

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 21

DATE: November 4, 2003

STAFF: Alan Krcmarik

SUBJECT

First Reading of Ordinance No. 147, 2003, Appropriating Prior Year Reserves in the Wastewater Fund for Prepayment of Debt Service.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

The Wastewater Fund is projected to have \$17.6 million of fund balance at the end of 2003. The interest rates on the Series 1996 bonds that mature in 2004 and 2005 carry interest rates of 5.0%. Current market conditions limit the investment return on the fund balance to approximately 1.6%. By prepaying the bonds, the City will avoid over \$147,500 of net interest costs.

EXECUTIVE SUMMARY

Each year, the Finance Department reviews all of the City's debt instruments to determine if there are opportunities to lower interest payments. This year, staff evaluated an opportunity to save interest by prepaying debt service from reserves held in the Wastewater fund. In 1995, the City of Fort Collins issued \$13,800,000 of refunding bonds to lower annual costs of the Wastewater fund. The bonds mature in 2005. Under the conditions of the bond ordinance, the City may prepay the bonds that mature in 2004 and 2005 without any prepayment penalty. By prepaying the bonds, the City can avoid \$147,500 of interest costs on the bonds.

ORDINANCE NO. 147, 2003
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES
IN THE WASTEWATER FUND FOR PREPAYMENT OF DEBT SERVICE

WHEREAS, the City of Fort Collins Wastewater fund is projected to have \$17,600,000 of fund balance at the end of 2003; and

WHEREAS, \$2,275,000 of such funds have not been committed to or appropriated for any other use and are available for the prepayment of outstanding bonds; and

WHEREAS, Ordinance No. 2 of the Wastewater Utility Enterprises provides that the outstanding 2004 and 2005 bonds may be prepaid, without penalty, on December 1, 2003; and

WHEREAS, the Council of the City of Fort Collins finds that avoidance of future debt service interest costs is prudent and in the best interest of the Wastewater Utility; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from prior year reserves in the Wastewater Fund the total sum of TWO MILLION TWO HUNDRED SEVENTY FIVE THOUSAND DOLLARS (\$2,275,000) for payment the principal portion of debt service on the Series 1996 bonds maturing in 2004 and 2005.

Introduced, considered favorably on first reading, and ordered published this 4th day of November, A.D. 2003, and to be presented for final passage on the 18th day of November, A.D. 2003.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading this 18th day of November, A.D. 2003.

Mayor

ATTEST:

City Clerk