



AGENDA
CITY OF AUGUSTA
Special Council Meeting
Friday, March 12, 2021
6:00 P.M.

“Augusta – Where the metro’s edge meets the prairie’s serenity offering the perfect blend of opportunity and proximity for living, commerce and culture.”

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. PRAYER

D. BUSINESS

1. APPLICATION MATERIALS FOR STATE OF KANSAS LOW-INTEREST LOAN PROGRAM FOR EXTRAORDINARY ELECTRICITY COST ASSISTANCE

Review and consider a Resolution and Ordinance authorizing execution of a loan agreement between the City of Augusta, Kansas and the State of Kansas for a low-interest loan to help finance the extraordinary costs of electricity during the extreme winter weather event of February 2021.

- a) Staff Report
- b) Council Discussion
- c) Resolution No. 2021-XX
 - i. **Council Motion/Vote**
- d) Ordinance No. 21XX
 - i. **Council Motion/Vote**

E. ADJOURNMENT



CITY OF AUGUSTA CITY COUNCIL AGENDA REPORT

Meeting Date: March 12, 2021

Department: Administration

Submitted By: Josh Shaw, City Manager

Prepared By: Josh Shaw, City Manager

Agenda Title: **Application Materials for State of Kansas Low-Interest Loan
Program for Extraordinary Electricity Cost Assistance**

RECOMMENDED ACTION:

Review and discuss financial outlook for the electric utility in light of the extraordinary February 2021 weather event resulting in unprecedented electricity and natural gas costs, and determine whether to execute a resolution and ordinance authorizing submittal of an application to the newly created \$100,000,000 City Utility Low-Interest Loan Program approved by House Substitute for Senate Bill No. 88. If participation in the loan program is determined necessary, the Council will adopt Resolution 2021-07 authorizing submittal of the loan application followed by a roll-call vote to approved Ordinance 2175 authorizing execution of a loan agreement.

BACKGROUND:

As a result of the February 2021 winter weather event, utility providers and utility customers throughout the central United States were hit with astronomical bills for electricity and natural gas. Over a 24-hour period natural gas prices spiked from just under \$3.00 per MMBTU to \$200 - \$500 MMBTU. The resulting gas and power supply bills to utility providers and customers were staggering. As an example, it was reported that the City of Winfield, Kansas received a \$10 million bill for six days in February 2021 when they typically spend \$1.6 million for the entire year. Numerous small towns across Kansas are facing financial ruin as a result of these unprecedented utility bills as neither they nor their customers are financially able to pay what is owed. In light of these horror stories, many state and federal regulators are calling for investigations into allegations of price gouging by natural gas suppliers and speculators. In the meantime, bills are coming due and municipal electric and/or natural gas utilities do not have a choice but to pay their energy suppliers or risk losing access in the future by defaulting on their payment obligations.

In response to demand from dozens of cities, the League of Kansas Municipalities (LKM), and municipal energy agencies like KMEA and the Kansas Power Pool (KPP), state legislators acted quickly to create a \$100 million low-interest loan program utilizing state idle funds to provide financial resources to municipalities to help pay their exorbitant natural gas and electricity costs related to the February 2021 weather event. Augusta city staff submitted testimony in favor of the legislation and would like to thank Representative Kristey Williams and Senator Ty

Masterson for their leadership and support. The legislation was created, approved, and the program materials were distributed in a matter of days. Applications are now due by 5:00 p.m. on Monday, March 15th. Due to the quick turnaround time, several Council members called for a special meeting of the Augusta City Council to consider applying for the program.

ANALYSIS:

The City of Augusta does not operate a municipal natural gas utility, but we do operate a municipal electric utility. Augusta is also a member of the Kansas Power Pool (KPP). The KPP has a broad portfolio of wind, solar, nuclear, coal, natural gas, hydroelectric power suppliers, in addition to the generation capacity of numerous municipal power plants. The pool constantly evaluates the pricing structure of each source of electricity in the integrated marketplace to find the cheapest option. Municipal power plants are dispatched to run their generators infrequently because the cost of wholesale power is typically much cheaper from these other sources. Augusta, as an example, is typically only dispatched to generate a couple of weeks per year.

