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INFRASTRUCTURE  
FINANCE

D.A. DAVIDSON & CO.  
SPECIAL DISTRICT GROUP

FROM BLUEPRINT TO BOTTOM LINE



D.A. Davidson & Co.  
member SIPC  
FIXED INCOME CAPITAL MARKETS



# WOODMEN HEIGHTS MD NO.1 (2 & 3)

## Service Plan:

- The District was approved in 2004 by the City of Colorado Springs
- The service plan was amended in 2007
- Debt authorization of \$60,000,000
- Mill Levy cap of 30 mills (subject to adjustment)
- Debt service mill levy imposition term of 40 years added to 2007 service plan
  - Applies to residential district only
  - Does not apply to obligations issued prior to 2007
  - First mill levy was certified in 2005 for collection in 2006
  - Final year to collect debt service mill levy is 2045
- History of bond issues
  - Series 2005: \$29,820,000 (new money)
  - Series 2012A: \$6,700,000 (refunding)
  - Series 2012B: \$24,007,680 (refunding)
  - Series 2015C: \$5,596,215 (new money reimbursement)



# WOODMEN HEIGHTS MD NO.1 (2 & 3)

## Current debt structure:

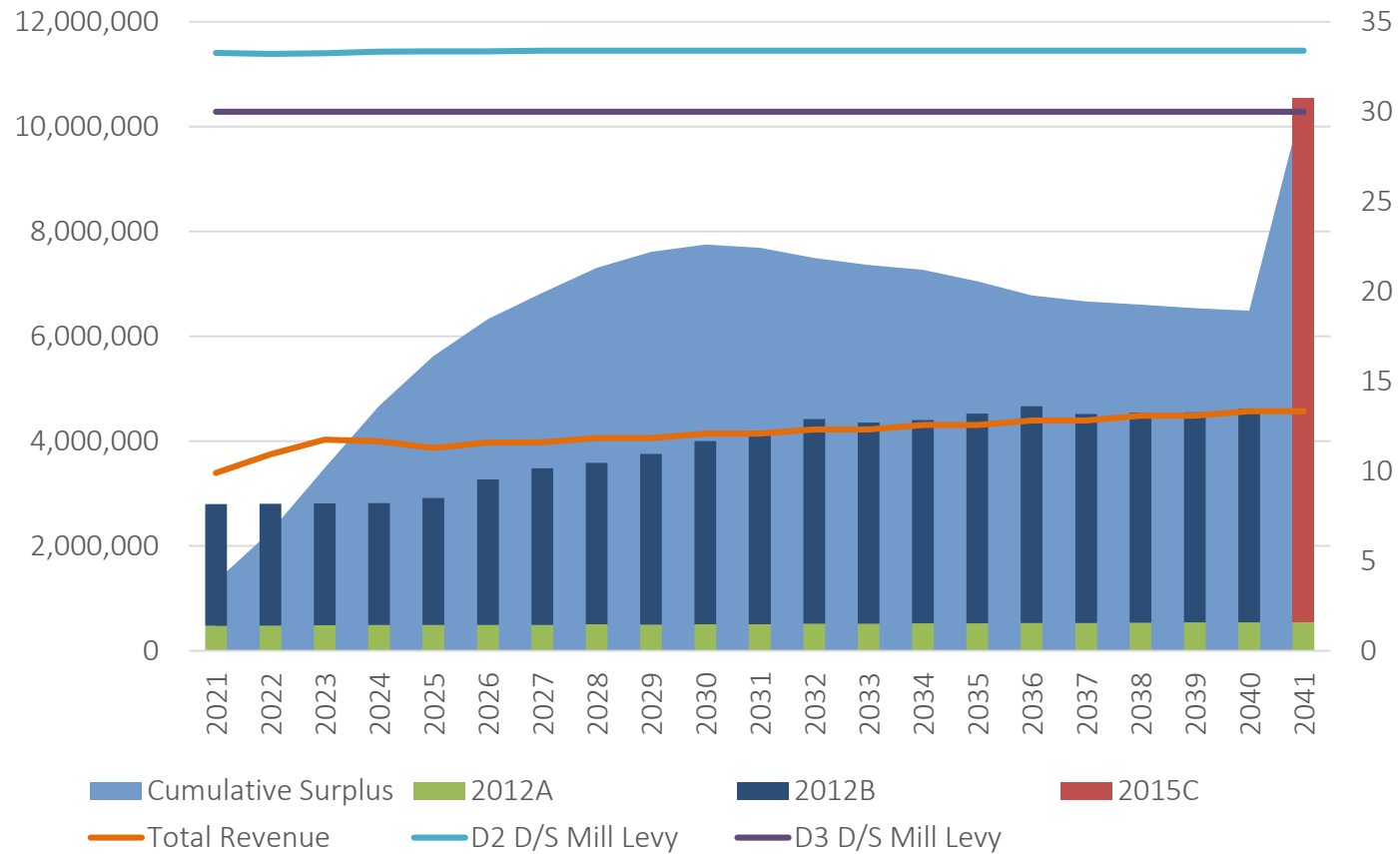
	Series 2012A	Series 2012B	2015C
<b>Principal Outstanding</b>	\$6,075,000	\$21,229,458 – Principal \$10,604,542 – Est. Accrued Interest \$31,834,000 - Total	\$5,616,216
<b>Interest Rate</b>	6.00%	7.30%	3.00%
<b>Call Date</b>	12/01/2021 at 3% call premium	12/1/2021 at 3% call premium	Any Time
<b>Final Maturity</b>	12/01/2041	12/1/2041	12/15/2041
<b>Total Combined Repayment</b>	<b>\$89,935,116</b>		

