



Finance Administration
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Council Finance Committee Hybrid Meeting
CIC Room / Zoom
November 6, 2024
4:00 – 5:30 pm

Council Attendees: Mayor Arndt, Emily Francis, Kelly Ohlson

Staff: Kelly DiMartino, Tyler Marr, Travis Storin, Denzel Maxwell, Teresa Roche,
Jenny Lopez Filkins, Ginny Sawyer, Terri Runyan, Max Valadez, Joe Wimmer,

Nina Bodenhamer, Drew Brooks, Monica Martinez,
Kaley Zeisel, Brad Buckman, Dana Hornkohl, Dean Klingner, Victoria Shaw, Jill
Wuertz, Kai Kleer, Patti Millo
Randy Bailey, Adam Halvorson, Trevor Nash, Garrison Dam, Jordan Granath,
Logan Bailor,
Renee Reeves, Dave Lenz, Jen Poznanovic, Jo Cech, Zack Mozer Carolyn Koontz
Matt Robenalt, Kristy Klenk

Other: Kevin Jones, Chamber

Meeting called to order at 4:00 pm

Approval of minutes from the September 5, 2024, and October 3, 2024 Council Finance Committee meetings.
Motion made to approve by Kelly Ohlson and seconded by Emily Francis. Approved by roll call.

A. DDA Line of Credit Renewal

Matt Robenalt, Executive Director, Downtown Development Authority
Kristy Klenk, Finance & HR Manager, Downtown Development Authority
Adam Halvorson, Sr. Analyst, Treasury, City of Fort Collins

Downtown Development Authority (“DDA”) Line of Credit (“LOC”) Finance for 2025-2030

EXECUTIVE SUMMARY

The current LOC established in 2012 and renewed in 2018 by the City on behalf of the DDA is scheduled to expire at the end of 2024. The City and DDA began taking steps earlier this year to renew this debt instrument with First National Bank for another six-year term, as it will be needed by the DDA to execute its projects and programs in budget year 2025.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance recommend bringing an IGA forward to accommodate the renewal of the bank authorized Line of Credit to be used by the DDA and satisfy compliance with C.R.S. §31-25-807(3)(a)(II)?

BACKGROUND/DISCUSSION

Background

The DDA Act (C.R.S. 31-25-801, as amended) has inherent processes that require the City and the DDA to work collaboratively to achieve the purpose of the legislation. Among these expected collaborations is the process for financing DDA activities. In 2012, Council adopted Ordinance No. 089, 2012 and the City and DDA established a line of credit (LOC) with First National Bank to satisfy the statutory requirement to generate proceeds from debt to be used by the DDA to execute its projects and programs and implement the DDA's Plan of Development. The tax increment revenues created each year by the private investment that has occurred downtown is used to pay off the debt.

In 2018, Council adopted Ordinance NO. 066, 2018 to renew the LOC for another six-year term from 2019 – 2024. The current LOC is scheduled to expire at the end of 2024. The DDA and City began taking steps earlier this year to renew this debt instrument with First National Bank for another six-year term, as it will be needed by the DDA to execute its projects and programs beginning in budget year 2025.

Additionally, in 2012, Council approved Resolution 2012-081 and the DDA and City created an intergovernmental agreement ("IGA") that established the process by which the two organizations would:

- initiate requests for a draw from the LOC
- verify tax increment revenue cash available to repay the debt
- account for the loan proceeds released from the LOC, and
- execute repayment with tax increment within 7 days of the initial LOC draw

The Second IGA Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs was approved by City Council by Resolution 2018-046 to reflect the terms of the renewed LOC in 2018.

What is New for 2024?

In 2023, SB23-175 was signed into law, and this amendment to the DDA Act provides a new hybridized option for meeting the statutory requirements for financing debt of downtown development authorities. This amendment makes it possible for development authorities to obtain their own debt, and have it paid off with tax increment revenues provided there is an IGA between the municipality and development authority authorizing this arrangement. Prior to the amendment, the statute required that all debt issued for the benefit of the development authority be exclusively the debt of the municipality.

Many of the downtown development authorities in the State use the same line of credit financing approach as the Fort Collins DDA and City of Fort Collins. Because the approach has some steps that amount to busy-work for municipal finance staff, there was wide support to create an option to transfer much of the administrative burden to development authorities by allowing them to obtain their own debt, which is what SB23-175 now offers.

Since this was a new concept enacted into the DDA Act, the DDA and City Finance staff have conferred with appropriate legal counsel, and based on that began working together to discuss a new line of credit that will be obtained by the DDA from a bank, and also the process steps that would be embodied in an IGA to achieve compliance with the DDA Act and clearly define procedural steps between the City, DDA and bank. A flow chart defining these procedural steps is provided in the last slide of ***Attachment 1 Slide Presentation***.

It is planned that the intergovernmental agreement, and the line of credit loan promissory note from First National Bank of Omaha will be presented to the DDA Board in February 2025 for approval, and the intergovernmental agreement then advanced to the City Council for approval shortly thereafter. This schedule for adoption is several months ahead of when the 2025 tax increment revenues are released by the County Treasurer that would be used to pay off draws on the DDA's new line of credit, and this timing is supportive of the DDA's cashflow timing needs for projects it will be funding in 2025.

Benefits and Impacts of the LOC

When the DDA and City began using the LOC financing approach in 2012, it provided benefits and positive impacts over the much more expensive forms of financing such as issuance of traditional revenue bonds or private-placement financing with banks and other investors. Using the LOC approach to finance DDA projects and programs results in a significantly shorter period of time in which the debt incurs interest. This means that more funding is available to invest directly into projects and programs in the downtown, and less is spent on finance fees and interest expenses.

DDA staff analyzed the savings from this approach used between 2012-2024 against that of the other forms of traditional financing used by the City and DDA in the past. The financial savings is significant. Since 2012, the LOC total interest and financing fees for \$46,671,468 of principal debt was \$17,098. In contrast, the total interest and finance fees for the City/DDA financing approach that traditionally used certificates of participation and private placement bonds for \$15,279,063 of principal debt was \$3,412,065.

Other benefits and positive impacts using the LOC include:

- Strong expression of fiduciary stewardship of public funds
- Recognition that investment of tax increment funds, derived from property tax assessments of overlapping tax entities, creates positive growth in assessed value and thereby increased the value of the property tax base for all overlapping entities. (82% of the DDA tax increment comes from tax entities other than the City such as Larimer County and Poudre School District)
- Funding partnerships of the DDA undertaken with the City and private sector have no cost of capital charges assessed to the projects
- Every draw made on the LOC is paid off within seven (7) days, which means no effect at the end of the calendar year on the City's fund balance or City Comprehensive Annual Financial Report

Next Steps & Key Dates

The DDA has met with First National Bank of Omaha and is coordinating with the bank to provide the promissory note and final term sheet.

The following key dates outline the remaining steps in the schedule to implement the LOC renewal:

DDA Board – Approval of IGA & LOC Promissory Note 2/13/2025

City Council – Approval of IGA 3/4/2025

Discussion / Next Steps;

Mayor Arndt; yes - Makes complete sense – don't know why there would be any objections.

Kelly Ohlson; would love to see a list of different projects for each year; Capital Asset Maintenance obligations, multi- year – round dollars, not details