During the February weather event, extreme temperatures disrupted many sources of electricity due to failings in the electric infrastructure itself and numerous other suppliers, like natural gas plants, chose not to operate because of the exorbitant cost of natural gas. Augusta's plant is somewhat unique in that it can run off of two fuel sources: diesel and natural gas. This capability led to Augusta being dispatched to operate throughout the storm event. In fact, Augusta generated more electricity during that one week in February than the entirety of 2020.

As a power generator and member of the KPP, Augusta has a number of benefits working in our favor compared to other cities in terms of energy pricing during this weather event. KPP will reimburse the City at a small premium for our diesel and other operating expenditures and KPP will also utilize the high sales price for the power we generated to help stabilize the cost of power for all members in the pool. This is important to remember, while Augusta was generating to supply the electric grid, we were simultaneously purchasing from the grid through KPP. The cost of that wholesale power provided by KPP is what is driving our need for consideration of the State City Utility Low-Interest loan program.

KPP has encouraged member cities to prepare for February wholesale bills ranging from 2.5 to 5 times higher than normal, while they explore all options for reducing the impact of these bills. If Augusta's typical February bill is \$380,000, this means that we should prepare for a monthly bill between \$950,000 and \$1,900,000. Staff currently anticipates the bill to be closer to \$950,000, but KPP has not announced the bills yet because all of the suppliers are still trying to calculate what the pricing will be themselves. KPP has called a special board meeting on Friday, March 12th to evaluate the pricing data and make a recommendation regarding financing strategies to finalize member bills to send out by Thursday of next week.

FISCAL IMPACT/FUNDING SOURCE:

If the KPP February bill ends up falling in the \$950,000 range, the City may be able to utilize cash on hand through its operating fund and electric reserve to make the payment (an excess cost of \$670,000 over our budgeted monthly February bill). Higher bills might require the Council to consider submittal to the state's newly created loan program. The State of Kansas will consider all applications equally if they are received by the 5:00 p.m. deadline on Monday, March 15th.

Any applications received after that deadline will be waitlisted. \$100 million is not anticipated to meet the needs of all municipalities, so submittal prior to next Monday's deadline is critical if Augusta determines that supplemental financing is necessary. That being said, the state's evaluation will be need based and prioritized for those municipalities with greatest demonstrated need.

A draft ordinance and resolution have been prepared for the Council's review and consideration, but the loan amounts and financial data have largely been left blank. Staff will have a much better idea regarding the amount of the February KPP bill after the special KPP board meeting on Friday, so we will update the ordinance and resolution documents based on those latest forecasts and present them to the City Council at the special meeting scheduled for 6:00 p.m. on Friday, March 12th.

Department Head Approval Date:

City Manager Approval Date: 3/11/2021

City Attorney Approval Date:

Attachments:

1. Call for Special Meeting
2. KPP Fact Sheet – February Weather Event
3. Application Instructions from Office of the Kansas State Treasurer
4. Draft Resolution No. 2021-07
5. Draft Ordinance No. 2175

REQUEST FOR SPECIAL GOVERNING BODY MEETING

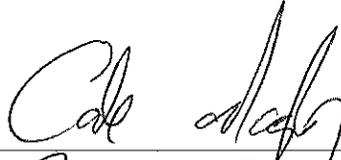
Augusta, Kansas

March 8, 2021

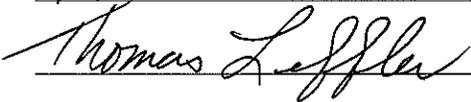
To Mike Rawlings
Mayor of Augusta, Kansas

We, the undersigned, governing body members of the City of Augusta, Kansas hereby respectfully request you call a special meeting of the governing body at 6:00 p.m. on Friday March 12, 2021 to authorize the City of Augusta to submit consider and ordinance and resolution to submit a loan application to City Utility Low-Interest Loan Program for the purpose of obtaining a loan from the State of Kansas to Finance Extraordinary Electric costs incurred during the extreme winter weather event of February 2021.

