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Council Finance Committee Meeting
January 5, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, John Duval, Ginny Sawyer, Nina Bodenhamer, Blaine Dunn, Jo Cech, Holly Mason, Randy Bailey, Trevor Nash, Renee Reeves, Monica Martinez, Lance Smith, Gerry Paul, Lawrence Pollack, Megan Valliere, Dave Lenz, Kerri Ishmael, Victoria Shaw, Zack Mozer, Erik Martin, Carolyn Koontz

Others: Jason Licon, Airport Director
Molly Bohannon, Coloradoan
Wade Troxell

Meeting called to order at 4:00 pm

Approval of minutes from the December 1, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Airport Terminal / City Contribution

Blaine Dunn, Accounting Director
Jason Licon, Airport Director

SUBJECT FOR DISCUSSION

Certificates of Participation Financing: Hughes Stadium Land Purchase, Airport Terminal Project

EXECUTIVE SUMMARY

City staff is seeking \$9.5M in financing through Certificates of Participation (COPs) for a February 2023 closing. These funds will be used for purchasing Hughes Stadium land (\$8.5M) and a contribution to the Airport Terminal Project (\$1M).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance support to bring the proposed COP financing for the first reading on 05/03/2022?

BACKGROUND/DISCUSSION

Hughes Stadium Land Purchase

Per a voter-approved ballot measure in April 2021, the former Hughes Stadium site was rezoned as open lands, and the City was directed to make a good-faith effort to purchase the 165-acre site from the CSU System, within two years, at fair market value. The total estimated cost of the purchase is \$12.5M; out of which \$4M will come from the City's General Fund and Natural Area fund, and the remaining \$8.5M will be secured through the COP financing. Costs will be allocated proportionally to corresponding funds once land use is determined.

FNL Airport Terminal Project

The Fort Collins Loveland Airport is seeking additional funding to complete their total need for the \$27M project of a new terminal facility. This new terminal will replace the inadequate, temporary facilities used for growing multi-modal transportation segment, charters, and future airline services. The new terminal will include two airline gates, Denver Airport transportation, and transit access. The total cost of the project is being funded by Federal Funds (\$23M), Airport Capital Reserves (\$2M), City of Loveland contribution (\$1M), and seeking a City of Fort Collins Contribution of (\$1M). This will give the project the total needed to complete the work.

Debt Structure

The City is seeking to borrow a total of \$9.8M, \$9.5M for the projects and \$300k in closing costs, with the COPs. The COPs will have a fixed interest rate and a repayment term of 10 years. The City will make semiannual payments starting in June 20 with the last payment occurring in December 2032. The average annual debt service for these projects is \$1,135,000. These COPs are being issued as additional certificates against the 2019 COPs, and are the final project under Ordinance No. 062, 2022.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance support to bring the proposed COP financing for the first reading on 05/03/2022?

DISCUSSION / NEXT STEPS

Julie Pignataro; are they both loans?

Blaine Dunn; we would borrow for the total amount and then give \$1M to the airport

Julie Pignataro; Jason said that 4,000 folks go from NoCo. I used the service, and it was great.

Jason Licon; Fort Collins is the primary northern Colorado customer for DIA. 2,600 of the 4,000 are coming from the Fort Collins area based on our analysis.

Julie Pignataro; is your project scalable?

Jason Licon; we have scaled it down to the point where functionality becomes impacted because we do have to have some minimum requirements for TSA checkpoints. We do handle CSU football charters frequently – they would utilize the space for their sports teams. They are currently using our facilities for basketball.

Kelly Ohlson; 4000 people from Northern Colorado – is that through your facility or to DIA?

Jason Licon; northern Colorado to DIA - not all through our facility.

Kelly Ohlson; I think the City of Fort Collins has a policy that our new buildings need to be LEED Gold certified.

Jason Licon; we are striving to achieve a LEED Silver certification which is the same certification standard that the Northern Colorado Law Enforcement Training Center was able to achieve. It can be difficult for certain type of facilities to achieve Gold because of mechanical features such as airport screening and baggage handling systems, etc.

