

Long-Term Capital Financing Discussion



Tonight's Agenda

- 1 Capital Needs**

- 2 Why Long-Term Debt?**

- 3 Organizational Readiness**

- 4 Debt Policy & Guardrails**

- 5 Can Littleton Afford This?**

- 6 The Long-Term Program**

- 7 What Has to Happen & Next Steps**

Potential Program and Project Needs

Project	Project Type	Outcome	Potential Funding Tool
Ketring & Gallup Park Improvements	Parks, recreation, and open space	Sustainable Community with Natural Beauty	GO Bond, grants / partnerships
Project Downtown (future phases)	Core infrastructure + economic vitality & placemaking	Vibrant Community with a Rich Culture	COPs, GO Bond, grants / partnerships
Littleton Center	Cultural & community facility + economic vitality & placemaking	Vibrant Community with a Rich Culture	COPs, GO Bond, partnerships
Bemis Public Library	Cultural & community facility	Vibrant Community with a Rich Culture	COPs, GO Bond
ADA Improvements	Core infrastructure	Safe Community	COPs, GO Bond
Pedestrian Underpasses	Core infrastructure	Safe Community	COPs, GO Bond, grants
Sidewalk Replacement Program	Core infrastructure	Safe Community	COPs, GO Bond
TMP-Identified Projects	Core infrastructure	Safe Community	COPs, GO Bond, grants
Facility Deferred Maintenance	Essential service facilities	High Quality Governance	COPs, GO Bond
Geneva Village	Cultural & community facility + economic vitality & placemaking	Vibrant Community with a Rich Culture	COPs, GO Bond, partnerships

Intergenerational Equity

- Residents who benefit from a facility over its useful life should share in paying for it, not just current taxpayers.
- A 30-year asset paid for in a single year is neither fair nor financially sound. Long-term debt aligns cost with benefit.

Inflation Erodes Pay-Go

- Deferring capital does not eliminate costs. It increases them.
- Littleton's facilities average 75 years of age.
- Construction inflation of 8%+ annually means a project priced at \$30M today costs about \$44M in five years.

Accelerates Projects

- Debt financing allows the City to deliver multiple priority projects simultaneously rather than sequentially.
- The 2026 COPs fund Downtown Main Street Projects.
- Proposed 2027 COPs will fund other Council-directed projects, impossible on a pay-go basis given project scale and timeline.

20 Years of Fiscal Discipline

- Littleton has carried no debt for roughly two decades.
- That discipline created significant borrowing capacity and a financial profile well above national peers.
- This program is a measured, first use of that capacity that will help the City invest in its assets and service delivery quality.

We plan carefully

Capital needs are identified through a deliberate, long-range planning process. Debt issuances are structured against a formal policy, a facilities master plan, and an annual capacity analysis. Nothing is issued without Council authorization.

We deliver what we promise

Voter-approved debt and appropriation-backed obligations come with a commitment to complete projects on time and on budget. That requires both financial capacity and organizational readiness.

Our policy provides the guide for decision making

The Debt Management Policy and Procedure establish clear parameters for when, how, and how much the City borrows. These documents protect taxpayers, preserve the City's credit profile, and provide a transparent framework for every future issuance.

We provide transparency to our investors and citizens

The City will meet all continuing disclosure obligations, prepare annual debt capacity analyses, and provide Council and the public with clear reporting on the status of every debt obligation.

PROGRAM READINESS

A successful bond program requires alignment across three components:

Defined Capital Program (CIP)

- Prioritize capital needs identified through adopted planning efforts and integrated into the CIP*
- Define clear project scope, delivery approach, and timing
- Develop planning-level cost ranges using consistent assumptions
- Align projects with funding eligibility (pay-as-you-go, GO, COPs, enterprise, etc.)
- Understand operating and lifecycle impacts

Financial Capacity & Policy

- Establish debt limits and affordability targets
- Align repayment structure with asset life and funding source
- Develop issuance and tranche strategy based on project timing and cash flow
- Maintain policy guardrails to protect flexibility and credit quality

Organizational Readiness

- Identify internal resources to manage program delivery
- Establish program governance, oversight, and reporting structure
- Implement consistent project definition, cost, and PMIS standards
- Identify staffing and consultant support needs
- Prepare for program-level management and accountability

PROJECT READINESS

Debt issuance requires projects to be fully defined and ready to execute.

