



## AGENDA ITEM SUMMARY

City Council

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### STAFF

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Blaine Dunn, Accounting Director  
John Duval, Legal

### SUBJECT

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**First Reading of Ordinance No. 104, 2023, Appropriating Unanticipated Revenue from Bond Proceeds from the Issuance of the Series 2023 Electric Utility Enterprise Revenue Bonds for Light and Power, Connexion, and the Art in Public Places Program.**

### EXECUTIVE SUMMARY

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The purpose of this item is to appropriate the funds received from the bond issuance in the Light and Power Fund. These proceeds will be used to fund capital projects needing to occur for both Light and Power and Connexion, as well as for operating funds for Connexion, to pay issuance costs for the Series 2023 Revenue Bonds, and to transfer certain funds required by the Art in Public Places Program (APP Program) for the capital projects.

### STAFF RECOMMENDATION

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Staff recommends adoption of the Ordinance on First Reading.

### BACKGROUND / DISCUSSION

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#### Overview

Both Light and Power and Connexion have additional capital needs in their systems. Staff are bringing forward two ordinances related to the issuance and appropriation of Electric and Telecommunication Enterprise revenue bonds.

#### *Light and Power*

Through the continued capital improvement plan, the Light and Power team have identified several areas needing investment. The primary use of the funds will be to build a new electrical substation in the northeast part of town, help with additional costs due to supply chain issues with transformers, and help with additional annexation costs being faced by the utility. The light and power utility will also use some of these funds for additional work involving replacement of parts of the electrical system that need to be addressed throughout the system. In addition, some of the proceeds from the bond issuance might be used in the future, subject to future Council appropriation (but not in this appropriation), to prepay all or a portion of the loan the City received in 2020 from Vectra Bank to fund Light and Power's EPIC loan program that provides owners of residential property with financing for energy efficiency improvements to their properties.

## Connexion

In March 2023, City Council authorized the reimbursement of capital expenditures through the issuance of bonds. Connexion has now exhausted all currently available funds. Staff presented updated financial projections for Connexion at Council's January 10, 2023, work session. In that meeting, the capital project estimate was updated, reflecting a need to access approximately \$16 million additional capital to complete the network build-out and customer ramp-up by the end of 2024. An additional \$3 – \$5 million for excess operating expenses was also estimated to be needed. The maximum aggregate principal amount of the bonds issued for Connexion cannot exceed \$20,365,000.

### Structure

The bond issuance and structure are summarized as follows:

- Funding \$63.7M of gross proceeds, of which the City will use:
  - \$40.5M for Light and Power capital project costs (to be appropriated in this Ordinance) and potential payment of bank loan for EPIC program (to be appropriated in the future as needed)
  - \$22.5M for Connexion capital project and other operating costs
    - \$18M for capital projects (to be appropriated in this Ordinance)
    - \$2M for operating costs (to be appropriated in this Ordinance)
    - \$2.5M for contingency (to be appropriated in the future as needed)
  - \$0.7M for issuance costs (to be appropriated in this Ordinance)

## CITY FINANCIAL IMPACTS

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The principal, interest, maturity, and price are subject to change upon pricing late September within the proposed Bond Ordinance's parameters. The parameters allow for reasonable range of market scenarios in the weeks that elapse between first and second readings and final pricing of the bonds.

### Structure

As currently structured, the bonds have a 21-year maturity. Each utility will repay their share of the principal amount being used for their respective projects. The bonds will fund \$66.1M of gross proceeds. Funds will be used as follows:

Sources:	Electric and Broadband Utility Revenue Bonds, Series 2023 (Light and Power)	Electric and Broadband Utility Revenue Bonds, Series 2023 (Connexion)	Total
Bond Proceeds:			
Par Amount	38,190,000.00	20,365,000.00	58,555,000.00
Premium	2,762,510.50	2,427,864.05	5,190,374.55
	40,952,510.50	22,792,864.05	63,745,374.55

Uses:	Electric and Broadband Utility Revenue Bonds, Series 2023 (Light and Power)	Electric and Broadband Utility Revenue Bonds, Series 2023 (Connexion)	Total
Project Fund Deposits:			
Light and Power Project Fund	40,500,000.00		40,500,000.00
Connexion Project Fund		22,553,178.38	22,553,178.38
	40,500,000.00	22,553,178.38	63,053,178.38
Delivery Date Expenses:			
Cost of Issuance	166,085.50	86,948.17	253,033.67
Underwriter's Discount	286,425.00	152,737.50	439,162.50
	452,510.50	239,685.67	692,196.17
	40,952,510.50	22,792,864.05	63,745,374.55

## Debt Service

Debt service costs for Connexion will be deferred for the first 19 years and Connexion will only pay interest during this time. In years 20 and 21, Connexion will pay their share of the principal balance of the outstanding debt. Light and Power will make level debt service payments over the life of the bonds. An amortization table is included below for reference:

**BOND DEBT SERVICE BREAKDOWN**

**City of Fort Collins, Colorado  
Electric and Broadband Utility Revenue Bonds, Series 2023  
Numbers for Allocation of Debt Service  
Market Rates as of August 9, 2023**

Period Ending	Electric and Broadband Utility Revenue Bonds, Series 2023 (Light and Power)	Electric and Broadband Utility Revenue Bonds, Series 2023 (Connexion)	Total
12/01/2024	2,954,708.33	1,159,673.61	4,114,381.94
12/01/2025	3,095,500.00	1,018,250.00	4,113,750.00
12/01/2026	3,094,250.00	1,018,250.00	4,112,500.00
12/01/2027	3,095,000.00	1,018,250.00	4,113,250.00
12/01/2028	3,097,500.00	1,018,250.00	4,115,750.00
12/01/2029	3,096,500.00	1,018,250.00	4,114,750.00
12/01/2030	3,097,000.00	1,018,250.00	4,115,250.00
12/01/2031	3,093,750.00	1,018,250.00	4,112,000.00
12/01/2032	3,096,750.00	1,018,250.00	4,115,000.00
12/01/2033	3,095,500.00	1,018,250.00	4,113,750.00
12/01/2034	3,095,000.00	1,018,250.00	4,113,250.00
12/01/2035	3,095,000.00	1,018,250.00	4,113,250.00
12/01/2036	3,095,250.00	1,018,250.00	4,113,500.00
12/01/2037	3,095,500.00	1,018,250.00	4,113,750.00
12/01/2038	3,095,500.00	1,018,250.00	4,113,750.00
12/01/2039	3,095,000.00	1,018,250.00	4,113,250.00
12/01/2040	3,093,750.00	1,018,250.00	4,112,000.00
12/01/2041	3,096,500.00	1,018,250.00	4,114,750.00
12/01/2042	3,092,750.00	1,018,250.00	4,111,000.00
12/01/2043	3,097,500.00	10,953,250.00	14,050,750.00
12/01/2044		10,951,500.00	10,951,500.00
	<b>61,768,208.33</b>	<b>41,392,923.61</b>	<b>103,161,131.94</b>

**BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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At the July 6, 2023, meeting, the Council Finance Committee supported proceeding to First Reading for this Ordinance with the full Council.

**PUBLIC OUTREACH**

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Not applicable.

**ATTACHMENTS**

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1. Ordinance for Consideration