

FINANCE MEMORANDUM
#17-01

DATE: February 13, 2017

TO: Honorable Mayor Joyce Downing and City Council Members

FROM: James A. Hayes, AICP, City Manager *JH*
Jason Loveland, Director of Finance *JL*

SUBJECT: CB-1883 – Justice Center Site Lease and Lease Purchase Authorization

PURPOSE:

CB-1883, if approved, authorize City officials to take necessary actions to carry out the transactions of a site lease and lease purchase agreement between the City and UMB Bank, N.A. for the purpose of financing a new Justice Center and related improvements.

BACKGROUND:

On June 6, 2016 the City's financial advisor, Stifel, Nicolaus & Co., Inc. presented, and requested direction, on financing methods for the construction of the Justice Center project. The recommendation from staff and the financial advisor was to issue Certificates of Participation (COP), a lease-purchase financing mechanism, in order to finance the project. City Council directed staff to move forward with COP financing for the project.

UPDATE:

The Ordinance sets the parameters for the COP issuance. The final form of the transaction will not be known until the City closes the sale of the COPs in April. The key parameters, or maximum allowable transaction levels, set in the Ordinance include: \$23 million of Principal; 25-year Maturity; Net effective interest rate not exceeding 6%. Although maximum parameters are adopted in the Ordinance, it also authorizes City officials to act on behalf of the City, and the transaction will only be executed with the approval from an authorized City official.

BUDGET IMPLICATIONS:

The 2017 Capital Projects Fund budget includes annual debt service payments for the COP issuance using the ½% Sales/Use Tax restricted for construction and rehabilitation of capital improvements and facilities. Annually, this restricted revenue generates approximately \$2.8 million. The estimated annual debt service is \$1.55 million over 20 years.

NEXT STEPS:

- Public Hearing on the Ordinance – Feb. 27
- Bond rating from Moody's or S&P – March 9
- Closing on necessary transactions – April 12

STAFF RECOMMENDATION:

Staff recommends approval of this Ordinance authorizing City officials to execute the necessary transactions to finance the Justice Center project using COPs.

STAFF REFERENCE:

Contact Jason Loveland at jloveland@northglenn.org or at 303-450-8817.

ATTACHMENTS:

- COP Issuance Calendar

\$23,000,000*
City of Northglenn, CO
Certificates of Participation, Series 2017

TIMETABLE

December							January							February							March						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7				1	2	3	4				1	2	3	4
4	5	6	7	8	9	10	8	9	10	11	12	13	14	5	6	7	8	9	10	11	5	6	7	8	9	10	11
11	12	13	14	15	16	17	15	16	17	18	19	20	21	12	13	14	15	16	17	18	12	13	14	15	16	17	18
18	19	20	21	22	23	24	22	23	24	25	26	27	28	19	20	21	22	23	24	25	19	20	21	22	23	24	25
25	26	27	28	29	30	31	29	30	31					26	27	28					26	27	28	29	30	31	

- Holiday
- City Council Meeting
- Study Session

DATE	EVENT	PARTY
January 18	Draft financing documents distributed	BC
January 30	Reimbursement Resolution, Ordinance and Forms of Financing Documents placed on the City Council Meeting agenda for February 13 Meeting	City, BC
February 1	Call to review draft financing documents	City, FA, BC
February 6	Rating Agency Packet Sent (Moody's or S&P)	FA
February 13	City Council Meeting - First Reading – Ordinance and forms of additional documents presented	City, FA, BC
February 27	City Council Meeting - Second Reading – Ordinance and forms of additional documents adopted	City, FA, BC
February 28	Rating Agency prep call	City, FA
March 2	Rating Agency Conference Call (Moody's or S&P)	City, FA
March 9	Receive ratings	City, FA
March 10	Due Diligence call	City, FA, BC
March 15	Notice of Sale and Preliminary Official Statement is posted	City, FA
March 28	Pre-Pricing	City, FA
March 29	30 day referendum period ends	City
March 29	Pricing – Underwriter is Awarded	City, FA, UW
April 4	Official Statement is posted and distributed	City, FA, BC
April 12	Closing	All

Responsible Party

- City – City of Northglenn
- Financial Advisor – FA – Stifel
- Bond Counsel – BC
- Trustee & Paying Agent – PA
- Underwriter – UW – TBD

*Preliminary; subject to change.

