

BOND ASSUMPTIONS

Compiled by City of Boulder Staff (v. 4-16-13)

The financial model contains a number of assumptions related to the financing of a municipal utility, such as the cost of capital for starting a utility and making on-going capital improvements. These assumptions are outlined in complete detail in [Attachment D of the Feb. 26, 2013 council study session memo](#).

Included here are excerpts from the above-referenced memo showing some specific sets of data regarding the various types of financing considered.

Assumptions Related to Types of Bonds Modeled

Taxable Bond Assumptions			
Item	Value	Description of Input	Reference page in memo
Term (years)	30	The time period the bonds would be outstanding (generally this would be the same time as the expected life of the asset).	70
Interest Payments/Year	2	There are two interest payments and one principal payment made on the bond annually.	70
Bond Interest Rate	6.50% ¹	The estimated median interest rate on a 30-year taxable bond, given the entity's anticipated bond rating. The model is being analyzed by exploring the sensitivity of higher and lower interest rates on the debt issues.	70

Tax-Exempt Bond Assumptions			
Item	Value	Description of Input	Reference page in memo
Term (years)	30	The time period the bonds would be outstanding (generally this would be the same time as the expected life of the asset).	71
Interest Payments/Year	2	There are two interest payments and one principal payment made on the bond annually.	71
Bond Interest Rate	5.50% ¹	The estimated median interest rate on a 30-year tax-exempt bond, given the entity's anticipated bond rating. The model is being analyzed by exploring the sensitivity of higher and lower interest rates on the debt issues.	71

¹ Interest rates were treated as an uncertainty and modeled using ranges to assess risk. For more information on this process, see [Attachment H of the Feb. 26, 2013 memo](#). Page 258 details the ranges that were used.

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Bridge Loan Assumptions			
Item	Value	Description of Input	Reference page in memo
Term (years)	2	2 years is being used for modeling purposes as the maximum time for the bridge loan. Principal would be paid at the end of the term from the long term financing.	72
Interest Payments/Year	12	The number of interest payments made on the loan annually.	72
Bond Interest Rate	8.00% ¹	The estimated median interest rate on a short-term bridge loan. The model is being analyzed by exploring the sensitivity of higher and lower interest rates on the debt issues.	72

Items Funded by Type of Bond

Items Funded Through Taxable Debt			
Item	Value	Description of Input	Reference page in memo
Stranded Costs	\$255,204,000	In June 2011, Xcel Energy provided estimates of stranded costs for different time periods if the city of Boulder left their system. This number aligns with the model start date of 2017 and represents the worst-case scenario. Analysis includes sensitivity analysis on other values ranging from \$0 to \$255M. ²	73
Acquisition Costs	\$150,000,000	Includes all costs associated with acquisition. Xcel Energy provided an estimate of the system value in a study completed by their consultant, Utilipoint. This value is being modeled as the worst-case scenario with a sensitivity analysis on this input. ²	73

² See [Attachment H of the Feb. 26, 2013 memo](#) for more information.

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Items Funded Through Short-Term Bridge Loan Debt			
Item	Value	Description of Input	Reference page in memo
Logistics Pre-Acquisition	\$4,933,859	This is a one-time cost that includes start-up capital costs necessary in advance of operating the system. The costs include building expanded facilities at the City Municipal Service Center, purchase of specialized vehicles (with long lead order times), information systems, critical substation and feeder separation components, and inventory.	73

Items Funded Through Tax-Exempt Debt			
Item ³	Value	Description of Input	Reference page in memo
Logistics at Time of Acquisition	\$19,475,307	This is a one-time cost that includes the capital costs necessary to begin utility operations that are not included in Logistics Pre-Acquisition. Costs include expansion of facilities, warehouse, customer information systems, land acquisition for operations, information systems, vehicles, substation and feeder separation components, inventory, and initial capital investments to replace aging infrastructure.	74
Capital Improvements and Undergrounding	\$22,876,750	Tax-exempt bond issuance in year 3 to upgrade aging infrastructure and undergrounding.	74
Capital Improvements and Undergrounding	\$17,120,250	Tax-exempt bond issuance in year 8 to upgrade aging infrastructure and undergrounding.	74
Capital Improvements and Undergrounding	\$15,513,750	Tax-exempt bond issuance in year 13 to upgrade aging infrastructure and undergrounding.	74
Capital Improvements and Undergrounding	\$9,308,250	Tax-exempt bond issuance in year 18 to upgrade aging infrastructure and undergrounding.	74

³ Only the first line item is issued at the time the utility starts up. The remaining items are issued over time to fund on-going capital improvements to the system.