- Today, the District debt, which is serviced by 33.397 mills from D2 and 30 mills from D3 in 2020 includes:
  - \$32,920,674 of outstanding principal and \$10,604,542 of estimated accrued interest
  - Total of \$43,525,216 of current debt outstanding
  - The 2012A and 2012B Bonds are redeemable beginning December 1, 2021 upon payment of par, accrued interest and redemption premiums of 3%
  - The 2015C Bonds are redeemable at any time
  - The 2015C Bonds will not receive any pledged revenues until the 2012A/B bonds have been repaid
  - As long as any of the existing bonds are outstanding, the District does not have the option to lower the mill levy



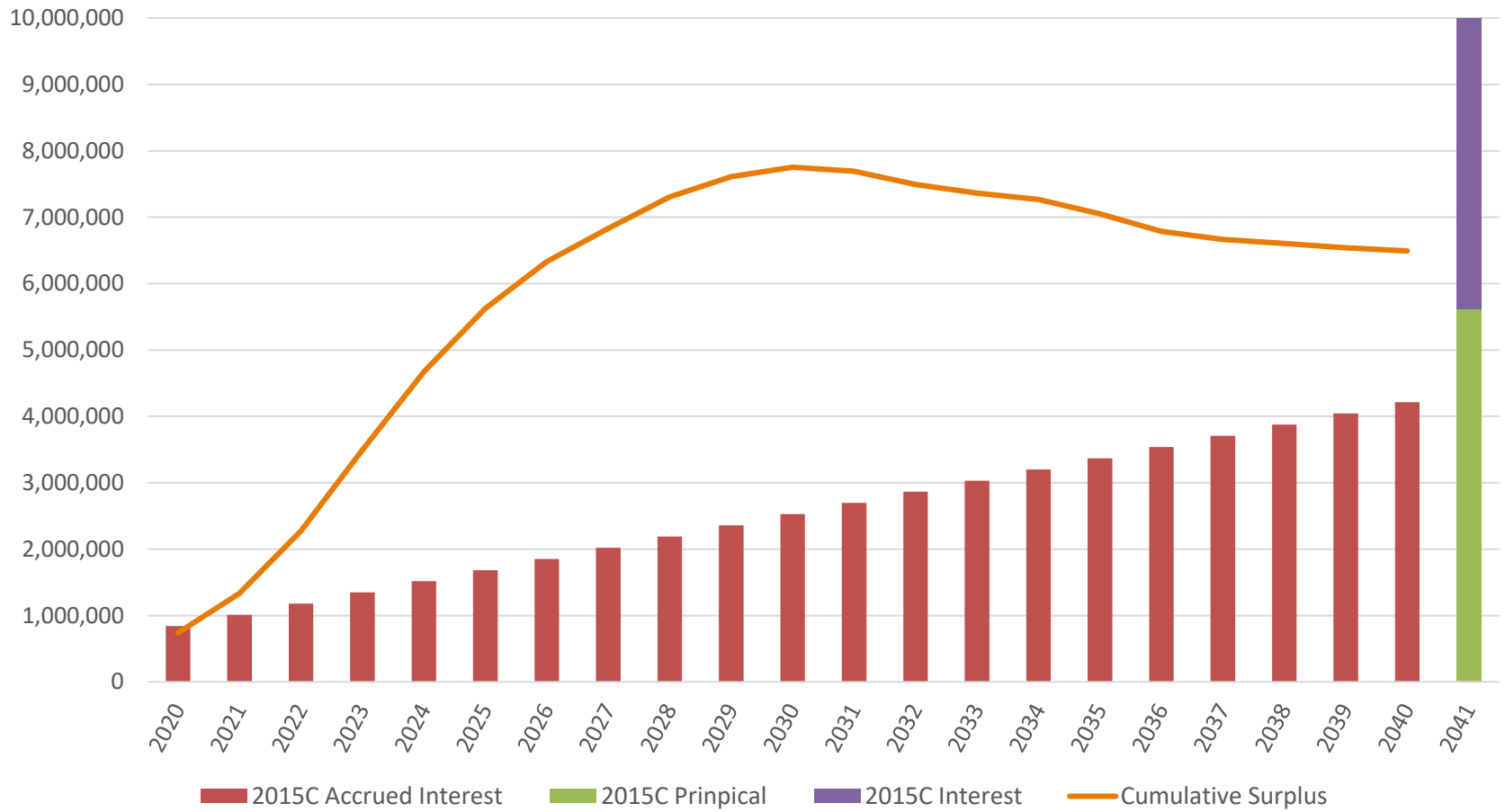
# EXISTING NET DEBT SERVICE, REVENUE & MILL LEVIES

