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AGENDA
Council Finance & Audit Committee
February 4, 2022
3:00- 5:00 pm
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the January 6, 2022 Council Finance Committee meeting.

- | | | |
|-------------------------------|----------|-------------------------------------|
| 1. Connexion Financing Update | 60 mins. | C. Crager
D. Lenz |
| 2. EPIC Home Loan Program | 30 mins. | J. Phelan
C. Conant
A. Newton |

Other Business:

Investment Policy Review Follow-up Memo

Council Finance Committee
Agenda Planning Calendar 2022
RVSD 01/25/22 ts

Feb. 4th	2022		
	Connexion Financing Update	60 min	C. Crager D. Lenz
	EPIC Home Loan Program	30 min	J. Phelan C. Conant A. Newton

Mar. 3rd	2022		
	Sustainable Funding Update	60 min	J. Poznanovic
	Midtown Infrastructure Design	30 min	J. Birks B. Buckman
	2022 Reappropriation	20 min	L. Pollack

April 7th	2022		
	Debt Offering: Hughes Land, Natural Areas, Golf	30 min	B. Dunn
	2023 Development Review and Capital Expansion Fee Updates	30 min	D. Lenz
	2023-2024 Budget Process Review	30 min	L. Pollack

May 5th	2022		

Note: 2022 Council Finance Committee meeting schedule changed to 1st Thursday of the month from 4-6 pm.
Exception being the February meeting which will be on Friday, February 4th from 3-5 pm to accommodate members schedules.



Finance Committee Meeting Minutes

January 6, 2022

4:00 - 6:00 pm

Zoom

Council Attendees: Julie Pignataro, Kelly Ohlson, Emily Francis

Staff: Travis Storin, John Duval, Tyler Marr, Blaine Dunn, Jennifer Poznanovic, Ginny Sawyer, Molly Reeves, Seve Ghose, Mike Calhoon, Victoria Shaw, Dean Klingner, Monica Martinez, Drew Brooks, Aaron Harris, Jill Wuertz, Honore Depew, Meaghan Overton, Javier Echeverria, Clay Frickey, Rachel Rogers, Amanda Newton, Trevor Nash, Dave Lenz, Jo Cech, Erik Martin, Renee Callas, Zack Mozer, Lawrence Pollack, Gerry Paul, SeonAh Kendall, Carolyn Koontz

Others: Emily Gallichotte, CSU
Joe Rowan

Meeting called to order at 4:00 pm

Approval of minutes from the December 1, 2021, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Frances seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. 2022 Financial Policy Review

Blaine Dunn, Accounting Director

EXECUTIVE SUMMARY: Once a year a portion of Financial Policies are reviewed and updated as needed. Staff is committed to reviewing each policy no less than every 3 years. Policies up for review this year are:

Financial Management Policy 7 – Debt

Financial Management Policy 8 – Investment

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the changes as recommended?

BACKGROUND/DISCUSSION

Financial Management Policy 7 – Debt: This policy has four sections with recommended changes

- Section 7.3 *Types of Debt and Financing Agreements*
 - Clarify when equipment leases can be used
 - Clarify parameters for conduit debt

- Section 7.4 *Debt Structure and Terms*
 - Remove language of capitalizing interest per new accounting standards
- Section 7.8 *Inter-agency Loan Program*
 - Section is being moved from Policy 8 – Investment, with no additional changes
- Section 7.9 *Other*
 - Clarify additional items to be included on future Debt Administration Policy

Financial Management Policy 2 – Revenue: Throughout the Policy the Poudre River Library District is added for who this policy applies to. This policy has four sections with recommended changes:

- Section 8.1 *Policy*
 - Clean up language
- Section 8.6 *Suitable and Authorized Investments*
 - Clarify there are no split ratings allowed on purchased investments
- Section 8.7 *Diversification and Liquidity*
 - Renaming section to remove duplicate
 - Clarify Local Government Investment Pools are treated as Cash and Cash Equivalents
- Section 8.8 *Inter-agency Loan Program*
 - Removed from policy and added to Policy 7 – Debt

DISCUSISON / NEXT STEPS:

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the changes as recommended?

Kelly Ohlson; I am fine with all proposed changes. Does Council have some kind of filter as to what we invest in. (Russian or Chinese owned companies for example). Do we have a policy guiding those decisions? In the 80's we as a Council changed our policies to not do business with any corporations that had not signed the Sullivan Principles as related to South Africa and Apartheid. This was done by cities and counties across the county and was attributed to the demise of Apartheid. Do we have anything in place?

Travis Storin; I want to distinguish between the monies held by city proper and the monies held within the GERP. GERP has a different return objective around it so you will see a lot more stocks and bonds type of investments. Blaine can speak to where those companies are domiciled. In the case of the city's monies, those are restricted by this policy to either high quality corporate bonds, which can have a multinational presence and more predominantly in our portfolio are Federal Agency / US issued debt.

ACTION ITEM

Blaine Dunn; We will send a follow-up memo detailing our investment portfolio.

We don't have a specific policy outlining anything that we can't invest in. It is really driven by the credit worthiness of any company we are looking at. On the scale of what we will invest in, profitability and return is actually #4 on the list. Liquidity and legal conformance are more important factors for us. This is why we invest so heavily in government agencies. If the committee is interested, we could certainly look at what other organizations across the front range and the country are doing. I also wanted to point out within this policy, we cannot invest in equities so any kind of mutual funds and stocks are not an allowable investment per policy and so we only invest in fixed income securities such as bonds through government agencies or corporate.

Kelly Ohlson; I would be interested – perhaps we should have some policy to make sure we are not investing in any bad players. I think we can do better than a non-policy.

Blaine Dunn; we can put a follow-up memo together addressing what we are currently invested in, the percentage breakdown, etc. So, the committee can look at how we are currently invested and see if there are any policy decisions you would like to drive based on that.

Kelly Ohlson; would be interesting to see what policies other communities have nationally.

Travis Storin; In the memo, we can address not only the nation where the dollars or the corporate operations are domiciled but also the industries. For instance, we have by practice divested from oil & gas in our fixed income portfolio. We still retain some holdings in Apple, companies that can have criticisms of their labor practices abroad. A spectrum of how far we want to go in terms of documenting our intentions.

Kelly Ohlson; do we hold any investments in tobacco?

Blaine Dunn; we do not hold any investments in tobacco companies

Emily Frances; I support bringing this to Council and Kelly's questions as well, Thank you for pulling this information together.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the changes as recommended?

RESULT

The committee supports the policy changes as presented. A follow-up memo will be sent per the notes above.

B. Consideration of Sustainable Funding Sources

Jennifer Poznanovic, Sr. Revenue Manager

Ginny Sawyer, Sr. Project Manager

EXECUTIVE SUMMARY

The purpose of this item is to begin solidifying specific identified revenue needs and exploring multiple potential funding options.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions does Council Finance Committee have on the identified revenue needs?
2. What questions does Council Finance Committee have on potential revenue sources?
3. Does Council Finance Committee agree with staff proposed next steps?

BACKGROUND/DISCUSSION

Through masterplan processes, staff has identified three clear funding needs in the areas of parks and recreation, transit, and housing. Annual shortfalls range from eight to twelve million per area. Parks and recreation and transit have specific operational plans and a focus on asset management while housing continues to be a top Council and community priority.

Staff is working to develop a full workplan that will include on-going Council Finance meetings, work sessions with the full Council, community engagement, and ultimate implementation of means and methods to address revenue needs.

The following bullets highlight workplan considerations:

- Clearly define and articulate revenue needs and level of service considerations
- Thoroughly research funding options including impacts and the context of existing and potential new tax measures (local and regionally)
- Recognize and work within the desire to keep overall tax burden as low as possible
- Currently, assuming dedicated tax renewals will target November 2024 election

Identified Revenue Needs

The revenue needs identified through plans and highlighted below reflects amounts needed to achieve all plan goals. Specific priorities and service level trade-offs can be further identified at future meetings.

Parks and Recreation

Parks and Recreation Funding - Current State

Existing Funding (\$M)	Operations & Maintenance	Life Cycle Replacement	Minor Refresh
Parks (<i>Majority General Fund</i>)	\$12.3	\$0.5	
Recreation (<i>Program Revenue & General Fund</i>)	\$11.3		
Total	\$23.6	\$0.5	\$0.0

Estimation of Funding Need – What is the gap?

The master plan estimates the total annual need for parks and recreation is \$36.2 million, with the gap between current funding levels and the annual funding of \$12.1 million. The gap for parks is primarily in Life Cycle Replacement and Minor Refresh, while Recreation needs are primarily in Minor Refresh.

Needed Funding (\$M)	Operations & Maintenance	Life Cycle Replacement	Minor Refresh
Parks	\$13.3	\$6.0	\$2.7
<i>Mini Parks</i>			\$0.2
<i>Plazas</i>		\$0.1	
<i>Urban Parks</i>			
<i>Neighborhood Parks</i>		\$0.5	\$2.0
<i>Schoolside Parks</i>		\$1.0	\$0.5
<i>Community Parks</i>		\$3.9	
<i>Special Use Parks</i>		\$0.5	
Recreation	\$11.3	\$0.1	\$2.2
Planting Refresh			\$0.6
Total	\$24.6	\$6.1	\$5.5

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Funding Gap (\$M)	Operations & Maintenance	Life Cycle Replacement	Minor Refresh
Parks	\$1.0	\$5.5	\$2.7
Recreation	\$0.0	\$0.1	\$2.2
Planting Refresh			\$0.6
Total	\$1.0	\$5.6	\$5.5

What would the revenue be used for?

Expanding the lifecycle replacement program to keep pace with needs to provide equitable parks experiences. This would be accomplished by performing critical maintenance and repair of existing assets when regular maintenance can no longer keep them in a good state of repair, including to address safety and ADA improvements.

Investing in Minor Refresh to expand the usability of existing parks and ensure existing recreation facilities meet service standards and respond to changing user needs. This would be accomplished by strategic changes to existing assets, such as adding features such as play fields, shade structures, adult fitness equipment, covered picnic shelters, and trail loops to extend recreation opportunities.

Transit

Transit Budget - Current State

Amount: The 2019 operational budget for Transit was approx. \$17.5M.

Operational Budget Funding Sources	Est. Amount
Federal	~ \$4.3M
State	~ \$200K
CSU Contract	~ \$2.1M
Local Funding	~ \$10.9M
Total	\$17.5M

- Local match funding sources include: the fares/fees, investment earnings, other intergovernmental reimbursements & other smaller miscellaneous revenue sources.
- Estimates for future operation needs assume a 25% federal match.

Capital Projects

- Amounts for capital projects vary widely year over year
- The minimum federal match is 80/20 (grant/local)
- Recent federal communication has indicated that future successful grant applicants will have higher local match amounts
- Estimates for future capital needs assume a 50% federal match
- Total anticipated expenditure for the TMP is \$270M - \$308M. At 50% grant match, this results in an additional local match need of \$135M - \$154M or \$7.7M annually over twenty years.

Estimation of Funding Need – What is the gap?

Staff estimates the gap between current funding levels and the annual funding need to average \$7.7M annually in capital project needs over the next twenty years. At the conclusion of twenty years, an additional annual need of \$9.8M for operations and maintenance is anticipated. Assuming an average need of approximately \$9.8M

over the next twenty years, allows for the anticipated total capital expenditure of approximately \$154M in local funds and a corresponding incremental increase to the additional operational need of \$9.8M annually.

Type	Assumed federal support	Timeline	Est. local new funding need	Type
Capital	50%	Over 20 years	\$7.7 million annually	One-time Investment
Operational	25%	Slow build to 20-year total	\$9.8 million annually in 20 years	Ongoing investment

What would the revenue be used for?

Capital Projects & Fleet Improvements to construct 3-4 BRT routes, build electrification charging infrastructure, purchase electric busses, and build mobility hubs.

Operations & Maintenance Expansion to provide double the annual service hours, operate high frequency routes, & operate new routes such as the 3-4 additional BRT routes.

Housing

Affordable Housing Funding - Current State

Amount: \$1.5-3 million in funding annually. 2022 Revenue sources and amounts:

Source	Est. Amount
Affordable Housing Fund (AHF)	\$1,000,000
HOME (Federal)	\$725,000
CDBG (Federal)	\$750,000
Affordable Housing Capital Fund (AHCF/CCIP)	\$500,000
Total	\$2,975,000

- Typically, one cycle per year to allocate AHF, CDBG, HOME dollars. A second round is possible if 500k or more remains un-allocated after the first round. This is not typical – often the number and amount of funding requests exceed the available funding.
- AHCF/CCIP used for fee relief and direct subsidy on an as-needed basis (e.g., Oak 140, Cadence)
- Funding history for AHF, CDBG and HOME: <https://www.fcgov.com/socialsustainability/funding>

Funding guidelines:

- Leverage funding alongside resources from tax credits, private investment, etc. Leverage ratio is often 1:10 or better (i.e., 1 City funding dollar to every 10 outside dollars)
- Focus direct investment on the lowest income levels, higher priority to projects serving lower AMI (for example, permanent supportive housing for residents making 0-30% AMI)

Estimation of Funding Need – What is the gap?

Staff estimates the gap between current funding levels and the annual funding need to be \$8-9.5 million annually. Accounting for the expiration of the CCIP tax in 2025 (\$500k) increases this gap to **\$8.5-10 million annually in additional revenue needed, or \$10-11.5 million total annual funding.**

Current funding levels (low/high)	Expected affordable housing production with current funding (current funding/\$39,000)	Gap (282 units per year – expected production)	Est. funding need (gap x \$39,000)
\$1.5 million	38 units	244	\$9.5 million
\$3 million	77 units	205	\$8 million

The City is also about 700 units behind in affordable housing production from 2015-2020. This calculates to ***approximately \$27 million in deferred funding.***

What would the revenue be used for?

Expanding the current competitive process to support projects seeking to: acquire land, develop housing, preserve existing housing, support residents (tenants/owners).

Expanding or initiating additional City-led efforts such as: acquiring land bank properties, extending affordability restrictions, expanding eligibility for fee credits, freezing development fees for qualifying projects, creating incentive programs (energy efficiency, affordable housing preservation, etc.), other innovative approaches (middle income, mixed income, etc.).

Potential Revenue Options

Numerous potential revenue sources are listed below. Identifying long-term revenue for identified needs will likely involve numerous and diverse funding mechanisms. Staff has started the work of estimating revenue projections and identifying community impacts and we anticipate many more questions and research as options are vetted both individually and in the context of others.

	Option	Annual Revenue Projection	Voter approval	Stakeholder Impact
1	Special districts (Library District Mill Levy 3.0)	\$11M+	Yes	Business, Resident
2	Property tax (Library District Mill Levy 3.0)	\$11M+	Yes	Business, Resident
3	¼ cent sales tax base rate increase	\$9M+	Yes	Resident, Visitor
4	¼ cent dedicated sales tax	\$9M+	Yes	Resident, Visitor
5	Repurpose ¼ cent dedicated tax	\$9M+	Yes	Resident, Visitor
6	Business occupational privilege tax (\$4 monthly/\$48 annually)	\$4M+	Yes	Business
7	Fees (parks, transit) (\$5 monthly fee/ \$60 annually)	\$4M	No	Resident
8	Excise tax on specific goods	\$4M	Yes	Resident, Visitor
9	Reconfigure or establish new capital expansion fees (Affordable housing)	\$2M	No	Business
10	Tax on services (i.e. haircuts, vet service, financial services, etc.)	TBD	Yes	Business, Visitor
11	Carbon Tax	\$2M	Yes	Business

Per City Code, Capital Expansion Fees (CEFs) are for the purpose of funding capital improvements required to address the impact of growth as the city's population increases. They are intended to ensure that new growth and development in the city bear a proportionate share of the capital expenditures necessary to provide community parkland, police, fire protection, general government, neighborhood parkland and transportation capital improvements to address the impacts of growth.

Pursuing changes to CEFs will require work with the City Attorney's Office. In addition, the imposition and calculation of CEFs, as impact fees, are legally constrained by certain constitutional and statutory requirements and limitations.

Timeline

Below is the current timeline for Council Meetings along with potential election opportunities:



Proposed Next Steps

The staff project team will meet on a regular schedule throughout 2022. Council touchpoints will include regular updates at Council Finance and a work session in quarter two of 2022.

Initial timeline management considerations:

- If any measure on November 2022 ballot:
 - Last day to refer to ballot September 6
 - January-July 2022: option development and public engagement
- If any measure on November 2023 ballot:
 - Last day to refer to ballot – September 5
 - January-July 2023: option development and public engagement
- If 2024 dedicated tax renewal:
 - Last day to refer to ballot – Sept 6
 - January-July 2024: option development and public engagement

DISCUSSION / NEXT STEPS:

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) What questions does Council Finance Committee have on the identified revenue needs?
- 2) What questions does Council Finance Committee have on potential revenue sources?
- 3) Does Council Finance Committee agree with staff proposed next steps?

This level of funding achieves the vision of providing equitable access to parks and recreation experiences, by keeping pace with lifecycle and minor refresh needs

Funding Gap (\$M)	Operations & Maintenance	Life Cycle Replacement	Minor Refresh
Parks	\$1.0	\$5.5	\$2.7
Recreation	\$0.0	\$0.1	\$2.2
Planting Refresh			\$0.6
Total	\$1.0	\$5.6	\$5.5

Operations and Maintenance - The daily tasks needed to keep parks and recreation facilities running and minor repairs to capital assets to keep them in a good state of repair

Life Cycle Replacement (Capital) - Critical maintenance or repair of existing assets

- Typically require one-time funding and are not likely to increase annual operations and maintenance costs
- Can reduce annual operations and maintenance costs

Minor Refresh (Capital) - Minor refreshes include strategic changes to existing parks or recreation facilities

- May include a refresh of plantings or other design elements
- Typically require one-time funding and may trigger increases in annual operations and maintenance costs

Emily Francis; I have a question regarding the identified revenue needs for the parks. At the last meeting we talked about appropriate levels of services for parks, and we also talked about how we are building our parks and the refresh of parks and how we determine the appropriate life cycle and what an appropriate life cycle replacement means and how we build parks in Fort Collins which seems to include a playground and a lot of grass.

Thinking about how people use parks – is this the best way to build a park? Is this the trajectory we are going to stay on? When you do a lifecycle replacement how do we determine the costs?

Mike Calhoon; you hit the nail on the head when you talk about level of service - there is a difference (heard a comment in the last meeting “should we cut grass 4 inches or 2 inches?”). The important part of the level of service conversation has to do with your design. I can tell you that maintaining Twin Silos costs more than maintain Lee Martinez – there is no doubt about it. Our team’s mission is that we maintain to the design - if it is designed like Martinez Park (ball fields, playground, bathrooms, shelters) that is what we maintain – if something wears out like the Lee Martinez playground for example which was replaced about 3 years ago. The first thing we always talk about is safety and life cycle and the second is regulations that we have to follow including compliance with ADA rules regarding accessibility.

Level of service where we are at today – we had to increase in order to comply with regulations - we have to change something so we can meet that regulation. When you talked about design, you hit on a good point – we need to think about how complex of designs we have put out there – I have talked about Seve about more nature – he has used in other facilities across the country –

It is a complicated question – that starts with design then to maintain then to life cycle replacement when design wears out

Nuance of the refresh – ‘remaster planning’ minor refresh like adding pickle ball courts which wasn’t on our radar until 10 years ago. Question is balancing what people want with what we can afford - Kurt Friesen tries to hit this balance - life cycle is taking out elements that are in place and putting in new elements that bring it up to standard. For instance, Irrigation systems 30 years ago were made from PVC and they only lasted 25 years or so -now there is new type of pipe with a 75-year life span – cost savings

Travis Storin; when we reflect on the Master Plan that was adopted in January 2021 - Is it accurate to say more that the visions of that plan are more consistent with a Twin Silo type of footprint than a Roland Moore or Lee Martinez – Does the Master Plan reflect the kind of parks that the Mayor Pro Tem is referring to?

Mike Calhoon; Yes, it reflects more the Twin Silo footprint. We just did a soft opening of Traverse Park in November which includes some unique elements that we have not put in a neighborhood park before like a pump track – it does reflect the trend we have been using for several years – the design

Seve Ghose; cultural shift and thinking shift internally. What is in the master plan itself - we use it as a guide – not a be all end all design of what we are going to do. As our community evolves we need to evolve with it A new sport comes along 5 years from now and we need to be responsive – the master plan has some flexibility built in - many cities are shifting to a more naturalized playground area design – less metal and fiberglass Another shift is that many youths are designing their own play as many of us did in our youth – that is coming back – this is a national trend as recorded by the National Recreation & Park Association – during the pandemic people are designing their own recreation and are outside more – there will be some changes over time in the Master Plan

Emily Francis; for example, in Portland Oregon they have a lot of natural parks where they don’t have play structures but do have trails – going toward Twin Silos – My concern is how we continue to build parks at a level of service we don’t have the money to maintain or replace and while a tax or fee is one way, what is our future plan to be better stewards? And to provide what the community wants because we do want everyone to have access to parks.

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Emily Francis; a comment regarding the potential revenue streams, (see slide above) there quite a few options that are taxes. I think we talked about a carbon emitter fee and fees for housing that is over a certain size and how we are shifting who the burden of making up these gaps relies on. I would like for staff to think outside of just taxes and how we are shifting that burden. I would like to see more emphasis placed on high carbon emitters instead of a carbon tax.

Travis Storin; we will make sure we look at these 11 and the impact to residents and businesses and will address that in our March Council Finance materials as we shift from a needs-based conversation to mechanisms and tools side of the conversation. We also scheduled a work session in April to start to unpack this with the full Council.

Kelly Ohlson; are we designing and building parks that are more expensive to maintain than we used to as that is not the direction that has been talked about by the last 10 Councils. I thought we wanted to do a little less – more naturalized, less expensive to maintain, less like entertainment complexes and more like what most people nationally think of as a park.

Mike Calhoon: I would say that the cost of maintenance has gone up – we are doing exactly what you said – for instance, you look at City Park which is a 100 acre park and Twin Silos is a 60 acre park – if you look at the size of turf that we maintain at Twin Silos – it is substantially smaller than City Park because it has a different design standard –City Park called the homestead design standard – big vast open green spaces - a big chunk of Twin Silos is naturalized but we need places for soccer and other turf sports – Kurt and his team have done a really good job of trying to match that need to the size so they can keep the costs down – when you start building custom design features it does get more expensive – What a great idea to move two silos that had to be moved from Prospect & Timberline and incorporate them into a park that had an agriculture - that gift and the opportunity were wonderful – move them in and build a slide from one to the other - it fit the theme but it did drive up costs

Travis Storin; yes, we are building parks that are more expensive. We had per acre maintenance estimates for Twin Silos that are twice as much as Roland Moore Park. It does look higher when you have the same facilities and amenities in the smaller footprint. Our Council adopted master plans acknowledging that increased design standards and thus increasing costs to maintain to those design standards. My tenure only goes back 6 years not near the history that Kelly Ohlson has.

Julie Pignataro; every park is so incredibly different – thinking of the parks that have opened in my term; Sugar Beet, Whitewater, soft opening of Travers Park. A difficult question to answer as some are neighborhood parks and some are not - Twin Silos is a community park

Mike Calhoon; It is a tough question to answer – for example, streets already owned the land that is now Sugar Beet Park so no cost there. For Twin Silos, the silos were given to us so there are nuances that come into play. You take these projects of opportunity that present themselves and turn them into something great. I worry about whether down the road the impact fees will be able to build out the 15 parks in the master plan including 2 community parks, one at Drake / Ziegler and one in the northeast section of town. I know though today we are talking about closing the gaps with what we have today and provide the equity across our system which includes the 50 sites we are operating today.

Kelly Ohlson; I was supporting Emily Francis on the fact that we should be conscious of how we are designing and building parks as we go forward - if we are going to ask people for more money, we want to make sure we are paying adequate attention to that.

BACKGROUND/DISCUSSION

Through masterplan processes, staff has identified three clear funding needs in the areas of parks and recreation, transit, and housing. Annual shortfalls range from eight to twelve million per area. Parks and recreation and transit have specific operational plans and a focus on asset management while housing continues to be a top Council and community priority.

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The following bullets highlight workplan considerations:

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- Currently, assuming dedicated tax renewals will target November 2024 election

Kelly Ohlson; page 1 of the AIS (see exert above)

Ballot measures – we need to do all of the hard work and when we decide we are ready for prime time we put it on whatever ballot is there. It doesn't matter what election (ballot) it is on if we have done our homework, research and involved the public.

When we go to the Work Session for Parks and Recreation funding, could we include the community parks fee, what it generates – so they see that there is a community parks fee for construction and a neighborhood parks fee for construction. We do need to have a discussion at some point on whether the fees are adequate for the park's buildout (fairness, functionality. Equity, etc.) I don't know how we can separate that.

Travis Storin; we do have fees in the work plan for this year. A rolling schedule for the Capital Expansion Fees We are hoping to bring those forward through committee and Council for a January 1, 2023, effective date. This includes the community and neighborhood parks fees as well as fire, police, general government, and transportation – all scheduled to come up this year (may include Utilities but cannot recall)
The Capital expansion and plant investment what we traditional call impact fees are all in the work plan for this year.

Kelly Ohlson; can we define the different between life cycle replacement and minor refresh with simpler, easy to understand language? better terminology

Travis Storin; we will try to use better language to draw the distinction between the two. We understand what is clear to staff may not be clear to others.

Transit

Kelly Ohlson; why are we basing everything on a 2019 operational budget?

Drew Brooks; 2019 based on the Transit Master Plan that was adopted in April of 2019. We are currently in the process of doing a very detailed funding study which we hope to have completed by October but possibly some of the deliverables will be done ahead of that and will be used to update the numbers.

Kelly Ohlson; what is a mobility hub?

Drew Brooks; a small transit center with mobility options including accessible bathrooms and all of the different micro mobility options including scooters / bike share and possibly car share - a somewhat new model where you would have mobility as a service in one location.

Kelly Ohlson; tax on service- nice to know what that would generate and include comparables on what others do in other communities. I see carbon tax but as was discussed earlier, could be a carbon fee or a pollution fee which does not require elections - would like us to be considering those in the fee category.
Are we really thinking we are going to be ready for prime time for the next 2022 ballot? I don't.

Travis Storin; that would not be our staff recommendation – it would depend on the election code committee and whether a spring of 2023 would be both desirable and possible. We are presuming a November election with either an odd year and piggyback on the school district / county on an existing ballot measure or the general election in November 2024.

Julie Pignataro; I agree and what Travis mentioned about pictures might be a good idea – here is what an older park looks like, etc. to illustrate what a refresh is. Would be great to use this at our work session maybe with examples of what has been done in our neighborhood parks. So, is there any reason we couldn't do an April ballot measure?

John Duval; we can do special ballot measures, but we cannot do special elections for TABOR items. We can bring TABOR related items during a regular election every two years.

Julie Pignataro; Do our numbers take inflationary cost into account?

Travis Storin; they are stated in today's dollars and the prevailing assumption is that the revenue associated encounters the same inflation as the expenses.

Affordable Housing

Julie Pignataro; how many units of housing in general are built each year?

Meaghan Overton; a rough estimate – the city normally sees 1,000-1,200 permits per year which includes all units that come online in a typical year – that goes up and down based on construction trends.

Julie Pignataro; we are looking to have ¼ of our units be affordable

Meaghan Overton; the backlog to get to 10% of housing units being affordable by 2040 - we are 700 units behind right now so every year we need to make up some of the current gap plus our annual production targets.

Julie Pignataro; I appreciate all of the potential revenue options on slide 7 (see previous page)
For the 3 different types of stakeholders - is it possible to drill down further into that – I am too
Keen to put a tax or fee on necessities. Is that a possibility?

Travis Storin; yes – when we are back in March you can expect those kinds of options to come forward.
For example, a climate fee or tax that was put in place in Denver that defines exemptions of food, water, fuel, medical supplies, and feminine hygiene products. Yes, both in terms of staff's ability to eliminate those options as well as Council's flexibility on what it might recommend.

Julie Pignataro; if we are looking to figure out how much money we actually need - I went with \$30M all in - is there a way to show a combination of the 11 options? It may be hard on the fly to figure out different – is we do this or this - what piece of the pie are we figuring out?

Kelly Ohlson; we probably don't do these all at once - does the organization have a thought about which comes first - affordable housing, parks or transit? They are not all going to come up for a vote at the same time – some may be fees - what are your thoughts on the prioritization on the three? Is Climate Action a 4th category?

Travis Storin; staff is thinking of climate as overarching as all 3 have substantial elements of climate embedded - in terms of air quality for transit, upgrading new housing stock and assuring new affordable homes are as efficient as they can be for affordable housing, and for Parks, tree and canopy related. In our last meeting there was some discussion around a carbon fee – of course we are bound by our code that any fee have a highly specific use associated with it – not sure a carbon fee would end up being eligible for parks refresh as a made-up example. There would have to be some direct climate investments associated with that – each of the 3 will advance our climate goals by virtue of satisfying some of the funding needs.

Honore Depew; the reason the climate is in here is because Council has identified this as a major priority, and that fact that there is so much overlap. What we are seeing around the country are these examples (see below) Lots of creative options out there. Mayor Pro Team Francis has alluded to some of them.

We will continue to look for ways to marry up these objectives and strategies – our climate future plan that really demonstrates how these quality-of-life things like being able to work and play close to home and not needing a car aligning with our transit and transportation. We will continue to look for synergies there to bring forward.

The following table highlights eight examples of approaches that U.S. communities have taken:

Community	Funding source	How much funding is generated	What is funded
Denver, CO	Sales tax (0.25% increase on non-essentials)	\$20-40M/year	Solutions centered in equity and climate justice that reduce emissions and enhance resilience, e.g., workforce development, carbon free buildings, transit
Cincinnati, OH	Sales tax (0.80%)	Up to \$130M/year	Transit-focused (\$100/\$130M)
Portland, OR	Retail tax - clean energy community benefits fund (1% gross receipts)	\$44-61M/year	Climate action advances racial and social justice; cost burden placed on large retailers that make >\$1B in gross sales nationally
Long Beach, CA	Fossil fuel production tax - Barrel tax (\$.15/barrel)	\$1.6M/year	Climate, community health, and youth services
Boulder, CO	Electricity consumption tax (renewable exempt; rates vary by sector, driven by level of consumption)	\$1.8M	Residential and commercial building efficiency; local renewables EV market renovation; strategy development; outreach and program evaluation
Albany, CA	Electricity consumption tax (increase from 7% to 9.5% tax, low-income residents exempt)	\$675K/year	Funds disaster and emergency preparedness; reducing greenhouse gas emissions; emergency response; environmental sustainability
Miami, FL	Climate bonds	One-time \$400 million general obligation bond	Intended for large-scale, capital-intensive projects; used to develop clean energy, transportation, water, and green building projects. Focused on adaptation and resilience in the face of sea level rise and more frequent and extreme storms
NYC's MTA	Resilience bonds	Two one-time bonds, totaling \$325M	Reducing a city's climate risk or liability exposure; obtaining funding for specific resilience projects; reducing the cost of insurance or expanding insurance coverage for municipal assets

Travis Storin; so difficult to rank order, in the case of affordable housing the community has put quite a priority on that - our citizen survey that we have been doing indicated that 92% of people found it to be untenable and unsustainable so we have an area with an 8% approval rating. In parks, we need to make sure we have the runway to pay for what we already own and ensure that assets that are already under our stewardship are taken care of. Transit checks so many boxes; economic health, air quality which is a classic TBL example. I find it immensely difficult to suggest a rank ordering – each of these are such high priorities for their own reasons – I would love to defer to Council – pragmatism will probably guide which mechanisms go first in terms of Council actions and ballot measures.

Kelly Ohlson; it used to be a 60/40 split single versus multi-family units – what is the current breakdown?

Meaghan Overton; city wide 63% single unit detached –we are seeing increasing the majority is multifamily with a smaller percentage of single family detached

Travis Storin provided a staff summary of the discussion;

Park standards for design and the increasing cost of maintenance

A desire to ensure that the trajectory of our designs are more sustainable in nature
And that we are able to adequately explain the design standards of today's parks versus the parks that were built years ago

Refresh versus life cycle language is not resonating – so we need to go back to the drawing board there

Providing visual examples in today's language what is an example of refresh and lifecycle

Desire to link this discussion with the fee update discussion in advance of capital expansion fees being updated In January of next year.

Some concern around the volume of tax measures on slide 7. A desire to get creative around fees which we will bring additional options forward to the March meeting.

Makes sure that any new taxes are distinguished based on necessity with exemptions built in for essentials.

In general terms, visualizations, and additional use of graphics to illustrate both the needs and the sources.

