



**TOWN BOARD WORK SESSION MEETING**  
November 7, 2016 – 6:00 P.M.  
301 Walnut Street, First Floor Conference Room  
Windsor, CO 80550

The Town of Windsor will make reasonable accommodations for access to Town services, programs, and activities and will make special communication arrangements for persons with disabilities. Please call (970) 674-2400 by noon on the Thursday prior to the meeting to make arrangements.

***GOAL of this Work Session is to have the Town Board receive information on topics of Town business from the Town Manager, Town Attorney and Town staff in order to exchange ideas and opinions regarding these topics.***

***Members of the Public in attendance are asked to be recognized by the Mayor before participating in any discussions of the Town Board.***

**AGENDA**

1. Retiring Debt/ Refinancing Loans discussion – D. Moyer
2. Water Rights Dedication Policy – D. Wagner
3. Future Meetings Agenda



## M E M O R A N D U M

**Date:** November 7, 2016  
**To:** Town Board Members  
**From:** Dean Moyer, Director of Finance and IT  
**Re:** Refinancing and Existing Debt

### Background

The Town Board Strategic Plan includes the priority of “Explore the options for retiring existing debt”. This initiative has two action steps as discussed below. Before we get into the action steps, information on the town’s existing debt as of January 2017 appears in the chart below.

Creditor	Description	Interest Rate	Year Paid Off	2017 Balance
CWCB	Original Kern Loan	5.10%	2033	\$3,401,550
USDA	Police Building Loan	3.75%	2050	\$2,781,164
Various	CRC 2012 Refi Bonds	2.83%	2023	\$2,255,000
Various	CRC 2015 Expansion Bonds	3.84%	2034	\$15,565,000
CWPDA	Sewer Headworks Loan	1.94%	2027	\$2,200,575
CWCB	Kyger Reservoir Loan	2.75%	2037	\$4,545,000
Total				\$30,748,289
Weighted Average Interest Rate				3.60%
Weighted Average Years Remaining to Term				22

### Action Step 1 – Discuss refinancing of the Kern and USDA Loans

From the chart above you can see that these two loans have either the highest interest rate or the longest remaining term until it is paid off. For some time I have been working with Tom Prenger at the Bank of Colorado on a plan to refinance these two pieces of our debt pool. The Bank of Colorado is our main operations bank. A proposal letter from Mr. Prenger on a refinance package is enclosed. The main points of the proposal are as follows.

- Combine the two existing loans into a single lease purchase between the Town and the Bank of Colorado. The lease would run for 10 years at an interest rate of 2.75%.
- The lower interest rate and shorter repayment period would save an estimated \$3,185,485.95 interest expense over the current structure.
- On the existing loans our annual payment totals are \$303,972 on the Kern Loan and \$145,080 on the USDA Loan for an annual payment of \$449,052. The annual payment on the refinance scenario would be \$707,880. The annual increase of \$258,828 would require additional draws from the Capital Improvement Fund of \$83,622, the Water Fund and Storm Drainage Fund of \$87,603 each.
- If we choose to proceed with this refinancing and leave the other loans intact, our weighted average interest rate would be reduced to 3.25% from 3.60% and the weighted average years remaining reduced to 14 years from 22 years. This is shown in the chart below which reflects the proposed refinancing as described in the letter.

Creditor	Description	Interest Rate	Year Paid Off	2017 Balance
BOC	Original Kern Loan & USDA Refi	2.75%	2027	\$6,182,714
Various	CRC 2012 Refi Bonds	2.83%	2023	\$2,255,000
Various	CRC 2015 Expansion Bonds	3.84%	2034	\$15,565,000
CWPDA	Sewer Headworks Loan	1.94%	2027	\$2,200,575
CWCB	Kyger Reservoir Loan	2.75%	2037	\$4,545,000
Total				\$30,748,289
Weighted Average Interest Rate				3.25%
Weighted Average Years Remaining to Term				14

### Action Step 2 – Review existing debt options with Town Board in work session

One of the questions during the strategic planning sessions was “why not pay the debts off entirely instead of refinancing?” This was based on our existing cash balances and the disparity in the interest rates we earn versus the rates we pay on loans. As shown in the first chart, our current weighted average interest rate is 3.60%. Our current weighted average rate of return on our investments is .65% on roughly \$68M as of September 2016. Looking strictly on the interest rate disparity, it would make sense to pay off much or all of that debt, but some other considerations to keep in mind.