Once Debt is Issued:

- Planning, scoping, and major definition work should already be complete
- Projects must already have defined scope, cost, and delivery approach
- Projects should be design-ready or construction-ready
- Funds are expected to be spent within defined timeframes (~3-4 years typical)

If Projects Are Not Ready:

- Funds sit unused → paying interest without progress
- Increased financial risk due to timing mismatch
- Pressure to advance incomplete or poorly defined projects
- Higher likelihood of cost overruns and scope changes
- Reduced ability to deliver on commitments to Council and the community

WHAT READY MEANS

- Clear problem statement and purpose
- Capital eligibility confirmed (asset life, non-recurring costs)
- Defined scope and limits
- Planning-level cost range with consistent assumptions
- Identified delivery method
- Preliminary schedule and phasing
- Major risks understood

Current Debt Policy Limits

Littleton has significant legal capacity available. The below illustrative 20-year program uses all the debt tools available to the City.

General Obligation Bonds

Charter Limit: 3% of Assessed Value

Current AV (2026; 000s)	\$1,313,163
Legal GO Capacity	\$48,587,042
Existing GO Debt	\$0
Available Under Cap	\$48,587,042
Hypothetical 20-Yr GO Program (5 mills)	\$330M

** Voter approval required. Charter limit applies.*

Certificates of Participation

Policy Limit: 1/3 of 3A DS Revenues

2025 3A Revenue	\$12,479,823
1/3 Policy Threshold	\$4,118,342
2026 COP Annual DS (est.)	~\$1.85M
Remaining COP Capacity	\$2,268,342
Collateral Limit (90% AV)	\$97M

** No voter approval required. Annual appropriation risk applies.*

Sales Tax / Utility Revenue Bonds

Coverage: Min. 1.5x Net Revenues

Funding Source	Rates / Capital Sales Tax
Existing Revenue Debt	\$0
Rate Study Status	Underway
Utility Capacity	TBD
Sales Tax Revenue Bond Capacity	TBD

** Utility capacity determined by rate study outcomes and charter limits.*

Debt Policy & Guardrails

Current policy adopted November 2018 and amended April 2023. The proposed new Debt Policy provides detailed operational guidance on issuance practices, authorized structures, credit targets, and post-issuance compliance obligations.

POLICY GOALS

Achieve the lowest cost of capital within acceptable risk parameters

Demonstrate a commitment to long-term capital planning

Maintain or improve credit ratings; assure reasonable-cost market access

Preserve financial and management flexibility

Manage interest rate risk within acceptable parameters

Provide justification for debt structure consistent with Policy goals

Recommended Debt Policy Guardrails & Best Practices

KEY PARAMETERS

GO Bond Limit	3.7% of assessed value (\$48.6M per charter) Voter approval required.
Revenue Bond Limit	5% of AV for sewer/water (~\$65.6M) before voter approval required (City Charter).
COP Debt Service Limit	≤ 1/3 of 3A Capital Sales Tax revenues annually (~\$4.16M estimated for 2026).
Debt Service/Revenue Bond Ceiling	Annual debt service ≤ 15% of GF + Capital Sales Tax revenues combined – best practices/peer benchmarks
Finance Director	Annual debt capacity analysis required before every new issuance
Program Cadence	~\$50M tranches every 5 years or so; maximum of \$450M total over 35+ years

Appropriate Debt Level — Typical Measures

- Annual debt service on tax-supported obligations should not exceed 15% of General Fund & Capital Improvement Sales Tax Fund revenues
- Debt service on obligations payable from dedicated tax revenues approved by voters shall be excluded from the 15% cap (consistent with GFOA best practices and peer benchmarks)
- The percentage of tax-supported principal retired within 10 years relative to peer Front Range municipalities
- Tax-supported debt per capita should be maintained relative to peer Front Range municipalities
- Enterprise support financial obligations target an annual debt service coverage ratio of 1.1
- Finance Director shall prepare a debt capacity analysis annually and prior to any new issuance.
- The plan for *COPs and GO debt should be considered over a 35+ year plan at a time, estimates of ~\$50M at a time for a maximum of \$450M in aggregate over that time period*