Meeting adjourned at 5:20 pm

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

STAFF: Chad Crager, Connexion Executive Director
Dave Lenz, Director, Financial Planning & Analysis

DATE: February 4, 2022

SUBJECT FOR DISCUSSION: Connexion Financing Update

EXECUTIVE SUMMARY:

During 2021, the Connexion team continued with the buildout of the fiber network and significantly ramped up the acquisition of customers for Connexion service offerings. Updated construction cost and timing estimates were completed in late 2021 which indicated a funding need of approximately \$20 million to build out the network by mid-2022. Staff has evaluated the financing options available to meet this funding need and is proposing borrowing \$20 million from available Light & Power reserves to allow for completion of the network buildout.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED:

1. What questions does Council Finance Committee have on the identified financing options?
2. Does Council Finance Committee staff-recommended next steps?

BACKGROUND/DISCUSSION:

Assumptions Update:

The Connexion team, along with Atlantic Engineering Group (AEG), and On Trac, continue to build and install Connexion fiber throughout the community. With initial construction starting in 2019, it is anticipated that AEG will be complete with construction by summer 2022 and that the project will remain on target with fiber available to all premises by the end of 2022.

New neighborhoods continue to be offered Connexion service on a weekly basis. To date, Connexion is seeing a 31% residential take rate (measured in neighborhoods with service available for at least 90-days.) This penetration is above the 28% previously noted to achieve timely bond payback.

While build progress and residential take rate are at or above target, previous financial modeling was overly aggressive on multiple dwelling unit (MDU) build-out and commercial availability. Connexion has steady interest from these business types, and each brings a challenge for implementation. For 2022, Connexion has secured Colorado Boring as a dedicated resource to provide fiber to MDUs. Fort Collins has over 500 MDUs and Connexion has set a target of installing at least 150 in 2022.

The updated modeling includes additional boring costs on the fiber network, the dedicated costs for MDU buildouts, additional premises to be served in the market and updated operating and installation costs reflecting actual results to date. These primary assumption changes are highlighted below.

Description	2017 Business Plan Assumptions	Current Project Estimate
Premises	70k	78k
Conduit Availability	72%	48%
Installation Cost	\$592 per install	\$705 per install
Premise Boring	\$0	\$8.5M
Full absorption	100% by Q4 2022	100% by Q4 2024
Residential Take Rate	28% by end of 2022	35% by end of 2022
Commercial Take Rate	45% by end of 2022	28% by end of 2024

Funding Requirements and Financing Options:

The current project estimate is currently \$143 million. Spending through December 2021 totals \$115 million. The Connexion project currently has \$123 million available (\$117 million appropriated plus a re-deployment of operating budget funds of approximately \$6 million). The resulting funding need is approximately \$20 million.

Description	Total	
Current Project Estimate		\$143M
Total Capital Budget	\$117M	
Re-Deployed Operating Budget	<u>\$6M</u>	
Total Currently Available	\$123M	
Funding Need		\$20M

Staff has evaluated various financing options available to provide the sourcing for the \$20 million requirement. The primary options considered were borrowing from L&P reserves, additional bond issuances (either stand-alone Connexion needs or combined with L&P needs), or combinations of the two. Other options initially considered were utilization of L&P reserve balances, bank financing, General Fund backfill, and a do-nothing approach. The table below highlights the primary options considered including the benefits and drawbacks of each alternative.

Options	Pros	Cons
1.) Borrow from L&P Reserves	<ul style="list-style-type: none"> Low-cost, readily available capital 	<ul style="list-style-type: none"> Opportunity cost
2.) Borrow from L&P Reserves, then deferred bond offering (package with L&P in '23-24)	<ul style="list-style-type: none"> Low-cost, readily available capital Allows time to right-size bond offering and coordinate messaging 	<ul style="list-style-type: none"> Opportunity cost
3.) Deferred bond offering only (package with L&P in '23-24)	<ul style="list-style-type: none"> Allows time to right-size bond offering and coordinate messaging 	<ul style="list-style-type: none"> Funds needed sooner than feasible timeline Connexion needs funds prior to L&P
4.) 2022 dedicated Connexion bond offering only	<ul style="list-style-type: none"> Continued separation of L&P and Connexion financials 	<ul style="list-style-type: none"> Cost-ineffective to do Connexion offering in 2022 and L&P in '23-24

Although Connexion and Light & Power (L&P) maintain separate financial books of record for management and transparency purposes, they are legally a single “Electric and Telecommunications” enterprise. The existing bonding is issued under this structure and ultimately L&P revenues provide financial backing if Connexion cash flows are insufficient to pay back its’ obligations. Therefore, additional borrowing or utilization of L&P reserves must consider the financial needs, capacity and outlook of the L&P entity in order to avoid negatively impacting L&P ratepayers.

Debt Overview:

The table below shows the anticipated L&P rate increases, capital improvement plan (CIP) and debt issuance needs of L&P over the next ten years. Proposed rate increases are driven to a large degree by the need to cover increased wholesale power costs. The capital plan includes a new substation, replacement billing system and a potential E. Mulberry annexation. L&P contemplates a debt issuance of \$41 million as part of their planning in 2023. L&P currently has no debt outstanding for their own purposes.

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Anticipated PRPA Wholesale Rate Increase	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
L&P Retail Rate Increase from Wholesale Increase	2.0%	2.0%	2.0%	2.0%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
L&P Total Retail Rate Increase	2.0%	3.0%	4.1%	3-4%	3-4%	3-4%	2-3%	2-3%	2-4%	2-4%
L&P Capital Improvement Plan (\$M)	\$17.3	\$28.8	\$21.9	\$25.2	\$21.3	\$19.5	\$21.1	\$23.7	\$21.2	\$21.2
L&P Debt Issue (\$M)		\$41.0								

L&P had \$23.4 million in available reserves (after required and appropriated amounts were deducted) at the end of 2020. 2021 reserve increases are expected to be approximately \$19 million, which will leave them with approximately \$42 million of availability.

Description	Total
Year-end 2020 Total Reserves	\$48.7 M
Minimum Required per Policy	(\$8.0 M)
Previously Appropriated	(\$17.1 M)
Year-end 2020 Reserves Available	\$23.4 M
2021 Reserve Increase	~ \$19 M
Year-end 2021 Reserves Available	~ \$42 M

An overview of the existing bonds is highlighted below for the debt issued in 2018. The terms of the bonds provided for semi annual payments in June and December of each year. The payments are interest only until December 2022 when the first principal repayment begins. The repayment schedule was structured to increase the payments over time to align with the construction phase of the project and ramp-up of customer acquisition. \$20 million of available borrowing capacity remains under the original voter approved initiative amount of \$150 million.

Description	Existing Connexion Bonds
Amount	\$129.6 M
Maturity - Year	2042
Payments	Semi-Annual in June and December
Rate / Yield-to-Maturity	4.1%
Avg. Annual Debt Service	\$6.7M
Max Annual Debt Service	\$10.2M
Earliest call date (Series A only: \$84.9M)	6/1/2028

New Proposed Borrowing Structure/Mechanics:

Staff is recommending financing Option 1 – Borrowing from available L&P Reserves. The pursuit of this financing solution best balances the needs and timing of Connexion funding requirements, maintains flexibility for future L&P financing requirements, and enables the ability to move forward at full speed with the network buildout and sales/marketing efforts. It best maintains the ability for Connexion to meet its future debt obligations and provide security for L&P ratepayers in the longer term.

Specifics of the borrowing arrangement will include:

- Draw down as needed to meet cash requirements
- Payback w/ all excess available cash from Connexion operations
- Interest paid to L&P (computed on outstanding carrying balance)

Reserve Borrowing Draws:

1st draw required:	Q2 2022 (May/June)
December 2022 projected balance:	\$11M
Maximum estimated need:	\$20.5 M by Dec 2024
Payback:	Completed on or by Jan 2029
Total Interest incurred:	\$3.2M

Financial Outlook Summary:

The updated results of the financial modeling, including the utilization of Option 1 - L&P Reserve borrowing, are highlighted below for the ten-year period out to 2031. Of particular note are the ramp-up of total revenues in the 2022-25 timeframe, the significant cash flow before financing beginning in 2025, and the accumulation of cash (total cash flow per year) starting in 2029 after paying back the reserve borrowings. Also highlighted is the maximum reserve borrowing of \$20.5 million at year-end 2024.

(\$ thousands)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Revenue	\$ 13,716	\$ 21,620	\$ 26,204	\$ 29,658	\$ 30,315	\$ 30,441	\$ 30,567	\$ 30,695	\$ 30,823	\$ 30,953
COGS	\$ (1,998)	\$ (3,082)	\$ (3,555)	\$ (3,954)	\$ (4,035)	\$ (4,044)	\$ (4,052)	\$ (4,060)	\$ (4,068)	\$ (4,077)
OpEx	\$ (7,027)	\$ (8,021)	\$ (9,067)	\$ (9,453)	\$ (9,683)	\$ (9,899)	\$ (10,120)	\$ (10,346)	\$ (10,578)	\$ (10,816)
Total Expenses	\$ (9,025)	\$ (11,103)	\$ (12,622)	\$ (13,407)	\$ (13,718)	\$ (13,943)	\$ (14,172)	\$ (14,406)	\$ (14,646)	\$ (14,893)
Net Operating Cash	\$ 4,691	\$ 10,517	\$ 13,582	\$ 16,251	\$ 16,597	\$ 16,498	\$ 16,395	\$ 16,289	\$ 16,177	\$ 16,060
Capital	\$ (17,091)	\$ (7,498)	\$ (5,748)	\$ (2,257)	\$ (701)	\$ (693)	\$ (694)	\$ (694)	\$ (695)	\$ (695)
Cash Flow before Financing	\$ (12,400)	\$ 3,019	\$ 7,834	\$ 13,994	\$ 15,896	\$ 15,805	\$ 15,701	\$ 15,595	\$ 15,482	\$ 15,365
Debt/Interest Proceeds	\$ 11,213	\$ 8,490	\$ 8,299	\$ 7,660	\$ 7,699	\$ 7,648	\$ 2,202	\$ 4	\$ 8	\$ 12
Debt/Interest Repayment	\$ (7,211)	\$ (11,509)	\$ (16,134)	\$ (21,654)	\$ (23,596)	\$ (23,453)	\$ (17,904)	\$ (11,566)	\$ (10,194)	\$ (10,194)
Net Financing	\$ 4,002	\$ (3,019)	\$ (7,835)	\$ (13,994)	\$ (15,897)	\$ (15,805)	\$ (15,702)	\$ (11,562)	\$ (10,186)	\$ (10,182)
Total Cash Flow	\$ (8,398)	\$ -	\$ (1)	\$ -	\$ (1)	\$ -	\$ (1)	\$ 4,033	\$ 5,296	\$ 5,183
Reserve Borrowing Balance	\$ 11,211	\$ 17,915	\$ 20,481	\$ 17,268	\$ 12,116	\$ 6,796	\$ 1,368	\$ -	\$ -	\$ -

A major consideration of our evaluation of financing options for the additional \$20 million capital need was the impact to our overall debt position and bonding capability. Two key measures in this regard are the debt coverage ratio (DCR) and Debt Capacity. Debt coverage ratio is a measure of our ability to pay back our annual debt service, expressed as ratio of net pledged revenues (essentially net operating cash flows) divided by debt service payments. In the table below, the combined Connexion/L&P ratio in 2022 is 3.5. This indicates we have 3.5 times the net revenues to cover our debt payments.

Debt capacity is a measure of how much additional debt we could “afford” at various DCR’s and bond terms (years). There is sufficient room to take on additional potential debt (above the existing Connexion bond borrowings and planned L&P \$41M needs) to fund other potential projects or initiatives. (The table below reflects combined L&P/Connexion data).

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Debt Coverage Ratio (DCR): (Net pledged revenues divided by debt service)	3.50	2.74	3.04	3.32	3.46	3.64	3.82	4.00	4.19	4.41
Debt Capacity (\$M): (Available debt capacity at different assumed debt coverage ratios and borrowing terms)										
@ 2.0x DCR:										
10 Year Debt	\$ 106	\$ 140	\$ 161	\$ 181	\$ 192	\$ 202	\$ 212	\$ 222	\$ 232	\$ 244
20 Year Debt	\$ 185	\$ 243	\$ 281	\$ 317	\$ 335	\$ 351	\$ 369	\$ 387	\$ 405	\$ 426
@ 1.25x DCR:										
10 Year Debt	\$ 170	\$ 223	\$ 258	\$ 290	\$ 307	\$ 322	\$ 338	\$ 355	\$ 372	\$ 391
20 Year Debt	\$ 296	\$ 389	\$ 450	\$ 506	\$ 536	\$ 562	\$ 590	\$ 618	\$ 648	\$ 682

Sensitivities:

A number of scenarios and sensitivities were analyzed as part of the financial evaluation. The table below shows our current estimate and three alternative views – the original business plan take rates, a breakeven bond payback scenario and an additional capital overrun case. Presented are the estimate funding need, payback timeframe, cumulative cash in 2042 (when original bonds are paid off) and the interest expense incurred on the new financing. Long term cash position is most sensitive to long-term take rates and the underlying costs of providing services at those levels.

Scenario	Maximum Funding	Payback	Cumulative Cash in 2042	Additional Interest Expense
Current Project Estimate <i>35% Residential / 28% Commercial</i>	\$20.5 M Dec 2024	Jan 2029	\$63 M	\$3 M
Business Plan Take Rates <i>28% Residential / 45% Commercial</i>	\$22.5 M Dec 2024	April 2030	\$47 M	\$4 M
Breakeven Bond Payback: <i>95% of Current Project Estimate take rate</i>	\$21.8 M Dec 2028	Jan 2042	\$0	\$10 M
Additional Capital Spend <i>\$5M on remaining buildout estimate</i>	\$25.8 M Dec 2024	Feb 2030	\$56 M	\$ 5M

Recommendations and Next Steps:

- Proceed with drafting Ordinance to support L&P Reserve Borrowing Authorization of \$20M
- Energy Board Discussion February 10, 2022
- Appropriation/Ordinance approval sought from Council in March 2022
- Coordinate with L&P on timing and magnitude of their borrowing needs to consider sizing of joint bond offering during 2023/24 BFO
- Evaluate a Combined Enterprise Revenue Bond Offering in early 2023

ATTACHMENTS:

Attachment 1 – Presentation Slides



FORT COLLINS
connexion



1. What questions does Council Finance Committee have on the identified financing options?
2. Does Council Finance Committee support staff-recommended next steps?

- Business Plan Assumption Updates
- Funding Requirements and Financing Options
- Debt Overview
- New Proposed Borrowing Structure/Mechanics
- Financial Outlook Summary
- Sensitivities
- Recommendations/Next Steps

Business Plan vs. Current Project Estimates

Description	2017 Business Plan Assumptions	Current Project Estimate
Premises	70k	78k
Conduit Availability	72%	48%
Installation Cost	\$592 per install	\$705 per install
Premise Boring	\$0	\$8.5M
Full absorption	100% by Q4 2022	100% by Q4 2024
Residential Take Rate	28% by end of 2022	35% by end of 2022
Commercial Take Rate	45% by end of 2022	28% by end of 2024

Description	2017 Business Plan Assumptions	12/31/2021 LTD Spent	Current Project Estimate thru Dec 2024
Network Build (Primarily AEG)	\$84M	\$97M	\$102M
Installations (On Trac, boring)	\$13M	\$9M	\$30M
Equipment & All Other	\$12M	\$9M	\$11M
Contingency Appropriation – Sept. 2021	\$8M		
Total Capital Budget	\$117M	\$115M	\$143M

Description	Total	
Current Project Estimate		\$143M
Total Capital Budget	\$117M	
Re-Deployed Operating Budget	<u>\$6M</u>	
Total Currently Available	\$123M	
Funding Need		\$20M

Connexion has a \$20M capital funding need based on current estimate

Options	Pros	Cons
1.) Borrow from L&P Reserves	<ul style="list-style-type: none"> Low-cost, readily available capital 	<ul style="list-style-type: none"> Opportunity cost
2.) Borrow from L&P Reserves, then deferred bond offering (package with L&P in '23-24)	<ul style="list-style-type: none"> Low-cost, readily available capital Allows time to right-size bond offering and coordinate messaging 	<ul style="list-style-type: none"> Opportunity cost
3.) Deferred bond offering only (package with L&P in '23-24)	<ul style="list-style-type: none"> Allows time to right-size bond offering and coordinate messaging 	<ul style="list-style-type: none"> Funds needed sooner than feasible timeline Connexion needs funds prior to L&P
4.) 2022 dedicated Connexion bond offering only	<ul style="list-style-type: none"> Continued separation of L&P and Connexion financials 	<ul style="list-style-type: none"> Cost-ineffective to do Connexion offering in 2022 and L&P in '23-24

- L&P and Connexion are legally a single “Electric and Telecommunications” enterprise, however staff maintains separate sets of books for management purposes and transparency.
- Propose Connexion will pay interest for the use of L&P Reserves.
- Propose to pay the higher of current actual investment earnings rate or 10-year AA-bond rates; thereby ensuring that L&P rate payers receive “at least” the rate they would have on investment earnings for their excess reserves.

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Anticipated PRPA Wholesale Rate Increase	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
L&P Retail Rate Increase from Wholesale Increase	2.0%	2.0%	2.0%	2.0%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
L&P Total Retail Rate Increase	2.0%	3.0%	4.1%	3-4%	3-4%	3-4%	2-3%	2-3%	2-4%	2-4%
L&P Capital Improvement Plan (\$M)	\$17.3	\$28.8	\$21.9	\$25.2	\$21.3	\$19.5	\$21.1	\$23.7	\$21.2	\$21.2
L&P Debt Issue (\$M)		\$41.0								

- Debt issuance necessary for electric infrastructure (irrespective of Connexion) is projected in 2023
- Use of Available Reserves could defer this issuance for a year or possibly two
- Current Capital Improvement Plan includes large-scale projects including potential E. Mulberry Annexation, Billing System Replacement, and additional Substation

Description	Total
Year-end 2020 Total Reserves	\$48.7 M
Minimum Required per Policy	(\$8.0 M)
Previously Appropriated	<u>(\$17.1 M)</u>
Year-end 2020 Reserves Available	\$23.4 M
2021 Reserve Increase	~ \$19 M
Year-end 2021 Reserves Available	~ \$42 M

Light & Power added approximately \$19M to their reserve base during 2021 – this provides sufficient liquidity for accessing these funds prior to any debt offering contemplated in 2023.

Description	Existing Connexion Bonds
Amount	\$129.6 M
Maturity - Year	2042
Payments	Semi-Annual in June and December
Rate / Yield-to-Maturity	4.1%
Avg. Annual Debt Service	\$6.7M
Max Annual Debt Service	\$10.2M
Earliest call date (Series A only: \$84.9M)	6/1/2028

Connexion has \$20M available remaining capacity under the original voter approved initiative.

- Financing Option 1: Borrow from available L&P reserves
- Draw down as needed to meet cash requirements
- Payback w/ all excess available cash from Connexion operations
- Interest computed on outstanding carrying balance
- Reserve Draws:
 - 1st draw required: Q2 2022 (May/June)
 - December 2022 projected balance: \$11M
 - Maximum estimated need: \$20.5 M by Dec 2024
 - Payback: Completed on or by Jan 2029
 - Total Reserve Borrowing Interest incurred: \$3.2M

Summary Cash Flow - 10 Year Projection

(\$ thousands)	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Total Revenue	\$ 13,716	\$ 21,620	\$ 26,204	\$ 29,658	\$ 30,315	\$ 30,441	\$ 30,567	\$ 30,695	\$ 30,823	\$ 30,953
COGS	\$ (1,998)	\$ (3,082)	\$ (3,555)	\$ (3,954)	\$ (4,035)	\$ (4,044)	\$ (4,052)	\$ (4,060)	\$ (4,068)	\$ (4,077)
OpEx	\$ (7,027)	\$ (8,021)	\$ (9,067)	\$ (9,453)	\$ (9,683)	\$ (9,899)	\$ (10,120)	\$ (10,346)	\$ (10,578)	\$ (10,816)
Total Expenses	\$ (9,025)	\$ (11,103)	\$ (12,622)	\$ (13,407)	\$ (13,718)	\$ (13,943)	\$ (14,172)	\$ (14,406)	\$ (14,646)	\$ (14,893)
Net Operating Cash	\$ 4,691	\$ 10,517	\$ 13,582	\$ 16,251	\$ 16,597	\$ 16,498	\$ 16,395	\$ 16,289	\$ 16,177	\$ 16,060
Capital	\$ (17,091)	\$ (7,498)	\$ (5,748)	\$ (2,257)	\$ (701)	\$ (693)	\$ (694)	\$ (694)	\$ (695)	\$ (695)
Cash Flow before Financing	\$ (12,400)	\$ 3,019	\$ 7,834	\$ 13,994	\$ 15,896	\$ 15,805	\$ 15,701	\$ 15,595	\$ 15,482	\$ 15,365
Debt/Interest Proceeds	\$ 11,213	\$ 8,490	\$ 8,299	\$ 7,660	\$ 7,699	\$ 7,648	\$ 2,202	\$ 4	\$ 8	\$ 12
Debt/Interest Repayment	\$ (7,211)	\$ (11,509)	\$ (16,134)	\$ (21,654)	\$ (23,596)	\$ (23,453)	\$ (17,904)	\$ (11,566)	\$ (10,194)	\$ (10,194)
Net Financing	\$ 4,002	\$ (3,019)	\$ (7,835)	\$ (13,994)	\$ (15,897)	\$ (15,805)	\$ (15,702)	\$ (11,562)	\$ (10,186)	\$ (10,182)
Total Cash Flow	\$ (8,398)	\$ -	\$ (1)	\$ -	\$ (1)	\$ -	\$ (1)	\$ 4,033	\$ 5,296	\$ 5,183
Reserve Borrowing Balance	\$ 11,211	\$ 17,915	\$ 20,481	\$ 17,268	\$ 12,116	\$ 6,796	\$ 1,368	\$ -	\$ -	\$ -

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Debt Coverage Ratio (DCR): (Net pledged revenues divided by debt service)	3.50	2.74	3.04	3.32	3.46	3.64	3.82	4.00	4.19	4.41
Debt Capacity (\$M): (Available debt capacity at different assumed debt coverage ratios and borrowing terms)										
@ 2.0x DCR:										
10 Year Debt	\$ 106	\$ 140	\$ 161	\$ 181	\$ 192	\$ 202	\$ 212	\$ 222	\$ 232	\$ 244
20 Year Debt	\$ 185	\$ 243	\$ 281	\$ 317	\$ 335	\$ 351	\$ 369	\$ 387	\$ 405	\$ 426
@ 1.25x DCR:										
10 Year Debt	\$ 170	\$ 223	\$ 258	\$ 290	\$ 307	\$ 322	\$ 338	\$ 355	\$ 372	\$ 391
20 Year Debt	\$ 296	\$ 389	\$ 450	\$ 506	\$ 536	\$ 562	\$ 590	\$ 618	\$ 648	\$ 682

Includes existing Connexion debt service and projected L&P debt service on of \$41M of additional borrowing in 2023

Scenario	Maximum Funding	Payback	Cumulative Cash in 2042	Additional Interest Expense
Current Project Estimate <i>35% Residential / 28% Commercial</i>	\$20.5 M Dec 2024	Jan 2029	\$63 M	\$3 M
Business Plan Take Rates <i>28% Residential / 45% Commercial</i>	\$22.5 M Dec 2024	April 2030	\$47 M	\$4 M
Breakeven Bond Payback: <i>95% of Current Project Estimate take rate</i>	\$21.8 M Dec 2028	Jan 2042	\$0	\$10 M
Additional Capital Spend <i>\$5M on remaining buildout estimate</i>	\$25.8 M Dec 2024	Feb 2030	\$56 M	\$5 M

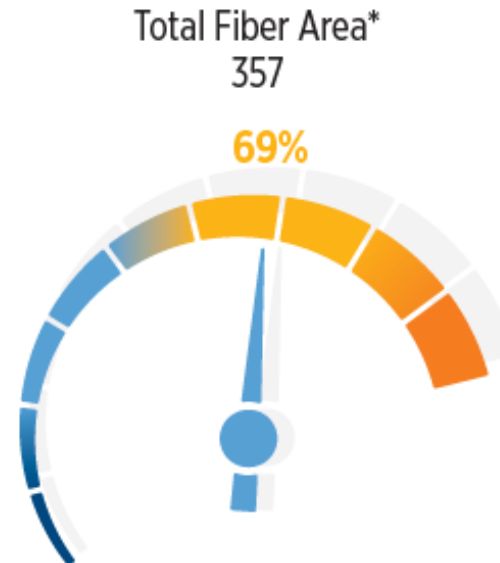
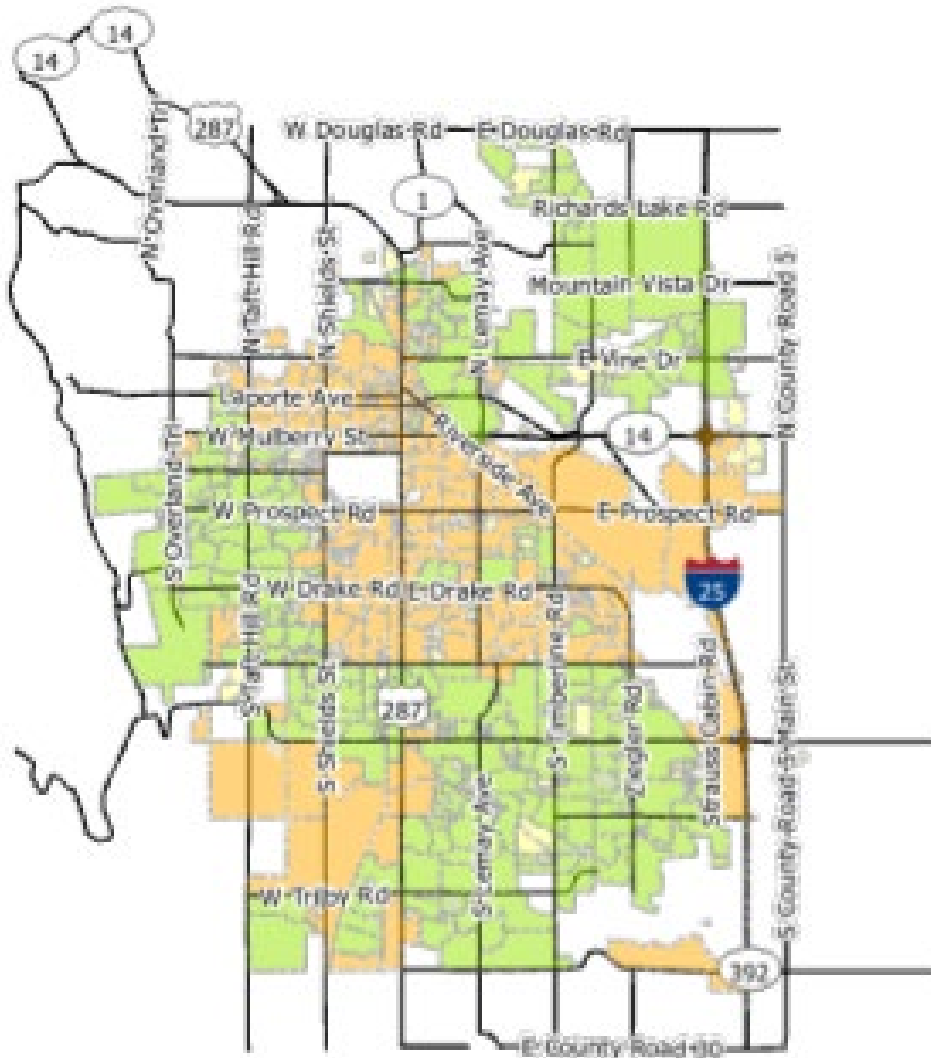
- Sufficient debt capacity
- Maintains current debt ratings
- Does not impact L&P Ratepayers
- Does not impact L&P Construction Improvement Plan
- Provides sufficient funding to fully transition from “Build” mode to “Deliver” mode
- Ensures our commitment to provide broadband service to all Fort Collins residents and businesses

- Proceed with drafting Ordinance to support L&P Reserve Borrowing Authorization of \$20M
- Energy Board Discussion February 10, 2022
- Appropriation/Ordinance approval sought from Council in March 2022
- Coordinate with L&P on timing and magnitude of their borrowing needs to consider sizing of joint bond offering during 2023/24 BFO
- Evaluate a Combined Enterprise Revenue Bond Offering in early 2023

1. What questions does Council Finance Committee have on the identified financing options?
2. Does Council Finance Committee support staff-recommended next steps?

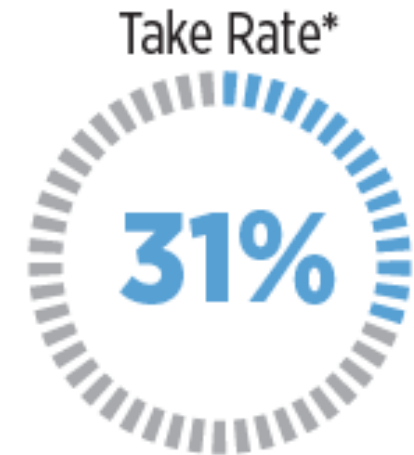
Appendix

In Design
 Under Construction
 Service Available



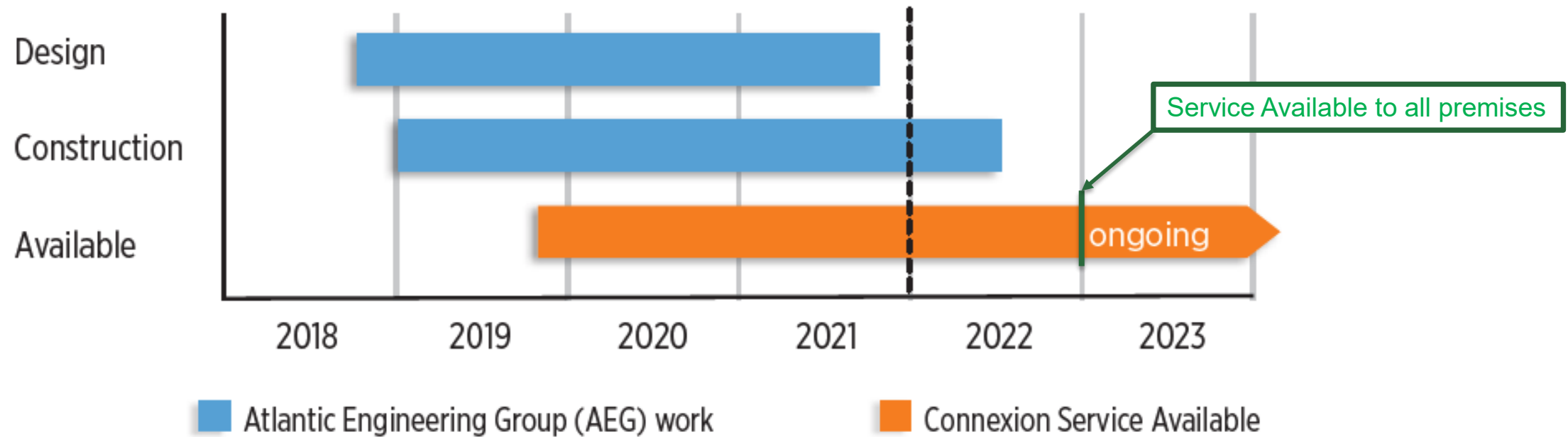
Total Fiber Area Construction Completed
248

*A Fiber Area on average serves 225 homes



* As of 1/1/22. Take Rate of residential neighborhoods released for a minimum of 90 days.

Overall Fiber Construction through December 2021



Financial Summary – Project Life to Date

Connexion - as of December 31, 2021 (\$M) - Preliminary, Unaudited

Inflows:		Outflows:	
Bond Proceeds	\$142.2	Debt/Interest Pymts	\$ (20.2)
Operating Revenue	\$ 7.6	Cost of Sales	\$ (0.9)
Interest	<u>\$ 7.2</u>	Operating Expenses	<u>\$(13.0)</u>
Total Revenue	<u>\$ 14.8</u>	Total Expense	\$ (13.9)
Total Inflows	<u><u>\$157.0</u></u>	Capital Project	<u>\$(114.6)</u>
		Total Outflows	<u><u>\$(148.7)</u></u>

Current Balance
\$ 8.3

Other Connexion Financing Options Considered

Options	Pros	Cons
5.) Direct use of L&P reserves	<ul style="list-style-type: none"> Simple 	<ul style="list-style-type: none"> Likely negative impact to L&P rate payers
6.) Bank Financing	<ul style="list-style-type: none"> Speed 	<ul style="list-style-type: none"> Subordinated debt / collateral questions Rates
7.) General Fund Backfill	<ul style="list-style-type: none"> Availability 	<ul style="list-style-type: none"> Bond covenants require L&P revenue pledge
8.) Do-nothing	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Insufficient liquidity w/o significant operational and market impacts

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: John Phelan, Carolyn Conant, and Amanda Newton

Date: February 4, 2022

SUBJECT FOR DISCUSSION: Renewal of Epic Loans Third-Party Capital Agreements

EXECUTIVE SUMMARY

The purpose of this item is to update Council Finance regarding the capital sources for the Epic Homes program's on-bill loan financing component, Epic Loans, and to seek support for presenting capital agreement renewals to the Electric Utility Enterprise Board for approval. The blended public and private capital strategy of Epic Loans has worked well for the last few years and supports the projected Epic Homes funding needs.

