

Colorado Springs Utilities

*It's how we're all connected*

Certificate of Public  
Convenience and Necessity  
to exercise franchise rights  
granted by the City of Manitou  
Springs, Colorado

May 7, 2026

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO**

|                                            |                                |
|--------------------------------------------|--------------------------------|
| <b>IN THE MATTER OF THE APPLICATION )</b>  |                                |
| <b>OF COLORADO SPRINGS UTILITIES FOR )</b> |                                |
| <b>AN ORDER GRANTING TO IT A )</b>         | <b>DOCKET NO. 26A-_____FEG</b> |
| <b>CERTIFICATE OF PUBLIC CONVENIENCE )</b> |                                |
| <b>AND NECESSITY TO EXERCISE )</b>         |                                |
| <b>FRANCHISE RIGHTS IN THE CITY OF )</b>   |                                |
| <b>MANITOU SPRINGS, COLORADO. )</b>        |                                |

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**VERIFIED APPLICATION OF COLORADO SPRINGS UTILITIES**

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Colorado Springs Utilities (“Springs Utilities”), through its counsel, hereby applies for a certificate of public convenience and necessity (“CPCN”) to exercise franchise rights granted by the City of Manitou Springs, Colorado (“Manitou Springs”). In support of this application, and in accordance with § 40-5-102, C.R.S., and Rules 3100 and 4100 of the Colorado Public Utilities Commission’s Rules Regulating Electric and Gas Utilities, Springs Utilities respectfully states as follows:

**I. Rules 3100(b)(I) and 4100(b)(I): Information Required by Rules 3002(b)-(c) and 4002(b)-(c)**

1. Name and Address of Applicant. The applicant is Colorado Springs Utilities, a municipal enterprise of the City of Colorado Springs, a Colorado home-rule city and municipal corporation. Springs Utilities is an enterprise as defined by the Taxpayer’s Bill of Rights, Colorado Constitution, Art. X, section 20 and the Colorado Springs City Charter, Art. VII, section 7-90. Springs Utilities operates as a municipal utility established under the Colorado Springs City Charter. Springs Utilities provides electric and natural gas services to the residents of the City of Colorado Springs and to adjoining areas of El Paso and Teller Counties, Colorado,

pursuant to a certificate of public convenience and necessity issued by the Commission. The name and address of the applicant is:

Colorado Springs Utilities  
121 South Tejon Street, 5<sup>th</sup> Floor  
Colorado Springs, Colorado 80903

2. Name Under Which Applicant Provides Service in Colorado. Springs Utilities provides its services under the name of Colorado Springs Utilities.

3. Representatives to Whom Inquiries Concerning the Application Should Be Made.  
Copies of all notices, pleadings, correspondence and other inquiries concerning this Application should be sent to:

|                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Somer Mese<br>Chief Operations Officer<br>Colorado Springs Utilities<br>121 S. Tejon Street, 5 <sup>th</sup> Floor<br>Colorado Springs, Colorado 80903<br>Phone: 719-668-8103<br>Email: <a href="mailto:smese@csu.org">smese@csu.org</a> | David A. Beckett, #23098<br>Senior Attorney, Utilities Division<br>Office of the City Attorney for Colorado Springs<br>30 S. Nevada Ave., Suite 501<br>Colorado Springs, CO 80903<br>Phone: 719-385-5528<br>Email: <a href="mailto:david.beckett@coloradosprings.gov">david.beckett@coloradosprings.gov</a> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

4. Rules 3002(b)(IV)-(VI) and 4002(b)(IV)-(VI). Springs Utilities has read, and agrees to abide by, the provisions of Rules 3002(b)(IV)-(VI) and 4002(b)(IV)-(VI).

5. Description of Applicant's Existing Operations and General Service Area.  
Springs Utilities currently provides retail public utility service in El Paso County and Teller County, Colorado to approximately 250,000 electric customers and 235,000 natural gas customers. Springs Utilities' electric supply is sourced from its own generation plus long term power supply contracts that combined comprise a total generation capacity of approximately 1,250 megawatts (MW) and is delivered by way of more than 200 miles of transmission lines and more than 4,000 miles of distribution lines. Springs Utilities sources its natural gas supply from third-party suppliers, and an interstate pipeline company transports the gas to the various

city gate stations. Springs Utilities provides its retail natural gas service by way of approximately 2,750 miles of distribution main piping. Maps reflecting the electric and natural gas service areas are attached as Attachment 1 and Attachment 2, respectively.

6. Audited Balance Sheet, Income Statement, Statement of Retained Earnings, and Statement of Cash Flows. Attachment 3 is the most recent audited financial statements for Springs Utilities, which include the statements of net position (balance sheet), statements of revenues, expenses and changes in net position (income statement, retained earnings), and statement of cash flows for Springs Utilities for the twelve-month period ending December 31, 2025.

7. Location of Hearing. If a hearing is held on this Application, Springs Utilities prefers that it be held in Colorado Springs, Colorado. However, if the application is uncontested or unopposed, Springs Utilities requests that the application be determined without further notice or hearing, as provided in Rule 1403 of the Commission's Rules of Practice and Procedure.

8. Acknowledgment. Springs Utilities has read, and agrees to abide by, the provisions of Rules 3002(b)(XI)(A)-(C) and 4002(b)(XI)(A)-(C), which provisions.

9. Statement Under Oath/Attestation. Ms. Somer Mese, Chief Operations Officer of Colorado Springs Utilities, states under penalty of perjury that the contents of this Application are true, accurate, and correct to the best of her knowledge. Attachment 4 is Ms. Mese's signed affidavit.

10. Information Required by Rules 3002(c) and 4002(c) associated with Rule 1310(a)(I)-(V).

- (I) Springs Utilities' organizational document is Colorado Springs City Charter, and it is attached as Attachment 5.
- (II) Not applicable.

- (III) The name, business address, and title of Springs Utilities' officers and board members is attached as Attachment 6.
- (IV) Springs Utilities does not conduct business with any affiliated companies so there is nothing to provide on this item.
- (V) Springs Utilities' agent for service of process is:

Marc Smith  
Interim City Attorney/Chief Legal Officer  
City of Colorado Springs  
30 S. Nevada Ave., Suite 501  
Colorado Springs, Colorado 80903  
Phone: (719) 385-5909

## **II. Rules 3100(b)(II)-(VII) and 4100(b)(II)-(VII): CPCN Request to Exercise Franchise**

### **Rights**

11. Statement of the Facts (Rules 3100(b)(II) and 4100(b)(II)). Springs Utilities provides electric and natural gas services to Manitou Springs pursuant to Commission authorization. Manitou Springs' initial franchises to Springs Utilities were granted in 1929 (electric) and 1946 (gas). Springs Utilities applied for and was granted a CPCN by Commission Decision No. C05-0283, mailed on March 9, 2005, in Docket No. 05A-064FEG to exercise franchise rights pursuant to the then-current Ordinance No. 1204 (Council Bill No. 4004). The franchise rights granted by Manitou Springs to Springs Utilities pursuant to Ordinance No. 1204 (Council Bill No. 4004), dated July 20, 2004, and accepted on July 21, 2004, were for a term of 20-years from the date of acceptance and were for both electric and gas services.

On June 4, 2024, pursuant to Ordinance No. 0424 (Council Bill No. 1424), Manitou Springs granted Springs Utilities a 20-year franchise renewal to provide electric and natural gas services within Manitou Springs. The franchise took effect on June 18, 2024, and expires on June 17, 2044. A copy of Ordinance No. 0424 (Council Bill No. 1424), a signed copy of the franchise agreement, and proof of publication is attached as Attachment 7.

Service to the area for which a CPCN is requested herein shall be provided pursuant to the rates and terms and conditions set forth in the Springs Utilities' Electric Tariff, Natural Gas Tariff, and Utilities Tariff Rules and Regulations, each as approved by the City Council of the City of Colorado Springs and subject to such revisions as may be approved and made effective in the future. The currently effective tariffs are accessible from Springs Utilities' website at both <https://www.csu.org/rates/> (scroll to the bottom of the page) or at <https://www.csu.org/document-library> (search for the above-described documents). The City Council authorizing resolution is set forth in the footer of each sheet.

The public convenience and necessity require that this application be granted. Discontinuance of electric and natural gas service within the affected area would be extremely detrimental to the public. Moreover, it would result in a significant waste of resources in terms of the facilities that would be rendered idle if Springs Utilities was not authorized to continue providing service pursuant to the recently granted franchise renewal.

12. Statement Regarding Franchise Rights Proposed to be Exercised (Rules 3100(b)(III) and 4100(b)(III)). Springs Utilities requests that the Commission approve the exercise of electric and natural gas franchise rights granted to it by Manitou Springs. The franchise allows Springs Utilities to, among other things, distribute and sell electricity and natural gas in Manitou Springs to all persons, associations, or corporations, either public or private, desiring such service, as well as the right to acquire, construct, maintain, own, and operate within Manitou Springs an electric transmission and distribution system and a natural gas distribution system and the right to make reasonable use of the streets, alleys, and public places (but not parks, open space, or trails) of Manitou Springs to carry out the terms of the franchise

agreement. Springs Utilities has facilities in and around Manitou Springs. Extensions may cost effectively be made to serve new electric and gas customers in Manitou Springs.

13. Required Franchise Information (Rules 3100(b)(IV) and 4100(b)(IV)). As stated above, a copy of the franchise ordinance as well as a signed copy of the franchise agreement and proof of publication is included as Attachment 7. Springs Utilities currently provides service to approximately 2,700 electric and 2,189 natural gas customers in Manitou Springs. The current population of Manitou Springs is 4,858 people (2020 Census). A map of the franchise area to be served is attached as Attachment 8.

14. Statement Regarding Affiliation (Rules 3100(b)(V) and 4100(b)(V)). Springs Utilities is an enterprise of the City of Colorado Springs but is otherwise not affiliated with any person or corporation holding authority duplicating the authority sought in this Application.

15. Materials in Lieu of Feasibility Study (Rules 3100(b)(VI) and 4100(b)(VI)). The authority sought in this Application does not encompass areas previously unserved by Springs Utilities; accordingly a feasibility study is not required. Notwithstanding, Springs Utilities has submitted its most recent audited financial statements, which include the statements of net position (balance sheet), statements of revenues, expenses and changes in net position (income statement, retained earnings), and statement of cash flows for Springs Utilities as Attachment 3 in lieu of a feasibility study.

16. Statement Regarding Other Utilities (Rules 3100(b)(VII) and 4100(b)(VII)). CORE and Black Hills Energy are two other entities of like character providing similar service near the area sought to be served.

17. Customer Notice. Notice of the filing of this Application in substantially the form attached as Attachment 9 will be published in *The Colorado Springs Gazette* within seven (7) days of the date of the filing of this Application.

**WHEREFORE**, Colorado Springs Utilities respectfully requests that the Commission enter an order granting it a Certificate of Public Convenience and Necessity to exercise franchise rights within the City of Manitou Springs, Colorado.

Dated this 7<sup>th</sup> day of May, 2026.

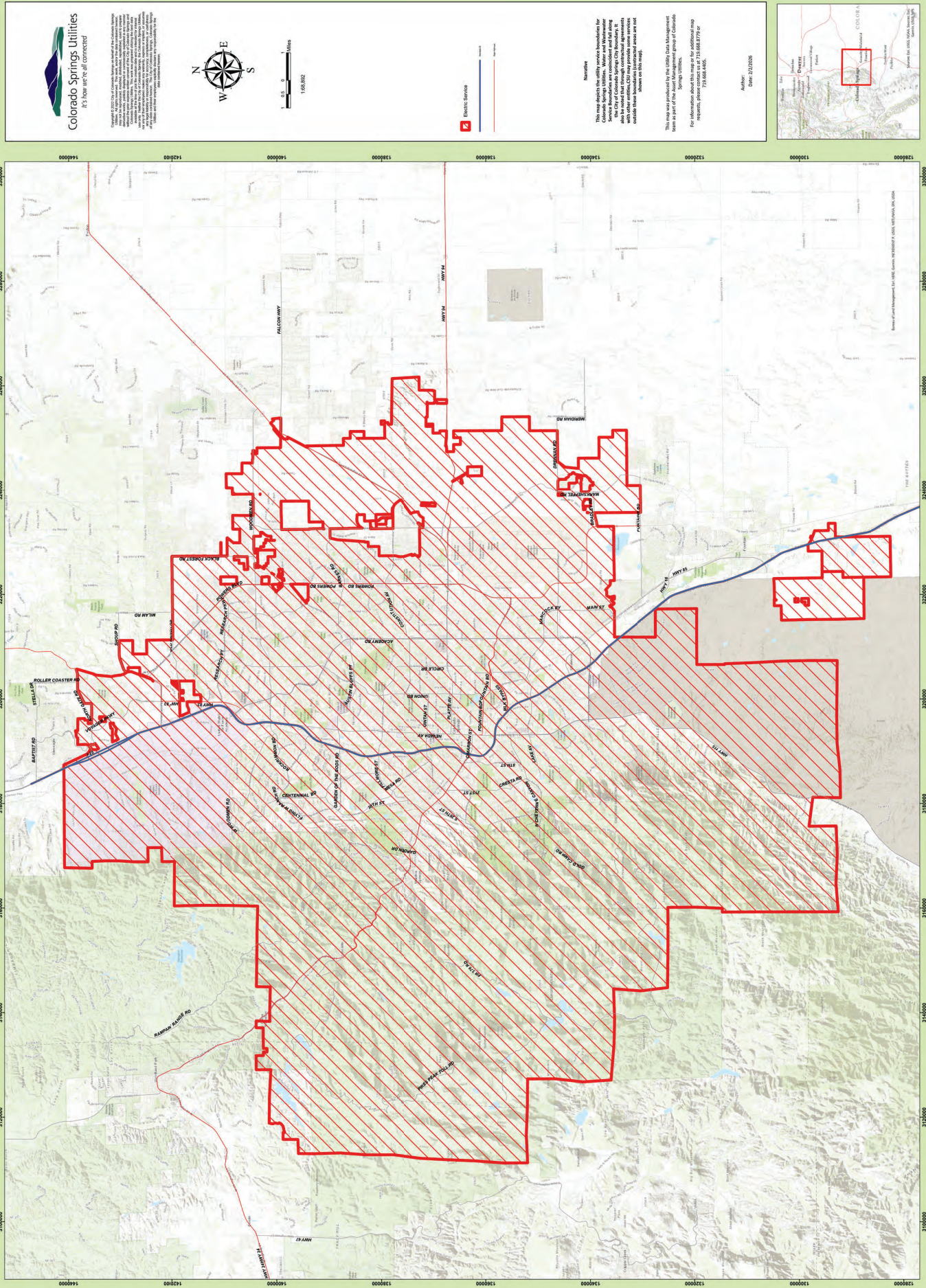
Respectfully submitted,

By: /s/ David A. Beckett

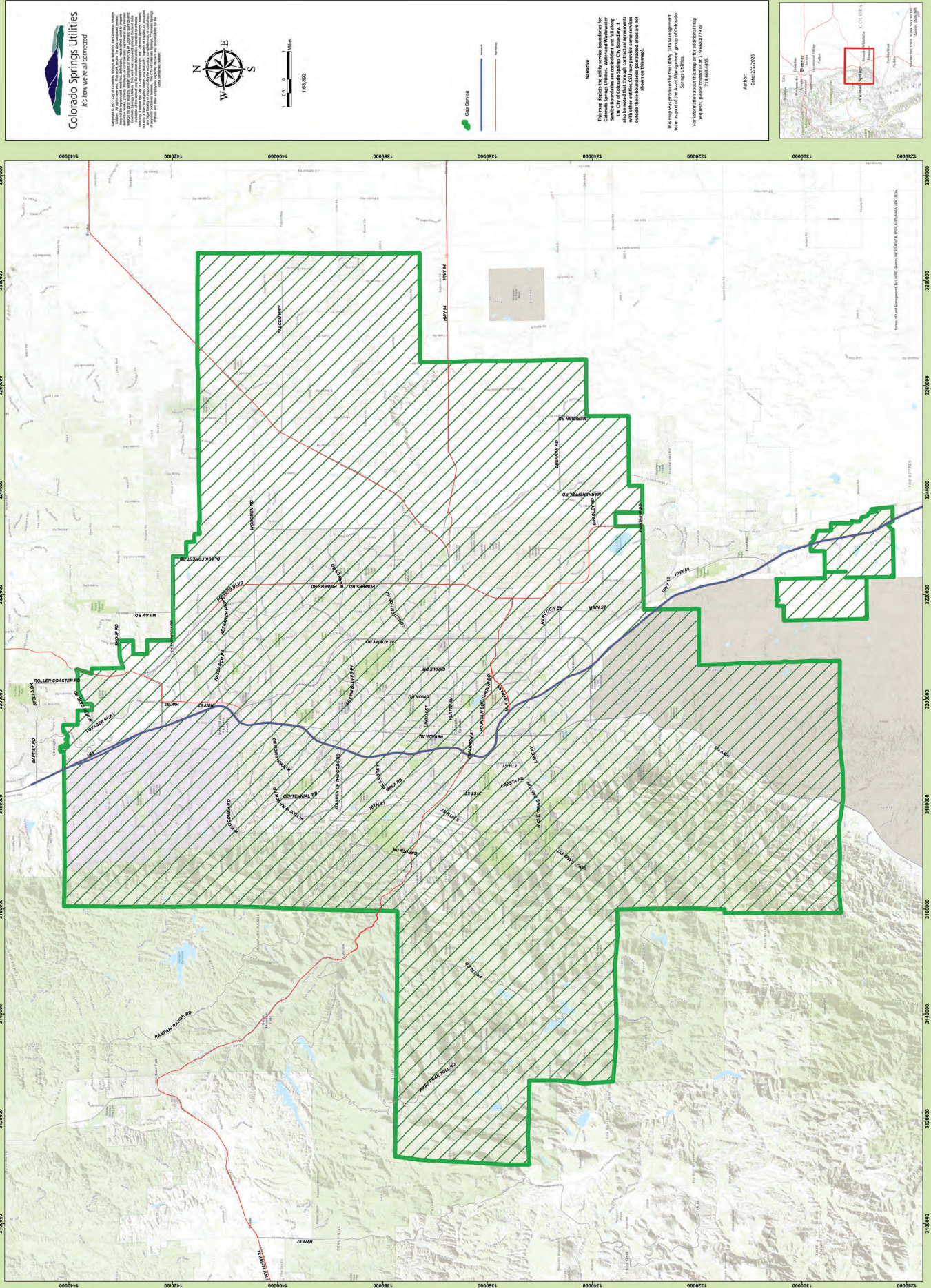
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Attorney for Colorado Springs Utilities

# Colorado Springs Utilities - Electric Service Boundary - January 2026



# Colorado Springs Utilities - Gas Service Boundary - January 2026



## **COLORADO SPRINGS UTILITIES**

(An Enterprise Fund of the  
City of Colorado Springs, Colorado)

### **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2025 and 2024

**COLORADO SPRINGS UTILITIES**  
 (An Enterprise Fund of the  
 City of Colorado Springs, Colorado)  
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Note: Immaterial differences may occur due to rounding



## Independent Auditors' Report

To the Audit Committee of  
Colorado Springs Utilities

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Colorado Springs Utilities (the Utilities), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Utilities as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Utilities' enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2025, and 2024, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2026 on our consideration of the Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 8, 2026

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

**INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") serves as an introduction to the financial statements of Colorado Springs Utilities ("Utilities"). It is intended to be an objective, easily readable analysis of significant financial and operating activities and events for the fiscal years ended December 31, 2025 and 2024. It also provides an overview of Utilities' general financial condition and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as applied to units of local government and promulgated by the Governmental Accounting Standards Board ("GASB").

Utilities is an Enterprise Fund of the City of Colorado Springs, Colorado ("City") that provides electric, streetlight, natural gas, water, and wastewater services ("Utility System") to customers in the Pikes Peak region. The organization operates an electric generation, transmission, and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment, and distribution system; and a wastewater collection and treatment system. Utilities' service area includes the City, Manitou Springs, and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base, and the United States Air Force Academy receive electric service, natural gas service, and water service from Utilities. Peterson Space Force Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service. The City is currently the primary customer of the streetlight system and is responsible for the majority of streetlight service charges.

Utilities' financial statements, in conformity with U.S. GAAP, do not purport to, and do not represent the financial position or the changes in the financial position of the City, component units, or its joint ventures. The MD&A includes known information that management is aware of through the date of the auditors' report. Please read this MD&A in conjunction with Utilities' financial statements and accompanying notes that follow this section.

**FINANCIAL STATEMENTS**

Utilities' annual report includes three financial statements with accompanying notes that are an integral part of these statements. The financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, and 3) Statements of Cash Flows. Comparative total data for the prior year has been presented in order to provide an understanding of changes in Utilities' financial position and operations.

**Statements of Net Position** - These statements report net position as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year. Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Deferred outflows of resources are the consumption of net assets in one period that are applicable to future periods. Liabilities are separated into current and noncurrent categories. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. The components of net position are classified as net investment in capital assets, restricted debt service, restricted third party escrow, restricted health care benefits, restricted for other purposes, and unrestricted.

**Statements of Revenues, Expenses, and Changes in Net Position** - These statements measure the activities for the year and can be used to determine whether the rates, fees, and other charges are adequate to recover expenses. All revenues and expenses are accounted for in this statement for the years ended December 31.

**Statements of Cash Flows** - These statements report all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing, and investing activities for the years ended December 31. This statement is prepared using the direct method, which reports gross cash receipts and payments and presents a reconciliation of operating income to net cash provided by operating activities. This statement also separately lists the noncash investing, capital, and related financing activities.

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

**Notes to Financial Statements** - These notes provide additional detailed information and required disclosure in support of the financial statements.

**COMPONENT UNITS AND JOINT VENTURES**

**COMPONENT UNITS - CITY**

**Public Authority for Colorado Energy ("PACE")** - PACE is a nonprofit corporation that has been organized by the City for the purpose of assisting the City to acquire, finance, and supply natural gas for Utilities. On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement with PACE. Utilities will purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction among PACE, Merrill Lynch Commodities, Inc., Bank of America Corporation, and Royal Bank of Canada.

**Fountain Valley Authority** - Utilities has a 71.4% interest in this authority, which is a political subdivision of the State of Colorado, formed primarily to construct and operate a water treatment plant and water conveyance system for its five customers.

**Aurora-Colorado Springs Joint Water Authority** - Utilities has a 66.7% participation share in this authority, which is a political subdivision of the State of Colorado, formed for the purpose of developing water resources, systems, or facilities for the benefit of Utilities and the City of Aurora, Colorado.

**Canal and Reservoir Companies** - Utilities has interests ranging from 51.9% to 77.2% in four canal and reservoir companies. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging, and delivery of Utilities' water supply.

**JOINT VENTURES**

**Young Gas Storage Company Ltd.** - Utilities has an equity interest of 5.0% in this joint venture organized to develop and operate a natural gas storage system near Fort Morgan, Colorado.

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

**CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements as of December 31:

**CONDENSED STATEMENTS OF NET POSITION**

|                                                                     | 2025                       | 2024                       | 2023                       |
|---------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
|                                                                     |                            | (in thousands)             |                            |
| <b>Assets and Deferred Outflows of Resources</b>                    |                            |                            |                            |
| Assets                                                              |                            |                            |                            |
| Current assets                                                      | \$ 660,076                 | \$ 612,078                 | \$ 611,268                 |
| Other noncurrent assets                                             | 668,004                    | 371,260                    | 288,248                    |
| Capital assets, net                                                 | <u>5,324,727</u>           | <u>4,844,525</u>           | <u>4,553,546</u>           |
| Total Assets                                                        | <u>6,652,807</u>           | <u>5,827,863</u>           | <u>5,453,062</u>           |
| Deferred outflows of resources                                      | <u>93,494</u>              | <u>123,012</u>             | <u>164,821</u>             |
| Total Assets and Deferred Outflows of Resources                     | <u><u>\$ 6,746,301</u></u> | <u><u>\$ 5,950,875</u></u> | <u><u>\$ 5,617,883</u></u> |
| <b>Liabilities, Deferred Inflows of Resources, and Net Position</b> |                            |                            |                            |
| Liabilities                                                         |                            |                            |                            |
| Current liabilities                                                 | \$ 333,157                 | \$ 307,401                 | \$ 246,962                 |
| Noncurrent liabilities                                              | <u>3,497,363</u>           | <u>2,915,454</u>           | <u>2,790,004</u>           |
| Total Liabilities                                                   | <u>3,830,520</u>           | <u>3,222,855</u>           | <u>3,036,966</u>           |
| Deferred inflows of resources                                       | <u>118,228</u>             | <u>77,912</u>              | <u>61,438</u>              |
| Net Position                                                        |                            |                            |                            |
| Net investment in capital assets                                    | 2,469,183                  | 2,334,420                  | 2,177,091                  |
| Restricted                                                          | 53,854                     | 54,584                     | 44,947                     |
| Unrestricted                                                        | <u>274,516</u>             | <u>261,104</u>             | <u>297,441</u>             |
| Total Net Position                                                  | <u>2,797,553</u>           | <u>2,650,108</u>           | <u>2,519,479</u>           |
| Total Liabilities, Deferred Inflows of Resources, and Net Position  | <u><u>\$ 6,746,301</u></u> | <u><u>\$ 5,950,875</u></u> | <u><u>\$ 5,617,883</u></u> |

**Assets**

*Current assets* increased in 2025 and 2024 by \$48.0 million and \$0.8 million, respectively. The increase during 2025 was primarily due to increases of \$52.7 million in unrestricted cash and cash equivalents, \$3.9 million in restricted cash and cash equivalents, \$16.6 million in inventories, and \$6.0 million in unrestricted accounts receivable offset by a decrease of \$34.7 million in investments. The increase in 2024 was primarily due to increases of \$19.5 million in unrestricted cash and cash equivalents, \$10.9 million in restricted cash and cash equivalents, \$5.2 million in prepaid expenses, and \$3.9 million in inventories offset by a decrease of \$39.4 million in unrestricted investments.

*Other noncurrent assets* increased in 2025 by \$296.7 million primarily due to increases of \$249.6 million in investments, \$39.0 million in lease receivable, and \$14.6 million in restricted cash and cash equivalents offset by a decrease of \$9.5 million in other noncurrent assets (including utility acquisition adjustment). The increase of \$83.0 million in 2024 was primarily due to \$65.4 million in restricted investments, \$12.3 million in lease receivables, and \$7.3 million in restricted cash and cash equivalents offset by \$2.7 million in other noncurrent assets (including utility acquisition adjustment).

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

*Capital assets, net* increased in 2025 and 2024 by \$480.2 million and \$291.0 million, respectively. The increases were primarily due to capital improvements that are required to maintain and rehabilitate aging infrastructure in order to provide safe and reliable services to customers, construction to prepare for future demand, and to meet environmental and regulatory requirements.

***Deferred Outflows of Resources***

*Deferred outflows of resources* decreased in 2025 by \$29.5 million primarily due to a decreases in pension and OPEB deferred outflows of \$26.5 million and loss on debt refundings of \$3.6 million. The decrease of \$41.8 million in 2024 was primarily due to decreases of \$32.9 million in pension and OPEB deferred outflows, \$4.3 million in deferred cash flow hedges-unrealized loss on derivative instruments, \$3.6 million in loss on debt refundings, and \$1.0 million in asset retirement obligations.

***Liabilities***

*Current liabilities* increased in 2025 and 2024 by \$25.8 million and \$60.4 million, respectively. The increase during 2025 was primarily due to an increase in accounts payable of \$25.1 million. The increase during 2024 was primarily due to increases of \$48.9 million in accounts payable, and \$6.0 million in current maturities of bonds.

*Noncurrent liabilities* increased in 2025 by \$581.9 million primarily due to \$615.1 million in revenue bonds (including unamortized premiums and discounts, net) offset by \$30.9 million in net pension and OPEB. The increase in 2024 of \$125.4 million was primarily due to \$192.2 million in revenue bonds (including unamortized premiums and discounts, net) and \$9.8 million in customer advances for construction offset by \$63.8 million in pension and OPEB and \$12.3 million in derivative instruments.

***Deferred Inflows of Resources***

*Deferred inflows of resources* increased in 2025 and 2024 by \$40.3 million and \$16.5 million, respectively. The increases during 2025 were primarily due to \$39.4 million in lease deferred inflows. The increase in 2024 was primarily due to \$11.8 million in lease deferred inflows and \$8.7 million in gains on debt refundings offset by a \$4.0 million decrease in pension and OPEB deferred inflows.

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

***CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***

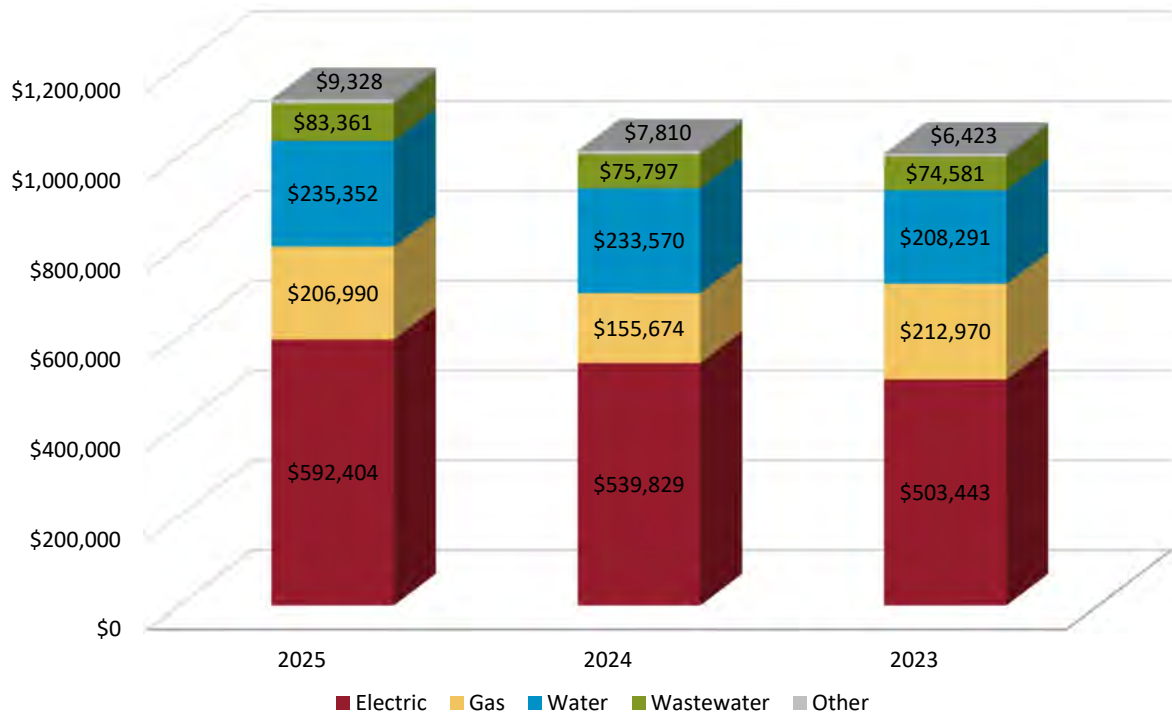
|                                              | 2025                | 2024                | 2023                |
|----------------------------------------------|---------------------|---------------------|---------------------|
|                                              |                     | (in thousands)      |                     |
| Operating Revenues                           | \$ 1,127,435        | \$ 1,012,680        | \$ 1,005,708        |
| Operating Expenses                           | (950,459)           | (855,840)           | (853,133)           |
| Operating Income                             | 176,976             | 156,840             | 152,575             |
| Nonoperating Revenue and Expenses            | (75,802)            | (48,557)            | (60,364)            |
| Income Before Contributions and Transfers    | 101,174             | 108,283             | 92,211              |
| Capital contributions                        | 81,083              | 58,232              | 52,931              |
| Transfers out - surplus payments to the City | (34,812)            | (35,886)            | (35,298)            |
| Special items                                | -                   | -                   | (1,330)             |
| Changes in Net Position                      | 147,445             | 130,629             | 108,514             |
| Total Net Position, January 1                | 2,650,108           | 2,519,479           | 2,410,965           |
| Total Net Position, December 31              | <u>\$ 2,797,553</u> | <u>\$ 2,650,108</u> | <u>\$ 2,519,479</u> |

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

**CHANGES IN OPERATING REVENUES AND EXPENSES**

**Operating Revenues**

(in thousands)



**Operating Revenues 2025 to 2024:**

- \$52.6 million - Electric increase primarily driven by a base rate increase and by the switch from an under to an over collection through the electric cost adjustment rate due to fuel costs being lower
- \$51.3 million - Natural gas increase primarily driven by the recovery of higher fuel expense through the Gas Cost Adjustment rate
- \$7.6 million - Wastewater increase primarily driven by a large base rate increase

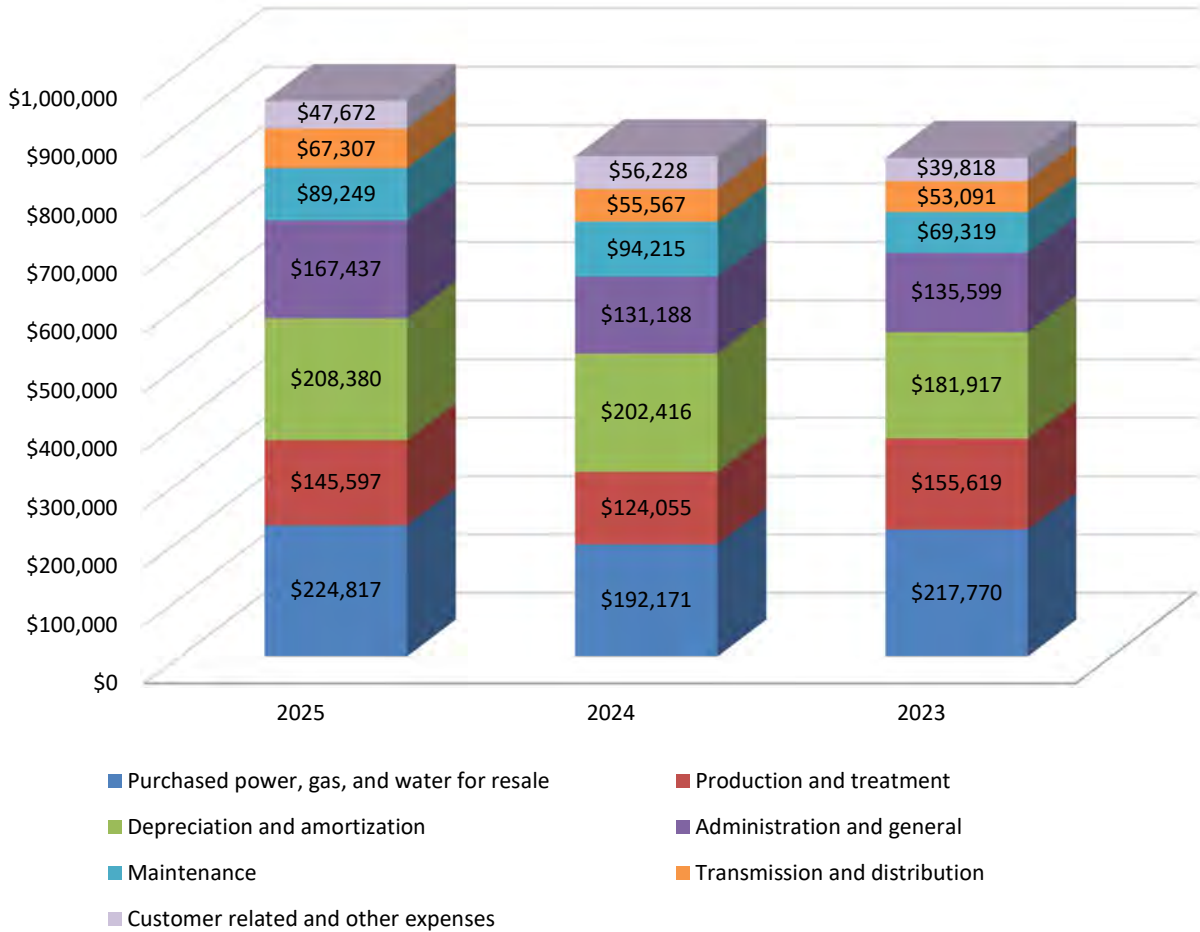
**Operating Revenues 2024 to 2023:**

- \$36.4 million - Electric increase primarily driven by 8.0% base rate increase and higher off-system sales
- \$25.3 million - Water increase primarily driven by hotter dryer weather and growth
- \$(57.3) million - Natural gas decrease primarily driven by large gas cost adjustment refunding partially off set by 6.0% base rate increase

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

**Operating Expenses**

(in thousands)



**Operating Expenses 2025 to 2024:**

- \$36.2 million - Administration and general increase primarily driven by an increase in pension and OPEB expense
- \$32.6 million - Purchased gas increase primarily related to higher gas prices
- \$21.5 million - Production and treatment increase primarily due to higher demand and higher fuel costs

**Operating Expenses 2024 to 2023:**

- \$24.9 million - Maintenance increase primarily related to the variability in the scope of power plant outages and overhead and underground electric lines
- \$(25.6) million - Purchased gas decrease primarily related to lower gas prices
- \$(31.6) million - Production and treatment decrease primarily due to lower demand and lower fuel costs

## COLORADO SPRINGS UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

#### CASH AND LIQUIDITY

Current assets include unrestricted cash deposits in banks and unrestricted investments in United States ("U.S.") Treasury Notes and U.S. Government Agency Securities. The total of these two unrestricted funding sources was \$292.7 million at December 31, 2025, an increase of \$17.9 million, or 6.5% from 2024 due primarily to net operating cash flow of \$292.5 million, cash contributions in aid of construction of \$48.2 million, interest received on investments of \$13.9 million, and cash receipts from Federal/State programs of \$4.3 million, partially offset by principal and interest payments of \$231.4 million, cash-funded capital expenditures of \$69.4 million and surplus payments to the City of \$35.1 million. The total of these two unrestricted funding sources was \$274.7 million at December 31, 2024, a decrease of \$20.0 million, or 6.8% from 2023 due primarily to net operating cash flow of \$272.6 million, cash contributions in aid of construction of \$32.7 million, interest received on investments of \$13.7 million and cash receipts from Federal/State programs of \$2.4 million, partially offset by principal and interest payments of \$211.4 million, cash-funded capital expenditures of \$91.5 million and surplus payments to the City of \$35.9 million.

Current and noncurrent assets include restricted cash deposits in banks and restricted investments in U.S. Treasury Notes, U.S. Government Agency Securities, and local government investment pools. The total of these two restricted funding sources was \$577.4 million at December 31, 2025, an increase of \$268.1 million, or 86.7%, from 2024 due primarily to bond proceeds of \$740.4 million, and a \$5.3 million increase in the bond sinking fund to support current year debt service offset by capital reimbursements from restricted cash of \$487.3 million. The total of these two restricted funding sources was \$309.3 million at December 31, 2024, an increase of \$83.6 million, or 37%, from 2023 due primarily to bond proceeds of \$325.7 million, and interest income of \$10.4 million offset by capital reimbursements from restricted cash of \$261.2 million.

A source of unrestricted liquidity that is not reflected on the Statements of Net Position is revolving lines of credit. Utilities has maintained one or more lines of credit in place since 2002. Although never drawn, the credit lines are maintained to ensure liquidity is available, if needed, through major unforeseen natural disasters when the ability to collect revenue could be impaired, for working capital during an unplanned or extended plant outage, or as a collateral posting source with financial counterparties on hedging agreements. On July 8, 2025, Utilities amended and restated the Revolving Loan Agreement ("Credit Line") with U.S. Bank National Association dated September 8, 2022. The available Credit Line remains at \$75 million.

Summary of the days cash on hand as of December 31:

|                                                       | 2025       | 2024           | 2023       |
|-------------------------------------------------------|------------|----------------|------------|
|                                                       |            | (in thousands) |            |
| Cash, cash equivalents and investments - unrestricted | \$ 292,662 | \$ 274,723     | \$ 294,668 |
| Cash Expense per Day                                  |            |                |            |
| Total Operating Expenses                              | \$ 950,459 | \$ 855,840     | \$ 853,133 |
| Less: Noncash pension and OPEB expense                | 4,475      | 35,392         | 15,873     |
| Less: Depreciation and Amortization                   | (208,380)  | (202,416)      | (181,917)  |
| Net Cash Expense                                      | \$ 746,554 | \$ 688,816     | \$ 687,089 |
| Number of Days in a Period                            | 365        | 366            | 365        |
| Net Cash Expense Per Day                              | \$ 2,045   | \$ 1,882       | \$ 1,882   |
| Days of Cash on Hand                                  | 143.1      | 146.0          | 156.5      |

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

**CAPITAL ASSETS AND TOTAL LONG-TERM DEBT**

Capital assets and total long-term debt as of December 31:

***CAPITAL ASSETS***

|                                                                         | 2025                | 2024                | 2023                |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|
|                                                                         |                     | (in thousands)      |                     |
| Plant in service                                                        | \$ 8,266,960        | \$ 7,742,175        | \$ 7,304,398        |
| Construction work in progress                                           | 565,418             | 414,856             | 369,302             |
| Accumulated depreciation and amortization                               | (3,507,651)         | (3,312,506)         | (3,120,154)         |
| Total Capital Assets (net of accumulated depreciation and amortization) | <u>\$ 5,324,727</u> | <u>\$ 4,844,525</u> | <u>\$ 4,553,546</u> |

***CAPITAL EXPENDITURES BY SYSTEM***

Utilities' capital expenditures for the years ended December 31, 2025, 2024, and 2023, were \$ 653.6 million, \$459.5 million, and \$366.9 million, respectively.

For the year ended December 31, 2025 the largest capital expenditures by system included: \$190.9 million for electric sustainable energy plan, \$100.3 million for fiber telecommunications infrastructure, \$18.6 million for finished water linear asset program, \$17.6 million for distribution integrity management program, \$14.0 million for crosstown interceptor to Las Vegas Water Resource Recovery Facility, \$10.8 million for South Catamount Dam, \$9.8 million for upgraded aeration system at Las Vegas Water Resource Facility, and \$3.0 million for an infrastructure platform program benefiting all services.

