



## Agenda Memorandum

Agenda Item – {{section.number}}.B.

City Council Study Session  
May 1, 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:** Financing Strategy for the Replacement Municipal Court Building

**Prepared By:** Larry Dorr, Deputy City Manager  
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Mikeal Parlow, Policy & Budget Coordinator

## **Recommended City Council Action:**

Direct Staff to move forward with Certificates of Participation to finance the replacement of the Municipal Court building.

## **Summary Statement:**

- On December 12, 2022, City Council directed Staff to design a replacement Municipal Court building and to return with a financing strategy for the project.
- Staff explored financing options for building a replacement Municipal Court while weighing overall cost, financial flexibility, timing, and administrative burden.
- Financing options considered include Certificates of Participation (COPs), Public Private Partnerships (P3), General Obligation (GO) Bonds, and Sales Tax Bonds.
- Staff recommend pursuing financing through the issuance of COPs to take advantage of budget capacity for COP lease payments, and to maximize financial flexibility to finance the replacement Municipal Court.

**Fiscal Impact:**

\$0 in expenditures

**Source of Funds:**

Not applicable

**Policy Issue(s):**

Does City Council wish to pursue financing of the replacement Municipal Court building with COPs?

**Alternative(s):**

City Council could choose to pursue other financing options for the replacement Municipal Court building. This is not recommended as Staff has determined that COPs provide the greatest financial flexibility to issue debt 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 to return with a financing strategy for that future project.

Staff explored financing options for building a replacement Municipal Court while weighing overall cost, financial flexibility, timing, and administrative burden. Below is a list of the options that were examined and a summary of Staff's findings:

**Certificates of Participation**

- COPs are secured by lease payments for a leased asset and are subject to annual appropriation. The City can use the new Municipal Court facility as the collateral for the COPs issued to finance the project.
- The City could structure COPs to minimize budgetary impacts as outstanding COPs mature over the next two years.
- ***Staff recommend pursuing financing through the issuance of COPs to take advantage of existing budget capacity for COP lease payments, and to maximize financial flexibility for the financing of the replacement Municipal Court.***

**Public Private Partnership (P3)**

- P3 arrangements involve collaboration between a government agency and a private sector company that can be used to design, build, finance, and operate projects, most often used for large infrastructure projects. While there can be advantages to P3s, such as accelerated project delivery, there are trade-offs for the City such as relinquishing control to the P3 and increased risk exposure to the City compared to traditional project delivery methods.
- The Government Finance Officers Association (GFOA) issued an advisory regarding P3 agreements, urging careful analysis for all P3 agreements, including all potential financial

impacts: “P3 agreements... contain varying degrees of risk, and some organizations have pursued projects that have been controversial and detrimental to the short-term and long-term fiscal health of the public sector entity.”

- Hilltop Securities Inc. (Hilltop), the City’s Municipal Advisor, stated that the only P3 projects they were aware of in Colorado were used for transportation related projects such as Denver International Airport, RTD, and Central 70. While other Hilltop clients continue to evaluate P3 opportunities, those tend to be related to some project finance component (i.e., other revenue streams, benefits, or external management, etc.) rather than something that is exclusively for general government purposes. Hilltop is unaware of any entity in Colorado who has executed or explored a P3 for a judicial facility.
- ***Due to the lack of utilization of a P3 for a judicial facility in Colorado, the City’s lack of experience with P3s, and the caution urged in the GFOA advisory, Staff do not recommend that the City pursue a P3 opportunity for the design and construction of a replacement court facility.***

### General Obligation (GO) Bonds

- GO Bonds are municipal bonds backed by the credit and taxing power of the City.
- GO Bonds would require a property tax increase for repayment of the debt equal to the anticipated amount of annual debt service.
- GO Bonds would also require a ballot initiative, creating additional administrative costs for election.
- ***Staff do not recommend that the City pursue GO Bonds for financing the replacement Municipal Court. Issuing GO Bonds would require the City to increase property taxes to repay the bonds and will lead to longer project delivery times.***

### Sales Tax Bonds

- Sales Tax Bonds are municipal bonds backed by an increase to sales and use tax revenues.
- Unlike GO Bonds which rely on property tax revenues from a dedicated mill levy, sales and use tax revenue bonds are secured by specific pledged sales and use tax revenue.
- Sales Tax Bonds would also require a ballot initiative, creating additional administrative costs for election.
- ***Staff do not recommend that the City pursue Sales Tax Bonds for financing the replacement Municipal Court. Issuing Sales Tax Revenue Bonds restricts the City’s ability to be flexible with the revenue type it utilizes to repay the financing. Issuing Sales Tax Bonds would require the City to increase sales and use taxes to repay the bonds and will lead to longer project delivery times.***

Staff also explored potential Federal funding sources for this project, including large funding bills passed in the past couple of years such as the American Rescue Plan Act, Bipartisan Infrastructure

Legislation, and Inflation Reduction Act. Staff found that most of the funding in these pieces of legislation are limited to specific types of municipalities (rural, underserved, etc.) and/or for particular types of projects such as renewable energy or water conservation. Staff found no significant opportunity for capital funds specifically for the design or construction of the replacement Municipal Court. Staff will continue to explore opportunities that could take advantage of these more specific project funding sources, such as electric vehicle infrastructure at the replacement Municipal Court building.

However, Staff identified other, more regular, and reoccurring grants, particularly from the Department of Justice that it will pursue as these programs come available. These grants mostly provide for supplies, equipment, personnel, overtime reimbursement, training, and travel. A majority of the grants also require collaboration with non-profits and/or collaboration with other jurisdictions.

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:**

Presentation