Kelly Ohlson; what drove the major design change in October 2022?

Jason Licon; the rationale behind that was the supply chain, costs and inflation.

We were no longer able to get to what we had originally set out to design, at our last cost estimates were about \$12-15M over budget from where we started. With those inflationary costs and supply chain related increases, we had to scale down the facility by approximately 1/3. Our Airport Master Plan indicated a 30K square foot facility and now we are at just under 20K square feet.

Kelly Ohlson; I never understood why Fort Collins is even part of the airport. I go back to the days when our contribution was \$60K per year and I didn't even like that because I don't think we are involved in the land planning, I don't think we got any revenue from it. I viewed it more as a Loveland operation.

Historically, I viewed it as a facility that was used by large corporations and wealthy people.

I thought it should be revenue neutral, meaning most of the operations and maintenance and operations of the facility should be paid for, and by extension future capital should be paid for by the main users of the airport. I struggle with this. It is a personal dilemma for me. It seems contradictory for me to support. I need a lot of help here

Jason Licon; in 2019, the airport was able to become financially sustainable on its own for its operations and maintenance costs. The \$60K contribution that you are referencing became something a little different. We have the Police training facility on the campus and as part of that agreement, the subsidy went away. A bit of history, back in 1965 when the airport opened, Fort Collins was the 2/3 shareholder of the operations and maintenance of the airport for many years. Now it is more a 50/50 joint ownership model for the two cities. The City of Loveland has annexed the airport. The airport has grown from a small municipal airport into a more regional or national airport that reaches even farther than Loveland or Fort Collins, county wide and across county borders. One of our goals is to lower the barrier for use.

Kelly Ohlson; so, once it is built primarily with federal dollars and contributions,

How much of the airport will be continuing operations and maintenance funded by users?

Who is going to be paying for the overall operations and maintenance of the new facility once it opens?

Jason Licon; O&M costs will be solely provided by the users of the facility. We are striving to be financial sustainable in that regard. The rates and fee structures reflect the ability to cover those costs for this facility.

The bus service collects a fee of \$4.50 per passenger that comes back to the airport. They pay a passenger facility charge.

Kelly Ohlson; so, the companies themselves are not paying, the passengers are. What is the current financing of what the two communities contribute?

Jason Licon; currently, there is no direct financial contribution, other than the land lease for the Northern Colorado Police Training Facility.

The airport is called the Northern Colorado Regional Airport. FNL will be the airport identifier (was Fort Collins and Loveland). For example, the moniker used for the Chicago airport is ORD which stands for Old Orchard airport from the 30's. There is signage that includes the name of the airport.

Kelly Ohlson; I am going to remain neutral on this topic today.

Emily Francis; how much will it cost the city to take out the \$1M?

Blaine Dunn; it will be about \$120K per year for debt service cost over 10 years.

Emily Francis; for the 4,000 people traveling daily and using two airline gates. How many trips do you think that will reduce?

Jason Licon; we don't know exactly, for the bus services we estimate about 700 passengers a day on average utilizing the bus services we offer at the airport. When you factor that in, having air service and added capacity and facilities to support those will increase the market share, Our airport will become more of a travel hub for folks who are traveling either directly from our airport to other destinations or traveling to Denver via the bus rapid transit services that are being provided.

Emily Francis; do we need airline gates for the buses?

Jason Licon; Landline and United are partnering with us to develop a fully functional wingless flight concept that would allow passengers to use the security screen facilities in our terminal, check baggage and then board the bus which will take passengers directly to their gate at DIA where they can seamlessly transfer to their connection.

Emily Francis; I am very supportive of that idea – would be great to bypass security at DIA. My hesitancy in supporting bringing this forward is due to the fact that the airport has had multiple airlines pull out over the last few years. I don't see how the airport has shown they have been successful. I would be more comfortable with this as a loan with certain benchmarks attached to the airport keeping those dollars.

Julie Pignataro; can you confirm how much extra expense we will incur for the \$1M?

Blaine Dunn; we will incur an additional \$200K in interest.