Capital expenditures by system as of December 31:

|                                       | 2025              | 2024              | 2023              |
|---------------------------------------|-------------------|-------------------|-------------------|
|                                       |                   | (in thousands)    |                   |
| Electric                              | \$ 427,484        | \$ 255,261        | \$ 199,363        |
| Water                                 | 103,522           | 102,828           | 72,736            |
| Natural Gas                           | 50,089            | 48,672            | 42,172            |
| Wastewater                            | 49,166            | 34,107            | 17,822            |
| Facilities and Information Technology | 23,331            | 18,626            | 34,764            |
| Total Capital Expenditures            | <u>\$ 653,592</u> | <u>\$ 459,494</u> | <u>\$ 366,857</u> |

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

***TOTAL LONG-TERM DEBT***

|                          | 2025                    | 2024                    | 2023                    |
|--------------------------|-------------------------|-------------------------|-------------------------|
|                          |                         | (in thousands)          |                         |
| Tax-exempt revenue bonds | \$ 2,808,500            | \$ 2,213,055            | \$ 2,030,355            |
| Taxable revenue bonds    | 203,470                 | 207,330                 | 211,060                 |
| Loans                    | 2,566                   | 3,042                   | 3,506                   |
| <br>Total Long-Term Debt | <br><u>\$ 3,014,536</u> | <br><u>\$ 2,423,427</u> | <br><u>\$ 2,244,921</u> |

***DEBT RATIO***

Debt Ratio as of December 31:

|                                            | 2025                    | 2024                    | 2023                    |
|--------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                            |                         | (in thousands)          |                         |
| Current Maturities of Revenue Bonds        | \$ 103,135              | \$ 104,935              | \$ 98,910               |
| Current Portion of Notes and Loans Payable | 488                     | 476                     | 464                     |
| Long-Term Revenue Bonds, Net               | 3,218,959               | 2,603,861               | 2,411,651               |
| Long-Term Notes and Loans Payable          | 2,078                   | 2,566                   | 3,042                   |
| Net Gain (Loss) on Debt Refundings         | 34,743                  | 30,163                  | 17,869                  |
| Total                                      | <u>\$ 3,359,403</u>     | <u>\$ 2,742,001</u>     | <u>\$ 2,531,936</u>     |
| <br>Net Position                           | <br><u>\$ 2,797,553</u> | <br><u>\$ 2,650,108</u> | <br><u>\$ 2,519,479</u> |
| <br>Debt Ratio                             | <br><u>54.6%</u>        | <br><u>50.9%</u>        | <br><u>50.1%</u>        |

Utilities engages Moody’s Investor Services (“Moody’s”), Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”) to provide credit rating services. Utilities’ long-term credit ratings are as follows:

|         | 2025   |         | 2024   |         | 2023   |         |
|---------|--------|---------|--------|---------|--------|---------|
|         | Rating | Outlook | Rating | Outlook | Rating | Outlook |
| Moody's | Aa2    | Stable  | Aa2    | Stable  | Aa2    | Stable  |
| S&P     | AA+    | Stable  | AA+    | Stable  | AA+    | Stable  |
| Fitch   | AA     | Stable  | AA     | Stable  | AA     | Stable  |

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

Utilities’ short-term ratings on variable rate bonds are as follows:

| Bond Issue | 2025             | 2024             | 2023              |
|------------|------------------|------------------|-------------------|
| 2005A      | VMIG1 / A-1 / NR | VMIG1 / A-1 / NR | VMIG1 / A-1 / NR  |
| 2006B      | VMIG1 / A-1 / NR | VMIG1 / A-1 / NR | VMIG1 / A-1 / NR  |
| 2007A      | VMIG1 / A-1 / NR | VMIG1 / A-1 / NR | VMIG1 / A-1+ / NR |
| 2008A      | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1  |
| 2009C      | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1  |
| 2010C      | VMIG1 / A-1 / NR | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1  |
| 2012A      | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1 | VMIG1 / A-1 / F1  |

Utilities’ short-term ratings are based on the credit ratings of banks providing liquidity support for the variable rate bonds. Short-term credit rating assignments are by Moody’s, S&P, and Fitch, respectively. "NR" indicates a bond issue is not rated by that specific credit rating agency or was withdrawn.

**FINANCING**

Utilities conducts financing activities based on strategies and guidance provided by the Plan of Finance (“Plan”). Fundamental to the Plan are goals and objectives that Utilities has developed and targeted as important measures for future performance. These include the following:

- Maintenance of ‘AA’ long-term credit ratings by Moody’s, S&P, and Fitch
- A focus on targeted financial metrics: Debt Ratio, Days Cash on Hand, and Debt Service Coverage
- The minimization of rate impacts resulting from financing activities in each utility service (Electric, Gas, Water, and Wastewater)

The Plan includes analyzing funding options, measuring risk and benefits of the options, setting parameters for optimal structures such as fixed versus floating rate debt, term of debt and other financing alternatives. The Plan incorporates Utilities’ Financial Risk Management Policy and a review of the legal framework to enable successful implementation of potential financing alternatives. The following briefly describes the major financing transactions Utilities executed in 2025 and 2024, all of which were in direct support of the Plan:

- In September 2025, Utilities entered into a new standby bond purchase agreement with TD Bank, N.A. for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2010C (expires September 2030), supporting \$32.2 million in variable rate debt.
- In August 2025, Utilities issued Utilities System Improvement Revenue Bonds, Series 2025A, and Utilities System Refunding Revenue Bonds, Series 2025B, totaling \$738.2 million. The Series 2025A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the utility system. The 2025B bonds were used to refund a portion of the City’s outstanding Utilities System Refunding Revenue Bonds, Series 2015A Bonds.
- In July 2025, Utilities made the decision not to renew a standby bond purchase agreement with Barclays Bank PLC for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2010C.
- In July 2025, Utilities amended and restated the \$75.0 million revolving loan agreement and revolving promissory note extending the commitment expiration date to September 2028.
- In June 2025, Utilities renewed the standby bond purchase agreement with US Bank, N.A. for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A, (expires September 2028) supporting \$29.9 million in variable rate debt.
- In December 2024, Utilities entered into a standby letter of credit and reimbursement agreement with Sumitomo Mitsui Banking Corporation in the amount of \$115.0 million. The letter of credit was required

**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

to be delivered per the terms of an agreement the Utilities entered into in September 2024 to lease capacity on a natural gas pipeline to be constructed by a third party. The letter of credit expires on December 18, 2029.

- In August 2024, Utilities issued Utilities System Improvement Revenue Bonds Series 2024A, and Utilities System Refunding Revenue Bonds, Series 2024B totaling \$378.2 million. Series 2024A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2024B bonds were used to refund all of the City's outstanding Utilities System Improvement Revenue Bonds, Series 2014A-1 and Utilities System Improvement Revenue Bonds, Series 2014A-2.
- In May 2024, Utilities renewed the standby bond purchase agreement with Bank of America, N.A. for Variable Rate Demand Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2005A, (expires September 2029) supporting \$59.3 million in variable rate debt.

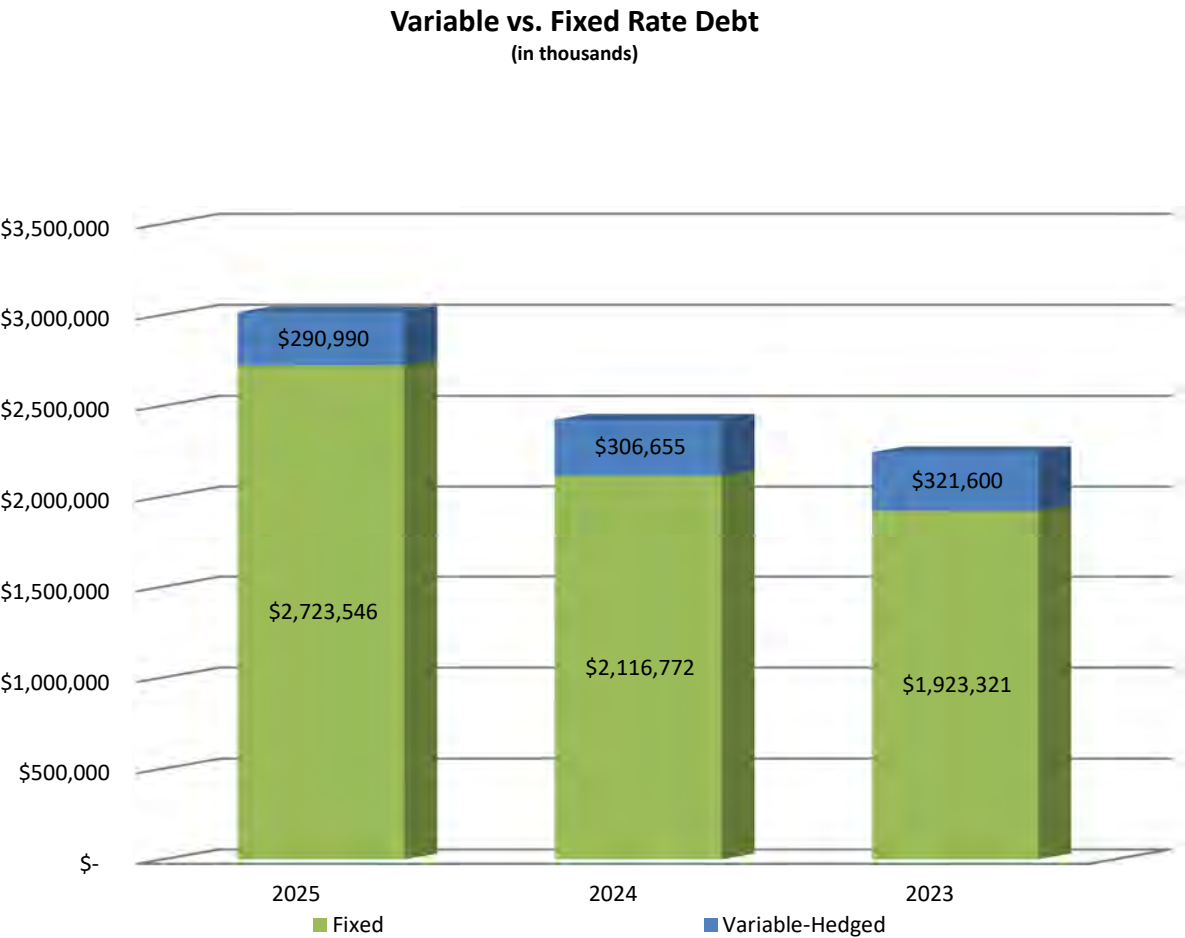
***DEBT SERVICE COVERAGE***

Summary of the debt service coverage for the years ended December 31:

|                                               | 2025              | 2024<br>(restated)<br>(in thousands) | 2023              |
|-----------------------------------------------|-------------------|--------------------------------------|-------------------|
| Operating Revenues                            | \$ 1,127,435      | \$ 1,012,680                         | \$ 1,005,708      |
| Operating Expenses                            | (950,459)         | (855,840)                            | (853,133)         |
| Noncash pension and OPEB expense              | (4,475)           | (35,392)                             | (15,873)          |
| Depreciation and amortization                 | 208,380           | 202,416                              | 181,917           |
| Operating Revenues Available for Debt Service | 380,881           | 323,864                              | 318,619           |
| Interest earnings (excl. interest on bonds)   | 14,102            | 17,391                               | 16,019            |
| Development fees                              | 48,234            | 36,592                               | 32,609            |
| Net Pledged Revenues                          | <u>\$ 443,217</u> | <u>\$ 377,847</u>                    | <u>\$ 367,247</u> |
| Fiscal Year Debt Service                      | <u>\$ 231,358</u> | <u>\$ 211,389</u>                    | <u>\$ 214,473</u> |
| Debt Service Coverage Ratio                   | <u>1.92</u>       | <u>1.79</u>                          | <u>1.71</u>       |

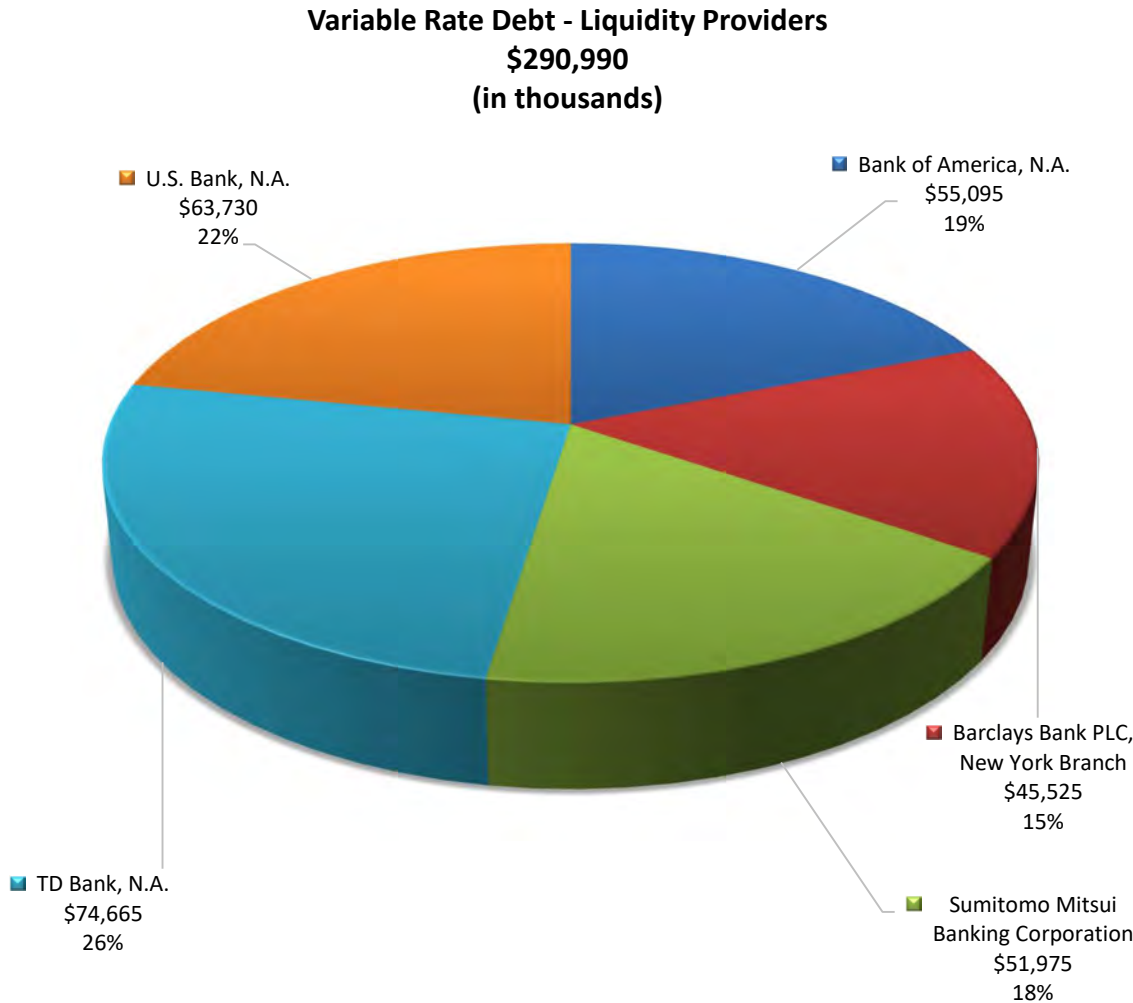
**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

The following chart illustrates the variable and fixed financing structure for the years ending December 31:



**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

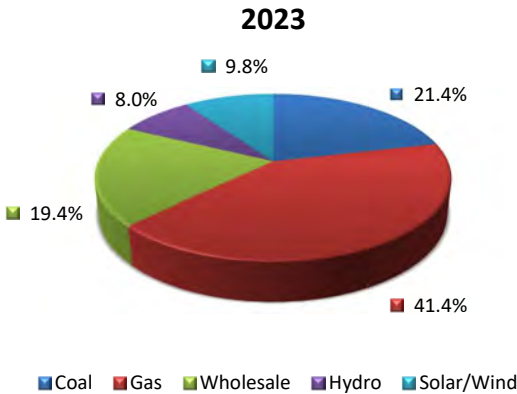
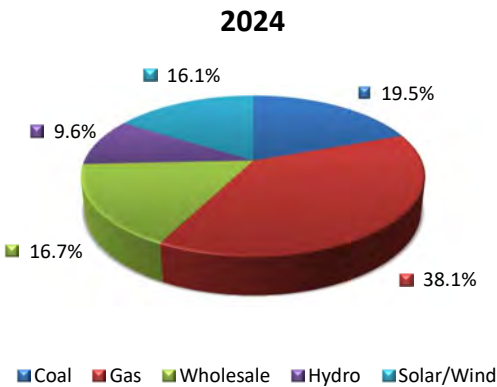
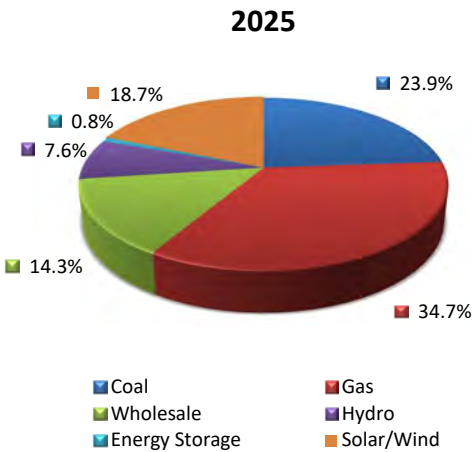
The following chart illustrates the variable rate liquidity providers as of December 31, 2025:



**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

**SOURCES OF ELECTRICITY**

The following illustrates Utilities’ sources of electricity for the years ended December 31:



**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
As of and for the Years Ended December 31, 2025, and 2024  
(Unaudited)

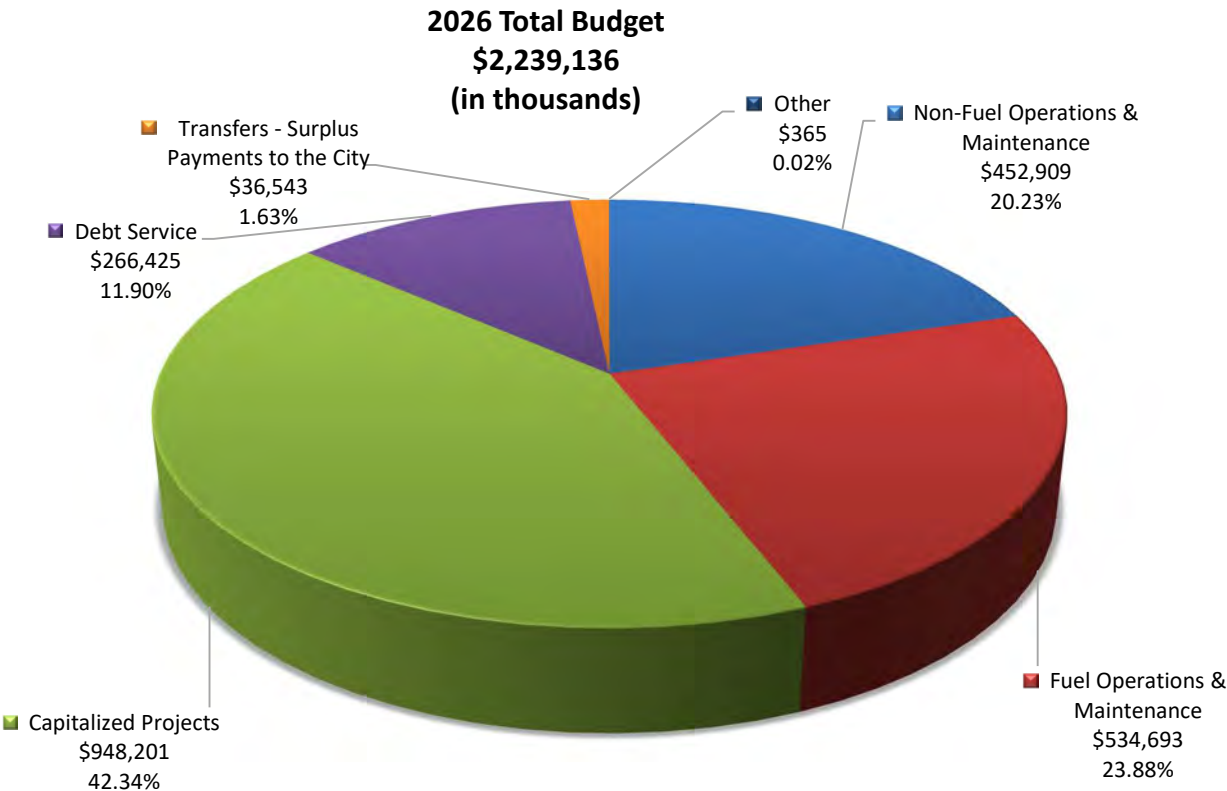
**PEAK DEMAND**

|                                                              | Peak Demand | Peak Day     |
|--------------------------------------------------------------|-------------|--------------|
| Electric - maximum hourly peak demand (Megawatts)            | 1,011       | Jul 30, 2024 |
| Natural Gas - maximum daily peak demand (Million Cubic Feet) | 266,786     | Feb 01, 2011 |
| Water - maximum daily pumpage (Millions of Gallons)          | 182,405     | Jul 07, 2001 |

**BUDGETARY HIGHLIGHTS FOR 2026**

The following information contains statements that to the extent they are not recitations of historical fact, constitute “forward-looking statements.” A number of important factors affecting Utilities’ business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. Utilities does not plan to issue updates or revisions to forward-looking statements contained in this MD&A.

**BUDGET SUMMARY**



**COLORADO SPRINGS UTILITIES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 As of and for the Years Ended December 31, 2025, and 2024  
 (Unaudited)

***CAPITAL PROJECTS***

|             | 2026                   |
|-------------|------------------------|
|             | <u>Approved Budget</u> |
|             | (in thousands)         |
| Electric    | \$ 662,226             |
| Streetlight | 1,626                  |
| Natural Gas | 54,189                 |
| Water       | 106,793                |
| Wastewater  | 101,610                |
| Common      | 21,757                 |
| Total       | <u>\$ 948,201</u>      |

**SIGNIFICANT EVENTS**

***DECOMMISSIONING OF POWER PLANTS***

As a result of the Utilities Board’s decision to decommission Drake Power Plant (“Drake”), Birdsall Power Plant ("Birdsall"), and Ray Nixon Power plant ("Nixon 1"). Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020. Utilities recorded a \$233.5 million loss as a Special item on the Statements of Revenues, Expenses and Changes in Net Position in 2020. An additional \$3.8 million loss was recorded in 2022, due to Drake shutting down four months earlier than planned. In 2023, Utilities Board approved a new plan to update the integrated resource plan. As a result, Birdsall had an additional \$1.3 million loss as a special item due to a change in the decommission dates, with Birdsall 1 and 2 decommissioning no later than December 31, 2025 and Birdsall 3 decommissioning no later than December 31, 2027. Birdsall 2 was decommissioned on November 1, 2025. Birdsall 1 and 3 were decommissioned on December 31, 2025.

**CONTACTING UTILITIES’ FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, creditors, and other financial users with a general overview of Utilities’ finances. If you have questions about this report or need additional financial information, contact Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website [www.csu.org](http://www.csu.org).

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**COLORADO SPRINGS UTILITIES**  
**STATEMENTS OF NET POSITION**  
 As of December 31, 2025 and 2024

|                                                                         | 2025                | 2024                |
|-------------------------------------------------------------------------|---------------------|---------------------|
|                                                                         | (in thousands)      |                     |
| <b>Assets</b>                                                           |                     |                     |
| <b>Current Assets</b>                                                   |                     |                     |
| Cash and cash equivalent                                                | \$ 182,547          | \$ 129,870          |
| Cash and cash equivalents - restricted                                  | 71,743              | 67,808              |
| Investments                                                             | 110,115             | 144,853             |
| Accounts receivable, net                                                | 141,252             | 135,300             |
| Due from other City funds                                               | 3,523               | 5,044               |
| Lease receivable                                                        | 1,658               | 402                 |
| Interest receivable                                                     | 1,110               | 1,450               |
| Inventories                                                             | 126,877             | 110,319             |
| Prepaid expenses                                                        | 21,251              | 17,032              |
| <b>Total Current Assets</b>                                             | <b>660,076</b>      | <b>612,078</b>      |
| <b>Noncurrent Assets</b>                                                |                     |                     |
| Cash and cash equivalents - restricted                                  | 68,768              | 54,213              |
| Investments - restricted                                                | 436,843             | 187,245             |
| Lease receivable                                                        | 64,643              | 25,597              |
| Interest receivable - restricted                                        | 4,045               | 893                 |
| Investment in joint ventures                                            | 652                 | 711                 |
| Other (including utility acquisition adjustment)                        | 93,053              | 102,601             |
| Capital assets:                                                         |                     |                     |
| Plant in service                                                        | 8,266,960           | 7,742,175           |
| Construction work in progress                                           | 565,418             | 414,856             |
| Accumulated depreciation and amortization                               | (3,507,651)         | (3,312,506)         |
| Total Capital Assets (net of accumulated depreciation and amortization) | 5,324,727           | 4,844,525           |
| <b>Total Noncurrent Assets</b>                                          | <b>5,992,731</b>    | <b>5,215,785</b>    |
| <b>Total Assets</b>                                                     | <b>6,652,807</b>    | <b>5,827,863</b>    |
| <b>Deferred Outflows of Resources</b>                                   |                     |                     |
| Deferred cash flow hedges - unrealized loss on derivative instruments   | 7,815               | 6,780               |
| Loss on debt refundings                                                 | 13,383              | 16,976              |
| Pension and OPEB deferred outflows                                      | 67,236              | 93,744              |
| Asset retirement obligation                                             | 5,060               | 5,512               |
| <b>Total Deferred Outflows of Resources</b>                             | <b>93,494</b>       | <b>123,012</b>      |
| <b>Total Assets and Deferred Outflows of Resources</b>                  | <b>\$ 6,746,301</b> | <b>\$ 5,950,875</b> |

The accompanying notes are an integral part of these statements.

**COLORADO SPRINGS UTILITIES**  
**STATEMENTS OF NET POSITION**  
 As of December 31, 2025 and 2024

|                                                                           | 2025                | 2024                |
|---------------------------------------------------------------------------|---------------------|---------------------|
|                                                                           | (in thousands)      |                     |
| <b>Liabilities</b>                                                        |                     |                     |
| <b>Current Liabilities</b>                                                |                     |                     |
| Accounts payable                                                          | \$ 167,923          | \$ 142,777          |
| Due to other City funds                                                   | 7,983               | 8,251               |
| Current maturities of revenue bonds                                       | 103,135             | 104,935             |
| Current portion of notes and loans payable                                | 488                 | 476                 |
| Current portion of lease liability                                        | 153                 | 149                 |
| Current portion of SBITAs liability                                       | 2,712               | 4,072               |
| Accrued interest                                                          | 17,889              | 13,225              |
| Accrued salaries and benefits                                             | 6,998               | 7,245               |
| Accrued health care benefits                                              | 3,616               | 4,041               |
| Compensated absences                                                      | 21,549              | 21,098              |
| Other                                                                     | 711                 | 1,132               |
| <b>Total Current Liabilities</b>                                          | <b>333,157</b>      | <b>307,401</b>      |
| <b>Noncurrent Liabilities</b>                                             |                     |                     |
| Customer deposits                                                         | 7,527               | 6,867               |
| Notes and loans payable                                                   | 2,078               | 2,566               |
| Lease liability                                                           | 488                 | 641                 |
| SBITA liability                                                           | 2,444               | 5,592               |
| Compensated absences                                                      | 4,173               | 6,956               |
| Customer advances for construction                                        | 41,780              | 40,878              |
| Revenue bonds (incl. unamortized premiums and discounts, net)             | 3,218,959           | 2,603,861           |
| Municipal solid waste landfill closure and postclosure care               | 23,587              | 23,215              |
| Asset retirement obligation                                               | 8,500               | 7,687               |
| Derivative instruments                                                    | 24,203              | 22,665              |
| Pension and OPEB                                                          | 163,091             | 193,994             |
| Other                                                                     | 533                 | 532                 |
| <b>Total Noncurrent Liabilities</b>                                       | <b>3,497,363</b>    | <b>2,915,454</b>    |
| <b>Total Liabilities</b>                                                  | <b>3,830,520</b>    | <b>3,222,855</b>    |
| <b>Deferred Inflows of Resources</b>                                      |                     |                     |
| Gain on debt refundings                                                   | 48,126              | 47,139              |
| Lease deferred inflows                                                    | 65,101              | 25,693              |
| Pension and OPEB deferred inflows                                         | 5,001               | 5,080               |
| <b>Total Deferred Inflows of Resources</b>                                | <b>118,228</b>      | <b>77,912</b>       |
| <b>Net Position</b>                                                       |                     |                     |
| Net investment in capital assets                                          | 2,469,183           | 2,334,420           |
| Restricted                                                                |                     |                     |
| Debt service                                                              | 23,354              | 22,701              |
| Third party escrow                                                        | 9,154               | 8,987               |
| Health care benefits                                                      | 3,175               | 3,271               |
| Other purposes                                                            | 18,171              | 19,625              |
| Unrestricted                                                              | 274,516             | 261,104             |
| <b>Total Net Position</b>                                                 | <b>2,797,553</b>    | <b>2,650,108</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$ 6,746,301</b> | <b>\$ 5,950,875</b> |

The accompanying notes are an integral part of these statements.

**COLORADO SPRINGS UTILITIES**  
 STATEMENTS OF REVENUES, EXPENSES,  
 AND CHANGES IN NET POSITION  
 For the Years Ended December 31, 2025 and 2024

|                                                  | 2025                | 2024                |
|--------------------------------------------------|---------------------|---------------------|
|                                                  | (in thousands)      |                     |
| <b>Operating Revenues</b>                        |                     |                     |
| Electric                                         | \$ 592,404          | \$ 539,829          |
| Streetlight                                      | 5,086               | 4,753               |
| Gas                                              | 206,990             | 155,674             |
| Water                                            | 235,352             | 233,570             |
| Wastewater                                       | 83,361              | 75,797              |
| Products and services                            | 4,242               | 3,057               |
| <b>Total Operating Revenues</b>                  | <b>1,127,435</b>    | <b>1,012,680</b>    |
| <b>Operating Expenses</b>                        |                     |                     |
| Production and treatment                         | 145,597             | 124,055             |
| Purchased power, gas and water for resale        | 224,817             | 192,171             |
| Transmission and distribution                    | 67,307              | 55,567              |
| Maintenance                                      | 89,249              | 94,215              |
| Administration and general                       | 167,437             | 131,188             |
| Customer service and information                 | 10,566              | 9,118               |
| Customer accounting and collection               | 36,650              | 46,709              |
| Franchise taxes                                  | 456                 | 401                 |
| Depreciation and amortization                    | 208,380             | 202,416             |
| <b>Total Operating Expenses</b>                  | <b>950,459</b>      | <b>855,840</b>      |
| <b>Operating Income</b>                          | <b>176,976</b>      | <b>156,840</b>      |
| <b>Nonoperating Revenues (Expenses)</b>          |                     |                     |
| Derivative instruments gain (loss)               | (503)               | 7,978               |
| Investment income                                | 31,126              | 29,833              |
| Other revenues                                   | 7,501               | 15,068              |
| Other expenses                                   | (4,407)             | (2,902)             |
| Interest expense                                 | (109,519)           | (98,534)            |
| <b>Total Nonoperating Revenue and Expenses</b>   | <b>(75,802)</b>     | <b>(48,557)</b>     |
| <b>Income Before Contributions and Transfers</b> | <b>101,174</b>      | <b>108,283</b>      |
| Capital contributions                            | 81,083              | 58,232              |
| Transfers out - surplus payments to the City     | (34,812)            | (35,886)            |
| <b>Changes in Net Position</b>                   | <b>147,445</b>      | <b>130,629</b>      |
| <b>Net Position, January 1</b>                   | <b>2,650,108</b>    | <b>2,519,479</b>    |
| <b>Net Position, December 31</b>                 | <b>\$ 2,797,553</b> | <b>\$ 2,650,108</b> |

The accompanying notes are an integral part of these statements.

**COLORADO SPRINGS UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
 For the Years Ended December 31, 2025 and 2024

|                                                                                | 2025              | 2024              |
|--------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                | (in thousands)    |                   |
| <b>Cash Flows from Operating Activities</b>                                    |                   |                   |
| Receipts from customers and users                                              | \$ 1,187,932      | \$ 1,110,650      |
| Receipts from interfund activities                                             | 17,471            | 18,246            |
| Other cash receipts, net                                                       | (200)             | 7,830             |
| Payments to suppliers                                                          | (611,898)         | (588,084)         |
| Payments to/on behalf of employees                                             | (299,263)         | (274,715)         |
| Payments for interfund activities                                              | (1,588)           | (1,293)           |
| <b>Net Cash Provided by Operating Activities</b>                               | <b>292,454</b>    | <b>272,634</b>    |
| <b>Cash Flows from Noncapital Financing Activities</b>                         |                   |                   |
| Other payments, net                                                            | (676)             | (465)             |
| Surplus payments to the City                                                   | (35,098)          | (35,869)          |
| Receipts from federal/state programs                                           | 1,461             | 278               |
| <b>Net Cash Used in Noncapital Financing Activities</b>                        | <b>(34,313)</b>   | <b>(36,056)</b>   |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                   |                   |
| Proceeds from issuance of revenue bonds                                        | 738,160           | 378,210           |
| Premium related to bond issuance                                               | 45,645            | 48,613            |
| Debt issuance and other related costs                                          | (2,715)           | (1,582)           |
| Capital expenditures                                                           | (556,695)         | (331,733)         |
| Capital contributions                                                          | 48,234            | 32,717            |
| Repayment and refunding of revenue bonds                                       | (146,575)         | (199,240)         |
| Lease payments                                                                 | (170)             | (145)             |
| SBITAs payments                                                                | (5,394)           | (9,126)           |
| Interest payments on long-term debt                                            | (125,208)         | (112,238)         |
| Interest paid on leases                                                        | (21)              | (25)              |
| Interest paid on SBITAs                                                        | (195)             | (501)             |
| Interest payments - other                                                      | (275)             | (314)             |
| Proceeds from sale of assets                                                   | 2,656             | 1,105             |
| Receipts from federal/state programs                                           | 4,265             | 2,441             |
| <b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b> | <b>1,712</b>      | <b>(191,818)</b>  |
| <b>Cash Flows from Investing Activities</b>                                    |                   |                   |
| Interest received on investments                                               | 29,133            | 13,684            |
| Distributions from joint ventures                                              | 110               | 134               |
| Purchases of investments                                                       | (503,899)         | (285,508)         |
| Proceeds from sales and maturities of investments                              | 285,970           | 264,580           |
| <b>Net Cash Used in Investing Activities</b>                                   | <b>(188,686)</b>  | <b>(7,110)</b>    |
| <b>Increase in Cash and Cash Equivalents</b>                                   | <b>71,167</b>     | <b>37,650</b>     |
| <b>Cash and Cash Equivalents, January 1</b>                                    | <b>251,891</b>    | <b>214,241</b>    |
| <b>Cash and Cash Equivalents, December 31</b>                                  | <b>\$ 323,058</b> | <b>\$ 251,891</b> |

The accompanying notes are an integral part of these statements.

**COLORADO SPRINGS UTILITIES**  
 STATEMENTS OF CASH FLOWS - continued  
 For the Years Ended December 31, 2025 and 2024

|                                                                                        | 2025              | 2024              |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                        | (in thousands)    |                   |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                   |                   |
| Operating income                                                                       | \$ 176,976        | \$ 156,840        |
| Adjustments to operating income:                                                       |                   |                   |
| Depreciation and amortization                                                          | 208,380           | 202,416           |
| Other                                                                                  | (54,456)          | (129,646)         |
| <b>(Increase) Decrease in Assets</b>                                                   |                   |                   |
| Accounts receivable                                                                    | (5,863)           | (5,472)           |
| Inventories                                                                            | (16,558)          | (3,849)           |
| Prepaid expenses                                                                       | (4,219)           | (5,226)           |
| Other assets                                                                           | (36,056)          | 11,793            |
| Pension and OPEB deferred outflows                                                     | (26,508)          | 33,466            |
| <b>Increase (Decrease) in Liabilities</b>                                              |                   |                   |
| Accounts payable                                                                       | 84,208            | (49,092)          |
| Accrued salaries and benefits                                                          | (3,003)           | (7,359)           |
| Pension and OPEB liabilities                                                           | (30,903)          | 63,760            |
| Other liabilities                                                                      | 536               | 991               |
| Pension and OPEB deferred inflows                                                      | (80)              | 4,012             |
| <b>Net Cash Provided by Operating Activities</b>                                       | <b>\$ 292,454</b> | <b>\$ 272,634</b> |
| <b>Noncash Investing, Capital, and Related Financing Activities</b>                    |                   |                   |
| Derivative instruments                                                                 | \$ (503)          | \$ 7,978          |
| Noncash acquisition of plant in service                                                |                   |                   |
| (incurance of payable)                                                                 | 11,844            | 14,677            |
| Noncash capital contributions                                                          | 32,850            | 24,470            |
| Noncash repayment of long-term debt                                                    | 17,226            | 17,597            |
| Amortization of loss on refundings                                                     | 3,594             | 3,600             |
| Amortization and charge-off of debt discount                                           | 9                 | 9                 |

The accompanying notes are an integral part of these statements.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

#### NOTE 1 - FINANCIAL REPORTING ENTITY

Colorado Springs Utilities ("Utilities") is an Enterprise Fund of the City of Colorado Springs, Colorado ("City"). The financial statements present only entities for which Utilities is considered to be financially accountable. The Chief Executive Officer ("CEO") directs and manages Utilities. The CEO reports to and is appointed by the City Council. Major policy decisions are subject to the approval of Utilities Board, which also sits as the City Council. The financial statements, in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"), do not purport to, and do not represent the financial position or the changes in financial position of the City, component units, or its joint ventures.

Utilities operates an electric generation, transmission, and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment, and distribution system; and a wastewater collection and treatment system ("Utility System"). Utilities' service area includes the City, Manitou Springs, and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base, and the United States Air Force Academy receive electric service, natural gas service, and water service from Utilities. Peterson Space Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service.

The activity of component units is reported in the City's financial statements due to the extent of their operational and financial relationship. City component units are discussed further in Note 19. Separate financial statements of these component units can be obtained from Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website [www.csu.org](http://www.csu.org).

Joint ventures are legal entities or other organizations that result from contractual arrangements and are owned, operated, or governed by two or more participants as separate and specific activities subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The joint venture in which Utilities participates is discussed further in Note 19.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***BASIS OF ACCOUNTING***

Utilities' accounting records are maintained and the accompanying financial statements have been prepared in accordance with U.S. GAAP as applied to units of local government and promulgated by the Governmental Accounting Standards Board ("GASB"). Financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

##### ***RECENT ACCOUNTING PRONOUNCEMENTS***

GASB Statement No. 99, Omnibus 2022 ("GASB 99") was issued in April 2022. This statement addresses a variety of topics and is effective for Utilities in 2022, 2023, and 2024 depending on the requirement. The only topic effective for Utilities in 2022 is the replacement of Interbank Offered Rate (IBOR) discussed in GASB 93. Utilities adopted provisions related to leases (GASB 87) and SBITAs (GASB 96) for fiscal year 2023, as these were the only topics that affect Utilities in 2023. The only topic effective for Utilities in 2024 was related to evaluating derivative instruments. We reviewed our purchase power contracts in accordance with GASB 99 and determined that, since we were purchasing an underlying commodity for normal usage, the contract met the definition of a normal purchase. As a result, the implementation of GASB 99 has no impact on our financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB 62 ("GASB 100"), is effective for fiscal years beginning after June 15, 2023. This Statement is meant to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. We

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

assessed the implementation of GASB 100 and determined that it requires a statement at the bottom of the financial statements. In addition, the implementation of all future accounting pronouncements will require restatements in accordance with this GASB. Utilities adopted and implemented GASB 100 for fiscal year ended December 31, 2024.

GASB Statement No. 101, *Compensated Absences* ("GASB 101"), is effective for fiscal years beginning after December 15, 2023. GASB 101 aligns the recognition and measurement guidance of compensated absences, defines the types of leave to record as a compensated absence, and amends certain disclosure requirements. Historically, Utilities recorded a short-term liability for the payment of compensated vacation time and a long-term liability for unpaid sick leave expected to be paid upon retirement. With the implementation of GASB 101, Utilities now also recognizes a short-term liability for the annual payout of compensated absences related to sick leave expected to be paid in the following fiscal year. Utilities adopted GASB 101 for fiscal year ended December 31, 2024.

GASB Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), is effective for fiscal years beginning after June 15, 2024. GASB 102 requires disclosures of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources and constraint as a limitation imposed by an external party or by formal action from the highest level of decision-making authority. Utilities adopted and implemented GASB 102 for fiscal year ended December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"), is effective for fiscal years beginning after June 15, 2025. By improving the financial reporting model, GASB 103 aims to enhance the relevance, clarity, and consistency of governmental financial reports. This statement introduces changes to fund balance classifications, reporting criteria for major funds, and disclosures of key financial assumptions. Utilities is currently evaluating the adoption of GASB 103 and its impact on the financial statements.

GASB Statement No. 104, *Disclosure for Certain Capital Assets* ("GASB 104"), is effective for fiscal years beginning after June 15, 2025. GASB 104 requires disclosures about certain capital assets, focusing on restrictions, risks, and conditions that may affect their use, value, or service potential. The statement is intended to provide users of financial statements with a better understanding of the financial and operational implications of these assets. Utilities is currently evaluating the adoption of GASB 104 and its impact on the financial statements.

GASB Statement No. 105, *Subsequent Events* ("GASB 105"), was issued in December 2025 and is effective for fiscal years beginning after June 15, 2026. This Statement defines subsequent events, modifies the subsequent events time frame, and requires the date through which subsequent events have been evaluated to be disclosed. Utilities is currently evaluating the adoption of GASB 105 and its impact on the financial statements.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### **FINANCIAL STATEMENT PRESENTATION**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Utilities' financial position and operations.

## **COLORADO SPRINGS UTILITIES**

### **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

#### ***DEPOSITS AND INVESTMENTS***

For purposes of the Statements of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Investment of funds is restricted by State Statute.

Investments are limited to:

- Securities issued by, fully guaranteed by, or for which the full credit of the United States ("U.S.") Treasury is pledged for payment and which matures within five years of settlement
- Securities issued by, fully guaranteed by or for which the full credit of the following pledged for payment: Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export-Import Bank, Tennessee Valley Authority, World Bank, or other comparable Federal government sponsored agencies that mature within five years of settlement
- Securities that are a general obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in one of its two highest rating categories by two or more nationally recognized organizations that regularly rate such obligations
- Securities that are a revenue obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in its highest rating category by two or more nationally recognized organizations that regularly rate such obligations and that mature within three years of settlement
- Any security of the investing public entity under a lease, lease-purchase agreement, or similar agreement
- Any interest in any local government investment pool, subject to various conditions
- Repurchase agreements, subject to various conditions
- Reverse repurchase agreements, subject to various conditions
- Securities lending agreements, subject to various conditions
- Any money market fund that is registered as an investment company under the Federal Investment Company Act of 1940, subject to various conditions
- Any guaranteed investment contract that, at the time the contract or agreement is entered into, is rated in one of the two highest rating categories by two or more nationally recognized rating agencies that regularly issue such ratings
- Any corporate or bank security that is denominated in U.S. dollars, that matures within three years of settlement, that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, with minimum rating requirements and other various conditions

Utilities has adopted an investment policy. That policy follows the State statute for allowable investments. Investments are stated at fair value, which is the amount an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the financial statements as increases or decreases in investment income. Fair values may have changed significantly after the date reported.

#### ***RECEIVABLES AND PAYABLES***

Accounts receivable as of December 31, 2025 and 2024, included unbilled customers' accounts of \$56,530,573 and \$55,125,182, respectively. Accounts receivable has been reduced by an allowance for uncollectible accounts of \$11,869,897 and \$9,314,585 as of December 31, 2025 and 2024, respectively.

## **COLORADO SPRINGS UTILITIES**

### **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Utilities has established payment arrangement plans with customers that extend beyond one year. The long-term balance of these accounts receivable was \$1,886,100 and \$1,523,405 as of December 31, 2025 and 2024, respectively.

Outstanding balances between Utilities and the City are reported as “Due to or Due from other City funds.” Accounts payable are obligations to pay for goods or services purchased from suppliers in the normal course of business. Accounts payable are classified as current liabilities if payment is due within the next twelve months.

#### ***INVENTORIES AND PREPAID EXPENSES***

Inventories are valued at lower of cost or market value. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

#### ***RESTRICTED ASSETS***

Debt proceeds available for the acquisition, construction, or improvement of capital assets that are unspent at year end are classified as restricted noncurrent assets. Restricted noncurrent assets consist primarily of unspent bond proceeds.

