



## BUSINESS OPERATIONS – MARCH 23, 2018

**ARPA Bond Refunding Effort Continues to Move Forward.** The ARPA Board of Directors received an update regarding its Series 2018 Bond Refunding effort at its February meeting. Between 2003 and 2010 ARPA issued a series of bonds to fund the construction of the Lamar Repowering Project. Approximately \$143 million of the bonds are outstanding with the vast majority currently eligible to be refunded. ARPA engaged Public Financial Management (PFM) as its financial adviser, Goldman Sachs as its underwriter, and has evaluated a handful of options for the refunding. The analysis performed by the companies indicate the potential for significant savings in annual debt service payments based on current market conditions.

**Refunding Strategy.** The Power Revenue Refunding Bonds, Series 2018A, will include the Series 2003, 2006, and 2007 Bonds. The expected transaction closing date is early May. The refunding of the Series 2008 Bonds will close in early July as they have a bit later call date. The Series 2010 Bonds are not callable until October 1, 2020 which will give the Board the opportunity to retire the debt rather than refund it. The Board is not considering issuing any additional bonds nor extending the retirement date of the debt.

**2017 a Successful Year Financially for ARPA.** 2017 proved to be another successful year for the Authority as its Revenues from Sales finished the year approximately 3% better than budget and resulted in revenues of \$28.6 million. Purchased Power costs were under budget by about 2% due partly to ARPA successfully purchasing excess hydro power in late spring of 2017. ARPA's A&G costs were down considerably from 2016 and well below budget for the year. A major factor for the reduced cost was the settlement of all its outstanding litigation. ARPA finished 2017 with \$3.3 million in net revenue and an increase in cash of a little over \$1.0 million.

During the past five years, ARPA has improved its financial position significantly. Unrestricted cash increased from \$1.2 million in 2011 to \$6.3 million by the end of 2017. This improvement has been done without a rate increase, as ARPA's rates have not increased since 2011, nor is there an increase budgeted for 2018. ARPA has modeled rates through 2024 and believes not only can it avoid any rate increases through this planning period, but believe we can implement a *rate decrease* by 2021.

**ARPA Scholarship Program.** In 2000 the Arkansas River Power Authority Board of Directors established a College Scholarship Program. The Program is administered through our member municipalities of Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad, Colorado. The scholarship is awarded to one high school senior in *each member municipality*. The total scholarship award is \$1,000 funded equally between ARPA and the member municipality. Application forms, scholarship requirements, and eligibility criteria are available either through the counseling offices of the member high schools or at the local office of the electric utility. To be eligible, a student must reside with a family that receives electric service from one of the ARPA member municipalities.

**Summary of January 2018 Financial and Operating Statements:** During the month of January, total operating revenues were better than budget by \$67,390. Total cost of goods sold were over budget 3.4%, and A & G expenses for the month were under budget by \$21,282. There were net revenues of \$248,283 for the month. Member sales for January were 4.5% better than budget.

**Next ARPA Meeting:** The next regularly scheduled ARPA board meeting will be held at the Lion's Den, 200 Main Street in Springfield on Thursday, March 29, 2018 beginning at 10:00 AM. ARPA board meetings are open to the public.