



Agenda Memorandum

Agenda Item – {{section.number}}.B.

City Council Meeting
August 14, 2023



Strategic Priority 2: Proactive Public Safety

Enhance public safety to emphasize both prevention and enforcement, engage the community through education and outreach and provide the resources necessary to ensure safety and well-being throughout Westminster.



Strategic Priority 5: Robust Infrastructure

Provide safe and equitable access to core services and amenities by safeguarding, maintaining and improving the city's water, wastewater, stormwater, mobility and roadway systems.

Subject: First Reading of Councillor's Bill No. 38 Authorizing Certificates of Participation for Financing the Construction of a Replacement Municipal Court Facility and related issuance costs.

Prepared By: Larry Dorr, Deputy City Manager/CFO
Robert Byerhof, Treasury Manager

Recommended City Council Action:

1. Approve Councillor's Bill No. 38, on first reading, authorizing the issuance of tax-exempt Certificates of Participation (COPS), Series 2023 in a par amount not to exceed \$37.1 million for the construction of a Replacement Municipal Court Facility, and related COP issuance costs.

Summary Statement:

- On May 1, 2023, City Council gave Staff direction to issue Certificates of Participation (COPs) for the construction of a Replacement Municipal Court Facility. The City's Replacement Municipal Court Facility will be pledged as collateral for the COPS. This Ordinance will authorize the issuance of the COPS within certain parameters, not to exceed certain terms and interest rates. Staff and the City's financial advisors, and underwriters anticipate that the COPS will be issued with terms equal to, or more favorable than, those set forth in the Ordinance. This Ordinance sets forth the authority to issue these COPS in a similar manner, within parameters, as previous City COP issues.

- The construction of the City's new facility is estimated to cost \$42.7 million. Related to the COPS, Staff estimates that construction proceeds will be \$36.6 million and issuance costs will be \$500,000, for a total COP par amount of \$37.1 million. In addition to the \$36.6 million in construction proceeds, the City will utilize \$6.1 million in pay-as-you-go funds accumulated in recent years, for a total construction cost of \$42.7 million.
- The City is negotiating with Community Reach Center to potentially build a shared facility at the site of the Replacement Municipal Court Facility. Such an agreement to build a co-location would allow for the City to continue its long standing co-location with Community Reach Center and also replace the building currently occupied by Community Reach Center that is separate but adjacent to the current Westminster Municipal Court. Such an agreement would not impact the City's ability to replace the Municipal Court Facility or impact the City's current cost estimate. Potentially, the City and Community Reach Center may be able to build one facility under a condominium concept, whereby a portion of the facility will be funded completely by Community Reach Center, and one portion funded by the City and these COPS. This would allow for one location to serve multiple needs within the Westminster community.

Fiscal Impact:

Not to exceed \$37.1 million par value in COPS

Source of Funds:

Certificate of Participation proceeds

Policy Issue(s):

Should the City issue Certificates of Participation, Series 2023 in the par amount not to exceed \$37.1 million to finance a replacement municipal court facility?

Alternative(s):

1. City Council could direct Staff not to pursue COPS financing and pay for the improvements with pay-as-you-go funds. This alternative is not recommended. Without additional financing, the City does not have the available funds to pay for the project and it will remain unaddressed for many more years into the future.
2. City Council could direct Staff not to issue the COPS and direct Staff to pursue other financing options for the replacement of the municipal court building. This is not recommended as Staff has determined that COPS provide the greatest financial flexibility to finance the project without increasing taxes or fees.

Background Information:

On December 12, 2022, Staff presented to City Council on the future of the Municipal Court Building. City Council directed Staff to design a Replacement Municipal Court Building and return with a financing strategy. Staff explored financing options for building a Replacement Municipal Court, while weighing overall cost, financial flexibility, timing, and administrative burden. On May 1, 2023, Staff presented those options to City Council, and Council directed staff to issue COPS for constructing a

Replacement Municipal Court Building.

The estimated cost of building a Replacement Municipal Court Building is \$42.7 million. Financing of this project will include approximately \$6.1 million in City pay-as-you-go funds and the balance of the project costs are recommended to come from the issuance of tax-exempt COPS, in an amount not to exceed \$37.1 million in par value, which includes \$500,000 in COP issuance costs. The parameters set forth in the Ordinance give the flexibility to manage changes in market conditions and allow for a project fund of \$36.6 million.

At a future date, City Council may consider a separate Council action should the City's negotiators be successful in reaching any agreement with Community Reach Center, for the potential construction of a shared facility. Any such agreement, will require Community Reach Center to pay for its portion of the replacement building, and ultimately provide valuable services to the Westminster community. Any construction of a shared facility will require the review and approval of Westminster City Council.

COP financing has been successfully utilized by the City in completing several significant projects since 1998. From road improvements to the construction of the Public Safety Building or the 144th Avenue Interchange, this form of financing pledges certain City assets as collateral and then uses the proceeds to pay for the public infrastructure. In this case, the Replacement Municipal Court building will be pledged as the collateral for the financing.

The financing strategy for the Replacement Municipal Court Building presented to the City Council on May 1, 2023 included the rationale for the COP financing, both in terms of prior successful projects requiring COPS financings, and the conservative approach to support the estimated repayment schedule. The City will retire debt obligations in 2025, which will make available \$2.7 million to pay an amount not to exceed \$2.8 million debt service on the proposed 2023 COPS. As such, the COPS can be issued and repaid from current resources, without additional taxes or fees.

If City Council approves the attached Ordinance, staff anticipates closing on the financing in late September or early October.

Financing the Replacement Municipal Court Building meets the Strategic Priority of Proactive Public Safety by creating a secure and comprehensive center for enforcement and prevention. It meets the Strategic Priority of Robust Infrastructure by making a long-term investment in a building that will provide a core service to the community for decades to come.

Respectfully Submitted,

Mark A Freitag

Mark A. Freitag
City Manager

Attachments:

Councillor's Bill No. 38