Utilities’ bond ordinances require individual reserve funds by bond issue, but allowed Utilities to use surety bonds in lieu of cash bond reserve funds. The bond ordinances require that monies be restricted in separate accounts for the retirement of principal and payment of interest.

Under terms of the International Swaps and Derivatives Association (“ISDA”), agreements covering interest rate and energy hedge positions held between Utilities and various counterparties, secured parties are entitled to hold posted collateral directly or through a custodian. The value or amount of collateral posted is subject to thresholds and counterparty credit ratings established in the ISDA. Cash collateral held directly by Utilities is classified as a restricted noncurrent asset.

#### ***CAPITAL ASSETS***

The costs of additions and replacements of assets identified as units of property or intangible assets that exceed \$5,000 and have an estimated useful life greater than one year are capitalized pursuant to Utilities’ Capital Policy. Maintenance and replacement of minor items of property are charged to operating expense. Contributed assets are recorded at cost or the estimated acquisition value at the time of contribution to Utilities. Depreciable asset retirements are recorded against accumulated depreciation and the retired portion of the asset is removed from plant in service. The net difference plus costs of removal less salvage value, if any, are recorded to Nonoperating Revenues (Expenses) on the Statements of Revenues, Expenses, and Changes in Net Position.

Utilities accounts for Asset Retirement Obligations (“ARO”) in accordance with GASB Statement No. 83, Certain Asset Retirement Obligations (“GASB 83”), by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred (see Note 20).

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Utilities computes depreciation and amortization on plant in service on a straight-line, service-life basis. Depreciation is calculated using the following estimated maximum service lives for major asset classifications:

|                                           | <u>Years</u> |
|-------------------------------------------|--------------|
| Electric boiler plant/station equipment   | 25           |
| Electric underground conduit              | 28.5         |
| Gas mains and services                    | 80           |
| Water source of supply                    | 100          |
| Water treatment plant                     | 25           |
| Water transmission and distribution mains | 50           |
| Sewer mains and laterals                  | 100          |
| Wastewater preliminary treatment facility | 45           |
| General structures and improvements       | 57           |
| Intangibles                               | 50           |

#### **LEASES**

GASB 87 requires lessees to recognize a lease liability and a corresponding right-to-use asset for contracts that convey control of the right to use another entities non-financial asset for a period of time in an exchange or exchange-like transaction without transferring ownership. The lease term is defined as the period during which there is a non-cancelable right to use the underlying asset.

Utilities analyzes leases each year and recorded lease liabilities of \$641,613 and \$790,583 for the periods ended December 31, 2025 and 2024, respectively.

For lessee contracts, lease assets and liabilities are reported at present value using Utilities' incremental borrowing rate. Right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using Utilities' incremental borrowing rate.

Refer to Note 5 for additional details on lessor contracts and Notes 6 and 11 for further information on lessee contracts.

#### **SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

Utilities performed an inventory of its SBITAs, analyzing each agreement to determine if the SBITAs met the definition in accordance with GASB 96.

SBITAs are contracts that convey control of the right to obtain the use of another entity's information technology as specified for a period of time in an exchange or exchange-like transaction. Utilities would also have the ability to obtain the present service capacity and determine the nature and use of the underlying information technology asset as specified in the contract. The SBITA term is the period of time where there is a noncancellable right to use the underlying information technology.

SBITA's right to use assets and liabilities are reported at present value using Utilities' incremental borrowing rate. The right to use SBITA assets are amortized over its useful life which matches the term of the subscription. Refer to Note 6 and Note 11 for more information. For periods ended December 31, 2025 and 2024, Utilities recorded SBITA liabilities of \$5.1 million and \$9.7 million, respectively.

## **COLORADO SPRINGS UTILITIES**

### **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

#### **OTHER ASSETS**

Other assets includes a noncurrent asset acquisition adjustment that is amortized over a 30-year period; equivalent to the remaining useful life of a natural gas-fired combined cycle electric generation asset acquired in 2010. The remaining unamortized balance was \$29,905,985 and \$31,899,718 as of December 31, 2025 and 2024, respectively.

In addition Southern Delivery System ("SDS") mitigation, engineering, and design expenditures specific to monetary mitigation that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. The remaining unamortized balance was \$15,615,263 and \$21,733,874 as of December 31, 2025 and 2024, respectively.

Utilities' debt issuance costs are also included as a regulatory asset in the other assets balance. These are costs incurred to issue new or refunding debt, include closing, legal and other costs required to issue debt. Debt issuance costs are amortized over the life of the debt using the straight-line method and the expense is reported as other expenses on the Statements of Revenues, Expenses, and Changes in Net Position. The remaining unamortized balance was \$19,905,225 and \$19,766,750 as of December 31, 2025 and 2024, respectively.

Drake decommissioning costs that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. The remaining unamortized balance was \$17,629,962 and \$19,743,369 as of December 31, 2025 and 2024, respectively.

Utilities entered into a prepaid solar purchase power agreement ("PPA") in order to provide renewable solar photovoltaic electric energy service to the United States Air Force Academy. The prepaid amount is reported in other assets and reduced over time through actual usage. The remaining balance was \$8,688,638 and \$9,285,871 as of December 31, 2025 and 2024, respectively.

#### **DERIVATIVE INSTRUMENTS**

Utilities utilizes financial derivative instruments to manage exposure to fluctuating interest rates. All financial derivative instruments are stated at fair value as of December 31, 2025 and 2024, based on third party valuation services.

#### **DEFERRED CASH FLOW HEDGES - UNREALIZED GAIN / LOSS ON DERIVATIVE INSTRUMENTS**

Derivative instruments deemed effective by applying methods of evaluating effectiveness pursuant to GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), are recognized as cash flow hedges. Changes in the fair value of cash flow hedge derivative instruments are reported as either deferred cash flow hedge outflows or inflows of resources on the Statements of Net Position.

#### **CUSTOMER DEPOSITS**

Utilities accrues a liability for all amounts deposited by customers as security for the payment of bills. Utilities holds a \$1.55 million deposit in escrow for a 5 year revenue guaranteed period. The owners guarantee revenues shall meet minimums otherwise Utilities shall draw on the revenue guaranteed deposit.

## **COLORADO SPRINGS UTILITIES**

### **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

#### ***COMPENSATED ABSENCES***

Utilities' employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation at year end is accrued and reported on the Statements of Net Position. Sick leave benefits which are more likely than not to result in payments either before or upon retirement are also accrued and reported on the Statements of Net Position.

#### ***CUSTOMER ADVANCES FOR CONSTRUCTION***

Utilities accrues a liability for advances from customers for construction which are to be refunded either wholly or in part.

#### ***LONG-TERM OBLIGATIONS***

Bond premiums and discounts are amortized over the life of the bond issues using the straight-line method which approximates the effective interest method. The net of the premiums and discounts are included in the bond payable.

Additionally, any difference between the carrying amount of redeemed or defeased debt and its reacquisition price is deferred and amortized to interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

#### ***MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS***

Utilities accrues a liability for solid waste landfill closure and postclosure care costs. The liability is determined by multiplying the closure and postclosure care costs in current dollars by the percent capacity of the landfill used. Every five years, Utilities performs an independent assessment of postclosure landfill cost estimates and adjusts liabilities and expense recognition for any material differences. The last independent assessment was performed in 2023.

#### ***PENSIONS***

Utilities participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

#### **DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLANS**

Utilities participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Utilities administers a single-employer defined benefit OPEB plan that provides health care and life insurance OPEB to retirees that were hired prior to August 1, 1988. Utilities' contribution is determined by the City Council. The total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the single-employer plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of participants are recognized when due and/or payable in accordance with the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75").

#### **OTHER LIABILITIES**

Other liabilities represent unearned revenue in the amount of \$1,244,627 and \$1,664,218 as of December 31, 2025 and 2024, respectively. Restricted funds received in advance for future shared capital projects was \$0 for both 2025 and 2024.

#### **NET POSITION**

**Net Investment in Capital Assets** - This component of net position consists of capital assets net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** - This component of net position consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), contributors, law, regulations of other governments, constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets." When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is Utilities' policy to use a combination of restricted resources and unrestricted resources as they are needed.

#### **REVENUES AND EXPENSES**

Utilities distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing, producing, and delivering services in connection with Utilities' principal ongoing operations. The principal operating revenues of Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration and general expenses, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Operating revenues are comprised of the following for the years ended December 31:

|                               | 2025           |         |  | 2024         |         |
|-------------------------------|----------------|---------|--|--------------|---------|
|                               | Amount         | Percent |  | Amount       | Percent |
|                               | (in thousands) |         |  |              |         |
| Electric                      | \$ 604,222     | 52.7 %  |  | \$ 539,829   | 53.1 %  |
| Streetlight                   | 5,086          | 0.4     |  | 4,753        | 0.5     |
| Gas                           | 212,581        | 18.6    |  | 155,676      | 15.3    |
| Water                         | 236,447        | 20.6    |  | 233,579      | 22.9    |
| Wastewater                    | 83,466         | 7.3     |  | 75,804       | 7.5     |
| Products and services         | 4,242          | 0.4     |  | 7,457        | 0.7     |
| Total                         | \$ 1,146,044   | 100.0 % |  | \$ 1,017,098 | 100.0 % |
| Less: Interdepartmental sales | (18,609)       |         |  | (4,418)      |         |
| Total Operating Revenues      | \$ 1,127,435   |         |  | \$ 1,012,680 |         |

**CAPITAL CONTRIBUTIONS**

Cash and capital assets are contributed to Utilities from customers, the City, or external parties. The value of capital contributed to Utilities is reported as revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

**TRANSFERS**

Utilities provides for surplus payment to the City in lieu of taxes and other transfers related to approved contracts. Refer to Note 18 for more information.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The Federal Deposit Insurance Corporation standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Coverage includes checking and savings accounts (interest bearing and noninterest bearing).

**DEPOSITS**

The Colorado Public Deposit Protection Act requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds and the fair value of the securities in the pool is required to be equal to or greater than 102.0% of the financial institution's total uninsured public deposits.

As of December 31, 2025, the carrying amount of Utilities' cash deposits was \$57,287,486. Petty cash was \$7,900 and the bank balance was \$60,677,298. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$59,935,992 was collateralized as required by Colorado Statutes.

As of December 31, 2024, the carrying amount of Utilities' cash deposits was \$74,403,947. Petty cash was \$7,900 and the bank balance was \$87,970,208. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$84,628,800 was collateralized as required by Colorado Statutes.

**INVESTMENTS**

Utilities' investment policy is dictated by the Bond Ordinances for individual issues. These Bond Ordinances require Utilities to establish and maintain certain restricted investment funds, including unrestricted funds, and reserve

# **COLORADO SPRINGS UTILITIES**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

funds. Utilities is authorized to invest in any securities or other instruments permitted as investments under the laws of the State. Utilities' investments are subject to interest rate, credit, concentration of credit and custodial credit risks as described below.

**Interest Rate Risk** - The risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, Utilities' practice generally limits investments of unrestricted funds to maturities of two years or less.

Utilities' investment balances as of December 31:

|                                              | 2025              |                                             | 2024              |                                             |
|----------------------------------------------|-------------------|---------------------------------------------|-------------------|---------------------------------------------|
|                                              | Fair Value        | Weighted<br>Average<br>Maturity<br>in Years | Fair Value        | Weighted<br>Average<br>Maturity<br>in Years |
|                                              | (in thousands)    |                                             |                   |                                             |
| U.S. Treasury Notes                          | \$ 536,939        | 0.40                                        | \$ 289,525        | 0.51                                        |
| U.S. Government Agency Securities            | 10,019            | 1.03                                        | 42,573            | 0.67                                        |
| Local Government Investment Pools            | 265,763           | 0.00                                        | 177,480           | 0.00                                        |
| Total Investments                            | <u>\$ 812,721</u> |                                             | <u>\$ 509,578</u> |                                             |
| Portfolio Weighted Average Maturity          |                   | 0.41                                        |                   | 0.53                                        |
| Reconciliation to Total Cash and Investments |                   |                                             |                   |                                             |
| Add:                                         |                   |                                             |                   |                                             |
| Cash on Hand and in Banks                    | 57,295            |                                             | 74,411            |                                             |
| Total Cash and Investments                   | <u>\$ 870,016</u> |                                             | <u>\$ 583,989</u> |                                             |

**Credit Risk** - The risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Utilities' Financial Risk Management Policy, all counterparties in swap or other financial product agreements with Utilities must have a minimum long-term credit rating in the "A-" category issued by at least one major credit rating agency at the time of execution of such swap or financial products agreement; though, there is no requirement that such a rating be maintained throughout the life of the financial products agreement. In the alternative, a counterparty must provide a guarantee, swap surety, or other form of credit enhancement such that its enhanced creditworthiness is in at least the "A-" category at the time of execution of such swap or financial products agreement.

Utilities has investments in two local government investment pools, Colorado Surplus Asset Fund Trust ("CSAFE") and ColoTrust. These local government investment pools operate similarly to money market funds. They pool the funds of participating local governments and invest in various securities as permitted under state law. Both CSAFE and ColoTrust were established pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes.

As of December 31, 2025 and 2024, Utilities had investments of \$265,762,948 and \$118,566,227, respectively in the ColoTrust PLUS+ fund ("PLUS+"). PLUS+ is marked-to-market daily and seeks to maintain a stable net asset value ("NAV") of \$1.00 per share. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities settle through the Federal Reserve Bank ("Fed") but are held at the custodial bank. Most investments in PLUS+ trade/settle through the Depository Trust Company ("DTC") rather than the Fed, as the DTC trades and settles most commercial paper. The custodian's internal records identify the investments owned by the fund. Investments of the fund consist of U.S. Treasury securities, Federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements,

# **COLORADO SPRINGS UTILITIES**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

collateralized bank deposits, and commercial paper. The Repurchase Agreements between ColoTrust and the various approved counterparties require that the aggregate market value of all purchased securities from any counterparty be overcollateralized by at least 102.0% of the purchase price. Collateralized bank deposits are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act.

As of December 31, 2025 and 2024, Utilities had investments of \$0 and \$50,763,443, respectively in the CSAFE Core Fund. The CSAFE Core fund seeks to maintain a stable NAV of \$2.00 per share and the investment guidelines limit the weighted average maturity ("WAM") at 180 days. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the funds are held by the Fed in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the fund. The fund invests in highly rated securities, including U.S. Treasury and U.S. government agency securities, commercial paper, and corporate bonds. Other securities permitted by the funds' investment policies include municipal securities, repurchase agreements, and shares in certain money market funds. Any funds left in CSAFE's bank checking account during the day or overnight are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act. The remaining deposits are swept by the bank around mid-day into the trust where the participants' deposits are collateralized 100.0% by the underlying investments.

Utilities' investment ratings from Moody's Investor Services ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") at December 31:

| Investment Type                   | Moody's   |           | S&P       |           | Fitch     |           |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                   | 2025      | 2024      | 2025      | 2024      | 2025      | 2024      |
| U.S. Govt Agency Securities       | Aa1       | Aaa       | AA+       | AA+       | AA+       | AA+       |
| Local Government Investment Pools |           |           |           |           |           |           |
| ColoTrust PLUS+ Fund              | Not Rated | Not Rated | AAAm      | AAAm      | Not Rated | Not Rated |
| CSAFE Core Fund                   | Not Rated | Not Rated | Not Rated | Not Rated | AAAf      | AAAf      |

**Concentration of Credit Risk** - The risk of loss attributed to the magnitude of a government's investment in a single issuer. Utilities, as an enterprise of a municipal government, places no limit on the amount that may be invested in a single issuer, however internal strategy discourages concentration of more than 55% of total funds with a single issuer.

As of December 31, 2025, Utilities was invested in the following:

| Investments                | Amount         |       | % of Total |   |
|----------------------------|----------------|-------|------------|---|
|                            | (in thousands) |       |            |   |
| Federal Farm Credit Bureau | \$             | 5,018 | 0.9        | % |
| Federal Home Loan Bank     |                | 5,001 | 0.9        |   |

As of December 31, 2024, Utilities was invested in the following:

| Investments                | Amount         |        | % of Total |   |
|----------------------------|----------------|--------|------------|---|
|                            | (in thousands) |        |            |   |
| Federal Farm Credit Bureau | \$             | 25,132 | 7.6        | % |
| Federal Home Loan Bank     |                | 17,440 | 5.3        |   |

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

**Custodial Credit Risk** - The risk that, in the event of a bank failure, Utilities' deposits may not be returned. Utilities does not have any investments that are exposed to custodial credit risk.

**Total Deposits and Investments** - The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2025:

|                                   | Cash and Cash Equivalents |                   | Investments       |                   |
|-----------------------------------|---------------------------|-------------------|-------------------|-------------------|
|                                   | Unrestricted              | Restricted        | Unrestricted      | Restricted        |
|                                   | (in thousands)            |                   |                   |                   |
| Deposits                          | \$ 26,616                 | \$ 30,671         | \$ -              | \$ -              |
| Petty cash                        | 8                         | -                 | -                 | -                 |
| Investments                       |                           |                   |                   |                   |
| U.S. Treasury Notes               | -                         | -                 | 100,096           | 436,843           |
| U.S. Government Agency Securities | -                         | -                 | 10,019            | -                 |
| Local Government Investment Pools | 155,923                   | 109,840           | -                 | -                 |
| Total                             | <u>\$ 182,547</u>         | <u>\$ 140,511</u> | <u>\$ 110,115</u> | <u>\$ 436,843</u> |

The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2024:

|                                   | Cash and Cash Equivalents |                   | Investments       |                   |
|-----------------------------------|---------------------------|-------------------|-------------------|-------------------|
|                                   | Unrestricted              | Restricted        | Unrestricted      | Restricted        |
|                                   | (in thousands)            |                   |                   |                   |
| Deposits                          | \$ 42,354                 | \$ 32,051         | \$ -              | \$ -              |
| Petty cash                        | 8                         | -                 | -                 | -                 |
| Investments                       |                           |                   |                   |                   |
| U.S. Treasury Notes               | -                         | -                 | 104,692           | 184,834           |
| U.S. Government Agency Securities | -                         | -                 | 40,161            | 2,411             |
| Local Government Investment Pools | 87,508                    | 89,970            | -                 | -                 |
| Total                             | <u>\$ 129,870</u>         | <u>\$ 122,021</u> | <u>\$ 144,853</u> | <u>\$ 187,245</u> |

The amount of unrealized gain (loss) on investments included in investment income on the Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2025 and 2024 was \$62,479 and \$(625,978), respectively.

#### NOTE 4 - FAIR VALUE MEASUREMENT

Utilities discloses assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement & Application* ("GASB 72"), which establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date. Examples include U.S. Treasury securities and equity securities from active markets. The hierarchy gives the highest priority to Level 1 inputs.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly. Examples include government agency securities and derivative instruments valued using prices for similar locations or products on published exchanges.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following valuation methods were used for Utilities' recurring fair value measurements as of December 31, 2025 and 2024:

- U.S. Treasury Notes and Agency Notes classified in Level 2 of the fair value hierarchy are valued using the following standard inputs, listed in approximate order of priority for use, when available: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers and reference data including market research publications.
- Derivative instruments classified in Level 2 of the fair value hierarchy are valued using valuations provided by Stifel, Nicolaus & Company, Inc., a third-party valuation service provider. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for counterparty nonperformance risk, see Note 7.

Utilities has the following recurring fair value measurements as of December 31:

|                                         | December 31, 2025 |                   |             |                   |
|-----------------------------------------|-------------------|-------------------|-------------|-------------------|
|                                         | Level 1           | Level 2           | Level 3     | Total             |
|                                         | (in thousands)    |                   |             |                   |
| <b>Assets</b>                           |                   |                   |             |                   |
| Investments - unrestricted              |                   |                   |             |                   |
| U.S. Treasury Notes                     | \$ -              | \$ 100,096        | \$ -        | \$ 100,096        |
| Agency Notes                            | -                 | 10,019            | -           | 10,019            |
| <b>Total Investments - unrestricted</b> | <u>\$ -</u>       | <u>\$ 110,115</u> | <u>\$ -</u> | <u>\$ 110,115</u> |
| Investments - restricted                |                   |                   |             |                   |
| U.S. Treasury Notes                     | \$ -              | \$ 436,843        | \$ -        | \$ 436,843        |
| <b>Total Investments - restricted</b>   | <u>\$ -</u>       | <u>\$ 436,843</u> | <u>\$ -</u> | <u>\$ 436,843</u> |
| <b>Liabilities</b>                      |                   |                   |             |                   |
| Derivative instruments                  | \$ -              | \$ 24,203         | \$ -        | \$ 24,203         |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

|                                  | December 31, 2024 |                   |             |                   |
|----------------------------------|-------------------|-------------------|-------------|-------------------|
|                                  | Level 1           | Level 2           | Level 3     | Total             |
|                                  | (in thousands)    |                   |             |                   |
| <b>Assets</b>                    |                   |                   |             |                   |
| Investments - unrestricted       |                   |                   |             |                   |
| U.S. Treasury Notes              | \$ -              | \$ 104,692        | \$ -        | \$ 104,692        |
| Agency Notes                     | -                 | 40,161            | -           | 40,161            |
| Total Investments - unrestricted | <u>\$ -</u>       | <u>\$ 144,853</u> | <u>\$ -</u> | <u>\$ 144,853</u> |
| Investments - restricted         |                   |                   |             |                   |
| U.S. Treasury Notes              | \$ -              | \$ 184,834        | \$ -        | \$ 184,834        |
| Agency Notes                     | -                 | 2,411             | -           | 2,411             |
| Total Investments - restricted   | <u>\$ -</u>       | <u>\$ 187,245</u> | <u>\$ -</u> | <u>\$ 187,245</u> |
| <b>Liabilities</b>               |                   |                   |             |                   |
| Derivative instruments           | <u>\$ -</u>       | <u>\$ 22,665</u>  | <u>\$ -</u> | <u>\$ 22,665</u>  |

**NOTE 5 - LEASE RECEIVABLE**

Utilities, as a lessor, has entered into multiple fiber conduit lease contracts. These leases have interest rates between 2.97% and 4.61%, and terms ranging from 2 to 21 years. Accounts receivable as of December 31, 2025 and 2024 was \$66.3 million and \$26.0 million, respectively.

Summary of changes in lease deferred inflows as of December 31, 2025:

|                        | Balance<br>January 1, 2025 | Additions        | Reductions      | Balance<br>December 31, 2025 |
|------------------------|----------------------------|------------------|-----------------|------------------------------|
|                        | (in thousands)             |                  |                 |                              |
| Lease deferred inflows | <u>\$ 25,693</u>           | <u>\$ 41,891</u> | <u>\$ 2,483</u> | <u>\$ 65,101</u>             |

Summary of changes in lease deferred inflows as of December 31, 2024:

|                        | Balance<br>January 1, 2024 | Additions        | Reductions      | Balance<br>December 31, 2024 |
|------------------------|----------------------------|------------------|-----------------|------------------------------|
|                        | (in thousands)             |                  |                 |                              |
| Lease deferred inflows | <u>\$ 13,900</u>           | <u>\$ 16,619</u> | <u>\$ 4,826</u> | <u>\$ 25,693</u>             |

Utilities has agreements for pole attachments. These leases are excluded as they are regulated by Colorado Revised Statue § 38-5.5-108. The pole attachment revenue was \$733,099 and \$709,859 as of December 31, 2025 and 2024, respectively.

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**NOTE 6 - CAPITAL ASSETS**

***SUMMARY OF CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION***

Summary for the year ended December 31, 2025:

|                                                                           | Beginning<br>Balance | Additions      | Deletions    | Ending<br>Balance |
|---------------------------------------------------------------------------|----------------------|----------------|--------------|-------------------|
|                                                                           |                      | (in thousands) |              |                   |
| Plant in Service                                                          |                      |                |              |                   |
| Non-Depreciable Capital Assets                                            |                      |                |              |                   |
| Land                                                                      | \$ 218,241           | \$ 210         | \$ -         | \$ 218,451        |
| Intangible assets                                                         |                      |                |              |                   |
| Land rights                                                               | 51,406               | 3,955          | -            | 55,361            |
| Other intangibles                                                         | 8,693                | -              | -            | 8,693             |
| Total Non-Depreciable Capital Assets                                      | 278,340              | 4,165          | -            | 282,505           |
| Depreciable Capital Assets                                                |                      |                |              |                   |
| Electric                                                                  | 2,655,830            | 305,949        | (4,811)      | 2,956,968         |
| Streetlight                                                               | 56,952               | 2,763          | -            | 59,715            |
| Gas                                                                       | 565,818              | 38,737         | (1,008)      | 603,547           |
| Water and Wastewater                                                      | 3,617,058            | 158,463        | (7,174)      | 3,768,347         |
| Common                                                                    | 396,250              | 15,141         | (1,359)      | 410,032           |
| Intangible assets                                                         |                      |                |              |                   |
| Software                                                                  | 111,340              | 15,499         | (725)        | 126,114           |
| Land rights                                                               | 44                   | -              | -            | 44                |
| Other intangibles                                                         | 26,167               | -              | -            | 26,167            |
| Right to use assets                                                       |                      |                |              |                   |
| Electric lease                                                            | 1,076                | -              | -            | 1,076             |
| SBITAs                                                                    | 33,300               | 1,671          | (2,526)      | 32,445            |
| Total Depreciable Capital Assets                                          | 7,463,835            | 538,223        | (17,603)     | 7,984,455         |
| Total Plant in Service                                                    | 7,742,175            | 542,388        | (17,603)     | 8,266,960         |
| Accumulated Depreciation and Amortization                                 |                      |                |              |                   |
| Electric                                                                  | (1,539,111)          | (95,451)       | 3,994        | (1,630,568)       |
| Streetlight                                                               | (38,451)             | (1,512)        | 1            | (39,962)          |
| Gas                                                                       | (170,319)            | (11,556)       | 997          | (180,878)         |
| Water and Wastewater                                                      | (1,210,380)          | (72,355)       | 4,016        | (1,278,719)       |
| Common                                                                    | (249,806)            | (19,162)       | 1,041        | (267,927)         |
| Intangible assets                                                         |                      |                |              |                   |
| Software                                                                  | (78,171)             | (1,936)        | -            | (80,107)          |
| Land rights                                                               | (24)                 | -              | -            | (24)              |
| Other intangibles                                                         | (4,359)              | (44)           | 2            | (4,401)           |
| Right to use assets                                                       |                      |                |              |                   |
| Electric lease                                                            | (308)                | (154)          | 1            | (461)             |
| SBITAs                                                                    | (21,577)             | (4,325)        | 1,298        | (24,604)          |
| Total Accumulated Depreciation and Amortization                           | (3,312,506)          | (206,495)      | 11,350       | (3,507,651)       |
| Total Plant in Service (net of Accumulated Depreciation and Amortization) | 4,429,669            | 335,893        | (6,253)      | 4,759,309         |
| Construction work in progress                                             | 414,856              | 653,130        | (502,568)    | 565,418           |
| Total Capital Assets (net of Accumulated Depreciation and Amortization)   | \$ 4,844,525         | \$ 989,023     | \$ (508,821) | \$ 5,324,727      |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Summary for the year ended December 31, 2024:

|                                                                           | Beginning<br>Balance | Additions      | Deletions    | Ending<br>Balance |
|---------------------------------------------------------------------------|----------------------|----------------|--------------|-------------------|
|                                                                           |                      | (in thousands) |              |                   |
| Plant in Service                                                          |                      |                |              |                   |
| Non-Depreciable Capital Assets                                            |                      |                |              |                   |
| Land                                                                      | \$ 215,872           | \$ 2,369       | \$ -         | \$ 218,241        |
| Intangible assets                                                         |                      |                |              |                   |
| Land rights                                                               | 47,973               | 3,433          | -            | 51,406            |
| Other intangibles                                                         | 8,693                | -              | -            | 8,693             |
| Total Non-Depreciable Capital Assets                                      | 272,538              | 5,802          | -            | 278,340           |
| Depreciable Capital Assets                                                |                      |                |              |                   |
| Electric                                                                  | 2,459,302            | 241,616        | (45,088)     | 2,655,830         |
| Streetlight                                                               | 54,579               | 2,373          | -            | 56,952            |
| Gas                                                                       | 516,876              | 49,827         | (885)        | 565,818           |
| Water and Wastewater                                                      | 3,475,410            | 144,157        | (2,509)      | 3,617,058         |
| Common                                                                    | 372,968              | 24,171         | (889)        | 396,250           |
| Intangible assets                                                         |                      |                |              |                   |
| Software                                                                  | 98,475               | 12,865         | -            | 111,340           |
| Land rights                                                               | 44                   | -              | -            | 44                |
| Other intangibles                                                         | 26,167               | -              | -            | 26,167            |
| Right to use assets                                                       |                      |                |              |                   |
| Electric lease                                                            | 1,076                | -              | -            | 1,076             |
| SBITAs                                                                    | 26,963               | 6,337          | -            | 33,300            |
| Total Depreciable Capital Assets                                          | 7,031,860            | 481,346        | (49,371)     | 7,463,835         |
| Total Plant in Service                                                    | 7,304,398            | 487,148        | (49,371)     | 7,742,175         |
| Accumulated Depreciation and Amortization                                 |                      |                |              |                   |
| Electric                                                                  | (1,453,661)          | (89,281)       | 3,831        | (1,539,111)       |
| Streetlight                                                               | (36,996)             | (1,455)        | -            | (38,451)          |
| Gas                                                                       | (161,238)            | (9,966)        | 885          | (170,319)         |
| Water and Wastewater                                                      | (1,144,985)          | (67,858)       | 2,463        | (1,210,380)       |
| Common                                                                    | (240,659)            | (10,036)       | 889          | (249,806)         |
| Intangible assets                                                         |                      |                |              |                   |
| Software                                                                  | (68,126)             | (10,045)       | -            | (78,171)          |
| Land rights                                                               | (22)                 | (2)            | -            | (24)              |
| Other intangibles                                                         | (3,836)              | (523)          | -            | (4,359)           |
| Right to use assets                                                       |                      |                |              |                   |
| Electric lease                                                            | (154)                | (154)          | -            | (308)             |
| SBITAs                                                                    | (10,477)             | (11,100)       | -            | (21,577)          |
| Total Accumulated Depreciation and Amortization                           | (3,120,154)          | (200,420)      | 8,068        | (3,312,506)       |
| Total Plant in Service (net of Accumulated Depreciation and Amortization) | 4,184,244            | 286,728        | (41,303)     | 4,429,669         |
| Construction work in progress                                             | 369,302              | 459,942        | (414,388)    | 414,856           |
| Total Capital Assets (net of Accumulated Depreciation and Amortization)   | \$ 4,553,546         | \$ 746,670     | \$ (455,691) | \$ 4,844,525      |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**NOTE 7 - DERIVATIVE INSTRUMENTS**

Utilities' financial derivative instruments are acquired with the objective of effectively hedging expected cash flows. Interest rate hedges that are deemed effective by applying methods of evaluating effectiveness pursuant to GASB 53 are recognized as cash flow hedges. Financial derivative instruments that do not meet the effectiveness criteria are classified as other derivative instruments. Changes in the fair value of cash flow hedge derivative instruments are reported as either Deferred Outflows or Inflows of Resources on the Statements of Net Position. Interest rate hedges that are deemed ineffective are recognized as standalone other derivative instruments. The change in the fair value of other derivative instruments is recognized as Nonoperating Revenues (Expenses) on the Statements of Revenues, Expenses, and Changes in Net Position or other derivative instruments.

Utilities has interest rate hedges based on both the Securities Industry and Financial Markets Association ("SIFMA") index and the London Interbank Offered Rate ("LIBOR") index. Historically, Utilities' interest rate derivative instruments based on 68.0% of 1-month LIBOR were classified as cash flow hedges. As of December 31, 2013, these LIBOR-based derivative instruments are no longer effective pursuant to GASB 53 hedge effectiveness standards and are considered other derivative instruments.

Utilities values interest rate derivative instruments based on valuations provided by Stifel, Nicolaus & Company, Inc., a third-party valuation service provider for 2025 and 2024. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for the risk of nonperformance.

**SUMMARY OF DERIVATIVE INSTRUMENTS**

The fair value and notional amount of derivative instruments outstanding at December 31, 2025, classified by type and changes in fair value of such derivative instruments for the year then ended:

|                                     | Changes in Fair Value |                 | Fair Value     |                    |            |
|-------------------------------------|-----------------------|-----------------|----------------|--------------------|------------|
|                                     | Classification        | Amount          | Classification | Amount             | Notional   |
|                                     |                       | (in thousands)  |                |                    |            |
| <u>Cash Flow Hedges</u>             |                       |                 |                |                    |            |
|                                     | Deferred              |                 | Derivative     |                    |            |
| Interest Rate Swaps                 | outflows              | \$ 1,035        | instruments    | \$ (7,815)         | \$ 85,025  |
| Total Cash Flow Hedges              |                       | <u>\$ 1,035</u> |                | <u>\$ (7,815)</u>  |            |
| <u>Other Derivative Instruments</u> |                       |                 |                |                    |            |
|                                     | Derivative            |                 | Derivative     |                    |            |
| Interest Rate Swaps                 | gain/(loss)           | \$ (503)        | instruments    | \$ (16,388)        | \$ 206,395 |
| Total Other Derivative Instruments  |                       | <u>\$ (503)</u> |                | <u>\$ (16,388)</u> |            |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

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The fair value and notional amount of derivative instruments outstanding at December 31, 2024, classified by type and changes in fair value of such derivative instruments for the year then ended:

|                                     | Changes in Fair Value  |                   | Fair Value             |                    | Notional   |
|-------------------------------------|------------------------|-------------------|------------------------|--------------------|------------|
|                                     | Classification         | Amount            | Classification         | Amount             |            |
|                                     |                        | (in thousands)    |                        |                    |            |
| <u>Cash Flow Hedges</u>             |                        |                   |                        |                    |            |
| Interest Rate Swaps                 | Deferred outflows      | \$ (1,214)        | Derivative instruments | \$ (6,780)         | \$ 90,825  |
| Total Cash Flow Hedges              |                        | <u>\$ (1,214)</u> |                        | <u>\$ (6,780)</u>  |            |
| <u>Other Derivative Instruments</u> |                        |                   |                        |                    |            |
| Interest Rate Swaps                 | Derivative gain/(loss) | \$ 7,978          | Derivative instruments | \$ (15,727)        | \$ 216,260 |
| Total Other Derivative Instruments  |                        | <u>\$ 7,978</u>   |                        | <u>\$ (15,727)</u> |            |

Utilities employs interest rate swap derivative instruments that are designed to synthetically fix the cash flows on Variable Rate Demand Obligation bonds ("VRDO"). The variable rate received on the interest rate swaps is intended to offset the variable rate being paid on the obligations so that the fixed rate of the swap is essentially the effective rate incurred by Utilities.

Summary of scheduled projected future cash flows for interest rate derivative instruments as of December 31, 2025:

| December 31, | Projected Future Cash Flows<br>In/(Out) for Hedging Derivatives<br>Instruments |                 |
|--------------|--------------------------------------------------------------------------------|-----------------|
|              | (in thousands)                                                                 |                 |
| 2026         | \$                                                                             | (4,940)         |
| 2027         |                                                                                | (4,654)         |
| 2028         |                                                                                | (4,070)         |
| 2029         |                                                                                | (2,767)         |
| 2030         |                                                                                | (2,496)         |
| 2031-2035    |                                                                                | (7,927)         |
| 2036-2040    |                                                                                | (1,524)         |
| 2041         |                                                                                | (31)            |
| Total        | \$                                                                             | <u>(28,409)</u> |

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
 As of and for the Years Ended December 31, 2025 and 2024

Summary of Utilities' pay-fixed interest rate swap agreements outstanding as of December 31, 2025:

|                                                     | Notional<br>Amount<br>(in thousands) | Effective<br>Date | Maturity<br>Date | Trade Details                                           | Counterparty                                |
|-----------------------------------------------------|--------------------------------------|-------------------|------------------|---------------------------------------------------------|---------------------------------------------|
| <u>Cash Flow Hedges</u>                             |                                      |                   |                  |                                                         |                                             |
| 2005A SIFMA Swap                                    | \$ 41,214                            | 09/15/05          | 11/01/35         | Pay 4.7099%;<br>receive SIFMA index                     | Bank of America,<br>N.A.                    |
| 2005A SIFMA Swap                                    | 13,881                               | 09/15/05          | 11/01/35         | Pay 4.7099%;<br>receive SIFMA index                     | J. Aron & Company                           |
| 2008A SIFMA Swap                                    | 29,900                               | 09/12/08          | 11/01/38         | Pay 4.2686%;<br>receive SIFMA index                     | Bank of America,<br>N.A.                    |
| <u>Other Derivatives Instruments</u>                |                                      |                   |                  |                                                         |                                             |
| 2005A SIFMA Swap                                    | 430                                  | 09/15/05          | 11/01/35         | Pay 4.7099%;<br>receive SIFMA index                     | Bank of America,<br>N.A.                    |
| 2006B New Money<br>LIBOR Swap                       | 18,210                               | 09/14/06          | 11/01/36         | Pay 4.1185%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | JPMorgan Chase<br>Bank, N.A.                |
| 2006B New Money<br>LIBOR Swap                       | 27,315                               | 09/14/06          | 11/01/36         | Pay 4.1185%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | Morgan Stanley<br>Capital Services,<br>Inc. |
| 2007A New Money<br>LIBOR Swap                       | 25,452                               | 09/13/07          | 11/01/37         | Pay 3.1980%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | J. Aron & Company                           |
| 2007A New Money<br>LIBOR Swap                       | 16,968                               | 09/13/07          | 11/01/37         | Pay 3.1980%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | Morgan Stanley<br>Capital Services,<br>Inc. |
| 2009C LIBOR Swap<br>(2012 Novation)                 | 51,975                               | 10/01/09          | 11/01/28         | Pay 5.4750%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | Wells Fargo Bank,<br>N.A.                   |
| 2010C LIBOR Swap                                    | 32,245                               | 10/26/10          | 11/01/40         | Pay 3.8807%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | Morgan Stanley<br>Capital Services,<br>Inc. |
| 2012A LIBOR Swap                                    | 33,830                               | 03/15/12          | 11/01/41         | Pay 4.0242%;<br>receive 68% of SOFR<br>+ Spread (LIBOR) | Morgan Stanley<br>Capital Services,<br>Inc. |
| Total Notional<br>Amount for Interest<br>Rate Swaps | <u>\$ 291,420</u>                    |                   |                  |                                                         |                                             |

**2005A SIFMA SWAP** - During the fourth quarter 2012, it was discovered that in 2008, Utilities redeemed a portion of its 2005A variable rate bond series through the issuance of the 2008D Clean Renewable Energy Bonds. This transaction created an immaterial difference between the notional size of the bond issuance and the interest rate swap hedge. The overhedged portion of the swap has therefore been declared an other derivative instrument.

**Risk**

Utilities routinely monitors and manages risks in the areas of credit, interest rate and associated basis, termination, rollover, market access, and foreign currency risks. These risks are discussed in detail below.

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**Credit Risk** - The exposure resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. Each of Utilities' interest rate cash flow and other derivative instruments are held with various counterparties of high credit quality. Utilities views counterparty credit risks that may arise through interest rate derivative instrument transactions as similar between cash flow hedges and other derivative instruments.

Long-term counterparty credit ratings from Moody's and S&P at December 31:

| Counterparty                          | Credit Rating |           |
|---------------------------------------|---------------|-----------|
|                                       | 2025          | 2024      |
| J. Aron & Co.                         | A2 / BBB+     | A2 / BBB+ |
| JPMorgan Chase Bank, N.A.             | Aa2 / AA-     | Aa2 / AA- |
| Bank of America, N.A.                 | Aa2 / A+      | Aa1 / A+  |
| Morgan Stanley Capital Services, Inc. | Aa3 / A+      | Aa3 / A+  |
| Wells Fargo Bank, N.A.                | Aa2 / A+      | Aa2 / A+  |

The Financial Risk Management Plan requires that Utilities' counterparties to financial instruments be on an approved counterparty list. To be on the interest rate counterparty transaction list, at the time of transaction execution, counterparties must have a minimum credit rating in the "A-" category by at least one of the major credit rating agencies previously listed or a counterparty shall provide a guarantee, swap surety, or other form of credit enhancement such that its creditworthiness is of an "A-" category equivalent. Each counterparty must also have a demonstrated record of successfully executing swap transactions and shall have a minimum capitalization of at least \$250.0 million.

The Energy Risk Management Plan requires that Utilities' counterparties to commodity transactions be on an approved counterparty list. To be on this list, counterparties must have the necessary contracts in place for the commodity being transacted and have adequate credit or credit facilities in place to cover assumed transactions. The Energy Risk Management Plan limits the amount of counterparty credit exposure according to the counterparty's credit rating. At December 31, 2025 and 2024, Utilities has no forward exposure to energy financial commodity transactions.

It is Utilities' policy to require collateral posting provisions for all counterparties involved in its non-exchange-traded derivative instrument transactions. The collateral posted by counterparties is governed by ISDA agreements with collateral threshold limits as specified in each agreement. As the mark to market value of a fixed price financial derivative instrument held by Utilities decreases relative to market, Utilities may be obligated to post collateral with the applicable counterparty. Conversely, as the mark to market value of a fixed price financial derivative instrument agreement or call option increases, Utilities' counterparties may be required to post collateral.

For the year ending December 31, 2025 and 2024, Utilities did not post any dollars in collateral with various counterparties to the swap agreements. Utilities' aggregate fair value of derivative instruments as of December 31, 2025 was approximately \$(24.3) million compared to \$(22.5) million at the end of 2024.

The combined fair value of all derivative instruments, net of collateral postings, as of December 31, 2025 and 2024 was approximately \$(24.3) and \$(22.7) million, respectively.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Collateral postings represent the initial amount that Utilities would be required to pay in the event counterparties failed due to a credit default event. Collateral posted is presented as restricted cash and impacts Utilities' cash reserves and liquidity. In the event of a failure of all counterparties due to a credit default, Utilities anticipates the full value of the collateral posting would be liquidated on behalf of secured creditors, thereby reducing actual cash balances and liquidity by the value of the collateral posting. A credit default by all counterparties could lead to additional cash requirements called by secured creditors up to the net liability of the combined derivative instrument positions.

The impact of a future credit default on Utilities is dependent on market conditions that exist at the time of the event. As a result, the impact on Utilities' cash and liquidity position could be negative or positive. In consideration of this uncertainty and to minimize the impact of such an event on liquidity, as of December 31, 2025 and 2024, Utilities has a total line of credit available in the amount of \$75.0 million. Utilities also closely monitors the creditworthiness of all existing counterparties and awards future business based on creditworthiness and collateral positions existing at the time of the transaction.

**Interest Rate Risk** - The risk that changes in market interest rates will adversely affect Utilities' anticipated cash flows. Utilities is exposed to interest rate risk on variable rate debt. Utilities utilizes fixed price swaps to offset cash flow exposures for a portion of the variable rate debt. Utilities receives fixed rate swap payments against VRDOs based on SIFMA and SOFR swap indices.