Woodmen Heights - Existing Debt Service





# 2015C PROJECTED INTEREST AND PAYMENT





# FINANCING PROPOSAL

## In order to refinance all outstanding District debt, 3 series of bonds will be necessary

- Series 2020A
  - Advanced Refunding Bank Loan, Taxable non-rated loan converting to tax-exempt on 9/3/21
  - Structured with 1.25x coverage based on existing development only
  - 15 year fixed rate with a balloon maturity, however there will be a maximum annual revenue permitted under the loan agreement in the case that the District cannot refinance
  - Refunds Series 2012A and a portion of Series 2012B
- Series 2020 B-1
  - Taxable, converting to tax-exempt 9/3/21, non-rated current interest subordinate bond
  - Anticipated minimum coverage of 1.65x increasing to 1.7x by final maturity
  - Refunds remaining portion of Series 2012B
- Series 2020 B-2
  - Tax-exempt, non-rated, cash-flow bond
  - Refunds Series 2015C Bond



# FINANCING PROPOSAL

## Summary of Refinancing

- Refinancing of all existing District Debt
  - Ability to lower the mill levy to 27.4, or keep the mill levy at 33.3 and pay off debt faster
  - Total par amount not to exceed \$52 million
  - Anticipated costs of issuance \$810,000
  - Discharge date on debt of 2045
    - The debt discharge date is 40 years after the first year of imposition (2005)
  - Anticipated Interest Rate
    - 2020A – 3.5% taxable converting to 2.75% tax-exempt (Not to exceed 4.5% TE)
    - 2020B-1 – 9.5% taxable converting to 6.5% tax-exempt (Not to exceed 8% TE)
    - 2020B-1 – 7.25% tax-exempt (Not to exceed 8.5%)