Staff recommend renewal of the current third-party capital agreements as a key component of the ongoing implementation of Epic Loans.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Committee support bringing the proposed third-party capital agreement renewals to the Electric Utility Enterprise Board for approval?

BACKGROUND/DISCUSSION

Epic Homes

Epic Homes is a comprehensive program to help Fort Collins Utilities customers achieve more efficient, comfortable, and healthy home living environments for homeowners and renters alike. The program encompasses various offerings, including:

- Discounted home energy assessments
- Substantial rebates on improvement projects
- Participating contractors
- Quality assurance
- Attractive on-bill financing options
- Certificates that document energy improvements
- Indoor air quality assessments

The program started in 2010 as the Home Efficiency Program. In 2015, the program transitioned to a regional offering with Platte River Power Authority as Efficiency Works Homes. In October 2018, Fort Collins became a winner of the 2018 Bloomberg Mayors Challenge and the associated \$1M prize. The 2018 Bloomberg Mayors Challenge involved over 300 cities proposing ideas to address important issues in their community. The City's proposal, Epic

Homes, was selected as a winner for its innovative approach to providing health and equity benefits to residents, specifically for low-to-moderate income renters, by improving the energy efficiency of homes. Residential property owners can take advantage of Epic Homes' easy, streamlined steps to make their homes more comfortable, healthy, and efficient. Partnering with Colorado State University, Fort Collins also established a research study which links the health and well-being indicators of improved indoor environmental quality from efficiency upgrades.

Epic Homes provides non-energy benefits in addition to efficiency, such as increased comfort, health, and safety. Rebates and loans are available for over 25 different measures, such as replacing an old furnace, air sealing to reduce leakage, insulation, solar panels, and battery storage.

Epic Loans

Epic Loans is Fort Collins' on-bill finance program (previously known as Home Efficiency Loan Program or HELP). It is a component of the Epic Homes portfolio which supports community priorities for energy efficiency, renewables, reduced greenhouse gas emissions, and increased equity and well-being for residents. Providing a simple, low-cost financial tool with Epic Loans helps to meet these objectives to help property owners undertake comprehensive efficiency improvements. This is especially important for older, less efficient rental properties, which make up a significant percentage of the City's housing stock.

Detailed information regarding the Epic Homes program and loan terms can be found at fcgov.com/epichomes. The program operates under authorization in Code and the Financial Officer's Rules and Regulations, as updated periodically. The program operates with a neutral balance sheet impact as the obligations to the third-party capital providers are balanced by the obligations of customers to repay on their monthly utility bills.

The original on-bill finance program started issuing loans in 2013 and was paused in 2016, when the success of the program adoption led to reaching the cap of maximum outstanding loan balance funded through Light & Power reserves (\$1.6 million). Building on this success, on-bill finance was revitalized as Epic Loans in August 2018 during the Champions Phase of the Bloomberg Mayors Challenge. The City has been awarded grants from the Colorado Energy Office (\$200,000) and from Bloomberg Philanthropies (\$688,350 of the \$1M) for the Epic Loan Program.

One of the workstreams of the Bloomberg Mayors Challenge project was to secure third-party capital as a strategy to enable scaling of the program. In 2019, the Utilities entered into a \$2.5M line of credit loan agreement with U.S. Bank to provide up to 10-year capital for the Epic Loan Program. This line of credit term out in December 2021. In 2020, an additional \$2.5M line of credit loan agreement was signed with Vectra Bank Colorado to provide 15-year capital. This line of credit will term out in April 2022. Both of these agreements are structured as lines of credit which are periodically converted into fixed rate term loans. (See Table 1 for a summary of the program's capital stack.)

Through 2021, Fort Collins Utilities has serviced 346 on-bill loans to support energy efficiency upgrades in residential homes and overcome financial barriers for making these important

upgrades. The blending of zero cost capital (reserves and grants) with low interest third-party capital is what enables the program to offer attractive and competitive interest rates and terms for customers. With the enterprise fund as the borrower, the program is able to extend the benefits of the high credit rating of the organization to individual customers. These rates are periodically adjusted based on the blended cost of capital. See Table 2 for current interest rates and Table 3 for program results.

An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward. The low rates and scalability of these third-party agreements align with the programmatic objectives and financial requirements of the City.

Table 1. Epic Loan Capital Stack Summary

Capital Type	Provider	Term	Rate	Amount
Internal & Grant				
	Previously authorized Light & Power reserves	Ongoing	0%	\$1,600,000
	Bloomberg Philanthropies	Grant	0%	\$688,350
	Colorado Energy Office – Grant	Grant	0%	\$200,000
	Internal Subtotal			\$2,488,350
External Market				
	Colorado Energy Office – Loan	15 year	0%	\$800,000
	U. S. Bank	5 & 10 year	76% of Prime (2.47% Currently)	Up to \$2,500,000
	Vectra Bank Colorado	15 year	Fixed rate of interest equal to 3.38% per annum	Up to \$2,500,000
	External Subtotal			\$5,800,000
Total				\$8,288,350

Table 2. Customer Interest Rates

Loan Term	Customer Rate (Effective Aug. 2019)
3 or 5 years	2.95%
7 or 10 years	3.15%
15 years	3.25%

Note: Customer interest rates will be adjusted in Q1 2022

Table 3. Program Results

Number of Loans Issued	346
Number of Outstanding Loans	206
Number of Loans Paid in Full	140
Total Amount Funded	\$4,826,943
Amount Outstanding	\$2,824,565
Total Amount of Interest Payments	\$268,193
Median Loan Amount	\$13,030
Median Monthly Principal Payment	\$79
Median Monthly Interest Payment	\$28

Third-Party Capital Agreements

The terms of the previous US Bank loan agreement, which concluded in December 2021, included:

- Amount: Up to \$2,500,000
- Length: 10-years inclusive of draw period
- Draw period: Up to 2 years, with draw timing and amounts based on program / customer demand
- Fixed rate: 76% of the Prime Rate (2.47% Currently); Rate set at time of loan closing
- Collateral: None
- Pre-pay: The loan may be prepaid, in whole or in part, at the option of the Enterprise with no penalty.
- Repayment position: Senior pledge on customer loan repayments and subordinate position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

The terms of the previous Vectra Bank Colorado loan agreement, which concludes in April 2022, included:

- Amount: Up to \$2,500,000
- Length: 17 years inclusive of draw period
- Draw period: Up to 2 years, with draw timing and amounts based on program / customer demand
- Fixed rate: Fixed rate of interest equal to 3.38% per annum; Rate set at time of loan closing
- Collateral: None
- Pre-pay: City may pre-pay in whole or in part after 2027 with no penalty. No prepayment is allowed prior to 2025, and between 2025 and 2027 there is a 1% prepayment fee.

- Repayment position: Senior pledge on customer loan repayments and subordinate position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

The new proposed loan agreements with both entities include the same terms.

Next Steps

- Staff seeks support from Council Finance to proceed for Electric Utility Enterprise Board consideration of the proposed agreements. If supported, staff is scheduled to present the agreements on March 1, 2022.
- Finalization of the agreements and associated term sheets.
- Continue with program operations and financial transactions.

ATTACHMENTS

Attachment 1: Epic Loans Third-Party Capital Renewal Presentation, 2/4/22

Attachment 2: US Bank 2019 Agreement

Attachment 3: US Bank Agreement – First Amendment

Attachment 4: Vectra Bank Colorado 2020 Agreement



02-04-2022

Epic Loans: Renewal of Third-Party Capital Agreements

Presented by:

John Phelan

Energy Services Senior Manager

Carolyn Conant

Energy Services Project Manager

Amanda Newton

Senior Treasury Analyst



- Epic Homes Program Background
- Review of Epic Loans Capital Strategy
- Epic Loans Financial and Program Results
- Third-Party Capital Agreement Renewals

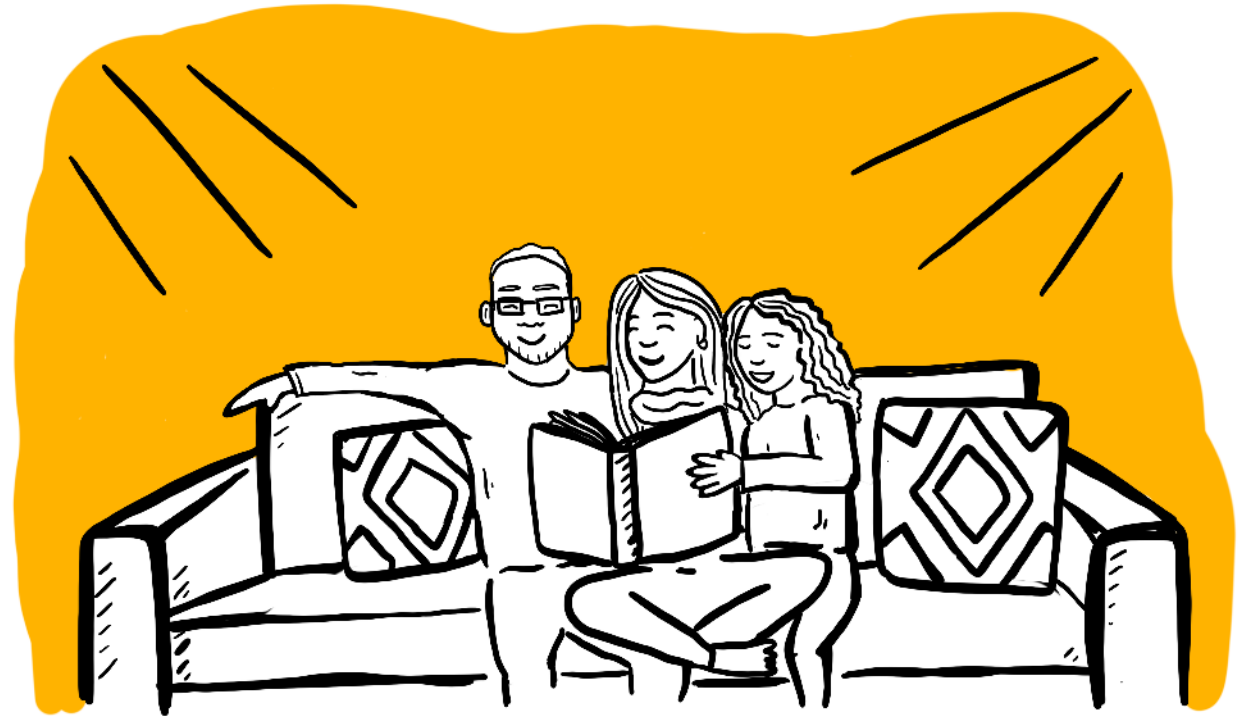


Does the Committee support bringing the proposed third-party capital agreement renewals to the Electric Utility Enterprise Board for approval?

Epic Homes helps customers achieve more efficient, comfortable and healthy living for homeowners and renters alike.

Epic Homes encompasses various offerings:

- Discounted home energy assessments
- Substantial rebates on improvement projects
- Attractive financing options
- Certificates that document energy improvements
- Indoor air quality assessments

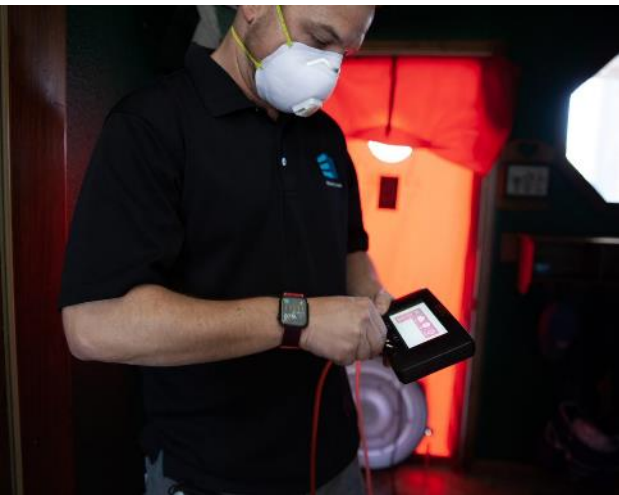


ENERGY EFFICIENCY

COMFORT

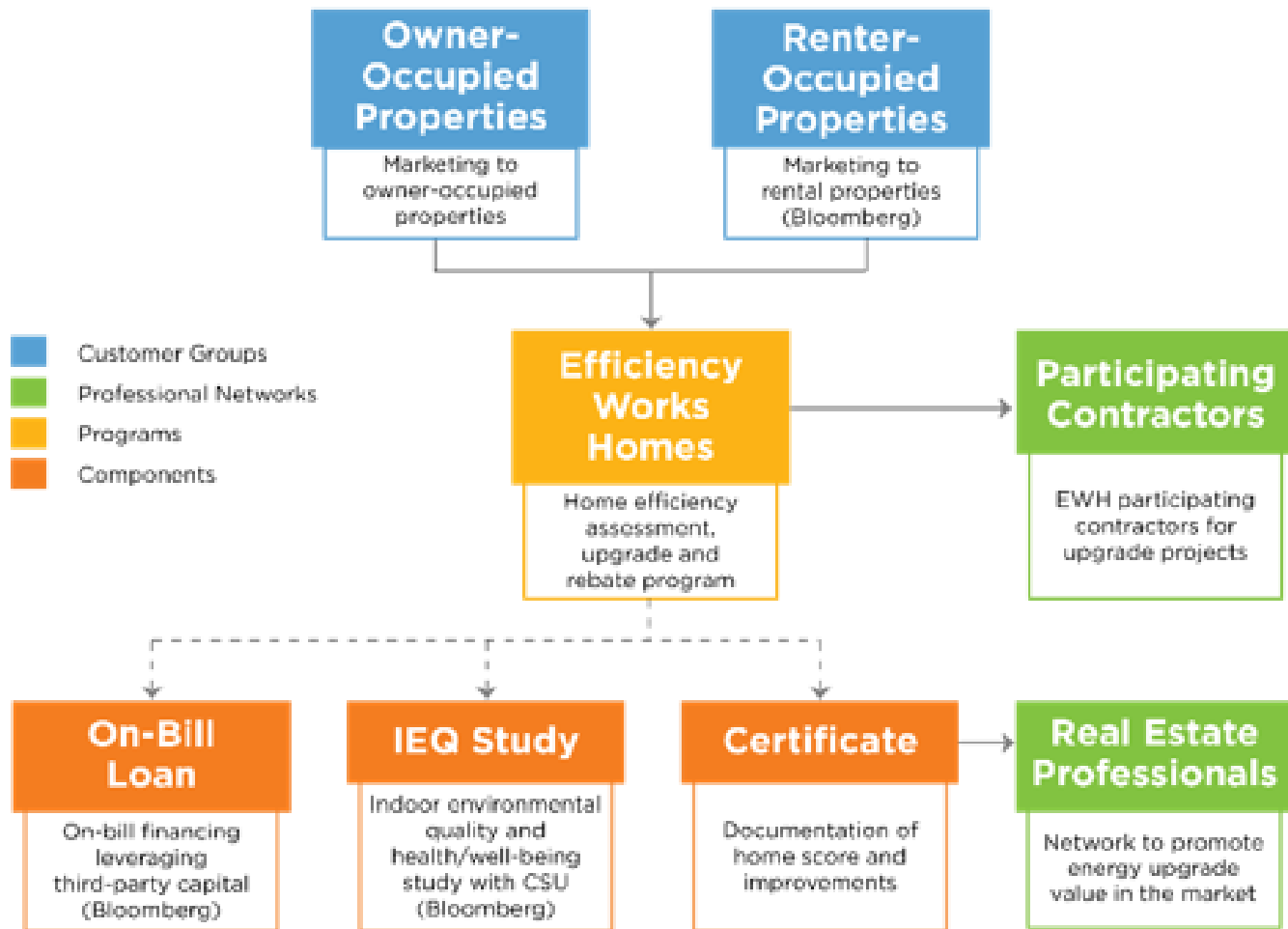
HEALTH

RESILIENCE



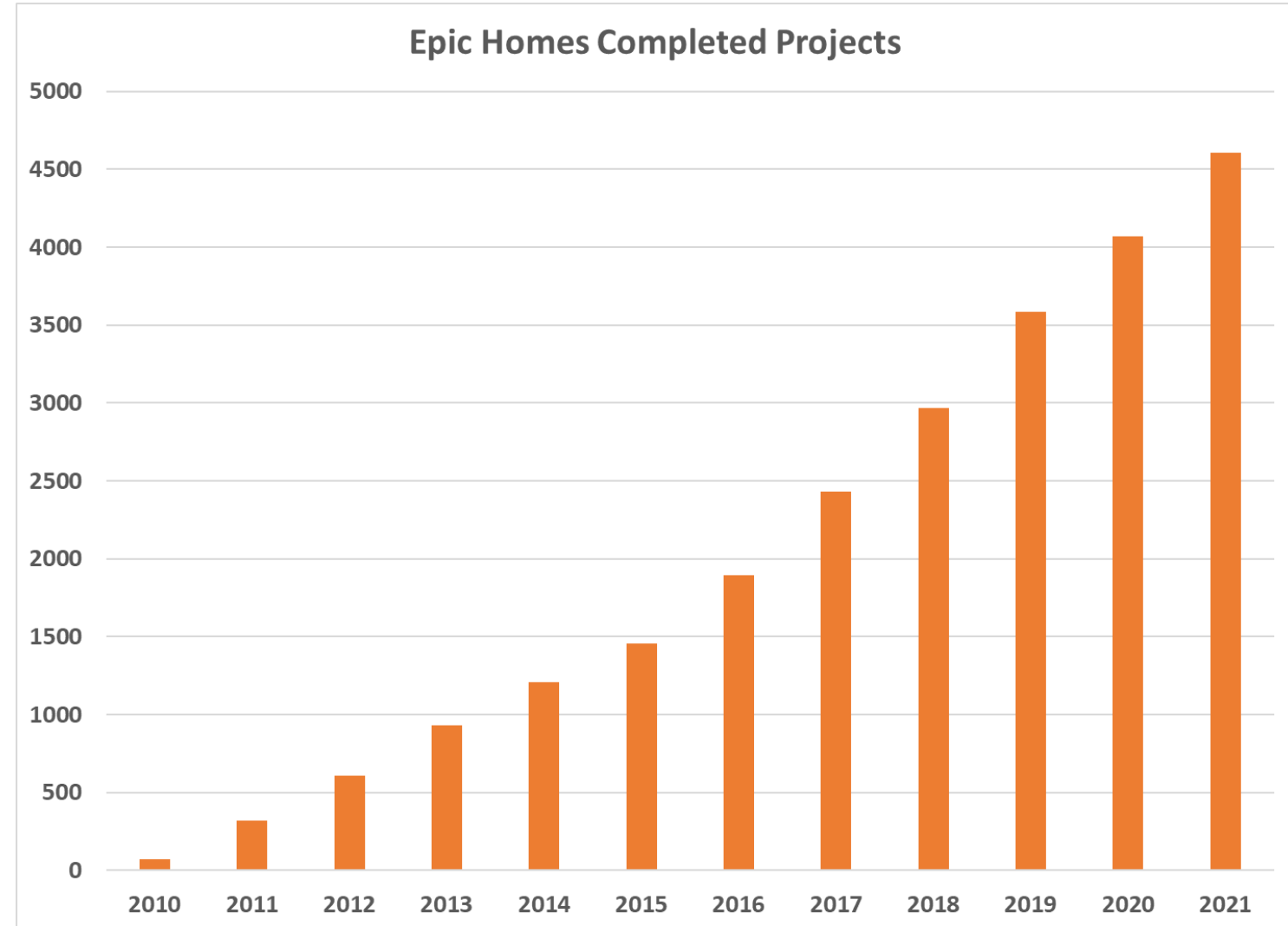
EPIC**HOMES**

A comprehensive portfolio for single-family home performance.



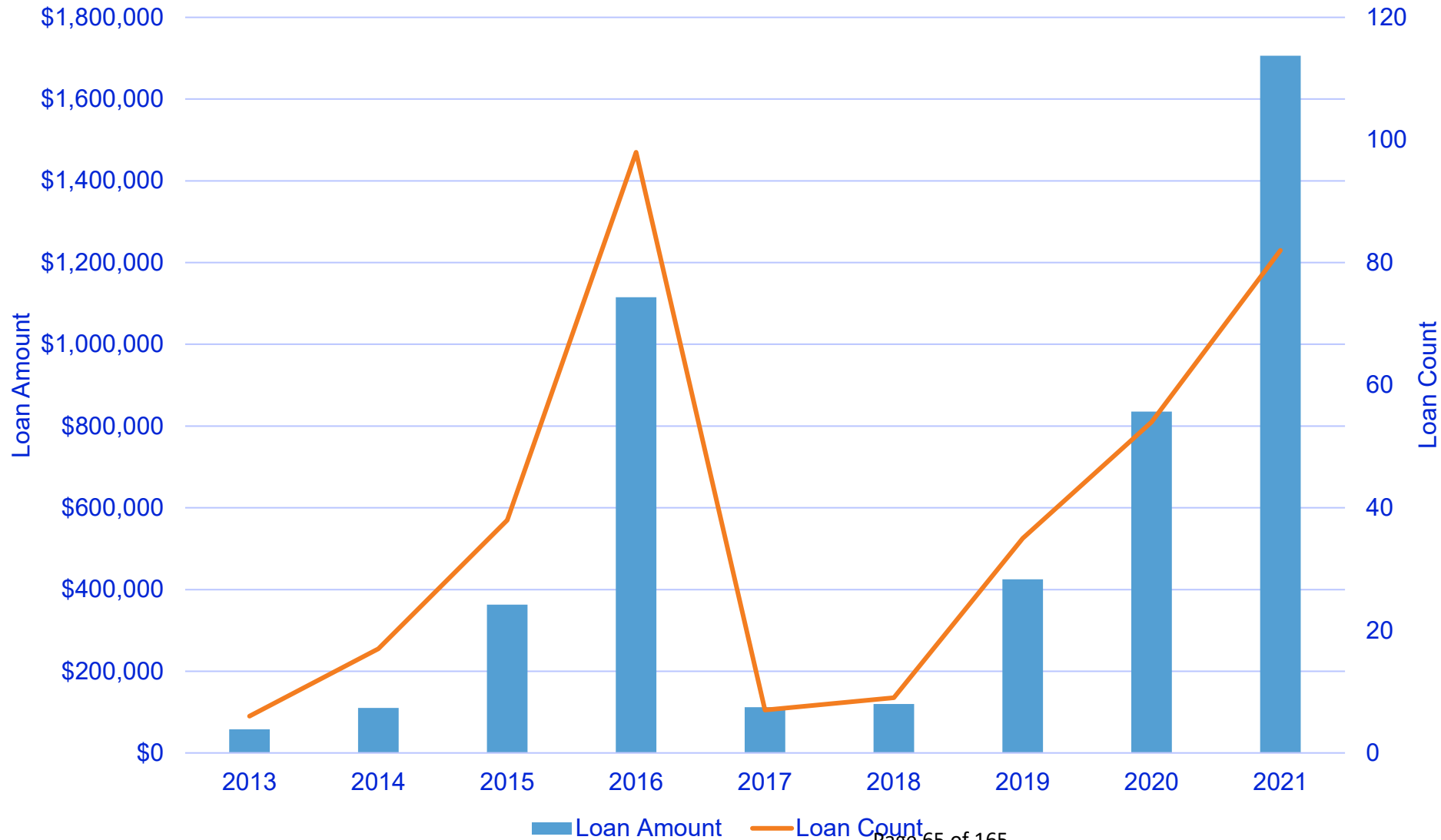
For internal use only.

- Over 4,600 home energy projects since 2010
- Rental home participation expanding
- Over \$4.8M in Epic Loans issued
- \$8.2M blended public-private capital stack
- 20+ active contractors, 20+ real estate allies
- 100% quality assurance
- Over 1,500 Epic Certificates
- Nearly 30 homes enrolled in indoor environmental quality study





- On-bill financing started in 2013, was paused in 2017 and restarted in 2018 with the Bloomberg Mayors Challenge
- Epic Loans vision is an “Evergreen” revolving loan fund which:
 - Supports residential energy upgrades for years to come
 - Scales to meet long-term efficiency objectives
 - Removes financial barriers to energy upgrades with attractive rates and terms
 - Aligns capital commitments with retail loan terms (e.g. term & rate parity)
 - Minimizes the City and Utilities risk and administrative effort
- **Program has had zero defaults to date**



**Total
Principal Issued:**

\$4,826,943

**Total Principal
Outstanding:**

\$2,824,565

Loan portfolio management

- Interest rate target: blended cost of capital, plus admin and risk premium
 - Maintain 0.75% - 1.00% buffer between blended source cost of capital and lending rates
- Parity in length of term borrowed vs. length of term loaned

Other critical considerations

- No negative impact on Light & Power planned future debt offerings
- Protect Utilities credit rating & broadband's coverage covenants

US Bank

- Line of credit for first 2 years with an option of converting into term loans
- Facility Limit: \$2.5M
- Interest Rate: 76% of Prime Rate

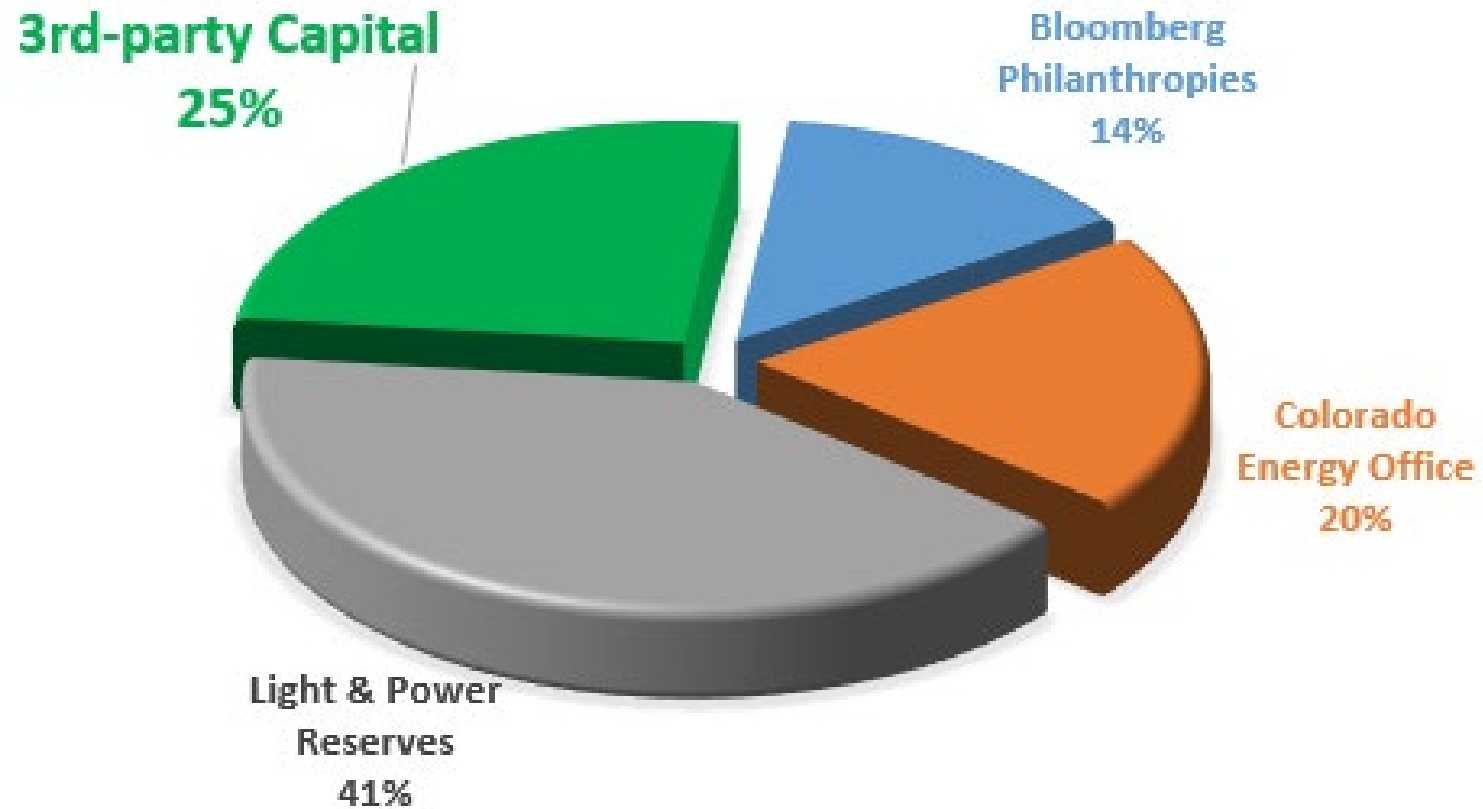
Vectra

- Line of credit for first 2 years with conversion into 15-year term loan
 - Interest rate held constant during 2 year draw period
- Facility Limit: \$2.5M
- Interest Rate: Fixed rate of interest equal to 3.38% per annum

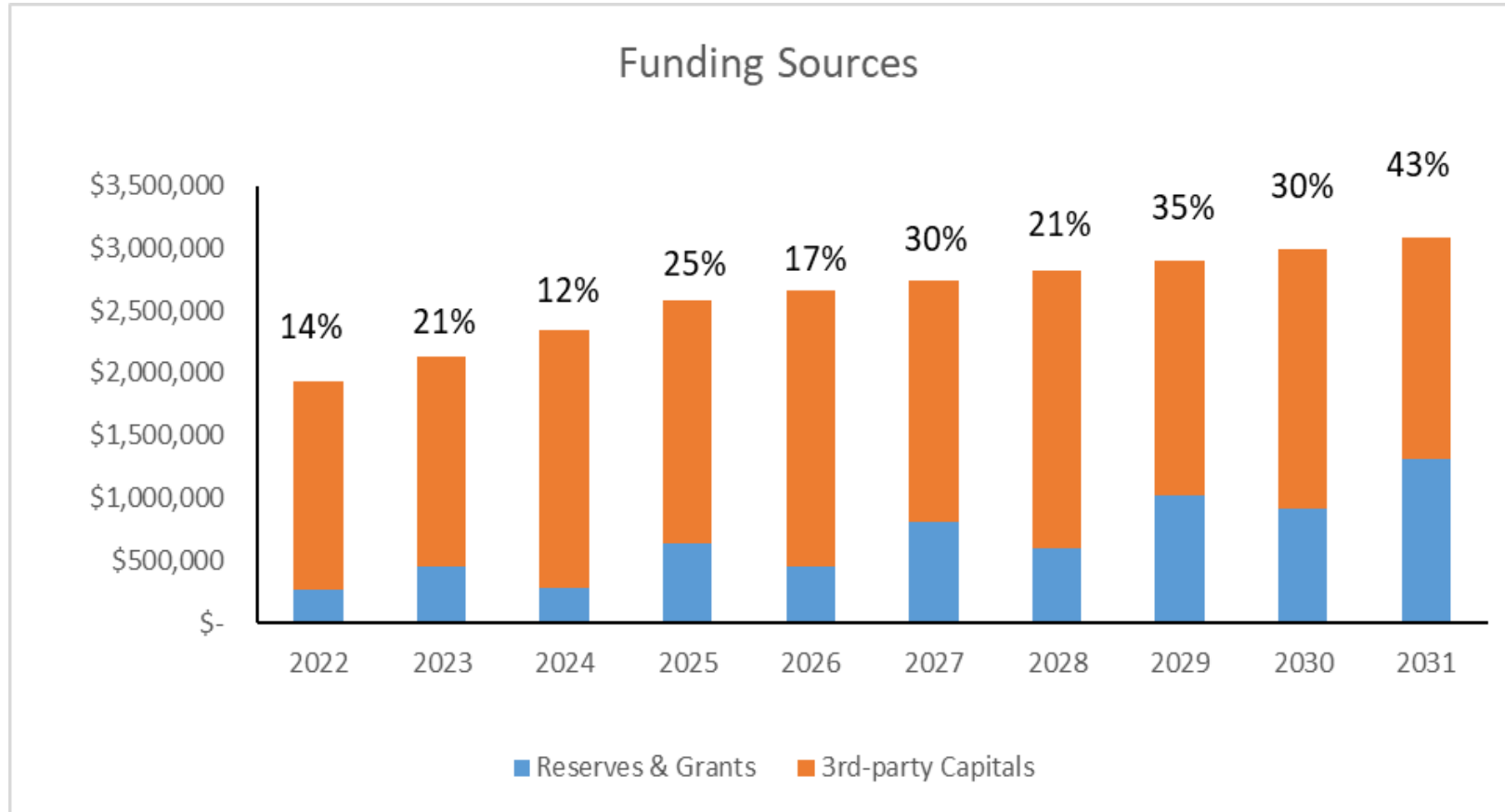
Colorado Energy Office

- 15-year term loan
- \$800,000 total loan
- Interest Rate: 0%

Capital Type	Provider	Term	Rate	Amount
Internal & Grant				
	Previously authorized Light & Power reserves	Ongoing	0%	\$1,600,000
	Bloomberg Philanthropies	Grant	0%	\$688,350
	Colorado Energy Office – Grant	Grant	0%	\$200,000
	<i>Internal Subtotal</i>			\$2,488,350
External Market				
	U.S. Bank	5 & 10 year	76% of Prime (2.47% Currently)	Up to \$2,500,000
	Colorado Energy Office – Loan	15 year	0%	\$800,000
	Vectra Bank	15 year	Fixed rate of interest equal to 3.38% per annum	Up to \$2,500,000
	<i>External Subtotal</i>			\$5,800,000
Total				\$8,288,350



3rd Party Capital accounts for 25% of outstanding loan balances



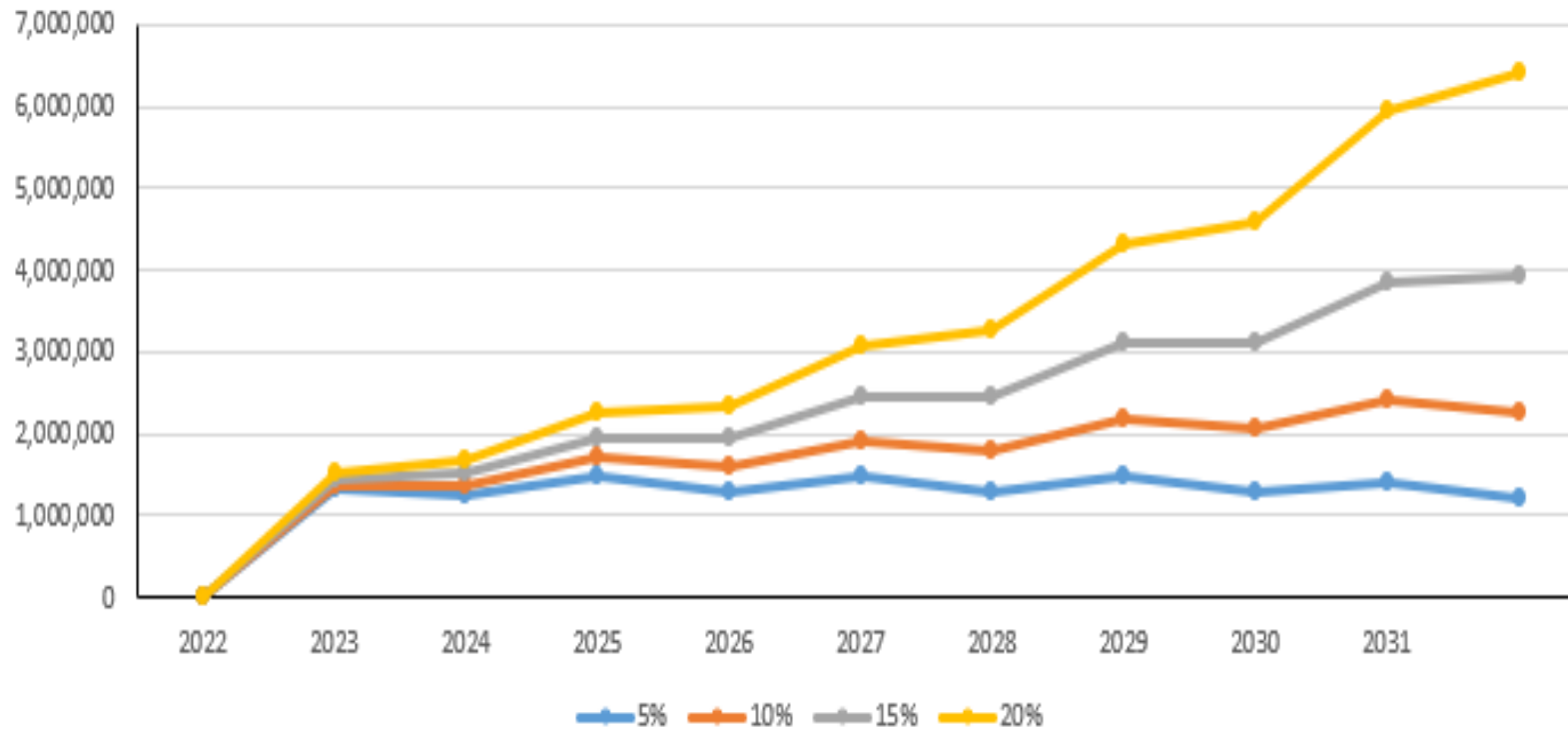
YOY Averages Forecast

- **Total Funding Needs:**
\$2.8M
- **Third-Party Borrowings:**
\$1.9M

Amount of reserves available for use continues to grow year-over-year

The increase in Epic loan growth will drive up the borrowing needs.

