

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: April 14, 2010

Board Item VI-B-3

Business Points for development of a Financing Agreement between Arvada and Denver Water for the Moffat Collection System Project

Action by Consent

Action

Information

Introduction:

Attached is a memorandum outlining business terms and payment arrangements for the development of a Financing Agreement that will allow the City of Arvada to pay Denver Water for 3,000 acre feet of water from the Gross Enlargement Project. The business terms were discussed, developed and agreed to by the Finance Staff of Denver Water and the City of Arvada. Based on the most recent project cost and system development charge estimates, the City of Arvada will pay Denver Water approximately \$93 million.

The Board has also been invited to a dinner with the City of Arvada's City Council on Thursday, May 13 at the Arvada Center. The purpose of the dinner is to further the relationship between the two governing bodies.

Background:

In December 1999 the Board and the City of Arvada entered into an Intergovernmental Agreement allowing the City of Arvada to contract with Denver Water for no more than 3,000 AF of water. The water was contingent upon an increase in the Board's Moffat Collection System supply. Under the terms of the 1999 contract the City of Arvada would pay two up-front charges which were based on (1) actual capital costs for the project and (2) the *then-current* non-potable system development charge in place when the water was delivered.

In 2009 in settlement of a dispute over water rates unrelated to the 1999 IGA, the Board and the City of Arvada agreed to allow the City of Arvada to lock-in the 2009 non-potable system development charge for the 3,000 AF of water obligated in the 1999 IGA.

The 2009 Settlement Agreement requires that the specific financing conditions (i.e. payment terms) are outlined in a Financing Agreement that will be executed by the City of Arvada within 180 days after the issuance by the U.S. Army Corps of Engineers of the Section 404 Clean Water Act permit for the Board's Moffat Collection System project. The attached memo details the staff agreed upon financing conditions for this Financing Agreement.

General Financing Conditions:

Capital Charge (Paragraph 2.2.1)--The City of Arvada will pay a proportionate share of the actual costs for the project. This is anticipated to be 3/18th of the project costs.

Once the Financing Agreement is finalized, the City of Arvada will become current by paying a proportionate share of all past costs incurred by Denver Water. Then, on a quarterly basis Denver Water will invoice the City of Arvada for costs incurred during the quarter until the project is completed.

8/31/09

Revised by Legal 8/31/2009

Raw Water Capacity Charge (Paragraph 2.2.2)—As part of the settlement agreement, the City of Arvada will pay \$11,274/AF (\$33.8 million) for raw water capacity from Denver Water with no payment due until 2013. In June 2013 the City of Arvada will place \$33,822,000 in an escrow account that is mutually selected by the Finance Directors from each entity. Denver Water will manage the escrow account but the asset allocation will be agreed to by both Finance Directors.

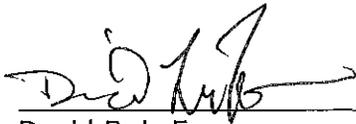
The interest on the escrow account will generally stay in the account to pay the account fees and then based on the project status be divided between Denver Water and the City of Arvada. Denver Water will begin drawing on the escrow account at the end of the first quarter in which Denver Water issues a notice to proceed (or other document authorizing the commencement of construction) with the final funds withdrawn at project completion.

Conclusion

Subject to the approval of the Board these general Financial Conditions as more specifically outlined in the attached memo will form the basis for the Financing Agreement between Denver Water and the City of Arvada.

Approvals:

Respectfully submitted,



David B. LaFrance
Director of Finance



H. J. Barry, Manager



Patricia Wells
General Counsel