



**FINANCE MEMORANDUM**  
**#14-08**

**DATE:** June 2, 2014

**TO:** Honorable Mayor Joyce Downing and City Council Members

**FROM:** John R. Pick, City Manager   
Jason Loveland, Director of Finance 

**SUBJECT:** Police and Municipal Court Facility Financing Options

**BACKGROUND:**

This memo is meant to accompany the Public Works Department Memorandum #2014-29 regarding the Police Facility – Spatial Needs Assessment (“PW Memo #2014-29”).

**UPDATE:**

Listed below are financing options for building a new Police/Courts facility:

- General Obligation (GO) Bonds - These bonds would be backed by the full faith and credit of the City and would be funded by property and/or sales tax revenues.
- Certificates of Participation (COPs) - COPs are lease-financing mechanism where the City enters into an agreement to make regular lease payments for the use of an asset over some period, after which the title for the asset transfers to the government.
- Private Placement – A private placement would be a loan provided directly by a single buyer such as a bank.

A potential funding source, which the City currently has in place until 2025, is a .5% sales tax dedicated to capital improvements. As defined in Municipal Code Section 5-17-5(a), “Expenditures of the revenues received from the capital improvement sales tax shall be used only for the construction of capital improvements, specifically including, but not limited to public facilities, public infrastructure, and water and sewer capital improvement projects.”

The restricted .5% sales tax revenue source currently generates \$2.0 million annually and has a balance of \$5.7 million available. By the end of 2014, that balance is projected to be approximately \$7.7 million.

The table below illustrates four options under an assumed COP financing of building the facility referenced in PW Memo #2014-29, Option A (Civic Campus Site):

- **Scenario 1** - this assumes paying \$3.9 million of soft costs from current cash reserves and financing the remainder of the Police and Municipal Court project over 10 years.
- **Scenario 2** - Police and Municipal Court project over 10 years.
- **Scenario 3** - Police and Municipal Court project over 20 years.
- **Scenario 4** - Police, Municipal Court, and City Administration (current set-up of City Hall) over 20 years.

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
<b>Project Cost – Years Financed</b>	\$13.0 – 10 years \$3.9 cash	\$16.9 – 10 years	\$16.9 – 20 years	\$23.0 – 20 years
<b>Current Revenue Source</b>	\$2.0 million	\$2.0 million	\$2.0 million	\$2.0 million
<b>Annual Debt Payments</b>	\$1.50 million	\$1.97 million	\$1.19 million	\$1.67 million
<b>Total Debt Payments</b>	\$18.7 million	\$19.7 million	\$24.1 million	\$33.2 million
<b>Average Interest Rate</b>	2.64%	2.64%	3.51%	3.51%

The table above has been provided as a general guide into financing options of building a new facility. If directed, City staff would be working with its Financial Advisor to identify the most advantageous financing structure available.

**STAFF REFERENCE:**

If Councilmembers have any comments or questions, you may contact Jason Loveland at [jloveland@northglenn.org](mailto:jloveland@northglenn.org) or at 303-450-8817.