Signed:







Governing Body Members



Fact Sheet – the recent electric power grid crisis

A high-level summary as of February 26, 2021

From February 12th through approximately February 19th, the entire Southwest Power Pool (SPP – that covers all or much of 14 states in the interior of the country), suffered extreme and dangerously cold temperatures. Consequently, retail electric utilities (and also retail gas utilities) have already begun to formulate preliminary plans for economic recovery and the continuation of service deliveries.

It cannot be overstated that precise economic cost figures are not yet known. This is true throughout the entire SPP region because of the complex matrices associated with cost settlements, and subsequent billings, which will occur throughout the entire SPP footprint.

However, there is currently much that *is* known. The following is intended only to demonstrate the enormity of the crisis and to give perspective on incidental details associated with generation of electric power.

- Unlike years past, when coal was the dominant fuel for power generation, significant amounts of natural gas are today used for baseload (around the clock) generation of power, peaking generation and also for backing up the intermittency of renewable resources such as wind and solar
- For a few years, the market price for natural gas has been mostly flat at slightly below \$3 per dekatherm (or almost exactly 1 MMBTU of gas)
- During the time period referenced, natural gas, if indeed it did flow, was in very tight supply
- Gas transmission and transportation equipment (such as valves, dehydrators, compressors, etc.,) do not perform well during such temperatures recently experienced
- During the time period referenced, market prices for natural gas rose overnight to between \$200 per dekatherm and, at times, to more than \$500 per dekatherm
- During the time period referenced, the consequent natural gas prices caused SPP to activate various levels of its Energy Emergency Alert system – they are described as follows:
 - Level 0 is normal operations
 - Level 1 is the stage at which all available resources are to be brought online
 - Level 2 is the stage at which it is possible reserve capacity margins are insufficient to meet electric loads
 - Level 3 is the stage at which SPP instructs utilities to curtail customers by shedding loads
- For electric power providers and natural gas retailers alike, the magnitude of price runups far exceeded utilities' ability to collateralize for continual purchases of natural gas and the continuing of service to homes and businesses. This caused a variety of ramifications including: conservation, curtailments (of retail consumption) power generation outages and some electrical rolling blackouts

- But for possible mitigation plans, indicative examples expected to be soon validated are:
 - that a retail municipal gas utility* whose entire annual budget for natural gas is approximately \$300,000 would otherwise receive a gas bill for February alone at slightly less than \$2,000,000
 - a larger electric utility*, owning all or portions of gas-fired power generation resources, and whose entire annual budget for natural gas is \$9 million would otherwise receive a gas bill for February alone at approximately \$85 million
- In every known instance the immediate and required collateralization for continued natural gas purchases far exceed a utility's cash reserves (or even its "credit card") nor is it expected that customers would agreeably pay the cost of building those reserves for such an unpredictable incident (it appears, but is not confirmed, that in some cases additional collateralization was waived or ignored during the urgent atmosphere within which operations were conducted)
- For utilities, the foregoing portends uncertain futures for collateralization, future bond or credit ratings, future cash management and future engineering or infrastructure projects
- Although KPP is not one of the examples given above, actual KPP cost numbers are still being finalized and will be first reported to the KPP Board of Directors in mid-March
- Financial mitigation plans are under review everywhere and are not yet established pending the receiving of final and true costs
- True gas price transparency and discovery is under industry, federal and regional examination
- Some coal-fired plants in the SPP froze due to plant equipment failures including also the inability to move, handle and process frozen coal
- Wind turbines, quite typically, do not perform well during such temperatures as they lack the necessary package installations to overcome the "freezing" to equipment and lubricants
- Solar arrays are shown to perform well despite such temperatures, provided there is adequate sunlight, of course

Texas Contrast

- Most of Texas, that is not in the SPP, is in the Electric Reliability Council of Texas (ERCOT)
- Currently, difficulties in ERCOT compared to SPP are only distinguishable superficially
 - ERCOT does not have the generating resource reserve margin requirements that SPP has
 - Temperatures, equipment failures and gas flow issues mentioned previously, appeared in ERCOT to be inordinately disruptive and harmful
 - Consequently, spot prices for gas and electric energy were much higher in ERCOT



* Although these are indicative and represent actual examples, entity names are withheld



**OFFICE OF THE KANSAS STATE TREASURER
LYNN W. ROGERS**

City Utility Low-Interest Loan Program

Attached is an application and supporting information required for the City Utility Low-Interest Loan Program approved by House Substitute for Senate Bill No. 88. The legislation provides up to \$100,000,000 to loan to qualifying cities under this program.

