

Debt Overview

The City has long-term financial obligations in the form of several instruments such as Bonds, Certificates of Participation (COPs), and Leases. While Bonds are considered a multi-year obligation, the other instruments are subject to annual appropriations and, therefore, not considered debt per the Tax Payer’s Bill of Rights (TABOR).

Bond Ratings

To attain the lowest possible interest rates, the City obtains a credit rating from the major rating services. A strong rating provides for a lower interest rate which results in a lower cost to city taxpayers. The three major rating services are Moody’s, Standard & Poor’s, and Fitch. The following table presents a comparison of their respective ratings and their meaning:

Description	Moody’s Rating	Standard & Poor’s Rating	Fitch Rating
Best quality, extremely strong capacity to pay principal and interest	Aaa	AAA	AAA
High quality, very strong capacity to pay principal and interest	Aa	AA	AA
Upper medium quality, strong capacity to pay principal and interest	A	A	A
Medium grade quality, adequate capacity to pay principal and interest	Bbb	BBB to A-	BBB to A-
Speculative quality, low capacity to pay principal and interest	Ba and lower	BB and lower	BB and lower

Note: Within groups, Moody’s designates those bonds with strongest attributes with a 1, for instance A1 or Aa1 would be of slightly higher quality than A2 or Aa2. Standard & Poor’s and Fitch attach a “+” or a “-” to indicate slight variation within the rating groups. Examples would be AA- or A+ to indicate a credit better than an “A” but less than “AA.”

The City’s latest bond and certificate ratings are as follows:

Description	Moody’s Rating	Standard & Poor’s Rating	Fitch Rating
Bond / COP Issue Type			
Sales & Use Tax Revenue Bonds			
Series 2007 – SCIP	Aa3	AA+	N/A
Series 2009 – SCIP	Aa3	AA+	N/A
Certificates of Participation			
Series 2009 – USOC	Aa3	AA-	N/A
Series 2011 – Old City Hall, Red Rock Canyon, Skyview	Aa3	AA-	N/A
Parking Revenue Bonds	not rated	not rated	not rated
Airport Revenue Bonds	Baa1	BBB+	BBB+

General Obligation Debt

General Obligation bonds are direct obligations that pledge the full faith and credit of the City for the repayment of principal and interest. The City's total general obligation debt limit per the City Charter is 10% of the assessed valuation; therefore for 2017 the preliminary limit is \$498.5 million. The total general obligation bonded indebtedness in 2017 is \$0. This leaves an available debt margin of \$498.5 million or 100% of the City's debt limit remains available.

Sales Tax Revenue Bonds

Sales Tax Revenue bonds are issued to finance the construction of various capital improvements. Sales Tax Revenues are used to repay the principal and interest of the bonds.

In May 1999, the City issued \$87,975,000 in Sales Tax Revenue Bonds. The bonds were issued for various capital improvement projects recommended by the Springs Community Improvements Program (SCIP) citizen committees. While these bonds do not count against the City's debt limit, they commit sales tax revenue to pay them. During 2007, the City refinanced approximately \$10.4 million of these bonds; in 2009, the City refinanced the remaining \$34.5 million. The final payment totals \$2,766,750, which will be paid from a General Fund – General Cost account in December 2016, after which the City will have no outstanding Sales Tax Revenue Bonds.

Airport Revenue Bonds

2014 Airport System Revenue (previously 2002 Terminal Project) Bonds

In 2014 the Series 2002 Terminal Project (previously 1992A) was refinanced with a principal value of \$11,185,000 at an interest rate of 5.00%.

Interest Rate on Outstanding Debt: 5.00% (True Interest Cost 3.29%)

These bonds are not callable prior to maturity.