- As of today our 2017 budget is an estimated \$57 million.
- Our 5 year CIP plan calls for \$92 million in funded projects with another \$87 million in identified long term projects. Note that the CIP does not include any funding for the Mill renovation or any unforeseen projects or emergencies.

### Recommendation

In our recent history we have had calls for large sums of cash that we had not expected. Fortunately we had cash reserves that we were able to draw upon to either weather an emergency or contribute to a worthy project we had not anticipated at budget development. In that light I recommend that we proceed with the proposed refinance. We will be cutting six years from the term of the Kern loan and 23 years from the USDA loan. While the payments will be higher in the next 10 years, totaling \$2,588,280 over the term, we anticipate saving roughly \$3.2 million in interest payments. This gives us a net positive cash flow of roughly \$600,000 in the next 10 years. This is accomplished with limited costs up front.

### Attachments

Letter from Tom Prenger at Bank of Colorado



# Bank of Colorado

August 12, 2016

Town of Windsor  
Dean Moyer, Director of Finance  
301 Walnut Street  
Windsor, Colorado 80550

Re: Bond Refinance. Kern Reservoir, Windsor Lake Debt, USDA Community Facilities Loan, Windsor Building Authority, (WBA) - Police facility.

Dear Mr. Moyer,

Outlined below are basic terms for a lease purchase agreement to refinance the above referenced debt for the Town of Windsor. Please keep in mind that the terms and conditions outlined in this letter are general in nature and are primarily for discussion purposes of the proposed lease purchase agreement to be provided by Bank of Colorado.

- The aforementioned debt facilities have the current estimated debt balances of; Kern Reservoir = \$3,401,550 and USDA – Windsor Police facility = \$2,781,163. Total estimated debt balances of \$6,182,713.
- Bank of Colorado proposes creating one financing facility totaling \$6,182,713. The Bank's interest rate to be charged would be fixed for ten years at 2.75% and would be repaid monthly from Town of Windsor revenues to be fully paid at the 120<sup>th</sup> payment without penalty for prepayment. The subject debt facility would be considered a lease purchase agreement between Town of Windsor and Bank of Colorado.
- The proposed lease would accommodate Bank of Colorado to act as trustee of certain assets known as the Kern Reservoir; assets to include certain real estate and water rights. The lease agreement would require Town of Windsor to maintain and insure the quality of the asset.
- The cost associated with the proposed lease agreement would be paid by the Town of Windsor. The costs would include but are not limited to; asset appraisal (valuation), applicable title insurance, associated legal cost and other applicable fees.
- The present Kern Reservoir Bond has an interest rate of 5.10% and the interest expense of the remaining term of the present bond to the Town is estimated to be \$1,945,788.60 through the projected maturity in 2033. The USDA police facility loan has an interest rate of 3.75% and the interest expense on the remaining term of the present USDA loan to the Town is estimated to be \$2,135,772.35 through the projected maturity in 2050. Total interest expense on the two subject present debt facilities is \$4,081,560.95. The proposed new facility with Bank of Colorado discussed above would have a total interest expense of \$986,075.23. The interest savings to the Town of Windsor is estimated to be \$3,185,485.95. The debt comparison is basic in nature and assumes payments on all facilities are made according the debt terms with our early or late payments or other costs or associated fees for prepayment of the present debt.



