



Legislation Text

File #: 16-491, Version: 2

Ordinance No. 16-81 of the City of Colorado Springs, Colorado approving and authorizing the execution and delivery of the Revolving Loan Agreement between the City of Colorado Springs, Colorado and U.S. Bank National Association and the Revolving Promissory Note of the City relating thereto; and providing matters relating thereto

**Presenter:**

Bill Cherrier, Chief Planning and Finance Officer, Colorado Springs Utilities  
Jerry Forte, P.E., Chief Executive Officer, Colorado Springs Utilities

**Summary:**

The attached Ordinance addresses renewal of a Revolving Loan Agreement (“Agreement”) with U.S. Bank, N.A. for \$60.0 million.

Current Agreements are provided by KeyBank, N.A. (\$50.0 million) and U.S. Bank, N.A. (\$25.0 million) with a stated expiration date on both Agreements of September 04, 2016. The City has elected to renew with U.S. Bank, N.A. for a term of three years. The decision to renew with our current counterparty was determined through a competitive RFP process conducted by Utilities earlier in 2016.

**Previous Council Action:**

City Council approved the following Ordinances authorizing Revolving Loan Agreements

Authorizing Ordinance	Date	Amount	Counterparty
02-7	1/22/2002	\$15,000,000	U.S. Bank, N.A.
07-91	6/12/2007	\$25,000,000	KeyBank, N.A.
08-202	11/25/2008	\$50,000,000	U.S. Bank, N.A.
09-54	5/12/2009	\$50,000,000	U.S. Bank, N.A.
10-49	6/22/2010	\$25,000,000	KeyBank, N.A.
11-99	12/13/2011	\$25,000,000	Union Bank, N.A.
12-38	5/22/2012	\$75,000,000	U.S. Bank, N.A.
13-52	8/27/2013	\$50,000,000	KeyBank, N.A.
13-52	8/27/2013	\$25,000,000	U.S. Bank, N.A.

**Background:**

The City has maintained a Revolving Loan Agreement continuously since 2002 with a small number of changing counterparties. Until 2013 only one-year Agreements were available resulting in extensions of many of the Agreements at either the same or more favorable rates or terms. In 2013, multiple-year Agreements became available in the marketplace and the City executed three-year

Agreements with both KeyBank, N.A. and U.S. Bank, N.A. Upon expiration of both of those Agreements in September 2016, the City has elected to renew the Agreement with U.S. Bank only at \$60.0 million.

The City has never drawn on any of the Revolving Loan Agreements.

**Financial Implications:**

The City maintains a Revolving Loan Agreement for Utilities in order to provide an additional source of liquidity. For example, an advance on the Agreement could be used in an emergency situation to fund an unplanned or extended electric generation plant outage, at a time when the ability to collect revenue is impaired due to a High Employee Impact event, or to post collateral with counterparties to our swap agreements. To utilize operating cash to fund unplanned and significant events could adversely impact cash necessary to fund regularly planned operating and maintenance expense, debt service requirements and capital expenditures. Credit Rating Agencies have identified a strong cash (liquidity) position as one of the key characteristics of a highly rated public power issuer.

**Board/Commission Recommendation:**

N/A

**Stakeholder Process:**

N/A

**Alternatives:**

Utilize operating cash to fund unplanned and significant events such as those described under Financial Implications.

**Proposed Motion:**

Move approval of proposed Ordinance.

Colorado Springs Utilities requests approval to renew the Revolving Loan Agreement with U.S. Bank, N.A. This renewal enables Utilities to maintain an additional source of liquidity.