



Legislation Text

File #: 14-0344, Version: 1

Ordinance No. 14-50 of the City of Colorado Springs, Colorado Approving and Authorizing the Execution and Delivery of the Standby Bond Purchase Agreements Among the City of Colorado Springs, Colorado, Wells Fargo Bank, National Association, as Tender Agent, and Certain Banking Organizations, the Fee Agreements Between the City of Colorado Springs, Colorado and Such Banking Organizations, and the Official Statements for the Utilities System Revenue Bonds Previously Issued by the City to Which the Agreements Relate; Ratifying Certain Action Heretofore Taken

**From:**

Jerry Forte, P.E., CEO, Colorado Springs Utilities

**Summary:**

The attached Ordinance addresses issuance of Standby Bond Purchase Agreements (“SBPA”) for Variable Rate Demand Utilities System Subordinate Lien Refunding Revenue Bonds, Series 2004A (“the 2004A Bonds”) and Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A (“the 2008A Bonds”).

The current SBPA for the 2004A Bonds is provided by CitiBank, N.A. with a stated termination date of August 2, 2014. Through a competitive RFP process the City has elected to replace CitiBank, N.A. with Bank of America, N.A. The current SBPA for the 2008A Bonds is provided by Bank of America, N.A. with a stated termination date of August 31, 2014. Through the same competitive RFP process U.S. Bank, N.A. will replace Bank of America, N.A.

**Previous Council Action:**

City Council approved the following Ordinances authorizing variable rate bond issues and their corresponding Standby Bond Purchase Agreements. Subsequent Amending Ordinances approved by City Council for each bond issue are also listed.

Amending Ordinances	Bond Issue	Authorizing Ordinance	
2004A04-164	(7/27/2004)	04-183 (8/24/2004)	13-51 (8/27/2013)
2008A08-121	(8/12/2008)	09-103 (8/25/2009)	13-51 (8/27/2013)

**Background:**

The respective Bond Ordinances for the City’s variable rate bond issues require that the City

“maintain a Liquidity Facility in full force and effect at all times when the bonds are bearing interest at a Variable Rate other than Auction Mode Rate, except as otherwise provided in Section 1212 of the Bond Ordinance”. A Standby Bond Purchase Agreement is one of the acceptable financial instruments to provide liquidity for the City’s variable rate bond issues. Liquidity Facilities generally have terms of one to three years. Due to volatility in financial markets over the past several years, the City has elected to release a competitive RFP for expiring facilities in order to improve pricing and contractual terms as opportunities are presented. On occasion these opportunities have required that the City replace the incumbent liquidity facility provider. This action, if approved by City Council, will result in a decrease in pricing and also maintain diversity in the liquidity provider portfolio.

**Financial Implications:**

The City’s resulting overall cost for liquidity will be lower. Counterparty diversity in the liquidity provider portfolio will be maintained at a level acceptable to the City.

**Board/Commission Recommendation:**

Enter board or commission recommendation. Enter N/A if not applicable.

**Stakeholder Process:**

Enter stakeholder process. Enter N/A if not applicable.

**Alternatives:**

The City could choose not to replace the Standby Bond Purchase Agreements for either the 2004A or 2008A Bond issues when they expire in 2014, which would be a violation of their respective Ordinances. This alternative would not be advantageous to the City.

**Proposed Motion:**

Move approval of proposed Ordinance.

Colorado Springs Utilities requests approval to replace providers of Standby Bond Purchase Agreements for 2004A Bonds and 2008A Bonds. For 2004A Bonds, Bank of America, N.A. will replace CitiBank, N.A. For 2008A Bonds, U.S. Bank, N.A. will replace Bank of America, N.A. Colorado Springs Utilities will achieve cost savings on each replacement Agreement.