The 2017 payment totals \$1,463,000 and is paid through the Airport Enterprise Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,040,000	423,000	1,463,000
2018	1,090,000	371,000	1,461,000
2019	1,145,000	316,500	1,461,500
2020	1,205,000	259,250	1,464,250
2021	1,265,000	199,000	1,464,000
2022	1,325,000	135,750	1,460,750
2023	<u>1,390,000</u>	<u>69,500</u>	<u>1,459,500</u>
Total	\$8,460,000	\$1,774,000	\$10,234,000

2007A and 2007B Airport System Revenue Bonds

In 2016, the Airport budgeted \$7.5 million to retire the 2007A and 2007B Series Airport System Revenue bonds as they are callable in whole or in part at any time beginning December 15, 2016, with no call premium. It is the intention of the Airport to retire the bonds as part of its strategy to lower costs for airlines and enhance opportunities for profitable air service.

Parking System Revenue Bonds

2015 Parking System Revenue Bonds

In 2015 the Series 1999 and Series 2006 Parking System Revenue Bonds were combined and refinanced with a principal value of \$9,520,000 at an interest rate of 2.43%.

These bonds are callable in whole on the first of any month beginning December 1, 2020, with no call premium. The 2017 payment totals \$908,530 and is paid through the Parking System Enterprise Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	710,000	198,530	908,530
2018	720,000	181,278	901,278
2019	700,000	163,782	863,782
2020	715,000	146,772	861,772
2021	735,000	129,398	864,398
2022	750,000	111,537	861,537
2023	770,000	93,312	863,312
2024	790,000	74,601	864,601
2025	810,000	55,404	865,404
2026	830,000	35,721	865,721
2027	<u>640,000</u>	<u>15,552</u>	<u>655,552</u>
Total	\$8,170,000	\$1,205,887	\$9,375,887

Certificates of Participation (COP)

Certificates of Participation (COPs) are issued for particular projects and are repaid from lease payments made by the City for use of the acquired property.

In October 2009, the City entered into a lease-purchase agreement with the City of Colorado Springs Public Facilities Authority to issue COPs for the United States Olympic Committee (USOC) facilities project in the amount of \$31,470,000. The project includes office space for the USOC Headquarters in downtown Colorado Springs and certain improvements at the USOC Olympic Training Center. The 2017 payment totals \$1,822,625, which is paid from a General Fund – General Cost account.

USOC Project Series 2009

Interest Rates on Outstanding Debt: 3.00%– 5.00%

These bonds are callable in whole at any time beginning November 1, 2019, with no call premium.

Year	Principal	Interest	Total
2017	370,000	1,452,625	1,822,625
2018	425,000	1,440,600	1,865,600
2019	480,000	1,425,725	1,905,725
2020	540,000	1,408,925	1,948,925
2021	615,000	1,381,925	1,996,925
2022	690,000	1,351,175	2,041,175
2023	770,000	1,316,675	2,086,675
2024	850,000	1,278,175	2,128,175
2025	935,000	1,244,175	2,179,175
2026	1,025,000	1,206,775	2,231,775
2027	1,115,000	1,164,494	2,279,494
2028	1,210,000	1,118,500	2,328,500
2029	1,325,000	1,058,000	2,383,000
2030	1,445,000	991,750	2,436,750
2031	1,570,000	919,500	2,489,500
2032	1,710,000	841,000	2,551,000
2033	1,855,000	755,500	2,610,500
2034	1,950,000	662,750	2,612,750
2035	2,045,000	565,250	2,610,250
2036	2,150,000	463,000	2,613,000
2037	2,255,000	355,500	2,610,500
2038	2,370,000	242,750	2,612,750
2039	<u>2,485,000</u>	<u>124,250</u>	<u>2,609,250</u>
Total	\$30,185,000	\$22,769,019	\$52,954,019

Certificates of Participation (COP)

In May 2011, the City and the City of Colorado Springs Public Facilities Authority refinanced the 1999 Series Skyview Softball Complex, Series 2000 Old City Hall Project and the Series 2003 Red Rock Canyon Project COPs. Although this is part of a combined refinancing, the payments are separated as a result of multiple funding sources.

Skyview Softball Complex Series 2011 (1999 portion of combined 2011 series)

Interest Rates on Outstanding Debt: 3.25% – 5.0%

These bonds are not callable prior to maturity.