Eligibility: This program is available to any city in Kansas that has incurred extraordinary electric and/or natural gas costs during the extreme winter weather event of February 2021. Loan proceeds may only be used to fund costs incurred by the city in operating its electric and/or natural gas utility system. Loan proceeds may not be used to pay electric or gas utility bills that the city would otherwise pay as a consumer of utility services.

Interest Rate: Currently, 0.25%. The interest rate will be adjusted on January 1 of each year to an amount that is 2% below the market rate as provided in K.S.A. 75-4237, and amendments thereto, using the market rate then in effect. The minimum interest rate shall be 0.25% if the market rate is below 2.25%. Currently, the minimum interest rate applies.

Payment Dates: Payments on the loan will begin no later than July 1, 2021. Cities may choose monthly, quarterly or semi-annual payment arrangements. Loans may be prepaid at any time without penalty.

Prioritization of Loan Requests: Applications may be submitted by cities beginning 8 a.m. on Friday, March 5. All applications received between 8 a.m. on March 5 and 5 p.m. on March 15 will be treated as though they were all received at the same date on the same time. The State Treasurer will begin consideration of applications upon receipt for those cities with payment obligations on or before March 15, and may elect to fund loans prior to March 15 if there is an immediate and dire need for such funds to prevent the shutoff of city utilities.

Applications received after March 15 will be evaluated on a first come first serve basis. If funds are not available, applicants will be placed on a waiting list in the order in which the applications were received.

All applications will be ranked by immediate need of funds, as determined by the due date of obligations of the city and the city's currently available resources. Those cities with the most immediate need of funds will be given first priority for evaluation.

The State Treasurer reserves the right to pro-rate the amount of loans approved for individual applicants.

Application Process: To apply, please complete and submit the following documents:

- Ü Application – signed by Mayor and Clerk
- Ü Attachment B – Estimated Payment Dates and Amounts for Extraordinary Costs
- Ü Resolution approving application
- Ü Ordinance approving loan agreement
- Ü Excerpt of Minutes

The application must be accompanied by signed copies of the ordinance and the resolution approved by the governing body. The ordinance does not need to have been published prior to application, but the governing body must have approved both the ordinance and resolution. Please provide a copy of the affidavit of publication for the ordinance when available.

To ensure approval of loans under the most expeditious manner possible, these documents may be submitted electronically via email to fiscal@treasurer.ks.gov or by facsimile to (785) 296-6976.

The State Treasurer reserves the right to request additional information from the applicant as necessary to evaluate the request.

Upon review and approval, the State Treasurer's Office will notify applicants of approval, including the amount of the loan to be funded. Such approval will contain a request for the City to accept the loan amount and provide banking information to wire funds (Attachment C). Every effort will be made to send the wire one business day following the State Treasurer's Office receipt of the City's acceptance of the loan and submission of wire information.

Questions about the application or the program may be directed to:

Shauna Wake, Director of Operations & Fiscal Services
Phone: 785-296-3171
Email: fiscal@treasurer.ks.gov



**OFFICE OF THE KANSAS STATE TREASURER
LYNN W. ROGERS**

Application for City Utility Low-Interest Loan Program

REQUEST DATE: MARCH 12, 2021

CITY NAME: City of AUGUSTA, Kansas

City Population: 9,368

Number of Electric Meters: 4,482

Number of Natural Gas Meters: 0

Amount of available City reserves that may be legally used for Extraordinary Costs:

\$ _____

Estimated Extraordinary Costs incurred by City during extreme weather event of February 2021:

Electric \$ _____

Natural Gas \$ _____

Total \$ _____

Requested Loan Amount (not to exceed amount):

Electric \$ _____

Natural Gas \$ _____

Total \$ _____

Requested Repayment Term: 10 years

Requested Payment Frequency: Semi-Annual

City Contact Information:

