

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 16

DATE: August 17, 1999

STAFF: Alan Krcmarik

SUBJECT:

First Reading of Ordinance No. 136, 1999, Approving and Authorizing the City to Enter into Agreements in Connection with the Execution and Delivery of Lease Certificates of Participation for Street and Recreational Improvements.

RECOMMENDATION:

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT:

The City will finance the improvements with approximately \$3.35 million in tax-exempt certificates of participation lease financing. Approximately \$1.1 million will be used for improvements in the City's General Improvement District (GID). Approximately \$2.25 million will be used for replacement of the Collindale Golf Course irrigation system and land acquisition and improvements at SouthRidge Golf Course. The annual payments on the certificates of participation will average about \$262,000. The Golf Fund will pay its share of the improvements from a surcharge fee that was implemented in 1998. After 2003 the Golf Fund will have an additional \$140,000 available annually when the debt service for SouthRidge is retired. The GID will pay its share of the improvements from property tax revenues.

EXECUTIVE SUMMARY:

The GID and Golf Fund projects will be financed through the use of a non-profit corporation, the Fort Collins Capital Leasing Corporation. This is similar to the financing used for the parking structure and future City office building. Through a lease-leaseback arrangement, the City will lease the existing police station (a 24,220 square foot building located at the southeast corner of LaPorte Avenue and Howes Street) and the adjacent parking lot to the Fort Collins Leasing Corporation under a 30-year site lease. The Corporation will then lease the properties back to the City for a term of 20 years. The actual financing will be accomplished through the sale of certificates of participation (COPs). Upon payment in full of the Certificates of Participation, the site lease will be terminated.

The financing term will be 20 years. The average life of the COPs is expected to be between ten and eleven years. The City expects to pay interest on the lease semi-annually, at an estimated rate of 5.50%. Principal payments will be made annually.

The Bank of Cherry Creek was selected to serve as the trustee for this transaction. The Trustee will be assigned all rents to the Corporation from the City and the Trustee will make payments to the investors that purchase the certificates of participation in the lease purchase transaction.

The COPs will be paid through an annual appropriation. This financing technique does not entail a multiple year fiscal obligation of the City under Article X, Section 20, of the State Constitution, because the City's lease payments to the non-profit corporation will be subject to annual appropriation. Nor, under state law, will the COPs constitute debt of the City. Therefore, the City is not required to obtain voter approval in order to finance capital projects or equipment using lease purchase financing.

BACKGROUND:

Golf Improvements

Approximately \$1.2 million of the lease purchase proceeds will be used to replace the existing irrigation system at Collindale Golf Course. The work will be done between October 1999 and March 2000. The existing irrigation system was installed in 1970 and is now deteriorating rapidly. Irrigation systems are built for a life of 20 to 25 years. The plan calls for a state-of-the art electronic system that will be computerized to provide more efficient water coverage, new pipes, new heads and new controllers. A consultant will be hired for approximately \$40,000 to design and manage the new system.

Over \$2 million of golf course repairs, improvements and enhancements have been identified. The first option for the approximately \$1million of the financing is slated for land acquisition and improvements to the SouthRidge Golf Course. The plan is to acquire approximately 35 to 40 acres of land east of Fairway 11 to replace existing holes 17 and 18 for improved safety and playability purposes. It may also be possible to replace existing hole 12 if approved through the public and planning processes. City Golf staff are negotiating with the land owner regarding the acquisition price. If negotiations cannot be reached, the Golf program will fund several other high priority projects. They are listed below in priority order.

