NOTICE OF MEETING

City of Branson Missouri

CAPITAL IMPROVEMENTS COMMITTEE

Committee Meeting – Friday, February 9, 2018 – 10:00 a.m.
Municipal Courtroom – Branson City Hall – 110 W. Maddux

AGENDA

1) Call to Order.

2) Roll Call.

3) Capital Process Discussion.

4) Public Safety Capital Finance Discussion.

5) Adjourn.

COLUMBIA CAPITAL
MUNICIPAL ADVISORS

6330 Lamar Ave.
Suite 200
Overland Park, KS 66202

MEMORANDUM

TO: City of Branson, MO
Jamie Rouch, Finance Director
Stacy McAllister, Asst. Finance Director

FROM: Columbia Capital Management, LLC
Dennis Lloyd, President
Khalen Dwyer, Vice President

RE: Public Safety Financings

DATE: February 8, 2018

SUMMARY

The purpose of this memorandum is to summarize for the City of Branson (the "City") matters concerning long-term financing options available to the City for funding approximately $29.5 million in public safety-related projects.

PUBLIC SAFETY TAX FINANCING OPTIONS

In November 2017, the City passed a 25-year half-cent public safety sales tax to increase available funding for certain public safety services. The sales tax, which is expected to generate approximately $6 million annually, will be collected beginning in April 2018 and distributed to the City beginning in June. It is the City's plan to leverage these future sales tax revenues to finance certain public safety projects, including new police and fire stations, and to purchase the related land for these projects.

General Obligation Bonds. One option available to the City is to finance these projects with general obligation bonds secured by the full faith, credit and taxing power of the City. General obligation bonds are secured by all legally available sources of revenue, including the City's authority to levy unlimited property taxes to repay debt service. General Obligation bonds require voter-approval (4/7ths or 2/3rds, depending on the election timing), and the City currently has no general obligation debt outstanding. ***It is our understanding that the City does not wish to issue general obligation bonds for this project.***

Certificates of Participation. Alternatively, the City has the authority to enter into a lease-type financing whereby the City makes annually renewable lease payments for use of the financed property and improvements (in this case, land and police and fire facilities) over the term of the financing period. The City's obligation to make lease payments each year is subject to the appropriation of legally available funds (e.g. public safety sales tax revenues) by the Board of Aldermen. The financing would be structured as a lease/purchase financing. Under this structure, the City purchases and leases the land and improvements to a trustee bank (Trustee) and the Trustee leases the site and improvements back to the City for an initial one year term with successive one-year renewal options through the life of the financing. In turn, the Trustee's rights under the lease agreement are sold to individual investors in the form of certficates of participation ("COPs"), which represent proportionate ownership interests in the City's lease payments. COPs are not considered a constitutional or statutory indebtedness of the City since the documents do not obligate the City to make lease payments beyond any then-current year. Instead, the payments are subject to annual appropriation by the City. This means the COPs can be issued without voter approval. The use of COPs financing is relatively common throughout Missouri.

COP IMPLEMENTATION & CHALLENGES

Practically speaking, issuing the COPs requires that the City possess the site of the improvements that are to be leased during the transaction. This means the City needs to purchase the land **prior** to the execution of the COP financing. In theory, the City could issue the COPs and finalize the land purchase simultaneously. However, this approach exposes the City to the risk that the land purchase is delayed or fails to close for any reason, which in turn would cause the financing to fail. Trying to close the COP financing concurrently with the land sale or prior to the land sale creates risks and uncertainties that would almost certainly drive up the cost to the City to complete the financing, if in fact it could be completed. This approach is seldom if ever used.

To avoid the risks and costs associated with these approaches, we suggest that the City consider first purchasing the site for the improvements using already legally available funds, and second, execute the COP transaction in the days or weeks that follow. The City can schedule the land purchase to occur after the interest rates on the COPs are set and a binding agreement to purchase the COPs is signed, but before the COPs are settled. After the financing is closed, the City could reimburse itself for the land purchase with the financing proceeds.

Although there is the potential for the COP financing to be delayed or fail to close after the City purchases the land, this risk would be mitigated by coordinating the pricing of the COPs and the execution of the financing purchase agreement with the underwriting team prior to the City's purchase of the land. The purchase agreement firmly commits the City to sell and the underwriter to purchase the City's COPs at the agreed upon prices and interest rates. Once this agreement is executed, only under incredibly rare or unusual circumstances would the financing fail to close (e.g. a federal banking moratorium, acts of war involving the United States, or legal challenges questioning the validity of the financing).

Personal Property Lease/Purchase

In the past the City has utilized personal property lease purchase agreements (e.g. "equipment leases") to finance a variety of items including a fire truck and i.t. equipment. It may be possible to finance the portions of the current project constituting large equipment such as fire trucks through an equipment lease. We will assist the City in evaluating whether this approach has merit, but it would not be used to finance the real estate purchase and improvements involved with the current project.