

## RESOLUTION NO. 2019-1710

A RESOLUTION RELATING TO THE NATURAL GAS SUPPLY AGREEMENT BETWEEN THE CITY OF FARMINGTON AND THE NEW MEXICO MUNICIPAL ENERGY ACQUISITION AUTHORITY, AS AMENDED BY A FIRST AMENDMENT; AUTHORIZING ACTION NECESSARY OR ADVISABLE TO OBTAIN A GAS DISCOUNT PURSUANT TO THE SUPPLY AGREEMENT, AS AMENDED, INCLUDING THE EXECUTION AND DELIVERY OF CERTIFICATES AND AGREEMENTS RELATING TO THE FOREGOING; RATIFYING, APPROVING, AND CONFIRMING PRIOR ACTION TAKEN RELATED TO THE FOREGOING; AND REPEALING ACTION INCONSISTENT HEREWITH.

WHEREAS, the City of Farmington (the "City") is a municipal corporate and politic organized and existing pursuant to the laws of the State of New Mexico (the "State"); and

WHEREAS, the City owns and operates a municipal electric utility system (the "Electric Utility") which comprises a part of the City's joint electric light and power, water and sanitary sewer system that supplies electricity to customers of the Electric Utility within the municipal boundaries of, or in proximity to, the City; and

WHEREAS, the Electric Utility includes generating facilities which utilize natural gas for their operations; and

WHEREAS, the City entered into a "Natural Gas Supply Agreement" for the City Electric Utility, as amended by a First Amendment (as amended, the "Gas Supply Agreement"), with the New Mexico Municipal Energy Acquisition Authority (the "Authority"), a joint powers authority organized pursuant to the Joint Powers Agreements Act, Sections 11-1-1 through 11-1-7 NMSA 1978, for, among other things, the purpose of financing and acquiring long-term energy supplies, for its members, including the City; and

WHEREAS, the Council has been advised as follows (capitalized terms appearing below shall have the meanings ascribed to such terms in the Gas Supply Agreement unless otherwise indicated):

(1) The natural gas deliveries made by the Authority to the City pursuant to the Gas Supply Agreement were financed with proceeds of the Authority's Gas Supply Revenue Bonds, Series 2014 (the "2014 Bonds"), which 2014 Bonds are subject to mandatory redemption on August 1, 2019, and must be refinanced in order to enable the Authority to continue to deliver natural gas to the City at a discount; and

(2) The Gas Supply Agreement provides that the City may elect to have all or a portion of its Daily Contract Quantities remarketed for the Remaining Term in the event that Available Discount is less than the Minimum Discount of 37 cents per MMBtu (a "Remarketing Election"); and

(3) The amount of discount that will be available through the refunding and refinancing of the 2014 Bonds (the "2019 Refunding Transaction") is a function of the pricing and final terms of the 2019 Refunding Bonds under the bond market conditions in effect on the day of pricing of the Refunding Bonds and will be determined at the time the 2019 Refunding Bonds are sold to Royal Bank of Canada (the "Gas Supplier"); and

(4) The available discount will be increased by extending term of the Gas Supply Agreement for up to an additional 10 years and providing for the delivery of additional volumes of natural gas through the issuance by the Authority of bonds to finance the prepayment for those additional volumes (the "2019 New Money Transaction" and, together with the 2019 Refunding Transaction, the "2019 Transaction"); and

(5) The 2019 Transaction cannot proceed if the City makes a Remarketing Election; and

WHEREAS, in connection with the 2019 Transaction, it will be necessary for authorized officers of the City to execute and deliver certain closing certificates and agreements, including but not necessarily limited to a general city certificate and a continuing disclosure certificate or agreement and such other certificates and

agreements that may be necessary or appropriate to the City's participation with the Authority, including such certificates and agreements which may be reasonably requested in connection with the Bonds issued by the Authority (the "Closing Documentation"); and

WHEREAS, the Authority retained the Majors Group as its Municipal Advisor in connection with the issuance of the 2014 Bonds, and has retained the Majors Group for the 2019 Transaction; and

WHEREAS, the Council desires to authorize the execution, delivery and performance by the City of the Closing Documentation; and

WHEREAS, it is in the best interest of the City and its electric utility customers that the City not make a Remarketing Election if the conditions specified in Section 2 of this Resolution are satisfied.

NOW, THEREFORE, be it resolved by the Governing Body of the City of Farmington, New Mexico:

Section 1. Determination of Best Interest of Farmington Electric Utility. The Council finds and hereby determines that it is in the best interest of the City and its electric utility customers for the City to continue to obtain a discount to its natural gas costs, and that terminating deliveries of natural gas from the Authority by making a Remarketing Election is not in the best interest of the City if the discount is reasonable based on current market conditions.

Section 2. Delegation of Authority to Effect the 2019 Transaction. The Mayor, Manager and officers and employees of the City be, and hereby are, authorized and directed to take all action necessary or appropriate under the Gas Supply Agreement and in connection with the Remarketing Election, to effectuate the 2019 Transaction, including, without limiting the generality of the foregoing, the execution of the Closing Documentation, subject to the provisions of Section 3 of this Resolution.

Section 3. No Remarketing Election upon Satisfaction of Condition. The City will not make a Remarketing Election if, at the time that the final terms of the 2019 Transaction are established, the Majors Group, as Municipal Advisor to the Authority, provides a written opinion, addressed to the Authority and the City (which may include the other member-local governments of the Authority), that the discount amount is comparable to the highest discount reasonably achievable under then-current market conditions and is otherwise in the best interests of the Authority and the City as such interests are understood by the Majors Group.

Section 4. Ratification. All prior action of the City and the respective officers, agents or employees of the City taken in connection with the Closing Documentation is hereby ratified, approved and confirmed, except to the extent that such action is inconsistent with the provisions of this Resolution or the authorization contained herein to execute and deliver the Closing Documentation.

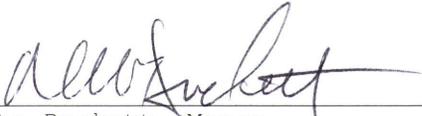
Section 5. Severability. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 6. Repealer. All resolutions or parts, thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any resolution, or part thereof, heretofore repealed.

Section 7. Limited Obligations. All financial obligations incurred hereunder are limited to revenues of the City's Electric Utility.

Section 8. Effective Date. This Resolution shall be effective immediately.

PASSED, APPROVED AND ADOPTED this 23<sup>rd</sup> day of April, 2019.

  
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Nate Duckett, Mayor

SEAL

ATTEST:

  
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Andrea Jones, Deputy City Clerk