



Minutes
Monday, July 15, 2024
1:30 p.m. to 3:30 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room: Chair Nancy Henjum and Lynette Crow-Iverson

Board Members present via Microsoft Teams:
Brian Risley and Michelle Talarico

Staff members present via Microsoft Teams or Rosemont Conference Room:

Travas Deal, Renee Adams, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Irma Aguilar, Jay Anderson, Alex Baird, Timothy Benedict, Thad Clardy, Andrew Colosimo, Kalea Daub, Marcela Espinoza, Jennifer Franceschelli, Andrew Funchess, Paul Goslin, Adam Hegstrom, Eric Isaacson, Chris LeLeux, Natalie Lovell, Mike Maksimowicz, Tara McGowan, Michael Myers, Danielle Nieves, Rich Norton, Jr., Abigail Ortega, David Padgett, Gail Pecoraro, Robert Perrott, Lindsay Riley, Bethany Schoemer, Rodger Scriven, Jessica Sharkey, Scott Shirola, April Speake, Todd Sturtevant, Matthew Thieme, Alex Trefry, Amy Trinidad, Natalie Watts and Angelia Mora

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:

Shawn Alessio, Sally Barber, Chris Bidlack, Renee Congdon and Jacqueline Rowland

Citizens present via Microsoft Teams or Rosemont Conference Room:

Marla Novak and Scott Smith

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 1:30 p.m. Ms. Henjum 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 17, 2024, Finance Committee meeting were reviewed and accepted for posting.

3. Compliance Reports

The I-3 Financial Planning and Budget report was included in the meeting materials packet. No questions were asked.

4. Energy Cost Adjustment/Gas Cost Adjustment Filing

Mr. Scott Shirola, Pricing and Rates Manager, shared information on natural gas prices as of July 1, 2024. Actual prices from April 2024 through July 2024 are shown with forecasted prices from August 2024 through September 2025 utilizing the three most recent monthly forecasts. The July report shows forecasts in line with the prior two monthly reports.

As of June 30, 2024, the ECA under collection balance was \$4.3 million. This under collection balance changed by \$0.3 million from the \$4 million under collection balance reported last month.

On March 26, 2024, City Council approved the ECA rate of \$0.0255 per kWh effective April 1, 2024. Springs Utilities will continue to provide regular updates to the Utilities Board as needed.

As of June 30, 2024, the GCA over collection balance was \$5.2 million. This over collection balance changed by \$0.6 million from the \$5.8 million over collection balance reported last month.

On March 26, 2024, City Council approved the GCA rate of \$0.0810 per Ccf effective April 1, 2024. Springs Utilities will continue to provide regular updates to the Utilities Board as appropriate.

5. 2025 Budget Review (Second Draft)

Mr. Tristan Gearhart, Chief Financial Officer, discussed the Board Budget Instruction (I-3).

Budget Overview

Mr. John Hunter, Financial Planning and Risk Manager, shared the proposed 2025 Operating Revenue.

The 2025 Proposed Budget

The proposed 2025 budget is about \$308 million more than the 2024 budget, which is about a 20% increase. The 2024 budget is about \$1.5 billion and the 2025 proposed budget is approximately \$1.8 billion

Proposed 2025 – 29 Forecast (in thousands)

From 2025 through 2029 the total budget is expected to grow from about \$1.8 billion to \$2.2 billion.

Capital Projects

5-Year Electric Budget Allocation

The largest electric drivers of the capital budget for the next five years are: generation for the Sustainable Energy Plan, transmission for the Sustainable Energy Plan, the fiber network and Peak Innovation Park.

5-Year Gas Budget Allocation

The largest drivers of the natural gas budget include the downtown and military gas supply resiliency project, the gas Distribution Integrity Management Program (DIMP), new construction, gas service vehicles and equipment and unplanned maintenance.

5-Year Water Capital Budget Allocation

The biggest drivers of the water budget over the next five years include the Continental-Hoosier System project, water acquisition, the finished water linear asset program, the Tollefson Water Treatment Plant upgrades and public improvement projects.

5-Year Wastewater Budget Allocation

Wastewater system drivers for the five-year budget include the Eastern Wastewater Service Extension project, the Northern Monument Creek interceptor project, the Sanitary Sewer Creek Crossing (SSCC) collection system rehabilitation program and the JD Phillips Water Resource Recovery Facility upgrades.

5-Year Common Budget Allocation

Over the next five years, the common budget drivers include the Geographic Information System (GIS) technology modernization project, the Computer Maintenance Management System (CMMS), service vehicles and equipment, network enterprise services program and data analytics and strategy storage and access.

