



Memorandum

TO: Vail Reinvestment Authority
Town Council

FROM: Finance Department

DATE: May 19, 2020

SUBJECT: Vail Reinvestment Authority (VRA) Bond Refunding

I. SUMMARY

The purpose of this memo is to request approval of Resolution No. 2, Series 2020, a resolution authorizing staff to move forward with a refunding of the Vail Reinvestment Authority (VRA) Tax Increment Bonds Series 2010B.

Later in the evening Town Council meeting, staff will be requesting approval of the town Resolution No. 17, Series 2020, a resolution authorizing the town to enter into a moral obligation and cooperation agreement with the VRA relating to the bond refunding.

II. BACKGROUND

In November of 2010 the VRA issued \$3,670,000 of tax-exempt tax increment revenue bonds "Series 2010A" along with \$8,270,000 of taxable tax increment revenue bonds "Series 2010B". The bond proceeds were used to finance the construction of the Lionshead Transit Center, the Lionshead Welcome Center and Grand View, Lionshead portal entries, as well as major renovations at the Vail Public Library. These bonds are special limited obligations of the VRA, secured and funded by pledged incremental property tax revenues in the district.

The Series 2010A bonds were paid off as of June 1, 2018.

The Series 2010B bonds have a current principal amount of \$7,715,000, with an annual interest rate ranging from 5.269% to 6.659%. The Series 2010B bonds are "Build America Bonds", which provided a federal subsidy known as the "BAB Credit" equal to 35% of corresponding interest as provided under the American Recovery and Reinvestment Act of 2009. This "BAB Credit" has decreased annually since 2013 due to federal budget reductions.

Due to a favorable municipal bond market, staff put out a Request for Quotes from three underwriting firms in April 2019. Shortly thereafter, the Town Manager agreed to wait

until additional information was gathered regarding plans for a potential “new issue” of bonds relating to Civic Area project(s) with the idea that a combined refinance and new issue would result in bond issuance cost savings. In February 2020 staff returned to Council to request going forward with a refinancing of the current bonds given that Civic Area project(s) were now unlikely within the next year and a favorable bond market environment. In March 2020 the municipal bond market was in turmoil and oversaturated, however since then it has stabilized and continues to present an opportunity for interest savings estimated at over \$700,000.

A team has been selected and assembled to facilitate the refunding process consisting of Jonathan Heroux, of Piper-Sandler (placement agent) and Dee Wisor of Butler Snow LLP (bond counsel), Scott Robson, Town Manager, Matt Mire, Town Attorney and Kathleen Halloran, Finance Director.

III. DISCUSSION

Below is an outline of proposed actions to facilitate the refinancing:

- Town Council, sitting as the board of the Vail Reinvestment Authority, approve VRA Resolution No. 2, Series 2020, a resolution authorizing staff to move forward with a refunding of the Vail Reinvestment Authority (VRA) Tax Increment Bonds Series 2010B. The resolution authorizes staff to work through an RFP process for bank placement, select a preferred lender, and approve rates and terms of a loan agreement with the lender. It also authorizes staff to execute a “cooperation agreement” between the town and VRA relating to the town’s morale obligation, as explained below.
- Town Council to approve Town of Vail Resolution No. 17, a resolution authorizing the town to enter into a moral obligation and cooperation agreement with the VRA relating to the bond refunding. A “moral obligation” is not a legally-binding commitment, but means that the town agrees to cover debt service payments should the VRA be unable to do so from the pledged property tax revenues. A benefit of the town agreeing to a moral obligation allows the VRA to use the current debt service reserves (\$827K) to pay down the principal amount of debt, which will result in less interest expense over the life of the repayment.
- Coinciding with the moral obligation would be the execution of a “cooperation agreement” between the town and VRA, which provides terms of repayment to the town should the town have to cover any debt service payments as a condition of the “moral obligation” agreed to by Town Council.

IV. NEXT STEPS

Staff is recommending that Town Council approve both the VRA Resolution No. 2, Series 2020, and approve Town of Vail Resolution No. 17, Series 2020, authorizing the financing team to move forward with a refunding of the VRA Series 2010B bonds.