[www.bankofcolorado.com](http://www.bankofcolorado.com)

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P.O. BOX 939  
Windsor, CO 80550  
Phone: (970) 686-7631  
Fax: (970) 686-9246

Thank you for allowing Bank of Colorado to assist with the proposed refinance of the above referenced debt. If you have questions or would like to discuss other scenarios I would be glad to meet with you at your earliest convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Prenger', with a long horizontal stroke extending to the right.

Tom Prenger  
Market President



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## MEMORANDUM

**Date:**  
**To:** Windsor Town Board  
**Via:** Kelly Arnold, Town Manager  
**From:** Dennis Wagner, Director of Engineering  
**Re:** Raw Water Supply Planning

**Background / Discussion:**

In 2015, staff and the Water and Sewer Board spent time analyzing and discussing the town's water rights policies and practices. Listed below is a chronology of that activity.

- January 21, 2015 – Water & Sewer Board work session. The topic was dedicating Water and Sewer Board time to study future of water development and water rights acquisition. Following the work session, a copy of the town's 2009 Potable Water Master Plan was shared with the board.
- February 11, 2015 – Water & Sewer Board regular meeting. Windsor's portfolio of water rights was reviewed with the board. The board discussed what the town's code says about granting of water rights for new developments and how developments with non-potable irrigation systems necessitate a special water dedication formula. Raw water pricing trends were also discussed.
- March 11, 2015 – Water & Sewer Board work session. Developers were invited to share their ideas and challenges concerning water supply with the board. Suggestions were categorized as, 1) Explore using a variety of native water supplies, 2) Tailor water dedication to each development, 3) Reduce landscape standards to reduce water usage, 4) How to pay for water supply.
- April 8, 2015 – Water & Sewer Board regular meeting. The board discussed in more detail the following two topics that came from the March 11th work session: 1) Explore using a variety of native water supplies, 2) Tailor water dedication to each development.
- May 13, 2015 – Water & Sewer Board work session. The board looked at water usage data in several Windsor subdivisions including both those that have non-potable irrigation systems and those that don't. That annual water usage data was compared with the town's current water dedication formulas. Staff will expand the database of water usage for the June meeting. The board reviewed a listing of native water rights that can potentially be used for potable water supply.
- June 10, 2015 – Water & Sewer Board regular meeting. Focus on raw water dedication formulas and financial planning for water supply.
- August 10, 2015 – Town Board work session. Staff summarized for the Town Board the work of the Water and Sewer Board and their recommendations. The Town Board asked staff to expand the water usage database that had been used to calculate average actual water usage. As directed, staff doubled the number of residential addresses in the sampling and added the year 2015, with the data summarized in the table below.