Total Labor and Non-Fuel Operations and Maintenance

Committee Chair Henjum asked if the labor is being looked at for efficiencies with technologies and attrition over the next five years. Mr. Gearhart and Ms. Renee Adams, Chief Human Resources Officer, said these items were taken into consideration.

Historical Labor Information

Ms. Adams stated that in 2005, there were 2,056 positions in the organization. That number decreased to 1,824 positions between 2015 to 2020, and now there are 2,030 positions in 2024. The turnover rate was reviewed and has leveled off at about 9.1% since COVID.

2025 Labor Position Change Information

Non-Fuel Operations & Maintenance (O&M) and capital history were fairly flat from 2018 to 2020. There is a slight increase in non-fuel operations and maintenance, but a more significant increase in capital. There are position requests for 127 new positions, with a budget for \$16,600,286. Sixty-eight of these requested positions are being asked to meet reliability / growth needs.

Reliability and Growth – Related Programs of Work

Ms. Somer Mese, Chief Operations Officer, said there is a need for 68 positions, with a total cost of \$7,523,485. Labor offsets include Automated Metering Infrastructure (AMI), the Nixon Power Plant and contract locating.

Fort Carson Program of Work

Ms. Mese said Ft. Carson has requested an amendment to their intergovernmental agreement to take on water distribution. This additional work requires 12 additional positions with a total cost of \$1,711,310. This has a zero impact on customer rates, as Ft. Carson will reimburse Springs Utilities for all operations and maintenance expenses and required labor to support.

RTO Related Programs of Work

Mr. Alex Baird, General Manager of Fuels and Purchase Power, explained the organization will join the Southwest Power Pool (SPP) Regional Transmission Operator (RTO) in 2026. This will enhance Springs Utilities' reliability, provide additional low-cost electric options, and provide additional benefits. It will require 14 positions at a total cost of \$2,805,098. The annual estimated benefit of joining the RTO is \$6,000,000.

Fiber Program of Work

Ms. Mese expanded on the new fiber infrastructure, which will improve and expand that network to provide a much denser and deeper communication backbone. The second is upkeep of the program once installation is complete. This requires a total of 22 positions, for a total cost of \$2,760,829.

Regulatory Programs of Work

Ms. Mese stated five positions are required to help support regulations in dam safety as required by the Federal Energy Regulatory Commission (FERC), per- and polyfluoroalkyl substances (PFAS) industrial pretreatment monitoring program, damage prevention, and gas compliance and critical infrastructure program at a total cost of \$707,119.

Technology Program of Work

Mr. Michael Francolino, Chief Customer Service Officer, said four additional positions are being asked for to support the computerized maintenance management system (Maximo) and Enterprise Resource Planning (INFOR). This is at a total cost of \$719,138. This will mostly be offset from long-term temporary labor of \$410,000.

Cybersecurity Program of Work

Mr. Francolino said one additional cybersecurity position is being asked for at a cost of \$214,146. This will support the increase in attacks on critical infrastructure, Operational Technology (OT) systems that are susceptible to modern attacks, and other critical threats.

Grant Program of Work

Mr. Gearhart said that we need one position to ensure the organization is supporting and managing all state and federal grant applications within the finance department. This is at a cost of \$159,161. In 2024, the organization received \$8.91 million in grants, and in 2023, \$866,000.

2025 Budget By Service

Mr. Hunter explained the 2025 proposed budget, broken down by service:

Electric	\$910,878,000
Gas	\$357,338,000
Water	\$408,046,000
Wastewater	\$144,169,000
Streetlighting	\$6,914,000

Potential Rate Adjustments

Mr. Hunter explained the five-year rate plan for each of the four services, ranging from 4% in the gas base rate to 7% in wastewater. There are additional rate increases for fuel commodity and

fuel projects. On average the customer's typical bill will go from \$245.22 (current) to \$356.63 (in 2029).

Board Member Risley asked for dollar amounts of the capital projects. Mr. Hunter said his team will provide this information.

6. Electric and Natural Gas System Extension Cost Recovery

Mr. Shirola explained recommendations for 100% cost recovery on both electric and natural gas extension.

The next steps are a presentation to the Utilities Board at their Aug. 21 meeting. Following that there will be a rate case filing with City Council in October. City Council will vote on the rate case at their Nov. 12 meeting and, if approved, the new rates will go into effect on Jan. 1, 2025.

7. Review and Design Fee Updates

This agenda item was not discussed.

8. Recovery Agreement Unit Recovery Charge

This agenda item was not discussed.

9. Water Revenue Report

This agenda item was not discussed.

10. Financial Monitoring Update

This agenda item was not discussed.

11. Plan Future Meeting

The next Finance Committee meeting is scheduled for Aug. 19, 2024

12. Closing Remarks and Adjournment

The meeting adjourned at 3:28 p.m.