1. SouthRidge Clubhouse Patio/Golf Cart Storage/Basement Remodel Project - \$250,000
2. SouthRidge Course Field Restroom - \$50,000
3. Collindale Maintenance Buildings Upgrade - \$50,000
4. Collindale Maintenance Area Paving and Clubhouse Area Parking Lot Repaving - \$30,000
5. SouthRidge Enlargement of # 5 Lake - \$25,000
6. SouthRidge Rain Shelters - \$20,000
7. SouthRidge Drinking Fountains - \$20,000
8. SouthRidge Maintenance Area Paving - \$20,000
9. SouthRidge Replace # 7 Bridge - \$15,000
10. SouthRidge Replace # 3/4 Bridge - \$15,000
11. Golf Cart Path Paving at SouthRidge, Collindale, and City Park Nine - \$100,000
12. Additional Protective Netting at SouthRidge, Collindale, and City Park Nine - \$200,000
13. City Park Nine Chemical Storage Building - \$12,000
14. Computerized Pro Shops and Automated Tee Time Reservation System at SouthRidge, Collindale, and City Park Nine - \$90,000
15. Collindale Course Field Restroom - \$53,000

The total proceeds available for the golf improvements will be \$2,215,000.

General Improvement District

The GID will be using lease purchase proceeds to continue to improve the deteriorating infrastructure in the Downtown area. The deterioration of the infrastructure (brick pavers, irrigation systems, benches and canopies) has become a major source of concern due to safety and functionality. Loose brick pavers pose a potential safety/liability situation for pedestrians and the City.

The east side of the Oak Street and College Avenue intersection is a good example of the future improvements. This intersection was redone in 1998 and is aesthetically pleasing, functional and easily maintained. The other intersections slated for improvements, in priority order, are:

Mountain and College:	Pavement replacement and streetscape
Oak and College (West):	Pavement replacement
LaPorte and College:	Pavement replacement and streetscape

Preliminary design and engineering will occur in 1999. Construction of the improvements is scheduled for the early part of 2000.

Financing Plan

All of the figures in the table are subject to change due to changes in market conditions.

	GID	Golf	Total	% of Total
Sources of Funds	\$1,100,000	\$2,250,000	\$3,350,000	100.00%
Uses of Funds				
Construction Costs				
Construction	\$1,030,000	1,603,250	\$2,633,250	78.60%
Contingency	55,000	111,750	166,750	4.98%
Land Costs		500,000	500,000	14.93%
Total Construction Costs	1,085,000	2,215,000	3,300,000	98.51%
Financing Costs				
Cost of Issuance	15,000	35,000	50,000	1.49%
Accrued Interest	--	--	--	
Total Financing Costs	15,000	35,000	50,000	1.49%
Total Project Costs	\$1,100,000	\$2,250,000	\$3,350,000	100.00%

Sources of Repayment

The Golf Fund will repay the bonds from proceeds of a \$1.00 surcharge fee on each 9-hole golf round and \$2.00 surcharge fee on each 18-hole round that was implemented in 1998. The surcharge fees are expected to raise \$180,500 in annual revenue for the Golf capital projects. Additionally,

beginning in 2003, the SouthRidge debt service will be retired thus providing an additional \$140,000 annual for repayment of the lease-purchase.

The GID will repay the bonds from property tax revenues. The District currently receives approximately \$185,000 per year in property tax revenues, automobile ownership tax, and interest earnings. The lease payments will be about \$160,000 per year.

Recommendation

Staff recommends adoption of this financing on first reading. Due to Article X, Section 20, financing of public improvements has become more complex. The use of lease-purchase financing is now the most efficient means by which municipalities may financing projects. Staff has combined the two types of improvements into one financial transaction to save on the costs of issuance and the administration of the financing. There is a critical need for both the downtown improvements and the golf course improvements.

ORDINANCE NO. 136, 1999

AN ORDINANCE APPROVING AND AUTHORIZING THE CITY TO ENTER INTO A SITE AGREEMENT BETWEEN THE CITY AND FORT COLLINS CAPITAL LEASING CORPORATION AND A LEASE AGREEMENT BETWEEN THE CORPORATION AND THE CITY AND APPROVING A TRUST INDENTURE BETWEEN THE CORPORATION AND THE BANK OF CHERRY CREEK, N.A., AS TRUSTEE, AND A LEASEHOLD DEED OF TRUST FROM THE CORPORATION TO THE PUBLIC TRUSTEE OF LARIMER COUNTY FOR THE BENEFIT OF THE TRUSTEE RELATING TO CERTAIN LEASE CERTIFICATES OF PARTICIPATION.