City Mailing Address: PO. Box 489

City, State, ZIP: Augusta, KS 67010

Primary Contact Person:

Name: Josh Shaw, City Manager

Phone Number: (316)775-4510

E-mail Address: jshaw@augustagov.org

For the purposes of obtaining a loan under the provisions of House Substitute for Senate Bill No. 88, 2021 Session (the "Act"), the City hereby certifies the following:

1. The City is a city organized and existing under the laws of Kansas.
2. The City incurred extraordinary electric and/or natural gas costs during the extreme weather event of February 2021 (the "Extraordinary Costs") and these costs were not otherwise included in the city's budget.
3. The loan obtained pursuant to the City Utility Low-Interest Loan Program will be used exclusively for the Extraordinary Costs.

4. The undersigned understands and agrees that due to the need for expeditious approval of loans under this program, a loan may be approved before the form loan agreement is available and rules and regulations for this program have been formally adopted by the State Treasurer. Upon delivery to the City of the form loan agreement, the City will have 5 business days to return an executed loan agreement. In the event the City does not return an executed loan agreement, it will be required to repay the loan in full plus accrued interest. The plan for such repayment must be submitted to the State Treasurer within 5 business days of the City receiving the form loan agreement, and the repayment plan must be accomplished with all reasonable dispatch.
5. If the City receives any federal monies related to the extreme winter weather event of February 2021, the first priority for expenditure of such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be the payment of any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program as provided in Section 4(b) of the legislation creating the loan program. If the City receives any recoveries as a result of settlement or litigation or other refunds of Extraordinary Costs paid by the City that relate to the extreme winter weather event of February 2021, such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be used to pay any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program. The City will establish a dedicated source of revenue for repayment of the loan from rates, fees and charges for the use and services furnished by or through its related utility system.
6. The City has adopted the City Utility Low-Interest Loan ordinance and resolution in a form functionally the same as Attachment A.
7. The estimated payment dates and amounts for the Extraordinary Costs to be incurred by the City are shown in the table on Attachment B.
8. The City has completed and is prepared to submit Attachment C containing wire instructions so that funds may be placed as soon as is practicable after approval.
9. The City has reviewed its currently outstanding notes, bonds or other obligations (including, for example, any power purchase agreements or fuel supply contracts) payable from revenues from the electric and/or natural gas utility system and certifies to the State that this loan will not violate the terms of any such agreements.
10. The City agrees to provide such other information and documentation to the State Treasurer as reasonably requested in order to evaluate this application and determine the City's compliance with the terms of the Act.

CITY OF AUGUSTA, KANSAS

By: _____
 Mike L. Rawlings, Mayor
 ATTEST:

[SEAL]

By: _____
 Erica L. Jones, City Clerk

ATTACHMENT "A"
City Utility Low-Interest Loan Program Ordinance and Resolution TEMPLATE

**EXCERPT OF MINUTES OF A MEETING
OF THE GOVERNING BODY OF
THE CITY OF AUGUSTA, KANSAS
HELD ON MARCH 12, 2021**

The Governing Body of the City met in special session at the usual meeting place in the City, at 6 p.m., the following members being present and participating:

Present: _____

Absent: _____

The Mayor declared that a quorum was present and called the meeting to order.

(Other Proceedings)

Thereupon, there was presented a Resolution entitled:

A RESOLUTION AUTHORIZING THE CITY OF AUGUSTA, KANSAS TO APPLY FOR THE CITY UTILITY LOW-INTEREST LOAN PROGRAM FOR THE PURPOSE OF OBTAINING A LOAN FROM THE STATE OF KANSAS TO FINANCE EXTRAORDINARY ELECTRIC AND/OR NATURAL GAS COSTS INCURRED DURING THE EXTREME WINTER WEATHER EVENT OF FEBRUARY 2021.

Thereupon, [Governing Body member] _____ moved that said Resolution be passed. The motion was seconded by [Governing Body member] _____. Said Resolution was duly read and considered, and upon being put, the motion for the adoption of said Resolution was carried by the vote of the Governing Body, the vote being as follows:

Yes: _____.

No: _____.

Thereupon, the Mayor declared said Resolution duly adopted and the Resolution was then duly numbered Resolution No. 2021-07 and was signed and approved by the Mayor and attested by the Clerk.

