



Legislation Text

File #: 18-0412, **Version:** 2

Ordinance No. 18-93 authorizing the issuance by the City of Colorado Springs, Colorado, acting by and through its Pikes Peak - America's Mountain Enterprise, of its Pikes Peak - America's Mountain Enterprise revenue bonds, Series 2018 in the aggregate principal amount of not to exceed \$33,000,000 for the purpose of financing a portion of the costs of constructing a new Pikes Peak Summit Complex; providing the form, terms and conditions of said Series 2018 bonds, the manner and terms of their issuance, the manner of their execution, the method of paying them and the security therefor from the net pledged revenues of the system of the Pikes Peak - America's Mountain Enterprise; providing for the sale of said Series 2018 bonds; providing other details concerning said Series 2018 bonds, and providing other matters relating thereto; and approving other documents relating thereto

Presenter:

Charae McDaniel, Chief Financial Officer
Tom Florczak, Deputy City Attorney
Jack Glavan, Pikes Peak - America's Mountain Manager

Summary:

Attached is the Pikes Peak - America's Mountain Enterprise Bond Ordinance ("Bond Ordinance") to authorize the City to issue no more than \$33 million in Revenue Bonds, Series 2018 (the "2018 Bonds").

The purpose of the bonds is to finance a portion of the costs of constructing a new Pikes Peak Summit Complex and pay costs of issuance. Utilizing bond proceeds, donations, and Enterprise funds, the Pikes Peak - America's Mountain Enterprise will construct a new Pikes Peak Summit Complex.

With City Council approval of the bond ordinance, the City will move forward with the bond issuance. A bond ordinance becomes part of the contract with bondholders that establishes the rights and obligations of the issuer (the City) and the bondholders.

Previous Council Action:

On November 27, 2016, City Council approved the 2017 Budget per Ordinance No. 16-116, which included an appropriation of \$0.25 million for the construction phase of the Summit House Complex project. On April 11, 2017, City Council approved a supplemental appropriation per Ordinance 17-40, for an additional \$0.25 million for the construction phase of the Summit House Complex project.

On December 12, 2017, City Council approved the 2018 Budget per Ordinance No. 17-116, which included the appropriation of \$1.0 million to the Pikes Peak - America's Mountain Enterprise fund for the Summit House Complex project.

On April 24, 2018, City Council approved a supplemental appropriation per Ordinance 18-32, for \$13.5 million of Pikes Peak - America's Mountain Enterprise fund for the Summit House Complex project.

Background:

Pikes Peak - America's Mountain (PPAM) is an enterprise operation of the City of Colorado Springs. PPAM operates the Pikes Peak Highway under a Term Special Use Permit issued by the U.S. Forest Service (USFS). Although the Permit is scheduled to expire in 2020, the District Ranger has indicated he will recommend renewal of the Permit for a new term of 30 years, expiring in 2050. Included in the operation are the associated visitor facilities including the Summit House, Glen Cove Inn and Crystal Reservoir Gift Shop, and the Pikes Peak Recreational Corridor for activities such as hiking, picnic grounds, and interpretive trails. Revenue is primarily generated from gateway entry fees and concessionaire fees. These fees provide visitor and Ranger services, highway maintenance and construction, facility maintenance and construction, interpretive and educational services.

Pikes Peak is one of the most visited mountains in the world and a top tourist attraction for the state of Colorado. Annually, more than 700,000 people reach the summit via the Pikes Peak Highway, the Broadmoor Pikes Peak Cog Railway (Railway) (presently out of service) or by utilizing one of the hiking trails including Barr Trail. Pikes Peak is an American icon with tremendous history; it is a National Historic Landmark (NHL) and has deep meaning for the community and beyond.

The new Summit Visitor Center will provide a quality visitor experience that demonstrates the significance of Pikes Peak. The completion of this project will restore the summit to its natural setting as well as preserve the visitor experience.

The current summit house was built in the 1960's. The new Pikes Peak Summit Complex will consist of a building on the southeast corner of the summit of Pikes Peak. The building is estimated to be approximately 39,180 sq. ft. and will house the Summit Visitor Center, mechanical room, communications space, kitchen and support areas, dining area, gift shop, and interpretive space. The site will have approximately 162 parking spaces, 10 motorcycle spaces, shuttle/bus drop off and loading area, bicycle lockers, exterior pathways, ADA accessible ramps and walkways. Construction of the Summit Complex commenced in June 2018 and is expected to be completed in late fall of 2020. Upon completion of the new Summit Complex, the existing building(s) will be demolished.