**Basis Risk** - The risk that arises when variable rates or prices of a derivative instrument and a hedged item are based on different reference rates. Utilities is exposed to basis risk on pay-fixed interest rate swap hedging derivative instruments because the variable rate payments received by Utilities on these hedging derivative instruments are based on a rate or index other than interest rates. Utilities pays on hedged variable rate debt, which is generally remarketed every 7 days. As of December 31, 2025, the weighted average interest rate on Utilities' variable rate debt was 2.31%, the SIFMA swap index rate was 2.36%, while 68% of the SOFR plus spread was 2.71%. As of June 30, 2023, the United Kingdom's Financial Conduct Authority, which regulated LIBOR, discontinued LIBOR as a representative benchmark. The International Swaps and Derivatives Association, Inc. has released its IBOR Fallbacks Protocol (the "Protocol"), which allows contract participants that adhere to the "Protocol" to amend previous LIBOR-based Swaps to include new fallback provisions that result in the Secured Overnight Financing Rate replacing LIBOR in such contracts. Per the Protocol, the index on the swaps has converted to a fallback rate based on SOFR. The language in the existing swap documents has not changed, but a Fallback Rate Supplement to the ISDA Definitions has been released and incorporated. Per the Protocol, the index on LIBOR-based swaps has converted to SOFR plus a spread. The spread is calculated based on a 5-year historical difference between LIBOR and SOFR. As of December 31, 2024, the weighted average interest rate on Utilities' variable rate debt was 1.76%, the SIFMA swap index rate was 3.62%, while 68% of the LIBOR was 3.13%.

**Termination Risk** - The risk that a derivative instrument's unscheduled end will affect Utilities' asset and liability strategy or will present Utilities with potentially unscheduled termination payments to the counterparty. Utilities or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or if both parties agree to terminate, or "close." If at the time of termination a hedging derivative instrument is in a liability position, Utilities would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

**Rollover Risk** - The risk that a derivative instrument associated with a hedged item does not extend to the maturity of that hedged item. Utilities is exposed to rollover risk on hedging instruments of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or if a counterparty exercises a termination option, Utilities will be re-exposed to the risks being hedged by the hedging derivative instrument. Utilities has no exposure to rollover risk with current interest rate derivative instruments.

# **COLORADO SPRINGS UTILITIES**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**Market Access Risk** - The risk that Utilities will not be able to enter credit markets or that credit will become more costly. A strong credit rating tends to broaden an entity's credit market access and bondholder base while achieving lower cost funding. As of December 2025, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively. As of December 2024, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively.

**Foreign Currency Risk** - The risk that changes in exchange rates will adversely affect the cash flows of a transaction. Utilities has no exposure to foreign currency risk.

### **NOTE 8 - TOTAL LONG-TERM DEBT**

#### **SUMMARY OF SCHEDULED MATURITIES OF TOTAL LONG-TERM DEBT**

**Revenue Bonds** - scheduled maturities as of December 31, 2025:

| December 31, | Principal           | Interest            |
|--------------|---------------------|---------------------|
|              | (in thousands)      |                     |
| 2026         | \$ 103,135          | \$ 149,969          |
| 2027         | 106,270             | 144,570             |
| 2028         | 121,880             | 139,163             |
| 2029         | 129,350             | 133,250             |
| 2030         | 136,830             | 126,910             |
| 2031-2035    | 565,750             | 547,298             |
| 2036-2040    | 545,430             | 408,481             |
| 2041-2045    | 466,415             | 280,123             |
| 2046-2050    | 481,620             | 164,454             |
| 2051-2055    | 355,290             | 50,567              |
| Total        | <u>\$ 3,011,970</u> | <u>\$ 2,144,785</u> |

**Notes and loans from direct borrowings** - scheduled maturities as of December 31, 2025:

| December 31, | Principal       | Interest      |
|--------------|-----------------|---------------|
|              | (in thousands)  |               |
| 2026         | \$ 488          | \$ 61         |
| 2027         | 500             | 49            |
| 2028         | 513             | 36            |
| 2029         | 526             | 23            |
| 2030         | 539             | 10            |
| Total        | <u>\$ 2,566</u> | <u>\$ 179</u> |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

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***SUMMARY OF TOTAL LONG-TERM DEBT***

The following is a summary of the total long-term debt as of December 31, 2025:

| Revenue Bonds                                | Issue Date | Final Maturity | Coupon Rate Ranges | Original Amount of Debt | Outstanding Principal at December 31, 2025 |
|----------------------------------------------|------------|----------------|--------------------|-------------------------|--------------------------------------------|
| <b><u>Fixed Rate Tax Exempt Bonds</u></b>    |            |                |                    |                         | (in thousands)                             |
| Series 2014A-1                               | 09/25/2014 | 11/15/2044     | 4.000%-5.000%      | \$ 58,515               | \$ -                                       |
| Series 2014A-2                               | 09/25/2014 | 11/15/2044     | 4.000%-5.000%      | 53,995                  | -                                          |
| Series 2015A                                 | 10/15/2015 | 11/15/2048     | 3.000%-5.000%      | 82,975                  | 7,040                                      |
| Series 2017A-1                               | 09/27/2017 | 11/15/2042     | 3.000%-5.000%      | 89,750                  | 70,255                                     |
| Series 2017A-2                               | 09/27/2017 | 11/15/2047     | 2.500%-5.000%      | 84,340                  | 71,710                                     |
| Series 2018A-1                               | 07/10/2018 | 11/15/2026     | 3.000%-5.000%      | 125,645                 | 22,435                                     |
| Series 2018A-2                               | 07/10/2018 | 11/15/2048     | 3.000%-5.000%      | 39,500                  | 34,090                                     |
| Series 2018A-3                               | 08/21/2018 | 11/15/2033     | 5.000%             | 4,810                   | 2,485                                      |
| Series 2018A-4                               | 07/10/2018 | 11/15/2048     | 4.000%-5.000%      | 56,860                  | 49,230                                     |
| Series 2019A                                 | 10/24/2019 | 11/15/2029     | 5.000%             | 84,090                  | 84,090                                     |
| Series 2020A                                 | 08/18/2020 | 11/15/2050     | 4.000%-5.000%      | 200,720                 | 154,025                                    |
| Series 2020B                                 | 08/18/2020 | 11/15/2028     | 5.000%             | 50,980                  | 20,190                                     |
| Series 2020C                                 | 08/18/2020 | 11/15/2050     | 5.000%             | 85,440                  | 67,215                                     |
| Series 2021A                                 | 08/18/2021 | 11/15/2033     | 5.000%             | 38,715                  | 21,940                                     |
| Series 2021B                                 | 08/18/2021 | 11/15/2051     | 4.000%-5.000%      | 185,030                 | 172,660                                    |
| Series 2022A                                 | 10/04/2022 | 11/15/2042     | 4.000%-5.000%      | 127,425                 | 107,030                                    |
| Series 2022B                                 | 10/04/2022 | 11/15/2052     | 5.000%-5.250%      | 163,520                 | 160,325                                    |
| Series 2023A                                 | 08/31/2023 | 11/15/2053     | 3.000%-5.250%      | 203,060                 | 203,060                                    |
| Series 2023B                                 | 08/31/2023 | 11/15/2045     | 5.000%-5.250%      | 161,335                 | 155,985                                    |
| Series 2024A                                 | 08/20/2024 | 11/15/2054     | 5.000%-5.250%      | 289,020                 | 289,020                                    |
| Series 2024B                                 | 08/20/2024 | 11/15/2054     | 5.000%             | 89,190                  | 86,565                                     |
| Series 2025A                                 | 08/26/2025 | 11/15/2055     | 5.000%-5.250%      | 700,000                 | 700,000                                    |
| Series 2025B                                 | 08/26/2025 | 11/15/2031     | 5.000%             | 38,160                  | 38,160                                     |
| <b><u>Fixed Rate Taxable Bonds</u></b>       |            |                |                    |                         |                                            |
| Series 2009B-2                               | 09/24/2009 | 11/15/2039     | 4.949%-5.545%      | 64,450                  | 49,500                                     |
| Series 2009D-2                               | 11/17/2009 | 11/15/2049     | 4.164%-6.313%      | 56,750                  | 46,710                                     |
| Series 2010D-4                               | 12/23/2010 | 11/15/2040     | 6.615%             | 107,260                 | 107,260                                    |
| <b><u>Variable Rate Tax Exempt Bonds</u></b> |            |                |                    |                         |                                            |
| Series 2005A                                 | 09/15/2005 | 11/01/2035     | resets weekly      | 100,000                 | 55,095                                     |
| Series 2006B                                 | 09/14/2006 | 11/01/2036     | resets weekly      | 75,000                  | 45,525                                     |
| Series 2007A                                 | 09/13/2007 | 11/01/2037     | resets weekly      | 75,000                  | 42,420                                     |
| Series 2008A                                 | 09/12/2008 | 11/01/2038     | resets weekly      | 50,000                  | 29,900                                     |
| Series 2009C                                 | 10/01/2009 | 11/01/2028     | resets weekly      | 66,455                  | 51,975                                     |
| Series 2010C                                 | 10/26/2010 | 11/01/2040     | resets weekly      | 50,000                  | 32,245                                     |
| Series 2012A                                 | 03/15/2012 | 11/01/2041     | resets weekly      | 50,000                  | 33,830                                     |
| <b>Total Revenue Bonds</b>                   |            |                |                    |                         | <b><u>\$ 3,011,970</u></b>                 |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

| <b>Notes and loans<br/>from direct<br/>borrowings</b>                    | <b>Issue Date</b> | <b>Final<br/>Maturity</b> | <b>Interest Rate<br/>Ranges</b> | <b>Original Amount<br/>of Debt</b> | <b>Outstanding<br/>Principal at<br/>December 31,<br/>2025</b> |
|--------------------------------------------------------------------------|-------------------|---------------------------|---------------------------------|------------------------------------|---------------------------------------------------------------|
| (in thousands)                                                           |                   |                           |                                 |                                    |                                                               |
| <b><u>Colorado Water Resources &amp; Power Development Authority</u></b> |                   |                           |                                 |                                    |                                                               |
| Series 2009E -<br>Drinking Water                                         |                   |                           |                                 |                                    |                                                               |
| Revolving Fund                                                           | 04/29/2010        | 11/01/2030                | 2.500%                          | \$ 8,600                           | \$ 2,566                                                      |
| <b>Total Notes and Loans Payable</b>                                     |                   |                           |                                 |                                    | <b>2,566</b>                                                  |
| <b>Total Long-Term Debt</b>                                              |                   |                           |                                 |                                    | <b>\$ 3,014,536</b>                                           |

**NOTE 9 - REVENUE BONDS**

In August 2025, Utilities issued Utilities System Improvement Revenue Bonds, Series 2025A and Utilities System Refunding Revenue Bonds, Series 2025B totaling \$738,160,000. Series 2025A bonds were issued as new money to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2025B bonds were used to refund a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2015A.

In August 2024, Utilities issued Utilities System Improvement Revenue Bonds, Series 2024A and Utilities System Refunding Revenue Bonds, Series 2024B totaling \$378,210,000. Series 2024A bonds were issued as new money to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2024B bonds were used to refund all of the City's outstanding Utilities System Improvement Revenue Bonds, Series 2014A-1 and Utilities System Improvement Revenues Series 2014A-2.

The individual remarketing agents for the 2005A, 2006B, 2007A, 2008A, 2009C, 2010C, and 2012A VRDOs calculate weekly the interest rate to be paid to bondholders by determining the interest rate that would enable the bonds to be remarketed at par, plus accrued interest, if any.

Revenue bonds constitute an irrevocable lien, but not necessarily an exclusive lien, upon net pledged revenues pursuant to the Bond Ordinances. All Utilities' revenues net of specified operating expenses are pledged as security for all revenue bonds and loans payable until they are defeased. None of the covenants, agreements, representations and warranties contained in the Ordinance or in the bonds, nor the breach thereof, shall ever impose or shall be construed as imposing any liability, obligation or charge against the City (except the special funds pledged therefore), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefore). The full faith and credit of the City is not pledged for the payment of the amounts due on the bonds or under the Ordinance.

Summary of principal and interest paid and net pledged revenues for the following periods:

|                                     | <b>2025</b>    | <b>2024</b> |
|-------------------------------------|----------------|-------------|
|                                     | (in thousands) |             |
| Principal and Interest Paid ("P&I") | \$ 231,358     | \$ 211,389  |
| Net Pledged Revenues                | 443,216        | 377,847     |
| P&I % of Net Pledged Revenues       | 52.2%          | 55.9%       |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

The bond ordinance provides for certain other covenants, the most significant of which are as follows:

- Utilities is required to ensure charges to the users of the Utility System are sufficient to pay in each fiscal year: an amount equal to the annual operation and maintenance expenses for such fiscal year, an amount equal to 130.0% of both the principal and interest on the bonds and parity bonds then outstanding from the net pledged revenues in that fiscal year and any amounts required to meet then existing deficiencies under a surety agreement or to satisfy covenants under any financial products agreements.
- Utilities is restricted from issuing additional parity bonds unless certain conditions are met.

Utilities' outstanding revenue bonds contain event of default provisions with possible finance-related consequences. Utilities' management has evaluated the event of default provisions with possible finance-related consequences and in the opinion of Utilities' management, the likelihood is remote that these provisions will have a significant effect on Utilities' financial position or results of operations.

***ARBITRAGE REBATE PAYABLE***

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the United States Internal Revenue Service in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed.

The most recent arbitrage rebate analysis was completed as of December 31, 2025, by an independent consulting firm. Future computations of the rebate requirement on outstanding bond issues will be calculated annually, with an arbitrage rebate liability recorded for any issues that have a material amount due at the time of calculation.

Utilities' bond issues do not carry any liability. The 2008A, 2009B, 2009C, 2009D, 2010C, 2010D, 2012A, 2024A, 2024B, 2025A, and 2025B bond issues will continue to have annual calculations completed until no longer required.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
 As of and for the Years Ended December 31, 2025 and 2024

***CURRENT REFUNDINGS***

The 2025B series was issued on August 26, 2025 to current refund the following:

**2025B Current Refunding**

| Bond<br>Refunded | Refunded<br>Amount | Average<br>Interest<br>Rate on<br>Refunded<br>Bond | Refunded<br>Bond<br>Cash Flow | Refunded<br>Bond Cash<br>Flow Period | Refunded<br>Bond Call<br>Date | Prior<br>Net<br>Cash Flow <sup>(1)</sup> |
|------------------|--------------------|----------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------------------------------|
| (in thousands)   |                    |                                                    |                               |                                      |                               |                                          |
| 2015A            | \$ 41,640          | 4.759 %                                            | \$ 58,386                     | 2025-2045                            | 08/26/2025                    | \$ 57,898                                |

| Bond<br>Refunded | Issue<br>Amount | Average Interest<br>Rate on<br>New Issue | New<br>Issue<br>Cash Flow |
|------------------|-----------------|------------------------------------------|---------------------------|
| 2015A            | \$ 38,160       | 2.553 %                                  | \$ 46,037                 |

| Bond<br>Refunded | Issue Cash<br>Flow Period | Net<br>Proceeds <sup>(2)</sup> | Economic<br>Gain (Loss) <sup>(3)</sup> |
|------------------|---------------------------|--------------------------------|----------------------------------------|
| 2015A            | 2025-2045                 | \$ 42,203                      | \$ 3,619                               |

<sup>(1)</sup> Amounts are net of prior receipts.

<sup>(2)</sup> Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.

<sup>(3)</sup> Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

The 2024B series was issued on August 20, 2024 to current refund the following:

**2024B Current Refunding**

| Bonds Refunded | Refunded Amount | Average Interest Rate on Refunded Bonds | Refunded Bonds Cash Flow | Refunded Bonds Cash Flow Period | Refunded Bonds Call Date | Prior Net Cash Flow <sup>(1)</sup> |
|----------------|-----------------|-----------------------------------------|--------------------------|---------------------------------|--------------------------|------------------------------------|
|                |                 |                                         | (in thousands)           |                                 |                          |                                    |
| 2014A-1        | \$ 53,060       | 4.854 %                                 | \$ 82,482                | 2024-2044                       | 08/20/2024               | \$ 80,900                          |
| 2014A-2        | \$ 49,085       | 4.854 %                                 | \$ 76,134                | 2024-2044                       | 08/20/2024               | \$ 74,693                          |

| Bonds Refunded | Issue Amount | Average Interest Rate on New Issue | New Issue Cash Flow |
|----------------|--------------|------------------------------------|---------------------|
| 2014A-1        | \$ 46,305    | 3.556 %                            | \$ 72,498           |
| 2014A-2        | \$ 42,885    | 3.555 %                            | \$ 66,956           |

| Bonds Refunded | Issue Cash Flow Period | Net Proceeds <sup>(2)</sup> | Economic Gain (Loss) <sup>(3)</sup> |
|----------------|------------------------|-----------------------------|-------------------------------------|
| 2014A-1        | 2024-2044              | \$ 53,642                   | \$ 5,918                            |
| 2014A-2        | 2024-2044              | \$ 49,623                   | \$ 5,452                            |

<sup>(1)</sup> Amounts are net of prior receipts.

<sup>(2)</sup> Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.

<sup>(3)</sup> Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

**NOTE 10 - REVOLVING LOAN AGREEMENTS**

On July 8, 2025, Utilities amended the Revolving Loan Agreement ("Credit Line") with U.S. Bank National Association dated as of September 8, 2016. The available Credit Line will remain \$75.0 million to fund Utilities' operating needs and normal expenditures including, without limitation, regularly scheduled capital expenses. Utilities' repayment obligations under the Credit Line is limited to the net pledged revenues on a subordinate basis to the parity bonds and certain related obligations. The Credit Line expires on September 8, 2028. Utilities has entered into agreements similar to this Credit Line over the past several years and to date, Utilities has not drawn on any such agreement.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**NOTE 11 - LONG-TERM LIABILITIES**

**COMMERCIAL PAPER**

On November 24, 2015, City Council approved Ordinance 15-83 authorizing the issuance of up to \$150.0 million in commercial paper notes ("Series A Notes" and "Series B Notes" collectively the "Notes"). The maximum principal amount of the commercial paper notes which may be outstanding at any time is limited to \$75.0 million for each series. In October 2018, Utilities terminated the Irrevocable Transferable Direct-Pay Letters of Credit for the Notes and suspended the commercial paper program. Market conditions will determine if and when the City (on behalf of Utilities) will issue more commercial paper notes.

**CHANGES IN LONG-TERM LIABILITIES**

Summary of changes in long-term liabilities as of December 31, 2025:

|                                                                | Balance<br>January 1,<br>2025 | Additions  | Reductions<br>(in thousands) | Balance<br>December<br>31, 2025 | Current<br>Portion |
|----------------------------------------------------------------|-------------------------------|------------|------------------------------|---------------------------------|--------------------|
| Revenue bonds                                                  | \$2,420,385                   | \$ 738,161 | \$ 146,575                   | \$3,011,971                     | \$ 103,135         |
| Issuance premiums<br>and discounts                             | 288,411                       | 45,645     | 23,933                       | 310,123                         | -                  |
| Total Bonds Payable                                            | 2,708,796                     | 783,806    | 170,508                      | 3,322,094                       | 103,135            |
| Other Long-term Liabilities                                    |                               |            |                              |                                 |                    |
| Customer deposits                                              | 6,867                         | 1,944      | 1,284                        | 7,527                           | -                  |
| Notes and loans payable                                        | 3,042                         | -          | 476                          | 2,566                           | 488                |
| Lease liability                                                | 790                           | -          | 149                          | 641                             | 153                |
| SBITAs liability                                               | 9,664                         | -          | 4,508                        | 5,156                           | 2,712              |
| Compensated absences                                           | 28,054                        | 426        | 2,758                        | 25,722                          | 21,549             |
| Customer advances for<br>construction                          | 40,878                        | 60,321     | 59,419                       | 41,780                          | -                  |
| Municipal solid waste landfill<br>closure and postclosure care | 23,215                        | 372        | -                            | 23,587                          | -                  |
| Asset retirement obligation                                    | 7,687                         | 813        | -                            | 8,500                           | -                  |
| Derivative instruments                                         | 22,665                        | 1,538      | -                            | 24,203                          | -                  |
| Pension and OPEB                                               | 193,994                       | 37,387     | 68,290                       | 163,091                         | -                  |
| Other                                                          | 532                           | 1          | -                            | 533                             | -                  |
| Total Other Long-term<br>Liabilities                           | 337,388                       | 102,802    | 136,884                      | 303,306                         | 24,902             |
| Total Long-term Liabilities                                    | \$3,046,184                   | \$ 886,608 | \$ 307,392                   | \$3,625,400                     | \$ 128,037         |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Summary of changes in long-term liabilities as of December 31, 2024:

|                                                                | Balance<br>January 1,<br>2024 | Additions  | Reductions<br>(in thousands) | Balance<br>December<br>31, 2024 | Current<br>Portion |
|----------------------------------------------------------------|-------------------------------|------------|------------------------------|---------------------------------|--------------------|
| Revenue bonds                                                  | \$2,241,415                   | \$ 378,210 | \$ 199,240                   | \$2,420,385                     | \$ 104,935         |
| Issuance premiums<br>and discounts                             | 269,146                       | 48,613     | 29,348                       | 288,411                         | -                  |
| Total Bonds Payable                                            | 2,510,561                     | 426,823    | 228,588                      | 2,708,796                       | 104,935            |
| Other Long-term Liabilities                                    |                               |            |                              |                                 |                    |
| Customer deposits                                              | 5,889                         | 1,660      | 682                          | 6,867                           | -                  |
| Notes and loans payable                                        | 3,506                         | -          | 464                          | 3,042                           | 476                |
| Lease liability                                                | 936                           | -          | 146                          | 790                             | 149                |
| SBITAs liability                                               | 12,453                        | 6,337      | 9,126                        | 9,664                           | 4,072              |
| Compensated absences                                           | 26,141                        | 34,549     | 32,636                       | 28,054                          | 21,098             |
| Customer advances for<br>construction                          | 31,091                        | 42,358     | 32,571                       | 40,878                          | -                  |
| Municipal solid waste landfill<br>closure and postclosure care | 22,395                        | 820        | -                            | 23,215                          | -                  |
| Asset retirement obligation                                    | 7,513                         | 174        | -                            | 7,687                           | -                  |
| Derivative instruments                                         | 34,951                        | -          | 12,286                       | 22,665                          | -                  |
| Pension and OPEB                                               | 257,754                       | 9,657      | 73,417                       | 193,994                         | -                  |
| Other                                                          | 556                           | -          | 24                           | 532                             | -                  |
| Total Other Long-term<br>Liabilities                           | 403,185                       | 95,555     | 161,352                      | 337,388                         | 25,795             |
| Total Long-term Liabilities                                    | \$2,913,746                   | \$ 522,378 | \$ 389,940                   | \$3,046,184                     | \$ 130,730         |

**INTEREST COST, EXPENSE, AND PAYMENTS**

Interest cost to interest expense reconciliation for the years ended December 31:

|                                                                                 | 2025           | 2024       |
|---------------------------------------------------------------------------------|----------------|------------|
|                                                                                 | (in thousands) |            |
| Total interest cost                                                             | \$ 129,872     | \$ 113,501 |
| Interest on SBITAs                                                              | (1,352)        | 2,086      |
| Amortization of discounts, (premiums) and<br>deferred (gain) loss on refundings | (19,001)       | (17,053)   |
| Total Interest Expense                                                          | \$ 109,519     | \$ 98,534  |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Interest cost to interest payments reconciliation for the years ended December 31:

|                                              | 2025              | 2024              |
|----------------------------------------------|-------------------|-------------------|
|                                              | (in thousands)    |                   |
| Total interest cost                          | \$ 129,872        | \$ 113,501        |
| Accrued interest December 31 of current year | (17,889)          | (13,225)          |
| Accrued interest December 31 of prior year   | 13,225            | 11,962            |
| Total Interest Payments                      | <u>\$ 125,208</u> | <u>\$ 112,238</u> |

**LEASE LIABILITY**

Utilities leases railcars to transport coal to Nixon. The original lease term was for an additional 6 years and the incremental cost of borrowing is 2.94%.

Lease liability - scheduled maturities as of December 31, 2025:

| December 31, | Principal      | Interest     |
|--------------|----------------|--------------|
|              | (in thousands) |              |
| 2026         | \$ 153         | \$ 16        |
| 2027         | 158            | 12           |
| 2028         | 163            | 7            |
| 2029         | 167            | 3            |
| Total        | <u>\$ 641</u>  | <u>\$ 38</u> |

**SBITAS LIABILITY**

Utilities, as a lessee, has entered into multiple SBITAs. The SBITAs have interest rates between 2.32% and 3.04%, and an estimated life of 1 to 7 years. Utilities made variable payments of \$211,000 and \$247,000 related to these SBITAs as of December 31, 2025 and 2024, respectively.

SBITAs - scheduled maturities as of December 31, 2025:

| December 31, | Principal       | Interest      |
|--------------|-----------------|---------------|
|              | (in thousands)  |               |
| 2026         | \$ 2,712        | \$ 93         |
| 2027         | 1,030           | 58            |
| 2028         | 697             | 30            |
| 2029         | 717             | 10            |
| Total        | <u>\$ 5,156</u> | <u>\$ 191</u> |

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

#### NOTE 12 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Utilities is subject to the Colorado Department of Public Health and Environment ("CDPHE") regulations which require Utilities to incur closure and postclosure care costs for landfills. In 2025 and 2024, Utilities recognized a liability of \$23,586,698 and \$23,214,669, respectively, for closure and postclosure care costs based upon landfill capacity used to date. The estimated total current cost of closure and postclosure care to be recognized for Utilities' landfills is \$27,127,972 and \$27,118,340 for 2025 and 2024, respectively. The average landfill capacity used to date in 2025 and 2024 is 85.1% and 84.5%, respectively. The estimated remaining lives of landfills vary up to a maximum of 63 years. There are no financial assurance requirements or restricted assets for the payment of closure and postclosure care costs. Estimates of closure and postclosure costs are stated in current dollars and shall be adjusted annually for inflation and changes in laws and regulations. The last independent assessment was performed in 2023.

#### NOTE 13 - DEFINED BENEFIT PENSION PLAN

Utilities participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Eligible employees of Utilities are provided with pensions through the LGDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes ("C.R.S."), administrative rules set forth in the Code of Colorado Regulations ("C.C.R.") at 8 C.C.R. 1502-1 and applicable provisions of the Federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report that can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned, as well as purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100.0% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100.0% of highest average salary and cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50.0% or 100.0% on eligible amounts depending on when contributions were remitted to PERA,

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. subject to the automatic adjustment provision ("AAP") under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive AI cap of 1.00% unless adjusted by AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve ("AIR") for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula shown above considering a minimum twenty years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained and the qualified survivor(s) who will receive the benefits.

Eligible employees and Utilities are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The employee contribution rate was 9.0% for the period of January 1, 2024 to December 31, 2024 and was 9.0% for the period of January 1, 2025 to December 31, 2025. The employer contribution requirements for 2025 and 2024 are summarized in the table below:

|                                               | January 1, 2025<br>through<br>December 31, 2025 |   | January 1, 2024<br>through<br>December 31, 2024 |   |
|-----------------------------------------------|-------------------------------------------------|---|-------------------------------------------------|---|
| Employer Contribution Rate (1)                | 11.00                                           | % | 11.00                                           | % |
| Amount of Employer Contribution               |                                                 |   |                                                 |   |
| apportioned to the Health Care Trust          | (1.02)                                          | % | (1.02)                                          | % |
| Fund as specified in C.R.S. § 24-51-208(1)(f) |                                                 |   |                                                 |   |
| Amount Apportioned to the LGDTF               | 9.98                                            | % | 9.98                                            | % |
| Amortization Equalization Disbursement        |                                                 |   |                                                 |   |
| ("AED") as specified in C.R.S. § 24-51-411    | 2.20                                            | % | 2.20                                            | % |
| Supplemental Amortization Equalization        |                                                 |   |                                                 |   |
| Disbursement ("SAED") as specified in         | 1.50                                            | % | 1.50                                            | % |
| C.R.S. § 24-51-411                            |                                                 |   |                                                 |   |
| Defined Contribution Supplement as            |                                                 |   |                                                 |   |
| specified in C.R.S. § 24-51-415               | 0.11                                            | % | 0.08                                            | % |
| Total Employer Contribution Rate to the LGDTF | 13.79                                           | % | 13.76                                           | % |

(1) Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and Utilities is statutorily committed to pay the contributions to the LGDTF. Employer contributions

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recognized by the LGDTF from Utilities were \$33,920,733 and \$31,213,103 for the years ended December 31, 2025 and 2024, respectively.

***PENSION LIABILITIES (ASSETS), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION***

***Pension Liabilities*** - The net pension liability for the LGDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. Utilities' proportion of the net pension liability (asset) is based on Utilities' contributions to the LGDTF for the calendar years 2025 and 2024 relative to the total contributions of participating employers to the LGDTF.

Utilities' pension liabilities are as follows:

| December 31, | Measurement Date | Actuarial Valuation Date | Proportionate Share of the Net Pension Liability<br>(in thousands) | Utilities' Proportion of the LGDTF Net Pension Liability | Increase (Decrease) of Utilities' Proportion of the LGDTF Net Pension Liability from Prior Year |
|--------------|------------------|--------------------------|--------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 2025         | 12/31/2024       | 12/31/2023               | \$ 142,347                                                         | 23.2 %                                                   | 0.3 %                                                                                           |
| 2024         | 12/31/2023       | 12/31/2022               | 167,955                                                            | 22.9                                                     | 0.0                                                                                             |

***Pension Expense*** - For the years ended December 31, 2025 and 2024, Utilities recognized pension expense of \$32,979,304 and \$6,154,508, respectively.

***Deferred Outflows of Resources*** - Utilities reported Deferred Outflows of Resources related to pensions from the following sources as of December 31:

| Deferred Outflows of Resources                                                                                  | 2025             | 2024             |
|-----------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                 | (in thousands)   |                  |
| Difference between expected and actual experience                                                               | \$ 10,741        | \$ 9,089         |
| Changes of assumptions or other inputs                                                                          | 4,201            | -                |
| Net difference between projected and actual earnings on pension plan investments                                | 13,395           | 49,044           |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 920              | 171              |
| Contributions subsequent to the measurement date                                                                | 33,921           | 31,213           |
| Total                                                                                                           | <u>\$ 63,178</u> | <u>\$ 89,517</u> |

The \$33,920,733 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2025, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. The \$31,213,103 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended December 31, 2025.

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**Deferred Inflows of Resources** - Utilities reported Deferred Inflows of Resources related to pensions from the following sources as of December 31:

| Deferred Inflows of Resources                                                                                   | 2025           | 2024          |
|-----------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                                 | (in thousands) |               |
| Difference between expected and actual experience                                                               | \$ -           | \$ 173        |
| Net difference between projected and actual earnings on pension plan investments                                | -              | -             |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -              | 359           |
| Total                                                                                                           | <u>\$ -</u>    | <u>\$ 532</u> |

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

| December 31, | Amount         |
|--------------|----------------|
|              | (in thousands) |
| 2026         | \$ 26,906      |
| 2027         | 34,000         |
| 2028         | (22,673)       |
| 2029         | (8,976)        |

**Actuarial Assumptions** - The December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

| Financial statement date                                                                                | December 31, 2025         | December 31, 2024         |
|---------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Measurement date                                                                                        | December 31, 2024         | December 31, 2023         |
| Actuarial valuation date                                                                                | December 31, 2023         | December 31, 2022         |
| Actuarial cost method                                                                                   | Entry age                 | Entry age                 |
| Price inflation                                                                                         | 2.30%                     | 2.30%                     |
| Real wage growth                                                                                        | 0.70%                     | 0.70%                     |
| Wage inflation                                                                                          | 3.00%                     | 3.00%                     |
| Salary increases, including wage inflation                                                              | 3.20% - 11.30%            | 3.20% - 11.30%            |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25%                     | 7.25%                     |
| Discount rate                                                                                           | 7.25%                     | 7.25%                     |
| Future post-retirement benefit increases:                                                               |                           |                           |
| PERA Benefit Structure hired prior to January 1, 2007                                                   | 1.00% compounded annually | 1.00% compounded annually |
| PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)                  | Financed by the AIR       | Financed by the AIR       |

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis. Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

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Post-retirement non-disabled mortality assumptions for members were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 / 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 / 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation, are 3.40%-13.00% for the year ended December 31, 2024.

**Long-term Expected Return** - The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

PERA's Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board reaffirmed the assumed rate of return at the November 15, 2019, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class    | Target Allocation | 30 Year<br>Expected Geometric<br>Real Rate of Return |
|----------------|-------------------|------------------------------------------------------|
| Global Equity  | 51.0 %            | 5.0 %                                                |
| Fixed Income   | 23.0              | 2.6                                                  |
| Private Equity | 10.0              | 7.6                                                  |
| Real Estate    | 10.0              | 4.1                                                  |
| Alternatives   | 6.0               | 5.2                                                  |
| Total          | 100.0 %           |                                                      |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 automatic adjustment provision assessment and the additional 0.50% resulting from the 2020 automatic adjustment provision assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future amortization equalization disbursement and supplemental amortization equalization disbursement, until the actuarial value funding ratio reaches 103%, at which point the amortization equalization disbursement and supplemental amortization equalization disbursement will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance ("AIR") was excluded from the initial fiduciary net position ("FNP"), as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were \$0.486 million and \$0.020 million, respectively.

Based on the above assumptions and methods, LGDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

***Sensitivity of Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the proportionate share of the net pension liability calculated using the current discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|                                              | 1% Decrease | Current Discount<br>Rate<br>(in thousands) | 1% Increase |
|----------------------------------------------|-------------|--------------------------------------------|-------------|
| <u>2025</u>                                  |             |                                            |             |
| Discount rate                                | 6.25%       | 7.25%                                      | 8.25%       |
| Proportionate share of net pension liability | \$ 311,569  | \$ 142,347                                 | \$ 181      |
| <u>2024</u>                                  |             |                                            |             |
| Discount rate                                | 6.25%       | 7.25%                                      | 8.25%       |
| Proportionate share of net pension liability | \$ 329,211  | \$ 167,955                                 | \$ 32,877   |

***Pension Plan Fiduciary Net Position*** - Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

#### NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

##### ***VOLUNTARY INVESTMENT PROGRAM (PERAPLUS 401(k) PLAN)***

Employees of Utilities that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available annual comprehensive financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

The PERAPLUS 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The program member contributions from Utilities for the years ending December 31, 2025 and 2024 were \$3,932,544 and \$4,000,432, respectively.

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***DEFINED CONTRIBUTION RETIREMENT PLAN (PERA DC PLAN)***

Eligible employees of the LGDTF hired on or after January 1, 2019, have the option to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERA DC Plan. That report can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

|                                                                       | January 1, 2025<br>Through<br>December 31, 2025 | January 1, 2024<br>Through<br>December 31, 2024 |
|-----------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Employee Contribution Rates                                           | 9.00 %                                          | 9.00 %                                          |
| Employer Contribution Rates (on<br>behalf of participating employees) | 10.00                                           | 10.00                                           |

\*\*Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Additionally, the employers are required to contribute Amortization Equalization Disbursement (AED), Supplemental Amortization Equalization Disbursement (SAED), and other statutory amounts for employees other than Safety Officers to the LGDTF, as follows:

|                                                                                                  | January 1, 2025<br>Through<br>December 31, 2025 | January 1, 2024<br>Through<br>December 31, 2024 |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Amortization Equalization Disbursement (AED) as<br>specified in C.R.S. § 24-51-411               | 2.20 %                                          | 2.20 %                                          |
| Supplemental Amortization Equalization Disbursement<br>(SAED) as specified in C.R.S. § 24-51-411 | 1.50                                            | 1.50                                            |
| Automatic Adjustment Provision (AAP) as specified in<br>C.R.S. § 24-51-413                       | 1.00                                            | 1.00                                            |
| Additional Contribution Supplement as specified in C.R.S.<br>§ 24-51-401 and § 24-51-415         | 0.11                                            | 0.08                                            |
| Total employer contribution rate to the LGDTF                                                    | 4.81 %                                          | 4.78 %                                          |

Participating employees in the PERA DC Plan contributed \$817,708 and \$576,296 for the years ending December 31 2025 and 2024, respectively.

## COLORADO SPRINGS UTILITIES

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#### ***DEFERRED COMPENSATION PLAN (PERAPLUS 457 PLAN)***

Employees of Utilities may voluntarily contribute to the Deferred Compensation Plan (PERAPLUS 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPLUS 457 Plan. That report can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

The PERAPLUS 457 Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1603 of the C.R.S., as amended. Members are immediately vested in their own contributions, employer contributions and investment earnings. The program member contributions from Utilities for the years ending December 31, 2025 and 2024 were \$4,203,147 and \$3,921,065, respectively.

#### **NOTE 15 - DEFINED BENEFIT OPEB PLANS**

##### ***HCTF COST-SHARING MULTIPLE-EMPLOYER PLAN***

Utilities participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized.

Eligible employees of Utilities are provided with OPEB through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the C.R.S., as amended, and sets forth a framework that grants authority to the PERA's Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The

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maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5.0% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the Statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and Utilities is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Utilities were \$2,509,003 and \$2,313,762 for the years ended December 31, 2025 and 2024, respectively.

#### **OPEB LIABILITIES, OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

***OPEB Liabilities*** - Utilities' proportion of the net OPEB liability is based on Utilities' contributions to the HCTF for the calendar years 2025 and 2024 relative to the total contributions of participating employers to the HCTF. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2025 and 2024.

Utilities' OPEB liabilities are as follows:

| December<br>31, | Measurement<br>Date | Actuarial<br>Valuation<br>Date | Proportionate<br>Share<br>of the OPEB<br>Liability<br>(in thousands) | Utilities'<br>Proportion of the<br>HCTF<br>Net OPEB Liability | Increase (Decrease)<br>of Utilities'<br>Proportion of the<br>HCTF<br>Net OPEB Liability<br>from Prior Year |
|-----------------|---------------------|--------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| 2025            | 12/31/2024          | 12/31/2023                     | \$ 8,734                                                             | 1.8 %                                                         | 0.0 %                                                                                                      |
| 2024            | 12/31/2023          | 12/31/2022                     | 12,888                                                               | 1.8                                                           | 0.0                                                                                                        |

***OPEB Expense*** - For the years ended December 31, 2025 and 2024, Utilities recognized OPEB expense of \$(1,030,432) and \$(544,026), respectively.

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**Deferred Outflows of Resources** - Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

| Deferred Outflows of Resources                                                                                  | 2025            | 2024            |
|-----------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                 | (in thousands)  |                 |
| Difference between expected and actual experience                                                               | \$ -            | \$ -            |
| Changes of assumptions or other inputs                                                                          | 100             | 152             |
| Net difference between projected and actual earnings on OPEB plan investments                                   | 30              | 399             |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 397             | 334             |
| Contributions subsequent to the measurement date                                                                | 2,509           | 2,314           |
| Total                                                                                                           | <u>\$ 3,036</u> | <u>\$ 3,199</u> |

The \$2,509,003 reported as deferred outflows of resources related to OPEB reported at December 31, 2025, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2026. The \$2,313,762 reported as deferred outflows of resources related to OPEB reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability in the year ended December 31, 2025.

**Deferred Inflows of Resources** - Utilities reported Deferred Inflows of Resources related to OPEB from the following sources as of December 31:

| Deferred Inflows of Resources                                                                                   | 2025            | 2024            |
|-----------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                 | (in thousands)  |                 |
| Difference between expected and actual experience                                                               | \$ 1,926        | \$ 2,641        |
| Changes of assumptions or other inputs                                                                          | 2,792           | 1,367           |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 283             | 540             |
| Total                                                                                                           | <u>\$ 5,001</u> | <u>\$ 4,548</u> |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| December 31, | Amount         |
|--------------|----------------|
|              | (in thousands) |
| 2026         | \$ (1,311)     |
| 2027         | (723)          |
| 2028         | (1,065)        |
| 2029         | (684)          |
| 2030         | (458)          |
| Thereafter   | (233)          |

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**Actuarial Assumptions** - The total OPEB liability in the actuarial valuations was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| <b>Financial statement date</b>                                                                      | <b>December 31, 2025</b>                                      | <b>December 31, 2024</b>                                  |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|
| Measurement date                                                                                     | December 31, 2024                                             | December 31, 2023                                         |
| Actuarial valuation date                                                                             | December 31, 2023                                             | December 31, 2022                                         |
| Actuarial cost method                                                                                | Entry age                                                     | Entry age                                                 |
| Price inflation                                                                                      | 2.30%                                                         | 2.30%                                                     |
| Real wage growth                                                                                     | 0.70%                                                         | 0.70%                                                     |
| Wage inflation                                                                                       | 3.00%                                                         | 3.00%                                                     |
| Salary increases, including wage inflation                                                           | 3.20%-11.30%                                                  | 3.20%-11.30%                                              |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25%                                                         | 7.25%                                                     |
| Discount rate                                                                                        | 7.25%                                                         | 7.25%                                                     |
| Health care cost trend rates                                                                         |                                                               |                                                           |
| PERA Benefit Structure:                                                                              |                                                               |                                                           |
| Service-based premium subsidy                                                                        | 0.00%                                                         | 0.00%                                                     |
|                                                                                                      | 16% in 2024                                                   |                                                           |
| PERACare Medicare plans                                                                              | then 6.75% in 2025<br>gradually decreasing<br>to 4.5% in 2034 | 7.00% in 2023,<br>gradually decreasing<br>to 4.5% in 2033 |
| Medicare Part A premiums                                                                             | 3.5% in 2024,<br>gradually increasing<br>to 4.50% in 2034     | 3.5% in 2023,<br>gradually increasing<br>to 4.5% in 2035  |

The total OPEB liability for the HCTF, as of the December 31, 2024, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2024. As of the close of the 2024 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2024, measurement date.

Beginning January 1, 2024, the per capita health care costs are developed by plan option; based on 2024 premium rates for the United Healthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the United Healthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

The total OPEB liability for the HCTF, as of the December 31, 2023, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2023. As of the close of the 2023 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2023, measurement date.

