

Colorado Counties Inc.

Capital Financing Options For Small & Medium Counties

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Introduction to the topic

Why this topic is important to counties

Rio Grande County Context



1. What tools are in state statutes: General obligation bonds, sales tax revenue bonds, lease-purchase financing, enterprise revenue bonds
2. Improvement Districts: Public Improvement Districts and Local Improvement Districts
3. Financing Sources: Public bond markets, bank lenders, USDA and other Federal programs
4. Do I have to go to an election and if so, how can I get voters to support my proposal?

Best Way to Pay for Capital Projects



Best Way to Pay for Capital Projects

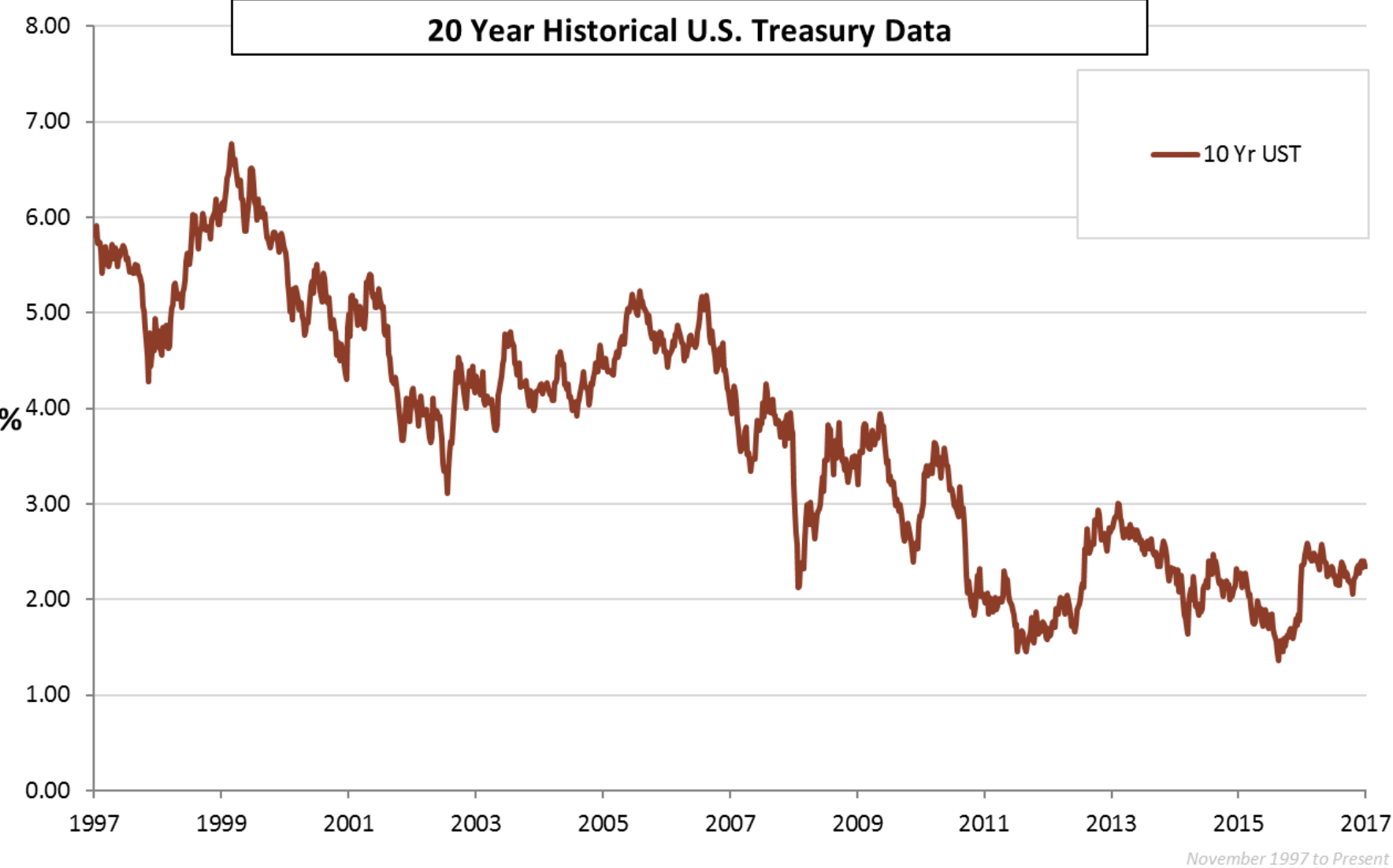
If you don't have a pile of money, here are other options allowed in state statutes

- General Obligation Bonds – approved by voters, pledge of the full faith and credit of the County and commitment to increase the mill levy at a rate necessary to repay the bonds
- Sales Tax Revenue Bonds – approved by voters, pledge of some or all of the County sales tax revenue
- Lease Purchase Financing – not approved by voters, annual appropriation financing repaid by legally available revenues of the County, and secured by an asset (leased property)
- Certificates of Participation – fancy name for lease-purchase financing
- Enterprise Revenue Bonds – not approved by voters, typically used to finance a water project

Current Market for Borrowing at Interest Rates

- Interest rates are still quite low
- The biggest problem with borrowing is you have to pay back the money
- Counties can borrow at tax-exempt rates which means the interest rates are lower
- Proposed changes to tax law now being discussed in Congress may impact your ability to borrow in the tax-exempt market
- Rule of Thumb – for a 25 year financing the annual payment is about 7% of the principal borrowed
- For example : \$1,000,000 borrowed for 25 years = \$70,000 annual payment
\$5,000,000 borrowed for 25 years = \$350,000 annual payment

Historical Treasury Rates



Election Overview

- Do I have to go to an election and if so, when are the votes successful?
- All tax increases require a vote
- All bonds secured by taxes require a vote
- Counties can choose to place a tax and/or a bond question on the ballot
- Counties can only place tax or debt questions on the ballot in November (any November)
- Keys to passing a tax or bond question:
 - Start early
 - Have a really well developed plan
 - Respect the tax payer
 - Communicate

Fremont County – Sunny Bryant

- Sales Tax Approved by Voters in 1982
- 25% dedicated to capital needs
- Lease Purchase financing history over the past 25 years
- Projects included: Jail, courts, renovation and expansion of existing building and acquisition of new buildings, purchase of equipment



Alamosa County – Jason Kelly

- Two year process of community involvement
- County Courts and Jail Project
- 2015 Election – 1% Sales Tax - 0.75% sunsets in 20 years, 0.25% stays in place for continuing operations
- \$22 million Certificate of Participation Financing in 2016
- Underfunded Courts Grant
- DOLA Energy Impact Grant

