



## BUSINESS OPERATIONS – NOVEMBER 20, 2017

**ARPA and City of Lamar Settle Lawsuit:** The Arkansas River Power Authority and the City of Lamar have resolved a lawsuit regarding the Lamar Repowering Project (LRP) and Lamar’s Unit 6 generating plant.

The Lamar City Council and the ARPA Board of Directors both approved a settlement that will dismiss the lawsuit between the two parties that has been ongoing since 2014. The Settlement will allow ARPA to pursue a refinancing of its bonds which will potentially provide significant savings in its annual debt service payments.

The terms of the settlement provide a \$2.5 million payment to Lamar once the bonds are refinanced. In addition, ARPA will make a \$350,000 annual payment to Lamar for 26 years (approximate term of the LRP bonds). ARPA’s bond insurer, Syncora Guarantee, Inc. has agreed to make a \$2.25 million payment to ARPA once the bonds are refinanced. ARPA will also deed over property to Lamar that is adjacent to the LRP and the LRP dome storage facilities located on City of Lamar property.

Lamar will remain members of ARPA and continue to purchase its power requirements in accordance with its existing power supply contracts with ARPA which includes payment of the bonds. ARPA General Manager Rick Rigel stated that “the settlement provides ARPA the ability to access a very favorable bond market and the potential to significantly reduce our debt service costs over the life of the bonds”. Rigel went on to say that financial analysis performed by its municipal adviser Public Financial Management, Inc. (PFM) and Goldman Sachs, ARPA’s underwriter for the bond refinancing, “indicate that the annual savings from a refinancing far outweigh the annual payment agreed upon with Lamar. Our goal is to go to the bond market in the first quarter of 2018”.

**Proposed 2018 Budget:** A proposed 2018 budget, based on the Settlement of the Lamar lawsuit was presented to the ARPA Board of Directors at its October 26 meeting. As presented, the budget includes no base rate increase for 2018 and a reduction of over \$600,000 in debt service costs. The budget projects total revenues of \$32.6 million, power supply costs of \$13.3 million, transmission costs of \$2.9 million, and A&G costs of \$2.5 million. The Board is also considering retiring its Series 2003 bonds.

**2018 Budget Hearing Scheduled:** The hearing for the proposed 2018 Budget for the Arkansas River Power Authority will be held at the Otero Junior College Student Center, 2001 San Juan, La Junta, CO., on Thursday, December 7, 2017. The 2018 proposed budget is currently available for public inspection at the City Clerk’s office in each member city. Any interested elector in an ARPA member community or electricity consumer of an ARPA member (Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad, Colorado) may register objections to the proposed budget prior to its final adoption.

**Summary of September 2017 Financial and Operating Statements:** During the month of September, total operating revenues were better than budget by 6.5%. Total cost of goods sold were right on budget and A & G expenses for the month were over budget 3.3%. There were net revenues of \$369,781 for the month. Total Revenues YTD are better than budget by 3.7%. Member sales for September were a bit less than September of 2016, but better than budget by 5.7%. Member Sales YTD are about 3.7% better than budget and total net revenues of \$2.89 million YTD, are well above budget.

**Next ARPA Meeting:** The next regularly scheduled ARPA board meeting is Thursday, December 7, 2017 beginning at 10:00 AM. The meeting will be held at the Otero Junior College Student Center, 2001 San Juan in La Junta. ARPA board meetings are open to the public.