Beginning January 1, 2023, the per capita health care costs are developed by plan option; based on 2023 premium rates for the United Healthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the United Healthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

# **COLORADO SPRINGS UTILITIES**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

### Age-Related Morbidity Assumptions

| <u>Participant Age</u> | <u>Annual Increase (Male)</u> | <u>Annual Increase (Female)</u> |
|------------------------|-------------------------------|---------------------------------|
| 65-68                  | 2.2%                          | 2.3%                            |
| 69                     | 2.8                           | 2.2                             |
| 70                     | 2.7                           | 1.6                             |
| 71                     | 3.1                           | 0.5                             |
| 72                     | 2.3                           | 0.7                             |
| 73                     | 1.2                           | 0.8                             |
| 74                     | 0.9                           | 1.5                             |
| 75-85                  | 0.9                           | 1.3                             |
| 86 and older           | 0.0                           | 0.0                             |

| <u>Sample Age</u> | <u>MAPD PPO#1 with Medicare Part A Retiree/Spouse</u> |               | <u>MAPD PPO #2 with Medicare Part A Retiree/Spouse</u> |               | <u>MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse</u> |               |
|-------------------|-------------------------------------------------------|---------------|--------------------------------------------------------|---------------|--------------------------------------------------------------|---------------|
|                   | <u>Male</u>                                           | <u>Female</u> | <u>Male</u>                                            | <u>Female</u> | <u>Male</u>                                                  | <u>Female</u> |
| 65                | \$ 1,710                                              | \$ 1,420      | \$ 585                                                 | \$ 486        | \$ 1,897                                                     | \$ 1,575      |
| 70                | 1,921                                                 | 1,589         | 657                                                    | 544           | 2,130                                                        | 1,763         |
| 75                | 2,122                                                 | 1,670         | 726                                                    | 571           | 2,353                                                        | 1,853         |

| <u>Sample Age</u> | <u>MAPD PPO #1 without Medicare Part A Retiree/Spouse</u> |               | <u>MAPD PPO #2 without Medicare Part A Retiree/Spouse</u> |               | <u>MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse</u> |               |
|-------------------|-----------------------------------------------------------|---------------|-----------------------------------------------------------|---------------|-----------------------------------------------------------------|---------------|
|                   | <u>Male</u>                                               | <u>Female</u> | <u>Male</u>                                               | <u>Female</u> | <u>Male</u>                                                     | <u>Female</u> |
| 65                | \$ 6,536                                                  | \$ 5,429      | \$ 4,241                                                  | \$ 3,523      | \$ 7,063                                                        | \$ 5,866      |
| 70                | 7,341                                                     | 6,073         | 4,764                                                     | 3,941         | 7,933                                                           | 6,563         |
| 75                | 8,110                                                     | 6,385         | 5,265                                                     | 4,143         | 8,763                                                           | 6,900         |

The 2024 and 2023 Medicare Part A premium is \$505 and \$506, respectively, per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2022, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year  | PERACare<br>Medicare Plans | MAPD<br>PPO #1 | Medicare Part A<br>Premiums |
|-------|----------------------------|----------------|-----------------------------|
| 2024  | 16.00 %                    | 105.00 %       | 3.50 %                      |
| 2025  | 6.75                       | 8.55           | 3.75                        |
| 2026  | 6.50                       | 8.10           | 3.75                        |
| 2027  | 6.25                       | 7.65           | 4.00                        |
| 2028  | 6.00                       | 7.20           | 4.00                        |
| 2029  | 5.75                       | 6.75           | 4.25                        |
| 2030  | 5.50                       | 6.30           | 4.25                        |
| 2031  | 5.25                       | 5.85           | 4.25                        |
| 2032  | 5.00                       | 5.40           | 4.25                        |
| 2033  | 4.75                       | 4.95           | 4.50                        |
| 2034+ | 4.50                       | 4.50           | 4.50                        |

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 / 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 / 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

# **COLORADO SPRINGS UTILITIES**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Per capita health care costs in effect as of the December 31, 2023, valuation dates for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect the change in costs for the 2024 plan year.
- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- Medicare health care plan election rate assumptions were updated effective as of December 31, 2023, valuation date based on an experience analysis of recent data.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class    | Target Allocation |   | 30 Year<br>Expected Geometric<br>Real Rate of Return |   |
|----------------|-------------------|---|------------------------------------------------------|---|
| Global Equity  | 51.0              | % | 5.0                                                  | % |
| Fixed Income   | 23.0              |   | 2.6                                                  |   |
| Private Equity | 10.0              |   | 7.6                                                  |   |
| Real Equity    | 10.0              |   | 4.1                                                  |   |
| Alternatives   | 6.0               |   | 5.2                                                  |   |
| Total          | 100.0             | % |                                                      |   |

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

***Sensitivity of Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend***

**Rates** - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

|                                           | 1% Decrease<br>(in thousands) | Current Trend Rates | 1% Increase |
|-------------------------------------------|-------------------------------|---------------------|-------------|
| <u>2025</u>                               |                               |                     |             |
| Initial PERACare Medicare trend rate      | 5.75 %                        | 6.75 %              | 7.75 %      |
| Ultimate PERACare Medicare trend rate     | 3.50                          | 4.50                | 5.50        |
| Initial MAPD trend rate                   | 7.55                          | 8.55                | 9.55        |
| Ultimate MAPD trend rate                  | 3.50                          | 4.50                | 5.50        |
| Initial Medicare Part A trend rate        | 2.75                          | 3.75                | 4.75        |
| Ultimate Medicare Part A trend rate       | 3.50                          | 4.50                | 5.50        |
| Proportionate Share of Net OPEB Liability | \$ 8,498                      | \$ 8,734            | \$ 9,000    |

|                                           |           |           |           |
|-------------------------------------------|-----------|-----------|-----------|
| <u>2024</u>                               |           |           |           |
| Initial PERACare Medicare trend rate      | 5.75 %    | 6.75 %    | 7.75 %    |
| Ultimate PERACare Medicare trend rate     | 3.50      | 4.50      | 5.50      |
| Initial Medicare Part A trend rate        | 2.50      | 3.50      | 4.50      |
| Ultimate Medicare Part A trend rate       | 3.50      | 4.50      | 5.50      |
| Proportionate Share of Net OPEB Liability | \$ 12,518 | \$ 12,888 | \$ 13,290 |

**Discount Rate** - The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2024). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024 and 2023, measurement dates.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

**Sensitivity of Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|                                           | 1% Decrease | Current Discount<br>Rate<br>(in thousands) | 1% Increase |
|-------------------------------------------|-------------|--------------------------------------------|-------------|
| <u>2025</u>                               |             |                                            |             |
| Discount Rate                             | 6.25%       | 7.25%                                      | 8.25%       |
| Proportionate Share of Net OPEB Liability | \$ 10,703   | \$ 8,734                                   | \$ 7,035    |
| <u>2024</u>                               |             |                                            |             |
| Discount Rate                             | 6.25%       | 7.25%                                      | 8.25%       |
| Proportionate Share of Net OPEB Liability | \$ 15,222   | \$ 12,888                                  | \$ 10,891   |

**OPEB Plan Fiduciary Net Position** - Detailed information about the HCTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

#### UTILITIES' SINGLE-EMPLOYER PLAN

In accordance with the City Code, Utilities offers a health care plan to retirees with Utilities' contribution determined by the City Council. Employees eligible to retire prior to January 1, 1979, receive this health care plan without cost to the employee. Those eligible to retire after January 1, 1979 and hired prior to August 1, 1988 receive a limited Utilities' contribution not to exceed \$91.40 per month. The monthly subsidy for these members is determined as the difference between the full PERA premium and the PERA service subsidy. All employees hired after August 1, 1988, receive no contribution from Utilities for this health care plan. In addition to regular medical insurance subsidies, Utilities also funds a Medicare supplement for eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Utilities' OPEB plan also provides a subsidy of life insurance premiums of \$0.142/\$1,000 for life insurance amounts up to \$9,000/year per member, depending on employee type, to those who have retired prior to January 1, 2013. Employees retiring after January 1, 2013 are no longer eligible to receive the life insurance benefits.

As of the most recent actuarial valuation of the plan, 1,057 retired members or beneficiaries and 2 active employees were covered by the benefit terms.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
 As of and for the Years Ended December 31, 2025 and 2024

The prior actuarial valuation had 1,084 retired members or beneficiaries and 2 active employees that were covered by the benefit terms.

***Total Single Employer OPEB Liability***

| December 31, | Measurement<br>Date | Actuarial<br>Valuation Date | Total OPEB<br>Liability |
|--------------|---------------------|-----------------------------|-------------------------|
|              |                     |                             | (in thousands)          |
| 2025         | 12/31/2024          | 12/31/2024                  | \$ 12,010               |
| 2024         | 12/31/2023          | 12/31/2023                  | 13,151                  |

***Actuarial Assumptions and Other Inputs*** - The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements, unless otherwise specified:

| Financial statement date     | December 31, 2025 | December 31, 2024 |
|------------------------------|-------------------|-------------------|
| Measurement date             | December 31, 2024 | December 31, 2023 |
| Actuarial cost method        | Entry age         | Entry age         |
| Inflation                    | 3.20%             | 3.20%             |
| Salary increases             | 13.00% to 3.4%    | 11.30% to 3.20%   |
| Discount rate                | 4.08%             | 3.26%             |
| Health care cost trend rates |                   |                   |
| PERA Premiums                | 7.75%             | 6.00%             |
| Medicare Part B              | 4.00%             | 4.00%             |

For the December 31, 2025 and 2024 valuation, healthy mortality assumptions for active members were based on the Pub-2010 mortality table with generational scale MP-2021.

The retirement, termination, and salary scale rates used in the December 31, 2025 and 2024 valuations were based on the 2024 and 2020 Colorado PERA Actuarial Experience Studies, respectively.

***Changes in the Total Single Employer OPEB Liability***

|                                                    | 2025           | 2024      |
|----------------------------------------------------|----------------|-----------|
|                                                    | (in thousands) |           |
| Beginning balance                                  | \$ 13,151      | \$ 13,317 |
| Changes for the year:                              |                |           |
| Service cost                                       | 1              | 1         |
| Interest                                           | 411            | 474       |
| Differences between expected and actual experience | 327            | -         |
| Changes of assumptions or other inputs             | (839)          | 498       |
| Benefit payments                                   | (1,041)        | (1,139)   |
| Net changes                                        | (1,141)        | (166)     |
| Ending balance                                     | \$ 12,010      | \$ 13,151 |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

***Changes of assumptions***

The discount rate was updated from 3.26% to 4.08%.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*** - The following table presents Utilities' total OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                      | 1% Decrease | Current<br>Discount Rate<br>(in thousands) | 1% Increase |
|----------------------|-------------|--------------------------------------------|-------------|
| <u>2025</u>          |             |                                            |             |
| Discount Rate        | 3.08%       | 4.08%                                      | 5.08%       |
| Total OPEB Liability | \$ 13,064   | \$ 12,010                                  | \$ 11,100   |
| <u>2024</u>          |             |                                            |             |
| Discount Rate        | 2.26%       | 3.26%                                      | 4.26%       |
| Total OPEB Liability | \$ 14,335   | \$ 13,151                                  | \$ 12,099   |

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*** - The following presents the total OPEB liability of Utilities, as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

|                                   | 1% Decrease | Current Trend<br>Rates<br>(in thousands) | 1% Increase |
|-----------------------------------|-------------|------------------------------------------|-------------|
| <u>2025</u>                       |             |                                          |             |
| Initial PERA Premiums trend rate  | 6.75 %      | 7.75 %                                   | 8.75 %      |
| Ultimate PERA Premiums trend rate | 3.00        | 4.00                                     | 5.00        |
| Medicare Part B                   | 3.00        | 4.00                                     | 5.00        |
| Total OPEB Liability              | \$ 11,890   | \$ 12,010                                | \$ 12,130   |
| <u>2024</u>                       |             |                                          |             |
| Initial PERA Premiums trend rate  | 5.00 %      | 6.00 %                                   | 7.00 %      |
| Ultimate PERA Premiums trend rate | 3.00        | 4.00                                     | 5.00        |
| Medicare Part B                   | 3.00        | 4.00                                     | 5.00        |
| Total OPEB Liability              | \$ 13,184   | \$ 13,151                                | \$ 13,450   |

***OPEB Expense and Deferred Outflows of Resources Related to OPEB*** - For the years ended December 31, 2025 and 2024, Utilities recognized OPEB expense of \$(111,335) and \$921,531, respectively. Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

| Deferred Outflows of Resources                   | 2025           | 2024     |
|--------------------------------------------------|----------------|----------|
|                                                  | (in thousands) |          |
| Contributions subsequent to the measurement date | \$ 1,022       | \$ 1,029 |

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

The \$1,021,628 reported as deferred outflows of resources related to OPEB reported at December 31, 2025, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2026. The Deferred Outflows of Resources related to OPEB of \$1,029,098 reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability at December 31, 2025.

#### **TOTAL OPEB LIABILITIES, DEFERRED OUTFLOWS, DEFERRED INFLOWS & EXPENSE - ALL PLANS**

| Total OPEB             | 2025           | 2024      |
|------------------------|----------------|-----------|
|                        | (in thousands) |           |
| OPEB Liabilities       | \$ 20,744      | \$ 26,038 |
| OPEB Deferred Outflows | 4,058          | 4,227     |
| OPEB Deferred Inflows  | 5,001          | 4,548     |
| OPEB Expense           | (1,142)        | 378       |

#### **NOTE 16 - COMMITMENTS**

Under Article 7-60 of the City Charter, the City cannot enter into agreements involving the expenditure of public funds (with certain limited exceptions) unless funds have been appropriated by the City Council to liquidate the liability created by the agreement. In accordance with this City Charter provision, each of Utilities' agreements (with certain limited exceptions) contains clauses that, in general, terminate the agreement without further liability to Utilities if funds are not appropriated by the City Council (in whole or in part) that are sufficient to perform Utilities' obligations under the agreement. Such an agreement clause is referred to as an "appropriations clause."

##### **CONSTRUCTION COMMITMENTS**

Construction commitment amounts represent contract price less payments applied on outstanding retainage construction contracts. Utilities' total construction and commitments as of December 31, 2025 and 2024 were \$894,096,545 and \$1,062,767,762, respectively.

##### **ELECTRIC COMMITMENTS**

**Electric Generation Fuel Supply Agreements** - Utilities' generation fleet is operated in the most economical manner, while observing the physical and thermal operating guidelines of each plant. Due to the varying price of commodities, coal may not be the baseload generation source. Utilities runs a daily production cost model to determine the most economical and reliable mix of generation and market activity. Utilities' hydro units are operated as "run of the river" for the smaller units and the dispatchable hydro unit is included in the production cost model to contribute to an optimum generation portfolio for the daily load and market conditions. Utilities' hydro contracts are also optimized within the constraints of the contracts. Utilities' coal generation as a percentage of native load is expected to decline as additional PPAs and resources are brought into the portfolio in the next decade.

**Electric Purchase Power Agreements** - Utilities has electric PPAs with other power producers to purchase capacity and associated energy to supplement existing generation resources. The agreements have various terms and conditions. Utilities' largest purchase power contract is with Western Area Power Administration. In addition, Utilities has five utility scale solar PPAs to add to Utilities' renewable portfolio with expiration terms between 2036 and 2044. In 2020, Utilities entered into a five year wind energy purchase agreement with an initial termination date of 2025. Utilities extended this wind energy purchase agreement until 2030. Pike Solar array became commercially operational on December 18, 2023. Utilities had a 100 MW 4-hour battery energy storage system commercially operational by the Summer 2025.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

**Organized Market Activity** - On August 1, 2022 Utilities changed Balancing Authorities from Public Service Company of Colorado to Western Area Colorado Missouri and began participating in the Southwest Power Pool (“SPP”) Western Energy Imbalance Service (“WEIS”) market. Utilities’ strategic positioning into the SPP WEIS market is a forward-looking effort to ensure that integration of non-carbon variable energy resources are economically and reliably transitioned into the portfolio and the region at large. Based on the 2nd revised Western Joint Dispatch Agreement Utilities signed in September 2021, and on file with the Federal Energy Regulatory Commission, the SPP charges an annual administration rate based on Utilities Net Energy for Load. The initial term of the Utilities agreement is through February 1, 2025 and renews for successive one year terms absent timely contractual withdrawal or termination notices. Utilities expects to enter into the SPP Regional Transmission Organization (RTO) on April 1, 2026. This will move utilities from an imbalance energy market to a full RTO Market.

**Contractual Service Agreement** - Utilities has a contractual service agreement with General Electric International, Inc. (“GE”). This contractual service agreement was amended on October 12, 2021 and requires that GE perform all major maintenance activities (Hot Gas Path and Major Inspections) on the two GE combustion turbines through an estimated 143,000 run hours. The total run hours are estimated to be achieved in 2025 for CT2 and early 2026 for CT1. A new contract was signed at the end of 2024 and will be implemented in stages from 2025 to 2026. The contract changes the run hours to 96,000 hours.

**Total Electric Commitments** - As of December 31, 2025, the approximate minimum obligations, subject to any appropriations clauses, for these Electric Commitments over the next five years are:

| December 31, | Amount         |
|--------------|----------------|
|              | (in thousands) |
| 2026         | \$ 79,637      |
| 2027         | 63,203         |
| 2028         | 63,225         |
| 2029         | 63,022         |
| 2030         | 58,448         |

#### NATURAL GAS COMMITMENTS

**Natural Gas Supply and Transport Agreements** - Utilities contracts for sufficient firm transportation capacity and supplies to meet sales customers’ peak day needs and fuel gas requirements for power generation. Utilities defines peak day conditions as a day with an average temperature of -13 degrees Fahrenheit. Utilities’ goal is to hold a diversified portfolio of natural gas supplies, pipeline transportation, and storage services in order to provide reliability and economic efficiency in meeting supply obligations.

Utilities’ firm natural gas supply portfolio is comprised of multiple contracts with various terms. In addition, Utilities balances natural gas supply needs on a short-term (30-day or less) basis, giving Utilities the flexibility to react to warmer than normal conditions without defaulting on firm commitments and providing the flexibility to take advantage of short-term drops in natural gas prices. The staggered terms of the supply contracts help shape supply commitments to better match load requirements and ensure Utilities can acquire and replace supplies in an orderly fashion.

In addition to a diversified portfolio within the context of terms and conditions of service, Utilities actively pursues opportunities to reduce costs and realize value from natural gas supply assets. This process includes releasing transportation and storage capacity to meet peak loads during non-peak periods and other asset optimization strategies to capture value from any available asset capacity.

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**Total Natural Gas Commitments** - As of December 31, 2025, the approximate minimum obligations, subject to any appropriations clauses, for these Natural Gas Commitments over the next five years are:

| <u>December 31,</u> | <u>Amount</u>  |
|---------------------|----------------|
|                     | (in thousands) |
| 2026                | \$ 59,828      |
| 2027                | 55,944         |
| 2028                | 24,358         |
| 2029                | 22,369         |
| 2030                | 19,351         |

**NATURAL GAS PREPAY AGREEMENT**

On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement (“Supply Agreement”) with Public Authority for Colorado Energy (“PACE”), a component unit of the City, for financial reporting purposes. The Supply Agreement will be in effect until September 30, 2038, unless terminated earlier due to certain defaults, as set forth therein, or the termination of PACE’s Prepaid Gas Agreement. The City is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index minus a predetermined discount. If PACE fails on any day, for any reason other than force majeure, to deliver the quantity of natural gas required to be delivered pursuant to the Supply Agreement, the City will have no obligation for any of the natural gas supply that was not delivered as a result of such PACE delivery default.

Certain risk exists that all or part of the discount associated with this gas prepay transaction will not be realized as a result of the financial creditworthiness of the counterparties to agreements associated with the transaction and the potential failure of such counterparties to fulfill their contractual obligations, including financial remedies. As of December 31, 2025, all of the counterparties to agreements associated with the gas prepay transaction are fulfilling their contractual obligations.

**WATER COMMITMENTS**

**Water Storage Agreements** - Utilities’ contracts with the U.S. Bureau of Reclamation (“Bureau”) for water storage in Pueblo Reservoir for SDS. The contract expires December 31, 2049, unless extended or terminated earlier in accordance with the provisions of the contract.

**Total Water Commitments** - As of December 31, 2025, the approximate minimum obligations for this Water Commitment over the next five years are:

| <u>December 31,</u> | <u>Amount</u>  |
|---------------------|----------------|
|                     | (in thousands) |
| 2026                | \$ 1,151       |
| 2027                | 1,196          |
| 2028                | 1,241          |
| 2029                | 1,288          |
| 2030                | 1,336          |

**Grants** - Utilities receives Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

#### NOTE 17 - CONTINGENCIES AND CLAIMS

##### **ENVIRONMENTAL MATTERS**

Numerous federal, state, and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors compliance with environmental laws and regulations on an ongoing basis. Utilities is not aware of any non-compliance or any pending claims related to environmental laws and regulations that would materially impact Utilities' financial position. Any capital improvements needed to stay in compliance with applicable environmental laws are planned in the normal operations of Utilities.

##### **RISK MANAGEMENT**

Utilities' Enterprise Risk Management group develops the process to identify, prioritize and report risks so that appropriate mitigation plans are developed and implemented to protect and enhance the business performance of Utilities. The process requires specific risk policies and procedures to document risk mitigation plans and ongoing monitoring and communication.

As part of this broader enterprise risk process, Utilities manages an ongoing insurance risk management program, protecting against both property and casualty exposures where appropriate. Working with insurance providers and Utilities' operations, loss tolerances are identified and insured through the insurance carriers or are self-insured.

Utilities has insurance policies covering damages due to most types of major losses. Property insurance for physical damage is purchased commercially for Utilities' facilities and for most of the infrastructure (except for transmission lines, underground piping and dams), with a retention level of \$1,000,000 per occurrence, with the exception of 1% of the values of the affected location subject to a minimum of \$2,000,000 for wind and hail related losses, and separate deductibles for certain generating facility turbines with the highest at \$3,500,000. In the past three years, no loss occurred that required settlements in excess of coverage.

Utilities also purchases comprehensive information security and privacy "cyber" liability insurance, with a retention level of \$1,000,000 per occurrence.

Utilities is covered under the Colorado Governmental Immunity Act for certain liability claims. The Colorado Governmental Immunity Act provides the maximum amount that may be recovered through tort claims under Colorado law of \$424,000 for any injury to one person in any single occurrence and \$1,195,000 for any injury to two or more persons in any single occurrence. To cover auto and general liability exposures not covered by the Colorado Governmental Immunity Act, Utilities purchases excess liability coverage, with a retention level of \$1,000,000 per occurrence.

The City purchases an excess public employers' liability policy, which covers Utilities' public officials' liability, errors and omissions and employment practices liability with a retention level of \$1,000,000 per occurrence.

Workers' compensation claims are self-insured and managed by City in-house staff. An excess workers' compensation liability insurance policy is purchased for statutory benefits in excess of \$750,000 per occurrence. Utilities also contributes, along with the City, to a joint Workers' Compensation Self-Insurance Fund. Utilities' outstanding workers compensation claims are reserved at \$602,879 and \$393,870 as of December 31, 2025 and 2024, respectively, under the City's self-insurance fund. The City believes that any liability arising out of unforeseen losses will not materially impact Utilities' financial position. This balance is not reflected on Utilities' Statements of Net Position.

Utilities is self-insured up to \$400,000 per individual for medical and self-insured for a limited dental benefit and is fully insured for the vision plan. All plans provide covered employees and dependents the intended benefits detailed in the self-funded health plan documents. As part of this plan, Utilities pays claims and associated plan expenses through its Employee Benefits Self-Insurance Fund. During the course of the plan year, the contributions

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

from Utilities and employees are expected to cover projected health care expenses while maintaining an adequately funded reserve account for Incurred But Not Reported (“IBNR”), Health Reimbursement Account (“HRA”) and catastrophic claims.

Summary of the plan’s ending balance as of December 31:

|                                                   | 2025             | 2024             |
|---------------------------------------------------|------------------|------------------|
|                                                   | (in thousands)   |                  |
| Health Plan                                       | \$ 13,895        | \$ 13,403        |
| Less: Reserved for IBNR, HRA, catastrophic claims | (3,175)          | (3,271)          |
| Unreserved fund balance                           | <u>\$ 10,720</u> | <u>\$ 10,132</u> |

Additionally, Utilities maintains a reinsurance policy through Cigna Health and Life Insurance Company, with a deductible of \$400,000 per claim per plan year. Should a covered medical claim exceed \$400,000 in a given plan year, the plan would be reimbursed by Cigna for the amount in excess of the deductible.

Summary of change in claims:

|                                   | Employee<br>Benefits |
|-----------------------------------|----------------------|
| Unpaid Claims - December 31, 2023 | \$ 3,397             |
| 2024 Increases                    | 36,779               |
| 2024 Decreases                    | (36,135)             |
| Unpaid Claims - December 31, 2024 | <u>4,041</u>         |
| 2025 Increases                    | 68,385               |
| 2025 Decreases                    | (68,810)             |
| Unpaid Claims - December 31, 2025 | <u>\$ 3,616</u>      |

#### LEGAL MATTERS

The City Risk Manager estimates that the amount of liability for potential claims (taking into account such accrual, the Colorado Governmental Immunity Act, and insurance coverage as outlined in the Risk Management section) against Utilities would not materially affect the financial condition or operations of Utilities. Utilities has purchased insurance covering damages due to most types of major contingencies, subject to the limits in those policies and subject to the application of the Colorado Governmental Immunity Act.

Utilities enters into contracts with various contractors to design and construct facilities. On October 2, 2020, the City of Colorado Springs was served with a Summons in the matter of Myers & Sons Construction, L.P. v. City of Colorado Springs, Colorado and Colorado Springs Utilities, (now consolidated with Weifeld Group Contracting Inc. v. Myers and Sons Construction, L.P. et al.) arising from disputes related to the Utilities Mesa Water Treatment Plant Upgrades Project at what is now known as Utilities’ Tollefson Water Treatment Plant and a contract between Utilities and Myers & Sons Construction, L.P. (“Myers”). At a mediation on March 26, 2024, Utilities and Myers agreed to settle the case for \$10,000,000. City Council approved the settlement at its regular meeting on April 9, 2024.

On August 2, 2022, Utilities entered into a Fiber Network Construction Services contract (Contract No. 2022.00550) (“Contract”), which was amended by Amendment 001 dated October 7, 2022, with ADB Companies, LLC (“ADB”) for the construction and installation of a fiber network. In a letter dated April 30, 2024, Utilities terminated the

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Contract for convenience effective May 30, 2024. On October 11, 2024, the City of Colorado Springs waived service on a Summons in the matter of ADB Companies, LLC v. Colorado Springs Utilities, an enterprise of the City of Colorado Springs, Colorado (now amended to ADB Companies, LLC v. City of Colorado Springs, Colorado). The Complaint in the litigation alleges that Utilities breached its contract with ADB, that Utilities breached an implied covenant of good faith and fair dealing in the contract, asserts claims of unjust enrichment, and seeking declaratory judgment on whether Utilities has the right to seek cure damages and whether the City has the right to charge pavement degradation fees. The Complaint asserts that ADB is entitled to attorneys' fees, compensatory damages in the amount of \$11,000,000 for termination costs and not less than \$50,000,000 for Utilities' and the City's alleged bad faith. On October 22, 2024, ADB amended its Complaint to name the correct parties. On November 13, 2024, the City filed its Answer and Jury Demand. The City later filed its Amended Answer, Counterclaim, and Jury Demand on December 4, 2024, which asserted counterclaims for breach of contract and declaratory judgment. On December 23, 2024, ABD filed its Reply to the Counterclaim. Initial Disclosures were served by both parties on January 21, 2025. ADB's Initial Disclosures now identifies alleged damages of \$12,126,802. The City's Initial Disclosures identifies alleged damages of \$3,171,675.74. On December 3, 2025, the parties participated in a mediation in an attempt to resolve the claims.

As the result of 2019 and 2021 periodic audits, the Colorado Public Utilities Commission (COPUC) issued a Warning Notice on January 31, 2020 and another Warning Notice on April 15, 2022, respectively, identifying ongoing areas of concern regarding Utilities' compliance with federal pipeline safety standards while simultaneously acknowledging Utilities' compliance progress. Utilities, as a municipal gas distribution operator, is subject to the requirements set forth in 49 U.S. Code §§ 60101- 60143 (49 CFR 190 – 199, predominately 49 CFR 192). Utilities, as part of a Colorado home rule city, operates under a state constitutional exemption from COPUC enforcement. Therefore, as of 2023, the U.S. Pipeline and Hazardous Materials Administration ("PHMSA") assumed responsibility for the enforcement of COPUC investigations. In accordance with this, PHMSA conducted a review of the previous COPUC investigations, and specifically the 2022 COPUC investigation, and issued a Notice of Proposed Safety Order ("NOPSO") to Utilities on October 21, 2024. The NOPSO included preliminary findings of noncompliance with three PHMSA standards. The NOPSO requested that Utilities submit a remedial work plan and leak mitigation plan to address the issues raised. Utilities reviewed the NOPSO, created draft plans, and then met with PHMSA on November 14 and 21, 2024 to discuss Utilities' draft plans. Utilities Board considered Utilities' proposed plans at its January 22, 2025 regular meeting. PHMSA and Utilities entered into a consent order effective September 30, 2025. The consent order, will accelerate Utilities' current natural gas Distribution Integrity Management Program (DIMP). Utilities is committed to gas system improvements to address compliance with federal pipeline safety standards and is also working to improve its documentation for its gas compliance program.

#### **REGULATORY MATTERS**

Utilities is subject to regulation by the City Council with respect to rates charged for services, budgeting, accounting, and other matters pertaining to regulated operations. As such, Utilities applies the provision of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62").

Effective December 31, 2009, Utilities received approval to recognize a regulatory asset for SDS mitigation, engineering, and design expenditures specific to the monetary mitigation requirements of the Pueblo County 1041 permit, certain NEPA mitigations as required by the Bureau and Fremont County Mitigation that do not meet Utilities' capitalization requirements and would otherwise be expensed as incurred. The remaining unamortized balance of the regulatory asset was \$15,615,263 and \$21,733,874 as of December 31, 2025 and 2024, respectively.

Effective December 31, 2012, Utilities received the City Council's approval to recognize debt issuance costs as a regulatory asset in accordance with GASB 62. In 2025 and 2024, additional debt issuance costs were \$3,335,044 and \$2,021,731, respectively. Debt issuance costs are amortized over the life of the bonds using the straight-line method and the expense is reported as other expense on the Statements of Revenues, Expenses, and Changes in

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

Net Position. The remaining unamortized balance was \$19,905,225 and \$19,766,750 as of December 31, 2025 and 2024, respectively.

Effective December 31, 2023, Utilities received the City Council's approval to recognize a regulatory asset for the Drake decommissioning and obsolete inventory expenses that do not meet Utilities' capitalization requirements and would otherwise be expensed as incurred. The remaining unamortized balance was \$17,629,962 and \$19,743,369 as of December 31, 2025 and 2024, respectively.

**NOTE 18 - TRANSFERS TO AND FROM THE CITY OF COLORADO SPRINGS**

Utilities provides for surplus payments to the City, in lieu of taxes, based on a fixed rate per kWh (Kilo-watt hour) of electricity, Mcf (one-thousand cubic feet) at 14.65 psi of natural gas delivered and cf (cubic feet) of water delivered within the City limits, without exclusion for interdepartmental deliveries. The payments are recorded as Transfers out - surplus payments to the City on the Statements of Revenues, Expenses, and Changes in Net Position. In addition, Utilities provides for other transfers when they enter into approved special contracts for water-related services that include a premium on fees and rates that benefit Utilities' ratepayers, fifty percent of the premium includes a surplus revenue and may be appropriated to the general revenues of the City by the City Council in the annual budget and Appropriation Ordinance pursuant to the City Charter. At December 31, the amount of Transfers on the Statements of Revenues, Expenses, and Changes in Net Position:

|                                              | 2025             | 2024             |
|----------------------------------------------|------------------|------------------|
|                                              | (in thousands)   |                  |
| <b>Transfers</b>                             |                  |                  |
| Transfers Out - Surplus Payments to the City |                  |                  |
| Electric                                     | \$ 24,621        | \$ 25,022        |
| Natural Gas                                  | 7,756            | 8,365            |
| Water                                        | 2,435            | 2,499            |
| <b>Total Transfers to the City</b>           | <u>\$ 34,812</u> | <u>\$ 35,886</u> |

**NOTE 19 - COMPONENT UNITS AND JOINT VENTURES**

**COMPONENT UNITS - CITY**

Utilities is a participant in PACE, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority, and the Canal and Reservoir Companies. Each of these entities is treated as a component unit of the City for financial reporting purposes.

**Public Authority for Colorado Energy** - In June 2008, the City contracted to purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction with Merrill Lynch Commodities, Inc., Bank of America Corporation, and Royal Bank of Canada that is financed by PACE non-recourse revenue bonds. PACE is obligated to pay the principal and interest on the PACE bonds. Utilities is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index price minus a predetermined discount and is not obligated to make payments in respect to debt service on the PACE bonds.

**Fountain Valley Authority** - The Fountain Valley Authority constructed a water treatment plant with 18,000,000 gallons per day capacity approximately 17 miles south of the City. Utilities acts as operator of the plant under contract with the Fountain Valley Authority. Utilities is entitled to receive approximately 71.4% of the water treated at the Fountain Valley Authority plant. The remaining water is available to the other Fountain Valley Authority participants, which include the City of Fountain, the Security Water District, the Stratmoor Hills Water

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

District, and the Widefield Water and Sanitation District, each of which owns and operates a water distribution system.

Under the applicable long-term contracts relating to the Fountain Valley Authority, Utilities is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the Bureau for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain Valley Authority participants.

**Aurora-Colorado Springs Joint Water Authority** - The Aurora-Colorado Springs Joint Water Authority has constructed a 66-inch diameter pipeline from the Twin Lakes Dam, which is located approximately 12 miles south of Leadville, Colorado, to connect with the Otero Pumping Station intake pipeline located approximately 10 miles north of Buena Vista, Colorado. Utilities has a 66.7% participation share in the Aurora-Colorado Springs Joint Water Authority's project. This share was determined by the parties on the basis of their projected pumping demands, but no provision is made in the Aurora-Colorado Springs Joint Water Authority contracts for adjustments in participation shares if actual pumping demands differ from these projections. Therefore, it is possible that the transmission service charges to be paid by Utilities will be disproportionate to the water transmission service that Utilities is using during a particular time period.

**Canal and Reservoir Companies** - Utilities has interest ranging from 51.9% to 77.2% in four canal and reservoir companies, which include The Twin Lakes Reservoir and Canal Company, The Lake Meredith Reservoir Company, The Colorado Canal Company and The Lake Henry Reservoir Company. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging, and delivery of Utilities' water supply.

Pursuant to GASB Statement No. 90, *Majority Equity Interests*, Utilities' performed an assessment of its investments which represent majority equity interests and determined that there are no material investment interests as of December 31, 2025 and 2024. An annual assessment is performed and any future material interests will be recorded in the period they are identified.

#### **JOINT VENTURE**

**Young Gas Storage Company, Ltd. ("Young")** - Utilities has an equity interest of 5.0% in this joint venture. Young is a Colorado Limited Partnership organized on June 30, 1993, to develop and operate a natural gas storage system near Fort Morgan, Colorado. Young's natural gas storage system consists of 38 natural gas storage facility wells, a 6,000 horsepower compressor station, a natural gas processing plant, eleven miles of 20-inch transmission line, and four miles of storage gathering line.

The net investment in Young reported on the Statements of Net Position as of December 31:

| December 31, | Amounts<br>Invested | Undistributed<br>Net Earnings<br>(in thousands) | Utilities'<br>Investments |
|--------------|---------------------|-------------------------------------------------|---------------------------|
| 2025         | \$ 500              | \$ 152                                          | \$ 652                    |
| 2024         | 500                 | 211                                             | 711                       |

**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2025 and 2024

**NOTE 20 - ASSET RETIREMENT OBLIGATIONS**

Utilities records asset retirement obligations (“ARO”) for its solid waste impoundments when a decommission date for a tangible capital asset it’s related to is known. Utilities recognized AROs for Ray Nixon Power Plant 1’s four solar evaporation ponds, one equalization basin, one southwest pond and one northwest pond, that according to the Colorado Department of Public Health and Environment (CDPHE’s) Regulations Pertaining to Solid Waste Sites and Facilities (6 CCR 1007-2, Part 1, Section 9) require closure plan implementation when an impoundment is taken out of service.

The measurement of the ARO was based on the best estimate of the current value of outlays expected to be incurred and was provided by Utilities’ environmental engineering staff and adjusted annually for inflation. The associated costs are being amortized over the remaining useful life of Nixon 1, which is the decommissioning date of December 31, 2029. The ARO deferred outflows were \$5,059,451 and \$5,511,667 as of December 31, 2025 and 2024, respectfully.

**NOTE 21 - SUBSEQUENT EVENTS**

**Rate Changes** - On October 28, 2025 City Council approved changes to the Electric Rate Schedules effective January 1, 2026 and April 1, 2026. In addition, changes to Utilities Rules and Regulations (URRs) were approved effective January 1, 2026.

**Legal Settlement** - Utilities and ADB Companies, LLC agreed to settle the case which is detailed in Note 17. City Council approved the settlement on January 13, 2026.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**COLORADO SPRINGS UTILITIES**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 COLORADO PERA LOCAL GOVERNMENT DIVISION TRUST FUND  
 For the Years Ended December 31,  
 (Unaudited)

**SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

| Year | Proportion<br>of the Net<br>Pension<br>Liability (Asset) | Proportionate<br>Share<br>of the Net<br>Pension<br>Liability (Asset) | Covered<br>Payroll<br>(in thousands) | Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset) as<br>a<br>Percentage of<br>Covered Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage<br>of the Total<br>Pension<br>Liability (Asset) |
|------|----------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 2025 | 23.2 %                                                   | \$ 142,347                                                           | \$ 226,839                           | 62.8 %                                                                                                        | 90.5 %                                                                                            |
| 2024 | 22.9                                                     | 167,955                                                              | 203,898                              | 82.4                                                                                                          | 88.0                                                                                              |
| 2023 | 22.9                                                     | 229,437                                                              | 189,074                              | 121.3                                                                                                         | 83.0                                                                                              |
| 2022 | 23.5                                                     | (20,171)                                                             | 176,404                              | (11.4)                                                                                                        | 101.5                                                                                             |
| 2021 | 23.5                                                     | 122,379                                                              | 172,897                              | 70.8                                                                                                          | 90.9                                                                                              |
| 2020 | 23.5                                                     | 172,137                                                              | 162,454                              | 106.0                                                                                                         | 86.3                                                                                              |
| 2019 | 24.3                                                     | 305,276                                                              | 158,984                              | 192.0                                                                                                         | 76.0                                                                                              |
| 2018 | 24.2                                                     | 269,286                                                              | 153,008                              | 176.0                                                                                                         | 79.4                                                                                              |
| 2017 | 25.6                                                     | 345,491                                                              | 149,251                              | 231.5                                                                                                         | 73.6                                                                                              |
| 2016 | 25.3                                                     | 278,733                                                              | 143,704                              | 194.0                                                                                                         | 76.9                                                                                              |

**SCHEDULE OF UTILITIES' PENSION CONTRIBUTIONS**

| Year | Statutorily<br>Required<br>Contributions | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess)<br>(in thousands) | Utilities<br>Covered<br>Payroll | Contributions<br>as a Percentage<br>of Covered<br>Payroll |
|------|------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------|-----------------------------------------------------------|
| 2025 | \$ 33,921                                | \$ 33,921                                                                       | \$ -                                                     | \$ 245,981                      | 13.8 %                                                    |
| 2024 | 31,213                                   | 31,213                                                                          | -                                                        | 226,839                         | 13.8                                                      |
| 2023 | 28,016                                   | 28,016                                                                          | -                                                        | 203,898                         | 13.7                                                      |
| 2022 | 25,459                                   | 25,459                                                                          | -                                                        | 189,074                         | 13.5                                                      |
| 2021 | 23,285                                   | 23,285                                                                          | -                                                        | 176,404                         | 13.2                                                      |
| 2020 | 22,348                                   | 22,348                                                                          | -                                                        | 172,897                         | 12.9                                                      |
| 2019 | 20,599                                   | 20,599                                                                          | -                                                        | 162,454                         | 12.7                                                      |
| 2018 | 20,159                                   | 20,159                                                                          | -                                                        | 158,984                         | 12.7                                                      |
| 2017 | 19,401                                   | 19,401                                                                          | -                                                        | 153,008                         | 12.7                                                      |
| 2016 | 18,925                                   | 18,925                                                                          | -                                                        | 149,251                         | 12.7                                                      |

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 COLORADO PERA HEALTH CARE TRUST FUND  
 For the Years Ended December 31,  
 (Unaudited)

**SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY\***

|      | Proportion<br>of the Net<br>OPEB |    | Proportionate<br>Share<br>of the Net | Covered -<br>Employee     | Proportionate<br>Share of the<br>Net OPEB<br>Liability as a<br>Percentage of<br>Covered<br>Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage<br>of the Total |  |
|------|----------------------------------|----|--------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--|
| Year | Liability                        |    | OPEB Liability                       | Payroll<br>(in thousands) | Payroll                                                                                            | OPEB Liability                                                    |  |
| 2025 | 1.8 %                            | \$ | 8,733                                | \$ 226,839                | 3.8 %                                                                                              | 59.8 %                                                            |  |
| 2024 | 1.8                              |    | 12,888                               | 203,898                   | 6.3                                                                                                | 46.2                                                              |  |
| 2023 | 1.8                              |    | 15,000                               | 189,074                   | 7.9                                                                                                | 38.6                                                              |  |
| 2022 | 1.8                              |    | 15,714                               | 176,404                   | 8.9                                                                                                | 39.4                                                              |  |
| 2021 | 1.8                              |    | 16,993                               | 172,897                   | 9.8                                                                                                | 32.8                                                              |  |
| 2020 | 1.8                              |    | 20,243                               | 162,454                   | 12.5                                                                                               | 24.5                                                              |  |
| 2019 | 1.9                              |    | 25,620                               | 158,984                   | 16.1                                                                                               | 17.0                                                              |  |
| 2018 | 1.9                              |    | 24,423                               | 153,008                   | 16.0                                                                                               | 17.5                                                              |  |

**SCHEDULE OF UTILITIES' OPEB CONTRIBUTIONS\***

|      | Statutorily<br>Required<br>Contributions | Contributions<br>in relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | Utilities<br>Covered<br>Payroll | Contributions<br>as a Percentage<br>of Covered<br>Payroll |  |
|------|------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------|---------------------------------|-----------------------------------------------------------|--|
| Year |                                          |                                                                                 | (in thousands)                         |                                 |                                                           |  |
| 2025 | \$ 2,509                                 | \$ 2,509                                                                        | \$ -                                   | \$ 245,981                      | 1.0 %                                                     |  |
| 2024 | 2,314                                    | 2,314                                                                           | -                                      | 226,839                         | 1.0                                                       |  |
| 2023 | 2,080                                    | 2,080                                                                           | -                                      | 203,898                         | 1.0                                                       |  |
| 2022 | 1,928                                    | 1,928                                                                           | -                                      | 189,074                         | 1.0                                                       |  |
| 2021 | 1,799                                    | 1,799                                                                           | -                                      | 176,404                         | 1.0                                                       |  |
| 2020 | 1,764                                    | 1,764                                                                           | -                                      | 172,897                         | 1.0                                                       |  |
| 2019 | 1,657                                    | 1,657                                                                           | -                                      | 162,454                         | 1.0                                                       |  |
| 2018 | 1,622                                    | 1,622                                                                           | -                                      | 158,984                         | 1.0                                                       |  |

\*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
REQUIRED SUPPLEMENTARY INFORMATION  
UTILITIES' SINGLE-EMPLOYER OPEB PLAN  
For the Years Ended December 31,  
(Unaudited)

**SCHEDULE OF CHANGES IN UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS\***

|                                                                  | 2025           | 2024      | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      |
|------------------------------------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                                                  | (in thousands) |           |           |           |           |           |           |           |
| <b>Total OPEB Liability</b>                                      |                |           |           |           |           |           |           |           |
| Beginning balance                                                | \$ 13,151      | \$ 13,317 | \$ 16,693 | \$ 17,448 | \$ 21,179 | \$ 19,228 | \$ 21,624 | \$ 21,390 |
| Changes for the year:                                            |                |           |           |           |           |           |           |           |
| Service cost                                                     | 1              | 1         | 1         | 7         | 12        | 11        | 23        | 20        |
| Interest                                                         | 412            | 474       | 29        | 357       | 565       | 764       | 723       | 786       |
| Changes of benefit terms                                         | -              | -         | -         | -         | -         | -         | -         | -         |
| Differences between expected and actual experience               | 327            | -         | (95)      | -         | (5,151)   | (492)     | (511)     | (93)      |
| Changes of assumptions or other inputs                           | (840)          | 498       | (2,139)   | 100       | 1,988     | 2,877     | (1,389)   | 785       |
| Benefit payments                                                 | (1,041)        | (1,139)   | (1,172)   | (1,219)   | (1,145)   | (1,209)   | (1,242)   | (1,264)   |
| Net changes                                                      | (1,141)        | (166)     | (3,376)   | (755)     | (3,731)   | 1,951     | (2,396)   | 234       |
| Ending balance                                                   | \$ 12,010      | \$ 13,151 | \$ 13,317 | \$ 16,693 | \$ 17,448 | \$ 21,179 | \$ 19,228 | \$ 21,624 |
| Covered-employee Payroll                                         | \$ 487         | \$ 476    | \$ 667    | \$ 1,219  | \$ 1,183  | \$ 2,207  | \$ 3,530  | \$ 5,683  |
| Total OPEB Liability as a percentage of covered-employee payroll | 2466.1%        | 2762.7%   | 1996.6%   | 1369.4%   | 1474.9%   | 959.6%    | 544.7%    | 380.5%    |

\*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

**SIGNIFICANT CHANGES IN PLAN PROVISIONS, ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION (MEASUREMENT DATE)**

***COLORADO PERA LOCAL GOVERNMENT DIVISION TRUST FUND***

***2024 Changes in Plan Provisions, Assumptions or Other Inputs Since 2023***

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$486 and \$20, respectively.