Thereupon, there was presented an Ordinance entitled:

AN ORDINANCE AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN THE CITY OF AUGUSTA, KANSAS AND THE STATE OF KANSAS, ACTING BY AND THROUGH THE KANSAS STATE TREASURER, FOR THE PURPOSE OF OBTAINING A LOAN PURSUANT TO THE CITY UTILITY LOW-INTEREST LOAN PROGRAM TO FINANCE EXTRAORDINARY ELECTRIC AND/OR NATURAL GAS COSTS INCURRED DURING THE EXTREME WINTER WEATHER EVENT OF FEBRUARY 2021; ESTABLISHING A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF SUCH LOAN; AUTHORIZING AND APPROVING CERTAIN

DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE LOAN AGREEMENT.

Thereupon, [Governing Body member] _____ moved that said Ordinance be passed. The motion was seconded by [Governing Body member] _____. Said Ordinance was duly read and considered, and upon being put, the motion for the passage of said Ordinance was carried by the vote of the Governing Body, the vote being as follows:

Yes: _____.

No: _____.

Thereupon, the Mayor declared said Ordinance duly passed and the Ordinance was then duly numbered Ordinance No. 2175 and was signed and approved by the Mayor and attested by the Clerk. The Clerk was directed to publish the Ordinance (or a summary thereof) one time in the official newspaper of the City.

(Other Proceedings)

On motion duly made, seconded and carried, the meeting thereupon adjourned.

(SEAL)

City Clerk

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RESOLUTION NO. 2021-07

A RESOLUTION AUTHORIZING THE CITY OF AUGUSTA, KANSAS TO APPLY FOR THE CITY UTILITY LOW-INTEREST LOAN PROGRAM FOR THE PURPOSE OF OBTAINING A LOAN FROM THE STATE OF KANSAS TO FINANCE EXTRAORDINARY ELECTRIC AND/OR NATURAL GAS COSTS INCURRED DURING THE EXTREME WINTER WEATHER EVENT OF FEBRUARY 2021.

WHEREAS, the health, safety, and economic well-being of our residents is the top priority for the governing body of the City of **AUGUSTA**, Kansas (the “City”); and

WHEREAS, on February 14, 2021, pursuant to the Kansas Emergency Management Act, Chapter 48, Article 9, of the Kansas Statutes Annotated, Governor Laura Kelly proclaimed a State of Disaster Emergency, recognizing power outages and critical energy supply shortages were anticipated; and

WHEREAS, during February 2021, the City faced a winter weather emergency that resulted in extraordinary electric and/or natural gas costs; and

WHEREAS, annually, the City budgets **\$5,700,000¹** to cover the costs associated with electricity needs and **\$0.00²** to cover the costs associated with natural gas needs; and

WHEREAS, as of this date, the City estimates it will have an obligation to pay a total of **\$³** in electricity and **\$0.00⁴** in natural gas costs as a result of the unprecedented prices charged during the extreme winter weather conditions in February 2021; and

WHEREAS, without emergency action and aid, the increased prices required to purchase natural gas and/or electricity will result in significantly higher than normal utility bills for the citizens of the City threatening the financial health and the physical welfare of the City’s residents and businesses; and

WHEREAS, on March 3, 2021 Governor Laura Kelly signed into law House Substitute for Senate Bill 88, establishing the City Utility Low-Interest Loan Program and authorizing the State Treasurer to distribute up to \$100 million in loans for the purpose of providing loans to cities for extraordinary electric and/or natural gas costs incurred during the extreme winter weather event of February 2021.

THEREFORE, BE IT RESOLVED BY THE CITY OF AUGUSTA, KANSAS AS FOLLOWS:

1. The City shall begin the process of borrowing funds in the amount of not to exceed **\$⁵** from the State of Kansas through the City Utility Low-Interest Loan Program, to pay the extraordinary electric and/or natural gas costs incurred during the extreme winter weather event of February 2021 (the “Extraordinary Costs”). The Governing Body hereby certifies that such amounts are

¹ Insert budgeted amount for annual electric system expenditures for FY 2021.

