



Legislation Text

File #: 22-164, **Version:** 1

Approval of an Operating Lease Extension Agreement

Presenter:

Wynetta Massey, City Attorney/Chief Legal Officer

Summary:

The City of Colorado Springs owns the Memorial Health System enterprise. In 2012, the voters authorized the City to enter into a Health System Operating Lease Agreement (“Operating Lease”) and an Integration and Affiliation Agreement (the “Integration Agreement”) with the University of Colorado Health and other related entities (collectively, “UCH-MHS”). The Operating Lease contained an initial forty (40) year term through September 30, 2052, and the Integration Agreement is coterminous with the Operating Lease term. As contemplated by the Operating Lease, the parties conferred and negotiated in good faith and wish to enter into an “Extension Term” as defined in the Operating Lease.

Background:

In accord with the Operating Lease terms, in 2021 the parties discussed the extension of the Operating Lease and Integration Agreement. The parties recognized that the relationship has been mutually beneficial. UCH-MHS has contributed significantly to the economic development of the City, including: the construction and operation of the Grandview hospital facility; the expansion of the Memorial Hospital Central trauma and stroke programs into southern Colorado’s first and only Level I trauma center and Comprehensive Stroke Center; the creation of southern Colorado’s most comprehensive provider network; and numerous other campus improvements and geographic expansions that have and are anticipated to continue enhance the care available to the residents of Colorado Springs and surrounding areas.

The parties have agreed to extend until October 1, 2032 (the “Extension Term”), the City’s right to give notice of termination of the Extension Term. If notice were given on or after October 1, 2032, the Operating Lease would terminate consistent with Section 13.1.4 of the Operating Lease. In essence, the City’s agreement to extend gives UCH-MHS ten more years of certainty that the Operating Lease will not be terminated than it currently enjoys under the terms of the Operating Lease. In consideration for this extension:

- UCH-MHS has agreed that it shall not have the right to terminate the Operating Lease for an Event of Non-Viability as defined in the Operating Lease.
- The City has agreed to use good faith efforts to amend the Colorado Springs Health Foundation (“CSHF”) governing documents to expand the Board of Trustees to include representation from both UCH-MHS and Penrose-St. Francis Health Services.
- UCH-MHS has also agreed to donate \$200,000 to the City to be used to support community benefit programs, including programs related to transit, paratransit, homeless outreach, and/or affordable housing in an effort to advance and positively affect patient health outcomes.

Previous Council Action:

The City Council has not previously taken any action to extend the terms of the Operating Lease or Integration Agreement.

Financial Implications:

The City will continue to accrue financial benefits from UCH-MHS's operation of the Memorial Health System enterprise in accord with the terms of the Operating Lease and Integration Agreement.

City Council Appointed Board/Commission/Committee Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

Council may choose not to extend the terms of the Operating Lease and Integration Agreement.

Proposed Motion:

Move to approve the Operating Lease Extension Agreement and Letter Agreement Regarding Donation to Support Community Benefit Programs as presented.

N/A