***2023 Changes in Plan Provisions, Assumptions or Other Inputs Since 2022***

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000 payment received on December 4, 2023 and a \$2,000 receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$24,967 and \$1,033, respectively.

***2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021***

- HB 22-1029, effective upon enactment in 2022, requires the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars) with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190 million (actual dollars) to \$35 million (actual dollars) due to a negative investment return in 2022.
- The total pension liability for the Local Government Division, as of the December 21, 2022, measurement date, as adjusted to reflect the disaffiliation as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date

***2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020***

- Member contribution rates increased by 0.50%
- Employer contribution rates increased by 0.50%
- Annual increase ("AI") cap is lowered from 1.25% per year to 1.00% per year

***2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019***

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

***2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018***

- Senate Bill (SB) 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision (AAP). The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
  - Member contribution rates increase by 0.50%
  - Employer contribution rates increase by 0.50%
  - AI cap is lowered from 1.50% per year to 1.25% per year.
- House Bill (HB) 19-1217, enacted May 20, 2019, repealed the member contribution increases scheduled for the Local Government Division pursuant to SB 18-200.

***2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017***

The following changes were made to the plan provisions as part of SB 18-200:

- Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020 and an additional 0.50% effective July 1, 2021.
- Annual Increase (AI) cap is lowered from 2.00% per year to 1.50% per year.
- Initial AI waiting period is extended from one year after retirement to three years after retirement.
- AI payments are suspended for 2018 and 2019.
- The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the Local Government Division.

***2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016***

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

***2016 Changes in Plan Provisions, Assumptions or Other Inputs Since 2015***

- The Investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The post-retirement mortality assumption for healthy lives was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73.0% factor applied to ages below 80 and a 108.0% factor applied to age 80 and above, projected to 2018, for males and a 78.0% factor applied to ages below 80 and a 109.0% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90.0% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.
- The rates of retirement, withdrawal and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35% to 0.40%.
- The single equivalent interest rate was lowered from 7.50% to 7.25%, reflecting the change in the long-term expected rate of return.

***COLORADO PERA HEALTH CARE TRUST FUND***

***2024 Changes in Plan Provisions, Assumptions or Other Inputs Since 2023***

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$486 and \$20, respectively.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

***2023 Changes in Plan Provisions, Assumptions or Other Inputs Since 2022***

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000 payment received on December 4, 2023 and a \$2,000 receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1,033 and \$ 24,967, respectively.

***2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021***

- The total OPEB liability for the Health Care Trust Fund (HCTF), as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S §24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

***2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020***

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

***2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019***

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to a generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.
- Health care cost and trend assumptions were updated for December 31, 2019 funding valuation and reflected in the TOL as of the December 31, 2020 measurement date.

***2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018***

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

***2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017***

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

***2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016***

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

***UTILITIES' SINGLE-EMPLOYER OPEB PLAN***

***2024 Changes in Assumptions or Other Inputs Since 2023***

- The discount rate was updated from 3.26% to 4.08%
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2024

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

***2023 Changes in Assumptions or Other Inputs Since 2022***

- The discount rate was updated from 3.72% to 3.26%

***2022 Changes in Assumptions or Other Inputs Since 2021***

- The discount rate was updated from 2.06% to 3.72%
- The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study.
- None of the termination of retirement probabilities were updated as a new experience study has not been created since 2020 for the CoPERA valuation.

***2021 Changes in Assumptions or Other Inputs Since 2020***

- The discount rate was updated from 2.12% to 2.06%
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2021.

***2020 Changes in Assumptions or Other Inputs Since 2019***

- The discount rate was updated from 2.74% to 2.12%.
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2020.
- The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to Pub-2010 mortality table with generational scale MP-2020 to reflect the Society of Actuaries' recent mortality study.
- Trend rates were reset to 6.25% grading down by 0.25% to 4.0%. The Part B premium ultimate rate used was changed to 4.0%.

***2019 Changes in Assumptions or Other Inputs Since 2018***

- The discount rate decreased from 4.10% to 2.74% based on changes in the 20-year municipal bond rate.
- The future trend rates on the PERA premiums were lowered.

***2018 Changes in Assumptions or Other Inputs Since 2017***

- The discount rate increased from 3.44% to 4.10%, based on changes in the 20-year municipal bond rate.
- Future trend rates for PERA and Medicare Part B premiums were updated.

***2017 Changes in Assumptions or Other Inputs Since 2016***

- The discount rate decreased from 3.78% to 3.44%, based on changes in the 20-year municipal bond rate.

The accompanying notes are an integral part of the Required Supplementary Information.



**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**Independent Auditors' Report**

To the Audit Committee of  
Colorado Springs Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Colorado Springs Utilities', an enterprise fund of the City of Colorado Springs, Colorado, which comprise the statement of net position as of December 31, 2025, and the statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Colorado Springs Utilities' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colorado Springs Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Springs Utilities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colorado Springs Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
April 8, 2026

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO**

**IN THE MATTER OF THE APPLICATION )  
OF COLORADO SPRINGS UTILITIES FOR )  
AN ORDER GRANTING TO IT A ) DOCKET NO. 26A-\_\_\_\_FEG  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO EXERCISE )  
FRANCHISE RIGHTS IN THE CITY OF )  
MANITOU SPRINGS, COLORADO. )**

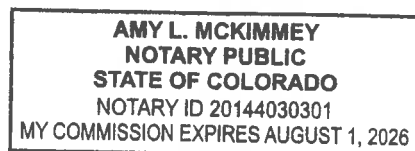
**AFFIDAVIT OF SOMER A. MESE  
ON BEHALF OF COLORADO SPRINGS UTILITIES**

I, Somer A. Mese, being duly sworn, do hereby depose and state that I am Chief Operations Officer of Colorado Springs Utilities; that I have read the foregoing Verified Application and supporting exhibits; that I am authorized to act on behalf of Colorado Springs Utilities; and that all statements made in the Verified Application are true, accurate, and correct to the best of my knowledge.

Dated at Colorado Springs, Colorado, this 6<sup>th</sup> day of May, 2026.

  
\_\_\_\_\_  
Somer A. Mese  
Chief Operations Officer  
Colorado Springs Utilities  
121 S. Tejon Street, 5<sup>th</sup> Floor  
Colorado Springs, CO 80903

Subscribed and sworn to before me this 6<sup>th</sup> day of May, 2026.



  
\_\_\_\_\_  
Notary Public

My Commission expires 8/1/2026

## THE CHARTER OF THE CITY OF COLORADO SPRINGS

### HISTORICAL NOTE

On May 11, 1909 Colorado Springs electors, pursuant to the home rule provisions of Article XX of the State Constitution, adopted the Charter of the City of Colorado Springs. The original Charter created a commission form of government for the City. The legislative functions were vested in a City Council consisting of the Mayor and four at-large City Councilmembers. The Mayor was granted a salary of \$3,600 per year, and each City Councilmember was granted a salary of \$2,000 per year. The executive and administrative functions were vested in five departments: Water and Water Works; Finance; Public Safety; Public Works and Property; and Public Health and Sanitation. The Mayor was designated as Commissioner of the Department of Water and Water Works, and the City Council was required to designate one City Councilmember to be commissioner of each of the other departments. This latter provision was amended on April 1, 1913 to provide for the selection at general elections of City Councilmembers as commissioners.

The Charter provided that the Mayor was to be the Chief Executive Officer of the City. Upon the recommendation of the commissioner of the appropriate department, the Mayor appointed the heads of such departments and all other employees of the City. The Mayor was further empowered to suspend or remove any officer or employee in the public interest. The Charter allowed the Mayor to veto any or every item contained in appropriation ordinances, but such veto could be overridden by vote of four City Councilmembers (in effect, the entire City Council exclusive of the Mayor).

The Charter was substantially amended on July 6, 1920 to provide for a City Council-City Manager form of government in lieu of the previous commission form. The amended Charter provided for nine City Councilmembers to be elected at large for staggered six-year terms. City Council was required to elect biennially one of its members as president and another as vice-president. The president was required to preside at City Council meetings and had a voice and vote therein but no veto. He could use the title of Mayor but had little power except in times of public emergency. All members of City Council were required to serve without compensation.

Another 1920 amendment created the office of City Manager, who was to be employed by the City Council as the executive of the City. The City Manager was granted broad powers and duties, including the right to exercise the power and authority of the commissioner or head of any of the five departments originally created in 1909. Thus, the City Manager rather than individual City Councilmembers performed the functions of department commissioners as prescribed by the unamended portions of the Charter. The 1920 amendment also granted to discharged City Police and Fire Department employees the right to a hearing before the Civil Service Commission.

At a Special Election held on January 24, 1922, the Charter was amended to provide for the submission of the question of issuing bonds to a vote of the qualified taxpaying electors. However, in *Pike v. School District No. 11 in El Paso County*, 172 Colo. 413, 474 P.2d 162 (1970), the Colorado Supreme Court ruled that a state statute limiting the right to vote to taxpaying electors was unconstitutional. The Charter provision was therefore amended in 1977 to delete the requirement that an elector in bond issue elections must have paid a property tax within the City. See also, *Karok v. City and County of Denver*, 176 Colo. 406, 490 P.2d 936 (1971).

The Charter was amended again on April 5, 1927. This amendment expanded the election provisions of the Charter, and it included a provision for the registration of electors for municipal elections at the office of the City Clerk.

The Department of Utilities was created by an amendment to the Charter approved by Colorado Springs voters on April 4, 1939. The amendment provided for the manner of handling the funds and accounts of that department. On April 1, 1947 the Charter was amended to replace the Park Commission with a Department of Parks and Recreation, to be subject to the control of City Council. An amendment allowing the formation of a combined City-County Health Department was approved on April 5, 1949. On April 3, 1951 a definition of "taxpaying electors" and "city taxes" was added, and on April 5, 1959 a provision defining the terms "qualified electors" was inserted. Amendments to the Charter which were approved on April 4, 1961 included an expansion to the provisions concerning the vacancy of the offices of elected officials; a provision allowing the City to take up the last one-fifth of public improvement district bonds; and a section allowing the 1947 Public Library Law to govern public libraries in Colorado Springs. On April 12, 1963 the Charter was again amended to allow City Council to prescribe the method for registration of electors and authorizing the use of voting machines. The limitation on the City's indebtedness was increased from three percent to ten percent on April 6, 1965. The Charter was further amended on April 4, 1967 to allow recreational use of a portion of the City's Northfield and North Slope watersheds.

In April 1969 Colorado Springs electors approved two amendments to the Charter relating to the election of City Councilmembers. First, the term of City Councilmembers was reduced from six years to four years. Secondly, provision was made for the election of four district City Councilmembers and five at-large City Councilmembers, thereby eliminating the former section which provided that all nine were to be elected at large.

On April 1, 1975 the Charter was amended to provide for the popular election of the Mayor. Thus, City Council would consist of four at-large City Councilmembers, four district City Councilmembers, and a popularly elected Mayor. Another amendment adopted in 1975 expanded the vacancy and forfeiture provisions relating to the offices of Mayor, vice-Mayor and City Councilmembers. Also, a section was added to the Charter providing for the City's joint cooperation with other governmental units and for its participation with the private sector in the development of energy or water resources.

On April 5, 1977 the Charter was amended by adding a so-called "safe-seat" provision which required any elected officer running for an elective City office, other than that currently held by him or her, to give a notice of intent to so run at least sixty

days prior to the next election. Once the notice of intent is given and not withdrawn at least sixty-one days prior to the election, the office currently held is automatically vacated on the third Tuesday in April following the election.

In this same election, the five administrative departments originally created by the 1909 Charter were abolished, providing instead that City Council by ordinance may establish departments, divisions, offices or agencies and prescribe the functions thereof, other than those already provided for in the Charter. Another amendment abolished the Police Court and created a Municipal Court, its practice and procedure set forth by Colorado law, Colorado Supreme Court rules and City ordinances.

On April 3, 1979 several amendments to the Charter were approved by Colorado Springs electors. Included was a substantial revision of the Charter's election provisions. Sections relating to registration, form of ballots and the like were deleted, and a provision was substituted enabling City Council to regulate these matters by ordinance. Former Section 85(f), which defined a "qualified elector" as an elector qualified to vote in the City and registered to vote, was deleted. A Colorado Supreme Court decision held that requiring registration as a prerequisite to qualification as an elector was unconstitutional. See *Francis v. Rogers*, 182 Colo. 430, 514 P.2d 311 (1973). See also, *Valdez v. Election Commission of City and County of Denver*, 184 Colo. 384, 521 P.2d 165 (1974); *Benson v. Election Commission*, 62 Colo. 206, 161 P. 295 (1916).

Another 1979 amendment to the Charter completely revised the recall, initiative and referendum provisions so as to ensure their compliance with Articles V and XXI of the Colorado Constitution. A Colorado Supreme Court decision had held that the delegation to municipalities of the power to regulate recall elections under Colo. Const. Art. XXI, sect. 4, was limited to procedural matters and substantive provisions not in conflict with the State Constitution. *Berzen v. City of Boulder*, 186 Colo. 81, 525 P.2d 416 (1974). See also, *Shroyer v. Sokol*, 191 Colo. 32, 550 P.2d 309 (1976). The 1979 revision to the recall, initiative and referendum provisions was therefore an attempt to comply with applicable provisions of the State Constitution pursuant to the dictates of the Colorado Supreme Court.

The 1979 amendment also added Section 145(a) providing for the removal of striking City employees and requiring all City employees to make an oath declaring that they will not participate in any manner in a strike against the City. In September 1979, a strike of City employees did occur and because of very strict interpretations placed upon Section 145(a) by an unsympathetic court, it was found as a practical matter that Section 145(a) in its original version was unenforceable. The section was further amended by Colorado Springs electors on February 19, 1980, eliminating most of the procedural requirements used by the court to hamper the City in its efforts to deal with the striking employees.

Another 1980 amendment adopted by the electors provided that division of the City into election districts shall take place at least 120 and not more than 150 days before any City election at which district City Councilmembers are to be elected. The previous Charter provision had required such districting to take place within 120 days after receipt of the United States decennial census for the City.

In the April 1985 Election, eleven proposed amendments to the Charter were considered. Four amendments were passed, including the granting of a fifteen-year non-exclusive franchise to Citizens Cable. Among the defeated proposals were amendments to allow City Council to issue water bonds without voter approval; to lease City property to other governmental entities for up to a 99-year term, or to issue sales and use tax bonds solely for capital improvements; a proposal limiting to 90 days the time in which to file petitions for initiated ordinances; and an amendment establishing salaries for Mayor and City Councilmembers. Later that same year, in August, the leasing proposal was again defeated. Two other proposed amendments were passed in this second Election of 1985, giving the City Clerk thirty days to count signatures in recall, referendum and initiative petitions, and requiring petitions for initiated ordinances to be filed within 180 days of issuance by the Clerk.

Until 1987, Section 4 of the Charter established a five-year residency requirement for Mayoral and City Councilmember candidates. This five-year requirement was declared unconstitutional. See *Bird v. City of Colorado Springs*, 181 Colo. 141, 506 P.2d 1099 (1973). The state's Municipal Election Code provides a one-year (12 consecutive months) residency requirement, which the Supreme Court upheld in *Cowan v. City of Aspen*, 181 Colo. 386, 509 P.2d 1269 (1973). As a home rule city, Colorado Springs' own Charter would normally overrule the state provision; however, as the City's five-year requirement had been invalidated by the court, the state's one-year requirement arguably applied to candidates for municipal office in Colorado Springs. In spite of this, electors turned down proposed amendments in 1977 and 1985 which would have reduced the residency requirement to one year. Finally, in 1987 electors brought the Charter into conformity with the court's view and the state statute by approving an amendment establishing the one-year residency requirement for Mayoral and City Councilmember candidates.

In addition to the reduction in the residency requirements just discussed, the 1987 Election amended the Charter by providing a method for filling a vacancy in the office of Mayor. Electors also approved an amendment which terminated the Surplus-Deficiency Fund for improvement district bonds pursuant to the Federal Tax Reform Act of 1986 and an amendment which allowed leasing of City property by City Council to other governmental entities for up to 99 years -- excepting park property. Once again, salaries for Mayor and City Councilmembers were turned down.

In 1989 electors considered three proposed amendments to the Charter. Approved were provisions for filling City Councilmember vacancies and for publishing ordinances in newspapers of either general or limited circulation. A proposal to allow City Council to grant franchises without voter approval was again defeated.

In April 1991 City voters were faced with five Charter amendment proposals, all of which passed. Two were "housekeeping" matters, making all references to City Councilmembers gender-neutral and amending references to the Department of Utilities to simply "Utilities." The other three amendments, however, generated some controversy. One amendment limited the Mayor and City Councilmembers to two consecutive terms. The other two amendments limited taxation powers of the City: Amendment 3 required voter approval in advance for any new tax, rate increase, higher mill levy, tax extension, or

termination of tax exemptions, or any change in the City's tax policy that would result in a net gain to the City in revenue, and further, it limited fiscal year spending according to a prescribed formula; Amendment 4 limited the general City property tax to 7 mills in 1991 and phased out sales and use taxes on utility and telecommunications services, and phased out the 5% capital improvement sales and use tax beginning in 1993, and further limited the sales and use tax rate to 2% unless raised by voters or by a declared emergency.

Voters were faced with eleven ballot questions in the April 1993 Election. Only two measures were defeated, one to maintain the City's sales tax at .5% for capital improvements, and the other to pay the Mayor and City Councilmembers an annual salary. Among the significant measures passed were an annual goals-setting session for City Council; a limitation on special district debt; a requirement that circulators of city recall, initiative and referendum petitions be registered electors of the City; and an open meetings law that meets state requirements. Voters also changed the number of City Councilmember votes, from two-thirds to a majority, needed to remove the City Manager, and added a new section to the Charter making the Utilities Director an appointee of City Council instead of an employee selected and managed by the City Manager.

The April 1995 Election proposed six Charter issues, four of which were approved. One amendment provided that every legislative and administrative officer of the City and all other employees required by law shall be required to take an oath or affirmation to support the Constitution of the United States, Constitution of the State of Colorado, and the City of Colorado Springs Charter. An annual stipend of \$6,250 was approved for City Councilmembers. The Manager of Utilities was authorized to designate the utilities departments with the approval of City Council, and provisions were made that City Council shall not sell, convey or lease all or any substantial part of the property of Utilities without an affirmative vote of the electors, excepting those transactions that occur in the ordinary course of business.

The April 1997 Election proposed one Charter issue, which voters approved. The amendment gave the Civil Service Commission the authority to classify employment in the Police and Fire Departments and to determine selection processes as to fitness and eligibility of candidates for employment.

In the Coordinated Election of November 2, 1999, Colorado Springs voters considered three Charter amendment proposals. The first sought to amend section 7-90(c)(2) to provide that the local TABOR election notices have the same form and substance as the state constitutional TABOR provisions. The second proposed to amend Charter section 12-30(b) by requiring that petition circulators be City residents and by deleting the requirement that they be registered voters. Finally, the third proposal would have changed the title of Charter section 14-40 from "Continuation" to "Discharges or Reduction in Grade" and would have provided that appeal hearings held by the City's Civil Service Commission be limited to an examination of the administrative hearing record below and oral argument, in lieu of de novo review. All three measures were defeated by sizable margins.

The General Municipal Election held on November 7, 2000 presented three local referendum issues to city voters: (1) whether Adelphia Cable Communications should receive a nonexclusive cable television franchise for at least 10 years but not more than 15; (2) whether Wideopenwest Colorado should receive a similar franchise; and (3) whether the revenues generated for the City from these franchise agreements be exempt from TABOR fiscal year spending limitations. The vote was to approve both franchises but to keep franchise revenues subject to TABOR provisions in the Charter.

In the April 3, 2001 Municipal Election, one major and fairly controversial measure (but not a Charter issue) faced voters. Known as "SCIP '01," the referendum asked voters to approve a 9% sales and use tax to fund certain enumerated capital improvements City-wide, including street construction and maintenance, traffic improvements, drainage, and recreation facilities, as well as public safety personnel, equipment and operational needs. The measure failed.

Of seven questions before voters in the following November 6, 2001 Election, only one involved the Charter. That proposed amendment sought to align the mailing of notices for City TABOR elections with the state's constitutional provision, thus saving the City a significant amount of money and duplication of effort. The voters approved this measure, but voted down all but one of the remaining six issues before them, which sought funding for various capital improvement programs including transportation, stormwater, Platte/Chelton intersection improvements, police and fire, public works equipment and road maintenance, and parks and recreation projects. The measure known as B-4 for police and fire was the only one of these to pass.

In the Municipal Election of April 5, 2005, three of five Charter proposals passed. One measure prevents any planning, building, funding or financing of a convention center without prior voter approval. A second requires City Council to maintain a strategic plan prioritizing City goals and establishing measurable outcomes, including the comprehensive plan and a five-year capital improvements plan. This measure also requires an annual "State of the City" report to be made to citizens by the Mayor. The third requires the City budget to include City Council stipends and expenses, to declare the amount of money required to fund the budget, and to apportion the City budget among the general City, utilities and hospital funds based on a City Council-determined allocation methodology. The two Charter proposals rejected by voters included a pay raise for Mayor and City Councilmembers and an elimination of the 30-word limitation on tax and bonded-debt ballot titles.

The General Municipal Election of April 7, 2009, resulted in the passage of one Charter proposal which amended Article VII, Section 7-90(b)(5) of the Charter of the City of Colorado Springs as it related to the definition of "Enterprise". The measure amended the prior enterprise definition in the Charter to the same enterprise definition as provided by the Colorado Constitution. The amendment to the definition provided the enterprises of the City to apply for federal grants and federal funds.

The General Municipal Election held on November 2, 2010 proposed a substantial change from the City Council-Manager form of government that voters had instituted on July 6, 1920, to provide for a City Council-Mayor form of government. The amended Charter now provides for the election of a new fifth at-large City Councilmember so that City Council is comprised

of five at-large members and four district members from whom the members shall elect a President of City Council. The positions of City Manager and Vice-Mayor have been eliminated. The new Mayor is now the chief executive and head of City government, is responsible for all executive and administrative affairs, works for the City full time, holds no other paid position, will develop the budget in line with the City's strategic plan, acts to approve or disapprove ordinances finally passed by the City Council with certain specified exceptions, may disapprove specific line items in any ordinance appropriating funds, and appoints, subject to confirmation by City Council, the City Clerk, City Attorney, Municipal Judges, Chief Financial Officer or Controller, Police Chief, Fire Chief and lead managers of Public Works, Parks, Community Development, and the Airport.

The voters passed Charter amendments at the General Municipal Election held on April 5, 2011 to change in the number of at-large City Councilmembers from three to six, to change the current number of election districts from four to six and Article IV was amended to authorize the Mayor to attend and be heard at any meeting of City Council.

The voters passed two Charter amendments at the General Municipal Election held April 7, 2015 to remove a requirement for the Mayor to sign Utility contracts, and to allow City Council direct oversight of its staff.

The voters passed one Charter amendment at the General Municipal Election held April 4, 2017, to require an affirmative vote of a super majority of sixty percent (60%) of the electors of the City voting upon that question to sell, convey or lease all or any part of the City's water system, wastewater system, electric light and power system, gas system or other such utility system designated by City Council.

The voters passed two Charter amendments at the November 3, 2020 Coordinated Election concerning the conveyance of City-owned parkland. To avoid conflicting language in the Charter, both questions contained a stipulation specifying that if both proposed Charter amendments were approved at the election, only the measure receiving the most affirmative votes would become effective. The Charter is now amended to add a new section 11-80 requiring that a voluntary conveyance of parkland which is included on the Parkland Designation List shall only be permitted with the approval of a majority of votes cast at a general or special election of the qualified electors of the City, following a referral of the question by a super-majority vote of not less than seven (7) members of the City Council, with the exception of those conveyances specifically exempted within section 11-80.

The voters passed a Charter amendment to Article VII, section 7-90(c)(2) at the April 6, 2021 General Municipal Election. The amendment eliminated the Charter requirement that a ballot title for a tax or bonded debt increase be limited to a maximum of thirty (30) words.

The foregoing is a review of major amendments to the Charter since its adoption in 1909. Reference should be made to the Charter itself in order to ascertain in detail its contents. In reviewing the Charter, it must be remembered that a Charter is the organic law of a home rule municipality, and extends to all its local and municipal matters. Colo. Const. Art. XX, sect. 6. Colorado Springs, as a home rule city, possesses every power of the Colorado state legislature as to local and municipal matters, unless restricted by the terms of its Charter. See, *Service Oil Co. v. Rhodus*, 179 Colo. 335, 500 P.2d 807 (1972); *Veterans of Foreign Wars v. Steamboat Springs* 195 Colo. 44, 575 P.2d 835 (1978). Thus, the Charter of the City of Colorado Springs is not a grant of powers to the City; rather, it is a limitation on powers given the City under the home rule provisions of the State Constitution, as determined by the citizens of Colorado Springs.

## PREAMBLE

We, the people of the City of Colorado Springs, under the authority of the Constitution of the State of Colorado, do ordain and establish this Charter for the City of Colorado Springs.

## ARTICLE I.<sup>1</sup> NAME, BOUNDARIES, POWERS, RIGHTS, AND LIABILITIES

### 1-10. Name--Boundaries.

The municipal corporation now existing and known as the "City of Colorado Springs" shall remain and continue to be a body politic and corporate under the same name and with the same boundaries, with power and authority to change its boundaries in manner authorized by law. (1909)

### 1-20. Powers--Rights--Liabilities.

(a) By the name of the "City of Colorado Springs," the City shall have perpetual succession, and shall own, possess, and hold all property, real and personal, theretofore owned, possessed or held by the said City of Colorado Springs, and shall assume, manage, and dispose of all trusts in any way connected therewith; (1909)

(b) Shall succeed to all the rights and liabilities, and shall acquire all benefits, and shall assume and pay all bonds, obligations, and indebtedness of said City of Colorado Springs; by that name may sue and defend, plead and be impleaded, in all courts and places and in all matters and proceedings; may have and use a common seal and alter the same at pleasure; may purchase, receive, hold and enjoy, or sell and dispose of, real and personal property; (1909)

(c) May receive bequests, gifts, and donations of all kinds of property, in fee simple, or in trust for public, charitable, or other purposes; and do all things and acts necessary to carry out the purpose of such gifts, bequests, and donations, with power to manage, sell, lease, or otherwise dispose of the same in accordance with the terms of the gift, bequest, or donation; (1909)

(d) Shall have the power, within or without its territorial limits, to construct, condemn and purchase, purchase, acquire, lease, add to, maintain, conduct, and operate waterworks, light plants, power plants, transportation systems, heating plants, and any other public utilities or works or ways local in use and extent, in whole or in part, and everything required therefore, for the use of said City and the inhabitants thereof, and any such systems, plants or works or ways, or any contracts in relation or connection therewith, that may exist and which said City may desire to purchase, in whole or in part, the same or any part thereof may be purchased by said City which may enforce such purchase by proceedings at law as in taking land for public use by right of eminent domain, and shall have the power to issue bonds upon the vote of the taxpaying electors, at any special or general election, in any amount necessary to carry out any of said powers or purposes;<sup>2</sup> (1909)

(e) The legislative, executive, and judicial powers of the City shall extend to all matters of local and municipal government, it being the intent hereof that the specifications of particular powers by any other provision of this Charter, shall never be construed as impairing the effect of the general grant of powers of local government hereby bestowed;<sup>3</sup> (1909)

(f) The City may exercise any of its powers or perform any of its functions and may participate in the financing thereof, jointly or in cooperation by contract or otherwise, with other governmental units of every kind and character. The City may become a shareholder or subscriber, or a joint owner, in any public or private corporation only in order to effect the development of energy or water resources after discovery, production, transportation, or transmission of energy or water for the benefit of the City; (1975)

(g) The City shall also have all powers, privileges, and functions which, by or pursuant to the Constitution of this State, have been or could be granted to or exercised by any city of the first class;<sup>4</sup> (1909)

(h) All powers of the City shall, except as otherwise provided in this Charter, be vested in the elective officers, subject to distribution and delegation of such powers as provided in this Charter or by ordinance. (1909)

### **1-30. Council-Mayor Government.**

The municipal government provided by this Charter shall be known as the "Council-Mayor Government." Pursuant to its provisions and subject only to the limitations imposed by this Charter, all powers of the City shall be vested in an elective Council and Mayor. (1975; 2010)

## **ARTICLE II. ELECTIVE OFFICERS**

### **2-10. (a) Elective Officers--Terms--Limitation of Terms for Mayor and Councilmembers.**

**(1) Elective Officers--Terms.** The elective officers of the City shall be a Mayor and nine (9) Councilmembers who shall be elected at the general municipal elections. The Mayor and three (3) members of Council shall be elected at large by the qualified electors of the City and one (1) member of Council shall be elected from each of the six (6) election districts of the City by the qualified electors of such district as hereafter provided commencing with the April 2013 general municipal election.<sup>5</sup> The Mayor shall be elected by a majority, and not a plurality, of votes cast for the office of Mayor according to a run-off election, the procedures for which shall be established by Council. The terms of the office of Mayor and all Councilmembers whether at large or from districts shall be for a period of four (4) years. (1909; 1969; 1975; 1991; 2010; 2011)

**(2) Limitation of Terms for Mayor.** Commencing with the April 3, 2007 general municipal election, no person shall be elected to the office of Mayor for more than two (2) consecutive terms, except that any person who is elected to the office of Mayor for two (2) years or less of a term to which some other person was elected Mayor, may be elected to the office of Mayor for two (2) additional consecutive terms of office. Any person who is elected to the office of Mayor for more than two (2) years of a term to which some other person was elected Mayor may be elected to the office of Mayor for one (1) additional consecutive term. Persons holding the office of Mayor for two (2) consecutive terms may again be elected to the office of Mayor at the next general municipal election after termination of the consecutive terms. (1991; 2007)

**(3) Limitation of Terms for Councilmembers.** Commencing with the April 2, 1991 general municipal election, no person shall be elected to the office of Councilmember for more than two (2) consecutive terms, nor shall any person who has held the office of Councilmember by appointment and election for more than two (2) years of a term to which some other person was elected Councilmember be elected to more than one (1) consecutive term. Any person who is elected for two (2) years of an unexpired term of a Councilmember may be elected to the office of Councilmember for two (2) additional consecutive terms. Any person who has served two (2) consecutive terms of office may again be elected to the office of Councilmember at the next general municipal election after termination of the consecutive terms. (1991)

**(b) Districts.** At least one hundred twenty (120) and not more than one hundred fifty (150) days before any City election at which district members of Council are to be elected, the City Clerk shall divide the City into six election districts having substantially equal populations commencing with the April 2013 general municipal election. All of the area in each district shall be contiguous. The Council shall provide by ordinance the method of creating said districts and establishing their boundaries, the giving of notice of such proceedings, the manner of protesting such proceedings, and division of the City into said districts and for hearing on such protest. (1969; 1975; 1977; 1980; 2011)

**(c) Commencement of Office.** The term of the Mayor and Councilmembers shall commence at ten o'clock A.M. on the third Tuesday of April following their election, except the term of a Councilmember appointed to fill a vacancy shall commence upon the taking of the oath of office, and further excepted that the term of Mayor may commence on the first Tuesday in June following the general municipal election, if necessary to accommodate a run-off election. The term of the Mayor and Councilmembers elected as a result of a recall election shall commence upon the declaration of the election and taking the oath of office. (1909; 1920; 1969; 1975; 2010)

**(d) Mayor and Councilmember Elections.** The Mayor and the four at-large Councilmembers shall be elected for four (4) year terms commencing with the 1979 general municipal election and the fifth at-large Councilmember shall be elected for a four (4) year term commencing with the 2011 general municipal election. The four (4) district Councilmembers shall be elected for four (4) year terms commencing with the 1977 general municipal election. (1969; 1975; 2010; 2011)

**(e) Mayor and Councilmember Prohibitions.** No elected City officer shall be permitted to run for any elective City office, except that held by him or her, unless written notice is given to the City Clerk of their intention to so run at least sixty (60) days prior to the date of the next general municipal election. Such notice shall not be withdrawn after the 61st day preceding the next general municipal election. Once such notice is given and not withdrawn, the office of that elected officer shall be automatically vacated at 9:59 a.m. on the third Tuesday in April following said election. The vacancy thus created shall be filled by election at the general municipal election next following when such notice was given. The term of office shall be for the unexpired term of the elected officer giving the notice. (1977; 2010)

## **2-20. Qualifications.**

No person shall be eligible to the office of Mayor or Councilmember unless he or she is a citizen of the United States, at least twenty-five (25) years of age, and shall have been for one (1) year immediately preceding such election a resident of the City of Colorado Springs. (1909; 1987)

## **2-30. (a) Vacancy.**

The office of Mayor or Councilmember shall become vacant upon death, resignation, removal from office, or forfeiture of office in any manner authorized by law. The office of Mayor or at-large Councilmember shall become vacant for failing to maintain bona fide residence in the City. The office of district Councilmember shall become vacant for failing to maintain bona fide residence in the district from which elected. (1909; 1975; 1987)

If a vacancy occurs in the office of Mayor, duties and responsibilities of that position shall transfer according to Section 4-20 of this Charter, and Council shall call an election within ninety (90) days, unless a general municipal election will occur in one hundred eighty (180) days and nominations for the office of Mayor can be timely filed in accord with municipal election law, for the purpose of electing a qualified person to the unexpired term of the office of Mayor. If a general municipal election will occur within one hundred eighty (180) days, the provisions of Section 4-20 shall apply until a successor of the Mayor last elected pursuant to the provisions of Section 2-10 of this Charter is elected and qualified, in accordance with this Charter. (1909; 1961; 1975; 1987; 2010)

If a vacancy occurs in the office of a Councilmember more than sixty (60) days prior to the next general municipal election, the Council shall appoint an eligible person to fill such vacancy within thirty (30) days of the date of vacancy until the next general municipal election. Any appointed Councilmember shall be subject to the provisions of recall set forth herein. If a vacancy occurs in the office of a Councilmember within sixty (60) days of a general municipal election, such vacancy shall be filled at the next general municipal election. Any vacancy filled by election shall be for the unexpired term. (1961; 1989)

**(b) Forfeiture of Office.** The office of Mayor or Councilmember shall be forfeited if:

- (1) At any time during their term of office they lack any qualification for the office of Mayor or Councilmember prescribed by this Charter or by law;
- (2) Violate any express prohibition or requirement of this Charter;
- (3) Are convicted of a crime which constitutes a felony in the jurisdiction in which it occurred; or
- (4) In the case of Councilmembers only, a Councilmember fails to attend three (3) consecutive regular meetings of the Council without being excused by the Council. (1975; 2010)

# **ARTICLE III. THE COUNCIL**

## **3-10. (a) General Powers.**

All legislative powers of the City shall be vested in the Council, except as otherwise provided by law or this Charter. (1909; 1920; 1977; 1993; 2005; 2010)

**(b) Executive or Administrative Functions.** Except as otherwise set forth herein, whenever an executive or administrative function or duty shall be required to be performed by ordinance, the same shall be performed by the executive branch and not by the legislative branch. (2010)

**(c) Duties.** To provide for the future of the city, Council shall maintain a strategic plan which prioritizes goals for the City Council and establishes measurable outcomes. The plan process shall consider public input. Council shall provide the plan and goals to the Mayor for consideration in the development of the municipal administrative budget. (1909; 1920; 1977; 1993; 2005; 2010)

**(d) Accountability.** The City Council shall provide for an annual "Report to the Citizens". (2005; 2010)

**(e) Appointments.** The Council shall appoint by the concurring vote of a majority of its members a City Auditor and a City Council Administrator, whose duties, compensation, and tenure of office shall be as prescribed by ordinance. All votes upon appointments to office shall be upon roll call and recorded. The Council shall direct and supervise the City Auditor and the City Council Administrator, and shall delegate to the City Auditor and the City Council Administrator the authority to direct and supervise employees and assistants serving the City Auditor and the City Council Administrator. (1920; 1977; 2007; 2010; 2015)

**(f) Personnel Policies.** The Council shall review and approve by ordinance personnel policies and procedures for all City employees, including civil service employees, but specifically excluding employees of City Utilities and the City's health system; and all municipal purchasing and contracting rules and regulations, it being determined that, as a matter of policy, City Council shall undertake those tasks through the legislative process. (2010)

**(g) Mayor's Proclamation.** The Council may review a Mayor's proclamation in times of public danger or emergency, and may terminate such proclamation at any time by a majority vote of the Council. (2010)

### **3-20. President of Council.**

The President of Council shall be elected by and from the members of the Council and shall preside at all meetings of the Council; the President of Council shall have a voice and vote in its proceedings. The President of Council shall be recognized as the leader of the Council. (2010)

In the absence of the President of Council, the other members of the Council shall elect one of their number to perform the duties of the President of Council. At its first regular meeting on or after the third Tuesday in April of each odd-numbered year, and biennially thereafter, the Council shall elect one of its members as President of Council. (1909; 1920; 1975; 2010)

The President of Council, as such officer, but not as a Councilmember, may be removed from the office of President of Council by a vote of at least five (5) members of the Council. (2010)

### **3-30. Judge of Qualifications.**

The Council shall be the judge of the election and qualification of its own members and of the grounds for the forfeiture of the office of Councilmember subject to review by the courts in case of contest. (1909; 1977; 2010)

### **3-40. Restrictions Upon Members of the Council.**

Councilmembers shall not hold any other City office, position, employment, or be employed by any agency for which their compensation is directly paid by the City. No former Councilmember shall be appointed to any office, position, or employment, the compensation of which was increased or fixed by the Council while they were a member thereof, until after the expiration of one (1) year from the date when they ceased to be a member of the Council. (1909; 1977; 2010)

### **3-50. Rules of the Council.**

The Council shall make and publish its own rules of procedure within sixty (60) days of the effective date of this provision. The Council may amend its own rules. The Council may punish its members for disorderly conduct, and the Council may compel the attendance of members. (1909; 1977)

### **3-60. Sessions of the Council.**

(a) The Council shall meet at least once a month in legislative session, and the Council shall prescribe the time and place of its legislative sessions and the manner in which special meetings thereof may be called. (1909; 1977)

(b) The City Clerk shall be the Clerk of the Council. (1909; 1977)

(c) A majority of the members of Council shall constitute a quorum to do business, but a lesser number can adjourn. (1909; 1977)

(d) Colorado Statutes as now existing applying to open meetings of local governments shall apply to the meetings of the City Council and its boards and commissions. (See Appendix of the Colorado Open Meetings Law at the end of the Charter.) (1909; 1977; 1993)

(e) The Council shall cause to be kept a journal of its legislative sessions, which shall be public record. (1909; 1977)

### **3-70. Ordinances and Resolutions.**

(a) At legislative sessions the Council shall act only by ordinance, resolution, or motion. (1909; 1977)

(b) The ayes and noes shall be taken upon the passage of all ordinances and resolutions and entered upon the journal of the Council's proceedings. Upon the request of any member, the ayes and noes shall be taken and recorded upon any motion. Every member when present must vote. (1909; 1920; 1977)

(c) No ordinance shall be finally passed on the date it is introduced, except in the case of public emergency as set forth in Section 3-90. (1909; 1920; 1977)

(d) The enacting clause of all ordinances passed by the Council shall be in these words: "Be It Ordained by the City Council of the City of Colorado Springs." (1909; 1920; 1977)

(e) Every ordinance finally passed by the Council shall be presented to the Mayor within forty-eight hours thereafter for final adoption. If the Mayor approves such ordinance, he or she shall finally adopt it by signing it within five days after receiving it. If the Mayor disapproves, the ordinance shall be returned to the Council within five days with the Mayor's objections in writing. If then six (6) of the members vote to pass the same over the Mayor's veto, it shall become a finally adopted ordinance, notwithstanding the objections of the Mayor. If the Mayor does not return the ordinance with written objections within the time specified, it shall become finally adopted as if the Mayor had approved it. (2010)

(1) In any ordinance appropriating funds, the Mayor may disapprove specific line items without disapproving the entire ordinance. After disapproval of specific line items, the ordinance shall be returned to Council to complete the over-ride process as outlined above as to each line item vetoed. (2010)

(2) Notwithstanding the foregoing subsections, the Mayor shall not have power to disapprove by veto the following

listed types of ordinances, this limitation applying only to the following specifically identified ordinances: an ordinance accomplishing any quasi-judicial act; an ordinance approving bonds to be issued by any City enterprise; an ordinance pertaining to Article VI, "Utilities," of this Charter; an ordinance submitting a Charter amendment to a vote of the qualified electors; or an ordinance proposing a Charter convention. (2010)

(f) The City Clerk shall, with the Mayor, sign and attest all ordinances and resolutions. (1909; 1977; 2010)

### **3-80. Publication of Ordinances.**

Every ordinance shall be published twice in a newspaper or newspapers of general or limited circulation within the City to ensure general coverage in the City with the first publication to be at least ten (10) days before final passage by Council of the ordinance published, and the second publication any time after its final adoption according to Section 3-70(e) above. The ordinance shall not take effect until five (5) days after the second publication. However, emergency ordinances passed as provided in this Article shall take effect upon final adoption and be so published on the following day, subject always to the provisions of Article XII. When the Council deems it appropriate, publication of the title of any ordinance with a summary written by the City Clerk, together with a statement that the ordinance is available for public inspection and acquisition in the office of the City Clerk, shall be sufficient publication. (1909; 1920; 1977; 1989; 2010) (Ed. note: The 1977 amendment brought together in a single section the provisions relating to publication which had previously been found in Sections 13 and 14.)

### **3-90. Emergency Ordinances.**

To meet a public emergency affecting life, health, property, or the public peace, the Council may adopt one or more emergency ordinances, but such ordinances may not levy taxes, grant, renew, or extend a license, permit, franchise, special privilege, or authority, or regulate the rate charged by any public utility for its services. An emergency ordinance shall be introduced in the form and manner prescribed for ordinances generally, except that it shall be plainly designated as an emergency ordinance and shall contain, after the enacting clause, a declaration stating that an emergency exists and describing such emergency in clear and specific terms.<sup>6</sup> An emergency ordinance may be adopted, with or without amendment, or rejected at the meeting at which it is introduced, but the affirmative vote of at least five (5) members shall be required for adoption. (1977)

After its adoption the ordinance shall be published and printed as prescribed for other ordinances. It shall become effective upon adoption or at such later time as it may specify. An emergency ordinance may also be repealed by adoption of a repealing ordinance in the same manner specified in this section for adoption of emergency ordinances. (1977)

### **3-100. Amendment or Repeal.**

No ordinance or section thereof shall be amended or repealed except by ordinance adopted in the manner provided in this Charter. (1909; 1977) (Ed. note: This provision was formerly Section 15 of the 1909 Charter. The former Section 16 dealing with ordinances granting Franchises was repealed as unnecessary in 1977. See Article XI relating to Franchises and Licenses.)