EPIC LOAN GROWTH VS. BORROWING NEEDS



Loan Growth Rate	Average Borrowing Needs	
5%	\$	1,347,633
10%	\$	1,872,288
15%	\$	2,584,590
20%	\$	3,547,130

Staff anticipates 10% growth over next 2-4 years

US Bank

- Advance loan for the first 2 years with option of converting into term loans
- Facility Limit: \$2.5M
- Interest Rate: 76% of Prime Rate

Vectra Bank

- Line of credit for first 2 years with conversion into 15-year term loan
 - Interest rate held constant for 1 year
- Facility Limit: \$2.5M
- Interest Rate: 10-year Treasury Rate + 2.75%

Does the Committee support bringing the proposed third-party capital agreement renewals to the Electric Utility Enterprise Board for approval?



John Phelan,
jphelan@fcgov.com

Carolyn Conant,
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Amanda Newton,
anewton@fcgov.com

THANK YOU!
For More Information, Visit
fcgov.com/epichomes



LOAN AGREEMENT

by and between

CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE

AND

U.S. BANK NATIONAL ASSOCIATION

Relating to:

Not to exceed \$2,500,000 2019 Taxable Subordinate Lien Revenue Note

Dated as of December 17, 2019

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”) is made and entered into as of December 17, 2019, by and between **CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE**, an enterprise established and existing pursuant to the home rule charter of the City of Fort Collins, Colorado (the “Enterprise”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, in its capacity as lender (the “Bank”).

WITNESSETH:

WHEREAS, the City of Fort Collins, Colorado (the “City”) is a duly organized and existing home rule municipality of the State of Colorado, created and operating pursuant to Article XX of the Constitution of the State of Colorado and the home rule charter of the City (the “Charter”); and

WHEREAS, the members of the City Council of the City (the “Council”) have been duly elected and qualified; and

WHEREAS, Section 19.3(b) of the Charter Article V (“Section 19.3(b)”) provides that the Council may, by ordinance establish the City’s electric utility (the “Utility”) as an enterprise of the City; and

WHEREAS, pursuant to Section 19.3(b), the Council has heretofore established the Utility as an enterprise of the City (the “Enterprise”) in ordinances codified in Section 26-392 of the Code of the City of Fort Collins (“Section 26-392”); and

WHEREAS, pursuant to Section 19.3(b) and Section 26-392, the Council has authorized the Enterprise, by and through the Council, sitting as the board of the Enterprise (the “Board”), to issue revenue and refunding securities and other debt; and

WHEREAS, the Enterprise has established a program (the “Epic Program”) to assist certain customers of the Utility in financing home energy efficiency and renewable energy improvements by making loans to customers who are property owners (“Epic Loans”); and

WHEREAS, the Board has determined that in order to finance Epic Loans (the “Project”), it is necessary and advisable and in the best interests of the Enterprise (i) to enter into this Agreement with the Bank pursuant to which the Bank shall loan the Enterprise an amount of not to exceed \$2,500,000 (the “Loan”) for such purposes, and (ii) to issue a promissory note (the “Note”) to the Bank to evidence the Enterprise’s repayment obligations under this Agreement; and

WHEREAS, the Enterprise has previously issued its “City of Fort Collins, Colorado, Electric Utility Enterprise, Tax-Exempt Revenue Bonds, Series 2018A” (the “2018A Bonds”) and its “City of Fort Collins, Colorado, Electric Utility Enterprise, Taxable Revenue Bonds, Series 2018B” (the “2018B Bonds” and, together with the 2018A Bonds, the “2018 Bonds”) which are payable from a secured by a lien on the Net Pledged Revenues (as herein defined); and

WHEREAS, except for the 2018 Bonds, neither the City nor the Enterprise has pledged or hypothecated the Gross Net Pledged Revenues (as herein defined) to the payment of any bonds or for any other purpose, with the result that the Net Pledged Revenues may now be pledged lawfully and irrevocably to the payment of the Loan which pledge will be subordinate to the pledge of Net Pledged Revenues to the payment of the 2018 Bonds; and

WHEREAS, the Bank is willing to enter into this Agreement and to make the Loan to the Enterprise pursuant to the terms and conditions stated below; and

WHEREAS, the Loan shall be payable from and secured by the Net Pledged Revenues as more fully set forth herein;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the parties hereto agree as follows.

ARTICLE I

DEFINITIONS

Words and terms defined in the recitals hereof, as hereby supplemented and amended, shall have the same meanings herein or therein assigned to them, unless the context or use indicates another meaning or intent, and except to the extent amended by the definitions hereinafter set forth. In addition, the following terms shall have the meanings set forth herein:

"2018 Bond Ordinance" means the ordinance of the Enterprise which provides for the issuance and delivery of the 2018A Bonds and 2018B Bonds.

"2018A Bonds" means the Enterprise's Tax-Exempt Revenue Bonds, Series 2018A.

"2018B Bonds" means the Enterprise's Taxable Revenue Bonds, Series 2018B.

"2019 Note" or "Note" means the City of Fort Collins, Colorado, Electric Utility Enterprise not to exceed \$2,500,000 2019 Taxable Subordinate Lien Revenue Note evidencing the Loan from the Enterprise, as maker, to the Bank, as payee.

"Advance" means a disbursement of proceeds of the Unfunded Portion of the Loan pursuant to the terms hereof.

"Advance Maturity Date" means the second anniversary of the Closing Date.

"Advance Period" means the period commencing on the date of the Closing Date and terminating on the second anniversary of the Closing Date unless terminated or extended as provided herein.

"Advance Termination Date" means the earlier to occur of (a) the Full Funding Date; (b) the date which is the last day of the Advance Period or (c) a date determined by the Enterprise and provided in writing to the Bank.

“*Authorized Person*” means the President of the Enterprise or the Treasurer of the Enterprise and also means any other individual authorized by the President to act as an Authorized Person hereunder.

“*Authorizing Ordinance*” means the Ordinance adopted by the Board on September 17, 2019 authorizing the Enterprise to finance the Project, enter into the Loan and execute and deliver the Note, this Agreement, and the other Financing Documents.

“*Bank*” means U.S. Bank National Association, a national banking association, in its capacity as lender of the Loan.

“*Business Day*” means any day of the week on which the Bank is conducting its banking operations nationally and on which day the Bank’s offices are open for business in Denver, Colorado.

“*Capital Improvements*” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and those property improvements or any combination of property improvements which will constitute enlargements, extensions or betterments to the System and will be incorporated into the System.

“*Closing*” means the date of the execution and delivery of the Note, this Agreement, and the other Financing Documents by the respective parties thereto.

“*Closing Date*” means date of the Closing for the Loan.

“*Conversion Notice*” means a notice of a conversion pursuant to Sections 2.07, which shall be substantially in the form of Exhibit C.

“*Cost of Funds*” means the rate at which Bank would be able to borrow funds of comparable amounts in the Money Markets for a period equal to the term of a Term Loan, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation; such rate rounded up to the nearest one-eighth percent.

“*C.R.S.*” means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

“*Debt*” means, without duplication, all of the following obligations of the Enterprise for the payment of which the Enterprise has promised or is required to pay from the Net Pledged Revenues: (a) borrowed money of any kind; (b) obligations evidenced by bonds, debentures, notes or similar instruments; (c) obligations upon which interest charges are customarily paid; (d) obligations arising from guarantees made by the Enterprise; (e) obligations as an account party in respect of letters of credit and bankers’ acceptances or similar obligations issued in respect of the Enterprise; and (f) obligations evidenced by any interest rate exchange agreement; provided that notwithstanding the foregoing, the term “Debt” does not include obligations issued for any purpose, the repayment of which is contingent upon the Enterprise’s annual determination to appropriate moneys therefore.

"Default Interest Rate" means a rate per annum equal to the greater of the Interest Rate plus 3% or the Maximum Rate.

"Electronic Notification" means telecopy, facsimile transmissions, email transmissions or other similar electronic means of communication providing evidence of transmission.

"Event of Default" has the meaning set forth in Section 7.01 hereof.

"Financing Documents" means this Agreement, the Note, the Authorizing Ordinance, and any other document or instrument required or stated to be delivered hereunder or thereunder, all in form and substance satisfactory to the Bank.

"Fiscal Year" means the 12 months commencing January 1 of any year and ending December 31 of such year.

"Full Funding Date" means the date on which, if at all, the aggregate amount of all Advances equals the Maximum Advance Amount.

"Gross Pledged Revenues" means all rates, fees, charges and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the System, or any part thereof, whether resulting from Capital Improvements or otherwise, and includes all rates, fees, charges and revenues received by the City from the System, including without limitation:

(i) All rates, fees and other charges for the use of the System, or for any service rendered by the City or the Enterprise in the operation thereof, directly or indirectly, the availability of any such service, or the sale or other disposal of any commodities derived therefrom, including, without limitation, connection charges, but:

(a) Excluding any moneys borrowed and used for the acquisition of Capital Improvements or for the refunding of securities, and all income or other gain from any investment of such borrowed moneys; and

(b) Excluding any moneys received as grants, appropriations or gifts from the Federal Government, the State, or other sources, the use of which is limited by the grantor or donor to the construction of Capital Improvements, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom; and

(ii) All income or other gain from any investment of Gross Pledged Revenues (including without limitation the income or gain from any investment of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in any project fund, construction fund, reserve fund, or any escrow fund for any Parity Bonds payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues); and

(iii) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are lawfully extended by the Board or by the qualified electors of the City; and

(iv) All revenues which the Enterprise receives from the repayment of Epic Loans.

“Initial Advance” means the first Advance made by the Bank to the Enterprise pursuant to Section 2.06 hereof.

“Interest Payment Date” means, for Advances, the first Business Day of each month, commencing the first such day occurring after the Initial Advance, and continuing through and including the Advance Maturity Date and, for Term Loans, the first Business Day of each month, commencing the first such day occurring after an Advance has been converted to a Term Loan continuing through and including the Term Loan Maturity Date.

“Interest Rate” means for Advances, a variable rate of interest equal to 76% of the Prime Rate, and for Term Loans, a fixed rate of interest determined on the date an Advance converts to a Term Loan pursuant to Section 2.07 hereof.

“Light and Power Fund” means the special fund of that name heretofore created by the City pursuant to Section 8-77 of the Code of the City of Fort Collins .

“Loan” means all Advances and Term Loans.

“Loan Amount” means, with respect to the Loan, a maximum amount of Two Million Five Hundred Thousand and 00/100 U.S. Dollars (\$2,500,000), or such lesser amount that has been Advanced by the Bank from time to time in accordance with the terms and provisions of this Agreement.

“Material Adverse Effect” means a material adverse effect on (a) the business, property, liabilities (actual and contingent), operations or condition (financial or otherwise), results of operations, or prospects of the Enterprise taken as a whole, (b) the ability of the Enterprise to perform its obligation under this Agreement, or (c) the validity or enforceability of this Agreement or the rights or remedies of the Bank under this Agreement.

“Maturity Date” means for Advances the Advance Maturity Date and for Term Loans the Term Loan Maturity Date.

“Maximum Advance Amount” means, with respect to the 2019 Note, \$2,500,000.

“Maximum Rate” has the meaning set forth in Section 2.02(i) hereof.

“Money Markets” refers to one or more wholesale funding markets available to and selected by Bank, including negotiable certificates of deposit, commercial paper, Eurodollar deposits, bank notes, federal funds, interest rate swaps or others. The Enterprise acknowledges that Bank is under no obligation to actually purchase and/or match funds to determine the Interest Rate for any Term Loan.

“Net Pledged Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses of the System.

“Non-Use Fee” has the meaning set forth in Section 2.01(d) hereof.

“Operation and Maintenance Expenses” means such reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the System including, except as limited by contract or otherwise limited by law, without limiting the generality of the foregoing:

(a) All payments made to the Platte River Power Authority, a wholesale electricity provider that acquires, constructs and operates generation capacity for the City, or its successor in function;

(b) Engineering, auditing, legal and other overhead expenses directly related and reasonably allocable to the administration, operation and maintenance of the System;

(c) Insurance and surety bond premiums appertaining to the System;

(d) The reasonable charges of any paying agent, registrar, transfer agent, depository or escrow agent appertaining to the System or any bonds or other securities issued therefor;

(e) Annual payments to pension, retirement, health and hospitalization funds appertaining to the System;

(f) Any taxes, assessments, franchise fees or other charges or payments in lieu of the foregoing;

(g) Ordinary and current rentals of equipment or other property;

(h) Contractual services, professional services, salaries, administrative expenses, and costs of labor appertaining to the System and the cost of materials and supplies used for current operation of the System;

(i) The costs incurred in the billing and collection of all or any part of the Gross Pledged Revenues; and

(j) Any costs of utility services furnished to the System by the City or otherwise.

“Operation and Maintenance Expenses” does not include:

(a) Any allowance for depreciation;

(b) Any costs of reconstruction, improvement, extensions, or betterments, including without limitation any costs of Capital Improvements;

(c) Any accumulation of reserves for capital replacements;

(d) Any reserves for operation, maintenance, or repair of the System;

(e) Any allowance for the redemption of any bonds or other securities payable from the Net Pledged Revenues or the payment of any interest thereon;

(f) Any liabilities incurred in the acquisition of any properties comprising the System; and

(g) Any other ground of legal liability not based on contract.

“Parity Debt” means any obligations of the Enterprise payable from and with a lien on the Net Pledged Revenues on a parity basis with the 2019 Note.

“Permitted Investments” means any investment or deposit permissible under then applicable law for governmental entities such as the Enterprise.

“Person” means an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Prime Rate” means a variable per annum rate of interest equal at all times to the rate of interest established and quoted by the Bank as its “Prime Rate,” “Base Rate” or “Reference Rate,” such rate to change contemporaneously with each change in such established and quoted rate, provided that it is understood that the Prime Rate shall not necessarily be representative of the rate of interest actually charged by the Bank on any loan or class of loans.

“Principal Payment Date” means the Maturity Date.

“Senior Debt” means the 2018A Bonds, the 2018B Bonds, and any obligations of the Enterprise payable from and with a lien on the Net Pledged Revenues on a basis superior to the 2019 Note.

“Supplemental Public Securities Act” means Title 11, Article 57, C.R.S.

“System” means the City’s electric distribution system that furnishes electricity and related services and excludes the City’s broadband system using fiber-optic technology. The System consists of all properties, real, personal, mixed and otherwise, now owned or hereafter acquired by the City, through purchase, construction and otherwise, and used in connection with such system of the City, and in any way pertaining thereto and consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, whether situated within or without the City boundaries, used in connection with such system of the City, and in any way appertaining thereto, including all present or future improvements, extensions, enlargements, betterments, replacements or additions thereof or thereto and administrative facilities.

“Term Loan” has the meaning specified in Section 2.07.

“Term Loan Maturity Date” means the maturity date of a Term Loan as determined pursuant to Section 2.07.

“*Unfunded Portion*” means, as of any date, an amount equal to the Maximum Advance Amount, less the total amount of all Advances funded as of such date, less any reduction of the Unfunded Portion made pursuant to Section 2.01 hereof.

ARTICLE II

LOAN

Section 2.01. Loan.

(a) ***Agreement to Make Loan.*** The Bank hereby agrees to extend the Loan to the Enterprise in the maximum aggregate principal amount of \$2,500,000 subject to the terms and conditions of this Agreement. The Loan shall be evidenced by the 2019 Note, the form of which is set forth in Exhibit A attached hereto.

(b) ***Advances.*** Subject to the terms and conditions of this Agreement, including without limitation satisfaction of the conditions set forth in Section 2.06 hereof and upon delivery to the Bank of an Advance Request in the form of Exhibit B hereto, the Bank hereby agrees to make Advances to the Enterprise from time to time during the Advance Period in the aggregate original principal amounts not to exceed \$2,500,000 with respect to the Loan (as more particularly defined in Article I hereof, the “Maximum Advance Amount”). On the Advance Termination Date, the Unfunded Portion shall be reduced to zero and no further Advances will be made hereunder.

(c) ***Note.*** The Loan shall be evidenced by the 2019 Note. On the Closing Date, the Enterprise shall execute and deliver the 2019 Note payable to the Bank, in substantially the form set forth in Exhibit A attached hereto. The Enterprise shall maintain a book for the registration of ownership of the 2019 Note. Upon any transfer of the 2019 Note as provided herein, such transfer shall be entered on such registration books of the Enterprise.

With respect to each Advance funded by the Bank from time to time hereunder, the Bank shall maintain, in accordance with its usual practices, records evidencing the indebtedness resulting from each such Advance and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of any Advance or the Loan, the entries made in such records shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded. The Note shall evidence the obligation of the Enterprise to pay the Loan and shall evidence the obligation of the Enterprise to pay the principal amount of each Advance funded by the Bank hereunder, as such amounts are outstanding from time to time, and accrued interest

(d) ***Non-Use Fees*** The Enterprise shall pay to the Bank a nonrefundable fee (the “Non-Use Fee”), which shall be in the amount of 0.30% of the weighted average balance of the Unfunded Portion from the Closing Date to the Advance Termination Date. The Non-Use Fee shall be calculated and paid on the Advance Termination Date.

(e) ***Application of Loan Proceeds.*** The Enterprise shall apply the proceeds of each Advance to pay the costs of the Project.

(f) ***Special Obligations.*** All amounts due under this Agreement or the 2019 Note shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are hereby so pledged which pledge is in all respects subordinate to the pledge and lien thereon of the Senior Debt at any time outstanding. The Bank may not look to any general or other fund for the payment of such amounts; this Agreement and the 2019 Note shall not constitute a debt or indebtedness within the meaning of any constitutional, charter, or statutory provision or limitation; and this Agreement and the 2019 Note shall not be considered or held to be general obligations of the Enterprise or the City but shall constitute special obligations of the Enterprise. No statutory or constitutional provision enacted after the execution and delivery of this Agreement or the 2019 Note shall in any manner be construed as limiting or impairing the obligation of the Enterprise to comply with the provisions of this Agreement or the 2019 Note. None of the covenants, agreements, representations and warranties contained herein or in the 2019 Note shall ever impose or shall be construed as imposing any liability, obligation or charge against the Enterprise or the City (except the Net Pledged Revenues and the special funds pledged therefor), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefor). The payment of the amounts due under this Agreement or the 2019 Note is not secured by an encumbrance, mortgage or other pledge of property of the City or the Enterprise, except for the Net Pledged Revenues. No property of the City or the Enterprise, subject to such exception, shall be liable to be forfeited or taken in payment of such amounts.

Section 2.02. Interest Rate; Interest Payments; Principal Payments.

(a) ***Interest Rate.*** The unpaid principal balance of the Loan will bear interest at the Interest Rate. All interest due and payable under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months. Interest payments on the Loan shall be due on each Interest Payment Date and on the Maturity Date.

(b) ***Default Interest Rate.*** Immediately upon the occurrence of an Event of Default or upon the Maturity Date, interest shall begin to accrue on all principal amounts owing on the Loan at the Default Interest Rate for so long as such Event of Default continues and remains uncured or, if after the Maturity Date, for so long as amounts due on the Loan remain unpaid.

(c) ***Principal Payments.*** Repayment of principal amounts owing under the Loan shall occur on each Principal Payment Date.

(d) ***Prepayment.*** The Loan may be prepaid, in whole or in part, at the option of the Enterprise, at a prepayment price equal to the principal amount so prepaid, plus accrued interest to the prepayment date, with no prepayment fee. Any prepayment under this paragraph shall only be made after the Enterprise gives two Business Days written notice to the Bank.

(e) ***Obligations Unconditional.*** The Enterprise's obligation to repay the Loan hereunder and all of its other obligations under this Agreement shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Enterprise may have against the Bank or any other Person, including, without limitation, any defense based on the failure of any nonapplication or

misapplication of the proceeds of the Loan hereunder, and irrespective of the legality, validity, regularity or enforceability of all or any of the Financing Documents, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Bank explicitly reciting the release or discharge of any such obligation), or any consent to, or departure from, all or any of the Financing Documents or any exchange, release, or nonperfection of any collateral securing the obligations of the Enterprise hereunder and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing; provided, however, that nothing contained in this Section 2.02(e) shall abrogate or otherwise affect the rights of the Enterprise pursuant to Section 8.05 hereof.

(f) ***Waivers, Etc.*** To the full extent permitted by law: (i) the Enterprise hereby waives (A) presentment, demand, notice of demand, protest, notice of protest, notice of dishonor and notice of nonpayment; (B) to the extent the Bank is not in default hereunder, the right, if any, to the benefit of, or to direct application of, any security hypothecated to the Bank until all obligations of the Enterprise to the Bank hereunder, howsoever arising, have been paid; (C) the right to require the Bank to proceed against the Enterprise hereunder, or against any Person under any guaranty or similar arrangement, or under any agreement between the Bank and any Person or to pursue any other remedy in the Bank's power; and (D) any defense arising out of the election by the Bank to foreclose on any security by one or more non-judicial or judicial sales; (ii) the Bank may exercise any other right or remedy, even though any such election operates to impair or extinguish the Enterprise's right to repayment from, or any other right or remedy it may have against, any Person, or any security; and (iii) the Enterprise agrees that the Bank may proceed against the Enterprise or any Person directly and independently of any other, and that any forbearance, change of rate of interest, or acceptance, release or substitution of any security, guaranty, or loan or change of any term or condition thereunder or under any Financing Document (other than by mutual agreement between the Enterprise and the Bank) shall not in any way affect the liability of the Enterprise hereunder.

(g) ***Manner of Payments.*** All interest, fees, and other payments to be made hereunder by or on behalf of the Enterprise to the Bank shall be made, and shall not be considered made until received, in United States dollars in immediately available funds. The Enterprise shall make each payment hereunder in the manner and at the time necessary so that each such payment is received by the Bank not later than 12:00 p.m., Colorado time, on the day when due in lawful money of the United States of America in immediately available funds. Any payment received after 12:00 p.m., Colorado time, shall be deemed made on the next succeeding Business Day. All payments made hereunder by or on behalf of the Enterprise to the Bank shall be applied to such amounts due hereunder and under the Financing Documents in the following order: first, to unpaid Non-Use Fees, second, to accrued but unpaid interest, third, to principal and, fourth, to any other amounts due hereunder.

(h) ***Default Interest Rate; Calculation of Interest and Fees.*** All interest and fees due and payable under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months. Any sum due to the Bank and not paid when due and any sum due to the Bank upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Interest Rate.

(i) **Maximum Interest Rate.** If the interest due and payable on any obligation hereunder computed at the applicable rate as provided in Section 2.02 hereof is in excess of 9.5% (the "Maximum Rate"), the difference between what would have been the interest payable on such amounts had they accrued interest at the rate provided in Section 2.02 and the Maximum Rate (the "Interest Differential") shall remain an obligation of the Enterprise. Notwithstanding anything herein or in the Financing Documents to the contrary, if at any time there is an Interest Differential owed to the Bank, any reduction in interest rate that would result from the application of the Maximum Rate to the Default Interest Rate, shall not reduce the rate of interest below the Maximum Rate until the total amount due has been paid to the Bank as if the applicable rate computed as provided in Section 2.02 hereof had at all times been utilized.

Section 2.03. Costs, Expenses and Taxes. The Enterprise agrees to pay all reasonable costs and expenses actually incurred by the Bank in connection with (a) the preparation, execution and delivery of this Agreement or any other documents, including the other Financing Documents, which may be delivered by any party in connection with this Agreement and the other Financing Document, and (b) the filing, recording, administration (other than normal, routine administration), enforcement, transfer, amendment, maintenance, renewal or cancellation of this Agreement and all amendments or modifications thereto (or supplements hereto), including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Bank and independent public accountants and other outside experts retained by the Bank in connection with any of the foregoing; and. In addition, the Enterprise agrees to pay promptly all reasonable costs and expenses of the Bank, including, without limitation, the actual, reasonable fees and expenses of external counsel, for (i) any and all amounts which the Bank has paid relative to the Bank's curing of any Event of Default under this Agreement or any of the Financing Documents; (ii) the enforcement of this Agreement or any of the Financing Documents; or (iii) any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Bank from paying any amount hereunder. Without prejudice to the survival of any other agreement of the Enterprise hereunder, the agreements and obligations contained in this Section 2.03 shall survive the payment in full of all amounts owing to the Bank hereunder.

Section 2.04. Pledge. The Enterprise hereby pledges, assigns and grants to the Bank a lien in the Net Pledged Revenues, which is subordinate to the lien which is pledged to secure the payment of Senior Debt, to secure its obligations to the Bank hereunder and under the other Financing Documents. The lien of the Bank on the Net Pledged Revenues hereunder shall be subject to no other liens except those liens granted on the Net Pledged Revenues to any Senior Debt heretofore or hereafter issued in accordance with the terms hereof and the Subordinate Debt. The Enterprise represents and warrants that, except for the Senior Debt, the Net Pledged Revenues is not and shall not be subject to any other lien or encumbrance without the prior written consent of the Bank except as otherwise permitted pursuant to this Agreement.

Section 2.05. Conditions to Closing. The Closing on the Loan is conditioned upon the satisfaction of each of the following:

(a) all Financing Documents and other instruments applicable to the Loan are in form and content satisfactory to the Bank and have been duly executed and delivered in form and substance satisfactory to the Bank and shall have not been modified, amended or rescinded,

shall be in full force and effect on and as of the Closing Date and executed original or certified copies of each thereof shall have been delivered to the Bank;

(b) the Bank has received a certified copy of the Authorizing Ordinance of the Enterprise, which shall be in form and content satisfactory to the Bank and authorize the Enterprise to finance the Project, obtain the Loan and perform all acts contemplated by this Agreement and all other Financing Documents; and a certified copy of all other ordinances, resolutions and proceedings taken by the Enterprise authorizing the Enterprise to finance the Project, obtain the Loan and the execution, delivery and performance of this Agreement and the other Financing Documents and the transactions contemplated hereunder and thereunder, together with such other certifications as to the specimen signatures of the officers of the Enterprise authorized to sign this Agreement and the other Financing Documents to be delivered by the Enterprise hereunder and as to other matters of fact as shall reasonably be requested by the Bank;

(c) the Enterprise has provided a certificate certifying that on the Closing Date each representation and warranty on the part of the Enterprise contained in this Agreement and in any other Financing Document is true and correct and no Event of Default, or event which would, with the passage of time or the giving of notice, constitute an Event of Default, has occurred and is continuing and no default exists under any other Financing Documents, or under any other agreements by and between the Enterprise and the Bank and certifying as to such other matters as the Bank might reasonably request;

(d) the Enterprise has provided a certificate certifying that the only Senior Debt outstanding as of the Closing Date is the 2018A Bonds and the 2018B Bonds and that no Parity Debt is outstanding as of the Closing Date;

(e) the Bank shall have received the opinion of Butler Snow LLP to the effect that (i) the obligation of the Enterprise to pay the principal of and interest on the Loan constitutes a valid and binding special obligation of the Enterprise payable solely from the Net Pledged Revenues with a lien on the Net Pledged Revenues which is subordinate to the lien thereon of the Senior Debt, and (ii) this Agreement and the Note are valid and binding obligations of the Enterprise, enforceable against the Enterprise in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity;

(f) all proceedings taken in connection with the transactions contemplated by this Agreement, and all instruments, authorizations and other documents applicable thereto, are satisfactory to the Bank and its counsel;

(g) no law, regulation, ruling or other action of the United States, the State of Colorado or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Enterprise from fulfilling its obligations under this Agreement or the other Financing Documents;

(h) all Bank counsel fees and any other fees and expenses due and payable in connection with the execution and delivery of this Agreement shall have been paid by the Enterprise upon execution and delivery of this Agreement;

(i) the Bank shall have been provided with the opportunity to review all pertinent financial information regarding the Enterprise, agreements, documents, and any other material information relating to the Enterprise or the Net Pledged Revenues or any other component of the collateral securing the obligations of the Enterprise hereunder;

(j) all information provided by the Enterprise to the Bank is accurate in all respects;

(k) the Bank shall have received such other certificates, approvals, filings, opinions and documents as shall be reasonably requested by the Bank;

(l) all other legal matters pertaining to the execution and delivery of this Agreement and the other Financing Documents shall be reasonably satisfactory to the Bank.

