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Certificates of Participation Overview Town of Vail, Colorado

Overview of Hilltop Securities and Role of Financial Advisor

- HilltopSecurities is a national firm with more than 70 years of industry experience and is a leader in providing financial advisory services to local governments.
 - The Colorado team is located in Denver and provides over 55 years of combined experience serving as financial advisor to Colorado entities.

Colorado Financial Advisory Team		
Jason Simmons <i>Managing Director</i> Jason.Simmons@hilltopsecurities.com	Jim Manire <i>Director</i> James.Manire@hilltopsecurities.com	Mattie Prodanovic <i>Vice President</i> Mattie.Prodanovic@hilltopsecurities.com
18 Years Experience in Colorado Public Finance	35 Years Experience in Colorado Public Finance	5 Years Experience in Colorado Public Finance

- Our team currently provides financial advisory services to over 50 entities in Colorado.
 - Our client list includes cities and towns, school districts, counties, special districts, transportation districts, healthcare districts, and the State of Colorado.

Colorado Financial Advisory Transaction Summary
January 1, 2017 to December 31, 2019

Type of Credit	# of Transactions	Total Par Amount	Type of Sale ⁽¹⁾		
			Competitive	Negotiated	Bank Placement
General Obligation Bonds	18	\$2,241,030,000	8	9	1
Certificates of Participation	28	\$1,950,771,497	8	9	11
Revenue Bonds ⁽²⁾	9	\$789,789,984	2	4	3
Enterprise Revenue Bonds	15	\$738,617,000	5	7	3
Totals:	70	\$5,720,208,481	23	29	18

(1) All financings included in the data above were executed to be fixed rate financings.

(2) Includes one Tax Increment Revenue bond financing.

Regulatory/Best Practices

- A Financial Advisor is required by the Dodd-Frank Act to represent the client's best interests.
- The Government Finance Officers Association (GFOA) recommends the hiring of a Financial Advisor prior to the undertaking of a debt financing.

Market Knowledge and Financial Advisory Experience

- On a national level Hilltop serves as Financial Advisor on over 900 transactions annually.
- In Colorado Hilltop serves Financial Advisor on between 20 and 30 transactions annually covering all types of issuers.
- The Colorado based team has the most combined Colorado FA experience of any firm in Denver.

Hilltop Approach to the Client Relationship

- Become a trusted advisor and extension of finance staff.
- High level of client service:
 - Overall financial picture outside of debt financings;
 - Understanding the goals of each financing;
 - Meeting the financing timeline of the client;
 - Providing appropriate analysis and education to assist the client in making informed decisions; and
 - Act as a client advocate in between financings.

Certificates of Participation

- Certificates of Participation (COPs) are a form of lease-purchase financing and are one of the most common financing methods used by Colorado cities and towns to construct public facilities and capital improvements.
- In a COP transaction, the Town enters into a lease for the identified property with a bank trustee. Lease payments made by the Town are applied by the trustee to pay off the COPs.
- The Town may continue to use the leased property so long as lease payments are appropriated every year in the annual budget process. If payment is not appropriated for the coming year, the Town will lose its right to occupy and utilize the leased facility.
- When the lease is paid off, the property is unencumbered and returned to the Town's control.
- COPs and other annually-appropriated lease financings are not considered to be multi-year financial obligations under Colorado law.

- The Town is considering executing COPs to finance the redevelopment and expansion of the Town's public works shop.
 - The Town has evaluated the pros and cons of executing a financing now to finance the project versus waiting until the Town builds reserves to pay for the renovation with available cash.

- The expected cost of the renovation is approximately \$15 million, and the Town would like to structure the COPs with a 15-year term.
 - The Town is also interested in having flexible prepayment options so the Town can prepay the COPs without penalty.

- It is expected that the Public Works Facility including the addition and renovation to be financed by the COPs can serve as the leased property for the financing.

- Given the primary objectives for the financing, the Town has multiple options available to execute the financing.
 - The Town can execute the proposed COPs through a public sale to investors or through a direct placement with a bank or lender.
 - The Vail Reinvestment Authority executed the Tax Increment Revenue Refunding Loan, Series 2020 through a placement.

	Public Sale	Direct Placement
Sale Process	An underwriter will purchase the COPs and sell them to investors	The Town will execute the financing directly with a pre-selected lender
Leased Property	Pending approval from bond counsel, we expect the Town to use the existing Public Works Facility for both options	
Term for Fixed Interest Rate	The public market will typically accept a final maturity up to 30 years	Lenders are usually able to provide a fixed interest rate for up to 15 years
Prepayment Options	Municipal securities in the public market typically have a ten-year call option; in the current market the Town could have an eight-year call option without pricing penalty	The Town can request interest rates for a financing with a five-year call option and some lenders allow prepayment at any time without penalty
Rating	Rating required	No rating required
Official Statement	The Town's disclosure counsel will prepare the disclosure document called an official statement; this can be a time intensive process for Town finance staff	The Town will not need to prepare a disclosure document or provide more financial information than what is in the Town's CAFR or budget
Ongoing Disclosure Requirements	The Town will need to post the CAFR on the MSRB's disclosure website and may need to incorporate additional tables or data into the statistical section of the CAFR	If the Town's CAFR and budget are posted on the Town's website there are typically no additional disclosure requirements

- If the Town decides to proceed with the transaction, it will take approximately three months to complete depending on the method of sale and document requirements.
- There are three sale options available to the Town for the contemplated COPs – a direct placement, a negotiated public sale or a competitive public sale.
 - In a negotiated sale, the Town selects an underwriter prior to the sale of the COPs and works with them up to the sale date to negotiate the final interest rates.
 - In a competitive sale, the COPs are sold at a specified date and time to the underwriter with the lowest bid as measured by the lowest interest rate.
- If the Town proceeds with a negotiated sale or direct placement, the Town will need to go through an RFP process.
 - For a negotiated sale, the RFP will be used to select the underwriter the Town would like to work with for the sale.
 - For a direct placement, the RFP will be used to receive indicative rates from lenders as well as their requested terms and conditions.
- Town Council will need pass an Authorizing Ordinance to authorize the financing, which will be drafted by the Town’s bond counsel.

Questions?