



# Commerce City

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## Council Communication

File Number: Ord 2376

**Agenda Date:** 3/7/2022

**Version:** 1

**Status:** ATS Review

**In Control:** City Council

**File Type:** Ordinance

AN ORDINANCE AUTHORIZING THE ISSUANCE BY THE CITY OF COMMERCE CITY, COLORADO OF ONE OR MORE SERIES OF ITS SALES AND USE TAX REVENUE BONDS; PROVIDING OTHER DETAILS IN CONNECTION THEREWITH; AND DECLARING AN EMERGENCY ON FIRST AND FINAL READING.

### **Summary and Background Information:**

The 2014 and 2016 series of bonds may be paid off or refinanced in 2024 and 2026 respectively. Current interest rates offer significant savings over the interest rates in place on the bonds. But to take advantage of those interest savings would mean doing an advanced refunding and that results in the bonds being considered as taxable.

A bank is willing to refinance those bonds as a private placement at a significantly lower interest rate. The bank is willing to work with the City in structuring the advanced refunding in what is called a Cinderella structure.

On February 28, staff presented information and recommended we proceed with the Cinderella bonds that start as taxable and convert to tax exempt upon their call date. The estimated savings are approximately \$17 million over the remaining life of the bonds, which is approximately \$12.7 million in net present value.

The voter authorization was for \$166 million for the construction of park, recreation, and street projects. Approximately \$128 million in bonds were issued. As a result, an additional \$35,030,000 of debt could be issued for parks, recreation, and roadway improvement projects as authorized by the voters. (A small portion must be kept back.) The Department of Finance has examined the cash-flow history and found that 2K revenues have exceeded the debt service, operation, and maintenance costs by an approximate average of \$4.28 million per year for 2015 through 2020. Issuing the additional debt would increase the annual debt service by an estimated \$1.3 million leaving us with approximately \$3.5 million that will still be added to fund balance each year.

**Staff Responsible (Department Head):** Roger Tinklenberg, City Manager

**Staff Member Presenting:** Staff and counsel will be available for questions

**Financial Impact:** See Above

**Funding Source:** Bond Refunding

**Staff Recommendation:** Approve ordinance 2376

**Suggested Motion:** Motion to Approve Ordinance 2376