SPONSORED BY: MAYOR DOWNING

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1883
Series of 2017

Series of 2017

A BILL FOR A SPECIAL ORDINANCE AUTHORIZING A SITE LEASE AND LEASE PURCHASE AGREEMENT BETWEEN THE CITY OF NORTHGLENN, COLORADO, AND UMB BANK, N.A. (SOLELY IN ITS CAPACITY AS TRUSTEE) FOR THE PURPOSE OF FINANCING A NEW JUSTICE CENTER AND RELATED IMPROVEMENTS; APPROVING NOT TO EXCEED \$23,000,000 PRINCIPAL AMOUNT OF CERTIFICATES OF PARTICIPATION, SERIES 2017, IN CONNECTION THEREWITH; AUTHORIZING OFFICIALS OF THE CITY TO TAKE ALL ACTION NECESSARY TO CARRY OUT THE TRANSACTIONS CONTEMPLATED HEREBY; AND RELATED MATTERS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. Findings. The City Council of the City of Northglenn, Colorado (the “Council” and the “City,” respectively) hereby finds and determines as follows:

(a) The City is authorized, pursuant to Section 31-15-801, Colorado Revised Statutes, as amended, the City’s home rule powers and Sections 1.2 and 7.4 of the City’s Home Rule Charter to enter into long-term or short-term rental or leasehold agreements in order to provide necessary land, buildings, equipment and other property for governmental or proprietary purposes, which agreements may include an option to purchase and acquire title to such leased or rented property within a period not exceeding the useful life of such property and in no case exceeding 30 years.

(b) In order to provide for the capital asset needs of the City, the Council has determined and hereby determines that it is necessary and in the best interests of the City and its citizens that the City undertake lease purchase financing of sites, buildings, equipment and other property for use by the City for governmental or proprietary purposes.

(c) The City has determined to acquire and construct a Justice Center building and related improvements (the “Project”), such building and other improvements to be constructed on land currently owned or to be owned by the City.

(d) To provide financing for the acquisition and construction of the Project, Certificates of Participation, Series 2017 (the “Series 2017 Certificates”) in one or more series in an aggregate amount not to exceed \$23,000,000 will be sold, executed and delivered pursuant to an Indenture of Trust (the “Indenture”) entered into by UMB Bank, n.a. (the “Trustee”).

(e) In connection with the Series 2017 Certificates, it will be necessary to execute and deliver a Site Lease (the “Site Lease”), a Lease Purchase Agreement (the “Lease”) and an Agreement to Construct (the “Agreement to Construct”) between the City and the Trustee.

(f) There will be prepared, executed and distributed in connection with the sale of the Series 2017 Certificates a Preliminary Official Statement (the “Preliminary Official Statement”) and a final Official Statement (the “Official Statement”) summarizing the documents filed for public inspection with the City Clerk in connection with this Ordinance and containing information about the City, the Leased Property (as defined in the Lease) and other matters material to potential purchasers of the Series 2017 Certificates. At such time as the Preliminary Official Statement is available in substantially final form, the Director of Finance is authorized to certify that it is in near-final form and to authorize its distribution by the underwriter, or prospective underwriter in the case of a competitive sale (the “Underwriter”).

Section 2. Ratification of Actions. All action heretofore taken, not inconsistent with the provisions of this ordinance (the “Ordinance”), by the Council or the officers of the City, directed toward the implementation of the Project, including the preparation of the forms of Site Lease, Lease, Indenture, Agreement to Construct and Official Statement and related documents, are hereby ratified, approved and confirmed.

