



Legislation Text

File #: 21-120, **Version:** 2

Ordinance No. 21-32 of the City of Colorado Springs, Colorado authorizing the termination by the City of existing Interest Rate Exchange Agreements delegating to the Utilities Chief Executive Officer or the Utilities Chief Planning and Financial Officer (or the Acting Chief Planning and Financial Officer, as applicable) the authority to determine the financial terms of transactions terminating such agreements; ratifying action heretofore taken and relating to such agreements; and providing other matters relating thereto

Presenter:

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Summary:

The attached Ordinance addresses the delegation of authority from City Council to the Utilities Chief Executive Officer or the Utilities Chief Planning and Financial Officer (or the Acting Chief Planning and Financial Officer, as applicable) to determine the timing and financial terms under which to exit existing Interest Rate Exchange Agreements. The delegation of authority will enable the Utilities to react quickly to changing financial market conditions in making the decision to terminate interest rate exchange agreements. This delegation of authority is only applicable for calendar year 2021.

Background:

The City has entered into individual Interest Rate Exchange Agreements associated with its outstanding variable interest rate bonds. Under these Agreements the City and a counterparty exchange payment, thereby creating a synthetically fixed interest rate for the City's variable interest rate bonds. The City would like to strategically exit one or more of these Agreements when financial markets provide an opportunity. Financial market conditions can change rapidly, and the capability to quickly terminate Agreements can have a large financial impact. Delegating authority to the Utilities Chief Executive Officer or the Chief Planning and Financial Officer will enable the City to take advantage of market opportunities and selectively terminate Agreements during calendar year 2021.

Previous Council Action:

City Council approved Ordinances 18-56 and 19-98 providing the same delegation of authority for calendar years 2019 and 2020.

Financial Implications:

The timing of the Interest Rate Exchange Agreement termination can have a major impact on the financial benefit or cost of those agreements. Generally, the closer the termination decision is to the actual termination date is advantageous to the City. Dependent upon financial market conditions the City may also elect to refund the associated variable rate bonds and replace with fixed rate bonds. A settlement amount to either the counterparty or the City upon termination may also be required as a condition of the Agreement.

City Council Appointed Board/Commission/Committee Recommendation:

Discussed at the January 15th and February 12th Utilities Finance Committee meeting, as well as the February 17th Utilities Board meeting.

Stakeholder Process:

N/A

Alternatives:

The City could choose not to approve the Interest Rate Exchange Agreements Termination Ordinance. This alternative would not be advantageous to the City at this time.

Proposed Motion:

Approval of proposed Ordinance.

The Ordinance authorizes the termination of the City's existing Interest Rate Exchange Agreements; delegating the authority to the Utilities Chief Executive Officer and the Chief Planning and Finance Officer to determine the financial terms of the termination transaction.