

**ARCHULETA COUNTY
FINANCE DEPARTMENT**
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March 26, 2019

To: Archuleta County Commissioners
From: Larry Walton, Finance Director
Re: A Resolution Authorizing Various Documents in Connection with the Issuance of Certificates of Participation; Including Authorization of Certain Persons to Approve Final Terms and Execute the Documents, Within Certain Constraints Established by the Resolution.

Background

On February 5, 2019, the Board passed Resolution 2019-9, which established “Principles and Parameters for Construction of the Proposed Fred C. Harman III Law Enforcement Complex at Harman Park”. This resolution directed Administration and Finance staff to proceed with financing a detention center located at Harman Park (the “Project”), via the mechanism of Certificates of Participation (“COPs”), with the assistance of bond counsel and a municipal advisor.

The principal documents needed to proceed with COP financing at this time are:

- Site Lease (County leases property to UMB Bank, n.a., acting as the “Trustee”)
- Lease Purchase Agreement (Trustee leases property back to the County, subject to annual appropriation by the Board; Base Rental payments are equal to the annual debt service requirements of the COPs)
- Indenture of Trust (executed by the Trustee; governs the issuance of COPs, and what can be done with the funds generated)
- Agreement to Construct (Obligates the County to construct the Project, for a certain price, with certain protections)
- Notice of Sale (Like an Invitation to Bid, the bids being for the Certificates of Participation)
- Official Statement (the “story” of the Project; offering document that provides investors with information regarding the terms of the deal, details about the Project and financial and other information about the County)

The above documents have been substantially completed. The final terms of the transaction, including the aggregate principal amount of the COPs, interest rates and other details, will not be known until after the COPs are sold to an underwriter. The timing of the issuance is such that the Commissioners would need to approve certain actions related to selling the COPs prior to knowing those final terms. Therefore, an “authorizing parameters” Resolution has been prepared and is now before you for your consideration.

In a nutshell, the Resolution approves the draft documents mentioned above, as to form and as substantially completed. It furthermore authorizes the Finance Director of the County, the County Administrator or any authorized member of the Board to determine any final details necessary or appropriate to consummate the transactions needed, as long as those details are consistent with the restrictions and parameters established by the Resolution.

Fiscal Impact

The Resolution establishes the following fiscal restraints and parameters for the COP financing:

- Lease Purchase Agreement: Base Rentals payable by the County shall not exceed \$880,000 per year.
- Agreement to Construct: The Fixed Price payable by the Trustee to the County (i.e., the amount of COP proceeds to be applied to the construction of the Project) shall not be less than \$13,000,000.
- Indenture of Trust:
 - Aggregate Principal amount of the 2019 Certificates shall not exceed \$13,950,000.
 - Coupon Interest shall not exceed 5.00% per annum.
 - Final Maturity of the 2019 Certificates shall not be later than December 31, 2044.

These limits have been carefully selected to provide flexibility in establishing the final overall terms most advantageous to the County at the time of going to the marketplace.

Recommendations

The County Commissioners may consider the following motion:

1. Move to approve Resolution No. 2019-___, authorizing and approving a Lease Purchase Agreement for certain County-owned property and, in connection therewith, a Site Lease, an Indenture of Trust, an Agreement to Construct, a Notice of Sale, an Official Statement, and Related Documents and Transactions.