

# AGENDA ITEM SUMMARY

January 16, 2018

Electric Utility Enterprise Board

## STAFF

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Mike Beckstead, Chief Financial Officer  
John Duval, Legal

## SUBJECT

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Second Reading of Ordinance No. 002, Agreeing to, Authorizing and Directing the Repayment of the \$1.8 Million Loan from the General Fund for the Electric Utility's Startup Costs for its Provision of Telecommunication Facilities and Services to be Repaid from the Proceeds of Revenue Bonds Issued by the Enterprise to Fund Such Facilities and Services.

## EXECUTIVE SUMMARY

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This Ordinance, unanimously adopted on First Reading on January 2, 2018, represents the Electric Utility Enterprise's agreement, authorization and direction to repay \$1.8 million, plus 2.75% interest, to the General Fund when the Light & Power Fund receives the anticipated proceeds from the Enterprise's planned issuance of revenue bonds for the Electric Utility's provision of telecommunication facilities and services. City Council's Ordinance No. 010, 2018, authorized the General Fund to loan \$1.8 million to the Light & Power Fund to be used by the Electric Utility for its start-up costs to provide telecommunication facilities and services.

The operation and maintenance expenses table in the "Whereas" clause for Ordinance No. 002, has been updated for Second Reading to be consistent with amended data presented in Ordinance No. 010, 2018. The revised table reflects the latest final planned budget for first year operation and maintenance expenses.

## STAFF RECOMMENDATION

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Staff recommends adoption of the Ordinance on Second Reading.

## ATTACHMENTS

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1. First Reading Agenda Item Summary, January 2, 2018 (PDF)

## AGENDA ITEM SUMMARY

January 2, 2018

Electric Utility Enterprise Board

### STAFF

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Mike Beckstead, Chief Financial Officer  
John Duval, Legal

### SUBJECT

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First Reading of Ordinance No. 002, Agreeing to, Authorizing and Directing the Repayment of the \$1.8 Million Loan from the General Fund for the Electric Utility's Startup Costs for its Provision of Telecommunication Facilities and Services to be Repaid from the Proceeds of Revenue Bonds Issued by the Enterprise to Fund Such Facilities and Services.

### EXECUTIVE SUMMARY

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The purpose of this item is to present to the Electric Utility Enterprise Board (the "Board") an ordinance related to City Council's Agenda Item 20 in which it is authorizing the General Fund to loan \$1.8 million to the Light & Power Fund to be used by the Electric Utility for its start-up costs to provide telecommunication facilities and services. The Board's Ordinance represents the Enterprise's agreement, authorization and direction to repay the \$1.8 million, plus 2.75% interest, to the General Fund when the Light & Power Fund receives the anticipated proceeds from the Enterprise's planned issuance of revenue bonds for the Electric Utility's provision of telecommunication facilities and services.

### STAFF RECOMMENDATION

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Staff recommends adoption of the Ordinance on First Reading.

### FINANCIAL IMPACTS

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The \$1.8 million loan from the General Fund will be repaid from the Light and Power Fund, together with interest at 2.75%, with the proceeds that are received from the revenue bonds anticipated to be issued by the Electric Utility Enterprise to fund the Electric Utility's provision of telecommunication facilities and services.

ORDINANCE NO. 002  
OF THE CITY OF FORT COLLINS ELECTRIC UTILITY ENTERPRISE BOARD  
AGREEING TO, AUTHORIZING AND DIRECTING THE REPAYMENT OF THE \$1.8  
MILLION LOAN FROM THE GENERAL FUND FOR THE ELECTRIC UTILITY'S  
STARTUP COSTS FOR ITS PROVISION OF TELECOMMUNICATION FACILITIES AND  
SERVICES TO BE REPAID FROM THE PROCEEDS OF REVENUE BONDS ISSUED BY  
THE ENTERPRISE TO FUND SUCH FACILITIES AND SERVICES

WHEREAS, on July 20, 1993, the City Council adopted Ordinance No. 060, 1993 establishing the City's Electric Utility (the "Electric Utility") as an enterprise of the City under Section 20 of Article X of the Colorado Constitution (the "Enterprise") and authorized the City Council, acting as the board of the Enterprise (the "Enterprise Board"), to issue revenue bonds and other debt obligations (including refunding securities) on behalf of the City, which revenue bonds or other obligations are payable solely from the net revenues derived from the operation of the Electric Utility; and

WHEREAS, at a special election on November 3, 2015, City voters authorized the City to provide high-speed internet services, including, without limitation, high-bandwidth broadband services, telecommunications services, and/or cable television services within the City's growth management area; and

WHEREAS, at a special election on November 7, 2017, City voters approved an amendment to the City Charter, which has added a new Section 7 to Charter Article XII ("Section 7"); and

WHEREAS, Section 7 grants to City Council the power, by ordinance and without a vote of the electors, to authorize the Electric Utility to acquire, construct, provide, fund and contract for "telecommunications facilities and services," including, without limitation, "broadband Internet facilities and services," as both these terms are defined in paragraph (f) of Section 7 ("Telecommunication Facilities and Services"); and