Julie Pignataro; so, we borrow \$1M and payback \$1.2M

Travis Storin; you do have the option of going into General Fund reserves if you have concerns about the interest expense.

Julie Pignataro; I had a great tour at the airport a couple months ago. Thank you Jason. I really want to see this happen, but I am not ready either. When I think about what our community has told us are their priorities, this hasn't come up. I am a little more comfortable with a loan if that is something that we might do. So, Loveland said they would do it if we do it?

Jason Licon; their budget process included a \$1M contribution that is contingent on the Fort Collins contribution. There is no guarantee that if one city provides a contribution that the other city will match it.

Julie Pignataro: was the County brought into this conversation?

Jason Licon; we did ask the county - we were pursuing some ARPA funding for this purpose
The county has provided \$1.5M in potential for two projects; a workforce development project through Aims Community College and the other would be part of the terminal. This has not been put in the form of a resolution or been approved yet.

Shirley Peel; does the new terminal position us to better retain other carriers?

Jason Licon; air traffic control was a need for sustainable air service. We are working on this with the Innovative Remote Air Traffic Control tower project currently in the testing phase at the airport and offering and providing us with air traffic control services. Those service began in March of 2020 and have been operating every day since then. Attracting a major airline is difficult with the modular facilities that we are currently utilizing. We show that we are making an investment in the airport and the community supports it would certainly resonate with an air service provider.

Emily Francis; that is the reason I am more comfortable with the loan approach with benchmarks. The past performance of the airport concerns me.

Julie Pignataro; is a loan something the airport would be interested in pursuing?

Travis Storin; point of clarification - Would it be a forgivable loan if certain thresholds are met – otherwise the airport would have to pay it back if they did not achieve the benchmarks?

Julie Pignataro and Emily Francis responded with a yes.

Travis Storin; for the City - from an administrative standpoint, I think that would be workable.

Jason Licon; I am not sure how that would resonate with the City of Loveland. We would certainly need to have that conversation.

Julie Pignataro to Kelly DiMartino; we have 4 out of 7 Council members are here - I am not sure how the other Councilmembers would feel. Where do we go from here?

Kelly DiMartino; some additional context I can provide;

Mayor Arndt and I are the two Fort Collins representatives on the Airport Commission.

There are a few different ways we could go; we have a governance study underway which we haven't really talked about today. We have been hearing questions from multiple Councilmembers about the 50/50 ownership structure and is it the right structure? We are working with Loveland to jointly launch a governance study and we are just in the preliminary stages of that. Ideally, if we could paint this path, we would have that information before some of these decisions are made. That is not an option because of the timelines for federal funding. A couple options; we could say we are hearing that there could be support if it was presented in such a fashion as to be a loan. I think the Airport Board would need to talk about that. Again, I cannot speak to how open the City of Loveland would or would not be about recognizing that right now we are truly 50/50 joint owners of this facility. I understand, from their perspective why they are looking for us to be an equal 50/50 partner in capital contribution. We can talk about the loan.

We do want to keep moving forward with the bonding for Hughes. The timeline for that is such that

if we are not comfortable today saying we could bond for this, we would lose that opportunity and would be looking at a loan coming from the General Fund which would give us a little bit of additional time to have this conversation. Not enough time to get through the governance study because of the capital timeline for the federal funding, but we could have a little more time to talk about the feasibility of a loan. We are at a place of saying, is the city willing to provide that this is a capital contribution – I am not sure we have many other options as this project has been scaled back to the bare bones – then we would have to talk about what happens to that federal funding.

Kelly Ohlson; Emily was proposing a forgivable loan with some benchmarks. The loan becoming a contribution later, if certain criteria are met.

Emily Francis; that is correct - forgivable loan with certain benchmarks

Julie Pignataro; what is the timeline of the project from start to finish?

Jason Licon; the project kicked off in 2021 with design. We were anticipating the construction to begin in July of this year continuing through October of 2024. We are required by law to spend the remainder of our Cares Act funding (\$16.9M) by July of 2024. Our timelines are pretty much as far right as they can go to meet the requirements of the grants we have received. We are in a time crunch to make sure we are able to deliver this project.

