



February 27, 2024

Federal Highway Administration
US Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant

To whom it may concern:

As it relates to the Rebuilding American Infrastructure with Sustainability and Equity Grant application (the "Grant") referenced above, Northland Securities, Inc. ("Northland"), is pleased to provide this letter of financial capacity for Gunnison County, Colorado (the "County"). Northland, a registered broker-dealer and municipal advisor, has worked with the County serving as underwriter for the issuance of three certificates of participation (or "COPs") financings, a lease purchase agreement in the form of a publicly offered tax-exempt municipal security.

Lease purchase/COP financing, an alternative to voter-approved financing, is commonplace for Colorado counties (particularly since the 1990s) and broadly accepted by the municipal bond market (a \$3 trillion credit market). A COP issuance is a form of lease purchase financing in which the lease purchase financing is public offered as a security in which the investor is purchasing a proportional right to receive the rental payments on the underlying lease. Without the required TABOR election, COP financing is flexible and may be issued relatively quickly.

Troy Bernberg, Managing Director of Northland Public Finance, has over 21 years' experience in Colorado public finance. Moreover, Mr. Bernberg has served as investment banker to Gunnison County since 2010. Most recently, Northland Securities underwrote the County's three COP issuances in 2020. The underlying leases are secured by County's physical assets that serve as leasehold collateral. Current collateralized property includes the County's detention facility as well as its administration and judicial building. The County maintains flexibility to collateralize assets including, but not limited to its public works facility and property.

COPs, and similar forms of, lease purchase issuance has been and remains a prevalent financing mechanism in Colorado and national municipal bond markets. And since 2010, the County has maintained an "Aa" category credit rating, just below the highest category of "Aaa" ensuring consistent and efficient access to capital. Specifically, Moody's Investors Service currently (as of January 20, 2024) rates the County "Aa2" as an obligor and "Aa3" for its lease/COP obligations (it is common for rating agencies to rate lease obligations subject to annual appropriation one rating notch below the obligor rating).

Market access and liquidity risks are minimal regardless of bond market conditions given the County's frequency in the public bond market resulting in name recognition and investor acceptance. Indeed, the County is among only nine other Colorado county peers in the Moody's "Aa" category. According to the Moody's January 2024 "annual issuer comment", rating metrics for the County's fund balance and liquidity – net unrestricted cash, available fund balance, and liquidity ratio to name a few – rebound significantly from a Covid impacted 2021. In a positive contract 2021 top line revenue increased 39% from 2022; followed by minimal, but positive increase in 2022. Economically, a strong real estate market has supported growing market values by 78% between 2019-2022. Sales tax, identified for COP repayment, finished 2021 24.48%% over 2020. This trend continued with a 12.8% increase in 2022 over 2021.

Municipal bonds, subject to varying supply/demand dynamics, are constantly being issued by local governments for purchase by the US investing public. Every time a municipal bond matures, the principal is returned to the investor who often re-invests in another currently available municipal bond. And at \$3 trillion, the municipal bond market will continue to self-sustain in this fashion for the foreseeable future. With that said market conditions are unpredictable. Hence, the importance of the County's credit quality, which provides market access and execution no matter the prevailing market conditions. There are other considerations further demonstrating the County's ability to make the infrastructure project a reality.

The County has multiple options for which property and/or asset(s) serves as collateral. A leasehold interest only is expected to be conveyed via the underlying lease arrangement. Generally, the more essential the asset to a county, the better interest rate, and terms for the financing.

COP lease repayment may be of "any legally available funds," of the County, providing significant repayment flexibility. A specific revenue source is *not pledged* for debt repayment; although in the past, a specific revenue source has been *identified* for COP repayment. The County has the flexibility to elect alternative revenue sources for repayment as it relates to the infrastructure improved on the property or otherwise.

When developing capital stacks, the County continues to be diligent in seeking grant funding. Indeed, the County recognizes the catalytic nature of grant funding, particularly for the proposed infrastructure project. The County is willing to invest significantly, and its creditworthiness allows them to do so via COP issuance. The County continues to invest in its housing needs with continued investment in its county housing authority improving its ability to manage and finance projects.

The County has significant and effective in-house project management experience dating back to its 2010 COP issuance for a new detention facility. Since, projects have been consistently (risk-) managed to budget and on-time delivery. The County continues to explore opportunities for jurisdictional partnerships where they can provide efficiencies to the project.

We thank the Federal Highway Administration for its consideration of the County's grant application, and we look forward to the opportunity to assist the County in making this important infrastructure project a reality.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Bernberg'.

Troy Bernberg, Managing Director, Northland Securities, Inc.