

May 18, 2010

ELECTRIC UTILITY ENTERPRISE

A regular meeting of the Electric Utility Enterprise was held on Tuesday, May 18, 2010, at 10:25 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Hutchinson, Manvel, Ohlson, Poppaw, Roy, and Troxell.

Boardmembers Absent: Kottwitz

Staff Members Present: Atteberry, Krajicek, Roy.

Boardmember Manvel made a motion, seconded by Boardmember Troxell, to approve the minutes from the April 20, 2010 meeting. Yeas: Hutchinson, Manvel, Ohlson, Poppaw, Roy and Troxell. Nays: none.

THE MOTION CARRIED.

Ordinance No. 001

Authorizing the Issuance and Sale of its Tax-exempt Revenue Bonds, Series 2010A and its Taxable Revenue Bonds (Direct Pay Qualified Energy Conservation Bonds), Series 2010B, Providing for the Sources of Payment of the Bonds, and Providing Other Details Concerning the Bonds and the Enterprise's Electric Utility System, Adopted on Second Reading

The following is staff's memorandum for this item.

“EXECUTIVE SUMMARY

Ordinance No. 001, adopted on First Reading on April 20, 2010, by a vote of 6-1 (nays: Kottwitz), authorizes the issuance of \$17,000,000 of Electric Utility Enterprise Revenue Bonds. The proceeds of the bonds, net of issuance expenses, will be used to provide the Utilities' matching portion for the Smart Grid Investment Grant (SGIG) project.

BACKGROUND/DISCUSSION

Since First Reading, the Bonds have been assigned a rating of “AA-“ by Standard & Poors (See Attachment 2). The strong rating from Standard & Poors is the product of “very competitive rates resulting from low-cost wholesale power”. Standard & Poors also noted that residential rates as of 2009 were approximately 70% of the state average.

The strong rating from Standard & Poors also alleviated the requirement of a \$1.5 million debt service reserve that was contemplated in the First Ordinance. On Second Reading, the ordinance authorizes the issuance of an amount not to exceed \$17,000,000 of Electric Utility Enterprise Revenue Bonds.

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The final change in the Bond Ordinance was the removal of the "Build America Bonds" (BABs) and substituting them with the Qualified Energy Conservation Bonds (QECBs) that were awarded under a competitive process to the City earlier this year by the State of Colorado Governor's Energy Office. Second Reading was postponed until May 18 to allow the City's Bond Counsel to receive final guidelines from the Internal Revenue Service on QECBs. The guidelines have been received and are referenced in the updated ordinance. Use of QECBs will save the Electric Utility over \$700,000 as compared to traditional tax exempt revenue bonds.

This Ordinance delegates authority to the City Finance staff to accomplish the bond sale prior to December 31, 2010, at the most appropriate time to secure terms and interest rates sufficient to provide for the cost savings reflected in the project description. The bonds are anticipated to have final maturities no longer than ten years from the date of issuance.

The Bonds will be sold by a negotiated sale with George K. Baum serving as the underwriter. Staff has estimated the debt payments on the \$17,000,000 will have substantially level annual payments beginning in 2011 and final payment for the bonds will occur in 2020.

Sources

<i>Bond Proceeds</i>	<i>\$16,330,000</i>
<i>Premium Paid on Tax Exempt Revenue Bonds</i>	<i><u>670,000</u></i>
<i>Total Sources</i>	<i>\$17,000,000</i>

Uses

<i>Proceeds available for the Project</i>	<i>\$16,788,863</i>
<i>Underwriters Bond Discount</i>	<i>81,650</i>
<i>Bond & Disclosure Counsel</i>	<i>75,000</i>
<i>Financial Advisor</i>	<i>19,500</i>
<i>Bond Ratings</i>	<i>18,000</i>
<i>Printing & Mailing</i>	<i>6,000</i>
<i>Paying Agent & Miscellaneous Costs</i>	<i>6,500</i>
<i>Contingency</i>	<i><u>4,487</u></i>
<i>Total Uses</i>	<i>\$17,000,000</i>

The sources and uses of funds are estimates and are subject to change as the market changes. The final amounts, rates, and costs of the bonds will be determined at the time of sale."

Chuck Seest, Finance Director, discussed the updates to the revenue bond issue since First Reading on April 20, 2010. Qualified Energy Conservation Bonds (QECBs) have been selected as the more productive alternative. The requested amount has been reduced from \$18.5 million to \$17 million as a debt reserve is not going to be required. Closing on the bonds would occur in the middle of June.

Eric Sutherland, 3520 Golden Currant, expressed concern that energy savings cannot be realized through the Smart Grid Investment Project.

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Boardmember Roy made a motion, seconded by Boardmember Troxell, to adopt Ordinance No. 001, on Second Reading.

Boardmember Manvel thanked staff for including the Standard and Poor's report in the agenda materials.

The vote on the motion was as follows: Yeas: Hutchinson, Manvel, Ohlson, Poppaw, Roy and Troxell. Nays: none.

THE MOTION CARRIED.

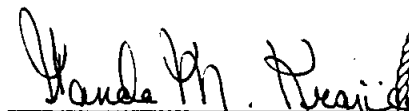
Adjournment

The meeting adjourned at 10:35 p.m.



Mayor, Ex Officio President

ATTEST:



City Clerk, Ex Officio Secretary

