

# FORT COLLINS connexion



**Connexion - Capital Management**

March 21, 2023

1. Timing of Funding Need
2. Resolution for Council
3. Questions

- At the January 10, 2023, Council Work Session, the need was identified for additional funding to complete the network buildout and customer ramp-up.
  - This outlook remains the same.
  - Approximately \$20 million additional funding is needed:
    - \$16 million for capital
    - \$4 million for operations
- December 2024 is timeframe for maximum need with 2025 projected as breakeven (revenues covering capital, operating expenses and debt payments).
  - Connexion will definitively exhaust the existing L&P reserve usage appropriation of \$20 million by June 2023 (and could be as early as April).
  - Timing of the Connexion needs prompts desire to act to preserve maximum flexibility with potential bond proceeds.

Description	Existing Connexion Bonds
Amount Issued	\$129.6 M *
Maturity - Year	2042
Payments	Semi-Annual in June and December
Rate / Yield-to-Maturity	4.1%
Avg. Annual Debt Service	\$6.7M
Max Annual Debt Service	\$10.2M
Earliest call date (Series A only: \$84.9M)	6/1/2028

\*Current amount outstanding is \$128.4 M

- Connexion knows there will be an additional need for capital in the future
  - Current estimate is ~\$20M
- Light and Power will also need to issue debt later this year
  - Current estimate is ~\$40M
- Issuing Connexion and Light and Power debt at the same time is advantageous
  - Allows for cost of issuance savings
  - Larger issuance is more attractive in the market
  - Cuts down on recreating multiple documents for separate issuance

- Connexion will go negative before we are able to issue new debt
  - Connexion and Light and Power have different timelines for their needs
- Connexion can use debt proceeds to reimburse soft costs
- Adoption of resolution allows Connexion to also use proceeds to reimburse capital costs
  - Resolution declares official intent of the City to use proceeds for reimbursement
  - Allows Connexion to look back 60 days from adoption for reimbursement
  - Any capital costs after adoption can be reimbursed
  - Allows City to maintain tax exempt status on the issuance of bonds



Date*	Activity
Mar 21	Reimbursement Resolution to Council
Jun 1	Review bond ordinance with Council Finance Committee
Jun 20	First reading of bond ordinance
Jul 18	Second reading of bond ordinance
Aug 9 -11	Finalize ratings with Agencies
Aug 22	Receive ratings
Sep 8	Post POS
Sep 19	Sales of bonds
Sep 19	First reading of appropriation of bond proceeds
Oct 2	Receive funds from sale
Oct 3	Second reading of appropriation of bond proceeds

\*All dates are subject to change



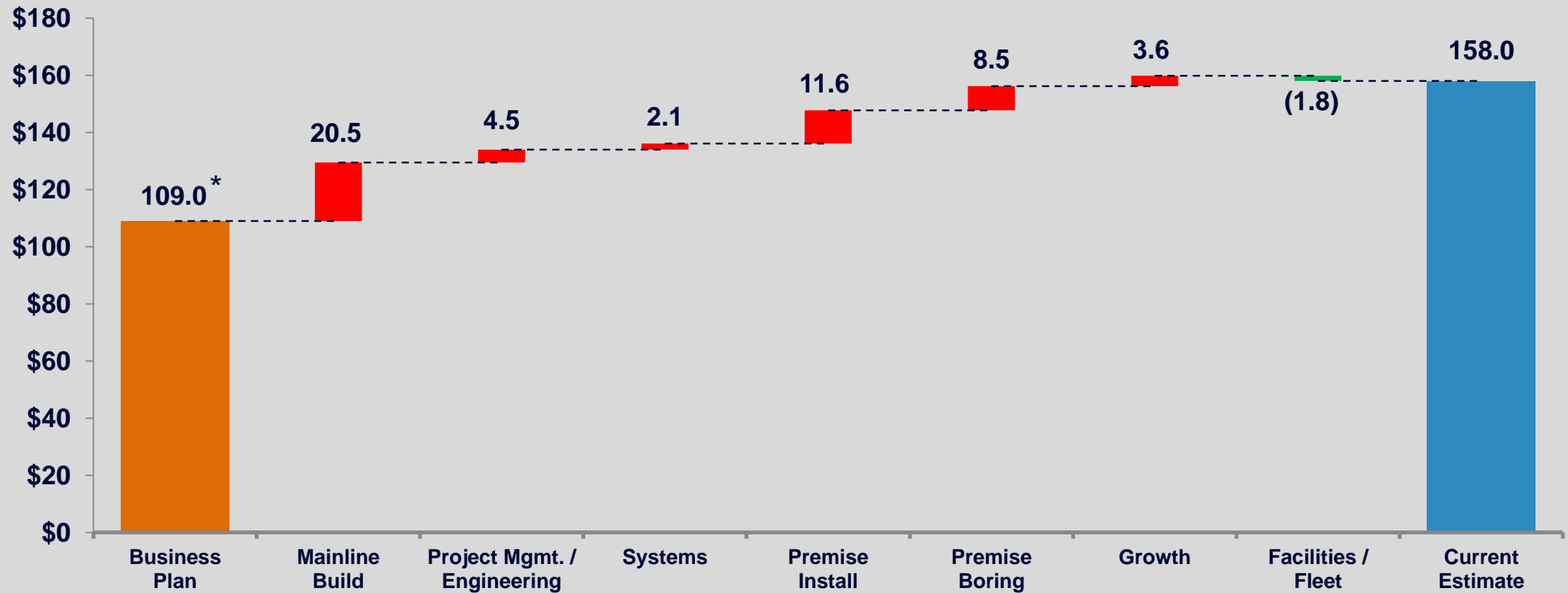
QUESTIONS?





## Appendix

## Connexion Capital Project - \$M



\* Does not include an additional \$18 million of contingency

## Connexion - as of January 31, 2023 (\$M) - Preliminary, Unaudited

### Inflows:

Bond Proceeds	\$ 142.2
L&P Reserve Draw	\$ 17.2
Operating Revenue	\$ 20.5
Interest	<u>\$ 6.9</u>
Total Revenue	<u>\$ 27.4</u>
Total Inflows	<u>\$ 186.8</u>

### Outflows:

Debt/Interest Pymts	\$ (27.3)
Cost of Sales	\$ (2.9)
Operating Expenses	<u>\$ (19.0)</u>
Total Expense	\$ (21.9)
Capital Project	<u>\$ (136.3)</u>
Total Outflows	<u>\$ (185.5)</u>

Description	Business Plan and Approved Updates	01/31/2023 LTD Spent	Current Project Estimate thru Dec 2024
Network (Primarily AEG)	\$84M	\$107M	\$110M
Installation (On Trac, boring)	\$13M	\$17M	\$36M
Equipment & All Other	<u>\$12M</u>	<u>\$18M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
Total Capital Budget/Estimate	\$142M	\$136M	\$158M

2023/2024 Inflows / Outflows	Total *
Revenue	\$43.6 M
Reserve Draws plus New Bonds	<u>\$22.8 M</u>
Total Inflows	\$66.4 M
OPEX / Cost of Goods Sold	(\$22.3 M)
Debt Service – Existing Bonds	(\$18.8 M)
Debt Related - Draws & New Bonds	(\$2.6 M)
Capital Expenditure	<u>(\$21.3 M)</u>
Total Outflows	(\$64.9 M)
Net Surplus	\$1.5 M

\* For 23 months February 2023 – December 2024