A second building is being constructed adjacent to the new Pikes Peak Summit Complex by the U.S. Army Research Institute of Environmental Medicine ("USARIEM") to replace USARIEM's existing High Altitude Research Laboratory located at Pikes Peak. The research laboratory is separately funded, constructed and operated by USARIEM.

PPAM staff presented a plan to the USFS recommending the consolidation of these facilities into a "summit complex." The summit complex concept was approved by the USFS in 2014. With this approval, the summit complex partners began project development with the ultimate goal of completing design, construction and summit restoration by the end of 2020. PPAM solicited and awarded services for the required environmental assessment, design, and construction management/general contractor services.

The environmental assessment and design was completed in May 2018. The ground breaking for the

multi-year construction project occurred in June 2018.

This item supports the City's strategic goal relating to investing in infrastructure by replacing the current Summit House with a new energy-efficient facility that will provide a much-improved visitor experience.

Financial Implications:

The total cost of the new Pikes Peak Summit Complex is expected to be approximately \$55 million. The City expects to finance the project from Pikes Peak Enterprise Funding of \$15 million, donations of \$10 million, and net Bond proceeds of \$30 million.

Upon issuance of the Bonds, there will be established a Bond Reserve or Bond Insurance will be purchased. In the case of a Bond Reserve, the Minimum Bond Reserve will be calculated and that amount will be deposited into the Bond Reserve Account. The funds in the Reserve Account shall be maintained and used only to prevent deficiencies in the payment of the principal and interest on the Bonds.

The Bond Ordinance requires that the PPAM Enterprise Gross Revenue collected in a fiscal year be sufficient to pay the annual operating and maintenance expenses and cover at least 115% of the principal and interest of the Bond. If, in a fiscal year, the Gross Revenue does not meet this criteria, the Enterprise is required to engage an Independent Rate Consultant to prepare a rate study for the purpose of recommending a schedule of rates, fees, tolls and charges that would be sufficient to generate revenue in the next succeeding Fiscal Year that would cover operating and maintenance expenses and at least 115% of the principal and interest of the Bond. The City would then, within three months of receipt of the study, adopt rates, fees and charges for the Enterprise based upon the recommendations contained in the study.

In the event that the Gross Revenue is not sufficient in a given year to pay the annual operating and maintenance expenses and the required bond payment, and there is no other source to provide funding for the bond payment, there would then be a draw from the Bond Reserve Account to provide sufficient funding to make the required bond payment. Within five (5) business days following a draw on the Bond Reserve Account, to the extent any deficiency is not replenished from another source, the Chief Financial Officer shall notify the Lodgers and Automobile Rental Tax Citizen Advisory Committee (the "LART Committee") in writing of such draw, stating the amount of the draw and requesting that the LART Committee make a recommendation to the City Council to appropriate an amount from the available balance of the LART Fund sufficient to replenish the PPAM Bond Reserve Account to an amount equal to the Minimum Bond Reserve. Within 90 days of such notification, a supplemental appropriation request will be submitted to the City Council for an amount of LART funds sufficient to replenish the PPAM Bond Reserve Account to an amount equal to the Minimum Bond Reserve. It is the present intention and expectation of the City Council to appropriate such funds as requested, within the limits of available funds and revenues, but this declaration of intent shall not be binding upon the City Council or any future City Council in any future fiscal year. The City Council may determine in its sole discretion, but shall never be required, to make the appropriations so requested. All sums appropriated by the City Council for such purpose shall be considered a loan to the Enterprise, may draw interest until repaid at a rate determined by the City Council at the time the appropriation is made, and shall be deposited in the PPAM Bond Reserve Account. The repayment obligation for any such loan shall be subordinate to the payment of the Series 2018 Bonds.

The Series 2018 Bonds constitute a special limited obligation and do not constitute a debt or other financial obligation of the City. Only the Net Pledged Revenues of the Enterprise are obligated for repayment of the Bonds.

Board/Commission Recommendation:

N/A

Stakeholder Process:

This item was discussed with the City Council Budget Committee on August 14, 2018.

The LART Committee held a special meeting on August 30, 2018, and unanimously approved the LART Fund supporting the Pikes Peak Summit House bonds.

Alternatives:

N/A

Proposed Motion:

Move approval of the Bond Ordinance authorizing the issuance of Series 2018 Bonds for the Pikes Peak Summit Complex project.

An ordinance authorizing issuance by the City of Colorado Springs, Colorado, acting through Pikes Peak - America's Mountain Enterprise, revenue bonds, in an amount not to exceed \$33,000,000 for financing a portion of the constructing a new Pikes Peak Summit Complex