WHEREAS, the City of Fort Collins, Colorado (the "City"), has need for and desires to provide certain real and personal property for City purposes; and

WHEREAS, the City is authorized by Colo. Const. art. XX, § 6, its home rule charter and Section 23-114 of the City code to lease City property; and

WHEREAS, the City is authorized by Colo. Const. art. XX, § 6, its home rule charter and part 8 of article 15 of title 31, Colorado Revised Statutes, as amended (the "Act"), to enter into rental or leasehold agreements in order to provide necessary land, buildings, equipment and other property for governmental or proprietary purposes, and such agreements may include options to purchase and acquire title to such leased or rented property; and

WHEREAS, Fort Collins Capital Leasing Corporation, a Colorado nonprofit corporation (the "Corporation"), has offered to lease certain real property from the City pursuant to the Site Agreement, dated as of August 15, 1999 (the "Site Agreement"), between the City, as lessor, and the Corporation, as lessee, and lease such property and improvements thereto back to the City under a Lease Agreement, dated as of August 15, 1999 (the "Lease"), between the Corporation, as lessor, and the City, as lessee; and

WHEREAS, the Lease does not constitute a "multiple-fiscal year direct or indirect debt or other financial obligation" of the City within the meaning of art. X, § 20(4)(b) and may therefore be entered into without voter approval; and

WHEREAS, the Corporation proposes to acquire its interest in such property for lease to the City with the proceeds of Lease Certificates of Participation, Series 1999, dated August 15, 1999, in the aggregate principal amount of \$3,350,000 (the "Certificates") evidencing assignments of proportionate interests in its right to receive rental payments under the Lease; and

WHEREAS, in order to provide security for the payment of the principal of and interest on the Certificates the Corporation proposes to assign its interest in the leased property and its right to receive rental payments under the Lease to The Bank of Cherry Creek, N.A., as trustee (the "Trustee"), under a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and

Financing Statement, dated as of August 15, 1999 (the "Deed of Trust"), between the Corporation, as grantor, and the Public Trustee of Larimer County, as grantee, for the benefit of the Trustee, as beneficiary, and a Trust Indenture, dated as of August 15, 1999 (the "Indenture"), between the Corporation, as grantor, and the Trustee, as trustee; and

WHEREAS the forms of the Site Agreement, the Lease, the Deed of Trust and the Indenture have been filed with the City Clerk.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS, COLORADO:

1. The forms of the Site Agreement, the Lease, the Deed of Trust and the Indenture are hereby approved, together with any revisions thereto as may be considered necessary or desirable by the Financial Officer in consultation with the City Attorney.

2. The City Council (the "Council") hereby finds that the lease of the leased property as provided in the Lease is in the best interests of the City. In addition, the determinations set forth in Section 6.5 of the Lease are incorporated herein by this reference as if set forth in full herein.

3. The Mayor and the City Clerk are hereby authorized and directed to execute the Site Agreement and the Lease and any other document that in the opinion of the City Attorney is necessary to effect the transaction contemplated thereby and not inconsistent therewith.

4. The City hereby waives any available defense of governmental immunity from liability in tort for any failure to surrender possession of the leased property as provided in the Lease.

5. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

6. All action not inconsistent with the provisions of this Ordinance heretofore taken by the City or its officers and otherwise by the City directed toward the completion of the transactions described herein is hereby ratified, approved and confirmed.

7. All ordinances, resolutions and orders, or parts thereof, of the City inconsistent herewith and with the documents approved hereby are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any ordinance, resolution or order, or part thereof.

8. Any inconsistency between the provisions of this Ordinance and those of the Act is intended by the Council. To the extent of any such inconsistency the provisions of this Ordinance shall be deemed made pursuant to the home rule charter of the City and shall supersede to the extent permitted by law the conflicting provisions of the Act.

INTRODUCED, READ, APPROVED ON FIRST READING AND ORDERED
PUBLISHED BY NUMBER AND TITLE ONLY this 17th day of August, 1999.

CITY OF FORT COLLINS, COLORADO

By: _____
Mayor

(SEAL)

ATTEST:

City Clerk