

**Minutes
Finance Committee
Colorado Springs Utilities Board
July 15, 2022**

Committee members present via Microsoft Teams or Rosemont Conference Room:

Chair Nancy Henjum and Bill Murray

Staff members present via Microsoft Teams or Rosemont Conference Room: Tristan Gearhart, Adam Hegstrom, Lisa Barbato, Angelia Mora, Andie Buhl, David Padgett, Monica Indrebo, Leslie McKiernan, Daniel Norton, Scott Shirola, Joe Awad, Mallorie Hansen, John Hunter, Thad Clardy, Jamie Fabos, Jennifer Franceschelli, Alex Baird, Kelly Guisinger, Pat Wells, Matthew Thieme, Natalie Watts, Renee Adams, Danielle Nieves, April Speake, Mike Maksimowicz, Kerry Baugh, Travas Deal, Matt Dudden and Mike Francolino

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room: Chris Bidlack, Sally Barber and David Beckett

Guests and citizens present via Microsoft Teams or Rosemont Conference Room: Gary Burghart

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 1:31 p.m. and read a statement regarding the Colorado Open Meetings Law and the City Charter and noted that public comment would not be a part of the meeting.

2. Review Minutes

Minutes from the June 10, 2022 Finance Committee meeting were reviewed and approved for posting.

3. Compliance Reports: I-3 Financial Planning and Budgeting G-8

There were no comments.

4. ECA/GCA Update and Policy Discussion

ECA/GCA Update

Mr. Alex Baird, Portfolio Management Manager, reviewed natural gas prices as of July 1, 2022 and global events that are impacting these prices. Mr. Scott Shirola, Pricing and Rates Manager, concluded with electric cost adjustment (ECA) and gas cost adjustment (GCA) projections for July 2022.

Policy Discussion – Cost Adjustment Guideline Balance Refunding and Recovery

Mr. Shirola reviewed three policy alternatives and their implications for Finance Committee to consider:

1. Current policy
 - Characteristics
 - Targets \$0 collection balance
 - Balances refunded/recovered over 12-months when balances are within +/- \$5.0 million
 - Prescribed accelerated (multiplier) refunding/recovery when balances exceed +/- \$5.0 million
 - Considerations
 - Accelerated refunding/recovery
 - Mitigates financial impact
 - Increases rate volatility
 - Increases complexity
 - Historical lack of consensus
2. Routine recovery
 - Characteristics
 - Targets \$0 collection balance
 - Balances refunded/recovered over 12 months regardless of collection balance
 - Springs Utilities may propose alternative accelerated refund/recovery period based on relevant circumstances
 - Considerations
 - Removal of accelerated refunding/recovery
 - Increases financial impact
 - Decreases rate volatility
 - Simplifies communication and implementation
3. Flexible band
 - Characteristics
 - Targets \$0 collection balance
 - Balances refunded/recovered over 24 months when balances are within +\$10.0 to -\$5.0 million
 - Balances refunded/recovered over 12 months when balances exceed +\$10.0 to -\$5.0 million
 - Considerations
 - 24-month recovery
 - Increases financial impact
 - Decreases rate volatility
 - Simplifies communication and implementation

Mr. Shirola further compared each policy based on rate volatility (customer impact) and financial impact. He provided examples of potential ECA rates for each policy alternative and concluded with next steps.

Mr. Gearhart and staff will meet with Committee Members Donelson and Strand, who were unable to make the Finance Committee meeting, to discuss the options.

5. Board Policy Changes Regarding Water Acquisition Account

Mr. Pat Wells, Interim Resource and Infrastructure Planning General Manager, provided background information about acquiring water rights, specifically in Colorado.

Mr. Gary Burghart, UPAC Chair, said UPAC recommends the Utilities Board directs staff to draft policy using the UPAC considerations to include:

1. Immediate establishment of a dedicated fund in associated Board Instructions and Guidelines.
2. Set a fund value of \$40 million as a targeted baseline.
3. Set scope to include water rights and infrastructure that increase water system yield.
4. Resource fund using revenue from Water Resource Fees, Water Reserve Account, revenue from water rates and augmented with debt as needed.
5. Proactively use the fund in a timely and opportunistic manner.