### **3-110. Record of Ordinances.**

A true copy of every ordinance shall be kept in a book marked "Ordinance Record," and every ordinance shall be authenticated by the signatures of the Mayor and City Clerk. (1909; 1977)

### **3-120. Proof of Ordinances.**

Any ordinance or any portion thereof may be proved by a copy thereof certified by the City Clerk, under the seal of the City; or when printed in book or pamphlet form and purporting to be published by the authority of the City, the same shall be received in evidence in all Courts, or other places, without further proof. (1909; 1977)

### **3-130. Charter and Ordinances.**

The Council shall, from time to time hereafter, cause such ordinances as it deems necessary to be codified under appropriate headings and to be published in book form, together with or separate from the Charter and such provisions of the Constitution and laws of the State as the Council may deem expedient. The present ordinances, resolutions, and orders not inconsistent with the provisions of this Charter and in force at the time this Charter takes effect shall continue in full force and effect until the Council otherwise by ordinance, resolution, or motion provides. Such codification or any section thereof may be proven in the same manner and with the same effect as any other ordinance. (1909; 1977)

### **3-140. Printed Monthly Statements.**

The Council shall cause to be printed each month in pamphlet form a detailed statement of all receipts and expenditures of the City and a summary of Council's legislative proceedings during the preceding month and furnish printed copies thereof to the public library, the daily newspapers of the City, and to persons who shall apply therefore at the office of the Clerk. Said statement shall also show the amount of water used during the preceding month and the amount of reserve water in storage at the end of that month. (1909; 1977) (Ed. note: This provision was formerly Section 21 of the 1909 Charter. The former Section 20, dealing with the power of the City Council to establish offices and employments was repealed as unnecessary in 1977.)

### **3-150. Adoption by Reference.**

The City Council may by ordinance adopt by reference printed or published codes, provided, that such adoption shall be by ordinance published as required in Section 3-80, and, provided further, no penalty clause may be adopted by reference. (1977)

### **3-160. Independent Audit.**

The Council shall provide for an independent annual audit of all City accounts and may provide for more frequent audits as it

deems necessary. Such audits shall be made by a certified public accountant or firm of such accountants who have no direct personal interest in the fiscal affairs of the City government or any of its officers. The Council may, without requiring competitive bids, designate such accountant or firm annually or for a period not exceeding three (3) years, provided that the designation for any particular fiscal year shall be made not later than six (6) months after the beginning of such fiscal year. If the State makes such an audit, the Council may accept it as satisfying the requirements of this section. (1977; 1985)

## ARTICLE IV. THE MAYOR <sup>7</sup>

### **4-10. Creation of the Office of Mayor; General Powers.**

There shall be, and hereby is, created the office of Mayor. The Mayor shall be the chief executive and shall enforce all laws and ordinances; the Mayor shall possess, have and exercise, all the executive and administrative powers granted to the City by Article XX of the Constitution of the State of Colorado, and all executive and administrative powers contained in the Charter of the City, and otherwise existing by operation of law, except as hereinafter delegated to the departments hereinafter created, and except the powers granted to other elective officers by this Charter. The Mayor shall be considered the head of the City government for the purpose of executing legal instruments, for all ceremonial purposes, and by the Governor or other constituted authority for the purpose of military law. The Mayor may take command of the police and govern the City by proclamation in times of public danger or emergency. The Mayor shall from time to time give the Council information on the condition of the City and recommend such measures as he or she may deem expedient. The Mayor shall execute all contracts and agreements to which the City or any of its enterprises, except Utilities, is a party, and see that all such contracts and agreements are faithfully kept and fully performed. The head of every department shall report to the Mayor all facts and information known to him or her concerning the violation of any contract or agreement with the City. (2010; 2015)

### **4-20. Succession.**

(a) Whenever the Mayor is unable, from any cause, to perform the duties of the office for more than a temporary or short-term absence, the President of the Council shall be the acting Mayor and shall hold such office until a successor of the Mayor last elected pursuant to the provisions of Section 2-10 of this Charter is elected and qualified, in accordance with this Charter, at which time the President of the Council may return to his or her seat on Council. (2010)

(b) If the President of Council refuses or is unable to discharge the duties of the Office of Mayor, the Council shall elect one of its members acting Mayor, who shall hold such office until a successor of the Mayor last elected pursuant to the provisions of Section 2-10 of this Charter is elected and qualified, in accordance with this Charter. (2010)

(c) Whenever the President of Council becomes the acting Mayor, Council shall elect a new President of Council to serve during the absence as provided in this Charter. (2010)

### **4-30. Restrictions Upon the Office of Mayor.**

The Mayor shall not hold any other paid employment position during his or her term in office. No former Mayor shall be appointed to any City office, position, or employment, until after the expiration of one (1) year from the date when he or she ceased to hold the office of Mayor. (2010)

### **4-40. Specific Powers and Duties of the Mayor.**

The Mayor shall be responsible for all executive and administrative affairs of the City, except those reserved to Council herein, including but not limited to, the following: (1920; 1975; 2010)

(a) The Mayor shall see that the laws and ordinances of the City are enforced. (2010)

(b) Accountability.

(1) The Mayor shall maintain and submit to the citizens a strategic plan that prioritizes goals for the City and establishes measurable outcomes. The strategic plan shall include the Comprehensive Plan and a five-year capital improvements plan for municipal needs. The plan process shall consider public input. The plan and goals shall be used in the development of the municipal administrative budget. The Mayor shall provide for an annual "State of the City" report to the citizens on progress in meeting the strategic plan. (2010)

(2) The Mayor shall prepare and submit to the citizens on or before June 30 of each year, a report on the financial condition of the City that identifies material changes, both positive and adverse. The City shall publish these mid-year and year-end financial reports. (2010)

(3) The Mayor shall prepare and submit to the Council a complete report on the finances and administrative activities of the City as of the end of each fiscal year, and the Mayor shall timely make such other reports as the Council may require concerning the operations of City departments, offices, and agencies that are subject to the Mayor's direction and supervision. (2010)

(c) The Mayor shall appoint and suspend or remove any City government employee, which excludes employees of City Utilities, the City's health system, and employees serving under the City Auditor and City Council Administrator. All appointments shall be upon merit and fitness alone. The Mayor may authorize any administrative officer who is subject to the Mayor's direction and supervision to exercise these powers with respect to subordinates in that officer's department, office, or agency. (2010; 2015)

(d) The Mayor shall direct and supervise the administration of all departments, divisions, offices, and agencies of the City, except as otherwise provided by this Charter or by law. The Mayor may delegate administrative and ministerial functions to

the administrative officers of the City. (2010)

(e) The Mayor will appoint a Chief of Staff to act as an administrative officer of the municipal government under the Mayor's supervision and who shall serve at the pleasure of the Mayor. However, despite such delegation or appointment, the responsibility for the proper and effective administration of the City remains always with the Mayor and none other. (2010)

(f) Appointments. Subject to confirmation by the concurring vote of a majority of the members of City Council, the Mayor shall appoint individuals to serve at the pleasure of the Mayor in the following positions. If Council fails to begin the confirmation process for any appointment within thirty (30) days thereof or fails to take final action to approve or deny the appointment within ninety (90) days thereof, the appointment shall be deemed confirmed. (2010)

(1) City Clerk;

(2) City Attorney and Municipal Judges;

(3) Chief Financial Officer, or the Controller, or, regardless of title, the official acting as the City's financial manager; and City Treasurer, the offices of which may be held by one person;

(4) Police Chief and Fire Chief;

(5) Regardless of title, the leader or head of the City's departments, divisions, offices, agencies, or enterprises relating to public works, parks, community development and the municipal airport so that the individual ultimately responsible for each such function answers directly to the Mayor.

(6) The director or manager of any City department, division, office, agency, or enterprise if the Mayor's appointment authority is set forth by ordinance, except that the Mayor shall not appoint the chief executive officers of the City Utilities or the City's health system. (2010)

(g) The Mayor shall see that all terms and conditions imposed in favor of the City or its inhabitants in any contract or franchise are faithfully kept and performed, and upon knowledge of any violation thereof to report the same to the City Attorney, who is hereby required to take such proceedings as may be necessary to enforce the same. (2010)

(h) The Mayor shall have the right to attend and be heard at any meeting of Council and may recommend to the Council for adoption such measures as the Mayor deems necessary or expedient. (2011)

(i) On or before the first Monday in October in each year, the Mayor shall furnish to the Council estimates in writing of the probable expenses to be incurred in the several departments of the City for the ensuing fiscal year, specifying in detail probable expenditures, including a statement of the salaries of all administrative officers and employees, and certify the amount of money to be raised by taxation during the ensuing fiscal year to make payment of interest, sinking fund, and principal of bonded indebtedness and also the estimated amount of revenue from all sources other than tax levy. At the same time or on such later date in each year as shall be fixed by the Council, the Mayor shall prepare and present to the Council the annual budget for the ensuing fiscal year, which shall include interest and sinking fund on the bonded debt. The budget so prepared shall be in such detail as to the aggregate sum and the items thereof allowed to each department, office, board, or commission as the Mayor may deem advisable except such as are fixed by law. (2010)

(j) The Mayor shall serve as *anex officio* and non-voting member of the Board of Directors for Utilities. (2010)

(k) The Mayor shall perform such other executive and administrative duties as may be prescribed by the Charter or the ordinances of the City. (1920; 1975; 2010)

## ARTICLE V. ADMINISTRATIVE DEPARTMENTS

(Ed. note: In the original 1909 Charter, Article V was titled "Executive and Administrative Departments." It identified five departments by name and provided that each commissioner should have charge of one of those departments. The 1920 amendments specifically repealed the provisions assigning the commissioners to departments but left the designation of the five departments intact. The 1977 amendment attempted to eliminate the apparently conflicting and archaic provisions and to establish a system which will permit necessary flexibility in organizing the City's administrative structure and pinpointing responsibility for the operation.)

### 5-10. Creation of Departments.

By ordinance, the City Council may establish departments, divisions, offices, or agencies in addition to those created by this Charter and may prescribe the functions of all departments, offices, and agencies, except that no function assigned by this Charter to a particular department, office, or agency may be discontinued or, unless this Charter specifically so provides, assigned to any other. The specific positions enumerated in Section 4-40(f)(1)-(4), as well as the leader or head of departments described in Section 4-40(f)(5) shall be appointed by the Mayor, subject to confirmation by Council. Such departments, divisions, offices, or agencies may include but not be limited to police, fire, and health. (1977; 2010)

### 5-20. Direction by the Mayor.

Except as otherwise provided by this Charter, all departments, divisions, offices, and agencies shall be under the direction and supervision of the Mayor but may be administered by the Mayor's Chief of Staff. The Mayor may serve as the head of one or more such departments, offices, or agencies or may appoint one (1) person as the head of two (2) or more of them. (1977; 2010; 2015)

## ARTICLE VI. UTILITIES

(Ed. note: Article VI, including Sections 30 through 34, as originally adopted in the 1909 Charter, referred only to Water and Water Works. In 1925, the City acquired the electrical generation and transmission systems serving the City. In 1929, the City developed its own gas distribution system. In 1939, the people of the City adopted a Charter provision numbered 79(a) which established a Public Utilities Department consisting of the Division of Water and Water Works, the Division of Electric Light and Power, and the Division of Gas and "any other public utility acquired by the City." In 1948, the Wastewater Division, then known as the Sewer Division, was created as yet another division of the Department of Utilities. The 1977 amendment to the Charter attempted to draw all these divergent provisions together into one location.)

### **6-10. Utilities Director, Appointment.**

The City Council shall by a majority vote of its entire membership employ a Utilities Director who shall serve at the pleasure of Council and who shall be responsible for the operation of Utilities. The Utilities Director shall have the power to appoint and remove all employees of Utilities who shall be City employees.<sup>8</sup> (1993)

### **6-20. Definitions.**

For the purposes of this Article, the term "Utility" shall mean the acquisition, erection, construction, operation, or maintenance by the City of water systems, wastewater systems, electric light and power systems, gas systems, and such other systems designated by Council which are necessary for the citizens and owned by the citizens of the City of Colorado Springs. (1977)

### **6-30. General Powers.**

The City shall have and exercise with regard to utilities, all municipal powers, including without limitation, all powers now existing and which may hereafter be provided by the Constitution and laws of the State of Colorado. (1977)

### **6-40. Utilities--Accounting--Reserves.**

(a) City Council shall serve as the Board of Directors for Utilities, and the Mayor shall serve as *an ex officio* and non-voting member thereof. Utilities shall include the Departments designated by the Manager of Utilities and approved by Council. Each of said departments shall, as far as practicable, be administered as an entity. All revenues of each department shall be placed in the Utilities Gross Income Fund, from which all operating and maintenance expenses shall be deducted. The funds of Utilities shall be kept separate from the funds of all other departments of the City. (1977; 1985; 1991; 1995; 2010)

(b) The net earnings of Utilities shall be appropriated for the necessary requirements of any of its departments, or of Utilities as a whole, and any remaining surplus may be appropriated to the general revenues of the City by the City Council in its Annual Budget and Appropriation Ordinance. (1977; 1991)

(c) Adequate reserves for the replacement of obsolescent or depreciated property shall be provided annually in the accounts and budgets of several departments of Utilities in accordance with the Uniform Classifications of Accounts as now or hereafter adopted by the Public Utilities Commission of the State of Colorado. All such reserves not utilized for the replacement of obsolescent or depreciated property, or for additions or betterments to the plant or equipment of the several departments of Utilities shall be funded, and such funded reserves shall not be appropriated for any other use than the replacement of obsolescent or depreciated property, for additions or betterments to the physical property of Utilities, or for the payment of principal bonds of Utilities. (1977; 1991)

(d) Nothing herein shall affect the requirements of any existing bond ordinance or the obligations of the City with reference to any outstanding bonds. (1977; 1991)

(e) The Council shall cause to be printed annually for public distribution a report showing all costs of maintenance, extension, and improvements; all operating expenses of every description; the amount set aside for sinking fund purposes; the value of any utility service given without charge; allowance for interest, depreciation, and insurance, and estimates of the amounts of taxes that would be chargeable against such property if owned by a private corporation. (1939; 1977; 1991)

### **6-50. Water Rights.**

The City shall have the authority to buy, exchange, augment, lease, own, and control water and water rights. (1977; 1985)

### **6-60. Emergency Warrants.**

If at any time since the passage of the last annual appropriation ordinance the monies appropriated and available for Utilities shall be insufficient in the judgment of the Council to meet any Utilities emergency, the Council may upon passage of a resolution declaring an emergency cause warrants to be issued payable out of the receipts of Utilities for the ensuing year, including the proceeds from the sales of bonds. Said warrants and monies realized thereon shall be applied only to meeting the emergency so declared. (1909; 1977; 1991)

### **6-70. Utility Rates.**

The Council shall by ordinance or resolution establish rates, rules and regulations, and extension policies for the services provided by Utilities. (1909; 1977; 1991)

### **6-80. Sale, Conveyance or Leasing of Utilities.**

Council shall not sell, convey or lease all or any substantial part of the property of Utilities or any utility system including the water system, wastewater system, electric light and power system, gas system, or such other utility system designated by Council without an affirmative vote of a supermajority of sixty percent (60%) of the electors of the City voting upon that question; provided that the foregoing shall not apply to the sale, lease, or conveyance of property of Utilities or any utility

system (i) which occurs in the ordinary course of business, or (ii) which shall cease to be necessary for the efficient operation of a utility system, or (iii) which shall have been replaced by other property serving substantially the same function. (1995; 2017)

## ARTICLE VII. FINANCE

### 7-10. Fiscal Year.

The fiscal year of the City shall commence on the first day of January and end on the last day of December of each year. (1909; 1977)

### 7-20. Public Monies.

(a) The Mayor shall have the direct control of the revenues of the City except as otherwise provided by this Charter or by ordinances. (1909; 1977; 2010)

(b) The Council shall by ordinance provide a system for the collection, custody, and disbursement of all public monies not inconsistent with the provisions of this Charter. (1909; 1977)

### 7-30. Budget.

(a) The Council shall, upon receipt of the budget,<sup>9</sup> adopt the budget with or without amendment. In amending the budget, the Council may add or increase programs or amounts and may delete or decrease any programs or amounts, except amounts required by law or for debt service on general obligation bonds or for estimated cash deficit; provided, however, that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income. (1909; 1977)

(b) In adopting the budget the Council shall also estimate and declare the amount of money necessary to be raised by tax levy. The estimate shall take into account the amounts available from other sources to meet the expenses of the City for the ensuing fiscal year. The budget and estimate as finally adopted shall be signed by the Mayor and City Clerk and filed with the Controller. (1909; 1977) (Ed. note: Formerly Section 41.)

(c) The budget shall include all stipends and other expenses of City Council and the salary of the Mayor and the budget shall declare the amount of money necessary to fund the budget. Subject to any pre-existing bond covenants, the City Council's budget shall be apportioned among the City's general fund, its Utilities funds and its health system fund as a reflection of City Council's direct responsibilities for all municipal and Utilities matters as well as City Council's general supervision and control of health system matters based upon such reasonable allocation methodology as City Council may determine. (2005; 2010)

### 7-40. Levy.

(a) Upon said estimate, the Council shall forthwith proceed to make by ordinance the proper levy in mills upon each dollar of the assessed valuation of all taxable property within the City, such levy representing the amount of taxes for City purposes necessary to provide for payment during the ensuing fiscal year of all properly authorized demands upon the Treasurer.<sup>10</sup> The Council shall thereupon cause the total levy to be certified by the Clerk to the County Assessor who shall extend the same upon the tax list of the current year in a separate column entitled "The City of Colorado Springs Taxes," and shall include said City taxes in the general warrant to the County Treasurer for collection. The levy shall never exceed twenty (20) mills on the dollar for all general City purposes upon the total assessed valuation of said taxable property within the City. The foregoing limitation of twenty (20) mills shall not apply to taxes levied by the Council for the payment of any interest, sinking fund, or principal of any bonded indebtedness of the City now existing or hereafter created, nor for payment of interest, sinking fund, or principal of the indebtedness of any town or city which may hereafter be incorporated with or annexed to the City, nor to special assessments for local improvements. (1909; 1977)

(b) If the Council fails in any year to make the tax levy as above provided, then the rate last fixed shall be the rate fixed for the ensuing fiscal year. (1909; 1977)

(c) The amount required to make payment of any interest, sinking fund, or principal of bonded indebtedness shall always be included in and met by tax levy, except as otherwise provided for in this Charter. (1909; 1977) (Ed. note: Formerly Section 42.)

### 7-50. Appropriations.

Upon the basis of the budget as adopted and filed, the several sums shall forthwith be appropriated by ordinance to the several purposes therein named for the ensuing fiscal year. Said ordinance shall be adopted not later than the thirty-first day of December in each year, and shall be entitled "The Annual Appropriation Ordinance." (1909; 1977) (Ed. note: Formerly Section 43.)

### 7-60. No Liability Without Appropriation.

Neither the Council, nor the Mayor, nor any administrative officer or employee of the City shall have authority to make any contract involving the expenditure of public money, or impose upon the City any liability to pay money, unless and until a definite amount of money shall have been appropriated for the liquidation of all pecuniary liability of the City under such contract or in consequence thereof to mature during the period covered by the appropriation. Such contract shall be *ab initio* null and void as to the City for any other or further liability, provided, first, that nothing herein contained shall prevent the Council from providing for payment of any expense, the necessity of which is caused by any casualty, accident, or unforeseen contingency arising after the passage of the annual appropriation ordinance; and, second, that the provisions of this Section shall not apply to or limit the authority conferred in relation to bonded indebtedness, nor for monies to be

collected by special assessments for local improvements. (1909; 1977; 2010) (Ed. note: Formerly Section 44.)

**7-70. Collection of Taxes.**

(a) Unless otherwise provided by ordinance, the County Treasurer shall collect City ad valorem taxes in the same manner and at the same time as general ad valorem taxes are collected, and all laws of this State for the assessment of property and the levy and collection of general ad valorem taxes, including laws for the sale of property for taxes and the redemption of the same, shall apply and have as full effect in respect of taxes for the City as of such general ad valorem taxes, except as modified by this Charter. (1909; 1977)

(b) All laws of this State for the assessment of property and the levy and collection of ad valorem taxes, sale of property for taxes, and the redemption of the same shall apply and have full force and effect in respect to taxes for the City as to such general ad valorem taxes, except as modified pursuant to this Charter. (1909; 1977) (Ed. note: Formerly Section 46.)

**7-80. Limitation on City Indebtedness.**

(a) No bonds or other evidences of indebtedness, payable in whole or in part from the proceeds of ad valorem property taxes or to which the full faith and credit of the City are pledged in writing or otherwise shall be issued, except in pursuance of an ordinance authorizing the same, and unless the question of the issuance of the bonds shall at any special or general municipal election be submitted to a vote of the qualified electors of the City and approved by a majority of those voting on the question. However, the Council pursuant to ordinance and without election may:

(1) Issue local improvement district bonds;

(2) Borrow money or issue bonds for the purpose of acquiring, constructing, extending or improving water, electric, gas, sewer, or other public utilities or income-producing projects; provided, further, that said borrowing shall be repaid and said bonds shall be made payable solely out of the net revenue derived from the operation of the utility, utilities, or other income-producing projects, or any or all thereof. Net revenue shall mean gross revenue less all operation and maintenance expenses of the project for which the money has been borrowed or bonds issued.

(b) The City shall not become indebted for any purpose or in any manner to an amount which, including existing indebtedness, shall exceed ten percent (10%) of the assessed valuation of the taxable property within the City as shown by the last preceding assessment for City purposes; provided, however, that in determining the amount of indebtedness, there shall not be included within the computation of indebtedness local improvement district bonds, revenue bonds, or general obligation bonds or other evidences of indebtedness issued for the acquisition, construction, extension, or improvement of water facilities or supplies, or both. (1909; 1922; 1951; 1965; 1977) (Ed. note: Formerly Section 47.)

**7-90. The Taxpayer's Bill of Rights.**

(a) **General Provisions.** The preferred interpretation shall be that which restrains most the growth of City government. All provisions are self-executing and severable. In addition to existing remedies, individual or class action suits for refunds or for injunctive or declaratory relief may be filed. Successful plaintiffs are entitled to costs and reasonable attorney fees, but the City is not unless the suit be ruled frivolous. Revenue amounts collected, retained, or spent illegally since three (3) full fiscal years before a suit is filed shall be refunded as directed by the Court, with ten percent (10%) annual simple interest from such misconduct. Legal payments on bonded debt, pensions, and judgments have the first claim on City revenue. Other limits on City finances are neither repealed nor prohibited. (1991)

(b) **Term Definitions.** For purposes of this section:

(1) "Ballot issue" means a proposal, not a person, that may be voted on in any Colorado election after any initial petition process filing or any referral to voters by elected officials.

(2) "City" means the municipal government excluding enterprises.

(3) "City growth" means the net percentage change in assessment roll value from new construction minus destruction of similar real property improvements and additions to minus deletions from the real property assessment roll.

(4) "Emergency" excludes economic conditions, revenue shortfalls, or City salary or fringe benefit increases.

(5) "Enterprise" means a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined. (2009)

(6) "Fiscal year spending" means all City expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, City reserve transfers, pension contributions by employees and pension fund earnings, damage awards, or capital asset sales.

(7) "Inflation" means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its successor index, until such an index is issued for the City.

(c) **Election Provisions.**

(1) Any City ballot issue shall be decided by a majority of those voting on it in the State general election, the biennial City election, or on the first Tuesday in November of odd-numbered years. The Council may consolidate unpetitioned ballot issues on the ballot. Except for bonded debt, Charter amendments, or petitions, voters may approve a delay in voting on ballot issues for up to four (4) years, but acts during a delay shall not last beyond the delay. (1991)

(2) The City shall mail at the lowest cost one (1) notice or one (1) set of notices titled, as appropriate, "NOTICE OF ELECTION TO INCREASE TAXES/TO INCREASE DEBT/ON A CITIZEN PETITION/ON A REFERRED MEASURE"

addressed to "All Registered Voters" at each mailing address of one (1) or more registered electors IN ACCORDANCE WITH THE TIME REQUIREMENTS SET FORTH IN COLORADO CONSTITUTION ARTICLE X, SECTION 20(3)(b) AS AMENDED. The first accurate title of these four (4) shall be printed next to the mailing address and the first accurate title for each notice printed at the top of each, all in thirty (30) point or larger bold type. Except by voter approval, the notice shall include only:

- (i) The election date, hours, polling place, ballot title, text, and election office address and telephone number;
- (ii) For tax or debt increases, the estimated or actual total of fiscal year spending plus federal funds for the current and each of the past four (4) years, and the overall percentage and dollar change;
- (iii) For the first full fiscal year of each Council-proposed tax increase, Council estimates of the dollar amount of each increase and of fiscal year spending plus federal funds without the increase;
- (iv) The principal amount and maximum annual and total repayment cost of any proposed City bonded debt, and the balance and annual and remaining total repayment cost of total current City bonded debt;
- (v) Two summaries, up to five hundred (500) words each, one (1) for and one (1) against the proposal, of written comments filed with the City Clerk by thirty (30) days before the election. No summary shall mention names of persons or private groups, nor any endorsements of or resolutions against the proposal. Representatives obeying these rules shall write this summary for their petition. The City Clerk shall maintain and accurately summarize all other written comments. (1991; 2001)

If increases or spending totals exceed any estimate in (iii) for the same fiscal year, an approved tax increase is reduced up to one hundred percent (100%) in proportion to the greater dollar excess, and its excess revenue refunded with ten percent (10%) annual simple interest. City bonded debt approved hereafter shall not issue on terms that could exceed its proportion of the maximum repayment costs in (iv). Ballot titles for tax or bonded debt increases shall begin, "SHALL CITY TAXES BE INCREASED (first, or if phased in, final, full fiscal year dollar increase) ANNUALLY...?" or "SHALL CITY DEBT BE INCREASED (principal amount), WITH A REPAYMENT COST OF (maximum total dollar amount),...?" (1991; 2021)

**(d) Required Elections.** The following require voter approval in advance:

- (1) Except as provided by (f), any new tax, tax rate increase, mill levy above that of the prior year, tax extensions, or tax exemption termination, or any change in City tax policy that directly provides a net gain in City or enterprise tax revenue above the level that would otherwise exist;
- (2) Except for refinancing City bonded debt at a lower interest rate or adding new employees to existing City pension plans, City creation of a direct or indirect City debt or other financial obligation whatsoever that extends, or causes a penalty if not extended, past the fiscal year incurred without adequate present cash reserves irrevocably pledged and held for all future payments.

**(e) Emergency Reserves.** For use in declared emergencies only, the City shall reserve in 1991 one percent (1%) or more, in 1992 two percent (2%) or more, and in all later years three percent (3%) or more of fiscal year spending. An unused reserve shall apply to the next year's reserve. (1991)

**(f) Emergency Taxes.** This section grants no new taxing power. Property taxes shall not be imposed for an emergency. Emergency taxes shall also meet all of the following conditions:

- (1) Six (6) Councilmembers or more declare the emergency and impose the tax by separate recorded roll call votes;
- (2) Emergency tax revenue shall be spent only after emergency reserves are depleted, and shall be refunded if not spent on the emergency;
- (3) A tax not approved on the next election date sixty (60) days or more after the declaration ends after the election month.

**(g) Spending Limited.** After deducting current year emergency tax spending and relevant (a) and (c)(2) refunds with interest, the maximum annual change in fiscal year spending equals inflation plus City growth in the prior calendar year, adjusted for annual voter-approved changes after 1990 in revenue not from emergency taxes. If revenue from sources not excluded from fiscal year spending exceeds this spending limit in dollars for that fiscal year, the excess shall apply in the next year to reduce tax rates or City bonded debt. After deducting relevant (a) and (c)(2) refunds with interest, the maximum annual change in property tax revenue equals inflation plus City growth in the prior calendar year, adjusted for annual voter-approved changes after 1990 in property tax revenue. New City bonded debt increases, and retiring City bonded debt lowers, fiscal year spending and property tax revenue by the annual debt service funded by either or both. These limits in (g) begin with the authorization of 1992 fiscal year spending and 1991 property taxes due in 1992. (1991)

**(h) Revenues Limited.**

- (1) Except by voter approval after 1990, no 1991 or later general City property tax shall exceed seven (7) mills.
- (2) Any City sales, use, or occupation tax based on telephone, cable television, or residential use utility services shall phase out in four (4) equal annual rate changes beginning July 1, 1991.
- (3) The one-half percent (0.5%) sales and use tax increase shall phase out in five (5) annual rate changes of one-tenth percent (0.1%) beginning January 1993, and the two percent (2%) rate shall be raised only by voter approval or in a

declared emergency. (1991)

**7-100. Limitation on District Indebtedness.**

Districts authorized by Colorado Statutes (Title 31 and 32, C.R.S.) serve an important public function in financing the construction of capital improvements. However, the fiscal use of districts for this purpose cannot be without prudent and reasonable restraint when formed in whole or in part within the jurisdictional limits of the City of Colorado Springs. (1993)

(a) Any district so formed shall not become indebted for any purpose or in any manner for an amount, which, including existing indebtedness of the district, shall exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless approved by at least a two-thirds (2/3) vote of the entire Council. (1993)

(b) The district shall not issue any debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development. (1993)

(c) The City Council and Mayor shall make available to the public all essential data and information regarding the financial condition and status of any and all districts established pursuant to Title 31, C.R.S. (1993; 2010)

## ARTICLE VIII. MUNICIPAL COURT

(Ed. note: Article VIII formerly dealt with the Department of Public Safety. It provided also for relief funds for Police and Fire Departments and for a Police Court. The function of the relief funds has been superseded by statutory provisions for pension funds and the office of Police Court is totally outmoded.)

**8-10. Municipal Court.**

There shall be a Municipal Court for the City of Colorado Springs. The practice and procedure of said Court shall be as set forth by Colorado Statutes, Colorado Supreme Court Rules, and City ordinance as now existing or hereinafter amended or modified. (1977)

## ARTICLE IX. BOARDS AND COMMISSIONS

(Ed. note: Article X formerly dealt with the Department of Health and Sanitation. A 1949 amendment made possible the creation and operation of a joint City-County Health Department, which was created in 1950 and continued in operation until 1976 when a County Health Department having county-wide jurisdiction was created. At this writing, the City contracts with the County Health Department to provide enforcement services for Housing Codes and similar health and sanitation matters which are of only City-wide application.)

**9-10. Boards and Commissions.**

(a) In addition to those boards and commissions existing at the time of this Charter, the Council may create any boards and commissions, including advisory and appeal boards. All boards and commissions shall be created by ordinance, which shall prescribe the powers and duties delegated by Council. Initial appointments by the Council to any board or commission shall specify the term of office of each member in order to achieve overlapping terms. All members shall be subject to removal by the Council. Council shall also make appointment to fill vacancies for unexpired terms. Each board and commission shall elect its own chairman and vice-chairman from among its members. Each board and commission shall operate in accordance with its own rules of procedure, except as otherwise directed by Council. (1977)

(b) The Council may increase, reduce, or change any or all of the powers, duties, and procedures of any boards or commissions existing at the time of this Charter, or created by ordinances thereafter. (1977)

(c) Any board or commission existing at the time of this Charter or created under this provision which is not required by this Charter or law may be abolished by Council. (1977)

## ARTICLE X. FRANCHISES AND LICENSES

(Ed. note: In 1909 there were at least two (2) franchises in existence in the City - transportation (street railway) and light and power. In 1925, the outstanding light and power franchise terminated and the City acquired all assets of the company and has owned and operated the system since that time. In 1971, the transportation company voluntarily relinquished its franchise, and the City acquired all its assets. An excellent opportunity was thus provided to rewrite all existing franchise provisions of the Charter. No attempt has been made in this Article to maintain a numbering system consistent with the 1909 numbering.)

**10-10. Definitions.**

(a) Franchise: For the purpose of this Charter, and the ordinances of the City of Colorado Springs, the term "franchise" shall mean a special right or privilege granted by vote of the electorate of the City of Colorado Springs to any person, firm, or corporation to erect, construct, operate, carry on, or maintain an electric power plant, communication system, gas plant or system, rail or mass transit system, or any other business activity affective of the public interest which permanently occupies and obstructs the public streets, rights-of-way, alleys, or properties, together with such other uses as are determined by ordinance to be of such a public concern that want of regulation and control will injuriously affect the public in its general interest. (1977)

(b) License: For the purposes of this Charter, and the ordinances of the City of Colorado Springs, the term "license" shall

mean a temporary or revocable permission granted to all other activities not a franchise. (1977)

**10-20. General Powers.**

The City shall have and exercise with regard to all franchises, all municipal powers, including, without limitation, all powers now existing and which may hereafter be provided by the Constitution and Statutes. In every franchise the right of the City to construct, lease, purchase, acquire, condemn, or operate any public utility, work, or way, shall be expressly reserved. Except as otherwise provided by the Constitution or this Charter, all powers concerning the method of granting, amending, revoking, or otherwise dealing in franchises shall be exercised by the Council. (1977)

**10-30. Granting of Franchises.**

(a) No franchise shall be granted except upon approval by a majority of the electors voting thereon.<sup>11</sup> (1977)

(b) Except when the terms, fees, compensation, conditions, or any other matters relating to the granting of franchises are set by the vote of the electorate, the Council shall establish by ordinance the terms, fees, compensation, conditions, and any other matters relating to the granting of franchises. (1977)

**10-40. Tax.**

The City shall have the right to license or tax the equipment of any franchise. The license or tax shall be exclusive of and in addition to all other lawful taxes upon the property of the holder thereof. (1909; 1977) (Ed. note: Formerly Section 68.)

**10-50. No Franchise Leased, Exception.**

No franchise granted by the City shall ever be leased, assigned, or otherwise alienated without express consent of the City, and no dealing with the lessee or assignee on the part of the City to require the performance of any act or payment of any compensation by the lessee or assignee shall be deemed to operate as such consent. (1909; 1977) (Ed. note: Formerly Section 74.)

**10-60. Term Not Longer Than Twenty-Five (25) Years.**

No franchise, lease, or right to use the property of the City shall be granted by the City, except as in this Charter provided, for a longer term than twenty-five (25) years. For the purpose of economic development, the City may grant a lease or right to use the property of the City for up to ninety-nine (99) years. This shall not apply to City owned parklands for which the term of a franchise, lease, or right to use shall never exceed twenty-five (25) years. (1909; 1977; 1987) (Ed. note: Formerly Section 80.)

**10-70. No Exclusive Franchise--Renewal.**

No exclusive franchise shall ever be granted, and no franchise shall be renewed before one (1) year prior to its expiration. (1909; 1977) (Ed. note: Formerly Section 73.)

**10-80. City May Purchase.**

Every grant of franchise shall provide that the City may purchase and take over the property of the holder in whole or in part. (1909; 1977) (Ed. note: Formerly Section 81.)

**10-90. Franchise Records.**

The City Clerk shall keep an indexed Franchise Record in which shall be transcribed copies of all franchises heretofore and hereafter granted. The index shall give the name of the grantee and any assignees. The Franchise Record shall include a comprehensive and convenient reference to all actions at law affecting the same, and copies of all annual reports and such other matters of information and public interest as the Council may, from time to time, require. (1909; 1977) (Ed. note: Formerly Section 78.)

**10-100. License or Temporary Permits.**

The Council may grant a temporary permit, a license, or an easement at any time, in, on, above, through, or under any street, alley, or public place, provided such license, temporary permit, or easement shall be revocable at any time, and that such right to revoke shall be expressly reserved in every temporary permit, license, or easement which may be granted hereunder. (1909; 1977) (Ed. note: Formerly Section 83.)

## ARTICLE XI. ELECTIONS <sup>12</sup>

(Ed. note: Article XIII formerly set forth detailed provisions which regulated municipal elections within the City. These included provisions regulating the registration of voters, the form of nomination petitions, the form of ballots, and the use of carriages or other vehicles on election day. The 1979 amendment eliminated such outmoded provisions and allows Council to regulate municipal election matters by ordinance.)

**11-10. Laws Governing Elections.**

General and special municipal elections shall be governed by this Charter and such ordinances as Council may prescribe not inconsistent herewith. The Council may, by ordinance, establish the method for the registration of electors; the number, qualification, and compensation for election judges and clerks; the boundaries of election precincts; the districting of the City for establishing districts; and such other matters relating to elections. Elections concerning repeal or amendment to this Charter shall be governed by this Charter, Colorado statutes, and such ordinances as the Council may prescribe not inconsistent therewith. (1979)

**11-20. Municipal Elections.**

A general municipal election shall be held in the City on the first Tuesday in April in each odd-numbered year. Special

elections may be held on any Tuesday designated by the City Council, except as limited in the Colorado Municipal Election Law as now existing or hereafter amended. (1979)

**11-30. Nonpartisan Elections.**

All municipal elections shall be nonpartisan. In accepting a nomination, a candidate shall, by affidavit filed with the City Clerk, attest to the fact that such candidate has not become a candidate as the nominee or representative of, or because of any promised support from any political party, committee, convention, or organization representing or acting for any political party. (1979)

**11-40. Disclosure of Private Interests by Councilmembers and Candidates for Council.**

The City Council shall provide by ordinance for the Disclosure of Substantial Private Business Interests by candidates for and members of the City Council. (1979)

**11-50. Campaign Disclosures.**

The City Council shall provide by ordinance for the Disclosure of Election Campaign Expenditures and Election Campaign Contributions. (1979)

**11-60. Names on Ballots.**

The names of all candidates for each elective office shall be printed on ballots in a random order which shall be determined by the City Clerk. (1979)

**11-70. Prior Voter Approval of Any City Convention Center.**

(a) The City of Colorado Springs shall be prohibited from planning, building, funding, or financing a convention center, with or without a hotel or other ancillary structures, unless a majority of voters gives prior approval to the complete project at a regular or special municipal election. (2005)

(b) No less than sixty days prior to the voters' consideration of the City's convention center proposal, the City shall make available in a public document the following materials:

- (1) A factually based range of the costs attributable to construction, operation, and maintenance of the convention center and all ancillary structures;
- (2) A factually based range of cost estimates for any infrastructure improvements that will be required;
- (3) The annual and total debt service requirements for both the construction of the center and the infrastructure improvements; and
- (4) The estimated infrastructure improvement costs as a percentage of the average amount spent during the previous five years on all municipal infrastructure improvements. (2005)

(c) Definitions.

(1) "City of Colorado Springs" means any municipal function or entity receiving or providing funds through or from the municipal budget, urban renewal programs, the Public Improvement Corporation or its functional equivalent, any business improvement or other special district wholly or partially located within the City, the Public Utilities Department, Colorado Springs Transit, any "enterprise" as defined in this charter, any franchise or license, or any other function or entity controlled, in whole or in part, by the City Council.

(2) "Convention Center" shall mean any building or combination of buildings planned or built for conferences or conventions that could accommodate in-town or out of town attendees, or a combination thereof.

(3) "Financing" shall mean: (i) any indebtedness; (ii) any financial obligation of the City whether it commits City funds directly or on a contingent basis; (iii) any tax abatement that is not based on a change in property classification or valuation prior to the election to approve the City convention center; or (iv) any guarantee of any payment in connection with a convention center, including but not limited to insurance purchased to guarantee payment of debt service.

(4) "Funding" shall mean: (i) any appropriation, loan, or pledge of any public funds; (ii) any assignment of new or existing taxes; or (iii) any use of funds provided by any other government, including but not limited to district, municipal, county, state or federal funds, whether such funds are the sole source of funding or are used in conjunction with funds from any other source whatsoever. (2005)

**11-80. Conveyance of Parkland Requiring Vote.**

(a) **General Provisions.** A voluntary Conveyance of Parkland which is included on the Parkland Designation List shall only be permitted with the approval of a majority of votes cast at a general or special election of the qualified electors of the City, following a referral of the question by a super-majority vote of not less than seven (7) members of the Council, except as provided below. If any other Charter provision or ordinance independently requires an election of the qualified electors of the City for approval of a voluntary Conveyance of Parkland included on the Parkland Designation List, the purposes of this Charter section shall be satisfied by the referral of only one (1) question to the qualified electors of the City. (2020)

(b) **Term Definitions.** For purposes of this section:

(1) "Conveyance" means a voluntary transfer of a property interest in Parkland which is included on the City's Parkland Designation List from the City to an individual or entity that is not controlled by the City.

(2) "*De Minimis* Conveyance" means a Conveyance of less than two (2) acres of Parkland or five percent (5%) of the

total acreage of an entire park which is included on the Parkland Designation List, whichever is less, and which does not materially diminish the public's use of the Parkland.

(3) "Developed Parkland" means Parkland upon which construction has commenced in accord with the applicable City approved plan and a portion of which is open for public use.

(4) "Parkland" means any land owned by the City that is administratively controlled by the Parks, Recreation and Cultural Services Department, but excludes trails and land administratively controlled by other departments or enterprises that have a secondary parks use.

(5) "Parkland Designation List" means a list of Parklands the Conveyance of which is subject to the restrictions contained in this Charter provision. (2020)

**(c) Conveyances Not Requiring a Vote.** The following types of Conveyances do not require an election and may occur pursuant to City procedures effective at the time of the Conveyance:

- (1) A Conveyance that is required by court order, judicial proceeding, or regulatory action;
- (2) A Conveyance effectuated through the exercise of eminent domain or following a written notice of intent to condemn through the exercise of eminent domain by a governmental entity with authority to condemn City property;
- (3) A lease, temporary permit, license, or easement granted by the City pursuant to this Charter;
- (4) The Conveyance of a conservation easement to and held by a qualified land trust;
- (5) A Conveyance of Parkland that is not included in the Parkland Designation List;
- (6) A De Minimis Conveyance;
- (7) A Conveyance approved by City Council in order to resolve a bona fide title dispute identified by the City Attorney;
- (8) A Conveyance of Parkland which is not Developed Parkland and was acquired by the City through the Park Land Dedication Ordinance, through other land use exaction, or as a requirement of annexation to the City;
- (9) A termination of a secondary use by the Parks, Recreation and Cultural Services Department of a property administratively assigned to another department or enterprise of the City. (2020)

**(d) Parkland Designation List.** The Parkland Designation List as approved by the qualified electors of the City is located in the Appendix at the end of the Charter. For Parkland acquired after the implementation of this Charter provision, City Council shall add by ordinance any Developed Parkland to the Parkland Designation List. The Parkland Designation List shall be available for inspection in the City Clerk's Office. Parkland shall not be removed from the Parkland Designation List, except following a Conveyance as provided for in this Charter provision. For Conveyances made pursuant to this Charter provision, City Council shall by ordinance cause the Parkland subject to the Conveyance to be removed from the Parkland Designation List. (2020)

## ARTICLE XII. RECALL, INITIATIVE, AND REFERENDUM <sup>13</sup>

(Ed. note: Former Article XIV dealt solely with the recall of elective officers. The initiative provisions were set forth in former Article XV, with former Article XVI dealing with the referendum. The 1979 amendment repealed Articles XV and XVI, and combined the recall, initiative, and referendum provisions under Article XIV. The amendment also substantially revised the recall, initiative, and referendum sections so as to ensure their compliance with the Colorado Constitution. Because the revision was so extensive, no attempt was made to conform to the former numbering system and no reference is made to the number of former sections dealing with similar provisions.)