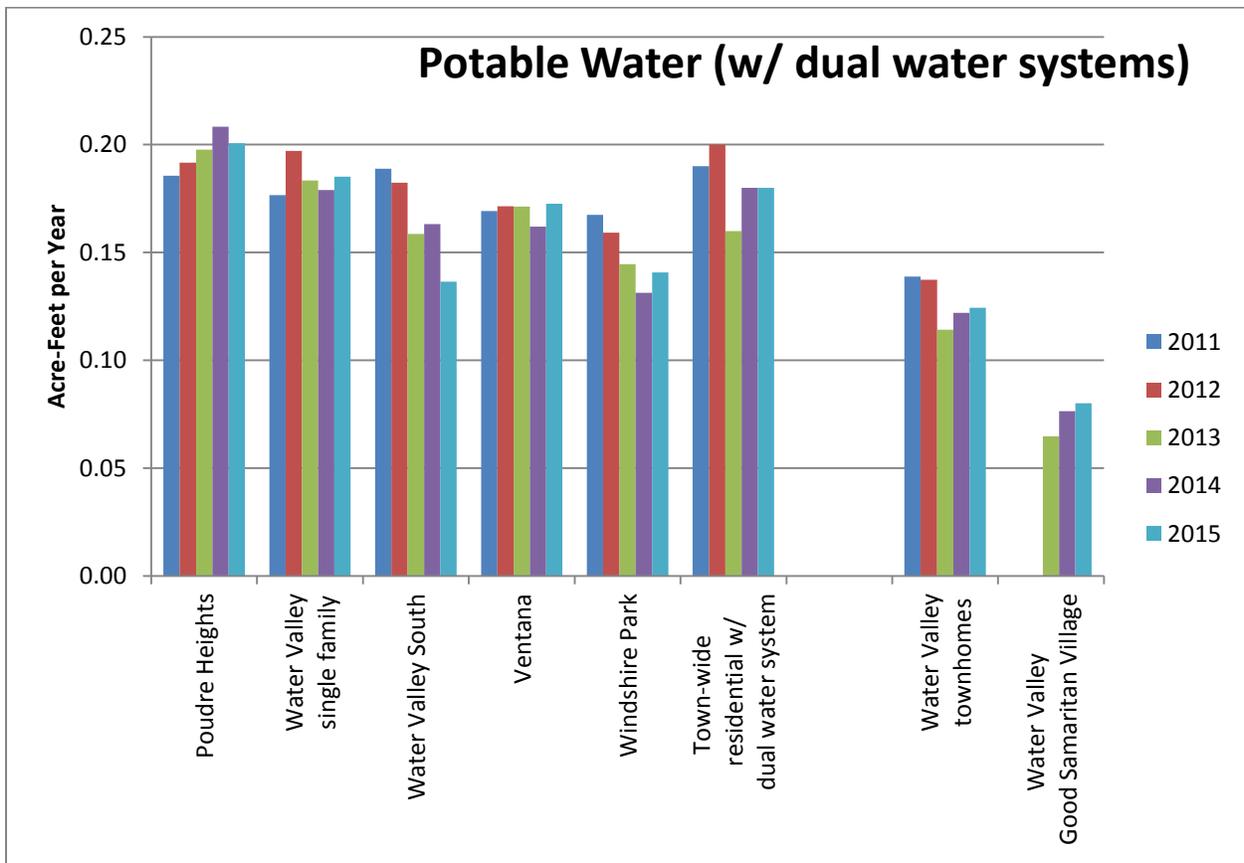
The dark yellow shaded area in the table is data for a sampling of homes with dual water systems. In other words, they have a non-potable water supply for irrigation and do not use Windsor's potable water for irrigation. The lighter yellow area is data for all Windsor residential customers with dual water systems. The dark green shading contains data for customers that use Windsor's potable water system for irrigation. The light green area is data for all residential customers that use Windsor's potable water for irrigation.