# SUMMARY OF FINANCING PLAN

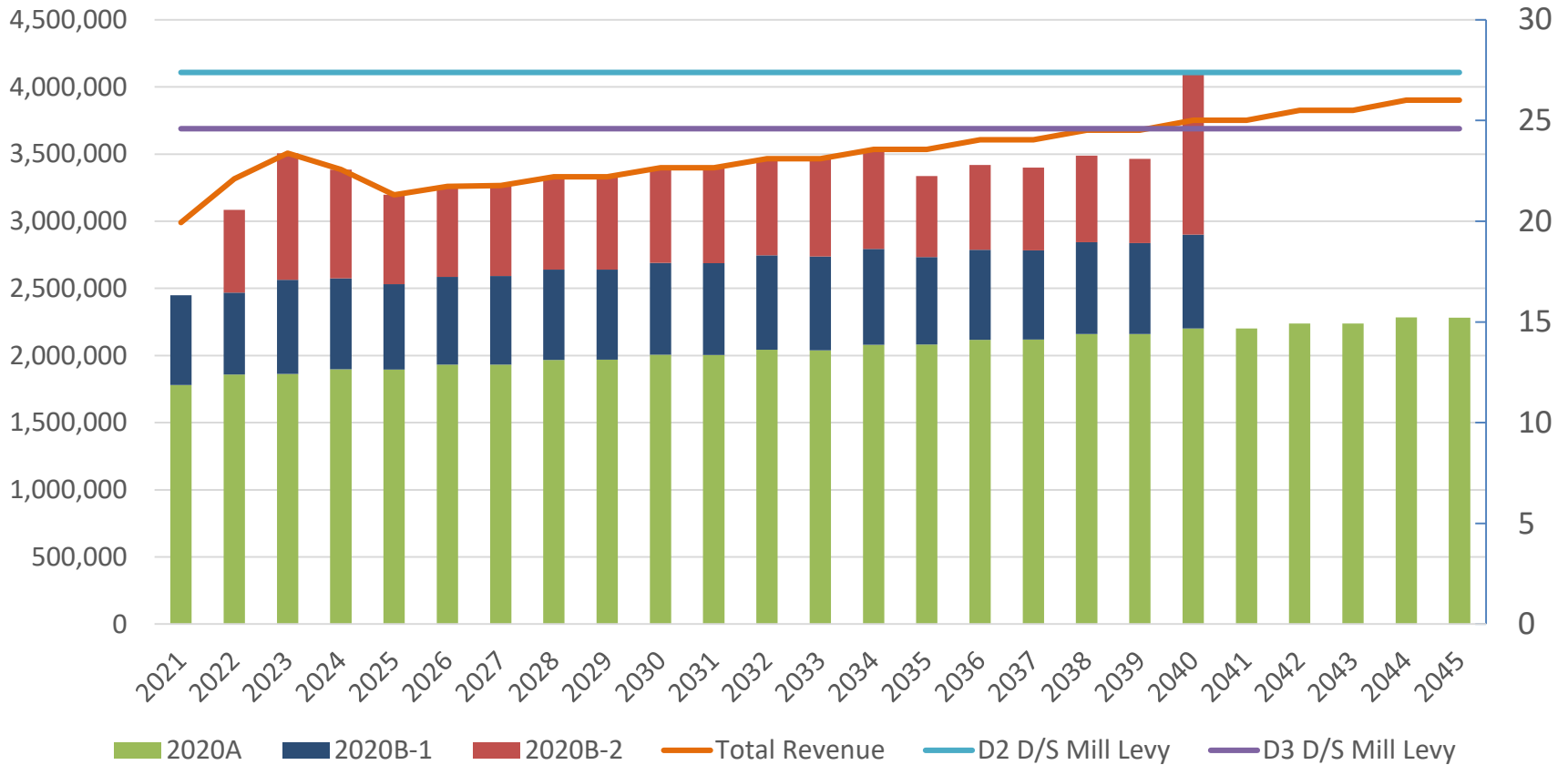
	2020A Taxable Loan	2020B-1 Taxable Bond	2020B-2 Tax-Exempt Bond
<b>Par Amount</b>	\$35,115,000	\$7,740,000	\$6,719,000
<b>Refunding</b>	Refunds Series 2012A & B = \$43,033,197		Refunds Series 2015C = \$6,516,684
<b>Debt Service Mill Levy</b>	D2 = 27.386 mills (currently 33.398) D3 = 24.6 mills (currently 30)		
<b>Interest Rate</b> (Net Interest Cost)	3.48% (txbl rate thru 9/3/21) 2.75% (t-e rate for 15 years) capped at 5.0% thereafter	9.5% (txbl rate thru 9/3/21) 6.0% (t-e rate)	7.25%
<b>Final Maturity</b>	12/01/2045	12/01/2040	12/15/2040
<b>Total Combined Repayment</b>	<b>\$78,750,937</b>		





