



Legislation Text

File #: 15-00632, **Version:** 2

Ordinance No. 15-83 of the City of Colorado Springs, Colorado Providing for the Extension, Betterment, Other Improvement and Equipment of the City of Colorado Springs Utilities System; Providing for the Issuance and Sale of the Commercial Paper Notes, Series A in an Aggregate Principal Amount of Not to Exceed \$75,000,000 and Series B in an Aggregate Principal Amount of Not to Exceed \$75,000,000 Payable Out of the Net Revenues to be Derived from the Operation of the City of Colorado Springs Utilities System; Authorizing the Execution by the City of Two Dealer Agreements, Two Issuing and Paying Agent Agreements and Two Fee Agreements; and Providing Other Matters Relating Thereto

From:

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

Summary:

The attached Ordinance addresses establishing the Utilities \$150 million Commercial Paper program. Series A and Series B commercial paper notes will be issued in principal amounts not to exceed \$75 million each. Required supporting Agreements are also addressed in this Ordinance.

Previous Council Action:

Not applicable. Commercial Paper is a new program for the Utilities.

Background:

The Commercial Paper program is \$150 million with Series A and Series B commercial paper notes to be issued in principal amounts not to exceed \$75 million each. Barclays Capital has been selected as Dealer for Series A and Goldman Sachs has been selected as Dealer for Series B. Bank of America, N.A. has been selected to provide the required Letter of Credit for the entire \$150 million program.

Commercial Paper provides several important advantages to the Utilities including improved alignment between debt issuance and expected capital spending, a reduction in the frequency of long term debt issuance, and financial flexibility. The alignment of borrowing with actual capital spending delays interest expense and enables the Utilities to take advantage of low short term interest rates. With the Commercial Paper program the Utilities also expects to reduce long term debt issuance from every year to every two or three years. The Utilities gains financial flexibility by managing the size and maturities of commercial paper notes that will enable the Utilities to time the issuance of long term debt.

Financial Implications:

The establishment of a Commercial Paper program will create a financial benefit for the Utilities in 2015-2016. The issuance costs and interest expense on the Commercial Paper issued in 2015-2016 will be less than projected first year interest expense on long term debt that would have been issued

without a Commercial Paper program. Future years' financial benefit will be dependent upon movements in the interest rate market and the timing of the Utilities capital spending program.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

The City could choose not to approve the Commercial Paper program. This action would require the Utilities to issue long term debt during the fourth quarter of 2015 in order to fund the capital program.

Proposed Motion:

Move approval of proposed Ordinance.

The attached Ordinance addresses establishment of Utilities \$150 million Commercial Paper program. Series A and Series B commercial paper notes will be issued in a principal amount not to exceed \$75 million each. Appropriate supporting agreements are also authorized by this Ordinance.