



City of Englewood City of Littleton

Financing Alternatives for Biogas Project

PFM Financial Advisors LLC

50 California Street
Suite 2300
San Francisco, CA 94111

415.982.5544
pfm.com



Overview

• **Cities have access to a number of tax-exempt public financing methods, including:**

- Revenue Bonds
- Lease Revenue Bonds / Certificates of Participation (“COP”)
- Municipal Lease
- Public-Private Partnership (“P3”)
- State Loan

• **Englewood and Littleton have utilized several of these forms of financing previously**



Traditional Tax-Exempt Financing Options

◆ Revenue Bonds

- Debt service is payable solely from the revenues derived from facilities operations
- Credit quality and associated rating depend on the strength of the particular revenues pledged

◆ Certificates of Participation / Lease Revenue Bonds

- Permits the investor to participate in a stream of lease payments relating to specific equipment, land or facilities
- COPs are not viewed legally as "debt" because payment is tied to an annual appropriation, so they are a weaker security and often carry ratings that are a notch or two below an issuer's general obligation rating

◆ Municipal Lease

- Similar to Lease Revenue Bonds but privately placed with one investor or bank
- No rating or public issuing document required

◆ Public-Private Partnership

- Can be structured using various models that represent a range of public- and private-sector involvement and varying levels of public and private risk and financing
- Many P3 transactions entail a more limited private role (design-build only) but the relationships of the public and private parties can vary greatly

◆ State Loan

- Colorado Water Resources and Power Development Authority ("CWRPDA") provides low-cost financing primarily for water and wastewater infrastructure development
- After project qualifies and application is submitted and approved, CWRPDA issues pooled bonds and a portion of the bond proceeds are loaned to the City
- Repaid by revenues from the enterprise fund that received the loaned bond proceeds



Sources and Uses Comparison

- ◆ A comparison of how the financing options are secured and repaid is presented below:

Financing Alternative	Security / Source of Repayment
Revenue Bond	Secured by a pledge of revenues from a specific source, such as a tax or fees (sewer revenues, storm drainage fees, etc.)
Certificates of Participation	Secured by a pledge of lease payments in respect of an asset that is owned by the Issuer. The General Fund is usually pledged to make the lease payments, though other revenues can be identified internally as the budgetary source for the payments.
Municipal Lease	Secured by a pledge of lease payments in respect of an asset.
Public-Private Partnership	Unlike public debt-funded projects, P3 projects may be funded partly or entirely through equity contributed by private partners. Debt issued to finance a P3 project may be partly or entirely repaid by private partners.
State Loan	Repaid by revenues from the associated enterprise fund.
Cash	Liquid funds from the General Fund or an enterprise fund.



Credit Comparison

- ◆ A comparison of credit, cost, and procedural characteristics is presented below:

Financing Alternative	Estimated Credit Rating	Estimated Borrowing Rate	Estimated Timeframe	Estimated Transaction Cost
Revenue Bond	"A" Category	2.25%	3 - 4 months	\$150,000
Certificates of Participation	High "A" Category	2.00%	3 - 4 months	\$150,000
Municipal Lease	N/A	2.75%	2 - 3 months	\$100,000
Public-Private Partnership	Varies	Varies	> 6 months	Varies
State Loan	AAA	1.87% (20-yr term only)	> 3 months	\$135,000
Cash	N/A	N/A	< 1 month	N/A

Note: With the exception of the State Loan, these are general estimates provided for comparative purposes only, not indicative of or related to a specific project or financing.



Questions / Comments