# PROJECTED NET DEBT SERVICE, REVENUE & MILL LEVIES

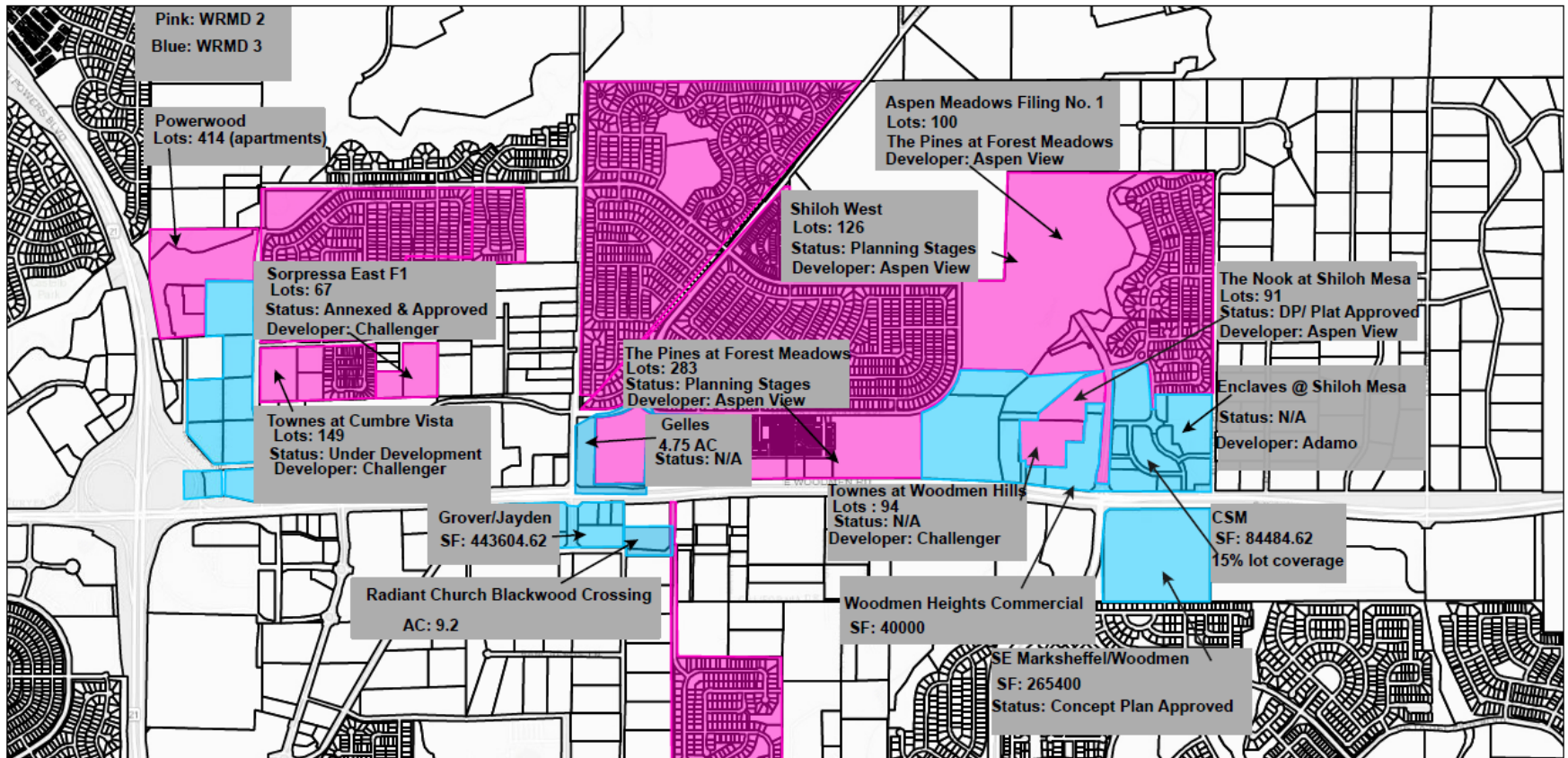
## Woodmen Heights - Projected Annual Debt Service





# DISTRICT MAP

## WSDM WRMD 2 & 3 Development Projections





## ORIGINAL USE OF PROCEEDS

The following list of improvements were completed with the bond proceeds from the 2005 issue

Improvements	Amount
Streets	\$7,835,000
Sewer	\$1,525,000
Water	\$3,090,000
Storm Sewer	\$5,000,000
Landscaping & Parks	\$6,172,000
Engineering & Surveying	\$1,981,069
<b>Total</b>	<b>\$25,603,000</b>



## CONVERTIBLE CAPITAL APPRECIATION BONDS ISSUED IN EL PASO COUNTY

- At the Budget Committee, the question was asked about the history of Capital Appreciation Bonds being issued in Colorado Springs.
- Capital Appreciation Bonds are issued at a reduced face value. Interest accrues until the conversion date at which time the accrued interest becomes principal that is due. The Woodmen Heights CABs converted in December, 2017.
- Nearly all bond issued by metropolitan districts in the early stages of development have capitalized interest as there is an insufficient tax base to make interest payments until the newly constructed properties are assessed and taxed. The IRS allows for capitalized interest for three years and in certain instances where that is not sufficient, a capital appreciation bond is an alternative.

Issuer	Date	Par
Tuscan Foothills Village MD	December 5, 2019	\$1,097,140
Meadowbrook Crossing MD	October 10, 2018	\$3,097,728
Woodmen Heights #1	March 15, 2012	\$24,007,680



## PROJECTED SCHEDULE OF EVENTS

Activity	Date
City Council Budget Session – Preliminary Discussion	July 28, 2020
City Council Budget Session	August 25, 2020
City Council Work Session	September 4, 2020
City Council Meeting	September 22, 2020
Post PLOM	September 23, 2020
Bond Pricing	October 7, 2020
Bond/Loan Closing	October 14, 2020