Section 3. Findings; Authorizations. The Council hereby finds and determines, pursuant to the City’s home rule powers and the laws of the State of Colorado, that the Project is necessary, convenient, and in furtherance of the governmental purposes of the City and in the best interests of the City and its citizens; and the Council hereby authorizes the Project.

Section 4. Approval and Execution of Documents; City Representatives. The Site Lease, the Lease, the Indenture and the Agreement to Construct, in substantially the forms filed in the office of the City Clerk prior to the final adoption of this Ordinance, are in all respects approved, authorized and confirmed, and the Mayor or the Mayor Pro Tem of the City are hereby authorized and directed to execute and deliver, and the City Clerk of the City or any Deputy or Assistant City Clerk are hereby authorized and directed to affix the seal of the City to, and attest, the Site Lease and Lease in substantially the forms filed with the City Clerk, with such changes as are not inconsistent with the intent of this Ordinance and are approved by bond counsel or the City Attorney. The Council hereby designates the City Manager or, in the absence of the City Manager, the Director of Finance (and any persons authorized by law to act on their behalf in their absence) to act as the “City Representative” under the Lease and any related documents. Prior to the execution of the Site Lease, the Lease or any other instrument contemplated by this Ordinance, or the issuance of the Series 2017 Certificates, the final Base Rentals due under the Site Lease and Lease, and the principal amount, interest rates and other terms of the Series 2017 Certificates, not inconsistent herewith, shall be approved by a certificate executed by the City Representative (the “Final Terms Certificate”) not later than December 31, 2017.

The City Representative is hereby authorized to determine, based on the recommendation of the City’s financial advisor, whether the Series 2017 Certificates are to be sold at negotiated or competitive sale. In the event that the City Representative determines to sell the Series 2017

Certificates at negotiated sale, the City Representative is hereby authorized to select an Underwriter. In the event that the City Representative determines to sell the Series 2017 Certificates at competitive sale, the City Representative is hereby authorized to prepare a notice of sale and to utilize the services of an electronic bidding platform if recommended by the financial advisor to effect such sale. In the event that the City Representative deems bond insurance or other credit enhancement to be advantageous to the City in connection with the Series 2017 Certificates, the City Representative may authorize such credit enhancement by Final Terms Certificate and insert provisions, not inconsistent herewith, required by the provider of such credit enhancement.

Section 5. The Series 2017 Certificates. The Council hereby acknowledges and consents to the sale, execution and delivery of the Series 2017 Certificates pursuant to the Indenture. The Council hereby acknowledges and approves the forms, terms and provisions of the Series 2017 Certificates contained in the Indenture, in substantially the form filed with the City Clerk prior to the final adoption of this Ordinance.

The Series 2017 Certificates shall be issued in one or more series in an aggregate principal amount not to exceed \$23,000,000, shall mature not later than December 1, 2042, shall bear interest at a net effective interest rate not exceeding 6%, and may be made subject to redemption at redemption prices which may include redemption premiums not exceeding 3% of their principal amount, all as may be approved by Final Terms Certificate. The proceeds of the Series 2017 Certificates shall be used to accomplish the Project in the manner required under the Site Lease, the Lease, the Indenture and the Agreement to Construct.

Section 6. Additional Documents. The City Clerk is hereby authorized and directed to attest all signatures and acts of any official of the City in connection with the matters authorized by this Ordinance. The Mayor, the Mayor Pro Tem and the City Representative are hereby authorized to execute and deliver for and on behalf of the City any and all additional certificates, documents and other papers and to perform all other acts that they may deem necessary or appropriate in order to implement and carry out the transactions and other matters authorized by this Ordinance. The appropriate officers of the City are also authorized to execute on behalf of the City agreements concerning the deposit and investment of funds in connection with the transactions contemplated by this Ordinance.