Section 2.06. Procedure for Requesting and Funding Advances.

(a) *Conditions to Funding Advances.* No Advance shall be requested by the Enterprise and the Bank shall have no obligation to honor an Advance Request except in accordance with the provisions and upon fulfillment of the terms and conditions set forth in this Agreement. The funding by the Bank of each Advance is conditioned upon the satisfaction of each of the following, each of which shall be satisfactory in all respects to the Bank:

(i) *Advance Frequency.* Advance Requests may only be made during the Advance Period and shall be submitted to the Bank no more than once in any calendar month, unless permitted more frequently by the Bank. Advances shall be made in amounts of \$75,000 or more.

(ii) *Representations and Warranties True; No Default.* At the time any Advance is to be made and as a result thereof, immediately thereafter, all representations and warranties of the Enterprise set forth in Article IV are true and correct as though made on the date of such Advance Request and on the date when such Advance is funded and no Event of Default hereunder has occurred and is continuing and no litigation is then pending or threatened concerning the Enterprise's authority to pledge the Net Pledged Revenues as provided herein, and the Enterprise shall deliver an executed certificate of an Authorized Person to such effect in connection with each Advance in substantially the form of Exhibit B.

(iii) *Payments Current.* The Enterprise shall be current on all of its obligations hereunder.

(iv) *Advance Request.* The Bank shall have received an Advance Request from the Enterprise, the form of which is attached hereto as Exhibit B (each, an "Advance Request"), signed by the Authorized Person of the Enterprise and containing the calculation of the amount of such Advance requested by the Enterprise.

(v) *Amount of Advance.* The amount of the requested Advance, when combined with the sum of all prior Advances made hereunder shall not exceed the Maximum Advance Amount for the Loan. From each Advance the Bank will transfer amounts as specified in each Advance Request.

(vi) *Material Adverse Changes.* Since December 31, 2018, there has been no change in the business, property, prospects, condition (financial or otherwise) or results of operations of the Enterprise which could reasonably be expected to have a Material Adverse Effect.

(vii) *Other Conditions Precedent to Funding Each Advance.* No Advance shall be requested or made after the Advance Termination Date.

(b) *Funding of Advances.* Provided that the conditions set forth in Section 2.06(a) above are satisfied, within 2 days of receipt by the Bank of an Advance Request signed by the Authorized Person, the Bank shall provide the amount of such Advance to the Enterprise at such depository as the Enterprise may direct.

Section 2.07. Conversion to Term Loan. Provided that (i) no Event of Default shall have occurred and be continuing (ii) all representations and certifications and agreements herein are then true and correct, and (iii) the outstanding Senior Debt is rated in one of its four highest rating categories by a national recognized organization which regularly rates obligations such as the Senior Debt, the Enterprise may elect to convert all or a portion of the outstanding Advances on or before the Advance Loan Maturity Date to one or more term loans, but not more than four term loans (each a "Term Loan") that shall be payable in full by no later than the 8th anniversary of the Advance Loan Maturity Date. Such election shall be exercised by the Enterprise delivering to the Bank a Conversion Notice, appropriately completed and signed by an Authorized Person, at least three (3) Business Days prior to the Maturity Date. Each Term Loan shall be a fully amortizing loan in approximately equal installments of principal and interest and shall mature on the Term Loan Maturity Date specified in the Conversion Notice, which date shall be either the 3rd anniversary of the Advance Loan Maturity Date or the 8th anniversary of the Advance Loan Maturity Date. Principal and interest on each Term Loan shall be payable on each Interest Payment Date. The Interest Rate on a Term Loan shall be a fixed rate determined on the date an Advance converts to a Term Loan and shall equal the Cost of Funds plus 1.65% for a Term Loan which matures on the 3rd anniversary of the Advance Loan Maturity Date or the Cost of Funds plus 1.85% for a Term Loan which matures on the 8th anniversary of the Advance Loan Maturity Date. The Enterprise and the Bank agree that the aggregate principal amount of all Advances which is converted to a Term Loan shall be divided approximately equally between Term Loans which mature on the 3rd anniversary of the Advance Loan Maturity Date and Term Loans which mature on the 8th anniversary of the Advance Loan Maturity Date

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Light and Power Fund. So long as this Agreement is in effect, the entire Gross Pledged Revenues, upon their receipt from time to time by the Enterprise, shall be set

aside and credited immediately to the Light and Power Fund. In each month, after making in full all deposits or payments required in connection with the Senior Debt, the Enterprise shall pay to the Bank from the Net Pledged Revenues remaining in the Light and Power Fund, the amounts due under this Agreement and the Note.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE ENTERPRISE

While any obligations hereunder or under any of the other Financing Documents are unpaid or outstanding, the Enterprise continuously represents and warrants to the Bank as follows:

Section 4.01. Due Organization. The Enterprise is an enterprise of the City duly organized and validly existing under Charter and Enterprise Ordinances.

Section 4.02. Power and Authorization. The Enterprise has all requisite power and authority to own and convey its properties and to carry on its business as now conducted and as contemplated to be conducted under the Financing Documents; to execute, deliver and to perform its obligations under this Agreement and the other Financing Documents; and to cause the execution, delivery and performance of the Financing Documents.

Section 4.03. No Legal Bar. To the best of the Enterprise's knowledge, the Enterprise is not in violation of any of the provisions of the laws of the State of Colorado or the United States of America or any of the provisions of any order of any court of the State of Colorado or the United States of America which would affect its existence, or its powers referred to in the preceding Section 4.02. The execution, delivery and performance by the Enterprise of this Agreement and of the other Financing Documents (a) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator or governmental authority; (b) will not violate any provisions of any document constituting, regulating or otherwise affecting the operations or activities of the Enterprise; and (c) will not violate any provision of, constitute a default under, or result in the creation, imposition or foreclosure of any lien, mortgage, pledge, charge, security interest or encumbrance of any kind other than liens created or imposed by the Financing Documents, on any of the revenues or other assets of the Enterprise which could have a material adverse effect on the assets, financial condition, business or operations of the Enterprise, on the Enterprise's power to cause the Financing Documents to be executed and delivered, or its ability to pay in full in a timely fashion the obligations of the Enterprise under this Agreement or the other Financing Documents.

Section 4.04. Consents. The Enterprise has obtained all consents, permits, licenses and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery and performance by the Enterprise of this Agreement and the other Financing Documents.

Section 4.05. Litigation. Except as disclosed in writing to the Bank, there is no action, suit, inquiry or investigation or proceeding to which the Enterprise is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official which is pending

or, to the best knowledge of the Enterprise, threatened in connection with any of the transactions contemplated by this Agreement or the Financing Documents or against or affecting the assets of the Enterprise, nor, to the best knowledge of the Enterprise, is there any basis therefor, wherein an unfavorable decision, ruling or finding (a) would adversely affect the validity or enforceability of, or the authority or ability of the Enterprise to perform its obligations under, the Financing Documents; or (b) would, in the reasonable opinion of the Enterprise, have a materially adverse effect on the ability of the Enterprise to conduct its business as presently conducted or as proposed or contemplated to be conducted.

Section 4.06. Enforceability. This Agreement and each other Financing Document constitutes the legal, valid and binding special obligation of the Enterprise, enforceable against the Enterprise in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

Section 4.07. Changes in Law. To the best knowledge of the Enterprise, there is not pending any change of law which, if enacted or adopted could have a material adverse effect on the assets, financial condition, business or operations of the Enterprise, on the Enterprise's power to enter into this Agreement or the other Financing Documents or its ability to pay in full in a timely fashion the obligations of the Enterprise under this Agreement or the other Financing Documents.

Section 4.08. Financial Information and Statements. The financial statements and other information previously provided to the Bank or provided to the Bank in the future are or will be complete and accurate and prepared in accordance with generally accepted accounting principles. There has been no material adverse change in the Enterprise's financial condition since such information was provided to the Bank.

Section 4.09. Accuracy of Information. All information, certificates or statements given to the Bank pursuant to this Agreement and the other Financing Documents will be true and complete when given.

Section 4.10. Financing Documents. Each representation and warranty of the Enterprise contained in any Financing Document is true and correct as of the Closing Date.

Section 4.11. Regulations U and X. The Enterprise is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of the Loan will be or have been used to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 4.12. Default, Etc. The Enterprise is not in default in the performance, observance, or fulfillment of any of the obligations, covenants or conditions contained in any Financing Document or other ordinance, resolution, agreement or instrument to which it is a party which would have a material adverse effect on the ability of the Enterprise to perform its obligations hereunder or under the other Financing Documents, or which would affect the enforceability hereof or thereof.

Section 4.13. Sovereign Immunity. The Enterprise represents that, under Section 24-10-106, C.R.S., its governmental immunity is limited to claims for injury which lie in tort or could lie in tort. Under existing law, the Enterprise is not entitled to raise the defense of sovereign immunity in connection with any legal proceedings to enforce its contractual obligations under the Financing Documents, or the transactions contemplated hereby or thereby including, without limitation, the payment of the principal of and interest on the Note.

Section 4.14. No Filings. No filings, recordings, registrations or other actions are necessary to create and perfect the pledges provided for herein; all obligations of the Enterprise hereunder are secured by the lien and pledge provided for herein; and the liens and pledges provided for herein constitute valid prior liens subject to no other liens.

Section 4.15. Outstanding Debt. Upon the execution and delivery of this Agreement, except for the Financing Documents and the 2018A Bonds and 2018B Bonds, the Enterprise will have no other Debt outstanding payable from or secured by the Net Pledged Revenues or any portion thereof. The Enterprise represents and warrants that it will incur additional Debt only in accordance with the provisions of Section 5.23 of this Agreement.

ARTICLE V

COVENANTS OF THE ENTERPRISE

While any obligations hereunder or under any of the other Financing Documents are unpaid or outstanding, the Enterprise continuously warrants and agrees as follows:

Section 5.01. Performance of Covenants, Authority. The Enterprise covenants that it will faithfully perform and observe at all times any and all covenants, undertakings, stipulations, and provisions contained in the Authorizing Ordinance, this Agreement, the Note, the other Financing Documents and all its proceedings pertaining thereto as though such covenants, undertakings, stipulations, and provisions were set forth in full herein (for the purpose of this provision the Financing Documents shall be deemed to continue in full force and effect notwithstanding any earlier termination thereof so long as any obligation of the Enterprise under this Agreement shall be unpaid or unperformed). The Enterprise covenants that it is duly authorized under the constitution and laws of the State of Colorado, including, particularly and without limitation, the Charter and the Enterprise Ordinances, to obtain the Loan and to execute and deliver the Note, this Agreement, and the other Financing Documents, and that all action on its part for the execution and delivery of the Note, this Agreement, and the other Financing Documents has been duly and effectively taken and will be duly taken as provided herein, and that the Loan, the Note, this Agreement, and the other Financing Documents are and will be valid and enforceable obligations of the Enterprise according to the terms hereof and thereof.

Section 5.02. Contractual Obligations. The Enterprise shall perform all contractual obligations undertaken by it under any agreements relating to the Loan, the Gross Pledged Revenues, the Project, or the System, or any combination thereof.

Section 5.03. Further Assurances. At any and all times the Enterprise shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all

and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be reasonably necessary or desirable for better assuring, conveying, granting, assigning and confirming all and singular the rights, the Net Pledged Revenues and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the Enterprise may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Agreement and to comply with any instrument of the Enterprise amendatory thereof, or supplemental thereto. The Enterprise, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of the Bank hereunder against all claims and demands of all Persons whomsoever.

Section 5.04. Conditions Precedent. Upon the date of the execution and delivery of this Agreement, all conditions, acts and things required by the Federal or State Constitution, the Charter, the Supplemental Act, the Enterprise Ordinances, or any other applicable law to exist, to have happened and to have been performed precedent to the execution and delivery of this Agreement shall exist, have happened, and have been performed; and the Bonds, together with all other obligations of the Enterprise, shall not contravene any debt or other limitation prescribed by the State Constitution.

Section 5.05. Rules, Regulations and Other Details. The Enterprise shall observe and perform all of the terms and conditions contained in this Agreement, and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System, the Enterprise, except for any period during which the same are being contested in good faith by proper legal proceedings.

Section 5.06. Payment of Governmental Charges. The Enterprise shall pay or cause to be paid all taxes and assessments or other governmental charges, if any, lawfully levied or assessed upon or in respect of the System, or upon any part thereof, or upon any portion of the Gross Pledged Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, except for any period during which the same are being contested in good faith by proper legal proceedings. The Enterprise shall not create or suffer to be created any lien upon the System, or any part thereof, or upon the Gross Pledged Revenues, except the pledge and lien created by for Senior Debt and Parity Debt and except as herein otherwise permitted. The Enterprise shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System, or any part thereof, or the Gross Pledged Revenues; but nothing herein requires the Enterprise to pay or cause to be discharged or to make provision for any such tax, assessment, lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Section 5.07. Protection of Security. The Enterprise and its officers, agents and employees shall not take any action in such manner or to such extent as might prejudice the security for the payment of the amounts due under this Agreement or the Note. No contract shall

be entered into nor any other action taken by which the rights of the Bank might be prejudicially and materially impaired or diminished.

Section 5.08. Prompt Payment. The Enterprise shall promptly pay the amounts due under this Agreement or the Note at the places, on the dates and in the manner specified herein and in the Agreement or the Note according to the true intent and meaning hereof.

Section 5.09. Use of Funds and Accounts. The funds and accounts described herein shall be used solely and only for the purposes described herein.

Section 5.10. Other Liens. Other than the 2018A Bonds and 2018B Bonds, there are no liens or encumbrances of any nature whatsoever on or against the System, or any part thereof, or on or against the Net Pledged Revenues on a parity with or superior to the lien thereon of this Agreement and the Note.

Section 5.11. Reasonable and Adequate Charges. The fees, rates and other charges due to the Enterprise for the use of or otherwise pertaining to and services rendered by the System to the Enterprise, to its inhabitants and to all other users within and without the boundaries of the Enterprise shall be reasonable and just, taking into account and consideration public interests and needs, the cost and value of the System, the Operation and Maintenance Expenses thereof, and the amounts necessary to meet the debt service requirements of all Senior Debt, Parity Debt, and any other securities payable from the Net Pledged Revenues, including, without limitation, reserves and any replacement accounts therefor.

Section 5.12. Adequacy and Applicability of Charges. There shall be charged against users of service pertaining to and users of the System, except as provided by Section 5.13 hereof, such fees, rates and other charges so that the Gross Pledged Revenues shall be adequate to meet the requirements of this Section. Such charges pertaining to the System shall be at least sufficient so that the Gross Pledged Revenues annually are sufficient to pay in each Fiscal Year:

(a) Operation and Maintenance Expenses. amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year that are payable from the Gross Pledged Revenues

(b) Principal and Interest An amount equal to 125% of the debt service requirements on the Senior Debt and any Parity Debt then outstanding in that Fiscal Year (excluding the reserves therefor), and

(c) Deficiencies. All sums, if any, due and owing to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable therefrom.

Section 5.13. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except that the City shall not be required to pay for any use by the City of any facilities of the System for municipal purposes. If the City chooses, in its sole discretion, to pay for its use of the System, all the income so derived from the City shall be deemed to be income derived from the operation of the System, to be used and to be accounted for in the same manner as any other income derived from the operation of the System.

Section 5.14. Collection of Charges. The Enterprise shall cause all fees, rates and other charges pertaining to the System to be collected as soon as is reasonable, shall reasonably prescribe and enforce rules and regulations or impose contractual obligations for the payment of such charges, and for the use of the System, and shall provide methods of collection and penalties, to the end that the Gross Pledged Revenues shall be adequate to meet the requirements of this Agreement and the Note

Section 5.15. Maintenance of Records. Proper books of record and account shall be kept by the Enterprise, separate and apart from all other records and accounts.

Section 5.16. Accounting Principles. System records and accounts, and audits thereof, shall be currently kept and made, as nearly as practicable, in accordance with the then generally accepted accounting principles, methods and terminology followed and construed for utility operations comparable to the System, except as may be otherwise provided herein or required by applicable law or regulation or by contractual obligation existing on the execution and delivery of this Agreement.

Section 5.17. Laws, Permits and Obligations. The Enterprise will comply in all material respects with all applicable laws, rules, regulations, orders and directions of any governmental authority and all agreements and obligations binding on the Enterprise, noncompliance with which would have a material adverse effect on the Enterprise, its financial condition, assets or ability to perform its obligations under the other Financing Documents; provided that the Enterprise may in good faith contest such laws, rules, regulations, orders and directions and the applicability thereof to the Enterprise to the extent that such action would not be likely to have a material adverse effect on the Enterprise's ability to perform its obligations hereunder.

Section 5.18. Bonding and Insurance. The Enterprise shall carry general liability coverage, workers' compensation, public liability, and such other forms of insurance on insurable Enterprise property upon the terms and conditions, and issued by recognized insurance companies, as in the judgment of the Enterprise would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the Enterprise and its operations.

Section 5.19. Other Liabilities. The Enterprise shall pay and discharge, when due, all of its liabilities, except when the payment thereof is being contested in good faith by appropriate procedures which will avoid financial liability and with adequate reserves provided therefor.

Section 5.20. Proper Books and Records. The Enterprise shall keep or cause to be kept adequate and proper records and books of account in which complete and correct entries shall be made with respect to the Enterprise, the Net Pledged Revenues and all of the funds and accounts established or maintained pursuant to any of the Financing Documents. The Enterprise shall (a) maintain accounting records in accordance with generally recognized and accepted principles of accounting consistently applied throughout the accounting periods involved; (b) provide the Bank with such information concerning the business affairs and financial condition (including insurance coverage) of Enterprise as the Bank may request; and (c) without request, provide the Bank with the information set forth below.

Section 5.21. Reporting Requirements.

(a) The Enterprise shall notify the Bank promptly of all interim litigation or administrative proceedings, threatened or pending, against the Enterprise which would, if adversely determined, in the Enterprise's reasonable opinion, have a material effect on the Enterprise's financial condition arising after the date hereof.

(b) The Enterprise shall provide the following to the Bank at the times and in the manner provided below:

(i) as soon as available, but not later than 210 days following the end of each Fiscal Year, the Enterprise shall furnish to the Bank its audited financial statements prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail and certified by a firm of independent certified public accountants selected by the Enterprise; and

(ii) promptly upon request of the Bank, the Enterprise shall furnish to the Bank such other reports or information regarding the collateral securing the obligations of the Enterprise hereunder or the assets, financial condition, business or operations of the Enterprise, as the Bank may reasonably request.

(c) The Enterprise shall promptly notify the Bank of any Event of Default of which the Enterprise has knowledge, setting forth the details of such Event of Default and any action which the Enterprise proposes to take with respect thereto.

(d) The Enterprise shall notify the Bank as soon as possible after the Enterprise acquires knowledge of the occurrence of any event which, in the reasonable judgment of the Enterprise, is likely to have a material adverse effect on the financial condition of the Enterprise or affect the ability of the Enterprise to perform its obligations under this Agreement or under any other Financing Documents.

Section 5.22. Visitation and Examination. Unless otherwise prohibited by law, the Enterprise will permit any Person designated by the Bank to visit any of its offices to examine the Enterprise's books and financial records, and make copies thereof or extracts therefrom, and to discuss its affairs, finances and accounts with its principal officers, all at such reasonable times and as often as the Bank may reasonably request.

Section 5.23. Additional Debt. The Enterprise may issue Debt with a lien on the Net Pledged Revenues that is on a parity with or subordinate to the lien of this Agreement, without the Bank's prior written consent. The Enterprise may issue Debt with a lien on the Net Pledged Revenues that is senior to the lien of this Agreement, without the Bank's prior written consent, if such Debt is issued pursuant to the provisions of the 2018 Bond Ordinance.

ARTICLE VI

INVESTMENTS

Section 6.01. Permitted Investments Only. All moneys held in the Light and Power Fund shall be invested in Permitted Investments only.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under this Agreement (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation or order of any court or any administrative or governmental body):

(a) the Enterprise fails to pay the principal of or interest on the Note or any Parity Debt when due;

(b) the Enterprise fails to pay when due any other amounts due and payable to the Bank under this Agreement or any other Financing Documents;

(c) the Enterprise fails to observe or perform any other of the covenants, agreements or conditions on the part of the Enterprise in this Agreement, the Note, or the Authorizing Ordinance and the Enterprise fails to remedy the same within 30 days after the Bank has provided the Enterprise with notice thereof;

(d) any representation or warranty made by the Enterprise in this Agreement or in any other Financing Document or any certificate, instrument, financial or other statement furnished by the Enterprise to the Bank, proves to have been untrue or incomplete in any material respect when made or deemed made;

(e) the pledge of the collateral or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder;

(f) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the Enterprise and the Enterprise fails to vacate, bond, stay, contest, pay or satisfy such judgment or court order for 60 days;

(g) the Enterprise shall initiate, acquiesce or consent to any proceedings to dissolve the Enterprise or to consolidate the Enterprise with other similar entities into a single entity or the Enterprise shall otherwise cease to exist;

(h) a change occurs in the financial or operating conditions of the Enterprise, or the occurrence of any other event that, in the Bank's reasonable judgment, will have a materially adverse impact on the ability of the Enterprise to generate Net Pledged Revenues

sufficient to satisfy the Enterprise's obligations under this Agreement or its other obligations, and the Enterprise fails to cure such condition within six months after receipt by the Enterprise of written notice thereof from the Bank;

(i) the Enterprise shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the Enterprise shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Enterprise any case, proceeding or other action of a nature referred to in clause (i) and the same shall remain undismissed; or (iii) there shall be commenced against the Enterprise any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (iv) the Enterprise shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Enterprise shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(j) this Agreement or any other Financing Document, or any material provision hereof or thereof, (i) ceases to be valid and binding on the Enterprise or is declared null and void, or the validity or enforceability thereof is contested by the Enterprise (unless being contested by the Enterprise in good faith), or the Enterprise denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created fails to be fully enforceable with the priority required hereunder or thereunder; and

(k) the Enterprise's auditor delivers a qualified opinion with respect to the Enterprise's status as an on-going concern.

Section 7.02. Remedies. Upon the occurrence and during the continuance of any Event of Default, the Loan shall bear interest at the Default Interest Rate. Upon the occurrence and during the continuance of any Event of Default, the Bank, at its option, may take any action or remedy available under the other Financing Documents or any other document, or at law or in equity. Notwithstanding anything to the contrary herein, acceleration of the Loan shall not be an available remedy for the occurrence or continuance of an Event of Default. In exercising any remedy hereunder, the Bank shall give notice to all Notice Parties.

Section 7.03. Notice to Bank of Default. Notwithstanding any cure period described above, the Enterprise will immediately notify the Bank in writing when the Enterprise obtains knowledge of the occurrence of any Event of Default or any event which would, with the passage of time or the giving of notice, constitute an Event of Default.

Section 7.04. Additional Bank Rights. Upon the occurrence of an Event of Default the Bank may at any time take such other steps to protect or preserve the Bank's interest in the Net Pledged Revenues.

Section 7.05. Delay or Omission No Waiver. No delay or omission of the Bank to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Agreement may be exercised from time to time and as often as may be deemed expedient.

Section 7.06. No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any Event of Default hereunder shall extend to or affect any subsequent or any other then existing Event of Default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Bank provided herein shall be cumulative and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Section 7.07. Other Remedies. Nothing in this Article VII is intended to restrict the Bank's rights under any of the Financing Documents or at law or in equity, and the Bank may exercise all such rights and remedies as and when they are available.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Loan Agreement and Relationship to Other Documents. The warranties, covenants and other obligations of the Enterprise (and the rights and remedies of the Bank) that are outlined in this Agreement and the other Financing Documents are intended to supplement each other. In the event of any inconsistencies in any of the terms in the Financing Documents, all terms will be cumulative so as to give the Bank the most favorable rights set forth in the conflicting documents, except that if there is a direct conflict between any preprinted terms and specifically negotiated terms (whether included in an addendum or otherwise), the specifically negotiated terms will control.

Section 8.02. Assignments, Participations, etc. by the Bank. The Bank may not assign or transfer this Agreement or the Note or participate any of the Bank's interests in the Agreement or the Note without the Enterprise's prior written consent. Any such assignment without the Enterprise's prior written consent shall be deemed null and void and of no effect.

Section 8.03. Notices. Notices shall be deemed delivered when the notice has been (a) deposited in the United States Mail, postage pre-paid; (b) received by overnight delivery service; (c) received by Electronic Notification; or (d) when personally delivered at the following addresses (the "Notice Parties"): Notice of any record shall be deemed delivered when the record has been (a) deposited in the United States Mail, postage pre-paid; (b) received by overnight delivery service; (c) received by Electronic Notification; or (d) when personally delivered at the following addresses (the "Notice Parties"):

to Enterprise: City of Fort Collins
P.O. Box 580
Fort Collins, CO 80522
Attn: City Manager

with a copy to: City of Fort Collins
P.O. Box 580
Fort Collins, CO 80522
Attn: City Attorney

to Bank: U.S. Bank National Association
400 S. Howes Street
Fort Collins, CO 80521
Attn: Greg Metzo

Section 8.04. Payments. Payments due on the Loan shall be made in lawful money of the United States. All payments may be applied by the Bank to principal, interest and other amounts due under the Note and this Agreement pursuant to the terms of this Agreement.

Section 8.05. Applicable Law and Jurisdiction; Interpretation; Severability. This Agreement and all other Financing Documents will be governed by and interpreted in accordance with the internal laws of the State of Colorado, except to the extent superseded by Federal law. Invalidity of any provisions of this Agreement will not affect any other provision. TO THE EXTENT PERMITTED BY LAW, THE ENTERPRISE AND THE BANK HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITUATED IN LARIMER COUNTY, COLORADO, AND WAIVE ANY OBJECTIONS BASED ON *FORUM NON CONVENIENS*, WITH REGARD TO ANY ACTIONS, CLAIMS, DISPUTES OR PROCEEDINGS RELATING TO THIS AGREEMENT, THE NOTE, THE NET PLEDGED REVENUES, ANY OTHER FINANCING DOCUMENT, OR ANY TRANSACTIONS ARISING THEREFROM, OR ENFORCEMENT AND/OR INTERPRETATION OF ANY OF THE FOREGOING. Nothing in this Agreement will affect the Bank's rights to serve process in any manner permitted by law. This Agreement, the other Financing Documents and any amendments hereto (regardless of when executed) will be deemed effective and accepted only at the Bank's offices, and only upon the Bank's receipt of the executed originals thereof. Invalidity of any provision of this Agreement shall not affect the validity of any other provision.

Section 8.06. Copies; Entire Agreement; Modification. The Enterprise hereby acknowledges the receipt of a copy of this Agreement and all other Financing Documents.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING, EXPRESSING CONSIDERATION AND SIGNED BY THE PARTIES ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. THE TERMS OF THIS AGREEMENT MAY ONLY BE CHANGED BY ANOTHER WRITTEN AGREEMENT. THIS NOTICE SHALL ALSO BE EFFECTIVE WITH RESPECT TO ALL OTHER CREDIT AGREEMENTS NOW IN EFFECT BETWEEN THE ENTERPRISE AND THE BANK. A MODIFICATION

OF ANY OTHER CREDIT AGREEMENT NOW IN EFFECT BETWEEN THE ENTERPRISE AND THE BANK, WHICH OCCURS AFTER RECEIPT BY THE ENTERPRISE OF THIS NOTICE, MAY BE MADE ONLY BY ANOTHER WRITTEN INSTRUMENT. ORAL OR IMPLIED MODIFICATIONS TO ANY SUCH CREDIT AGREEMENT IS NOT ENFORCEABLE AND SHOULD NOT BE RELIED UPON.

Section 8.07. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE ENTERPRISE AND THE BANK HEREBY JOINTLY AND SEVERALLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO ANY OF THE FINANCING DOCUMENTS, THE OBLIGATIONS THEREUNDER, ANY COLLATERAL SECURING THE OBLIGATIONS, OR ANY TRANSACTION ARISING THEREFROM OR CONNECTED THERETO. THE ENTERPRISE AND THE BANK EACH REPRESENTS TO THE OTHER THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

Section 8.08. Attachments. All documents attached hereto, including any appendices, schedules, riders and exhibits to this Agreement, are hereby expressly incorporated by reference.

Section 8.09. No Recourse Against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Public Securities Act, if a member of the Board, or any officer or agent of the Enterprise, acts in good faith in the performance of his duties as a member, officer, or agent of the Board or the Enterprise and in no other capacity, no civil recourse shall be available against such member, officer or agent for payment of the principal of and interest on the Loan. Such recourse shall not be available either directly or indirectly through the Board or the Enterprise, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the delivery of the Note evidencing the Loan and as a part of the consideration for such transfer, the Bank and any Person purchasing or accepting the transfer of the obligation representing the Loan specifically waives any such recourse.

Section 8.10. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Public Securities Act, this Agreement is entered into pursuant to certain provisions of the Supplemental Public Securities Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of this Agreement after delivery for value.

Section 8.11. Limitation of Actions. Pursuant to Section 11-57-212 of the Supplemental Public Securities Act, no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Loan shall be commenced more than 30 days after the authorization of the Loan.

Section 8.12. Pledge of Revenues. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Loan provided herein shall be governed by Section 11-57-208 of the Supplemental Public Securities Act, this Agreement, the Note, and the Authorizing Ordinance. The amounts pledged to the payment of the Loan shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge shall have a first priority. The lien of such pledge shall be valid, binding, and

enforceable as against all Persons having claims of any kind in tort, contract, or otherwise against the Enterprise irrespective of whether such Persons have notice of such liens.

Section 8.13. No Liability. The Bank, including its agents, employees, officers, directors and controlling Persons, shall not have any liability to the Enterprise, and the Enterprise assumes all risk, responsibility and liability for (a) the form, sufficiency, correctness, validity, genuineness, falsification and legal effect of any demands and other documents, instruments and other papers relating to the Loan even if such documents, should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (b) the general and particular conditions stipulated therein; (c) the good faith acts of any Person whosoever in connection therewith; (d) failure of any Person (other than the Bank, subject to the terms and conditions hereof) to comply with the terms of the Loan; (e) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telex, telegraph, wireless or otherwise, whether or not they be in code; (f) errors in translation or errors in interpretation of technical terms; (g) for any other consequences arising from causes beyond the Bank's control; or (h) any use of which may be made of the proceeds of the Loan, except to the extent of any direct, as opposed to indirect, consequential, or special damages suffered by the Enterprise which direct damages are proven by the Enterprise to be caused by the Bank's willful or grossly negligent failure to make lawful payment under the Loan.

Section 8.14. No Waiver; Modifications in Writing. No failure or delay on the part of the Bank in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Bank at law or in equity or otherwise. No amendment, modification, supplement, termination or waiver of or to any provision of this Agreement, nor consent to any departure by the Enterprise therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Bank and the Enterprise. Any amendment, modification or supplement of or to any provision of this Agreement, and any consent to any departure by the Enterprise from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given. No notice to or demand on the Enterprise in any case shall entitle the Enterprise to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to any other or further action in any circumstances without notice or demand.

Section 8.15. Payment on Non-Business Days. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

Section 8.16. Execution in Counterparts; Electronic Storage. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 8.17. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8.18. Headings. Article and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.


Section 8.19. Waiver of Rules of Construction. The Enterprise hereby waives any and all provisions of law to the effect that an ambiguity in a contract or agreement should be interpreted against the party responsible for its drafting.

Section 8.20. Integration. This Agreement is intended to be the final agreement between the parties hereto relating to the subject matter hereof and this Agreement and any agreement, document or instrument attached hereto or referred to herein shall supersede all oral negotiations and prior writings with respect to the subject matter hereof.

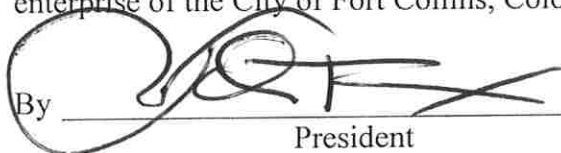
Section 8.21. Termination of Agreement. At such time as all amounts due to the Bank have been duly paid, or provided for, this Agreement shall terminate.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

**U.S. BANK NATIONAL ASSOCIATION, a
national banking association**

By 
Name GREGORY L. METZ
Title VICE PRESIDENT

**CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE, an
enterprise of the City of Fort Collins, Colorado**

By 
President

[SEAL]

Attest:

By 
Secretary



[Signature Page to Loan Agreement]

EXHIBIT A

FORM OF 2019 NOTE

THIS NOTE MAY NOT BE SOLD TRANSFERRED OR OTHERWISE DISPOSED OF WITHOUT THE CONSENT OF THE ENTERPRISE.