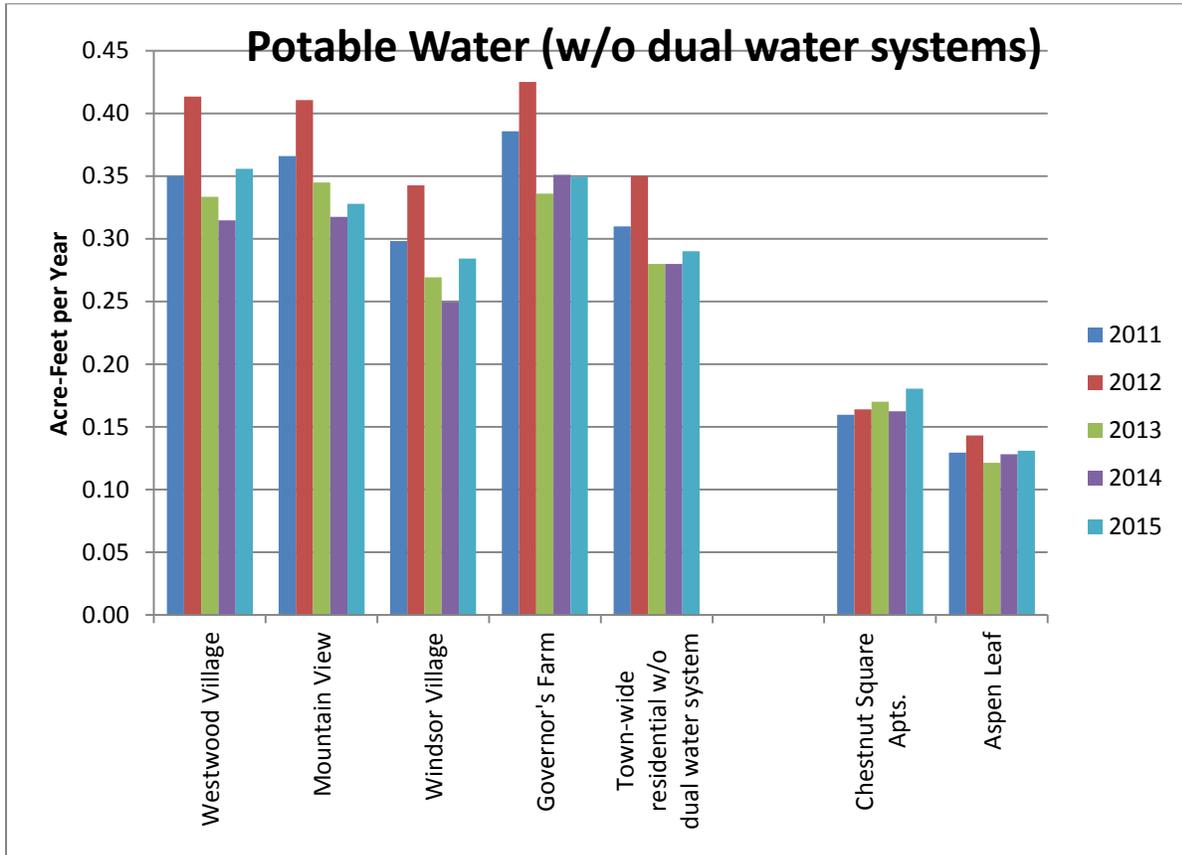
	Subdivision Name	Number of dwelling units in sample	Dual Water System	2011 Average Water Usage per Dwelling in Sample (acre-feet)	2012 Average Water Usage per Dwelling in Sample (acre-feet)	2013 Average Water Usage per Dwelling in Sample (acre-feet)	2014 Average Water Usage per Dwelling in Sample (acre-feet)	2015 Average Water Usage per Dwelling in Sample (acre-feet)
1	<b>Poudre Heights</b> single-family	20	Y	0.19	0.19	0.20	0.21	0.20
2	<b>Water Valley (north)</b> single-family	20	Y	0.18	0.20	0.18	0.18	0.19
3	<b>Water Valley South</b> single-family	12	Y	0.19	0.18	0.16	0.16	0.14
4	<b>Ventana</b> single-family	11	Y	0.17	0.17	0.17	0.16	0.17
5	<b>Water Valley (north)</b> townhouses	50	Y	0.14	0.14	0.11	0.12	0.12
6	<b>Water Valley Good Samaritan Village</b> senior housing	116	Y	--	--	0.06	0.08	0.08
7	Town-wide residential w/ dual water system	2,200	Y	0.19	0.20	0.16	0.18	0.18
8	<b>Westwood Village</b> single-family	22	N	0.35	0.41	0.33	0.31	0.36
9	<b>Mountain View</b> single-family	20	N	0.37	0.41	0.34	0.32	0.33
10	<b>Windsor Village</b> single-family	20	N	0.30	0.34	0.27	0.25	0.28
11	<b>Governor's Farm</b> single-family	20	N	0.39	0.43	0.34	0.35	0.35

12	<b>Chestnut Square</b> apartments	116	N	0.16	0.16	0.17	0.16	0.18
13	<b>Aspen Leaf</b> condos	38	N	0.12	0.14	0.12	0.13	0.13
14	Town-wide residential w/o dual water system	3,100	N	0.31	0.35	0.28	0.28	0.29

2012 was a relatively hot and dry summer and water usage was an all-time high. On the other hand, 2014 was cooler and wetter and overall Windsor water usage was 13% lower than 2012. The significant difference between the two years is especially evident in the water usage for those customers in the green part of the table above because they use potable water for irrigation also. Those subdivisions with dual water systems have smaller variations from a dry year to a wet one.

