

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

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TO: Colorado Water Conservation Board Members

Bill Ritter, Jr.
Governor

FROM: Steve Biondo, Finance Manager
Tim Feehan, P.E., Chief
Finance Section

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

DATE: May 11, 2010

SUBJECT: **Agenda Item 11c, May 18-19, 2010 Board Meeting**
Finance Section – Revisions to Existing Loans
City of Aurora Water Activity Enterprise – Prairie Waters Project Pipeline

Introduction

The City of Aurora is requesting a loan payment modification for Loan Contract No. C150243 between the City of Aurora (City), acting by and through its Utility Enterprise, and the Colorado Water Conservation Board (CWCB), dated November 20, 2007. The City would like to keep the same maturity of the loan and have the first two years be interest only. Specifically, they are requesting that the first two annual payments include interest only and that the principal portion of those payments be amortized over the remaining 28 years of the 30-year term. This request is being made by the City to smooth out their total debt service payments which spike in 2011 and 2012.

Recommendation

Staff recommends that the Board approve the request of the City of Aurora for CWCB to amend the repayment provisions of the Promissory Note to include the first two annual payments at \$2,840,625.00 and the remaining annual payments at \$4,415,876.87 for the 30-year term of the loan agreement; first annual payment to commence May 1, 2011. The Promissory Note and contract amendment shall be completed for Loan Contract No. C150243 to reflect the revised terms and conditions stated herein.

Background

At the January 2007 Board Meeting, the CWCB approved a loan to the City of Aurora in the amount of \$75,750,000 from the Construction Fund to finance a portion of the Conveyance System of the Prairie Waters Project (Project). The Project was completed May 1, 2010. The original budget was \$755 M for the Project but is now expected to be completed at \$100 M below budget. The Project is also coming in ahead of schedule.

Discussion

The Board has the statutory authority under Section 37-60-120 (1), C.R.S. (2009) to enter into contracts and inherent in that empowerment is the discretionary ability to amend such contracts as may be deemed necessary provided that the entity's ability to repay the loan will not falter.

The City has an excellent credit record and has demonstrated its ability to repay its loan to CWCB. Currently \$1.7 M has been received for interest during construction and an additional \$0.7 M will be received during this month. The City's debt service is consistent over the next 9 years except for 2011 and 2012 which rises sharply by \$5 M in each year. In an effort to maximize its bond ratings and decrease its debt, postponing two principal payments for the CWCB loan would make an improvement to their debt structure. As such, the City would be in a position to increase their payments to CWCB by \$167 K beginning in 2013. For allowing the City to improve their debt position for two years, CWCB would earn an additional \$1.87 M over the life of this loan. Table 1 below shows the breakdown of the earnings over the life of the loan for the two scenarios:

Table 1. Principal and Interest Earned over 30 years

	Total Principal	Total Interest	Total Payments
Revised Schedule	\$75,750,000	\$53,575,803	\$129,325,803
Original Schedule	\$75,750,000	\$51,709,126	\$127,459,126
Differences	\$-0-	\$ 1,866,677	\$ 1,866,677

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cc: Karen Feeney, City
Michael Shannon, City
Patricia DeChristopher, AGO
Susan Schneider, AGO