment levels meet all required standards.
- Because of the long life of the assets, bond issues for utility systems (water/wastewater/stormwater) are frequently repaid over periods of 20 to 30 years.
- Lafayette's new bonds are currently being modeled with a repayment term of 20 years.
- Payments on the Wastewater Bonds are currently being modeled to smooth out the annual payments due on the 2001 Water Reclamation Loan.

- The issuers of utility enterprise bonds make specific legal covenants which provide security to investors. The most important covenants are:
  - Rate maintenance: the City Council will set rates and charges so that net revenues of the system (after paying O&M costs) are at least 125% of the annual debt service payments.
  - Additional debt: additional system debt may be issued so long as net revenues in the prior year are at least 125% of the maximum annual payment projected in any future year.
- At this time, no additional rate increases are expected to result directly from the issuance of the new debt.
- Futures rates increases will be influenced by a range of factors, including debt service, reserve requirements, and ongoing capital requirements.

- Annually appropriated lease financings / COPs (Certificates of Participation)
- General Improvement Districts (GIDs)
- Metropolitan Districts
- Other Subjects?