Mr. Shirola and Mr. Wells reviewed changes to policy Financial Planning and Budgeting (I-3) for guidelines Water Reserve Account (G-8) and Water Acquisition Account (G-13), as well as policy Water Supply Management (I-7). They concluded with next steps, which is to present and vote on this information.

6. 2009C and 2012A Standby Bond Purchase Agreement Renewal Ordinance

Mr. Adam Hegstrom, Treasury and Finance Manager, provided an overview of the Plan of Finance, which is an effort dedicated to four key objectives:

1. Fund the debt-backed portion of Colorado Springs Utilities' upcoming capital plan.
2. Manage and optimize Colorado Springs Utilities' current debt portfolio.
3. Procure and manage debt-supporting instruments and ancillary services.
4. Manage credit rating agency relationships.

Mr. Hegstrom said Springs Utilities has \$350 million in outstanding Variable Rate Demand Bonds (VRDBs), which are long-term bonds whose interest rates reset weekly. He said liquidity providers temporarily backstop the bonds if no buyers are available and all Springs Utilities VRDBs have a matched interest rate swap to hedge any movements in rates (synthetically fixed).

Mr. Hegstrom said Springs Utilities' 2009C Standby Bond Purchase Agreement ("SBPA") expires in September 2022 and a cost analysis was performed to determine whether to renew or replace the agreement. He said the organization is renewing with Sumitomo Mitsui Banking Corporation ("SMBC") for a 5-year

tenor at an annual fee of 35 basis points (bps) – which is currently down from 7 basis points.

Mr. Hegstrom concluded with next steps, which is to review this information at the July Utilities Board meeting.

7. 2022 Line of Credit Ordinance

Mr. Hegstrom reviewed the Plan of Finance and said lines of credit are meant to be used only in emergency situations. He said added benefits bolster liquidity ratings with rating agencies, and Springs Utilities \$75 million Revolving Loan Agreement for a Line of Credit expires in September 2022. Mr. Hegstrom said a cost analysis was performed to determine whether to renew or replace the agreement, and the organization is renewing with U.S. Bank National Association for a 3-year tenor at an annual fee of 25 basis points for unused balance.

Mr. Hegstrom concluded with next steps, which is to review this information at the July Utilities Board meeting.

8. Community Focus Fund (CFF) Grants Program Funding Considerations

Ms. April Speake, Community Relations Lead, explained why organizations (both local and non-utilities) donate to the community, and Ms. Leslie McKiernan, Analyst Supervisor, explained the results of a residential survey about how Springs Utilities supports the community:

- 38% of customers are aware of Colorado Springs Utilities' support of community nonprofits.
- Of customers aware of the program, 73% are supportive.
- Top three causes customers support: low income, clean environment and senior citizens.
- Customers believe we should support the community financially and through volunteerism.

Ms. Speake concluded with a review of community investment for 2021 and 2022:

- Project COPE assistance:
 - In 2021, 1,774 low-income customer households received \$1,056,193 in COPE assistance.
- Community Focus Fund (CFF) granting:
 - In 2022, 41 nonprofit organizations received CFF funding.
 - 40 of these grants serve our customers' top three causes:
 - Low Income – 24 grants
 - Clean Environment – 4 grants
 - Senior Citizens – 12 grants

9. Draft 2023 Budget and Rates Review

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the second draft of the proposed 2023 budget, which includes financial metrics, rate adjustments and proposed expenditures – all of which need to be responsibly balanced. He explained the 2023 funding appropriations and service levels by-line items. Mr. Hunter concluded with next steps for reviewing and finalizing the 2023 budget.

10. By Exception:

- a. Financial Monitoring Update
- b. Enterprise Risk Management Report
- c. Year to Date Water Revenue
- d. Financial Forecast Dashboard

There were no comments.

11. Plan for Future Meeting: August 15, 2022

12. Adjournment

The meeting adjourned at 3:50 p.m.