

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

ITEM NUMBER: 10

DATE: April 21, 2009

STAFF: Chuck Seest  
Terri Bryant

### SUBJECT

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First Reading of Ordinance No. 034, 2009, Appropriating Proceeds from the Issuance of City of Fort Collins Water Utility Enterprise, Water Revenue Refunding Bonds, Series 2009, in the Maximum Aggregate Principal Amount of \$8,500,000.

### RECOMMENDATION

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Staff recommends adoption of the Ordinance on First Reading.

### FINANCIAL IMPACT

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This Ordinance will appropriate in the Water Utility Fund proceeds from bonds proposed to be issued in Ordinance No. 007, of the Board of the Water Utility Enterprise, for the purpose of refunding, paying and discharging all of the Enterprise's outstanding Revenue Refunding Bonds and Improvement Bonds, Series 1998. The bonds being refunded have interest rates of 4.25% to 4.625%; the new bonds would result in an average interest rate of approximately 2.50%. Overall, the transaction is estimated to yield cashflow savings of \$430,000 and net present value savings of \$400,000.

### EXECUTIVE SUMMARY

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After the regular Council meeting, the Board of the Water Utility Enterprise will consider an Ordinance which authorizes the issuance of City of Fort Collins Colorado, Water Utility Enterprise, Water Revenue Refunding Bonds, Series 2009, in the Maximum Aggregate Principal Amount of \$8,500,000. The Bonds will be issued to refund, pay and discharge all of the outstanding Water Revenue Refunding Bonds and Improvement Bonds, Series 1998. This Ordinance will appropriate in the Water Utility Fund proceeds from bonds proposed to be issued in Ordinance No. 007, of the Board of the Water Utility Enterprise, for the purpose of refunding, paying and discharging all of the Enterprise's outstanding Revenue Refunding Bonds and Improvement Bonds, Series 1998.

### BACKGROUND

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The City will be paying off higher cost bonds with new bonds that will have lower interest rates. The passage of Amendment 1 (the TABOR Amendment) by the Colorado voters in 1992, required the City to form enterprises in order for its utilities to be able to issue municipal bonds without an election. Since that time, all utility bonds have been issued by the appropriate utility enterprise.

However, the City Charter grants only the Council the power to appropriate the funds. Therefore, this action by the Council is necessary in order to appropriate the bond proceeds for the Water Utility. Authorizing the issuance of the bonds and appropriating the proceeds are both necessary to complete the bond transaction utilizing the services of George K. Baum in a negotiated sale of the bonds.

Staff presented this refunding opportunity to the Council Finance Committee at the March 16 meeting. The Council Finance Committee recommended that staff proceed with the refunding and present to the Regular Council for action.

## **ATTACHMENTS**

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1. Council Finance Committee minutes, March 16, 2009.

**DRAFT**

Council Finance Committee  
Minutes  
March 16, 2009

performance will be declining further which will

A calendar of key dates has been set up to chart the progress of BFO, ending with presentation/adoption of the 2010-11 Budget at City Council Meeting in October 2009.

Doug Henderson stated that the City is more proactive with budget planning this year which is good. Mike Freeman said that it likely has to do with the budget office now being fully integrated into the finance department, and Jeremy Reese's position being redefined as 'Revenue Manager'.

### **Sales Tax Policies--Proposal**

John Voss reviewed 2 changes related to recording Sales Tax proposals:

#### **A. Revise current policy**

1. Record Sales & Use Tax directly into the receiving funds.
2. End the policy dedicating a portion of vendor fee savings for economic development.
3. Why?
  - a. Streamline administration
  - b. Financial reports easier to understand
  - c. Little to no benefit having separate 'Fund'
  - d. Recommended practice is to have as few funds as necessary

The Committee agreed this would be a good step toward more clearly understanding revenues coming in.

#### **B. Dedication of Vendor Fee Savings**

- Why?
  - All vendor fee savings would go into the general fund
  - Streamline administration
  - Financial reports easier to understand

#### **Next Steps**

- Move forward and not require a Sales & Use Tax Fund.
- Move forward and dedicate all vendor fee savings to general purposes.

The Committee agreed with these recommendations, but encouraged staff to ensure that the explanation to Council Members is very clear.

#### **→ Briefing on Refunding of \$9 million in water bonds.**

- Bond Ordinance will be presented to City Council and the Water Utility Enterprise Board on April 21<sup>st</sup>, 2009
- After the Second Reading on May 5th, 2009, the bonds will be scheduled for sale.

**DRAFT**



- The transaction should close by the end of May.

The Committee approved implementing the steps John Voss outlined, and Darin Atteberry said he appreciates the Finance Department being proactive in doing these things that save the City money.

ORDINANCE NO. 034, 2009  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
APPROPRIATING PROCEEDS FROM THE ISSUANCE OF CITY OF FORT COLLINS,  
COLORADO, WATER UTILITY ENTERPRISE, WATER REVENUE REFUNDING BONDS,  
SERIES 2009, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF \$8,500,000

WHEREAS, upon passage on first and second reading of Ordinance No. 007 of the Board of the City of Fort Collins, Colorado, Water Utility Enterprise (the "Bond Ordinance"), the Enterprise intends to issue City of Fort Collins, Colorado, Water Utility Enterprise, Water Revenue Refunding Bonds, Series 2009, in the Maximum Aggregate Principal Amount of \$8,500,000 (the "Bonds"); and

WHEREAS, the issuance of the Bonds and the appropriation of the Bond's proceeds are necessary to complete the refunding of the City's Water Revenue Refunding Bonds, Series 2009; and

WHEREAS, a portion of the Bonds proceeds, in the amount of \$8,500,000, was not included in the 2009 budget, and the appropriation of those proceeds is necessary to authorize the payment to the refunded bond escrow agent and of bond issuance costs; and

WHEREAS, Section 19.3(b) of Article V of the City Charter provides that an enterprise board of the City shall not exercise powers reserved to the Council by the City Charter or otherwise (other than the power to issue revenue bonds and other obligations); and

WHEREAS, Article V, Section 9, of the City Charter authorizes the City Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in conjunction with all previous appropriations for that fiscal year, does not exceed the current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, City staff has determined that the appropriation of the previously unappropriated proceeds of the Bonds in the amount of \$8,500,000 will not cause the total amount appropriated in the relevant funds to exceed the current estimate of actual and anticipated revenues to be received during the fiscal year.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the previously unappropriated proceeds of the Bonds in the amount of EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000) are hereby appropriated in the Water Fund for payment to the refunded bond escrow agent and bond issuance costs contingent upon the final adoption of the Bond Ordinance and the final sale and issuance of the Bonds by the Enterprise.

Introduced, considered favorably on first reading, and ordered published this 21st day of April, A.D. 2009, and to be presented for final passage on the 5th day of May, A.D. 2009.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading on the 5th day of May, A.D. 2009.

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Mayor

ATTEST:

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City Clerk