

# *SPECIAL MEETING*

# **COUNCIL AGENDA**

March 10, 2021 ★ 6:30 p.m.



317 South Washington ★ Wellington, Kansas 67152

## **I. CALL TO ORDER**

## **II. PLEDGE OF ALLEGIANCE**

## **III. ROLL CALL**

## **IV. CORRESPONDENCE / MEMOS**

- 1) City Utility Low-Interest Loan Program, City Manager Shields
- 2) “What Caused the Crisis?”, League of Kansas Municipalities (LKM)
- 3) Fact Sheet – The Recent Electric Power Grid Crisis, Kansas Power Pool (KPP)
- 4) Application for City Utility Low-Interest Loan Program

## **V. ORDINANCES**

- 1) AN ORDINANCE AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN THE CITY OF WELLINGTON, 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.

## **VI. RESOLUTIONS**

- 1) A RESOLUTION AUTHORIZING THE CITY OF WELLINGTON, 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.

## **ADJOURN**



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## Memorandum

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**To:** Honorable Mayor and Council  
**From:** Shane J. Shields, City Manager  
**Date:** March 9, 2021  
**Re:** City Utility Low-Interest Loan Program

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The State of Kansas has created a City Utility Low-Interest Loan Program. The program is available to any city that has incurred extraordinary electric and/or natural gas costs during the extreme weather event of February 2021. Loan proceeds may only be used to fund the extraordinary 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. Additional details are available in the letter from the Kansas State Treasurer included in the agenda packet.

The application deadline for the program is 5 p.m. on Monday, March 15. A Resolution and an Ordinance is required from the City along with the application to participate in the program. Due to the deadline, the Mayor has called a Special Meeting for consideration of the Resolution and Ordinance.

There is a significant amount of important details and information that I will cover below in a bullet point format. There is also information included in the agenda packet from the League of Kansas Municipalities and the Kansas Power Pool regarding the extreme weather event and the financial impact to cities.

- The city only operates an electric utility system. As stated in previous meetings the electric utility system would be impacted, although the extent of the impact could not be known at that time. A very preliminary estimate now is that the city's electric services cost could be in the range of 2 to 4 million dollars. The Kansas Power Pool (KPP) cannot determine the exact cost to member cities until the billing is received from the Southwest Power Pool (SPP). The bill is issued and received usually in the middle of the month. (The city's typical amount for a comparable period is \$159,000.)
- March 15 is the deadline to submit application for the State loan program. Any application after the deadline will be evaluated on a first come first serve basis. If funds are not available, applicants will be placed on a waiting list.
- The loan program provides up to 100 million dollars to loan to qualifying cities. If requests received by the March 15 deadline exceed that amount, the State may pro-rate the amount of loans approved for individual applicants.
- For the above reasons, it is important that the city takes action to be prepared to submit an application prior to the March 15 deadline. The Resolution authorizes that the City shall begin the process of borrowing funds in a stated not to exceed amount from the State. The Ordinance authorizes the City to accept the Loan and to enter into a Loan Agreement. The City may determine, at a later time, not to move forward in accepting a loan.

- Not accepting a loan from the State may be an option depending upon KPP action. KPP has resources to significantly, if not entirely, mitigate the immediate concerns and the fallout impact on Member cities. To exactly what extent that mitigation may be cannot be determined until the bill from SPP is received.
- In either situation, whether the city accepts a loan from the State or KPP mitigates the immediate impact to member cities, funds will be necessary to repay the State loan or repay the amount covered by KPP. That will be done by an adjustment or surcharge to electric utility customers. The State loan can be up to a period of 10 years. It is impossible to calculate or even estimate the monthly adjustment or surcharge until billing is received and all details are known.
- The State loan application asks the amount available in City reserves that may be legally used for Extraordinary Costs. While, legally, every reserve dollar could be used, the State Treasurer has expressed understanding that cities must be prudent in the reserve amount used. The city has \$6,994,844 available in the utility reserve. Of that amount, \$3,750,000 is maintained for a 180 day operating reserve. Since 2015, the city has been rebuilding the utility fund to a recommended balance of 10 to 12 million dollars, the amount recommended to maintain the financial health of the fund. The latest completed financial report, which is for the 2019 year, shows the balance of the utility fund was \$10,803,530. Based on that amount it would be recommended that the city has \$900,000 of funds to use towards the extraordinary costs incurred and, thereby, reducing the amount of loan dollars needed. Using that amount of reserves does impact the progress that has been made to return the fund to the recommended level.
- The City's intent is to have the application and supporting documents for the Loan Program prepared and ready for submittal on March 15 prior to the 5pm deadline. KPP staff has expressed confidence that KPP has the resources to address the issue for member cities. The KPP Board of Directors will make any final decision. The Board is holding a special meeting on March 12. Once it is known what action the KPP board determines to take, it may not be necessary to submit the application to the State program.

# ENERGY CRISIS

Over a two-week period in February, Kansas experienced record low temperatures which caused a skyrocketing demand for energy and, subsequently, a high cost to provide electricity and natural gas to customers.

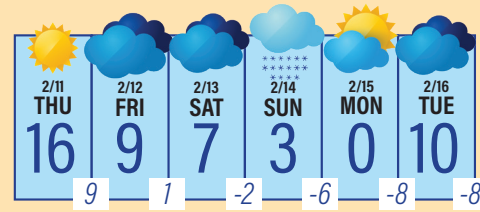
Some cities in Kansas supply electricity and natural gas to customers. They do not control the cost or supply; they provide the delivery to houses and businesses.



With this extended and unexpected cold weather, utility providers had to buy gas and electricity at extremely high prices - exceeding 10-70x the normal prices.



