



## Legislation Text

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**File #:** 16-492, **Version:** 2

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Ordinance No. 16-82 of the City of Colorado Springs, Colorado approving and authorizing the execution and delivery of the Standby Bond Purchase Agreement among the City of Colorado Springs, Colorado, Wells Fargo Bank, National Association, as Tender Agent, and Landesbank Hessen-Thüringen Girozentrale, the Standby Letter of Credit and Reimbursement Agreement between the City of Colorado Springs, Colorado and Sumitomo Mitsui Banking Corporation, 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

**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 issuance of Standby Bond Purchase Agreements ("SBPA") for Variable Rate Demand Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2006B ("the 2006B Bonds") and Variable Rate Demand Utilities System Improvement and Refunding Revenue Bonds, Series 2007B ("the 2007B Bonds").

The current SBPA for the 2006B Bonds is provided by Bayerische Landesbank with a stated expiration date of September 14, 2016. The City has elected to replace Bayerische Landesbank with Landesbank Hessen Thüringen Girozentrale ("Helaba") for a term of five years. The current SBPA for the 2007B Bonds is provided by Barclays Bank PLC with a stated expiration date of September 15, 2016. The City has elected to replace Barclays Bank PLC with Sumitomo Mitsui Banking Corporation ("SMBC") for a term of five years. The new counterparties were selected through a competitive RFP process conducted by Utilities earlier in 2016.

**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.

Bond Issue	Authorizing Ordinance	Amending Ordinances	
2006B	06-137 (08/08/2006)	09-103 (08/25/2009)	13-51 (08/27/2013)
2007B	07-126	09-103	13-51

(08/28/2007) (08/25/2009) (08/27/2013)

**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 five 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 allow the City to maintain diversity in the liquidity provider portfolio with a small increase in annual costs.

**Financial Implications:**

The City's resulting overall cost for liquidity will be marginally higher with these replacements. Counterparty diversity in the liquidity provider portfolio will be maintained at a level acceptable to the City.

**Board/Commission Recommendation:**

N/A

**Stakeholder Process:**

N/A

**Alternatives:**

The City could choose not to replace the Standby Bond Purchase Agreements for the 2006B Bonds or the 2007B Bonds when their agreements expire in 2016, 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.

For the 2006B and 2007B Bonds, Utilities requests approval to replace the Standby Bond Purchase Agreements ("SBPAs") currently with Bayerische Landesbank and Barclays Bank PLC, respectively. The new SBPAs will be with Landesbank Hessen Thuringen Girozentrale (2006B Bonds) and Sumitomo Mitsui Banking Corporation (2007B Bonds). With these replacements, Utilities will maintain diversity in the liquidity provider portfolio with a small increase in annual costs.