



Legislation Text

File #: 19-476, **Version:** 2

Ordinance No. 19-57 Authorizing and Approving The Lease-Purchase Of Certain Property and the Execution of Documents Related Thereto by the City of Colorado Springs, Colorado, in Connection With the Issuance of Certificates of Participation, Series 2019, in an Aggregate Principal Amount of Not To Exceed \$12,500,000; Ratifying Action Previously Taken Concerning Such Matters; And Providing For Other Matters Related Thereto

Presenter:

Charae McDaniel, Chief Financial Officer
Tom Florczak, Deputy City Attorney

Summary:

Attached is an ordinance authorizing the lease-purchase of property and related issuance of Certificates of Participation, Series 2019, in an aggregate principal amount not to exceed \$12,500,000 ("2019 Certificates"), which are secured by the lease payments, in order to finance the costs of improvements to certain City facilities and pay the costs of issuance of the 2019 Certificates.

The Ordinance has been modified slightly since its introduction on August 12, 2019. A red-lined version is attached for reference, as well as the clean, final version.

Previous Council Action:

N/A

Background:

The City seeks to issue the 2019 Certificates to finance the cost of needed capital improvements (a) to the Lester L. Williams Fire Department Complex property ("FDC") consisting of (i) a new fire station building with apparatus bays, living quarters, storage, and a radio shop; (ii) a new parking lot; and (iii) associated access roadways and driveways; (b) to Sertich Ice Center ("Sertich") consisting of improvements to the ice chiller and addition of a new ice rink; and (c) for a new police firing range facility.

Pursuant to a site lease to be executed contemporaneously with issuance of the 2019 Certificates, the City will lease the above properties owned by the City to the trustee, U.S. Bank National Association ("Trustee") for a lump sum rental amount to be paid upon sales of the Certificates. The Trustee will then lease the properties back to the City pursuant to lease purchase agreement ("Lease") under which the City will have the option to purchase the Trustee's interest in the leased property.

The 2019 Certificates will be payable in part from annually appropriated base rentals and additional rentals in accordance with the Lease, which the City intends to pay from the City's general fund, the

Public Safety Services Tax ("PSST"), and the Conservation Trust Fund (CTF) as set forth more fully below. The City has not pledged any of the general fund, PSST, or CTF moneys toward base rental or additional rentals due under the Lease. The Lease and all rental payments in years subsequent to the year of sale of the Certificates will be subject to annual appropriation. The transaction does not legally constitute debt under the Taxpayer's Bill of Rights.

Attached to the agenda items for informational purposes are the drafts of the Indenture, the Site Lease, and the Lease Purchase Agreement. These documents are in substantially complete form, but may be modified slightly prior to final execution.

Financial Implications:

This lease-purchase financing will allow the City to take advantage of low interest rates to finance needed improvements and allow the community that enjoys the benefits of the improvements to contribute to the funding of the projects through payment of sales tax, ice rental fees, and the purchase of Lottery tickets over the useful life of the improvements.

The aggregate amount of the principal component of Base Rentals (as defined in the Lease) shall not exceed \$12,500,000. The estimated cost for each component of the project and intended repayment source is as follows:

- (a) approximately \$5,000,000 for the new fire station building, radio shop, parking lot, and associated access roadways and driveways, to be repaid by PSST funds for the fire portion and by the general fund for the radio shop portion;
- (b) approximately \$4,000,000 for the Sertich Ice Center improvements, to be repaid by Conservation Trust Fund funds and new rental revenue in the general fund; and
- (c) approximately \$3,000,000 for the new police firing range facility, to be repaid by PSST funds.

The interest shall accrue at the net effective interest rate not to exceed 5.0% per annum, and the final maturity of the Series 2019 Certificates will be not later than December 1, 2039.

The General Fund will be responsible for approximately 32% of the annual lease payments and will be funded by an increase in rental fee revenue produced by the Sertich Ice Center improvements, elimination of rental payments on the current radio shop, and budget which is becoming available as other financial obligations are fulfilled in 2019 and 2020. Therefore, there is no increase in General Fund expenditures to accommodate the annual payments.

The PSST Fund will be responsible for approximately 46% of the annual lease payments and will be funded within the projected revenue stream.

The CTF will be responsible for approximately 22% of the annual lease payments and will be funded by budget which is becoming available as other financial obligations are fulfilled in 2019.

Board/Commission Recommendation:

The item was reviewed by the City Council Budget Committee at their meeting on June 11, 2019, and was provided additional information electronically on July 16, 2019.

Stakeholder Process:

The construction of the Fire Station at the FDC will complete a project from the original PSST voter-

approved project list (FDC Phase IIB).

The Fire station and the Police firing range have been recommended by the PSST Oversight Committee.

Alternatives:

N/A

Proposed Motion:

Move to approve the attached Ordinance Authorizing and Approving The Lease-Purchase Of Certain Property and the Execution of Documents Related Thereto by the City of Colorado Springs, Colorado, in Connection With the Issuance of Certificates of Participation, Series 2019, in an Aggregate Principal Amount of Not To Exceed \$12,500,000; Ratifying Action Previously Taken Concerning Such Matters; And Providing For Other Matters Related Thereto

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