



AGENDA ITEM SUMMARY

Utility Enterprise Board

STAFF

Blaine Dunn, Accounting Director
John Duval, Legal

SUBJECT

First Reading of Ordinance No. 015, Authorizing the Enterprise to Issue and Sale One or More Series of Tax-Exempt or Taxable Revenue Bonds, Providing for the Sources of Payment of the Bonds, and Providing Other Details Concerning the Bonds and the Enterprise's System.

EXECUTIVE SUMMARY

The purpose of this item is to authorize a bond issuance in the Light and Power Fund. This authorization will allow staff to issue bonds for projects in Light and Power and Connexion within the parameters as approved by the Enterprise Board in the Ordinance.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

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. This authorization allows staff to make an issuance of bonds within the parameters laid out in the Ordinance. This also includes the ability for staff, with advice from the City's municipal finance advisor, to issue both tax exempt and taxable bonds in the market. 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 a reasonable range of market scenarios in the weeks that elapse between first and second readings and final pricing of the 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 the replacement of parts of the electrical system that needs to be addressed throughout the system. In addition, some of the funds might be used in the future, subject to future Council appropriation, to prepay all or a portion of the load 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.

The current estimate remains \$20 million, with capital additions totaling \$18 million and operating expense additions totaling \$2 million. A contingency reserve of \$2.5 million will be established with the balance of the premiums to provide leverage against unexpected supply chain and labor issues, as well as higher upfront capital needs arising from additional customer take rates and/or increased premise access costs.

Some of these proceeds are being proposed for a supplemental appropriation in City Council Ordinance No. 104, 2023 ("Ordinance No. 104")

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 Ordinance No. 104) and the potential payment of a bank loan for the EPIC program (to be appropriated in the future as needed)
 - \$22.5M for Connexion capital project and operating costs
 - \$18M for capital (to be appropriated in Ordinance No. 104)
 - \$2M for operating (to be appropriated in Ordinance No. 104)
 - \$2.5M for contingency (to be appropriated in the future as needed)
 - \$0.7M for issuance costs (to be appropriated in Ordinance No. 104)

CITY FINANCIAL IMPACTS

Staff is taking Ordinance No. 104 as a separate item to the City Council to appropriate most of the proceeds being authorized under this Ordinance. Additional information about the issuance is as follows:

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 \$63.7M 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
	61,768,208.33	41,392,923.61	103,161,131.94

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

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

PUBLIC OUTREACH

Not applicable

ATTACHMENTS

1. Ordinance for Consideration