

ORDINANCE CONCERNING THE FINANCING OF THE CONSTRUCTION OF A FIRE STATION WITH ASSOCIATED AMENITIES AND SUPPORTING PUBLIC IMPROVEMENTS

DECEMBER 2, 2025



BACKGROUND

- The Town is ready to move forward with the construction of Fire Station 156 to serve the Castle Oaks and Liberty Village neighborhoods.
- It is anticipated that the station will house an engine and a type-6 brush truck, with staffing to consist of one lieutenant, one engineer, and one to two firefighters.
- The station will also house the CRFRD Logistics Center, where fire apparatus maintenance will take place, and equipment supply will be centralized.

PROJECT FINANCING

- The costs of constructing Fire Station 156 will be financed primarily through the issuance of approximately \$8,300,000 in tax-exempt certificates of participation (COP's).
- All remaining amounts necessary to fund the costs of such construction (approximately \$6,300,000) will be provided by means of an interfund loan from the TABOR Fund to the Fire Capital Fund.
- The ordinance that Town Council is being asked to consider at tonight's meeting sets forth the parameters of the COP financing.

LEASE-BACKED FINANCING – WHO'S INVOLVED

- The Town of Castle Rock
- UMB Bank – the Trustee
- Hilltop Securities – the Town's financial advisor
- Butler Snow – the Town's bond counsel
- Stifel Nicolaus – the Underwriter
- Stradling Law – the Underwriter's counsel

LEASE-BACKED FINANCING – HOW IT WORKS

- The Town is the owner of a 4.925-acre parcel of land within the Villages at Castle Rock Subdivision upon which Fire Station 156 will be constructed (the “Fire Station Parcel”).
- The Town, as lessor, will enter into a Site Lease Agreement with the Trustee, as lessee, for the Leased Property (i.e., the Fire Station Parcel and the buildings and improvements to be located thereon).
- The Trustee, as lessor, will enter into a Lease Purchase Agreement with the Town, as lessee, for the Leased Property (commonly referred to as a “leaseback”).

LEASE-BACKED FINANCING – HOW IT WORKS

- Per the terms of the Lease Purchase Agreement, the Town will make rental payments to the Trustee.
- The Town will make these rental payments twice annually over a 30-year period (i.e., the lease term”).
- For federal and state income tax purposes, the rental payments will include both a principal and interest component.
- At the end of the lease term, the Town may pay the then applicable purchase option price and acquire full title to the Leased Property (Please note: the Lease Purchase Agreement will provide a prepayment option for the Town).

LEASE-BACKED FINANCING – HOW IT WORKS

- The Trustee will execute and deliver an Indenture of Trust, pursuant to which the Trustee will issue Certificates of Participation (COP's).
- A COP is a financing instrument that allows an investor to purchase a share of rental payments from a Town lease (as opposed to purchase a bond that is secured by Town revenues).
- The Trustee will then enter into a Certificate Purchase Agreement with the Underwriter, who will offer the COP's for sale to investors.
- The net proceeds from the sale of the COPs will be used by the Town to finance the Sports Development Center.

LEASE-BACKED FINANCING – ADVANTAGES

- The use of lease-backed financing in Colorado was first approved in the case of *Gude v. City of Lakewood*, 636 P.2d 691 (1981), as an exception to the election requirements concerning general obligation debt in the Colorado Constitution.
- Lease-backed financings are also exempt from the election requirements in the TABOR Amendment – *County of Boulder v. Dougherty, Dawkins, Strand & Bigelow, Inc.*, 890 P.2d 199 (Colo. App. 1994).
- The reason for these decisions is that the Town's obligation to make rental payments is subject to the annual appropriation of funds by the Town Council.
- The COP's are secured by the Trustee's leasehold interest – in other words, if the Town “walks away” from the lease, the Trustee is free to find another operator.

LEASE-BACKED FINANCING – PARAMETERS

- Town Council is delegating to the Town Manager and the Finance Director authority to approve the final financing terms, subject to the following parameters:
 - The Site Lease termination date shall be no later than December 31, 2065;
 - The Lease term shall not extend beyond December 31, 2055;
 - The aggregate principal amount of the Base Rentals payable by the Town pursuant to the Lease shall not exceed \$8,300,000;
 - The maximum annual repayment amount of Base Rentals payable by the Town pursuant to the Lease shall not exceed \$725,000;
 - The maximum total repayment amount of Base Rentals payable by the Town pursuant to the Lease shall not exceed \$17,000,000;
 - The Lease shall be subject to prepayment at the option of the Town, without penalty, no later than December 1, 2036; and
 - The maximum net effective interest rate on the interest component of the Base Rentals relating to the 2025 Certificates shall not exceed 5.25%.

BUDGETARY IMPACTS TO THE TOWN

- The Town will be financing a maximum of \$8,300,000 in costs for the construction of the sports development center and associated public infrastructure.
- The maximum total repayment amount will not exceed \$17,000,000.
- The maximum annual repayment amount will not exceed \$725,000.



"I MOVE TO APPROVE ORDINANCE NO. 2025-___ AS INTRODUCED BY TITLE."

"I MOVE TO APPROVE ORDINANCE NO. 2025-___ AS INTRODUCED BY TITLE, WITH THE FOLLOWING CONDITIONS: ____."

"I MOVE TO CONTINUE ORDINANCE NO. 2025-___ TO THE TOWN COUNCIL MEETING ON ____."