General Government Debt

Debt for general government projects:

- Certificates of Participation (COPs)
- Revenue Bonds (e.g., sales tax-backed)
- General Obligation (GO) Bonds

2026/2027 COPs — Council-Directed Projects

- Downtown / Main Street project
- Service Center improvements
- Town Hall Arts Center mechanical

Future Projects —

- *Facilities Master Plan*
- *Transportation Master Plan*
- *Blueprint Boulevard Plan*
- *Ongoing Capital Improvement Plan*



Utility / Enterprise Debt

Debt for enterprise fund projects:

- Revenue Bonds (utility/ratepayer backed)
- State Revolving Fund Loans (SRF)

Key Distinction

- Utility debt is self-supporting, repaid from ratepayer revenues, not the General Fund or 3A sales tax.
- It is tracked and evaluated separately from general government debt capacity.



- *Rate study in process — utility debt program to be presented to Council upon completion for sewer and stormwater rates.*

The 20-Year Debt Program

Illustrative framework. Future tranches and timing are not final. Exact project list follows the Facilities Master Plan.

Instrument	When	Repayment Source	Voter Required?	Purpose / Notes
COPs (~\$30M)	2026	Capital Sales Tax	No	Downtown/Main Street
COPs (\$TBD)	2027	Capital Sales Tax	No	Belleview Service Center + Town Hall
GO Bonds	2030 (hyp.)	Dedicated Property Tax Levy	Yes	Large community capital — project list TBD pending Facilities Master Plan
Sales Tax Rev Bonds	TBD	Capital Sales Tax	Yes	Capital projects sequenced after COPs
COPs (future tranches)	TBD	Capital Sales Tax	No	Additional facility needs as FMP identifies projects; within 1/3 DS policy limit
Utility/Enterprise	2027+	User Rates	No if ≤5% AV limit	Water, sewer, stormwater capital — separate enterprise track; follows rate study

Program Summary

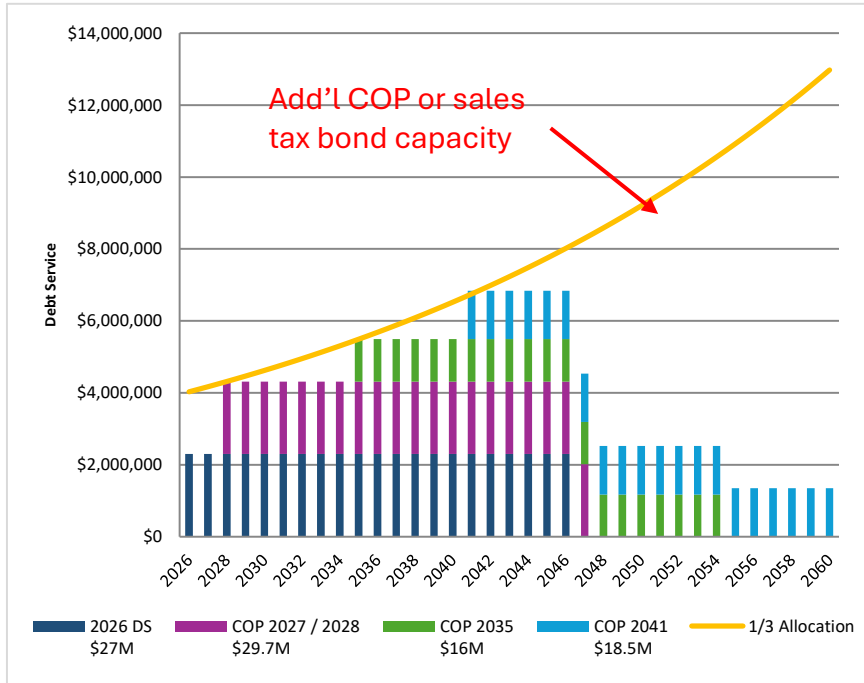
General govt cadence: Target ~\$200M–\$250M total over 20 years with a maximum of \$450M over 35+ years

