

AGENDA ITEM SUMMARY

City Council



STAFF

Chad Crager, Connexion Executive Director
Jeff Rochford, Connexion FP&A Manager
Joe Wimmer, Utilities Finance Director

SUBJECT

First Reading of Ordinance No. 078, 2025, Appropriating Prior Year Reserves and Authorizing Transfers of Appropriations for Broadband Buildout to Multi-Dwelling Units and Customer Installations and Related Art in Public Places and Modifying the Terms of Repayment for Prior Appropriations from the Light and Power Fund.

EXECUTIVE SUMMARY

The purpose of this item is to request appropriation of \$12 million of prior year reserves from the Light & Power Fund for use in Broadband's (herein referred to as "Connexion") efforts to continue new customer installations, including building out to multi-dwelling units (MDU's) and mobile home parks, and providing for asset management. These funds from Light & Power provide a significant portion of the total funding need over the next 4 years and will be reimbursed to the Light & Power Fund, including interest, from the cash flows generated by Connexion operations.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Assumptions Update

To date, Connexion is seeing a 44% residential take rate. This adoption is well above the 28% target identified in the original business plan and is indicative of the position as market leader that Connexion currently holds, offering unparalleled quality and superior customer service. The Connexion team wishes to take advantage of this and continue investing in rapidly making available its products and services.

With continued focus on building out to the remaining MDU and mobile home premises the team is now projecting to reach a substantial higher number than originally forecasted by 2035. However, that buildout will be capital intensive and current projections have established a funding need for new installations and associated asset management over the next 4 years. After 2030, current projections show Connexion reaching a customer count and corresponding annual revenue to fully fund all capital and operating expenses as well as all debt obligations.

Staff have researched additional funding options including bond restructuring, removal of debt ceiling, and if strong demand continues, will return to Council at a later date to present one or more as an additional round of capital financing.

Funding Requirements and Financing Options

Through April 2025 the total capital spent for Connexion’s work to build out network, install MDU’s, and provide service to customers, totaled \$175 million, inclusive of three rounds of bond financing (\$150 million), \$20 million of earlier Light & Power loans, and redeployment of operational budget funds.

Light & Power staff have identified \$12 million of available reserves that can be appropriated to the Connexion Fund as an intrafund loan, as the entities legally operate as a single electric utility enterprise. In 2022, Light & Power loaned \$20 million to Connexion which was scheduled to be paid back with interest by 2029. With this new round of financing, a new completion date of January 1, 2036 will be set for both loans. Based on preliminary year-end financials, the Light & Power Fund has \$37 million of available reserves (above minimum required and appropriated amounts). The \$12 million loan amount has been determined as available without causing major impacts to L&P operational and capital planning during the repayment timeline.

The loan will be structured as line of credit, with fund withdraws occurring as dictated by Connexion capital demands. In any month Connexion’s month-end cash balance falls below zero, a transfer from Light & Power to Connexion will be made in the amount required to return Connexion’s cash balance to zero. Repayment of the loans will occur in any month Connexion’s month-end cash balance is greater than zero, with a transfer of such amount from Connexion to Light & Power. Loan interest will be calculated annually and will set as the greater of the current investment earnings rate on existing reserve balances or the 10 - year AA- bond rate, plus a 1.0% administrative fee to ensure an advantageous investment for Light & Power operations.

The \$12 million intrafund loan is intended to be appropriated as follows:

Fund		Amount	Lapsing Y/N
Connexion Capital Fund		\$11,300,000	N
Connexion Fund	Operating	\$700,000	Y

Additionally, both the prior \$20 million intrafund loan from 2022 and the current \$12 million intrafund loan will be rescheduled for principal and interest to be paid in entirety by January 1, 2036.

CITY FINANCIAL IMPACTS

With adequate reserves in the Light & Power Fund, this item is not projected to impact Light & Power operational or capital planning in the short term and will have positive financial impacts to both enterprise operations over the long term. Connexion’s growth resulting from this investment affords a competitive interest rate to Light & Power until the intrafund loans are paid in full. The amount of \$113,000 will be contributed to the Art in Public Places program.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance No. 078, 2025