Section 7. No General Obligation or Other Indebtedness. The obligation of the City to make rental payments under the Lease is subject to annual appropriation by the Council and constitutes an undertaking of the City to make current expenditures. No provision of this Ordinance, the Site Lease, the Lease, the Indenture or the Series 2017 Certificates shall be construed as constituting or giving rise to a general obligation or other indebtedness or multiple fiscal year financial obligation of the City within the meaning of any home rule, constitutional or statutory debt limitation nor a mandatory charge or requirement against the City in any ensuing fiscal year beyond the current fiscal year. The City shall have no obligation to make any payment with respect to the Series 2017 Certificates except in connection with the payment of the Base Rentals (as defined in the Lease) and certain other payments under the Lease, which payments are subject to termination and nonrenewal by the City in accordance with the provisions of the Lease.

Section 8. Expression of Need; Reasonable Rentals. The City hereby declares its current need for the Leased Property, which is considered to be essential to the governmental operations of the City. It is hereby declared to be the present intention and expectation of the Council that the Lease will be renewed annually until all of the Leased Property is acquired by the City pursuant to the Lease; but this declaration shall not be construed as contractually obligating or otherwise binding the City.

The maximum Base Rentals payable under the Lease shall be an amount which would provide Lease Revenues, as defined in the Indenture, sufficient to pay the maximum principal and interest authorized herein for the Series 2017 Certificates. The Council hereby determines and declares that the Base Rentals due under the Lease will represent the fair value of the use of the Leased Property and the Purchase Option Price (as defined in the Lease) will represent, as of any date upon which the City may exercise its option to purchase such Leased Property, the fair purchase price of such Leased Property. The Council further hereby determines and declares that the Base Rentals due under the Lease will not exceed a reasonable amount so as to place the City under an economic or practical compulsion to renew the Lease or to exercise its option to purchase the Leased Property pursuant to the Lease. In making such determinations, the Council has given consideration to the cost of acquiring and installing the Leased Property, the uses and purposes for which the Leased Property will be employed by the City, the benefit to the citizens of the City by reason of the acquisition and installation of the Leased Property and the use of the Leased Property pursuant to the terms and provisions of the Lease, the City's option to purchase the Leased Property, and the expected eventual vesting of unencumbered possession and title to the Leased Property in the City. The Council hereby determines and declares that the acquisition and installation of the Leased Property and the leasing of the Leased Property pursuant to the Lease will result in facilities of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition and installation of the Leased Property were performed by the City other than pursuant to the Lease. The Council hereby determines and declares that the maximum duration of the portion of the Lease allocable to any item of Leased Property separately identified in the Lease will not exceed the weighted average useful life of such item of Leased Property.

Section 9. Severability. If any section, paragraph, clause or provision of this Ordinance or the Lease (other than provisions as to the payment of Base Rentals by the City during the term of the Lease, provisions for the quiet enjoyment of the Leased Property by the City during the term of the Lease, and provisions for the transfer of the Leased Property to the City under the conditions provided in the Lease) 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.

Section 10. Repealer of Measures. All acts, orders, resolutions, ordinances or parts thereof, in conflict with this Ordinance or with any of the documents hereby approved, are hereby repealed only to the extent of such conflict. This repealer shall not be construed as reviving any resolution, ordinance, or part thereof heretofore repealed.

Section 11. Publication and Effective Date. Pursuant to the Charter, this Ordinance shall be published either in full or by title following second reading and shall take effect and be in force five (5) days after publication. If this Ordinance is published by title the publication

shall include a summary of the subject matter hereof and a notice to the public that copies of the full text are available at the office of the City Clerk. This Ordinance shall expire to the extent that the Series 2017 Certificates authorized herein are not issued by December 31, 2017.

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INTRODUCED, READ AND ORDERED POSTED this _____ day of _____,
2017.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

PASSED ON SECOND AND FINAL READING this _____ day of _____,
2017.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney