

**CITY OF BLAINE**  
**REQUEST FOR COUNCIL ACTION**  
**MEETING DATE: August 14, 2006**

**SUBJECT:** Ordinance 06-2646, Authorizing a Letter of Credit from US Bank to BPA

**SUBMITTING DEPT:** Finance Department

**PREPARED BY:** Meredith Riley, Finance Director

**AGENDA LOCATION:** Comments / Communications ☐, Consent ☐,  
Public Meeting (Hearing) ☐, Unfinished Business ☐, Council Action Item ☒,  
Committee Reports ☐

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**ATTACHMENTS:** Ordinance 06-2646.

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**ANALYSIS / SUMMARY:** This Ordinance authorizes the City to sign a Letter of Credit (LOC) with US Bank for the benefit of Bonneville Power Administration. This LOC will be in place for three years, ending September 30, 2009. BPA is asking all of their wholesale customers to participate in this program in order to reduce the amount of reserves BPA is required to hold, and in doing this, reduce the power rates to their customers.

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**RECOMMENDATION:** ☒ Waive 2<sup>nd</sup> Reading: (Including conditions of approval if applicable)

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**FISCAL ANALYSIS:** The Electric Fund has sufficient reserves to back this Letter of Credit without affecting Operations. BPA will reimburse the City up to 1% of costs each of the three years. The City's costs should be under the 1% each year.

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**REVIEWED BY:**

City Manager \_\_\_\_\_ Finance Director \_\_\_\_\_ City Clerk \_\_\_\_\_

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**COUNCIL ACTION:** Approved ☐, Denied ☐, Tabled / Deferred ☐,  
Assigned to: \_\_\_\_\_

**DATE OF NEXT COUNCIL ACTION:** \_\_\_\_\_

ORDINANCE NO. 06-2646

AN ORDINANCE OF THE CITY OF BLAINE, WASHINGTON, APPROVING THE CITY'S PARTICIPATION IN THE FLEXIBLE PF RATE PROGRAM OFFERED BY THE BONNEVILLE POWER ADMINISTRATION AND ACCEPTING A PROPOSAL FROM U.S. BANK, N.A. TO PROVIDE A LETTER OF CREDIT THAT BONNEVILLE REQUIRES TO SECURE THE CITY'S OBLIGATIONS UNDER THE RATE PROGRAM.

WHEREAS, the City of Blaine, Washington (the "City"), a municipal corporation of the State of Washington, owns and operates an electric utility system (the "Electric System") and purchases power from the Bonneville Power Administration ("Bonneville"); and

WHEREAS, Bonneville has offered its wholesale power customers, including the City, the option of participating in a program of flexible rates and payments through the Flexible PF Rate Program (the "Rate Program"), resulting in potential discounts in power costs for the City; and

WHEREAS, the Council of the City (the "Council") wishes to approve amendments to the City's power sales agreements with Bonneville to permit the City's participation in the Rate Program; and

WHEREAS, Bonneville requires each participant in the Rate Program to provide a letter of credit or other liquidity facility to secure the participant's obligations under the program, and Bonneville will pay a portion of the costs of obtaining such liquidity facility; and

WHEREAS, the City has received a proposal from U.S. Bank, N.A. (the "Bank") to provide a letter of credit on terms and conditions favorable to the City, and the Council wishes to accept the Bank's proposal and authorize a reimbursement agreement with the Bank;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLAINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

To permit the City to participate in the Rate Program, the Council hereby authorizes the City Manager, Public Works Director or the Finance Director to execute on behalf of the City amendments to the City's power sales agreements with Bonneville in substantially the form filed with the City Clerk of the City at this meeting.

The Council hereby approves the proposal from the Bank to provide a letter of credit in the amount not to exceed \$560,000 satisfying the requirements of the Rate Program. The Mayor, City Manager or the Finance Director is hereby authorized to enter into a reimbursement agreement with the Bank on the terms and conditions set forth in the Bank's proposal and consistent with this resolution. The City's reimbursement obligations under the agreement shall

be secured by a pledge of net revenues of the City's Electric System junior and subordinate to the lien on such revenues of the City's obligations to pay principal of and interest on, and to make any other required payments related to, the City's outstanding electric revenue bonds.

The City Manager, Public Works Director or the Finance Director and other appropriate officers of the City are authorized to take such additional actions and to execute such additional agreements and certificates as in their judgment may be necessary or desirable to satisfy requirements of Bonneville or the Bank and to carry out the terms of, and complete the transactions contemplated by, this resolution.

This ordinance shall take effect immediately five days after its adoption and publication.

PASSED this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

CITY OF BLAINE, WASHINGTON

By \_\_\_\_\_  
Mike Myers, Mayor

ATTEST:

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Sheri Sanchez, City Clerk

APPROVED AS TO FORM:

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Jon Sitkin, City Attorney