² Insert budgeted amount for annual natural gas system expenditures for FY 2021.

³ Insert estimated amount of additional electric system expenditures due to unprecedented prices charged for electricity during the extreme winter weather conditions in February 2021.

⁴ Insert estimated amount of additional natural gas system expenditures due to unprecedented prices charged for electricity during the extreme winter weather conditions in February 2021.

⁵ Insert total amount of loan request.

attributable only to extraordinary electric and/or natural gas costs incurred during the extreme winter weather event of February 2021 and not to any other utility costs previously budgeted for by the City

2. The Governing Body agrees to the following terms designed to ensure the lawful use of funds and transparency, equity, and accountability:

a. The loan shall be used only for those extraordinary electric and/or natural gas costs incurred during the extreme winter weather event of February 2021 as certified by the Governing Body and not for any other utility costs previously budgeted for by the City.

b. The City requests that the term of the loan be for a period of not to exceed 10 years.

c. The interest rate on the loan shall be 2% below the market rate as provided in K.S.A. 75-4237, and amendments thereto, and shall be recalculated on the first business day of January of each year using the market rate then in effect. The minimum interest rate shall be 0.25% if the market rate is below 2.25%.

d. Payments on the loan will begin no later than July 1, 2021. The City requests the loan provide for semi-annual payment arrangements.

e. The City understands that the final terms of the loan, including amortization terms and repayment schedule, will be established through a loan agreement between the City and the State Treasurer's Office. Upon delivery to the City of the form loan agreement, the City will have 5 business days to return an executed loan agreement. In the event the City does not return an executed loan agreement, it will be required to repay the loan in full plus accrued interest. The plan for such repayment must be submitted to the State Treasurer within 5 business days of the City receiving the form loan agreement, and the repayment plan must be accomplished with all reasonable dispatch.

f. The City certifies that if the City receives any federal monies related to the extreme winter weather event of February 2021, the first priority for expenditure of such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be the payment of any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program as provided in Section 4(b) of the legislation creating the loan program. If the City receives any recoveries as a result of settlement or litigation or other refunds of Extraordinary Costs paid by the City that relate to the extreme winter weather event of February 2021, such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be used to pay any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program. The City will establish a dedicated source of revenue for repayment of the loan from rates, fees and charges for the use and services furnished by or through its related utility system.

3. The Mayor, Clerk and other City officials are hereby further authorized and directed to execute any and all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of the Resolution, and to make alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

4. This resolution shall take effect and be in force immediately upon its adoption and shall remain in effect until future action is taken by the Governing Body.

ADOPTED this 12th day of March 2021 and **SIGNED** by the Mayor.

Mike L. Rawlings, Mayor

Attested:

Erica L. Jones, City Clerk

(Published in Butler County Times Gazette on March 20, 2021)

ORDINANCE NO. 2175

AN ORDINANCE AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN THE CITY OF AUGUSTA, KANSAS AND THE STATE OF KANSAS, ACTING BY AND THROUGH THE KANSAS STATE TREASURER FOR THE PURPOSE OF OBTAINING A LOAN PURSUANT TO THE CITY UTILITY LOW-INTEREST LOAN PROGRAM TO FINANCE EXTRAORDINARY ELECTRIC AND/OR NATURAL GAS COSTS INCURRED DURING THE EXTREME WINTER WEATHER EVENT OF FEBRUARY 2021; ESTABLISHING A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF SUCH LOAN; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE LOAN AGREEMENT.

WHEREAS, on March 3, 2021, Governor Laura Kelly signed into law House Substitute for Senate Bill 88, establishing the City Utility Low-Interest Loan Program and authorizing the State Treasurer to distribute up to \$100 million in loans for the purpose of providing loans to cities for extraordinary electric and/or natural gas costs incurred during the extreme winter weather event of February 2021 (the “Act”); and

WHEREAS, the City of **AUGUSTA**, Kansas (the “City”) has previously adopted Resolution No. 2021-07 authorizing the City to make application to the State Treasurer for a loan pursuant to the City Utility Low-Interest Loan Program (the “Loan”); and

WHEREAS, the governing body of the City hereby finds and determines that it is necessary and desirable to accept the Loan and to enter into a loan agreement and certain other documents relating thereto, and to take certain actions required in order to implement such loan agreement.

THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF AUGUSTA, KANSAS:

Section 1. Authorization of Loan Agreement. The City is hereby authorized to accept the Loan and to enter into a Loan Agreement with the State of Kansas acting by and through the State Treasurer (the “Loan Agreement”) to finance the extraordinary electricity⁶ costs incurred during the extreme winter weather event of February 2021 (the “Extraordinary Costs”).

The Loan shall be in the amount of not to exceed \$ ⁷.

The interest rate on the loan shall be 2% below the market rate as provided in K.S.A. 75-4237, and amendments thereto, and shall be recalculated on the first business day of January of each year using the market rate then in effect. The minimum interest rate shall be 0.25% if the market rate is below 2.25%.

The Loan shall be repaid over a term of not to exceed **10** years. The City has requested **semi-annual** repayment dates.

⁶ Describe whether loan will be used to pay for (a) electric, (b) natural gas, or (c) both electric and natural gas.

⁷ Insert total amount of loan request.

The Mayor and Clerk are hereby authorized to execute the Loan Agreement, the Mayor's execution of the Loan Agreement being conclusive evidence of such approval.

Section 2. Establishment of Dedicated Source of Revenue for Repayment of Loan. The City hereby establishes a dedicated source of revenue for repayment of the Loan. In accordance therewith, the City shall impose and collect such rates, fees and charges for the use and services furnished by or through its **Electric** utility (the "System"), including all improvements and additions thereto hereafter constructed or acquired by the City as will provide revenues which are sufficient to (a) pay the cost of the operation and maintenance of the System, (b) pay the principal of and interest on the Loan as and when the same become due, (c) pay all other amounts due at any time under the Loan Agreement and (d) pay the principal of and interest on all other outstanding bonds or indebtedness of the System; provided, however, no lien or other security interest is granted by the City to the State on the System revenues pursuant to the Loan. If the City receives any federal monies related to the extreme winter weather event of February 2021, the first priority for expenditure of such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be the payment of any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program as provided in Section 4(b) of the legislation creating the loan program. If the City receives any recoveries as a result of settlement or litigation or other refunds of Extraordinary Costs paid by the City that relate to the extreme winter weather event of February 2021, such amounts (or any similar amounts received by the State of Kansas for the benefit of the City) will be used to pay any outstanding balance of the loan made to the City under the City Utility Low-Interest Loan Program.

In accordance with the Act, the obligations under the Loan and the Loan Agreement shall not be included within any limitation on the bonded indebtedness of the City.

Section 3. Further Authority. The Mayor, Clerk and other City officials are hereby further authorized and directed to execute any and all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of the Ordinance, and to make alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 4. Governing Law. The Ordinance and the Loan Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of Kansas.

[Remainder this page intentionally left blank.]

Section 5. Effective Date. This Ordinance shall take effect and be in full force from and after its passage by the governing body of the City and publication (or publication of a summary thereof) in the official City newspaper.

PASSED by the governing body of the City on March 12, 2021 and [signed][and **APPROVED**] by the Mayor.

(SEAL)

Mike L. Rawlings, Mayor

ATTEST:

Erica L. Jones, City Clerk

**ATTACHMENT “B”
City of AUGUSTA, Kansas
City Utility Low-Interest Loan Program**

Estimated Payment Dates and Amounts for Extraordinary Costs

The City expects to incur extraordinary electric and/or natural gas costs during the extreme winter weather event of February 2021 that were not otherwise included in the city’s budget (the “Extraordinary Costs”), which are expected to be paid on the estimated dates and in the estimated amounts shown below:

Electric System Extraordinary Costs	
Estimated Payment Date	Estimated Amount Due
Natural Gas System Extraordinary Costs	
Estimated Payment Date	Estimated Amount Due

**ATTACHMENT “C”
City of AUGUSTA, Kansas
City Utility Low-Interest Loan Program**

Please complete the form below and fax it to 785-296-6976.

Loan Placement Wire Instructions

Bank Name:

Bank Address:

ABA Number:

Account Number:

Reference (if any):