Jason Licon; I wanted to point out that a lot of airports do undergo terminal projects. Cheyenne, for instance built a terminal about five years ago for air service. They understand the value of bringing in visitor spending and other things that come along with that. Future needs - What we are asking from both cities is roughly 7% of the total cost of this facility where traditionally, local contributions with federal funding is a minimum of about 25%. There are a lot of communities out there spending 25-40% because those costs are typically not eligible for federal funding. Our grant right now allows us to utilize federal funding for areas that are traditionally ineligible including rental car areas, areas that will be utilized for airline services or bus services, areas we can generate revenue from.

Julie Pignataro; still stuck on - where do we go from here?

Kelly DiMartino; what I am hearing based on where we are today is that we should take this out of the realm of being associated with a bond because again, we have a time sensitive need there to move forward with the Hughes purchase and I don't want to derail that process.

We take the next 30 days and really dive into what would potential terms look like for a forgivable loan. Vet that with the Airport Commission and partners in Loveland to see if there is an openness to this. Bring this back to Council Finance in 30 days, recognizing that we would no longer be talking about a bond option but would be talking about something coming from General Fund reserves. How does that land with people?

Julie Pignataro; that sounds good to me – we didn't really discuss the Hughes portion of this but I do not have any questions about the Hughes portion of the bond. How about other members of the committee? Weren't there other things we were talking about lumping in with this?

Travis Storin; We are talking about a second bonding later this year for Municipal Court renovations after the design is completed and potentially the Southeast Community Center should that meet the Council's expectations from the work session a few weeks ago.

Emily Francis; I remember there was a conversation about golf course irrigation.

Blaine Dunn; when we brought this forward for the initial COP Ordinance, it included the golf course irrigation and the maintenance shop expansion which we have officially issued the COPs for that. We did not want to issue the COPs for the Hughes land until we were closer to closing the deal with CSU. We didn't want to borrow this money and then sit on it for an indetermined amount of time so we split those offerings. We set up the ordinance so we could split the offerings. We did get the funds for the irrigation project and the maintenance shop expansion in 2022 and the funds have been dispersed and the projects are underway.

Julie Pignataro; is the rest of the Committee comfortable with the plan that Kelly DiMartino put forth?

Emily Francis and Kelly Ohlson – we are good with that

Travis Storin; for this 30-day period, I wanted to check in with Jason on the timeline there for any federal applications we are making and whether or not it may be advisable that we go directly to Council with an incentive or measures based resolution rather than coming back to Council Finance and then going to Council. The time pressures may be such that Jason may be looking for something formal and parliamentary within the next 30 days.

Jason Licon; we are looking for the ability to finalize our budget, so we are able to design toward that budget. We have been designing with the hopes that the \$2M from the cities is included in that. We will need to reduce the scope again unless we are able to get an answer within the next 6 weeks. We are finalizing our 60% design in another week. So, 30 days should be ok - but would be pushing it toward the end of our window of opportunity.

Travis Storin; next Council Finance meeting is February 2nd. The next available regular Council Meeting is February 7th -First Reading of what would presumably be an ordinance since there are dollars involved. So that would be February 21st should there be Council support for a \$1M incentive-based arrangement.

Jason Licon; that should work as we are looking at the first week in March to finalize our project budget.

Other Business;

Emily Francis; last meeting we talked about taking the large emitter fee off of the table. Could we have staff take a look at it being a tax instead of a fee? That way we would have more discretion on where those dollars go.

Travis Storin; we could take a look at what the opportunities and issues are. We could take that back to the team and commit to the committee that the next time that sustainable revenue comes back, we are talking about a large emitter tax and see what our options would be.

Julie Pignataro and Kelly Ohlson support that

Travis Storin; we would bring Sustainable Funding back at the February 2nd Council Finance meeting. This could take the form of a discussion around the CCIP renewal. I don't want to commit on behalf of the attorneys, on what level of research we can do on the large emitter tax specifically but we will see what we can do in the three weeks or so before those materials are due.

Meeting adjourned at 5:00 pm