Next steps include the financing team working to distribute requests for proposals, reviewing the bids, selecting the winning bidder and then drafting legal documents to finalize the transaction. The documents will include a loan agreement between the VRA and the selected financial institution, as well as the cooperation agreement between the VRA and Town of Vail.

Staff will return to Council on June 16th with an update on the refinancing activities prior to an estimated closing date of June 30th.

**RESOLUTION NO. 17
SERIES 2020**

A RESOLUTION CONCERNING THE VAIL REINVESTMENT AUTHORITY AND ITS TAXABLE TAX INCREMENT REVENUE BONDS (DIRECT PAY BUILD AMERICA BONDS), SERIES 2010B; AUTHORIZING AND DIRECTING ACTIONS BY THE TOWN MANAGER WITH RESPECT TO THE PREPARATION OF REQUESTS TO THE TOWN COUNCIL FOR APPROPRIATION OF MONEYS TO FUND ANY DEFICIENCIES IN THE REVENUES PLEDGED TO THE PAYMENT OF SUCH BONDS; AND AUTHORIZING THE 2020 COOPERATION AGREEMENT.

WHEREAS, the Town Council (the “Town Council”) of the Town of Vail, Colorado (the “Town”), by resolution adopted November 4, 2003, created the Vail Reinvestment Authority of (the “Authority”); and

WHEREAS, the Town Council has previously approved the LionsHead Public Facilities Development Plan, as amended (the “Plan”) pursuant to the Colorado Urban Renewal Law (the “URA Law”); and

WHEREAS, Authority has previously issued its Vail Reinvestment Authority, Taxable Tax Increment Revenue Bonds (Direct Pay Build America Bonds), Series 2010B in the aggregate original principal amount of \$8,270,000 (the “2010B Bonds”); and; and

WHEREAS, the Town and the Authority have previously executed and delivered a Cooperation Agreement (the “2003 Cooperation Agreement”); and

WHEREAS, the Authority intends to issue, pursuant to a certain Loan Agreement (the “2020 Loan Agreement”), its Tax Increment Revenue Refunding Note, Series 2020, with a lender hereafter determined by the Authority (the “Lender”) to obtain a loan in the principal amount of not to exceed \$7,250,000 (the “Loan”) in order to finance the costs of refunding the 2010B Bonds (the “Refunding Project”); and

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the meanings set forth in the 2020 Loan Agreement; and

WHEREAS, in order to assist the Authority in obtaining the most economical terms from the Lender, the Town and Authority wish to enter into a 2020 Cooperation Agreement (the “2020 Cooperation Agreement”) between the Town and the Authority, pursuant to which the Town will agree, subject to conditions specified in the 2020 Cooperation Agreement, to loan funds to the Authority in the event Pledged Revenues are insufficient to pay the debt service due in connection with the Loan, as follows: The Loan Agreement contemplates that if, in any month, there are insufficient moneys on deposit in the Revenue Fund to make the payments into the Loan Payment Fund in the amounts required by the Loan Agreement, or if the Executive Director anticipates that

there will be a deficiency in moneys on deposit in the Revenue Fund to make any such deposit in any given month, then the Executive Director shall immediately notify the Town Manager of any such insufficiency, and the Town Manager shall notify the Town Council of any such insufficiency in the Revenue Fund and request an appropriation or supplemental appropriation in an amount sufficient to make up any such insufficiency; and

WHEREAS, the Town Council wishes to make a non-binding statement of its present intent to appropriate funds in an amount sufficient to make deposits to the Loan Payment Fund in an amount equal to any such deficiency in the Revenue Fund and to authorize and direct the Town Manager to take certain actions for the purpose of causing requests for such appropriations to be presented to the Town Council for consideration; and

WHEREAS, the form of the 2020 Cooperation Agreement is on file with the Town Clerk.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF VAIL, COLORADO:

