

SUBJECT

First Reading of Ordinance No. 105, 2011, Appropriating Proceeds from the Issuance of City of Fort Collins, Stormwater Utility Enterprise, Stormwater Utility Revenue Refunding Bonds, Series 2011A, in the Maximum Aggregate Principal of Amount of \$8,750,000 in the Stormwater Utility Fund.

EXECUTIVE SUMMARY

This Ordinance appropriates \$8,750,000 to pay off the 2002 Storm Drainage Revenue bonds. The funding source is the proceeds from the 2011A Storm Drainage refunding bonds. Market conditions are such that they can be refinanced at lower interest rates, resulting in an estimated net present value savings of \$500,000.

BACKGROUND / DISCUSSION

In 2002 the Storm Drainage Fund issued \$12.3 million of revenue bonds. The bonds have interest rates that range from 3% to 5% and the final payment is due December 1, 2022. The proceeds were used for improvements to the Dry Creek Basin and the Canal Importation, Ponds, and Outfall project.

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 Storm Drainage Utility. Authorizing the issuance of the bonds and appropriating the proceeds are both necessary to complete the bond transaction.

FINANCIAL / ECONOMIC IMPACTS

The *remaining* 2002 Bonds to be refunded carry interest rates that range from 4.25% to 5%. The proposed refunding, at current market rates, will be below 3% and result in a savings estimated to be approximately \$500,000 in present value terms. However, the actual savings and final rate will be a function of the market and are subject to change.

STAFF RECOMMENDATION

Staff recommends adoption of this Ordinance on First Reading. Market rates are currently very favorable for refinancing. Because it is unlikely that rates could go any lower than they are right now, staff does not recommend waiting to refinance at a later date in an effort to achieve greater savings.

BOARD / COMMISSION RECOMMENDATION

On June 2, 2011, the Council Finance Committee recommended moving forward with refinancing the 2002 Storm Drainage Bonds.

ATTACHMENTS

1. Finance Committee minutes, June 2, 2011

ORDINANCE NO. 105, 2011
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PROCEEDS FROM THE ISSUANCE OF CITY OF FORT
COLLINS, COLORADO, STORMWATER UTILITY ENTERPRISE,
STORMWATER UTILITY REVENUE REFUNDING BONDS, SERIES 2011A,
IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT
OF \$8,750,000 IN THE STORMWATER UTILITY FUND

WHEREAS, upon passage on first and second reading of Ordinance No. 009, of the Board of the City of Fort Collins, Colorado, Stormwater Utility Enterprise (the "Bond Ordinance"), the Enterprise intends to issue City of Fort Collins, Colorado, Stormwater Utility Enterprise, Stormwater Utility Revenue Refunding Bonds, Series 2011A, in the Maximum Aggregate Principal Amount of \$8,750,000 (the "Bonds"); and

WHEREAS, the issuance of the Bonds, and the appropriation of the proceeds thereof, is necessary to complete the refunding, paying and discharging or all or a portion of the Stormwater Enterprise's outstanding Storm Drainage Revenue Refunding Bonds and Improvement Bonds, Series 2002; and

WHEREAS, proceeds from the Bonds, in the amount of \$8,750,000, were not included in the 2011 budget, and the appropriation of such 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 any power reserved to the City Council by the City Charter or otherwise, except the power to issue revenue bonds and other obligations; and

WHEREAS, Article V, Section 9, of the City Charter permits 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 \$8,750,000 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 any 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 SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$8,750,000) are hereby appropriated in the Stormwater 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 16th day of August, A.D. 2011, and to be presented for final passage on the 6th day of September, A.D. 2011.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 6th day of September, A.D. 2011.

Mayor

ATTEST:

City Clerk