

AGENDA REPORT

DATE December 6, 2005

ITEM RESOLUTION NO. 9534, RELATING TO \$1,500,000 GENERAL FUND OBLIGATION DEBT, SERIES 2005 (TAXABLE); AWARDING THE SALE, DETERMINING THE FORM AND DETAILS AND AUTHORIZING THE EXECUTION AND DELIVERY THEROF AND MAKING CERTAIN COVENANTS RELATED TO THE PAYMENT THEREOF AND SECURITY THEREFOR

INITIATED BY FISCAL SERVICES

ACTION REQUESTED ADOPT RESOLUTION 9534

PREPARED BY MARTHA CAPPIS, OPERATIONS SUPERVISOR

PRESENTED BY COLEEN BALZARINI, FISCAL SERVICES DIRECTOR

**RECOMMENDATION:** Staff recommends adoption of Resolution 9534, to award the sale of private negotiated General Fund Obligation Debt to pay costs of preliminary design, permitting and engineering related to the City's portion of costs of construction of a 250 MW CFB generation facility. This resolution will also determine the form and details, authorize the execution and delivery, and make certain covenants relating to the payment and security

**MOTION:** "I move the City Commission adopt Resolution 9534

**SYNOPSIS:** Staff continues work related to the financing, construction, and partial ownership in a 250 MW Coal Fired Electric Generation Facility near Great Falls. The total construction cost of the facility is estimated at \$500,000,000. The City anticipates plant ownership participation of 25%. The next phase in the development process requires the City to seek financing for approximately \$2,000,000 which will fund the City's pro-rata share of \$12,000,000 in necessary Permitting and Procurement Support. The outcome from this phase of the process will reimburse or finance costs for items such as a coal test burn, detailed system impact study, engineering support for EIS, permitting, air monitoring, site survey and boiler contract.

The City negotiated with First Interstate Bank of Great Falls and awarded the sale based on a twenty year term, and a rate of 6.79% for 5 years. The rate thereafter will be based on the spread between this rate and the five year constant maturity rate determined at the time of closing. This sale is based on interest only payments for the first two years, and a balloon payment at year five. There is on penalty for early redemption. It is anticipated that an additional financing request will occur in FY 2007 for the remaining \$500,000 for a total of \$2,000,000 in interim financing.

**BACKGROUND:**

The City of Great Falls has been a member of Southern Montana Electric Generation and Transmission Co-Op since August of 2003. As a member of SME G&T the City has participated in independent consultant studies to determine the operational, environmental and economic feasibility of constructing a 'clean coal' technology electric generation resource in Montana.

The intent is to build a 250 MW electric generation plant using the most environmentally compliant coal fired electric generation facility technology currently available. The electricity from this plant will be used by the members of SME G&T to replace existing long-term federal power supply contracts which will terminate beginning in 2008 and to provide stable, reliable prices to the City of Great Falls in place of the current default supply electricity currently available to the City.