WHEREAS, Section 7 also grants to the Enterprise the power to issue revenue bonds and other debt obligations to fund the provision of Telecommunication Facilities and Services; and

WHEREAS, at the November 28, 2017 City Council Work Session, there was a discussion concerning the City's project to provide such Telecommunication Facilities and Services, which included an estimated timeline, major milestones, appropriation and governance recommendations, and City staff highlighted the need to dedicate resources to support further development and details associated with a municipal retail model for the Electric Utility to start providing Telecommunication Facilities and Services; and

WHEREAS, in pursuit of that plan, staff has requested an appropriation of \$1.8 million from General Fund reserves be loaned to the Electric Utility to support first year start-up costs associated with recruiting and hiring personnel, consulting, equipment, branding to support the

initiative and other operations and maintenance costs to begin providing Telecommunications Facilities and Services; and

WHEREAS, City Council has, concurrently with this Enterprise Board Ordinance, adopted Ordinance No. 010, 2018, appropriating \$1.8 million from prior year reserves in the General Fund as a loan to the Light and Power Fund (which Fund is established in City Code Section 8-77) for the Electric Utility’s first year operations and maintenance costs for Telecommunications Facilities and Services (the “General Fund Loan”); and

WHEREAS, it is intended that the General Fund Loan will be repaid by the Enterprise, together with interest thereon at the rate of two and three quarters percent (2.75%) per annum, from the proceeds of the Enterprise’s proposed revenue bond issuance (the “Enterprise Bonds”), pending the Enterprise Board’s adoption of the corresponding bond ordinance (currently scheduled for the March 20 and April 3, 2018 meetings); and

WHEREAS, the estimated costs to be funded by the General Fund Loan and repaid by the Enterprise are as follows:

(\$,000's)	Year 1				Full Year
	Q1	Q2	Q3	Q4	
Full Time Equivalent	4	5	7	13	
<b>Quarter End Headcount</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>17</b>	
Personnel	\$128	\$148	\$187	\$295	\$758
Consulting	120	120	88	88	415
Branding/Web Site	63	63	30	30	185
Legal	60	20	0	0	80
Office & Equipment	53	49	63	92	256
Contingency	25	25	25	25	100
<b>Total Operations &amp; Maintenance</b>	<b>\$449</b>	<b>\$424</b>	<b>\$392</b>	<b>\$529</b>	<b>\$1,794</b>
<b>Total Capital</b>	<b>\$40</b>	<b>\$1,755</b>	<b>\$1,550</b>	<b>\$1,490</b>	<b>\$4,835</b>

(\$ 000's)	2018				Full Year
	Q1	Q2	Q3	Q4	
Full Time Equivalent	1.3	5.0	7.0	13.0	
<b>Quarter End Headcount</b>	<b>4.0</b>	<b>7.0</b>	<b>7.0</b>	<b>17.0</b>	
Personnel	\$ 43	\$ 148	\$ 187	\$ 295	\$ 672
Consulting	120	120	88	88	415
Branding/Web Site	63	63	30	30	185
Legal	50	30	20	20	120
Office & Equipment	45	49	63	92	248
Contingency	50	50	30	30	160
<b>Total O&amp;M</b>	<b>\$ 370</b>	<b>\$ 459</b>	<b>\$ 417</b>	<b>\$ 554</b>	<b>\$ 1,800</b>

; and

WHEREAS, the Enterprise’s repayment of the General Fund Loan will serve the public purpose of and benefit the ratepayers of the Electric Utility by enabling the Electric Utility to

fund start-up costs related to the Utility providing Telecommunications Facilities and Services to its customers throughout the City as authorized by Section 7 of City Charter Article XIII; and

WHEREAS, the General Fund Loan and its repayment under this Ordinance is necessary for the public's health, safety and welfare and is in the best interests of the City and its residents, businesses, and public and private organizations and the Electric Utility's ratepayers.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF THE ELECTRIC UTILITY ENTERPRISE BOARD OF THE CITY OF FORT COLLINS as follows:

Section 1. That the Enterprise Board hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That the Enterprise Board hereby approves the Enterprise receiving from the General Fund a loan to the Light and Power Fund in the amount of ONE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$1,800,000) to be expended for the Electric Utility's first year of operations and maintenance relating to Telecommunications Facilities and Services.

Section 3. That the General Fund Loan, including the two and three quarters percent (2.75%) interest accruing thereon, shall be repaid in full to the General Fund by the Enterprise from the Light and Power Fund when the Enterprise receives the proceeds from the Enterprise Bonds that it anticipates issuing to fund the Electric Utility's start-up costs for the provision of telecommunications facilities and services.

Introduced, considered favorably on first reading, and ordered published this 2nd day of January, A.D. 2018, and to be presented for final passage on the 16th day of January, A.D. 2018.

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President

ATTEST:

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Secretary

Passed and adopted on final reading on the 16th day of January, A.D. 2018.

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President

ATTEST:

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Secretary