**UNITED STATES OF AMERICA
STATE OF COLORADO
CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE**

2019 TAXABLE SUBORDINATE LIEN REVENUE NOTE

**IN THE AGGREGATE PRINCIPAL AMOUNT OF
NOT TO EXCEED \$2,500,000**

Advances Not to Exceed US \$2,500,000 _____, 2019

FOR VALUE RECEIVED, CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE, an enterprise of the City of Fort Collins, Colorado, (hereinafter referred to as "Maker"), promises to pay to the order of U.S. BANK NATIONAL ASSOCIATION, a national banking association, its successors and assigns (hereinafter referred to as "Payee"), at the office of Payee or its agent, designee, or assignee at _____ or at such place as Payee or its agent, designee, or assignee may from time to time designate in writing, all Advances made in an amount not to exceed the principal sum of TWO MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (US \$2,500,000) (this "Note") pursuant to the terms of the Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"), in lawful money of the United States of America.

This Note shall bear interest, be payable, and mature pursuant to the terms and provisions of the Loan Agreement. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed in the Loan Agreement.

All amounts due under this Note shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are hereby so pledged which pledge is in all respects subordinate to the pledge and lien thereon of the Senior Debt at any time outstanding. The Bank may not look to any general or other fund for the payment of such amounts; this Note shall not constitute a debt or indebtedness within the meaning of any constitutional, charter, or statutory provision or limitation; and this Note shall not be considered or held to be general obligations of the Enterprise or the City but shall constitute a special obligation of the Enterprise. No statutory or constitutional provision enacted after the execution and delivery of the Note shall in any manner be construed as limiting or impairing the obligation of the Enterprise to comply with the provisions of this Note. None of the covenants, agreements, representations and warranties contained herein or in this Note shall ever impose or shall be construed as imposing any liability, obligation or charge against the Enterprise or the City (except the Net Pledged Revenues and the special funds pledged therefor), or against its general credit, or as payable out of its general fund

or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefor). The payment of the amounts due under this Note is not secured by an encumbrance, mortgage or other pledge of property of the City or the Enterprise, except for the Net Pledged Revenues. No property of the City or the Enterprise, subject to such exception, shall be liable to be forfeited or taken in payment of such amounts.

Amounts received by Payee under this Note shall be applied in the manner provided by the Loan Agreement. All amounts due under this Note shall be payable without setoff, counterclaim or any other deduction whatsoever by Maker.

Unless payments are made in the required amount in immediately available funds in accordance with the provisions of the Loan Agreement, remittances in payment of all or any part of the amounts due and payable hereunder shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Payee in funds immediately available at the place where this Note is payable (or any other place as Payee, in Payee's sole discretion, may have established by delivery of written notice thereof to Maker) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Payee of any payment in an amount less than the amount then due shall be deemed an acceptance on account only and any unpaid amounts shall remain due hereunder, all as more particularly provided in the Loan Agreement.

In the event of nonpayment of this Note, Payee shall be entitled to all remedies under the Loan Agreement and at law or in equity, and all remedies shall be cumulative.

It is expressly stipulated and agreed to be the intent of Maker and Payee at all times to comply with applicable state law and applicable United States federal law. If the applicable law (state or federal) is ever judicially interpreted so as to render usurious any amount called for under this Note or under the Loan Agreement, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note, then it is Maker's and Payee's express intent that all excess amounts theretofore collected by Payee be credited on the principal balance of this Note (or, if this Note has been or would thereby be paid in full, refunded to Maker), and the provisions of this Note shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and under the Loan Agreement. All sums paid or agreed to be paid to Payee for the use, forbearance and detention of the indebtedness evidenced hereby and by the Loan Agreement shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the maximum rate permitted under applicable law from time to time in effect and applicable to the indebtedness evidenced hereby for so long as such indebtedness remains outstanding.

Maker and any endorsers, sureties or guarantors hereof jointly and severally waive presentment and demand for payment, protest and notice of protest and nonpayment, all applicable exemption rights, valuation and appraisal, notice of demand, and all other notices

in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note and the bringing of suit and diligence in taking any action to collect any sums owing hereunder or in proceeding against any of the rights and collateral securing payment hereof. Maker and any surety, endorser or guarantor hereof agree (a) that the time for any payments hereunder may be extended from time to time without notice and consent; (b) to the acceptance of further collateral; (c) to the release of any existing collateral for the payment of this Note; (d) to any and all renewals, waivers or modifications that may be granted by Payee with respect to the payment or other provisions of this Note; and/or (e) that additional makers, endorsers, guarantors or sureties may become parties hereto all without notice to them and without in any manner affecting their liability under or with respect to this Note. No extension of time for the payment of this Note shall affect the liability of Maker under this Note or any endorser or guarantor hereof even though Maker or such endorser or guarantor is not a party to such agreement.

Failure of Payee to exercise any of the options granted herein to Payee upon the happening of one or more of the events giving rise to such options shall not constitute a waiver of the right to exercise the same or any other option at any subsequent time in respect to the same or any other event. The acceptance by Payee of any payment hereunder that is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the options granted herein or in the Loan Agreement to Payee at that time or at any subsequent time or nullify any prior exercise of any such option without the express written acknowledgment of Payee.

Maker (and the undersigned representative of Maker, if any) represents that Maker has full power, authority and legal right to execute, deliver and perform its obligations pursuant to this Note and this Note constitutes the legal, valid and binding obligation of Maker.

All notices or other communications required or permitted to be given hereunder shall be given in the manner and be effective as specified in the Loan Agreement, directed to the parties at their respective addresses as provided therein.

This Note is governed by and interpreted in accordance with the internal laws of the State of Colorado, except to the extent superseded by federal law. Invalidity of any provisions of this Note will not affect any other provision.

Pursuant to Section 11-57-210 of the Colorado Revised Statutes, as amended, this Note is entered into pursuant to and under the authority of the Supplemental Public Securities Act, being Title 11, Article 57, of the Colorado Revised Statutes, as amended. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of this Note after delivery for value and shall conclusively impart full compliance with all provisions and limitations of said statutes, and this Note shall be incontestable for any cause whatsoever after delivery for value.

By acceptance of this instrument, the Payee agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Note contained herein, in the Authorizing Ordinance of the Maker authorizing the issuance of this Note and in the Agreement, as the same may be amended from time to time.

TO THE EXTENT PERMITTED BY LAW, MAKER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITUATED IN LARIMER COUNTY, COLORADO, AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, WITH REGARD TO ANY ACTIONS, CLAIMS, DISPUTES OR PROCEEDINGS RELATING TO THIS NOTE, THE LOAN AGREEMENT, THE NET PLEDGED REVENUES, ANY OTHER FINANCING DOCUMENT, OR ANY TRANSACTIONS ARISING THEREFROM, OR ENFORCEMENT AND/OR INTERPRETATION OF ANY OF THE FOREGOING.

TO THE EXTENT PERMITTED BY LAW, MAKER HEREBY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS NOTE, THE LOAN AGREEMENT, OR ANY OF THE OTHER FINANCING DOCUMENTS, THE OBLIGATIONS THEREUNDER, ANY COLLATERAL SECURING THE OBLIGATIONS, OR ANY TRANSACTION ARISING THEREFROM OR CONNECTED THERETO. MAKER REPRESENTS TO PAYEE THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

THE PROVISIONS OF THIS NOTE MAY BE AMENDED OR REVISED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY MAKER AND PAYEE. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND PAYEE WITH RESPECT TO THE SUBJECT MATTER HEREOF.

IN WITNESS WHEREOF, an authorized representative of City of Fort Collins, Colorado, Electric Utility Enterprise, as Maker, has executed this Note as of the day and year first above written.

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE

By _____
President

[SEAL]

Attest:

By _____
Secretary

EXHIBIT B

FORM OF ADVANCE REQUEST

City of Fort Collins, Colorado, Electric Utility Enterprise Loan Agreement

The undersigned certifies that he/she is an Authorized Person under that certain Loan Agreement dated as of December 17, 2019 (the "Agreement") by and between City of Fort Collins, Colorado, Electric Utility Enterprise and U.S. Bank National Association (the "Bank"). All capitalized terms used in this Advance Request ("Advance Request") shall have the respective meanings assigned in the Agreement.

The undersigned Authorized Person hereby makes a request to the Bank for an Advance on the Loan, and in support thereof states:

- (i) The amount of the Advance so requested is \$_____.
- (ii) Upon the funding of such Advance, the sum of all Advances will not exceed the Maximum Advance Amount of the Loan.
- (iii) At the time the requested Advance is to be made and as a result thereof, immediately thereafter, all representations and warranties of the Enterprise set forth in Article IV of the Loan Agreement are true and correct as though made on the date hereof and will be true and correct as though made on the Advance Date and no Event of Default shall have occurred and be continuing on the date hereof and on the Advance Date and no litigation is currently pending or threatened concerning the Enterprise's authority to pledge the Net Pledged Revenues as provided in the Loan Agreement.
- (iv) The outstanding Senior Debt is rated in one of its four highest rating categories by a national recognized organization which regularly rates obligations such as the Senior Debt
- (v) The requested Advance shall be made by the Bank by ACH batch transfer to the Enterprise in accordance with the instructions set forth below:

[Insert wire instructions]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____,
20__.

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE

By _____
Authorized Person

EXHIBIT C

FORM OF CONVERSION NOTICE

**City of Fort Collins, Colorado, Electric Utility Enterprise
Loan Agreement**

The undersigned certifies that he/she is an Authorized Person under that certain Loan Agreement dated as of December 17, 2019 (the "Agreement") by and between City of Fort Collins, Colorado, Electric Utility Enterprise and U.S. Bank National Association (the "Bank"). All capitalized terms used in this Conversion Notice have the respective meanings assigned in the Agreement.

You are hereby notified that the Enterprise has elected to convert the followings Advances to a Term Loan effective as of the ____ and maturing on ____, 20__ (which date is not later than the 8th anniversary of the Closing Date):

Advance Date

Outstanding Principal Amount

No Event of Default has occurred and is continuing under the Agreement.

All representations and certifications of Enterprise in the Agreement are true and correct as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____,
20__.

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE

By _____
Authorized Person

FIRST AMENDMENT TO LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT (this “First Amendment”) is made and entered into as of December 30, 2021, by and between **CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE**, an enterprise established and existing pursuant to the home rule charter of the City of Fort Collins, Colorado (the “Enterprise”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, in its capacity as lender (the “Lender”), and amends the Loan Agreement dated as of December 17, 2019 (the “Original Loan Agreement”) between the Enterprise and the Lender.

PREFACE

Except as provided in this First Amendment, all capitalized terms used herein will have the meanings ascribed to them in Article I of the Original Loan Agreement.

RECITALS

1. Pursuant to the Original Loan Agreement, the Lender agreed to make Loan to the Enterprise.
2. Section 2.07 provides that the Loan may be converted to one or more (but not more than four) Term Loans.
3. The Enterprise wishes to convert the Advances to two Term Loans.
4. NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the parties hereto agree as follows.

Section 1.01. Article I of the Original Loan Agreement is amended by adding the following terms:

“Conversion Date” means December 30, 2021.

“Three Year Term Loan” means a Term Loan in the principal amount of \$400,000.

“Three Year Term Loan Maturity Date” means December 1, 2024.

“Eight Year Term Loan” means a Term Loan in the principal amount of \$509,000.

“Eight Year Term Loan Maturity Date” means December 1, 2029.

Section 1.02. The following definitions in Article I of the Original Loan Agreement are amended as follows:

“Interest Payment Date” means, for Advances, the first Business Day of each month, commencing the first such day occurring after the Initial Advance, and continuing through and including the Advance Maturity Date and, for Term Loans, June 1 and

December 1, commencing the first such day occurring after the Conversion Date and continuing through and including the Term Loan Maturity Date.

"Interest Rate" means for Advances, a variable rate of interest equal to 76% of the Prime Rate, and for Three Year Term Loan means a fixed rate of 2.71% per annum and for the Eight Year Term Loan means a fixed rate of 3.90% per annum.

"Principal Payment Date" means December 1, commencing on the first such day occurring after the Conversion Date and continuing through and including the Term Loan Maturity Date.

"Term Loan Maturity Date" means the Three Year Term Loan Maturity Date or the Eight Year Term Loan Maturity Date, as the case may be.

Section 1.03. Except as provided in Section 2.02(b) of the Original Loan Agreement, principal and interest payments shall be due and payable on the dates and amounts set forth on Exhibit A hereto.

Section 1.04. This First Amendment shall hereafter form a part of the Original Loan Agreement and all the terms and conditions contained herein shall be deemed to be part of the Original Loan Agreement for any and all purposes. Except as expressly amended hereby, the Original Loan Agreement shall remain as originally executed, and is hereby ratified, approved and confirmed.

Section 1.05. This First Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

Section 1.06. This First Amendment shall be governed by and interpreted in accordance with the internal laws of the State of Colorado.

Section 1.07. This First Amendment shall become effective as of the date first above written.

IN WITNESS WHEREOF, the undersigned have executed this First Amendment to Loan Agreement as of the date set forth above.

U.S. BANK NATIONAL ASSOCIATION, as
Lender

By 

Title: Vice President

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE


By 
Treasurer

EXHIBIT A
(Amortization Schedule)

12/29/2021

U.S. Bank National Association - Commercial Loan Amortization Schedule

DISCLAIMER: The figures in this schedule are based on several assumptions pertaining to loan terms, funding and repayment and are for illustrative purposes only. For example, this amortization schedule assumes that all payments are made in a specified amount on exactly the date due (not early or late). In addition, any schedule that uses a 30/360 or 30/365 interest accrual basis whose funding occurs in a non 30 day month will potentially have the funding date adjusted to ensure accurate calculation. When funding occurs in the month of January, February, March, May, July, August, October or December the funding date is adjusted on the amortization schedule to reflect 30 days from the funding date to the first payment date. U.S. Bank does not guarantee the accuracy of these figures or the applicability of these figures to your circumstances. We encourage you to seek advice from qualified professionals regarding all finance issues. This document does not constitute a contract or commitment to lend by U.S. Bank. Neither this document nor any discussions relative to this document shall create any legal rights or obligations, implicit or explicit, in favor of any party. Any extension of credit by U.S. Bank requires credit approval and is not binding unless evidenced by loan documentation signed by all parties.

SPECIAL DISCLAIMER FOR ADJUSTABLE RATE LOANS: The amortization schedule below assumes that the interest rate will not change. If the agreed upon interest rate on the loan is an adjustable rate which is scheduled to be periodically reset during the term of the note, the schedule is subject to change. If the interest rate increases, your scheduled payment will be increased to maintain the amortization schedule upon which the initial payment amount was based. If the interest rate decreases, your scheduled payment will be decreased to maintain the amortization schedule upon which the initial payment amount was based.

Summary Information:

Amortization Schedule:	Separate Principal Plus Interest	Loan Amount:	\$400,000.00
Note Date/Interest Start Date/Advance Date:	12/30/2021	Maturity Date:	12/01/2024
Accrual Basis:	30/360	Number of Payments to Maturity:	8
Interest Rate:	2.71%		
Finance Charge:	\$20,867.00	Total Payments:	\$420,867.00
Date of First Interest Payment:	06/01/2022	Interest Payment Frequency:	Semi-Annually
Date of First Principal Payment:	12/01/2022	Principal Payment Frequency:	Annually
Principal Payment Amount:	\$133,333.33	Final Payment Amount:	\$135,140.01

Payment Detail:

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
2021 Totals:			\$0.00	\$0.00	\$0.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
1	06/01/2022		\$4,607.00	\$4,607.00	\$0.00	\$400,000.00
2	12/01/2022		\$5,420.00	\$5,420.00	\$0.00	\$400,000.00
3	12/01/2022		\$133,333.33	\$0.00	\$133,333.33	\$266,666.67
2022 Totals:			\$143,360.33	\$10,027.00	\$133,333.33	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
4	06/01/2023		\$3,613.33	\$3,613.33	\$0.00	\$266,666.67
5	12/01/2023		\$3,613.33	\$3,613.33	\$0.00	\$266,666.67
6	12/01/2023		\$133,333.33	\$0.00	\$133,333.33	\$133,333.34
2023 Totals:			\$140,559.99	\$7,226.66	\$133,333.33	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
7	06/01/2024		\$1,806.67	\$1,806.67	\$0.00	\$133,333.34
8	12/01/2024		\$135,140.01	\$1,806.67	\$133,333.34	\$0.00
2024 Totals:			\$136,946.68	\$3,613.34	\$133,333.34	
Final Totals:			\$420,867.00	\$20,867.00	\$400,000.00	

12/29/2021

U.S. Bank National Association - Commercial Loan Amortization Schedule

DISCLAIMER: The figures in this schedule are based on several assumptions pertaining to loan terms, funding and repayment and are for illustrative purposes only. For example, this amortization schedule assumes that all payments are made in a specified amount on exactly the date due (not early or late). In addition, any schedule that uses a 30/360 or 30/365 interest accrual basis whose funding occurs in a non 30 day month will potentially have the funding date adjusted to ensure accurate calculation. When funding occurs in the month of January, February, March, May, July, August, October or December the funding date is adjusted on the amortization schedule to reflect 30 days from the funding date to the first payment date. U.S. Bank does not guarantee the accuracy of these figures or the applicability of these figures to your circumstances. We encourage you to seek advice from qualified professionals regarding all finance issues. This document does not constitute a contract or commitment to lend by U.S. Bank. Neither this document nor any discussions relative to this document shall create any legal rights or obligations, implicit or explicit, in favor of any party. Any extension of credit by U.S. Bank requires credit approval and is not binding unless evidenced by loan documentation signed by all parties.

SPECIAL DISCLAIMER FOR ADJUSTABLE RATE LOANS: The amortization schedule below assumes that the interest rate will not change. If the agreed upon interest rate on the loan is an adjustable rate which is scheduled to be periodically reset during the term of the note, the schedule is subject to change. **If the interest rate increases, your scheduled payment will be increased to maintain the amortization schedule upon which the initial payment amount was based. If the interest rate decreases, your scheduled payment will be decreased to maintain the amortization schedule upon which the initial payment amount was based.**

Summary Information:

Amortization Schedule:	Separate Principal Plus Interest	Loan Amount:	\$509,000.00
Note Date/Interest Start Date/Advance Date:	12/30/2021	Maturity Date:	12/01/2029
Accrual Basis:	30/360	Number of Payments to Maturity:	23
Interest Rate:	3.90%		
Finance Charge:	\$87,840.70	Total Payments:	\$596,840.70
Date of First Interest Payment:	06/01/2022	Interest Payment Frequency:	Semi-Annually
Date of First Principal Payment:	12/01/2022	Principal Payment Frequency:	Annually
Principal Payment Amount:	\$63,625.00	Final Payment Amount:	\$64,865.69

Payment Detail:

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
2021 Totals:			\$0.00	\$0.00	\$0.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
1	06/01/2022		\$8,436.68	\$8,436.68	\$0.00	\$509,000.00
2	12/01/2022		\$9,925.50	\$9,925.50	\$0.00	\$509,000.00
3	12/01/2022		\$63,625.00	\$0.00	\$63,625.00	\$445,375.00
2022 Totals:			\$81,987.18	\$18,362.18	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
4	06/01/2023		\$8,684.81	\$8,684.81	\$0.00	\$445,375.00
5	12/01/2023		\$8,684.81	\$8,684.81	\$0.00	\$445,375.00
6	12/01/2023		\$63,625.00	\$0.00	\$63,625.00	\$381,750.00
2023 Totals:			\$80,994.62	\$17,369.62	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
7	06/01/2024		\$7,444.13	\$7,444.13	\$0.00	\$381,750.00
8	12/01/2024		\$7,444.13	\$7,444.13	\$0.00	\$381,750.00
9	12/01/2024		\$63,625.00	\$0.00	\$63,625.00	\$318,125.00
2024 Totals:			\$78,513.26	\$14,888.26	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
10	06/01/2025		\$6,203.44	\$6,203.44	\$0.00	\$318,125.00
11	12/01/2025		\$6,203.44	\$6,203.44	\$0.00	\$318,125.00
12	12/01/2025		\$63,625.00	\$0.00	\$63,625.00	\$254,500.00
2025 Totals:			\$76,031.88	\$12,406.88	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
13	06/01/2026		\$4,962.75	\$4,962.75	\$0.00	\$254,500.00
14	12/01/2026		\$4,962.75	\$4,962.75	\$0.00	\$254,500.00
15	12/01/2026		\$63,625.00	\$0.00	\$63,625.00	\$190,875.00
2026 Totals:			\$73,550.50	\$9,925.50	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
16	06/01/2027		\$3,722.06	\$3,722.06	\$0.00	\$190,875.00
17	12/01/2027		\$3,722.06	\$3,722.06	\$0.00	\$190,875.00
18	12/01/2027		\$63,625.00	\$0.00	\$63,625.00	\$127,250.00
2027 Totals:			\$71,069.12	\$7,444.12	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
19	06/01/2028		\$2,481.38	\$2,481.38	\$0.00	\$127,250.00
20	12/01/2028		\$2,481.38	\$2,481.38	\$0.00	\$127,250.00
21	12/01/2028		\$63,625.00	\$0.00	\$63,625.00	\$63,625.00
2028 Totals:			\$68,587.76	\$4,962.76	\$63,625.00	

Payment Number	Payment Date	Elapsed Days	Payment Total	Interest Payment	Principal Payment	Principal Balance
22	06/01/2029		\$1,240.69	\$1,240.69	\$0.00	\$63,625.00
23	12/01/2029		\$64,865.69	\$1,240.69	\$63,625.00	\$0.00
2029 Totals:			\$66,106.38	\$2,481.38	\$63,625.00	

Final Totals:			\$596,840.70	\$87,840.70	\$509,000.00	
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LOAN AGREEMENT

by and between

CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE

AND

ZB, N.A., DBA VECTRA BANK COLORADO

Relating to:

Not to exceed \$2,500,000 2020 Taxable Subordinate Lien Revenue Note

Dated as of April 17, 2020

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EXHIBIT A FORM OF 2020 NOTE

EXHIBIT B FORM OF ADVANCE REQUEST

LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”) is made and entered into as of April 17, 2020, by and between **CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE**, an enterprise established and existing pursuant to the home rule charter of the City of Fort Collins, Colorado (the “Enterprise”), and **ZB, N.A., DBA VECTRA BANK COLORADO**, a national banking association, in its capacity as lender (the “Bank”).

WITNESSETH:

WHEREAS, the City of Fort Collins, Colorado (the “City”) is a duly organized and existing home rule municipality of the State of Colorado, created and operating pursuant to Article XX of the Constitution of the State of Colorado and the home rule charter of the City (the “Charter”); and

WHEREAS, the members of the City Council of the City (the “Council”) have been duly elected and qualified; and

WHEREAS, Section 19.3(b) of the Charter Article V (“Section 19.3(b)”) provides that the Council may, by ordinance establish the City’s electric utility (the “Utility”) as an enterprise of the City; and

WHEREAS, pursuant to Section 19.3(b), the Council has heretofore established the Utility as an enterprise of the City (the “Enterprise”) in ordinances codified in Section 26-392 of the Code of the City of Fort Collins (“Section 26-392”); and

WHEREAS, pursuant to Section 19.3(b) and Section 26-392, the Council has authorized the Enterprise, by and through the Council, sitting as the board of the Enterprise (the “Board”), to issue revenue and refunding securities and other debt; and

WHEREAS, the Enterprise has established a program (the “Epic Program”) to assist certain customers of the Utility in financing home energy efficiency and renewable energy improvements by making loans to customers who are property owners (“Epic Loans”); and

WHEREAS, the Board has determined that in order to finance Epic Loans (the “Project”), it is necessary and advisable and in the best interests of the Enterprise (i) to enter into this Agreement with the Bank pursuant to which the Bank shall loan the Enterprise an amount of not to exceed \$2,500,000 (the “Loan”) for such purposes, and (ii) to issue a promissory note (the “Note”) to the Bank to evidence the Enterprise’s repayment obligations under this Agreement; and

WHEREAS, the Enterprise has previously issued its “City of Fort Collins, Colorado, Electric Utility Enterprise, Tax-Exempt Revenue Bonds, Series 2018A” (the “2018A Bonds”) and its “City of Fort Collins, Colorado, Electric Utility Enterprise, Taxable Revenue Bonds, Series 2018B” (the “2018B Bonds” and, together with the 2018A Bonds, the “2018 Bonds”) which are payable from a secured by a lien on the Net Pledged Revenues (as herein defined); and

WHEREAS, the Enterprise has previously issued in 2019 its “City of Fort Collins, Colorado, Electric Utility Enterprise, Taxable Subordinate Lien Revenue Note in an amount not to exceed \$2,500,000 (the “2019 Note”) which is payable from a secured by a subordinate lien on the Net Pledged Revenues; and

WHEREAS, except for the 2018 Bonds and the 2019 Note, neither the City nor the Enterprise has pledged or hypothecated the Gross Net Pledged Revenues (as herein defined) to the payment of any bonds or for any other purpose, with the result that the Net Pledged Revenues may now be pledged lawfully and irrevocably to the payment of the Loan which pledge will be subordinate to the pledge of Net Pledged Revenues to the payment of the 2018 Bonds and on a parity with the 2019 Note; and

WHEREAS, the Bank is willing to enter into this Agreement and to make the Loan to the Enterprise pursuant to the terms and conditions stated below; and

WHEREAS, the Loan shall be payable from and secured by the Net Pledged Revenues on a parity basis with the 2019 Note as more fully set forth herein;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Words and terms defined in the recitals hereof, as hereby supplemented and amended, shall have the same meanings herein or therein assigned to them, unless the context or use indicates another meaning or intent, and except to the extent amended by the definitions hereinafter set forth. In addition, the following terms shall have the meanings set forth herein:

“*2018 Bond Ordinance*” means the ordinance of the Enterprise which provides for the issuance and delivery of the 2018A Bonds and 2018B Bonds.

“*2018A Bonds*” means the Enterprise’s Tax-Exempt Revenue Bonds, Series 2018A.

“*2018B Bonds*” means the Enterprise’s Taxable Revenue Bonds, Series 2018B.

“*2019 Note*” means the City of Fort Collins, Colorado, Electric Utility Enterprise not to exceed \$2,500,000 2019 Taxable Subordinate Lien Revenue Note evidencing the Loan from the Enterprise, as maker, to US Bank, N.A. as payee.

“*2020 Note*” or “*Note*” means the City of Fort Collins, Colorado, Electric Utility Enterprise not to exceed \$2,500,000 2020 Taxable Subordinate Lien Revenue Note evidencing the Loan from the Enterprise, as maker, to the Bank, as payee.

“*Advance*” means a disbursement of proceeds of the Unfunded Portion of the Loan pursuant to the terms hereof.

“Advance Period” means the period commencing on the date of the Closing Date and terminating on the second anniversary of the Closing Date unless terminated or extended as provided herein.

“Advance Termination Date” means the earlier to occur of (a) the Full Funding Date; (b) the date which is the last day of the Advance Period or (c) a date determined by the Enterprise and provided in writing to the Bank.

“Authorized Person” means the President of the Enterprise or the Treasurer of the Enterprise and also means any other individual authorized by the President to act as an Authorized Person hereunder.

“Authorizing Ordinance” means the Ordinance adopted by the Board on April 7, 2020 authorizing the Enterprise to finance the Project, enter into the Loan and execute and deliver the Note, this Agreement, and the other Financing Documents.

“Bank” means ZB, N.A., dba Vectra Bank Colorado, a national banking association, in its capacity as lender of the Loan.

“Business Day” means any day of the week on which the Bank is conducting its banking operations nationally and on which day the Bank’s offices are open for business in Denver, Colorado.

“Capital Improvements” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and those property improvements or any combination of property improvements which will constitute enlargements, extensions or betterments to the System and will be incorporated into the System.

“Closing” means the date of the execution and delivery of the Note, this Agreement, and the other Financing Documents by the respective parties thereto.

“Closing Date” means date of the Closing for the Loan.

“Commitment Fee” has the meaning set forth in Section 2.01(d) hereof.

“C.R.S.” means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

“Debt” means, without duplication, all of the following obligations of the Enterprise for the payment of which the Enterprise has promised or is required to pay from the Net Pledged Revenues: (a) borrowed money of any kind; (b) obligations evidenced by bonds, debentures, notes or similar instruments; (c) obligations upon which interest charges are customarily paid; (d) obligations arising from guarantees made by the Enterprise; (e) obligations as an account party in respect of letters of credit and bankers’ acceptances or similar obligations issued in respect of the Enterprise; and (f) obligations evidenced by any interest rate exchange agreement; provided that notwithstanding the foregoing, the term “Debt” does not include obligations issued for any purpose, the repayment of which is contingent upon the Enterprise’s annual determination to appropriate moneys therefore.

“Default Interest Rate” means a rate per annum equal to the lesser of the sum of the Wall Street Journal Prime Rate plus 4% or the Maximum Rate.

“Electronic Notification” means telecopy, facsimile transmissions, email transmissions or other similar electronic means of communication providing evidence of transmission.

“Event of Default” has the meaning set forth in Section 7.01 hereof.

“Financing Documents” means this Agreement, the Note, the Authorizing Ordinance, and any other document or instrument required or stated to be delivered hereunder or thereunder, all in form and substance satisfactory to the Bank.

“Fiscal Year” means the 12 months commencing January 1 of any year and ending December 31 of such year.

“Full Funding Date” means the date on which, if at all, the aggregate amount of all Advances equals the Maximum Advance Amount.

“Gross Pledged Revenues” means all rates, fees, charges and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the System, or any part thereof, whether resulting from Capital Improvements or otherwise, and includes all rates, fees, charges and revenues received by the City from the System, including without limitation:

(a) All rates, fees and other charges for the use of the System, or for any service rendered by the City or the Enterprise in the operation thereof, directly or indirectly, the availability of any such service, or the sale or other disposal of any commodities derived therefrom, including, without limitation, connection charges, but:

(i) Excluding any moneys borrowed and used for the acquisition of Capital Improvements or for the refunding of securities, and all income or other gain from any investment of such borrowed moneys; and

(ii) Excluding any moneys received as grants, appropriations or gifts from the Federal Government, the State, or other sources, the use of which is limited by the grantor or donor to the construction of Capital Improvements, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom; and

(b) All income or other gain from any investment of Gross Pledged Revenues (including without limitation the income or gain from any investment of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in any project fund, construction fund, reserve fund, or any escrow fund for any Parity Bonds payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues); and

(c) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are lawfully extended by the Board or by the qualified electors of the City; and

(d) All revenues which the Enterprise receives from the repayment of Epic Loans.

“Initial Advance” means the first Advance made by the Bank to the Enterprise pursuant to Section 2.06 hereof.

“Interest Payment Date” means the first Business Day of each month, commencing the first such day occurring after the Initial Advance continuing through and including the Maturity Date.

“Interest Rate” means fixed rate of interest equal to 3.38% per annum.

“Light and Power Fund” means the special fund of that name heretofore created by the City pursuant to Section 8-77 of the Code of the City of Fort Collins.

“Loan” means the Loan Amount bearing interest pursuant to the terms of this Agreement.

“Loan Amount” means, with respect to the Loan, a maximum amount of Two Million Five Hundred Thousand and 00/100 U.S. Dollars (\$2,500,000), or such lesser amount that has been Advanced by the Bank from time to time in accordance with the terms and provisions of this Agreement.

“Material Adverse Effect” means a material adverse effect on (a) the business, property, liabilities (actual and contingent), operations or condition (financial or otherwise), results of operations, or prospects of the Enterprise taken as a whole, (b) the ability of the Enterprise to perform its obligation under this Agreement, or (c) the validity or enforceability of this Agreement or the rights or remedies of the Bank under this Agreement.

“Maturity Date” means April 17, 2037.

“Maximum Advance Amount” means, with respect to the 2020 Note, \$2,500,000.

“Maximum Rate” means 18% per annum.

“Net Pledged Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses of the System.

“Operation and Maintenance Expenses” means such reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the System including, except as limited by contract or otherwise limited by law, without limiting the generality of the foregoing:

(a) All payments made to the Platte River Power Authority, a wholesale electricity provider that acquires, constructs and operates generation capacity for the City, or its successor in function;

(b) Engineering, auditing, legal and other overhead expenses directly related and reasonably allocable to the administration, operation and maintenance of the System;

(c) Insurance and surety bond premiums appertaining to the System;

(d) The reasonable charges of any paying agent, registrar, transfer agent, depository or escrow agent appertaining to the System or any bonds or other securities issued therefor;

(e) Annual payments to pension, retirement, health and hospitalization funds appertaining to the System;

(f) Any taxes, assessments, franchise fees or other charges or payments in lieu of the foregoing;

(g) Ordinary and current rentals of equipment or other property;

(h) Contractual services, professional services, salaries, administrative expenses, and costs of labor appertaining to the System and the cost of materials and supplies used for current operation of the System;

(i) The costs incurred in the billing and collection of all or any part of the Gross Pledged Revenues; and

(j) Any costs of utility services furnished to the System by the City or otherwise.