Utility track: Separate. Sized by rate study; does not count against GF debt metrics

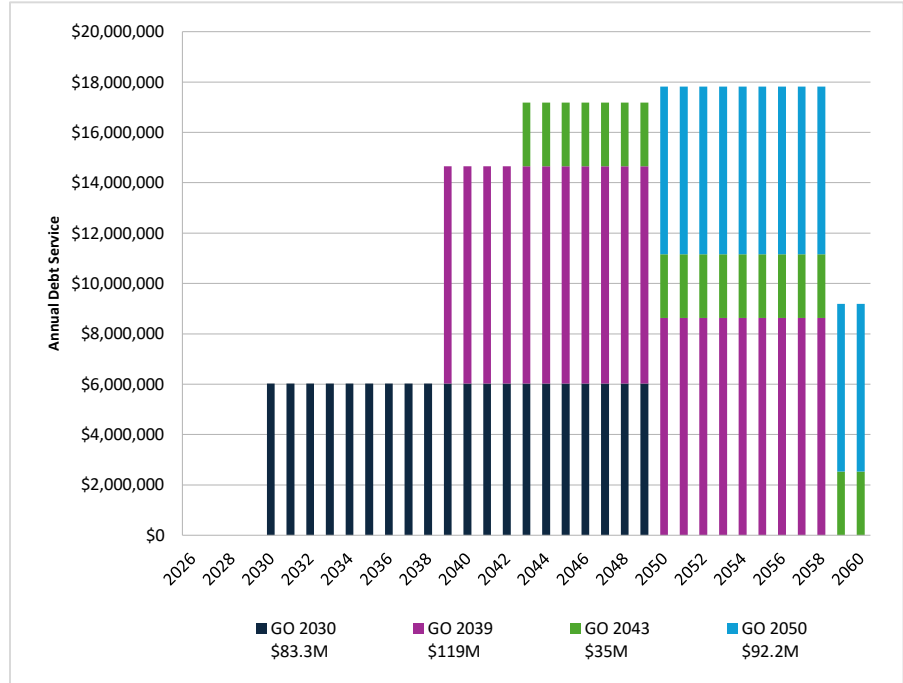
Project list: To be populated as Facilities Master Plan is completed

Illustrative 20-Year GO & COP Bonding Capacity

~\$92M COPS (Capital Sales Tax)



~\$330M General Obligation Bonds (5 mills)



Hypothetical scenarios for discussion purposes only. Subject to change. GO tax base assumes 4% biennial growth every reassessment year. Sales tax revenues assume 3.50% annual growth and no mineral place revenues.

What Has to Happen to Get There

1 Capital Improvement Plan

- Facilities master plan
- Capital needs
- Transportation master plan

2 GO bonds and sales tax revenue bonds require voter approval

- GO bonds and sales tax revenue bonds require voter approval.
- The path to \$200–250M in capacity requires building public trust and winning at least one (possibly more) elections. Maximum shown of \$450M over 35+ years.
- This takes time and deliberate community engagement.

3 Organizational capacity must keep pace with financial capacity

- A \$200M–\$250M program over 20 years is roughly \$10–12M in annual capital spending at peak. Maximum shown \$450M over 35+ years
- Delivering that well, on time, on budget, and to community expectations, requires organizational readiness that matches the financial readiness.

Next Steps

Item	Who	When
✓ Adopt Debt Management Policy & Procedure	City Council	2026
✓ Organization and system readiness	City Manager + Staff	2026 thru 2028
✓ Certificates of Participation issuances	Finance + UMB	2026/2027
✓ Rate study completion → utility debt program	Utilities + Finance	2026/2027
✓ Complete Facilities Master Plan	City Manager + Staff	2027
✓ GO bond project identification & community engagement	City Manager + Staff	2027 thru 2029
✓ Charter amendment	Staff + Bond Counsel	2027/2028
✓ GO bond election	Staff + Bond Counsel	2028/2029

Voter approval is required for GO bonds, sales tax revenue bonds, and any charter amendment to the GO or enterprise debt limit. Council will be consulted at every decision point before any action is taken.

- Does Council support the new debt policy / procedure?
- Does Council support our plan to fund our capital needs?