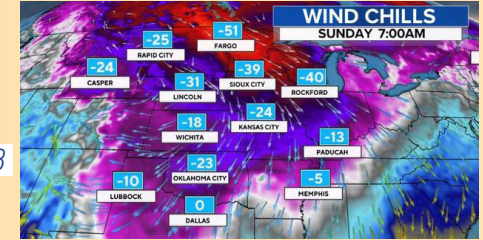
## WHAT CAUSED THE CRISIS?



The long-range forecast was not showing extremely cold temperatures; winter has been generally mild.



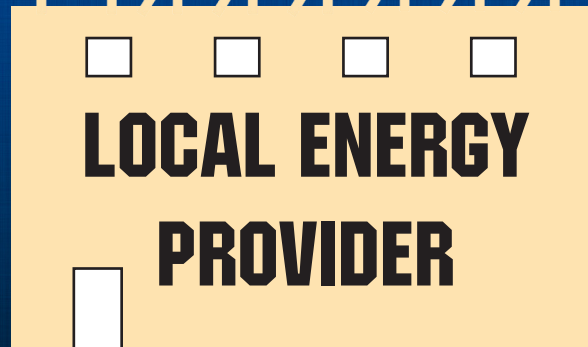
Record low temperatures for 2 weeks



In mid-February, a polar vortex of arctic temperatures affected multiple Midwest states.



THE RESULT? Energy providers were forced to buy exceedingly expensive energy to keep homes and businesses operating. Customers should expect significantly higher than normal bills to pay for the high-cost energy used.





# Fact Sheet – the recent electric power grid crisis

## A high-level summary as of February 26, 2021

From February 12<sup>th</sup> through approximately February 19<sup>th</sup>, 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**

**Application for City Utility Low-Interest Loan Program**

**REQUEST DATE: MARCH 15, 2021**  
**CITY NAME: City of WELLINGTON, Kansas**

**City Population: 7,662 (July 1, 2019 Census Bureau Estimate)**  
**Number of Electric Meters: 4,637**  
**Number of Natural Gas Meters: 0**  
**Amount of available City reserves that may be legally used for Extraordinary Costs:**  
**\$ 6,994,844**

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

<b>Electric</b>	<b><u>\$ 4,000,000 ESTIMATE</u></b>
<b>Natural Gas</b>	<b><u>\$ 0</u></b>
<b>Total</b>	<b><u>\$ 4,000,000</u></b>

**Requested Loan Amount (not to exceed amount):**

<b>Electric</b>	<b><u>\$ 3,100,000</u></b>
<b>Natural Gas</b>	<b><u>\$ 0</u></b>
<b>Total</b>	<b><u>\$ 3,100,000</u></b>

**Requested Repayment Term: 10 YEARS (up to 10 years)**  
**Requested Payment Frequency: QUARTERLY (Monthly, Quarterly, or Semi-Annually)**

**City Contact Information:**  
City Mailing Address: 317 S WASHINGTON  
City, State, ZIP: WELLINGTON, KS 67152  
Primary Contact Person:  
Name: SHANE SHIELDS, CITY MANAGER  
Phone Number: 620-326-3631  
E-mail Address: shaneshields@cityofwellington.net

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 WELLINGTON, KANSAS**

By: \_\_\_\_\_  
 JIM VALENTINE, Mayor

[SEAL]

ATTEST:

By: \_\_\_\_\_  
 HEIDI THEURER, Clerk



(Published in Wellington Daily News on March 17, 2021)

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT BETWEEN THE CITY OF WELLINGTON, 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 **WELLINGTON**, Kansas (the “City”) has previously adopted Resolution No. \_\_\_\_\_<sup>8</sup> 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 WELLINGTON, 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 ELECTRIC<sup>9</sup> 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 \$3,100,000<sup>10</sup>.

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%.

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<sup>8</sup> Insert companion resolution number.

<sup>9</sup> Describe whether loan will be used to pay for (a) electric, (b) natural gas, or (c) both electric and natural gas.

<sup>10</sup> Insert total amount of loan request.

The Loan shall be repaid over a term of not to exceed 10<sup>11</sup> years. The City has requested QUARTERLY<sup>12</sup> repayment dates.

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<sup>13</sup> 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.]

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<sup>11</sup> Term may not exceed 10 years.

<sup>12</sup> City may request monthly, quarterly or semi-annual payments.

<sup>13</sup> Describe whether loan will be used to pay for (a) electric, (b) natural gas, or (c) both electric and natural gas.

**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 10, 2021 and [signed][and **APPROVED**] by the Mayor.

(SEAL)

\_\_\_\_\_  
JIM VALENTINE, Mayor

ATTEST:

\_\_\_\_\_  
HEIDI THEURER, City Clerk

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION AUTHORIZING THE CITY OF WELLINGTON, 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 **WELLINGTON**, 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 \$7,415,616<sup>1</sup> to cover the costs associated with electricity needs and \$0<sup>2</sup> 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 \$4,000,000<sup>3</sup> in electricity and \$0<sup>4</sup> 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 WELLINGTON, KANSAS AS FOLLOWS:**

1. The City shall begin the process of borrowing funds in the amount of not to exceed \$3,100,000<sup>5</sup> 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 attributable

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<sup>1</sup> Insert budgeted amount for annual electric system expenditures for FY 2021.

<sup>2</sup> Insert budgeted amount for annual natural gas system expenditures for FY 2021.

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

<sup>4</sup> 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.

<sup>5</sup> Insert total amount of loan request.

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<sup>6</sup> 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 QUARTERLY<sup>7</sup> 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

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<sup>6</sup> Term may not exceed 10 years.

<sup>7</sup> City may request monthly, quarterly or semi-annual payments.

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 10TH day of March 2021 and **SIGNED** by the Mayor.

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JIM VALENTINE, Mayor

Attested:

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HEIDI THEURER, City Clerk