“Operation and Maintenance Expenses” does not include:

(a) Any allowance for depreciation;

(b) Any costs of reconstruction, improvement, extensions, or betterments, including without limitation any costs of Capital Improvements;

(c) Any accumulation of reserves for capital replacements;

(d) Any reserves for operation, maintenance, or repair of the System;

(e) Any allowance for the redemption of any bonds or other securities payable from the Net Pledged Revenues or the payment of any interest thereon;

(f) Any liabilities incurred in the acquisition of any properties comprising the System; and

(g) Any other ground of legal liability not based on contract.

“*Parity Debt*” means any obligations of the Enterprise payable from and with a lien on the Net Pledged Revenues on a parity basis with the 2019 Note and the 2020 Note.

“*Permitted Investments*” means any investment or deposit permissible under then applicable law for governmental entities such as the Enterprise.

“*Person*” means an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“*Prime Rate*” means a variable per annum rate of interest equal at all times to the rate of interest established and quoted by the Bank as its “Prime Rate,” “Base Rate” or “Reference Rate,” such rate to change contemporaneously with each change in such established and quoted rate, provided that it is understood that the Prime Rate shall not necessarily be representative of the rate of interest actually charged by the Bank on any loan or class of loans.

“*Principal Payment Date*” means the first Business Day of each month, commencing the first such day occurring after the conversion to a term loan pursuant to Section 2.07 hereof and continuing through and including the Maturity Date.

“*Senior Debt*” means the 2018A Bonds, the 2018B Bonds, and any obligations of the Enterprise payable from and with a lien on the Net Pledged Revenues on a basis superior to the 2020 Note.

“*Supplemental Public Securities Act*” means Title 11, Article 57, C.R.S.

“*System*” means the City’s electric distribution system that furnishes electricity and related services and excludes the City’s broadband system using fiber-optic technology. The System consists of all properties, real, personal, mixed and otherwise, now owned or hereafter acquired by the City, through purchase, construction and otherwise, and used in connection with such system of the City, and in any way pertaining thereto and consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, whether situated within or without the City boundaries, used in connection with such system of the City, and in any way appertaining thereto, including all present or future improvements, extensions, enlargements, betterments, replacements or additions thereof or thereto and administrative facilities.

“*Unfunded Portion*” means, as of any date, an amount equal to the Maximum Advance Amount, less the total amount of all Advances funded as of such date, less any reduction of the Unfunded Portion made pursuant to Section 2.01 hereof.

“*Wall Street Journal Prime Rate*” means the Wall Street Journal Prime Rate quoted by the Bank from the Wall Street Journal or any successor thereto.

ARTICLE II

LOAN

Section 2.01. Loan.

(a) **Agreement to Make Loan.** The Bank hereby agrees to extend the Loan to the Enterprise in the maximum aggregate principal amount of \$2,500,000 subject to the terms and conditions of this Agreement. The Loan shall be evidenced by the 2020 Note, the form of which is set forth in Exhibit A attached hereto.

(b) **Advances.** Subject to the terms and conditions of this Agreement, including without limitation satisfaction of the conditions set forth in Section 2.06 hereof and upon delivery to the Bank of an Advance Request in the form of Exhibit B hereto, the Bank hereby agrees to make Advances to the Enterprise from time to time during the Advance Period in the aggregate original principal amounts not to exceed \$2,500,000 with respect to the Loan (as more particularly defined in Article I hereof, the "Maximum Advance Amount"). On the Advance Termination Date, the Unfunded Portion shall be reduced to zero and no further Advances will be made hereunder.

(c) **Note.** The Loan shall be evidenced by the 2020 Note. On the Closing Date, the Enterprise shall execute and deliver the 2020 Note payable to the Bank, in substantially the form set forth in Exhibit A attached hereto. The Enterprise shall maintain a book for the registration of ownership of the 2020 Note. Upon any transfer of the 2020 Note as provided herein, such transfer shall be entered on such registration books of the Enterprise.

With respect to each Advance funded by the Bank from time to time hereunder, the Bank shall maintain, in accordance with its usual practices, records evidencing the indebtedness resulting from each such Advance and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of any Advance or the Loan, the entries made in such records shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded. The Note shall evidence the obligation of the Enterprise to pay the Loan and shall evidence the obligation of the Enterprise to pay the principal amount of each Advance funded by the Bank hereunder, as such amounts are outstanding from time to time, and accrued interest

(d) **Commitment Fee.** The Enterprise shall pay to the Bank a nonrefundable fee (the "Commitment Fee"), which shall be in the amount of 0.005% (\$12,500) of the maximum aggregate principal amount of the Loan. The Commitment Fee shall be paid on the Closing Date.

(e) **Application of Loan Proceeds.** The Enterprise shall apply the proceeds of each Advance to pay the costs of the Project.

(f) ***Special Obligations.*** All amounts due under this Agreement or the 2020 Note shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are hereby so pledged which pledge is in all respects subordinate to the pledge and lien thereon of the Senior Debt at any time outstanding. The Bank may not look to any general or other fund for the payment of such amounts; this Agreement and the 2020 Note shall not constitute a debt or indebtedness within the meaning of any constitutional, charter, or statutory provision or limitation; and this Agreement and the 2020 Note shall not be considered or held to be general obligations of the Enterprise or the City but shall constitute special obligations of the Enterprise. No statutory or constitutional provision enacted after the execution and delivery of this Agreement or the 2020 Note shall in any manner be construed as limiting or impairing the obligation of the Enterprise to comply with the provisions of this Agreement or the 2020 Note. None of the covenants, agreements, representations and warranties contained herein or in the 2020 Note shall ever impose or shall be construed as imposing any liability, obligation or charge against the Enterprise or the City (except the Net Pledged Revenues and the special funds pledged therefor), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefor). The payment of the amounts due under this Agreement or the 2020 Note is not secured by an encumbrance, mortgage or other pledge of property of the City or the Enterprise, except for the Net Pledged Revenues. No property of the City or the Enterprise, subject to such exception, shall be liable to be forfeited or taken in payment of such amounts.

Section 2.02. Interest Rate; Interest Payments; Principal Payments.

(a) ***Interest Rate.*** The unpaid principal balance of the Loan will bear interest at the Interest Rate. All interest due and payable under this Agreement shall be calculated on the basis of actual interest due based on a 360-day year. Interest payments on the Loan shall be due on each Interest Payment Date and on the Maturity Date.

(b) ***Default Interest Rate.*** Immediately upon the occurrence of an Event of Default or upon the Maturity Date, interest shall begin to accrue on all principal amounts owing on the Loan at the Default Interest Rate for so long as such Event of Default continues and remains uncured or, if after the Maturity Date, for so long as amounts due on the Loan remain unpaid.

(c) ***Principal Payments.*** Repayment of principal amounts owing under the Loan shall occur on each Principal Payment Date. During the Advance Period, no principal amounts shall be due on the Loan.

(d) ***Prepayment.*** The Loan may be prepaid, in whole or in part, at the option of the Enterprise, at a prepayment price equal to the principal amount so prepaid, plus accrued interest to the prepayment date and the prepayment fee set forth below. Any prepayment under this paragraph shall only be made after the Enterprise gives two Business Days written notice to the Bank. The following prepayment fee shall apply:

(i) April 17, 2025 to April 16, 2027; a prepayment fee equal to 1% of the outstanding balance of the Loan; and

(ii) On any date after April 17, 2027; no prepayment fee shall be due.

(iii) Notwithstanding the foregoing, if on December 2 of each year any revenue of the EPIC Program applicable to Long-Term portion of the EPIC Program is available for repayment of the Loan, the Enterprise may deem such amounts “excess revenue” and prepay the Loan without penalty on or before December 15 of each year upon written notice to the Bank two Business Days in advance of such prepayment.

(e) ***Obligations Unconditional.*** The Enterprise’s obligation to repay the Loan hereunder and all of its other obligations under this Agreement shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Enterprise may have against the Bank or any other Person, including, without limitation, any defense based on the failure of any nonapplication or misapplication of the proceeds of the Loan hereunder, and irrespective of the legality, validity, regularity or enforceability of all or any of the Financing Documents, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Bank explicitly reciting the release or discharge of any such obligation), or any consent to, or departure from, all or any of the Financing Documents or any exchange, release, or nonperfection of any collateral securing the obligations of the Enterprise hereunder and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing; provided, however, that nothing contained in this Section 2.02(e) shall abrogate or otherwise affect the rights of the Enterprise pursuant to Section 8.05 hereof.

(f) ***Waivers, Etc.*** To the full extent permitted by law: (i) the Enterprise hereby waives (A) presentment, demand, notice of demand, protest, notice of protest, notice of dishonor and notice of nonpayment; (B) to the extent the Bank is not in default hereunder, the right, if any, to the benefit of, or to direct application of, any security hypothecated to the Bank until all obligations of the Enterprise to the Bank hereunder, howsoever arising, have been paid; (C) the right to require the Bank to proceed against the Enterprise hereunder, or against any Person under any guaranty or similar arrangement, or under any agreement between the Bank and any Person or to pursue any other remedy in the Bank’s power; and (D) any defense arising out of the election by the Bank to foreclose on any security by one or more non-judicial or judicial sales; (ii) the Bank may exercise any other right or remedy, even though any such election operates to impair or extinguish the Enterprise’s right to repayment from, or any other right or remedy it may have against, any Person, or any security; and (iii) the Enterprise agrees that the Bank may proceed against the Enterprise or any Person directly and independently of any other, and that any forbearance, change of rate of interest, or acceptance, release or substitution of any security, guaranty, or loan or change of any term or condition thereunder or under any Financing Document (other than by mutual agreement between the Enterprise and the Bank) shall not in any way affect the liability of the Enterprise hereunder.

(g) ***Manner of Payments.*** All interest, fees, and other payments to be made hereunder by or on behalf of the Enterprise to the Bank shall be made, and shall not be considered made until received, in United States dollars in immediately available funds. The Enterprise shall make each payment hereunder in the manner and at the time necessary so that each such payment is received by the Bank not later than 12:00 p.m., Colorado time, on the day when due in lawful money of the United States of America in immediately available funds. Any payment received after 12:00 p.m., Colorado time, shall be deemed made on the next succeeding Business Day. All payments made hereunder by or on behalf of the Enterprise to the Bank shall be applied to such amounts due hereunder and under the Financing Documents in the following order: first, to unpaid Commitment Fee, second, to accrued but unpaid interest, third, to principal and, fourth, to any other amounts due hereunder.

(h) ***Default Interest Rate; Calculation of Interest and Fees.*** All interest and fees due and payable under this Agreement shall be calculated on the basis of actual interest due based on a 360-day year. Any sum due to the Bank and not paid when due and any sum due to the Bank upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Interest Rate.

Section 2.03. Costs, Expenses and Taxes. The Enterprise agrees to pay all reasonable costs and expenses actually incurred by the Bank in connection with (a) the preparation, execution and delivery of this Agreement or any other documents, including the other Financing Documents, which may be delivered by any party in connection with this Agreement and the other Financing Document, and (b) the filing, recording, administration (other than normal, routine administration), enforcement, transfer, amendment, maintenance, renewal or cancellation of this Agreement and all amendments or modifications thereto (or supplements hereto), including, without limitation, the reasonable fees and out of pocket expenses of counsel for the Bank and independent public accountants and other outside experts retained by the Bank in connection with any of the foregoing; and. In addition, the Enterprise agrees to pay promptly all reasonable costs and expenses of the Bank, including, without limitation, the actual, reasonable fees and expenses of external counsel, for (i) any and all amounts which the Bank has paid relative to the Bank's curing of any Event of Default under this Agreement or any of the Financing Documents; (ii) the enforcement of this Agreement or any of the Financing Documents; or (iii) any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Bank from paying any amount hereunder. Without prejudice to the survival of any other agreement of the Enterprise hereunder, the agreements and obligations contained in this Section 2.03 shall survive the payment in full of all amounts owing to the Bank hereunder.

Section 2.04. Pledge. The Enterprise hereby pledges, assigns and grants to the Bank a lien in the Net Pledged Revenues, which is subordinate to the lien which is pledged to secure the payment of Senior Debt but on a pari passu basis with the Parity Debt, to secure its obligations to the Bank hereunder and under the other Financing Documents. The lien of the Bank on the Net Pledged Revenues hereunder shall be subject to no other liens except those liens granted on the Net Pledged Revenues to any Senior Debt heretofore or hereafter issued in accordance with the terms hereof and the Subordinate Debt. The Enterprise represents and warrants that, except for

the Senior Debt, the Net Pledged Revenues is not and shall not be subject to any other lien or encumbrance without the prior written consent of the Bank except as otherwise permitted pursuant to this Agreement.

Section 2.05. Conditions to Closing. The Closing on the Loan is conditioned upon the satisfaction of each of the following:

(a) all Financing Documents and other instruments applicable to the Loan are in form and content satisfactory to the Bank and have been duly executed and delivered in form and substance satisfactory to the Bank and shall have not been modified, amended or rescinded, shall be in full force and effect on and as of the Closing Date and executed original or certified copies of each thereof shall have been delivered to the Bank;

(b) the Bank has received a certified copy of the Authorizing Ordinance of the Enterprise, which shall be in form and content satisfactory to the Bank and authorize the Enterprise to finance the Project, obtain the Loan and perform all acts contemplated by this Agreement and all other Financing Documents; and a certified copy of all other ordinances, resolutions and proceedings taken by the Enterprise authorizing the Enterprise to finance the Project, obtain the Loan and the execution, delivery and performance of this Agreement and the other Financing Documents and the transactions contemplated hereunder and thereunder, together with such other certifications as to the specimen signatures of the officers of the Enterprise authorized to sign this Agreement and the other Financing Documents to be delivered by the Enterprise hereunder and as to other matters of fact as shall reasonably be requested by the Bank;

(c) the Enterprise has provided a certificate certifying that on the Closing Date each representation and warranty on the part of the Enterprise contained in this Agreement and in any other Financing Document is true and correct and no Event of Default, or event which would, with the passage of time or the giving of notice, constitute an Event of Default, has occurred and is continuing and no default exists under any other Financing Documents, or under any other agreements by and between the Enterprise and the Bank and certifying as to such other matters as the Bank might reasonably request;

(d) the Enterprise has provided a certificate certifying that the only Senior Debt outstanding as of the Closing Date is the 2018A Bonds and the 2018B Bonds and that no Parity Debt (other than the 2019 Note) is outstanding as of the Closing Date;

(e) the Bank shall have received the opinion of Butler Snow LLP to the effect that (i) the obligation of the Enterprise to pay the principal of and interest on the Loan constitutes a valid and binding special obligation of the Enterprise payable solely from the Net Pledged Revenues with a lien on the Net Pledged Revenues which is subordinate to the lien thereon of the Senior Debt, and (ii) this Agreement and the Note are valid and binding obligations of the Enterprise, enforceable against the Enterprise in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity;

(f) all proceedings taken in connection with the transactions contemplated by this Agreement, and all instruments, authorizations and other documents applicable thereto, are satisfactory to the Bank and its counsel;

(g) no law, regulation, ruling or other action of the United States, the State of Colorado or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Enterprise from fulfilling its obligations under this Agreement or the other Financing Documents;

(h) all Bank counsel fees and any other fees and expenses due and payable in connection with the execution and delivery of this Agreement shall have been paid by the Enterprise upon execution and delivery of this Agreement;

(i) the Bank shall have been provided with the opportunity to review all pertinent financial information regarding the Enterprise, agreements, documents, and any other material information relating to the Enterprise or the Net Pledged Revenues or any other component of the collateral securing the obligations of the Enterprise hereunder;

(j) all information provided by the Enterprise to the Bank is accurate in all respects;

(k) the Bank shall have received such other certificates, approvals, filings, opinions and documents as shall be reasonably requested by the Bank;

(l) all other legal matters pertaining to the execution and delivery of this Agreement and the other Financing Documents shall be reasonably satisfactory to the Bank.

Section 2.06. Procedure for Requesting and Funding Advances.

(a) ***Conditions to Funding Advances.*** No Advance shall be requested by the Enterprise and the Bank shall have no obligation to honor an Advance Request except in accordance with the provisions and upon fulfillment of the terms and conditions set forth in this Agreement. The funding by the Bank of each Advance is conditioned upon the satisfaction of each of the following, each of which shall be satisfactory in all respects to the Bank:

(i) ***Advance Frequency.*** Advance Requests may only be made during the Advance Period and shall be submitted to the Bank no more than once in any calendar month, unless permitted more frequently by the Bank. Advances shall be made in amounts of \$75,000 or more.

(ii) ***Representations and Warranties True; No Default.*** At the time any Advance is to be made and as a result thereof, immediately thereafter, all representations and warranties of the Enterprise set forth in Article IV are true and correct as though made on the date of such Advance Request and on the date when such Advance is funded and no Event of Default hereunder has occurred

and is continuing and no litigation is then pending or threatened concerning the Enterprise's authority to pledge the Net Pledged Revenues as provided herein, and the Enterprise shall deliver an executed certificate of an Authorized Person to such effect in connection with each Advance in substantially the form of Exhibit B.

(iii) *Payments Current.* The Enterprise shall be current on all of its obligations hereunder.

(iv) *Advance Request.* The Bank shall have received an Advance Request from the Enterprise, the form of which is attached hereto as Exhibit B (each, an "Advance Request"), signed by the Authorized Person of the Enterprise and containing the calculation of the amount of such Advance requested by the Enterprise.

(v) *Amount of Advance.* The amount of the requested Advance, when combined with the sum of all prior Advances made hereunder shall not exceed the Maximum Advance Amount for the Loan. From each Advance the Bank will transfer amounts as specified in each Advance Request.

(vi) *Material Adverse Changes.* Since December 31, 2018, there has been no change in the business, property, prospects, condition (financial or otherwise) or results of operations of the Enterprise which could reasonably be expected to have a Material Adverse Effect.

(vii) *Other Conditions Precedent to Funding Each Advance.* No Advance shall be requested or made after the Advance Termination Date.

(b) *Funding of Advances.* Provided that the conditions set forth in Section 2.06(a) above are satisfied, within 2 days of receipt by the Bank of an Advance Request signed by the Authorized Person, the Bank shall provide the amount of such Advance to the Enterprise at such depository as the Enterprise may direct.

Section 2.07. Conversion to Amortizing Term Loan. Provided that (i) no Event of Default shall have occurred and be continuing (ii) all representations and certifications and agreements herein are then true and correct, and (iii) the outstanding Senior Debt is rated in one of its four highest rating categories by a national recognized organization which regularly rates obligations such as the Senior Debt on the Advance Loan Maturity Date the Loan shall convert to a term loan (a "Term Loan") that shall be payable in full by no later than the 17th anniversary of the Closing Date. The Term Loan shall bear interest at the Interest Rate pursuant to an amortization schedule provided by the Bank on or before the Advance Termination Date providing for substantially level debt service.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Light and Power Fund. So long as this Agreement is in effect, the entire Gross Pledged Revenues, upon their receipt from time to time by the Enterprise, shall be set aside and credited immediately to the Light and Power Fund. In each month, after making in full all deposits or payments required in connection with the Senior Debt, the Enterprise shall pay to the Bank from the Net Pledged Revenues remaining in the Light and Power Fund, the amounts due under this Agreement and the Note.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE ENTERPRISE

While any obligations hereunder or under any of the other Financing Documents are unpaid or outstanding, the Enterprise continuously represents and warrants to the Bank as follows:

Section 4.01. Due Organization. The Enterprise is an enterprise of the City duly organized and validly existing under Charter and Enterprise Ordinances.

Section 4.02. Power and Authorization. The Enterprise has all requisite power and authority to own and convey its properties and to carry on its business as now conducted and as contemplated to be conducted under the Financing Documents; to execute, deliver and to perform its obligations under this Agreement and the other Financing Documents; and to cause the execution, delivery and performance of the Financing Documents.

Section 4.03. No Legal Bar. To the best of the Enterprise's knowledge, the Enterprise is not in violation of any of the provisions of the laws of the State of Colorado or the United States of America or any of the provisions of any order of any court of the State of Colorado or the United States of America which would affect its existence, or its powers referred to in the preceding Section 4.02. The execution, delivery and performance by the Enterprise of this Agreement and of the other Financing Documents (a) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator or governmental authority; (b) will not violate any provisions of any document constituting, regulating or otherwise affecting the operations or activities of the Enterprise; and (c) will not violate any provision of, constitute a default under, or result in the creation, imposition or foreclosure of any lien, mortgage, pledge, charge, security interest or encumbrance of any kind other than liens created or imposed by the Financing Documents, on any of the revenues or other assets of the Enterprise which could have a material adverse effect on the assets, financial condition, business or operations of the Enterprise, on the Enterprise's power to cause the Financing Documents to be executed and delivered, or its ability to pay in full in a timely fashion the obligations of the Enterprise under this Agreement or the other Financing Documents.

Section 4.04. Consents. The Enterprise has obtained all consents, permits, licenses and approvals of, and has made all registrations and declarations with any governmental authority or

regulatory body required for the execution, delivery and performance by the Enterprise of this Agreement and the other Financing Documents.

Section 4.05. Litigation. Except as disclosed in writing to the Bank, there is no action, suit, inquiry or investigation or proceeding to which the Enterprise is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official which is pending or, to the best knowledge of the Enterprise, threatened in connection with any of the transactions contemplated by this Agreement or the Financing Documents or against or affecting the assets of the Enterprise, nor, to the best knowledge of the Enterprise, is there any basis therefor, wherein an unfavorable decision, ruling or finding (a) would adversely affect the validity or enforceability of, or the authority or ability of the Enterprise to perform its obligations under, the Financing Documents; or (b) would, in the reasonable opinion of the Enterprise, have a materially adverse effect on the ability of the Enterprise to conduct its business as presently conducted or as proposed or contemplated to be conducted.

Section 4.06. Enforceability. This Agreement and each other Financing Document constitutes the legal, valid and binding special obligation of the Enterprise, enforceable against the Enterprise in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

Section 4.07. Changes in Law. To the best knowledge of the Enterprise, there is not pending any change of law which, if enacted or adopted could have a material adverse effect on the assets, financial condition, business or operations of the Enterprise, on the Enterprise's power to enter into this Agreement or the other Financing Documents or its ability to pay in full in a timely fashion the obligations of the Enterprise under this Agreement or the other Financing Documents.

Section 4.08. Financial Information and Statements. The financial statements and other information previously provided to the Bank or provided to the Bank in the future are or will be complete and accurate and prepared in accordance with generally accepted accounting principles. There has been no material adverse change in the Enterprise's financial condition since such information was provided to the Bank.

Section 4.09. Accuracy of Information. All information, certificates or statements given to the Bank pursuant to this Agreement and the other Financing Documents will be true and complete when given.

Section 4.10. Financing Documents. Each representation and warranty of the Enterprise contained in any Financing Document is true and correct as of the Closing Date.

Section 4.11. Regulations U and X. The Enterprise is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of the Loan will be or have been used to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 4.12. Default, Etc. The Enterprise is not in default in the performance, observance, or fulfillment of any of the obligations, covenants or conditions contained in any Financing Document or other ordinance, resolution, agreement or instrument to which it is a party which would have a material adverse effect on the ability of the Enterprise to perform its obligations hereunder or under the other Financing Documents, or which would affect the enforceability hereof or thereof.

Section 4.13. Sovereign Immunity. The Enterprise represents that, under Section 24-10-106, C.R.S., its governmental immunity is limited to claims for injury which lie in tort or could lie in tort. Under existing law, the Enterprise is not entitled to raise the defense of sovereign immunity in connection with any legal proceedings to enforce its contractual obligations under the Financing Documents, or the transactions contemplated hereby or thereby including, without limitation, the payment of the principal of and interest on the Note.

Section 4.14. No Filings. No filings, recordings, registrations or other actions are necessary to create and perfect the pledges provided for herein; all obligations of the Enterprise hereunder are secured by the lien and pledge provided for herein; and the liens and pledges provided for herein constitute valid prior liens subject to no other liens.

Section 4.15. Outstanding Debt. Upon the execution and delivery of this Agreement, except for the Financing Documents and the 2018A Bonds and 2018B Bonds, the Enterprise will have no other Debt outstanding payable from or secured by the Net Pledged Revenues or any portion thereof. The Enterprise represents and warrants that it will incur additional Debt only in accordance with the provisions of Section 5.23 of this Agreement.

ARTICLE V

COVENANTS OF THE ENTERPRISE

While any obligations hereunder or under any of the other Financing Documents are unpaid or outstanding, the Enterprise continuously warrants and agrees as follows:

Section 5.01. Performance of Covenants, Authority. The Enterprise covenants that it will faithfully perform and observe at all times any and all covenants, undertakings, stipulations, and provisions contained in the Authorizing Ordinance, this Agreement, the Note, the other Financing Documents and all its proceedings pertaining thereto as though such covenants, undertakings, stipulations, and provisions were set forth in full herein (for the purpose of this provision the Financing Documents shall be deemed to continue in full force and effect notwithstanding any earlier termination thereof so long as any obligation of the Enterprise under this Agreement shall be unpaid or unperformed). The Enterprise covenants that it is duly authorized under the constitution and laws of the State of Colorado, including, particularly and without limitation, the Charter and the Enterprise Ordinances, to obtain the Loan and to execute and deliver the Note, this Agreement, and the other Financing Documents, and that all action on its part for the execution and delivery of the Note, this Agreement, and the other Financing Documents has been duly and effectively taken and will be duly taken as provided herein, and that the Loan, the Note, this Agreement, and the other Financing Documents are and will be valid and enforceable obligations of the Enterprise according to the terms hereof and thereof.

Section 5.02. Contractual Obligations. The Enterprise shall perform all contractual obligations undertaken by it under any agreements relating to the Loan, the Gross Pledged Revenues, the Project, or the System, or any combination thereof.

Section 5.03. Further Assurances. At any and all times the Enterprise shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be reasonably necessary or desirable for better assuring, conveying, granting, assigning and confirming all and singular the rights, the Net Pledged Revenues and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the Enterprise may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Agreement and to comply with any instrument of the Enterprise amendatory thereof, or supplemental thereto. The Enterprise, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of the Bank hereunder against all claims and demands of all Persons whomsoever.

Section 5.04. Conditions Precedent. Upon the date of the execution and delivery of this Agreement, all conditions, acts and things required by the Federal or State Constitution, the Charter, the Supplemental Act, the Enterprise Ordinances, or any other applicable law to exist, to have happened and to have been performed precedent to the execution and delivery of this Agreement shall exist, have happened, and have been performed; and the Bonds, together with all other obligations of the Enterprise, shall not contravene any debt or other limitation prescribed by the State Constitution.

Section 5.05. Rules, Regulations and Other Details. The Enterprise shall observe and perform all of the terms and conditions contained in this Agreement, and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System, the Enterprise, except for any period during which the same are being contested in good faith by proper legal proceedings.

Section 5.06. Payment of Governmental Charges. The Enterprise shall pay or cause to be paid all taxes and assessments or other governmental charges, if any, lawfully levied or assessed upon or in respect of the System, or upon any part thereof, or upon any portion of the Gross Pledged Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, except for any period during which the same are being contested in good faith by proper legal proceedings. The Enterprise shall not create or suffer to be created any lien upon the System, or any part thereof, or upon the Gross Pledged Revenues, except the pledge and lien created by for Senior Debt and Parity Debt and except as herein otherwise permitted. The Enterprise shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System, or any part thereof, or the Gross Pledged Revenues; but nothing herein requires the Enterprise to pay or cause to be discharged or to make provision for any such tax, assessment,

lien or charge, so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Section 5.07. Protection of Security. The Enterprise and its officers, agents and employees shall not take any action in such manner or to such extent as might prejudice the security for the payment of the amounts due under this Agreement or the Note. No contract shall be entered into nor any other action taken by which the rights of the Bank might be prejudicially and materially impaired or diminished.

Section 5.08. Prompt Payment. The Enterprise shall promptly pay the amounts due under this Agreement or the Note at the places, on the dates and in the manner specified herein and in the Agreement or the Note according to the true intent and meaning hereof.

Section 5.09. Use of Funds and Accounts. The funds and accounts described herein shall be used solely and only for the purposes described herein.

Section 5.10. Other Liens. Other than the 2018A Bonds and 2018B Bonds, there are no liens or encumbrances of any nature whatsoever on or against the System, or any part thereof, or on or against the Net Pledged Revenues on a parity with or superior to the lien thereon of this Agreement and the Note.

Section 5.11. Reasonable and Adequate Charges. The fees, rates and other charges due to the Enterprise for the use of or otherwise pertaining to and services rendered by the System to the Enterprise, to its inhabitants and to all other users within and without the boundaries of the Enterprise shall be reasonable and just, taking into account and consideration public interests and needs, the cost and value of the System, the Operation and Maintenance Expenses thereof, and the amounts necessary to meet the debt service requirements of all Senior Debt, Parity Debt, and any other securities payable from the Net Pledged Revenues, including, without limitation, reserves and any replacement accounts therefor.

Section 5.12. Adequacy and Applicability of Charges. There shall be charged against users of service pertaining to and users of the System, except as provided by Section 5.13 hereof, such fees, rates and other charges so that the Gross Pledged Revenues shall be adequate to meet the requirements of this Section. Such charges pertaining to the System shall be at least sufficient so that the Gross Pledged Revenues annually are sufficient to pay in each Fiscal Year:

(a) ***Operation and Maintenance Expenses.*** amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year that are payable from the Gross Pledged Revenues

(b) ***Principal and Interest.*** An amount equal to 125% of the debt service requirements on the Senior Debt and any Parity Debt then outstanding in that Fiscal Year (excluding the reserves therefor), and

(c) ***Deficiencies.*** All sums, if any, due and owing to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable therefrom.

Section 5.13. Limitations Upon Free Service. No free service or facilities shall be furnished by the System, except that the City shall not be required to pay for any use by the City of any facilities of the System for municipal purposes. If the City chooses, in its sole discretion, to pay for its use of the System, all the income so derived from the City shall be deemed to be income derived from the operation of the System, to be used and to be accounted for in the same manner as any other income derived from the operation of the System.

Section 5.14. Collection of Charges. The Enterprise shall cause all fees, rates and other charges pertaining to the System to be collected as soon as is reasonable, shall reasonably prescribe and enforce rules and regulations or impose contractual obligations for the payment of such charges, and for the use of the System, and shall provide methods of collection and penalties, to the end that the Gross Pledged Revenues shall be adequate to meet the requirements of this Agreement and the Note.

Section 5.15. Maintenance of Records. Proper books of record and account shall be kept by the Enterprise, separate and apart from all other records and accounts.

Section 5.16. Accounting Principles. System records and accounts, and audits thereof, shall be currently kept and made, as nearly as practicable, in accordance with the then generally accepted accounting principles, methods and terminology followed and construed for utility operations comparable to the System, except as may be otherwise provided herein or required by applicable law or regulation or by contractual obligation existing on the execution and delivery of this Agreement.

Section 5.17. Laws, Permits and Obligations. The Enterprise will comply in all material respects with all applicable laws, rules, regulations, orders and directions of any governmental authority and all agreements and obligations binding on the Enterprise, noncompliance with which would have a material adverse effect on the Enterprise, its financial condition, assets or ability to perform its obligations under the other Financing Documents; provided that the Enterprise may in good faith contest such laws, rules, regulations, orders and directions and the applicability thereof to the Enterprise to the extent that such action would not be likely to have a material adverse effect on the Enterprise's ability to perform its obligations hereunder.

Section 5.18. Bonding and Insurance. The Enterprise shall carry general liability coverage, workers' compensation, public liability, and such other forms of insurance on insurable Enterprise property upon the terms and conditions, and issued by recognized insurance companies, as in the judgment of the Enterprise would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the Enterprise and its operations.

Section 5.19. Other Liabilities. The Enterprise shall pay and discharge, when due, all of its liabilities, except when the payment thereof is being contested in good faith by appropriate procedures which will avoid financial liability and with adequate reserves provided therefor.

Section 5.20. Proper Books and Records. The Enterprise shall keep or cause to be kept adequate and proper records and books of account in which complete and correct entries

shall be made with respect to the Enterprise, the Net Pledged Revenues and all of the funds and accounts established or maintained pursuant to any of the Financing Documents. The Enterprise shall (a) maintain accounting records in accordance with generally recognized and accepted principles of accounting consistently applied throughout the accounting periods involved; (b) provide the Bank with such information concerning the business affairs and financial condition (including insurance coverage) of Enterprise as the Bank may request; and (c) without request, provide the Bank with the information set forth below.

Section 5.21. Reporting Requirements.

(a) The Enterprise shall notify the Bank promptly of all interim litigation or administrative proceedings, threatened or pending, against the Enterprise which would, if adversely determined, in the Enterprise's reasonable opinion, have a material effect on the Enterprise's financial condition arising after the date hereof.

