

December 16, 2008

**WASTEWATER UTILITY ENTERPRISE**

A regular meeting of the Wastewater Utility Enterprise was held on Tuesday, December 16, 2008, at 11:50 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Hutchinson, Manvel, Poppaw, Roy, and Troxell.

Boardmembers Absent: Ohlson

Staff Members Present: Atteberry, Krajicek, Roy.

**Ordinance No. 003,  
Authorizing the Issuance of City of Fort Collins, Colorado, Wastewater  
Utility Enterprise, Subordinate Sewer Revenue Bonds, Series 2009A, in the  
Maximum Aggregate Principal Amount of \$34,000,000, Adopted on First Reading**

The following is staff's memorandum on this item.

***“FINANCIAL IMPACT***

*The sewer revenue bonds are not general obligations (supported or secured by general property taxes) of the City of Fort Collins. They are payable from the fees, charges, and other income of the City's Wastewater Utility. The issuance of the bonds will increase the outstanding debt of the Utility by \$34 million. The total debt of the Utility will be approximately \$50 million after the issuance of the bonds in January 2009. The debt service coverage ratio will drop from 2.37 as of the end of 2007 to about 1.46 in the year 2009.*

*Rate adjustments have been budgeted for fiscal years 2008-2013 as follows to maintain the operations and meet the required debt service: 2008 – 12%, 2009 – 11%, 2010 – 10%, 2011 – 9%, 2012 – 8%, and 2013 – 7%. These rate increases coincide with the period where the Wastewater Utility will experience its highest debt load. The projected revenues of the Utility will provide adequate coverage for the annual debt service for all the outstanding debt of the utility. The bonds will provide financing for capital improvements at the Mulberry Reclamation Plan. The amount needed for improvements is \$31.8 million. The remaining portion of the bond costs cover a potential \$1.8 million reserve as well as bond insurance, a surety bond, and fees of the financing team, including bond counsel and underwriters. The costs are subject to change between first reading and the sale of the bonds scheduled for the first week of January as we negotiate for the required services. Final costs and interest rates will be reported to Council after the sale next January.*

***EXECUTIVE SUMMARY***

*After the passage of Amendment 1 (the TABOR Amendment) by the Colorado voters in 1992, the City*

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established the Wastewater Utility Enterprise by an amendment to the City Charter. This amendment authorizes the City Council to establish enterprises to issue its own revenue bonds on behalf of the City. By doing so, the Enterprise is exempt from the requirements of the TABOR Amendment.

Ordinance No. 003 authorizes the issuance of maximum aggregate principal amount of \$34 million of Sewer Revenue Bonds. The bonds will be used to make improvements at the Mulberry treatment plant. In late 2006, a study by MWH Consulting Engineers was commissioned to determine the best solution for the long-term use of the Mulberry plant. Upgrading the plant's secondary treatment processes by removing the trickling filter and its associated facilities and installing a new aeration basin and associated facilities is the most cost effective solution. Because the trickling filter is already recommended for replacement, odor control improvements will also take place. Upgrading the facility will also allow the Utilities to prepare for future regulation based improvements. The improvements, including design and construction are projected to cost \$31.8 million.

## **BACKGROUND**

The bonds will be sold through public sale via electronic on-line auction process. The City has conducted competitive sales utilizing an electronic platform in the past and has received bids reflective of the market or better. This method tries to assure the highest level of participation in financing transactions while achieving the lowest cost to the City.

### **The Bonds**

Staff has estimated the debt payments on the \$34,000,000 into approximately level annual payments. The debt service schedule calls for the final payments for the bonds to occur in 2029.

#### **Sources**

<i>Bond Proceeds</i>	\$ 34,000,000
<i>Accrued Interest</i>	<u>20,000</u>
<i>Total Sources</i>	\$ 34,020,000

#### **Uses**

<i>Proceeds available for Project</i>	\$ 30,543,750
<i>Cash reserve may be required</i>	2,700,000
<i>Underwriters Discount</i>	200,000
<i>Bond Insurance</i>	420,000
<i>Bond Ratings</i>	62,000
<i>Bond Counsel</i>	40,000
<i>Financial Advisor</i>	21,500

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<i>Accrued Interest</i>	20,000
<i>Printing &amp; Mailing</i>	4,500
<i>Paying Agent and Misc. Costs</i>	5,250
<i>Contingency</i>	<u>3,000</u>
<i>Total Uses</i>	\$ 34,020,000

*The sources and uses of the funds are estimates and are subject to change as the market changes. The final sizing and structure of the bonds will be adjusted based on the response by the market. The Ordinance provides the authority to accept bids and award the bonds to the best bidder. The Finance Department is planning to sell the bonds at a competitive sale during January 2009. Final amounts, rates, and costs will be determined after the bids have been received.*

Chuck Seest, Finance Director, stated the bond rating agencies have now rated the sewer utility as AA rating. The bond ordinance will change on second reading from subordinate to a parity bond ordinance. The 2009 bonds will be similar to bonds issued previously by the Wastewater Utility Enterprise.

Boardmember Roy made a motion, seconded by Boardmember Troxell, to adopt Ordinance No. 003 on First Reading. Yeas: Hutchinson, Manvel, Poppaw, Roy and Troxell. Nays: none.

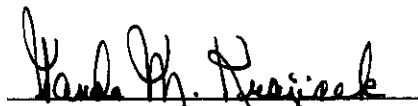
THE MOTION CARRIED.

**Adjournment**

The meeting adjourned at 11:52 p.m.

  
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Mayor, Ex Officio President

ATTEST:

  
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City Clerk, Ex Officio Secretary