Graphs of the data in the table follow:





Windsor currently bases raw water dedication in Water Valley on 0.25 acre-feet. As with all dedications the base amount is increased 17% for the final total dedication to account for system losses between the raw water reservoir and the customer's tap. In other words, the total amount in Water Valley is 0.29 acre-feet per dwelling. The base raw water dedication for most other residential subdivisions with a dual water system is 0.33 acre-feet; plus 17% equals 0.39 total.

**Recommendation:**

On June 10, 2015, the Water and Sewer Board recommended the following dedication formulas be the future standard for residential raw water dedication:

- Single-family w/ dual system: 0.25 af/house + 17%
- Multi-family w/ dual system: 0.15 af/dwelling unit +17%

- Single-family w/o dual system: 0.50 af/house + 17%
- Multi-family w/o dual system: 0.15 af/dwelling unit + 3 af/ac irrigated landscape +17%

If the Town Board chooses to adopt the above recommendation or some variation, Section 13-2-80 in the Municipal Code must be amended and if so directed staff can prepare the necessary ordinance before the end of 2016.



## FUTURE TOWN BOARD MEETINGS

Work Sessions & Regular Meetings will be held in the Board Chambers unless otherwise noted.

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November 14, 2016 5:30 p.m./1 <sup>st</sup> floor conference room	Board/Manager/Attorney Monthly Meeting Broadband discussion
November 14, 2016 7:00 p.m.	Town Board Meeting Kern Board Meeting
November 21, 2016 6:00 p.m. Windsor Police Department	Town Board Work Session Police Operations discussion
November 28, 2016 6:00 p.m.	Town Board Work Session Parks Master Plan and Trails Master Plan discussion
November 28, 2016 7:00 p.m.	Town Board Meeting
December 5, 2016 6:00 p.m.	Town Board Work Session Joint meeting with Historic Preservation Commission to review CSU Historic Church Survey Building Permit Fee Schedule update and SAFEbuilt Agreement review Road Impact Fee update
December 12, 2016 5:30 p.m./1 <sup>st</sup> floor conference room	Special Meeting – Manager/Attorney evaluation
December 12, 2016 7:00 p.m.	Town Board Meeting
December 19, 2016 6:00 p.m.	Town Board Work Session Economic Development Incentive Program review 2016 Events Debrief and Future Special Event Items
December 26, 2016 7:00 p.m.	Town Board Meeting Cancelled – Town Hall closed
January 2, 2017 6:00 p.m.	Town Board Work Session – Town Hall closed
January 9, 2017 5:30 p.m./1 <sup>st</sup> floor conference room	Board/Manager/Attorney Monthly Meeting
January 9, 2017 7:00 p.m.	Town Board Meeting Kern Board Meeting

January 16, 2017  
6:00 p.m.                      Town Board Work Session  
NFRMPO update – Terri Blackmore

January 23, 2017  
6:00 p.m.                      Town Board Work Session

January 23, 2017  
7:00 p.m.                      Town Board Meeting

January 30, 2017              Fifth Monday

**Additional Events**

December 8, 2016; 6 pm              Larimer County Regional Elected Officials Meeting; attending – K. Melendez, I. Adams, M. Baker, K. Bennett, C. Morgan, P. Rennemeyer

December 9, 2016; 5:30 pm              Town of Windsor – End of Year, Employee Awards Banquet; attending – I. Adams, K. Bennett, C. Morgan, P. Rennemeyer

January 6, 2017; 7:30 pm              Colorado Eagles Game – Larimer County Suite; attending – I. Adams, C. Morgan, P. Rennemeyer

**Future Work Session Topics**

Review of current Intergovernmental Agreements