(b) The Enterprise shall provide the following to the Bank at the times and in the manner provided below:

(i) as soon as available, but not later than 210 days following the end of each Fiscal Year, the Enterprise shall furnish to the Bank its audited financial statements prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail and certified by a firm of independent certified public accountants selected by the Enterprise;

(ii) within 30 days of each calendar year's quarter end, the Enterprise's financial statements with respect to the collection of revenue of the EPIC Program (including the total number of EPIC Loans, the principal balance of EPIC Loans, the percentage of delinquent EPIC Loans and the monthly principal and interest due on EPIC Loans); and

(iii) promptly upon request of the Bank, the Enterprise shall furnish to the Bank such other reports or information regarding the collateral securing the obligations of the Enterprise hereunder or the assets, financial condition, business or operations of the Enterprise, as the Bank may reasonably request.

(c) The Enterprise shall promptly notify the Bank of any Event of Default of which the Enterprise has knowledge, setting forth the details of such Event of Default and any action which the Enterprise proposes to take with respect thereto.

(d) The Enterprise shall notify the Bank as soon as possible after the Enterprise acquires knowledge of the occurrence of any event which, in the reasonable judgment of the Enterprise, is likely to have a material adverse effect on the financial condition of the Enterprise or affect the ability of the Enterprise to perform its obligations under this Agreement or under any other Financing Documents.

Section 5.22. Visitation and Examination. Unless otherwise prohibited by law, the Enterprise will permit any Person designated by the Bank to visit any of its offices to examine

the Enterprise's books and financial records, and make copies thereof or extracts therefrom, and to discuss its affairs, finances and accounts with its principal officers, all at such reasonable times and as often as the Bank may reasonably request.

Section 5.23. Additional Debt. The Enterprise may issue Debt with a lien on the Net Pledged Revenues that is on a parity with or subordinate to the lien of this Agreement, without the Bank's prior written consent. The Enterprise may issue Debt with a lien on the Net Pledged Revenues that is senior to the lien of this Agreement, without the Bank's prior written consent, if such Debt is issued pursuant to the provisions of the 2018 Bond Ordinance.

ARTICLE VI

INVESTMENTS

Section 6.01. Permitted Investments Only. All moneys held in the Light and Power Fund shall be invested in Permitted Investments only.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under this Agreement (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation or order of any court or any administrative or governmental body):

- (a) the Enterprise fails to pay the principal of or interest on the Note or any Parity Debt when due;
- (b) the Enterprise fails to pay when due any other amounts due and payable to the Bank under this Agreement or any other Financing Documents;
- (c) the Enterprise fails to observe or perform any other of the covenants, agreements or conditions on the part of the Enterprise in this Agreement, the Note, or the Authorizing Ordinance and the Enterprise fails to remedy the same within 30 days after the Bank has provided the Enterprise with notice thereof;
- (d) any representation or warranty made by the Enterprise in this Agreement or in any other Financing Document or any certificate, instrument, financial or other statement furnished by the Enterprise to the Bank, proves to have been untrue or incomplete in any material respect when made or deemed made;
- (e) the pledge of the collateral or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder;
- (f) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against

the Enterprise and the Enterprise fails to vacate, bond, stay, contest, pay or satisfy such judgment or court order for 60 days;

(g) the Enterprise shall initiate, acquiesce or consent to any proceedings to dissolve the Enterprise or to consolidate the Enterprise with other similar entities into a single entity or the Enterprise shall otherwise cease to exist;

(h) a change occurs in the financial or operating conditions of the Enterprise, or the occurrence of any other event that, in the Bank's reasonable judgment, will have a materially adverse impact on the ability of the Enterprise to generate Net Pledged Revenues sufficient to satisfy the Enterprise's obligations under this Agreement or its other obligations, and the Enterprise fails to cure such condition within six months after receipt by the Enterprise of written notice thereof from the Bank;

(i) the Enterprise shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the Enterprise shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Enterprise any case, proceeding or other action of a nature referred to in clause (i) and the same shall remain undismissed; or (iii) there shall be commenced against the Enterprise any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (iv) the Enterprise shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Enterprise shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(j) this Agreement or any other Financing Document, or any material provision hereof or thereof, (i) ceases to be valid and binding on the Enterprise or is declared null and void, or the validity or enforceability thereof is contested by the Enterprise (unless being contested by the Enterprise in good faith), or the Enterprise denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created fails to be fully enforceable with the priority required hereunder or thereunder; and

(k) the Enterprise's auditor delivers a qualified opinion with respect to the Enterprise's status as an on-going concern.

Section 7.02. Remedies. Upon the occurrence and during the continuance of any Event of Default, the Loan shall bear interest at the Default Interest Rate. Upon the occurrence and

during the continuance of any Event of Default, the Bank, at its option, may take any action or remedy available under the other Financing Documents or any other document, or at law or in equity. Notwithstanding anything to the contrary herein, acceleration of the Loan shall not be an available remedy for the occurrence or continuance of an Event of Default. In exercising any remedy hereunder, the Bank shall give notice to all Notice Parties.

Section 7.03. Notice to Bank of Default. Notwithstanding any cure period described above, the Enterprise will immediately notify the Bank in writing when the Enterprise obtains knowledge of the occurrence of any Event of Default or any event which would, with the passage of time or the giving of notice, constitute an Event of Default.

Section 7.04. Additional Bank Rights. Upon the occurrence of an Event of Default the Bank may at any time take such other steps to protect or preserve the Bank's interest in the Net Pledged Revenues.

Section 7.05. Delay or Omission No Waiver. No delay or omission of the Bank to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Agreement may be exercised from time to time and as often as may be deemed expedient.

Section 7.06. No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any Event of Default hereunder shall extend to or affect any subsequent or any other then existing Event of Default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Bank provided herein shall be cumulative and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Section 7.07. Other Remedies. Nothing in this Article VII is intended to restrict the Bank's rights under any of the Financing Documents or at law or in equity, and the Bank may exercise all such rights and remedies as and when they are available.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Loan Agreement and Relationship to Other Documents. The warranties, covenants and other obligations of the Enterprise (and the rights and remedies of the Bank) that are outlined in this Agreement and the other Financing Documents are intended to supplement each other. In the event of any inconsistencies in any of the terms in the Financing Documents, all terms will be cumulative so as to give the Bank the most favorable rights set forth in the conflicting documents, except that if there is a direct conflict between any preprinted terms and specifically negotiated terms (whether included in an addendum or otherwise), the specifically negotiated terms will control.

Section 8.02. Assignments, Participations, etc. by the Bank. The Bank may not assign or transfer this Agreement or the Note or participate any of the Bank's interests in the

Agreement or the Note without the Enterprise's prior written consent. Any such assignment without the Enterprise's prior written consent shall be deemed null and void and of no effect.

Section 8.03. Notice of Claims Against Bank; Limitation of Certain Damages. In order to allow the Bank to mitigate any damages to the Enterprise from the Bank's alleged breach of its duties under the Financing Documents or any other duty, if any, to the Enterprise, the Enterprise agrees to give the Bank written notice no later than 30 days after the Enterprise knows of any claim or defense it has against the Bank, whether in tort or contract, relating to any action or inaction by the Bank under the Financing Documents, or the transactions related thereto, or of any defense to payment of the obligations of the Enterprise hereunder for any reason. The requirement of providing timely notice to the Bank represents the parties' agreed to standard of performance regarding the duty of the Bank to mitigate damages related to claims against the Bank. Notwithstanding any claim that the Enterprise may have against the Bank, and regardless of any notice the Enterprise may have given the Bank, the Bank will not be liable to the Enterprise for indirect, consequential and/or special damages arising therefrom, except those damages arising from the Bank's willful misconduct, negligence or bad faith. Failure by the Enterprise to give notice to the Bank shall not waive any claims of the Enterprise but such failure shall relieve the Bank of any duty to mitigate damages prior to receiving notice.

Section 8.04. Notices. Notices shall be deemed delivered when the notice has been (a) deposited in the United States Mail, postage pre-paid; (b) received by overnight delivery service; (c) received by Electronic Notification; or (d) when personally delivered at the following addresses (the "Notice Parties"):

to Enterprise:	City of Fort Collins P.O. Box 580 Fort Collins, CO 80522 Attn: City Manager
with a copy to:	City of Fort Collins P.O. Box 580 Fort Collins, CO 80522 Attn: City Attorney
to Bank:	ZB, N.A., dba Vectra Bank Colorado 2000 S. Colorado Boulevard Suite 2-1200 Denver, CO 80222 Attention: Conrad Freeman Email: cfreeman@vectrabank.com Telephone: (720) 947-8802

Section 8.05. Payments. Payments due on the Loan shall be made in lawful money of the United States. All payments may be applied by the Bank to principal, interest and other amounts due under the Note and this Agreement pursuant to the terms of this Agreement.

Section 8.06. Applicable Law and Jurisdiction; Interpretation; Severability. This Agreement and all other Financing Documents will be governed by and interpreted in accordance with the internal laws of the State of Colorado, except to the extent superseded by Federal law. Invalidity of any provisions of this Agreement will not affect any other provision. TO THE EXTENT PERMITTED BY LAW, THE ENTERPRISE AND THE BANK HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITUATED IN LARIMER COUNTY, COLORADO, AND WAIVE ANY OBJECTIONS BASED ON FORUM NON CONVENIENS, WITH REGARD TO ANY ACTIONS, CLAIMS, DISPUTES OR PROCEEDINGS RELATING TO THIS AGREEMENT, THE NOTE, THE NET PLEDGED REVENUES, ANY OTHER FINANCING DOCUMENT, OR ANY TRANSACTIONS ARISING THEREFROM, OR ENFORCEMENT AND/OR INTERPRETATION OF ANY OF THE FOREGOING. Nothing in this Agreement will affect the Bank's rights to serve process in any manner permitted by law. This Agreement, the other Financing Documents and any amendments hereto (regardless of when executed) will be deemed effective and accepted only at the Bank's offices, and only upon the Bank's receipt of the executed originals thereof. Invalidity of any provision of this Agreement shall not affect the validity of any other provision.

Section 8.07. Copies; Entire Agreement; Modification. The Enterprise hereby acknowledges the receipt of a copy of this Agreement and all other Financing Documents.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING, EXPRESSING CONSIDERATION AND SIGNED BY THE PARTIES ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. THE TERMS OF THIS AGREEMENT MAY ONLY BE CHANGED BY ANOTHER WRITTEN AGREEMENT. THIS NOTICE SHALL ALSO BE EFFECTIVE WITH RESPECT TO ALL OTHER CREDIT AGREEMENTS NOW IN EFFECT BETWEEN THE ENTERPRISE AND THE BANK. A MODIFICATION OF ANY OTHER CREDIT AGREEMENT NOW IN EFFECT BETWEEN THE ENTERPRISE AND THE BANK, WHICH OCCURS AFTER RECEIPT BY THE ENTERPRISE OF THIS NOTICE, MAY BE MADE ONLY BY ANOTHER WRITTEN INSTRUMENT. ORAL OR IMPLIED MODIFICATIONS TO ANY SUCH CREDIT AGREEMENT IS NOT ENFORCEABLE AND SHOULD NOT BE RELIED UPON.

Section 8.08. Waiver of Jury Trial; Class Action Waiver. As permitted by applicable law, each party waives their respective rights to a trial before a jury in connection with any Dispute (as "Dispute" is hereinafter defined), and Disputes shall be resolved by a judge sitting without a jury. If a court determines that this provision is not enforceable for any reason and at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration ("Arbitration Order"). To the extent permitted by applicable law, each party also waives the right to litigate in court or an arbitration proceeding any Dispute as a class action, either as a member of a class or as a representative, or to act as a private attorney general.

Section 8.09. Attachments. All documents attached hereto, including any appendices, schedules, riders and exhibits to this Agreement, are hereby expressly incorporated by reference.

Section 8.10. No Recourse Against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Public Securities Act, if a member of the Board, or any officer or agent of the Enterprise, acts in good faith in the performance of his duties as a member, officer, or agent of the Board or the Enterprise and in no other capacity, no civil recourse shall be available against such member, officer or agent for payment of the principal of and interest on the Loan. Such recourse shall not be available either directly or indirectly through the Board or the Enterprise, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the delivery of the Note evidencing the Loan and as a part of the consideration for such transfer, the Bank and any Person purchasing or accepting the transfer of the obligation representing the Loan specifically waives any such recourse.

Section 8.11. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Public Securities Act, this Agreement is entered into pursuant to certain provisions of the Supplemental Public Securities Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of this Agreement after delivery for value.

Section 8.12. Limitation of Actions. Pursuant to Section 11-57-212 of the Supplemental Public Securities Act, no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Loan shall be commenced more than 30 days after the authorization of the Loan.

Section 8.13. Pledge of Revenues. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Loan provided herein shall be governed by Section 11-57-208 of the Supplemental Public Securities Act, this Agreement, the Note, and the Authorizing Ordinance. The amounts pledged to the payment of the Loan shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge shall have a first priority. The lien of such pledge shall be valid, binding, and enforceable as against all Persons having claims of any kind in tort, contract, or otherwise against the Enterprise irrespective of whether such Persons have notice of such liens.

Section 8.14. No Liability. The Bank, including its agents, employees, officers, directors and controlling Persons, shall not have any liability to the Enterprise, and the Enterprise assumes all risk, responsibility and liability for (a) the form, sufficiency, correctness, validity, genuineness, falsification and legal effect of any demands and other documents, instruments and other papers relating to the Loan even if such documents, should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (b) the general and particular conditions stipulated therein; (c) the good faith acts of any Person whosoever in connection therewith; (d) failure of any Person (other than the Bank, subject to the terms and conditions hereof) to comply with the terms of the Loan; (e) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telex, telegraph, wireless or otherwise, whether or not they be in code; (f) errors in translation or errors in interpretation of technical terms; (g) for any other consequences arising from causes beyond the Bank's control; or (h) any use of which may be made of the proceeds of the Loan, except to the extent of any direct, as opposed to indirect, consequential, or special damages suffered by the Enterprise which direct damages are proven by the Enterprise to be caused by the Bank's willful or grossly negligent failure to make lawful payment under the Loan.

Section 8.15. No Waiver; Modifications in Writing. No failure or delay on the part of the Bank in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Bank at law or in equity or otherwise. No amendment, modification, supplement, termination or waiver of or to any provision of this Agreement, nor consent to any departure by the Enterprise therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Bank and the Enterprise. Any amendment, modification or supplement of or to any provision of this Agreement, and any consent to any departure by the Enterprise from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given. No notice to or demand on the Enterprise in any case shall entitle the Enterprise to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to any other or further action in any circumstances without notice or demand.

Section 8.16. Document Imaging. The Bank shall be entitled, in its sole discretion, to image all or any selection of the Financing Documents, other instruments, documents, items and records governing, arising from or relating to the Loan, and may destroy or archive the paper originals. The Enterprise hereby waives any right to insist that the Bank produce paper originals; agrees that such images shall be accorded the same force and effect as the paper originals; and further agrees that the Bank is entitled to use such images in lieu of destroyed or archived originals for any purpose, including as admissible evidence in any demand, presentment or proceedings.

Section 8.17. Payment on Non-Business Days. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

Section 8.18. Execution in Counterparts; Electronic Storage. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 8.19. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8.20. Headings. Article and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

Section 8.21. Waiver of Rules of Construction. The Enterprise hereby waives any and all provisions of law to the effect that an ambiguity in a contract or agreement should be interpreted against the party responsible for its drafting.

Section 8.22. Integration. This Agreement is intended to be the final agreement between the parties hereto relating to the subject matter hereof and this Agreement and any agreement, document or instrument attached hereto or referred to herein shall supersede all oral negotiations and prior writings with respect to the subject matter hereof.

Section 8.23. Patriot Act Notice. The Bank hereby notifies the Enterprise that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Enterprise, which information includes the name and address of the Enterprise and other information that will allow the Bank to identify the Enterprise in accordance with the Patriot Act. The Enterprise hereby agrees that it shall promptly provide such information upon request by the Bank.

Section 8.24. Termination of Agreement. At such time as all amounts due to the Bank have been duly paid, or provided for, this Agreement shall terminate.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

ZB, N.A., DBA VECTRA BANK COLORADO,
a national banking association

By 

Name Carlos Freeman

Title SVP

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE, an
enterprise of the City of Fort Collins, Colorado

By _____
President

[SEAL]

Attest:

By _____
Secretary

[Signature Page to Loan Agreement]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

ZB, N.A., DBA VECTRA BANK COLORADO,
a national banking association

By _____

Name _____

Title _____

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE, an
enterprise of the City of Fort Collins, Colorado

By  _____
President

[SEAL]

Attest:



By  _____
Secretary

[Signature Page to Loan Agreement]

EXHIBIT A

FORM OF 2020 NOTE

THIS NOTE MAY NOT BE SOLD TRANSFERRED OR OTHERWISE DISPOSED OF WITHOUT THE CONSENT OF THE ENTERPRISE.

**UNITED STATES OF AMERICA
STATE OF COLORADO
CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE**

2020 TAXABLE SUBORDINATE LIEN REVENUE NOTE

**IN THE AGGREGATE PRINCIPAL AMOUNT OF
NOT TO EXCEED \$2,500,000**

Advances Not to Exceed US \$2,500,000

April 17, 2020

FOR VALUE RECEIVED, CITY OF FORT COLLINS, COLORADO, ELECTRIC UTILITY ENTERPRISE, an enterprise of the City of Fort Collins, Colorado, (hereinafter referred to as “Maker”), promises to pay to the order of ZB, N.A., DBA VECTRA BANK COLORADO, a national banking association, its successors and assigns (hereinafter referred to as “Payee”), at the office of Payee or its agent, designee, or assignee at 2000 S. Colorado Boulevard, Suite 2-1200, Denver, CO 80222 or at such place as Payee or its agent, designee, or assignee may from time to time designate in writing, all Advances made in an amount not to exceed the principal sum of TWO MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (US \$2,500,000) (this “Note”) pursuant to the terms of the Loan Agreement dated of even date herewith by and between Maker and Payee (the “Loan Agreement”), in lawful money of the United States of America.

This Note shall bear interest, be payable, and mature pursuant to the terms and provisions of the Loan Agreement. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed in the Loan Agreement.

All amounts due under this Note shall be payable and collectible solely out of the Net Pledged Revenues, which revenues are hereby so pledged which pledge is in all respects subordinate to the pledge and lien thereon of the Senior Debt at any time outstanding. The Bank may not look to any general or other fund for the payment of such amounts; this Note shall not constitute a debt or indebtedness within the meaning of any constitutional, charter, or statutory provision or limitation; and this Note shall not be considered or held to be general obligations of the Enterprise or the City but shall constitute a special obligation of the Enterprise. No statutory or constitutional provision enacted after the execution and delivery of the Note shall in any manner be construed as limiting or impairing the obligation of the Enterprise to comply with the provisions of this Note. None of the covenants, agreements, representations and warranties contained herein or in this Note shall ever impose or shall be construed as imposing any liability, obligation or charge against the Enterprise or the City (except the Net Pledged Revenues and the

special funds pledged therefor), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefor). The payment of the amounts due under this Note is not secured by an encumbrance, mortgage or other pledge of property of the City or the Enterprise, except for the Net Pledged Revenues. No property of the City or the Enterprise, subject to such exception, shall be liable to be forfeited or taken in payment of such amounts.

Amounts received by Payee under this Note shall be applied in the manner provided by the Loan Agreement. All amounts due under this Note shall be payable without setoff, counterclaim or any other deduction whatsoever by Maker.

Unless payments are made in the required amount in immediately available funds in accordance with the provisions of the Loan Agreement, remittances in payment of all or any part of the amounts due and payable hereunder shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Payee in funds immediately available at the place where this Note is payable (or any other place as Payee, in Payee's sole discretion, may have established by delivery of written notice thereof to Maker) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Payee of any payment in an amount less than the amount then due shall be deemed an acceptance on account only and any unpaid amounts shall remain due hereunder, all as more particularly provided in the Loan Agreement.

In the event of nonpayment of this Note, Payee shall be entitled to all remedies under the Loan Agreement and at law or in equity, and all remedies shall be cumulative.

It is expressly stipulated and agreed to be the intent of Maker and Payee at all times to comply with applicable state law and applicable United States federal law. If the applicable law (state or federal) is ever judicially interpreted so as to render usurious any amount called for under this Note or under the Loan Agreement, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note, then it is Maker's and Payee's express intent that all excess amounts theretofore collected by Payee be credited on the principal balance of this Note (or, if this Note has been or would thereby be paid in full, refunded to Maker), and the provisions of this Note shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and under the Loan Agreement. All sums paid or agreed to be paid to Payee for the use, forbearance and detention of the indebtedness evidenced hereby and by the Loan Agreement shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the maximum rate permitted under applicable law from time to time in effect and applicable to the indebtedness evidenced hereby for so long as such indebtedness remains outstanding.

Maker and any endorsers, sureties or guarantors hereof jointly and severally waive presentment and demand for payment, protest and notice of protest and nonpayment, all

applicable exemption rights, valuation and appraisal, notice of demand, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note and the bringing of suit and diligence in taking any action to collect any sums owing hereunder or in proceeding against any of the rights and collateral securing payment hereof. Maker and any surety, endorser or guarantor hereof agree (a) that the time for any payments hereunder may be extended from time to time without notice and consent; (b) to the acceptance of further collateral; (c) to the release of any existing collateral for the payment of this Note; (d) to any and all renewals, waivers or modifications that may be granted by Payee with respect to the payment or other provisions of this Note; and/or (e) that additional makers, endorsers, guarantors or sureties may become parties hereto all without notice to them and without in any manner affecting their liability under or with respect to this Note. No extension of time for the payment of this Note shall affect the liability of Maker under this Note or any endorser or guarantor hereof even though Maker or such endorser or guarantor is not a party to such agreement.

Failure of Payee to exercise any of the options granted herein to Payee upon the happening of one or more of the events giving rise to such options shall not constitute a waiver of the right to exercise the same or any other option at any subsequent time in respect to the same or any other event. The acceptance by Payee of any payment hereunder that is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the options granted herein or in the Loan Agreement to Payee at that time or at any subsequent time or nullify any prior exercise of any such option without the express written acknowledgment of Payee.

Maker (and the undersigned representative of Maker, if any) represents that Maker has full power, authority and legal right to execute, deliver and perform its obligations pursuant to this Note and this Note constitutes the legal, valid and binding obligation of Maker.

All notices or other communications required or permitted to be given hereunder shall be given in the manner and be effective as specified in the Loan Agreement, directed to the parties at their respective addresses as provided therein.

This Note is governed by and interpreted in accordance with the internal laws of the State of Colorado, except to the extent superseded by federal law. Invalidity of any provisions of this Note will not affect any other provision.

Pursuant to Section 11-57-210 of the Colorado Revised Statutes, as amended, this Note is entered into pursuant to and under the authority of the Supplemental Public Securities Act, being Title 11, Article 57, of the Colorado Revised Statutes, as amended. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of this Note after delivery for value and shall conclusively impart full compliance with all provisions and limitations of said statutes, and this Note shall be incontestable for any cause whatsoever after delivery for value.

By acceptance of this instrument, the Payee agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Note contained herein, in the Authorizing Ordinance of the Maker authorizing the issuance of this Note and in the Agreement, as the same may be amended from time to time.

TO THE EXTENT PERMITTED BY LAW, MAKER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITUATED IN LARIMER COUNTY, COLORADO, AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, WITH REGARD TO ANY ACTIONS, CLAIMS, DISPUTES OR PROCEEDINGS RELATING TO THIS NOTE, THE LOAN AGREEMENT, THE NET PLEDGED REVENUES, ANY OTHER FINANCING DOCUMENT, OR ANY TRANSACTIONS ARISING THEREFROM, OR ENFORCEMENT AND/OR INTERPRETATION OF ANY OF THE FOREGOING.

TO THE EXTENT PERMITTED BY LAW, MAKER HEREBY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS NOTE, THE LOAN AGREEMENT, OR ANY OF THE OTHER FINANCING DOCUMENTS, THE OBLIGATIONS THEREUNDER, ANY COLLATERAL SECURING THE OBLIGATIONS, OR ANY TRANSACTION ARISING THEREFROM OR CONNECTED THERETO. MAKER REPRESENTS TO PAYEE THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

THE PROVISIONS OF THIS NOTE MAY BE AMENDED OR REVISED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY MAKER AND PAYEE. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND PAYEE WITH RESPECT TO THE SUBJECT MATTER HEREOF.

IN WITNESS WHEREOF, an authorized representative of City of Fort Collins, Colorado, Electric Utility Enterprise, as Maker, has executed this Note as of the day and year first above written.

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE

By _____
President

[SEAL]

Attest:

By _____
Secretary

EXHIBIT B

FORM OF ADVANCE REQUEST

**City of Fort Collins, Colorado, Electric Utility Enterprise
Loan Agreement**

The undersigned certifies that he/she is an Authorized Person under that certain Loan Agreement dated as of April 17, 2020 (the "Agreement") by and between City of Fort Collins, Colorado, Electric Utility Enterprise and ZB, N.A., dba Vectra Bank Colorado (the "Bank"). All capitalized terms used in this Advance Request ("Advance Request") shall have the respective meanings assigned in the Agreement.

The undersigned Authorized Person hereby makes a request to the Bank for an Advance on the Loan, and in support thereof states:

- (i) The amount of the Advance so requested is \$_____ to finance the Project.
- (ii) Upon the funding of such Advance, the sum of all Advances will not exceed the Maximum Advance Amount of the Loan.
- (iii) At the time the requested Advance is to be made and as a result thereof, immediately thereafter, all representations and warranties of the Enterprise set forth in Article IV of the Loan Agreement are true and correct as though made on the date hereof and will be true and correct as though made on the Advance Date, the most recent quarterly report required in Section 5.21(b)(ii) has been delivered to the Bank and no Event of Default shall have occurred and be continuing on the date hereof and on the Advance Date and no litigation is currently pending or threatened concerning the Enterprise's authority to pledge the Net Pledged Revenues as provided in the Loan Agreement.
- (iv) The outstanding Senior Debt is rated in one of its four highest rating categories by a national recognized organization which regularly rates obligations such as the Senior Debt.
- (v) The requested Advance shall be made by the Bank by wire transfer to the Enterprise in accordance with the instructions set forth below:

[Insert wire instructions]

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____,
20__.

CITY OF FORT COLLINS, COLORADO,
ELECTRIC UTILITY ENTERPRISE

By _____
Authorized Person



Financial Services
 215 N Mason Street, 2nd Floor
 PO Box 580
 Fort Collins, CO 80522
970.221.6770
 970.221.6782 - fax
 fcgov.com

M E M O R A N D U M

DATE: January 24, 2021

TO: Council Finance Committee

THRU: Travis Storin, CFO TS
 Blaine Dunn, Accounting Director DS
BD

FROM: Amanda Newton, Sr Treasury Analyst DocuSigned by:
Amanda Newton
98825971167B421...

RE: Investment Policy Update Review – Portfolio Holding Report

Executive Summary

The purpose of this memo is to provide the Council Finance Committee with additional information on the City's investment portfolio holdings. When the City's investment policy updates were presented to the committee for review and discussion in January, Councilmember Ohlson raised questions regarding components of the City's investment portfolio. Councilmember Ohlson specifically asked if the City was currently invested in any companies with poor environmental, social, or governance records. Staff was also asked if any changes should be made to the policy to curtail the possibility of these investments in the future. Below is a listing of all current investments held by the City and information on the current investment policy.

Investment Portfolio Compliance

Portfolio management strategies implemented, and the investments held in the portfolio comply with the City's investment objectives, as well as suitable and authorized investments outlined in the investment policy. The investment objectives as specified in the policy are (in order): legal conformance, safety, liquidity, and return on investment. The investment policy specifies the City can only invest in corporations organized and operated within the United States with an investment grade rating of not less than of AA-/Aa3/AA- respectively from Standard & Poor's, Moody's, or Fitch. The City is not allowed to invest in any foreign corporations outside of the US under the policy. Based on the current policy objectives and holdings, staff does not recommend any changes to the policy at this time to be more prescriptive about specific investment choices.

Investment Portfolio Holdings

Below is a list of the City's investment holdings as of 12/31/2021, summarized by issuers.

Issuer	Number of Investments	Par Value	Market Value	% of Portfolio	Average of Yield	Average Days to Maturity
ALPHABET INC	1	5,000,000	4,885,100	1.2%	0.45%	1323
APPLE INC	5	23,000,000	23,322,605	5.7%	2.12%	775
CAPITAL ONE BANK USA NA	2	500,000	522,638	0.1%	2.65%	877
FEDERAL FARM CREDIT BKS	21	93,695,000	93,007,308	23.1%	0.87%	1140
FEDERAL HOME LOAN BKS	28	144,990,000	143,431,156	35.8%	0.69%	1214
FEDERAL HOME LOAN MORTGAGE CO	3	17,500,000	17,305,325	4.3%	0.25%	788
FEDERAL NAT'L MTG ASSOC.	9	42,000,000	41,498,800	10.4%	0.38%	925
FIRST AMERICAN TREASURY OBLIG	4	20,170,584	20,170,584	5.0%	0.01%	0
GOLDMAN SACHS BK USA NEW YORK	1	250,000	261,560	0.1%	2.70%	873
JOHNSON JOHNSON	2	8,571,000	8,504,152	2.1%	1.40%	701
MASSMUTUAL GLOBAL FUNDIN	1	2,700,000	2,725,731	0.7%	2.25%	182
METRO LIFE GBL FND I	1	5,000,000	4,970,800	1.2%	0.45%	609
MICROSOFT CORP	3	13,000,000	13,364,460	3.2%	2.42%	613
MORGAN STANLEY PRIVATE BK NAT'L	1	250,000	261,213	0.1%	2.65%	867
NEW YORK LIFE GLOBAL FDG	4	19,000,000	19,135,800	4.7%	1.56%	949
NORTHWESTERN MUTUAL GLBL	1	5,326,000	5,172,398	1.3%	0.80%	1475
WAL MART STORES INC	1	4,000,000	4,087,840	1.0%	2.55%	466
Total and Average	88	404,952,584.18	402,627,469.24		0.98%	989

Peer Cities Comparison

In examining peer cities, staff identified the City of Boulder as having the most prescriptive policy as it relates to investments in certain industries. The City of Boulder uses an exclusionary screening process and does not allow any investments in: fossil fuels inclusive of pipeline construction, firearms or weapons not used in national defense, tobacco companies, and firms related to mass incarceration. As shown above, the City is not currently invested in any company related to these industries. Staff does not currently recommend utilizing an exclusionary screening process.

	Aurora	Longmont	Loveland	Fort Collins
Investment Scope	All investment activities with the exception of retirement and deferred compensation funds	All investments and term deposits with the exception of the pension funds	All investment transactions, except for certain employee retirement funds	All investments in all general and special funds over which the City exercises financial control
Investment Objectives	Safety, Liquidity, Financial Management Goals, and Yield	Safety, Liquidity and Yield	Safety, Liquidity and Yield	Legal conformance, Safety, Liquidity, Return on Investment
Eligible Investments	<ul style="list-style-type: none"> *U.S. Treasury Obligations *Federal Agency and Instrumentality *Foreign Corporate Bonds: issued in Canadian and Australian markets only *Domestic Corporate Bonds, Foreign Corporate Bonds, Commercial Paper and Bankers Acceptances *Repurchase Agreements *Reverse Repurchase Agreements *General and Revenue Obligations *Securities of Governmental Service or Facility Providers Serving the City of Aurora or the Aurora Urban Renewal Authority *General and Revenue Obligations and Securities of Governmental Service or Facility Providers Serving the City of Aurora or the Aurora Urban Renewal Authority in the aggregate *Securities of the City of Aurora *Time Certificates of Deposit *Local Government Investment Pools *Money Market Mutual Funds 	<ul style="list-style-type: none"> *U.S. Treasuries *Federal Instrumentalities *Debentures and mortgage-backed securities issued by the Government National Mortgage Association *Corporate Bonds: A rating by two NRSROs and denominated in U.S. dollars *Municipal Bonds *Time Deposit/CD *Commercial Paper & Bankers Acceptances *Repurchase Agreements *Local Government Investment Pools 	<ul style="list-style-type: none"> *U.S. Treasury and Agency issues *Securities issued by Government *State and local debt issues *Corporate Securities: US dollar denominated with a minimum rating of AA-/Aa3/AA-respectively from Standard & Poor's, Moody's, or Fitch *Local Government Investment Pools *Money Market Funds *Repurchase and Reverse Repurchase Agreements *Deposits in State or Nationally Chartered Depository Institutions 	<ul style="list-style-type: none"> *Cash and cash equivalents *Treasury Securities *Government-sponsored Agency Securities *Corporate Notes or Bonds: organized and operated in US with an investment grade rating of not less than of AA-/Aa3/AA-respectively from Standard & Poor's, Moody's, or Fitch *Repurchase Agreements *Bank Debentures *Commercial Paper. *Banker's Acceptances *Local Government Investment Pools *Money Market Funds And Mutual Funds *CD Account Registry Service *Certificates Of Deposit *Guaranteed Investment Contracts
Investment Limitations	Diversification, Maturity and Liquidity	Diversification and Liquidity	Diversification, Maximum Maturities, Pooling of City Monies	Diversification, Maturity and Liquidity