

AGENDA ITEM SUMMARY

City Council



STAFF

Caleb Weitz, Chief Financial Officer
Bonnie Dennis, Deputy CFO & Controller
Wes Collins, Sr Financial Analyst

SUBJECT

First Reading of Ordinance No. 046, 2026, Authorizing the Leasing of City Property and Approving a Site Lease, a Lease Agreement, and Other Documents for the Financing of the Southeast Community Center and Other Capital Improvement Projects.

EXECUTIVE SUMMARY

The purpose of this item is to consider an Ordinance authorizing the issuance of Certificates of Participation (COPs) to finance the construction of the Southeast Community Center (SECC), a key community investment serving a growing area of the city.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Certificates of Participation

Certificates of Participation (COPs) are a financing mechanism similar to bonds, where investors purchase a share of lease revenues rather than receiving traditional bond repayment financing.

COPs are commonly used by Colorado municipalities to finance capital projects. Because COPs are structured as to annually appropriate lease obligations, they are not considered multi-year debt under TABOR and do not require voter approval.

The City typically uses a lease-leaseback structure, where:

- The City leases assets to a Trustee (Site Lease)
- The Trustee leases the assets back to the City (Lease)
- Investors purchase COPs backed by lease payments

If the City chooses not to appropriate funds in any year, the lease terminates without penalty, and the Trustee has rights to the leased asset. The City retains ownership of the property throughout. This is the same structure successfully used in prior issuances, including the 2019 and 2022 COPs.

City's Prior COPs Experience

The City has a strong track record using COPs to fund major capital investments, including:

- Transportation infrastructure
- Public safety facilities
- Land acquisition and community assets

COPs were first authorized by Council by approval of Ordinance No. 128, 1998, for the financing of the Civic Center Facilities Project, which included the Civic Center Parking Structure and the City office building at 215 North Mason. Most recently, the 2022 COPs financed multiple projects, including the land acquisition of the Hughes Stadium and facility improvements related to the Southridge Golf Irrigation System and the Fleet Shop Expansion projects, using a similar structure and repayment approach. These financings have demonstrated that COPs are a reliable and flexible tool that aligns long-term costs with long-term community benefits.

Proposed COPs – Southeast Community Center (SECC)

City staff is seeking the proposed issuance of COPs for \$36.0 million dollars to finance the construction of the Southeast Community Center (SECC), which is considered as a long-life capital asset, making it appropriate for financing through COPs.

SECC Funding Sources (\$ in Millions)

CCIP Previously Appropriated	\$ 27.2
2050 COP Proceeds	36.0
2050 Tax Reserves	10.3
DOLA Grant	2.0
Recreation Reserves	1.0
Total City of Fort Collins Funding	\$ 76.5

Financing Structure

The proposed COPs will be structured similarly to prior issuances:

- Lease-leaseback financing
- Secured by selected City-owned assets
- Annual appropriation obligation
- Fixed interest rate at issuance

Final terms, including interest rates and repayment schedules, will be determined at the time of sale based on market conditions.

The Ordinance includes some flexibility with the following parameters:

- (a) the Site Lease Termination Date shall be no later than December 31, 2056;
- (b) the Lease Term shall not extend beyond December 31, 2046;
- (c) the maximum annual repayment amount of Base Rentals payable by the City pursuant to the Lease shall not exceed \$3,900,000;
- (d) the maximum total repayment amount of Base Rentals payable by the City pursuant to the Lease shall not exceed \$58,000,000;
- (e) the Lease shall be subject to prepayment at the option of the City, without penalty, no later than December 1, 2036; and

- (f) the maximum net effective interest rate on the interest component of the Base Rentals relating to the Certificates shall not exceed 5.25%.

Per Ordinance No. 046, 2026, the lease financing may be used for the SECC and other capital improvements of the City, within these parameters. Therefore, with this issuance, there may be additional capacity within these parameters to finance other capital project costs.

Security and Collateral

The City may designate existing facilities or other real property as collateral, consistent with prior practice. Since the SECC will not be fully constructed at the time of the debt issuance, it is more cost effective and provides investors with greater security when using an existing City facility. This COPs will be utilizing the Edora Pool Ice Center (EPIC) as collateral until such time the SECC is completed. Once SECC is fully constructed, the COPs collateralization may transfer from EPIC to SECC.

As with prior COPs:

- The COPs is secured by a leasehold interest in City-owned property;
- The city retains ownership of all assets.

CITY FINANCIAL IMPACTS

The City anticipates issuing COPs for \$36.0 million for the SECC project including \$450,000 in closing costs. An appropriation for the debt proceeds is anticipated to be presented to Council in the third quarter of this year. The COP will have a fixed interest rate not to exceed 5.25% and a maximum repayment term of 20 years. The maximum repayment will not exceed \$58 million. The \$58.0 million cap includes annual maximum debt service payments of \$3.9 million. The repayment of the COP will be from the Parks & Recreation Fund, Transit and Climate 2050 Sales Tax passed in November 2023 which includes an allocation of 50% for the replacement, upgrade, maintenance, accessibility of parks facilities and for the replacement and construction of indoor and outdoor recreation and pool facilities.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Council Finance Committee reviewed the proposed financing approach on December 5, 2024 and expressed support for moving forward.

PUBLIC OUTREACH

None.

ATTACHMENTS / LINKS

1. Southeast Community Center COPs Presentation
2. Ordinance No. 046, 2026