Section 1. Appropriations to the Loan Payment Fund. In each year the Note is outstanding, and as provided in the Loan Agreement, if, in any month, there are insufficient moneys on deposit in the Revenue Fund to make the transfers into the Loan Payment Fund in the amounts required by the Loan Agreement, or if the Executive Director anticipates that there will be a deficiency in moneys on deposit in the Revenue Fund to make any such transfers in any given month, then the Executive Director is required to immediately notify the Town Manager of any such insufficiency. Upon the receipt of any such notice from the Executive Director, the Town Manager shall prepare and submit to the Town Council a request for an appropriation of an amount equal to any such insufficiency, to be deposited in the Loan Payment Account. It is the present intention and expectation of the Town Council to appropriate such funds as requested, within the limits of available funds and revenues, but this declaration of intent shall not be binding upon the Town Council or any future Town Council in any future fiscal year. The Town Council may determine in its sole discretion, but shall never be required, to make the appropriations so requested. All sums appropriated by the Town Council for such purpose shall be deposited by or on behalf of the Authority into the Loan Payment Fund. Nothing provided in this Section 1 shall create or constitute a debt, liability or multiple fiscal year financial obligation of the Town.

Section 2. Repayment of Amounts Appropriated. In the event that the Town Council appropriates funds as contemplated by Section 1 hereof, any amounts actually advanced shall be treated as a loan from the Town to the Authority under the 2020 Cooperation Agreement and shall be repaid by the Authority from and to the extent of Pledged Revenues available for the payment of subordinate obligations in accordance with the Loan Agreement.

Section 3. Limitation to Loan. Unless otherwise expressly provided by a subsequent resolution of the Town Council, the provisions of this Resolution shall apply only to the funding of the Loan Payment Account originally established in connection with the Loan and shall not apply to any other additional obligations.

Section 4. Approval and Authorization of the 2020 Cooperation Agreement.
The form of the 2020 Cooperation Agreement is hereby approved. The Town shall enter into and perform its obligations under the 2020 Cooperation Agreement, in substantially the form of such document as is on file with the Town Clerk, provided that such document may be completed, corrected or revised as deemed necessary by the parties thereto in order to carry out the purposes of this Resolution, the execution thereof being deemed conclusive approval of any such changes by the Town. The Mayor is hereby authorized and directed to execute the 2020 Cooperation Agreement on behalf of the Town and the Town Clerk is hereby authorized to attest to the 2020 Cooperation Agreement.

Section 5. General Repealer. All prior resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 6. Effectiveness. This Resolution shall take effect immediately upon its passage.

PASSED, ADOPTED, AND APPROVED May 19, 2020.

TOWN OF VAIL, COLORADO

Dave Chapin, Mayor

ATTEST:

Tammy Nagel, Town Clerk

STATE OF COLORADO)
) SS.
 TOWN OF VAIL)

I, Tammy Nagel, the Town Clerk of the Town of Vail, Colorado, do hereby certify that:

1. The foregoing pages are a true and correct copy of a resolution (the “Resolution”) passed and adopted by the Town Council (the “Council”) at a regular meeting held on May 19, 2020.

2. The Resolution was duly moved and seconded and the Resolution was adopted at the meeting of May 19, 2020, by an affirmative vote of a majority of the members of the Council as follows:

<u>Councilmember</u>	Voting “Yes”	Voting “No”	Absent	Abstaining
Dave Chapin, Mayor				
Kim Langmaid				
Jenn Bruno				
Travis Coggin				
Kevin Foley				
Jen Mason				
Brian Stockmar				

3. The members of the Council were present at such meetings and voted on the passage of such Resolution as set forth above.

4. The Resolution was approved and authenticated by the signature of the Mayor of the Town, sealed with the Town seal, attested by the Town Clerk and recorded in the minutes of the Council.

5. There are no bylaws, rules or regulations of the Council which might prohibit the adoption of said Resolution.

6. Notice of the meeting of May 19, 2020 was posted at the Vail Town Hall and the Town’s website, not less than twenty-four (24) hours prior to the meeting in accordance with law.

WITNESS my hand and the seal of the Town affixed May 19, 2020.

Town Clerk

(SEAL)