In September 1999, the City entered into a lease-purchase agreement with the City of Colorado Springs Public Facilities Authority to issue Certificates of Participation (COPs) for the Skyview Softball Complex in the amount of \$4,205,000. The project includes an adult sports complex consisting of six lighted softball fields and two lighted concrete fields designed for wheelchair sports.

The 2017 payment totals \$269,900 and is made from the Conservation Trust Fund and the Ballfield Capital Improvements Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	240,000	29,900	269,900
2018	250,000	20,300	270,300
2019	<u>240,000</u>	<u>7,800</u>	<u>247,800</u>
Total	\$730,000	\$58,000	\$788,000

Old City Hall Project Series 2011 (2000 portion of combined 2011 series)

Interest Rates on Outstanding Debt: 3.25% – 5.0%

These bonds are not callable prior to maturity.

In July 2000, the City entered into a lease-purchase agreement with the City of Colorado Springs Public Facilities Authority to issue COPs for the Old City Hall project in the amount of \$7,265,000. The project included a major renovation of Old City Hall and acquisition of the Police Training Academy and Impound Lot.

The 2017 payment totals \$524,325 and is made from the General Fund – General Costs and Police Department accounts.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	460,000	64,325	524,325
2018	475,000	45,925	520,925
2019	300,000	22,175	322,175
2020	<u>205,000</u>	<u>7,175</u>	<u>212,175</u>
Total	\$1,440,000	\$139,600	\$1,579,600

Red Rock Canyon Project Series 2011 (2003 portion of combined 2011 series)

Interest Rates on Outstanding Debt: 3.0% – 5.0%

These bonds are not callable prior to maturity.

In November 2003, the City entered into a lease-purchase agreement with the City of Colorado Springs Public Facilities Authority to issue COPs for the Red Rock Canyon project in the amount of \$15,070,000. The project included the acquisition of approximately 732 acres on the City’s west side.

The 2017 payment totals \$1,123,825 and is made from the Conservation Trust Fund and the Trails, Open Space and Parks Fund.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,030,000	93,825	1,123,825
2018	<u>1,075,000</u>	<u>53,750</u>	<u>1,128,750</u>
Total	\$2,105,000	\$147,575	\$2,252,575

Lease/Lease-Purchase Financing

State Statue 29-1-103 (3) requires that all local governments set forth in the budget document all amounts for lease-purchase agreement obligations which involve funding commitments beyond the forthcoming fiscal year.

City Administration Building – 2013

In August 2013, City Council approved a bank lease-purchase agreement in the amount of \$7.4 million to refinance the 2007 bank lease-purchase agreement for the purchase of the City Administration Building (CAB). At the end of the term, the City will have the option to purchase the building for \$4,066,212. The total payment for 2016 is \$626,759 and is made from the General Fund – General Costs account.

Interest component of payment based upon: 2.49%

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	485,214	141,545	626,759
2018	497,435	129,324	626,759
2019	509,963	116,796	626,759
2020	<u>390,884</u>	<u>79,185</u>	<u>470,069</u>
Total	\$1,883,496	\$466,850	\$2,350,346

Sand Creek Police Substation – 2016

In August 2016, City staff presented to City Council a proposal to Lease/Lease-Purchase the construction and improvement of the new Sand Creek Police Substation. The Ordinance approving the transaction was approved by City Council on September 27, 2016. While the transaction has not closed as of the printing of this document, the principal amount is expected to be approximately \$13.5 million with annual payments of approximately \$1.5 million over 10 years. \$1.5 million is programmed for the first year payment in the General Fund CIP budget.

Interest component of payment based upon: LIBOR 6 and 7 year swap rate + 40 basis points

Other Lease-Purchase Obligations

<u>Description</u>	<u>1-1-17 Balance**</u>	<u>2017 Payment</u>	<u>12-31-17 Remaining</u>
General Fund Lease-Purchase Obligations*	\$487,478	\$305,595	\$304,315

* The General Fund Lease Purchase Obligations other than the CAB.

** The balance is defined as all remaining financial obligations for principal from January 1, 2016, through the retirement of all lease-purchase agreement obligations represented in the figures shown above.

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