### 12-10. General Authority.

**(a) Recall.** Any officer having held an elective office for at least six (6) consecutive months may be removed by both petition and vote of the electors of the City. Electors who are entitled to sign the petition and to vote in the recall election are those persons who are entitled to vote for a successor to the incumbent sought to be recalled. (1979; 1985)

**(b) Initiative.** The electors of the City shall have power to propose ordinances to the Council, and if the Council fails to adopt an ordinance so proposed, to adopt or reject such ordinance at a City election. (1979; 1985)

**(c) Referendum.** The electors of the City shall have power to recommend reconsideration by the Council of any adopted ordinance and, if the Council fails to repeal an ordinance so reconsidered, to approve or reject such ordinance at a City election, provided that such power shall not extend to ordinances making tax levy or appropriation or establishing special improvement districts.<sup>14</sup> (1979; 1985)

**(d) Repeal of Initiated Ordinance.** The Council may, on its own motion, submit any ordinance adopted by an initiative to a vote of the electors at any succeeding general municipal election for repeal or amendment of the initiated ordinance. An ordinance so adopted by a vote of the electors cannot be repealed or amended except by a vote of the electors.<sup>15</sup> (1979; 1985)

**(e) Reference by the Council.** Subject to the provisions of Section 12-10(d), the Council may, of its own motion, submit to electoral vote for adoption or rejection at a general or special municipal election any proposed ordinance or measure in

the same manner and with the same force and effect as is provided for initiated ordinances.<sup>16</sup> (1979; 1985)

**(f) Further Regulations.** The Council may, by ordinance, make such further regulations as it may deem necessary to carry out the provisions of the initiative and referendum powers, except as limited by this Charter and the Colorado Constitution. (1979; 1985)

**12-20. Commencement of Proceedings; Petitioner's Committee; Affidavit.**

Any three (3) electors may commence recall, initiative, or referendum proceedings by filing with the City Clerk an affidavit stating they will constitute a Petitioner's Committee and be responsible for circulating the petition and filing it in proper form, stating their names and addresses and specifying the address to which all notices to the Committee are to be sent, and setting out either: (1979; 1985)

(a) The name of the officer or officers sought to be removed and a general statement in not more than two hundred (200) words on the ground or grounds upon which removal is sought; or

(b) The full text of the proposed initiative ordinance; or

(c) The full text of the ordinance sought to be reconsidered.

As soon as possible after the affidavit of the Petitioner's Committee is filed, the Clerk shall issue the appropriate petition blanks to the Petitioner's Committee. (1979; 1985)

**12-30. Petitions.**

**(a) Form and Content.**

**(1) Uniform Petition Blanks.** The City Clerk shall issue appropriate petition blanks consisting of sheets having such general form printed at the top as designated by the City Clerk, for either recall, initiative, or referendum. The Clerk, upon issuing such forms to any persons, shall enter in a permanent record to be kept in such office for this purpose the name of the persons to whom issued, the date of such issuance, and the number of such forms issued, and shall certify on each of said forms under the Clerk's seal, the name of at least one of the persons to whom issued and the date of the issuance. No referendum, initiative, or recall petition shall be filed unless it shall bear such Certificate of the Clerk. The uniform petition blanks shall be furnished without charge. (1979; 1985)

**(2) Statement of Purpose.**

**(i) Recall.** The petition shall contain a general statement, in not more than two hundred (200) words, of the ground or grounds on which such recall is sought, which statement is intended for the information of the electors, and the electors shall be the sole and exclusive judges of the legality, reasonableness, and sufficiency of such ground or grounds assigned for such recall, and said ground or grounds shall not be open to review. (1979; 1985)

**(ii) Initiative.** The petition shall contain or have attached thereto throughout its circulation the full text of the ordinance proposed. The City Council shall by ordinance prescribe the method for setting the title of the initiated ordinance. (1979; 1985)

**(iii) Referendum.** The petition shall contain or have attached throughout its circulation the full text of the ordinance sought to be referred. (1979; 1985)

**(3) Signatures.** Each signer must sign his/her own proper signature, the date of signing said petition, and his/her place of residence, giving his/her street and number. The signatures to the petition need not all be on one sheet of paper. The petition may be circulated and signed in sections with each section consisting of one or more sheets, provided that each section shall contain a full and accurate copy of the title and text of the petition. All sheets and sections shall be filed as one instrument. (1979; 1985)

**(b) Affidavit of Circulator.** To each section of a petition, which section may consist of one or more sheets, shall be attached an affidavit by the Circulator, signed under oath before a Notary Public, stating that the Circulator is a registered elector of the City of Colorado Springs, and that the Circulator personally circulated the paper, the number of signatures thereon, that all the signatures were affixed in the Circulator's presence, that to the best of the Circulator's knowledge each signature appended to the paper is the genuine signature of the person whose name it purports to be, that each signer had an opportunity before signing to read the full text of the matter proposed or sought to be reconsidered, and that to the best of the Circulator's knowledge each signer is an elector of the City of Colorado Springs. (1979; 1985; 1993)

Such petition so verified shall be prima facie evidence that the signatures thereon are genuine and true and that the persons signing the same are electors. (1979; 1985)

**(c) Number of Signatures.**

**(1) Recall.**

(i) For the recall of Mayor or a Councilmember at large, the petition must be signed by electors entitled to vote for a successor of the incumbent sought to be recalled and such signatures must be equal in number to at least twenty-five percent (25%) of the total ballots cast for the office of Mayor in the last preceding election for such office. (1979; 1993)

(ii) For the recall of a district Councilmember, the petition must be signed by electors entitled to vote for a successor of the incumbent sought to be recalled and such signatures must be equal in number to at least twenty-five percent (25%) of the total ballots cast in the last preceding election for the office of such Councilmember. (1979; 1993)

(2) **Referendum.** The petition must be signed by electors of the City equal in number to at least fifteen percent (15%) of the total ballots cast for the office of Mayor in the last preceding election for such office. (1979; 1985; 1993)

(3) **Initiative.** The petition must be signed by electors of the City equal in number to at least twenty percent (20%) of the total ballots cast for the office of Mayor in the last preceding election for such office. (1979; 1985; 1993)

(4) **Signature Requirements.** If the signatures required by this Section 12-30(c) violate any provisions of the Colorado Constitution, then such signature requirements would be reduced to the number which complies with the Colorado Constitution. (1993)

(d) **Time for Filing Petitions.** Days shall be calendar days starting the day following the date of filing of the affidavit and including the last date only. Holidays and weekends shall be counted; however, when the last date falls on a day when the City Clerk's office is closed, then the next following business day shall be the last day for filing. (1979; 1985)

(1) **Recall.** All petitions shall be returned and filed with the Clerk within sixty (60) days from the issuance of such blank petition forms. (1979; 1985)

(2) **Referendum.** Within ten (10) days of final reading by the City Council of the ordinance sought to be reconsidered, Petitioners' Committee must file its Affidavit of Intent; and, within thirty (30) days from the date of final reading, the completed petition must be filed. (1979; 1985)

(3) **Initiative.** All petitions shall be returned and filed with the Clerk within one hundred eighty (180) days from the issuance of such blank petition forms. (1979; 1985)

#### **12-40. Procedure After Filing.**

Certificate of Clerk; Amendment. Within thirty (30) days after the petition is filed, the City Clerk shall examine the petition to determine whether the petition is signed by the requisite number of electors, and shall attach thereto the Clerk's Certificate showing the result of such examination. If this Certificate shows the petition to be insufficient, the Clerk shall send to the Petitioners' Committee by registered mail, within said thirty (30) days, a copy of the Certificate, which shall specify the particulars wherein it is defective; and the petition may be amended at any time within thirty (30) days from the filing of the Certificate. The Clerk shall, within thirty (30) days after such amendment, make like examination of the amended petition and attach thereto the Certificate of the result. If still insufficient, or if no amendment is made, the Clerk shall return the petition to the Petitioners' Committee without prejudice to the filing of a new petition for the same purpose. (1979; 1985)

If a petition or amended petition is certified sufficient, the Clerk shall promptly present the Certificate to the Council and the Certificate shall then be a final determination as to the sufficiency of the petition. (1979; 1985)

#### **12-50. Referendum Petitions; Suspension of Effect of Ordinance.**

No ordinance passed by the Council shall go into effect except as provided in Section 3-80, and except emergency ordinances or ordinances making or setting appropriations. Upon the filing of the Petitioners' Committee Affidavit of intention to file a petition in referendum, the ordinance sought to be reconsidered shall be suspended from taking effect. Such suspension shall terminate when:

- (a) The Petitioners' Committee fails to file a completed petition within thirty (30) days from the date of the final reading; or
- (b) There is a final determination of insufficiency of the petition; or
- (c) The Petitioners' Committee withdraws the petition; or
- (d) The Council repeals the ordinance; or
- (e) Upon a vote by the electors wherein the referred ordinance prevails. (1979; 1985)

#### **12-60. Action on Petitions.**

##### **(a) Action by Council.**

(1) **Recall.** The Council, if the officer sought to be removed does not resign within five (5) days after the attachment of the Clerk's Certificate that a sufficient petition has been filed, shall order an election to be held on a Tuesday fixed by it, not less than thirty (30) nor more than sixty (60) days from the date of the Clerk's Certificate that a sufficient petition is filed; provided, however, that if any other municipal election is to occur within ninety (90) days from the date of the Clerk's Certificate, the Council may, in its discretion, postpone the holding of the recall election to the date of such other municipal election. If a vacancy occurs in said office after the order for the recall election, the election shall proceed as provided in this Article. The incumbent shall continue to perform the duties of the office until the election. If then not recalled, such incumbent shall continue in office. If then recalled, such incumbent shall be deemed removed upon the qualification of the successor, who shall hold office during the unexpired term. If the successor fails to qualify within ten (10) days after receiving notification of the successor's election, the incumbent shall thereupon be deemed removed and the office vacant. The method of removal by recall herein provided for shall be cumulative and additional to any method otherwise provided in this Charter. (1979; 1985)

(2) **Initiative.** If the petition contains a request that said proposed ordinance be submitted to a vote of the people, if not passed by the Council, the Council shall within twenty (20) days after the attachment of the Clerk's Certificate of Sufficiency to the accompanying petition either:

- (i) Pass said ordinance without alteration (subject to the provisions of Section 12-10(e) of this Charter); or

(ii) Call a special election within ninety (90) days unless a general municipal election is fixed within said ninety (90) days; and at such special or general municipal election said proposed ordinance shall be submitted without alteration to the vote of the electors of the City. (1979; 1985)

**(3) Referendum.** When a referendum petition has been finally determined sufficient, it shall be the duty of the Council to reconsider such ordinance, and if the same be not entirely repealed, the Council shall submit the ordinance to a vote of the electors of the City, at a special municipal election to be called for that purpose within ninety (90) days of receipt of the Clerk's Certificate, unless a general municipal election is fixed within said ninety (90) days. (1979; 1985)

**(b) Submission to Voters; Election.**

**(1) Recall.** The nomination of other candidates, the publication of notice of such removal election, and the conduct of the same shall all be in accord with the provisions of Article XII hereof, relating to elections. (1979; 1985)

There shall be printed on the official ballot, as to every officer whose recall is to be voted on, the words, "Shall (name of person against whom the recall petition is filed) be recalled from the Office of Councilmember, Mayor?" Following such question shall be the words, "Yes" and "No," on separate lines, with a blank space at the right of each, in which the voter shall indicate his/her vote for or against such recall. Below the question shall be printed in not more than two hundred (200) words, the reasons set forth in the petition for demanding the recall, and in not more than three hundred (300) words there shall also be printed, if desired, the officer's justification of his/her course in office. (1979; 1985)

On such ballots, under each question, there shall also be printed the names of those persons who have been nominated as candidates to succeed the person sought to be recalled; but no vote cast shall be counted for any candidate for such office, unless the voter also voted for or against the recall of such person sought to be recalled from said office. The name of the person against whom the petition is filed shall not appear on the ballot as a candidate for the office. Where more than one district Councilmember is subject to the recall election, the candidates for a district Councilmember's position shall be listed below that district Councilmember subject to the recall. Where more than one Councilmember at large is subject to the recall election, the candidates seeking election shall run at large and not in place of any particular Councilmember whose removal is being sought. (1979; 1985)

**(2) Initiative.**

**(i) Publication of Initiative Ordinance.** Whenever any proposed ordinance is required by this Charter to be submitted to the voters of the City at an election, notice of such election shall be in accordance with Article XI of this Charter, which notice shall include the full text of the initiated ordinance, and if adopted by the electors of the City, such ordinance shall be published within ten (10) days after such adoption, and shall become effective immediately upon publication. (1979; 1985)

**(ii) Several Ordinances at One (1) Election.** Any number of proposed ordinances may be voted on at the same election, in accordance with the provisions of this Article. (1979; 1985)

**(iii) Ballots.** The ballots used when voting upon each proposed ordinance shall contain the words, "For the Initiated Ordinance" and "Against the Initiated Ordinance" and the ballot shall contain the title of the ordinance as it was circulated in the petition. (1979; 1985)

**(3) Referendum.**

**(i) Publication.** Notice of election shall be in accordance with Article XI of this Charter, which notice shall include the full text of the ordinance or only the title thereof, as Council may decide. (1979; 1985)

**(ii) Ballot.** The ballots used when voting upon each referred ordinance shall contain the words, "For the Ordinance" and "Against the Ordinance" and the ballot shall contain the title of the ordinance as it was circulated in the petition. (1979; 1985)

**12-70. Results of Election.**

**(a) Recall.** If a majority of those voting on said question of the recall of any incumbent from office shall vote "No," the incumbent shall continue in that office; if a majority shall vote "Yes," the incumbent shall thereupon be deemed removed from said office. (1979; 1985)

If a district Councilmember or Mayor shall be removed, then the candidate who has received the highest number of votes for the district or Mayor's position thereby vacated shall be declared elected for the remainder of the incumbent's term. In the event of the removal from office of only one (1) Councilmember at large where other Councilmembers at large were also subject to the recall election, the candidate who receives the highest number of votes shall be thereby elected to the office vacated for the unexpired term of the removed Councilmember. In the event of the removal of more than one (1) Councilmember at large, the candidate who receives the highest number of votes shall be thereby elected to the office of Councilmember for the longest unexpired term of the Councilmember removed. The candidate who receives the next highest number of votes shall be thereby elected to the office of Councilmember at large for the next longest unexpired term. Candidates shall thereafter be elected to the remaining unexpired terms of the removed Councilmembers. In case the person who received the highest number of votes shall fail to qualify within ten (10) days after the issuance of a Certificate of Election, the office shall be deemed vacant, and shall be filled according to law. (1979; 1985)

No person who has been removed from an office by recall, or who has resigned from such office while recall proceedings were pending against that person, shall be appointed to any City office, board, position of responsibility, or employment within one (1) year after such removal by recall or resignation. (1979; 1985)

**(b) Initiative.** If a majority of the electors voting on a proposed initiative ordinance vote in its favor, it shall be considered adopted upon certification of the election results. (1979; 1985)

**(c) Referendum.** If a majority of the electors voting on a referred ordinance vote in favor of the ordinance, it shall then go into effect upon certification of the election results. (1979; 1985)

**(d) Conflicting Ordinances.** If conflicting ordinances, proposed either by initiative and/or referendum, are approved at the same election, the one receiving the greatest number of affirmative votes shall prevail to the extent of such conflict.<sup>17</sup> (1979; 1985)

## ARTICLE XIII. OFFICERS, EMPLOYEES, AND SALARIES <sup>18</sup>

### 13-10. Officers, Employees.

Councilmembers shall be the legislative officers of the City. The Mayor shall be the chief executive and chief administrative officer of the City. The City Attorney, City Clerk, City Treasurer, City Auditor, Chief of Staff, and all department heads shall be the administrative officers of the City. All other persons employed by the City shall be City employees. (1909; 1979; 2007; 2010)

### 13-20. Compensation of Elected Officials.

(a) The Mayor shall be paid an annual salary adjusted by ordinance every four years to coincide with the start of a new mayoral term and shall reflect any change, up or down, over that four-year period in the most local consumer price index for all urban consumers (CPI-U) published by the U.S. Department of Labor, Bureau of Labor Statistics, beginning with an annual salary of \$96,000 for the first Mayor serving under the Council-Mayor Government in April 2011. In addition, the City of Colorado Springs shall provide employee benefits to the Mayor in the same manner as provided to other full-time City employees. (2010)

(b) All Councilmembers shall receive an annual stipend of \$6,250 payable pursuant to ordinance. The City of Colorado Springs shall not provide City paid benefits to Councilmembers other than those mandated by federal or state statute. (1995; 2010)

### 13-30. Oaths.

Every legislative, executive, and administrative officer of the City and all other employees required by law shall, before they enter upon the duties of their office, take, subscribe, and file with the Clerk an oath or affirmation to support the Constitution of the United States, the Constitution of the State of Colorado, and the Charter of The City of Colorado Springs, and to faithfully perform the duties of the office upon which they shall be about to enter. (1909; 1979; 1995; 2010)

### 13-40. Bonds.

If any officer or employee is required by law to give bond, he/she shall not be deemed qualified for such office or employment until such bond has been duly filed. (1909; 1979)

### 13-50. Personal Financial Interest.

Any City officer, employee, or appointee who has a substantial financial interest, direct or indirect or by reason of ownership of stock in any corporation, in any contract with the City or in the sale of any land, material, supplies, or services to the City or to a contractor supplying the City shall make known that interest and shall refrain from voting upon or otherwise participating in their capacity as a City officer or employee in the making of such sale or in the making or performance of such contract. Any City officer or employee who willfully conceals such a substantial financial interest or willfully violates the requirements of this section shall be guilty of malfeasance in office or position and shall forfeit said office or position. Violation of this section with the express or implied knowledge of the person or corporation contracting with or making a sale to the City shall render the contract or sale voidable by the Mayor or the City Council. (1909; 1977; 1979; 2010)

### 13-60. Prohibitions.

#### (a) Activities Prohibited.

(1) No person shall be appointed to or removed from, or in any way favored or discriminated against with respect to any City position or appointive City administrative office because of race, sex, political or religious opinions or affiliations. (1979)

(2) No person shall willfully make any false statement, certificate, mark, rating, or report in regard to any test, certification, or appointment under the personnel provisions of this Charter or the rules and regulations made thereunder, or in any manner commit or attempt to commit any fraud preventing the impartial execution of such provisions, rules, and regulations. (1979)

(3) No person who seeks appointment or promotion with respect to any City position or appointive City administrative office shall directly or indirectly give, render, or pay any money, service or other valuable thing to any person for or in connection with that person's test, appointment, proposed appointment, promotion, or proposed promotion. (1979)

(4) No person shall orally, by letter or otherwise, solicit or assist in soliciting any assessment, subscription, or contribution for any political party or political purpose whatever from any person holding any compensated appointive City position. (1909; 1979)

### 13-70. Removal of Striking Employees.

It shall be unlawful for any employee of the City of Colorado Springs to participate in or engage in a strike or any action to

withhold service from the City. In the event of such strike or action, any employee who participates or engages therein shall be disciplined. Such discipline shall be discharge; however, for any such employee who has acted in violation of this section as a result of coercion or threat of serious harm, such discipline shall be suspension without pay. Such disciplinary action may be appealed only under such rules as the Mayor shall establish. Neither Council nor any administrative officer of the City shall grant amnesty to any employee in violation of this section. (1979; 1980; 2010)

**13-80. City Attorney, Duties.**

The City Attorney shall conduct all cases in court in this State wherein the City shall be party plaintiff or defendant, or a party in interest. The City Attorney shall be the legal adviser of the Mayor, Council, Commissions, and Heads of Departments in relation to their duties, and shall perform such other duties, not inconsistent herewith, as may be required of the City Attorney by ordinance. The City Attorney shall receive such salary as the Council by ordinance shall prescribe. (1909; 1979)

**13-90. City Attorney Assistants.**

(a) The City Attorney may employ assistants who shall receive such salary as the Council by ordinance shall prescribe. (1979; 2010)

(b) The Council may also, at any time, employ other counsel, to take charge of any litigation or to assist the Attorney, whose compensation shall be fixed by the Council at the time of employment. (1909; 1979)

## ARTICLE XIV. CIVIL SERVICE

**14-10. Commission.**

(a) There is hereby established a Civil Service Commission consisting of five (5) members who shall serve without compensation. (1979)

(b) The Council first elected after the adoption of this Article, as soon as practicable thereafter, shall appoint two (2) members to said Commission to serve for one (1) year, another two (2) members to serve for two (2) years, and one (1) member to serve for three (3) years. Thereafter, as the initial terms of such appointments expire, Council shall appoint members whose terms shall be for a period of three (3) years. Members of the Civil Service Commission shall be allowed to be appointed for a second consecutive three (3) year term, but none thereafter. If a vacancy shall occur in the Commission, it shall be filled by appointment by the Council for the unexpired term. (1909; 1979)

**14-20. Commission to Make Rules.**

The Commission shall, with the approval of the Council, make such rules and regulations for the proper conduct of its business, as it shall find necessary or expedient. The Commission shall, among other things, classify employments for Civil Service Employees in the police and fire departments for open, competitive and free examinations as to fitness or other selection processes established by the Civil Service Commission as to fitness; for eligible lists from which vacancies shall be filled; for a period of probation before employment is made permanent; and for promotion on the basis of merit, experience and record. (1909; 1979; 1997)

**14-30. Council Give Further Powers.**

The Council, whenever requested by the Commission, may by ordinance confer upon the Commission such other or further rights, duties, and privileges as may be necessary to adequately enforce and carry out the principles of civil service.<sup>19</sup> (1909)

**14-40. Continuation.**

All persons at the time of the adoption of this section, occupying positions in the classified civil service, shall retain their positions until discharge under the provisions hereof. Discharges from the classified civil service or reductions in grade or compensation, or both, may be made for any cause, not political or religious, which will promote the efficiency of the service; but only in written specifications by the authority making the discharge or reduction; and the person sought to be discharged or reduced shall have notice thereof, together with a copy of the specifications, and shall be allowed a reasonable time for answering the same in writing. A copy of the specifications, notice, answer, and the order of discharge or reduction shall be made a part of the record of the division of the service in which the discharge or reduction is made, and a copy shall also be filed with the Civil Service Commission. If the person discharged or reduced desires to have such discharge or reduction reviewed by the Commission, they may present a sworn petition therefore, whereupon the Commission shall examine the facts at a public hearing, with the right on the part of the person discharged or reduced to appear in person and by counsel, cross-examine such witnesses as may testify against him/her and produce testimony in his/her own behalf. If the Commission shall find that the person has been wrongfully discharged or reduced, he/she shall be reinstated forthwith. (1921) (Ed. note: Formerly Section 150.a.)

## ARTICLE XV. GENERAL PROVISIONS

**15-10. Transition to Council-Mayor Form of Government.**

The form of government existing in the City at the time of adoption of this revised Charter shall continue unaltered, and, except as inconsistent with this revised Charter, all officers and other persons in the service of the City at the time this revised Charter takes effect shall continue to serve as such and to receive compensation therefor as now provided by law and to have and exercise the powers, authority and jurisdiction theretofore possessed by them respectively. (2010)

(a) Upon approval of this revised Charter by voters in 2010, the City's form of government shall begin to transition from a Council-Manager form of government to the Council-Mayor form of government so that the Mayor elected at the City's

regular election of April 2011, or any run-off election necessary thereafter, shall assume the duties set forth herein. In addition, the fifth at-large councilmember, created by Section 2-10(a)(1) herein, shall be elected at the City's regular election of April 2011. (2010)

(b) The Mayor in office at the time of approval of this revised Charter by voters in 2010 shall remain in office under the Council-Manager Government until the Mayor elected at the City's regular election of April 2011, or any run-off election necessary thereafter, is sworn in under the Council-Mayor Government. (2010)

(c) Upon approval of this revised Charter by voters in 2010, the Council shall complete within ninety (90) days its review and approval by ordinance of the personnel policies and procedures and its review and approval by ordinance of the purchasing and contracting rules and regulations, as mandated by Section 3-10(f) herein. (1909; 1979; 2010)

**15-20. Compilation of Charter.**

Council shall have the power, by ordinance, to renumber and rearrange all articles, sections, and paragraphs of this Charter, and any amendments thereto, as it shall deem appropriate. (1993)

**15-30. Present Ordinances Continue in Force.**

All laws, ordinances, resolutions, by-laws, orders, rules, or regulations in force in the City at the time this Charter takes effect, and not inconsistent with the provisions of this Charter, shall continue in full force and effect, until the Council otherwise by ordinance, resolution, or motion provides. All references to the City Manager in laws, ordinances, resolutions, by-laws, orders, rules, or regulations in force in the City shall, following the City's regular election of April 2011, be read to refer to the Mayor unless otherwise specified herein. (1909; 1979; 2010)

**15-40. Continuing Bonds.**

All official bonds, recognizances, obligations, contracts, and all other instruments entered into or executed by or to the City before this Charter takes effect, and all taxes, fines, penalties, and forfeitures due or owing to the City, and all writs, prosecutions, actions, and causes of action, except as herein otherwise provided, shall continue and remain unaffected by this Charter. (1909)

**15-50. Submission of Charter Amendments.**

Nothing herein contained shall be construed as preventing the submission to the people of more than one Charter amendment measure at any one election. The "Municipal Home Rule Act"<sup>20</sup> as now existing or hereinafter amended, shall govern the submission of Charter amendments. (1909; 1979)

**15-60. Reservation of Power.**

The power to supersede any law of this State, now or hereafter in force, insofar as it applies to local or municipal matters, shall be reserved to the City, acting by ordinance. (1909)

**15-70. Conflict Between Measures--Which Adopted.**

In case the electors at the election held for the adoption or rejection of this measure are called upon to vote upon any other measure, amendment to the Charter, or alternative article or proposition and any other such measure, amendment, or alternative article or proposition should be adopted and there should be any conflict between this measure and such other measure, amendment, or alternative article or proposition, then the measure, amendment, or alternative article or proposition receiving the largest number of votes shall prevail as to such matters wherein there is a conflict, and provided, further, that should there at any future election be submitted different measures, amendments, or alternative propositions and more than one be adopted and there be any conflict between the same, then the measure, amendment, or alternative article or proposition receiving the largest number of votes shall prevail.<sup>21</sup> (1920; 1979)

**15-80. Public Records.**

Colorado statutes as now existing or hereinafter amended applying to public records shall apply to the public records of the City. (1979)

**15-90. Severability of Charter Provisions.**

If any provision, section, article, or clause of this Charter or the application thereof to any person or circumstances shall be found to be invalid by a court, such invalidity shall not affect any remaining portion or application of the Charter which can be given effect without the invalid portion or application, provided such remaining portions or applications are not determined by the court to be inoperable, and to this end this Charter is declared to be severable. (1979)

**15-100. Saving Clause.**

This Charter shall not affect any suit pending in any court or any document heretofore executed in connection therewith. Nothing in this Charter shall invalidate any existing agreements or contracts between the City of Colorado Springs and individuals, corporations, or public agencies. (1979)

**15-110. Northfield Watershed--Recreational Use.**

Upon completion of the enlargement of Northfield Reservoir No. 5 of the municipal water system and the completion and installation of appurtenant recreational facilities by the United States Forest Service, the City Council may allow City-owned land in the Northfield system to be used for recreational purposes and to make such cooperative arrangements as it may deem appropriate with the Forest Service for the development and management of the recreational resources of the reservoir and adjacent lands. (1967) (Ed. note: Formerly Section 165.)

**15-120. North Slope Watershed--Recreational Use.**

Upon completion of the enlargement of the Northfield Reservoir No. 5 of the municipal water system and the completion and installation of appurtenant recreational facilities by the United States Forest Service in the Northfield area and when

recreational use of the City-owned land and adjacent forest reserve land in said Northfield area has been authorized and commenced, and when the water of the North Slope portion of the municipal watershed and water system has been provided with complete filtration and chlorination treatment for all users of domestic water from this watershed and the United States Forest Service agrees to cooperate in the development and use of the North Slope watershed or part thereof for recreational use and all appurtenant facilities including access and service roads, sanitary facilities and parking, recreational and camping areas are provided for such use, the City Council may allow recreational use in such part of the watershed provided that the use is legally allowable and is consistent with the maintenance of proper health, safety, fire protection, and conservation standards. (1967) (Ed. note: Formerly Section 166.)

## APPENDIX.<sup>22</sup>

### PART 4. OPEN MEETINGS LAW

#### 24-6-401.Declaration of Policy.

It is declared to be a matter of statewide concern and the policy of this state that the formation of public policy is public business and may not be conducted in secret.

**Source:** Entire section amended, L. 91, p. 815, § 1, effective June 1.

**Law reviews.** For article, "Home Rule Municipalities and Colorado's Open Records and Meetings Laws", see 18 Colo. Law. 1125 (1989).

#### 24-6-402.Meetings--Open to Public.

(1) For the purposes of this section:

(a) "Local public body" means any board, committee, commission, authority, or other advisory, policy-making, rule-making, or formally constituted body of any political subdivision of the state and any public or private entity to which a political subdivision, or an official thereof, has delegated a governmental decision-making function but does not include persons on the administrative staff of the local public body.

(b) "Meetings" means any kind of gathering, convened to discuss public business, in person, by telephone, or by other means of communication.

(c) "Political subdivision of the state" includes, but is not limited to, any county, city, city and county, town, home rule city, home rule county, home rule city and county, school district, special district, local improvement district, special improvement district, or service district.

(d) "State public body" means any board, committee, commission, or other advisory, policy-making, rule-making, decision-making, or formally constituted body of any state agency, state authority, or the general assembly, the governing board of any state institution of higher education including the regents of the university of Colorado, and any public or private entity to which the state, or an official thereof, has delegated a governmental decision-making function but does not include persons on the administrative staff of the state public body.

(2) (a) All meetings of two or more members of any state public body at which any public business is discussed or at which any formal action may be taken are declared to be public meetings open to the public at all times.

(b) All meetings of a quorum or three or more members of any local public body, whichever is fewer, at which any public business is discussed or at which any formal action may be taken are declared to be public meetings open to the public at all times.

(c) Any meetings at which the adoption of any proposed policy, position, resolution, rule, regulation, or formal action occurs or at which a majority or quorum of the body is in attendance, or is expected to be in attendance, shall be held only after full and timely notice to the public. In addition to any other means of full and timely notice, a local public body shall be deemed to have given full and timely notice if the notice of the meeting is posted in a designated public place with the boundaries of the local public body no less than twenty-four hours prior to the holding of the meeting. The public place or places for posting such notice shall be designated annually at the local public body's first regular meeting of each calendar year. The posting shall include specific agenda information where possible.

(d) (I) Minutes of any meeting of a state public body shall be taken and promptly recorded, and such records shall be open to public inspection. The minutes of a meeting during which an executive session authorized under subsection (3) of this section is held shall reflect the general topic of the discussion at the executive session.

(II) Minutes of any meeting of a local public body at which the adoption of any proposed policy, position, resolution, rule, regulation, or formal action occurs or could occur shall be taken and promptly recorded, and such records shall be open to public inspection. The minutes of a meeting during which an executive session authorized under subsection (4) of this section is held shall reflect the general topic of the discussion at the executive session.

(e) This part 4 does not apply to any chance meeting or social gathering at which discussion of public business is not the central purpose.

(f) The provisions of paragraph (c) of this subsection (2) shall not be construed to apply to the day-to-day oversight of property or supervision of employees by county commissioners. Except as set forth in this paragraph (f), the provisions of this paragraph (f) shall not be interpreted to alter any requirements of paragraph (c) of this subsection (2).

(3) (a) The members of a state public body subject to this part 4, upon affirmative vote of two-thirds of the entire membership of the body, may hold an executive session only at a regular or special meeting and for the sole purpose of considering any of the matters enumerated in paragraph (b) of this subsection (3) or the following matters; except that no adoption of any proposed policy, position, resolution, rule, regulation, or formal action shall occur at any executive session which is not open to the public:

(I) The purchase of property for public purposes, or the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal, private interest is adverse to the general public interest. No member of the state public body shall use this paragraph (a) as a subterfuge for providing covert information to prospective buyers or sellers. Governing boards of state institutions of higher education including the regents of the university of Colorado may also consider the acquisition of property as a gift in an executive session, only if such executive session is requested by the donor.

(II) Conferences with an attorney for the state public body concerning disputes involving the public body that are the subject of pending or imminent court action. Governing boards of state institutions of higher education including the regents of the university of Colorado may also confer with an attorney concerning specific claims or grievances or for purposes of receiving legal advice on specific legal questions. Mere presence or participation of an attorney at an executive session of a governing board of a state institution of higher education including the regents of the university of Colorado is not sufficient to satisfy the requirements of this subsection (3).

(III) Matters required to be kept confidential by federal law or rules or state statutes;

(IV) Specialized details of security arrangements where disclosure of the matters discussed might reveal information that could be used for the purpose of committing, or avoiding prosecution for, a violation of the law;

(V) Determining positions relative to matters that may be subject to negotiations with employees or employee organizations; developing strategy for and receiving reports on the progress of negotiations; and instructing negotiators;

(VI) With respect to the board of regents of the university of Colorado and the board of directors of the university of Colorado hospital authority created pursuant to article 21 of title 23, C.R.S., matters concerning the modification, initiation, or cessation of patient care programs at the university hospital operated by the university of Colorado hospital authority pursuant to part 5 of article 21 of title 23, C.R.S., (including the university of Colorado psychiatric hospital), and receiving reports with regard to any of the above, if premature disclosure of information would give an unfair competitive or bargaining advantage to any person or entity.

(b) All meetings held by members of a state public body subject to this part 4 to consider the appointment or employment of a public official or employee or the dismissal, discipline, promotion, demotion, or compensation of, or the investigation of charges or complaints against, a public official or employee shall be open to the public unless said applicant, official, or employee requests an executive session. Governing boards of institutions of higher education including the regents of the university of Colorado may, upon their own affirmative vote, hold executive sessions to consider the matters listed in this paragraph (b). Executive sessions may be held to review administrative actions regarding investigation of charges or complaints and attendant investigative reports against students where public disclosure could adversely affect the person or persons involved, unless the students have specifically consented to or requested the disclosure of such matters. An executive session may be held only at a regular or special meeting of the state public body and only upon the affirmative vote of two-thirds of the entire membership of the body.

(c) Notwithstanding the provisions of paragraphs (a) and (b) of this subsection (3), the state board of parole created in part 2 of article 2 of title 17, C.R.S., may proceed in executive session to consider matters connected with any parole proceedings under the jurisdiction of said board; except that no final parole decisions shall be made by said board while in executive session. Such executive session may be held only at a regular or special meeting of the state board of parole and only upon the affirmative vote of two-thirds of the membership of the board present at such meeting.

(4) The members of a local public body subject to this part 4, upon the affirmative vote of two-thirds of the quorum present, may hold an executive session only at a regular or special meeting and for the sole purpose of considering any of the following matters; except that no adoption of any proposed policy, position, resolution, rule, regulation, or formal action shall occur at any executive session which is not open to the public:

(a) The purchase, acquisition, lease, transfer, or sale of any real, personal, or other property interest; except that no executive session shall be held for the purpose of concealing the fact that a member of the local public body has a personal interest in such purchase, acquisition, lease, transfer, or sale;

(b) Conferences with an attorney for the local public body for the purposes of receiving legal advice on specific legal questions. Mere presence or participation of an attorney at an executive session of the local public body is not sufficient to satisfy the requirements of this subsection (4);

(c) Matters required to be kept confidential by federal or state law or rules and regulations;

(d) Specialized details of security arrangements or investigations;

(e) Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators;

(f) Personnel matters except if the employee who is the subject of the session has requested an open meeting, or if the personnel matter involves more than one employee, all of the employees have requested an open meeting. With respect to

hearings held pursuant to the "Teacher Employment, Compensation, and Dismissal Act of 1990", article 63 of title 22, C.R.S., the provisions of section 22-63-302 (7) (a), C.R.S., shall govern in lieu of the provisions of this subsection (4).

(g) Consideration of any documents protected by the mandatory nondisclosure provisions of part 2 of article 72 of this title, commonly known as the "Open Records Act";

(h) Discussion of individual students where public disclosure would adversely affect the person or persons involved.

(5) Prior to the time the members of public body convene in executive session, the chairman of the body shall announce the general topic of the executive session as enumerated in subsections (3) and (4) of this section.

(6) The limitations imposed by subsections (3), (4), and (5) of this section do not apply to matters which are covered by section 14 of article V of the state constitution.

(7) The secretary or clerk of each state public body shall maintain a list of persons who request notification of all meetings or of meetings when certain specified policies will be discussed and shall provide reasonable advance notification of such meetings.

(8) No resolution, rule, regulation, ordinance, or formal action of a state or local public body shall be valid unless taken or made at a meeting that meets the requirements of subsection (2) of this section.

(9) The courts of record of this state shall have jurisdiction to issue injunctions to enforce the purposes of this section upon application by any citizen of this state. In any action in which the court finds a violation of this section, the court shall award the citizen prevailing in such action costs and reasonable attorney fees. In the event the court does not find a violation of this section, it shall award costs and reasonable attorney fees to the prevailing party if the court finds that the action was frivolous, vexatious, or groundless.

(10) Any provision of this section declared to be unconstitutional or otherwise invalid shall not impair the remaining provisions of this section, and, to this end, the provisions of this section are declared to be severable.

**Source:** (2.3)(f) amended, L. 89, p. 1004, § 4, effective October 1; entire section amended, L. 91, p. 815, § 2, effective June 1; (3)(a)(VI) amended, L. 91, p. 586, § 6, effective October 1; (2)(f) added, L. 92, p. 972, § 1, effective April 23.

#### **Parkland Designation List**

PURSUANT TO CITY CHARTER SECTION 11-80

AND ADOPTED IN ORDINANCE NO. 20-55

#### **Golf Courses**

VALLEY HI GOLF COURSE

#### **Community Park**

AMERICA THE BEAUTIFUL PARK

COLEMAN PARK (Developed Portion)

COTTONWOOD CREEK PARK

JOHN VENEZIA COMMUNITY PARK

MEMORIAL PARK

MONUMENT VALLEY PARK

QUAIL LAKE PARK

RAMPART PARK

WILSON RANCH PARK

#### **Mini Park**

BOULDER CRESCENT PARK

CUCHARRAS PARK

HAPPY HOLLOW PLAYGROUND

HONEYBEAR PLAYGROUND

IVYWILD PARK

LITTLE BRITCHES PLAYGROUND

LOWELL PARK

MOUNTAIN VIEW PLAYGROUND

MUNCHKIN PLAYGROUND

TRUES MILL PARK

**Neighborhood Park**

AUDUBON PARK

BETTY KROUSE PARK

BLUNT PARK

BONFORTE PARK

BOTT PARK

BOULDER PARK

BRICKER PARK

BROADMOOR BLUFFS PARK

BROADMOOR GLEN PARK

BROADMOOR VALLEY PARK

BUCKSKIN CHARLIE PARK

CANDLEFLOWER PARK

CARVER PARK (Portion owned by City)

CENTENNIAL PARK

CHEYENNE MEADOWS PARK

DANVILLE PARK

DEERFIELD PARK

DISCOVERY PARK (Portion owned by City)

DR FRANK HOUCK PARK

DUBLIN PARK

ERINDALE PARK

EUGENE MCCLEARY PARK

EXPLORER PARK

FAIRFAX PARK

FLANAGAN PARK

FOOTHILLS PARK (Portion owned by City)

FORD FRICK PARK

FOUNTAIN PARK

FRANK CASTELLO PARK

FREMONT PARK

FRONTIER PARK

GARDEN RANCH PARK

GEORGE FELLOWS PARK (Portion owned by City)

GIBERSON PARK

GLEN OAKS PARK

GOLD CAMP PARK

GOLDEN HILLS PARK

GRANT PARK

HEATHERCREST PARK

HENRY PARK

HIGH MEADOWS PARK  
HOMESTEAD PARK  
HORACE SHELBY PARK  
JACK TEMPLETON PARK  
JACKSON PARK (Portion owned by City)  
JAMES SMITH SR PARK  
JARED JENSON PARK  
JEFFERSON PARK  
JENKINS PARK  
JOHN STONE PARK  
JUDGE LUNT PARK  
KATHLEEN MARRIAGE PARK  
KELLER PARK  
KEN JORDAN PARK  
KEYSTONE PARK  
LAURA GILPIN PARK (Developed Portion)  
LULU POLLARD PARK  
LUNAR PARK  
MADISON PARK  
MARSHALL SPRAGUE PARK  
MARY KYER PARK  
MCKOWN PARK  
MEADOWLARK PARK  
MEADOWRIDGE PARK  
MEADOWS PARK  
MONTEREY PARK  
MOUNTAIN SHADOWS PARK  
NANCY LEWIS PARK  
OAK MEADOW PARK  
OAK VALLEY RANCH PARK  
OLD FARM PARK  
OTERO PARK  
OTIS PARK  
PANORAMA PARK  
PENROSE PARK (Portion owned by City)  
PENSTEMON PARK  
PIKE PARK  
PINECLIFF PARK  
PINON VALLEY PARK  
PIONEER PARK  
PORTAL PARK  
PRAIRIE GRASS PARK

PRING RANCH PARK  
REMINGTON PARK  
ROSWELL PARK  
ROY BENAVIDEZ PARK  
RUDY PARK (Portion owned by City)  
SAGEBRUSH PARK  
SANDSTONE PARK  
SIERRA PARK  
SHOOKS RUN PARK  
SNOWY RIVER PARK  
SOARING EAGLES PARK  
SPRINGS RANCH PARK  
STETSON PARK  
THORNDALE PARK  
TOMAH PARK  
TWIN PARK  
VAN DIEST PARK  
VERMIJO PARK  
VILLA LOMA PARK  
VILLAGE GREEN PARK  
WAGNER PARK  
WASSON PARK  
WEDGEWOOD PARK  
WEST CREEK PARK  
WESTMOOR PARK  
WICKES PARK  
WILDFLOWER PARK  
WILSON PARK  
WOODLAND HILLS PARK  
WOODSTONE PARK

**Open Space**

AUSTIN BLUFFS OPEN SPACE (TOPS)  
AUSTIN BLUFFS OPEN SPACE (Non-TOPS Portions)  
BLAIR BRIDGE OPEN SPACE - DEED  
BLODGETT PEAK OPEN SPACE (TOPS)  
BLUESTEM PRAIRIE OPEN SPACE (TOPS)  
BROADVIEW OPEN SPACE (PLDO-Developed)  
CHEYENNE MOUNTAIN STATE PARK (TOPS)  
CORRAL BLUFFS (TOPS)  
CRESTA OPEN SPACE (Developed Area)  
DOUGLAS CREEK OPEN SPACE  
HIGH CHAPARRAL OPEN SPACE (TOPS)

HIGH CHAPARRAL OPEN SPACE (PLDO-Developed)  
IRON MOUNTAIN OPEN SPACE (TOPS)  
MANITOU INCLINE/BARR LAND  
MESA VALLEY OPEN SPACE (PLDO-Developed)  
RED ROCK CANYON OPEN SPACE (TOPS)  
ROCKRIMMON OPEN SPACE (PLDO-Developed)  
SECTION 16 (TOPS)  
SINTON POND (PLDO-Developed)  
SONDERMANN PARK (PLDO-Developed)  
STRATTON OPEN SPACE (TOPS)  
SUNSET MESA OPEN SPACE (PLDO-Developed)  
UNION MEADOWS OPEN SPACE (TOPS)  
UTE VALLEY PARK (TOPS)  
WHITE ACRES (TOPS)

**Regional Parks**

BEAR CREEK CANON PARK  
GARDEN OF THE GODS PARK (TOPS)  
GARDEN OF THE GODS PARK (Non-TOPS Portion)  
NORTH CHEYENNE CANON PARK (TOPS)  
NORTH CHEYENNE CANON PARK (Non-TOPS Portions)  
PALMER PARK  
ROCK LEDGE RANCH  
UTE VALLEY PARK (TOPS)  
UTE VALLEY PARK (Non-TOPS Portions)

**Special Purpose Parks**

ACACIA PARK  
ALAMO SQUARE PARK  
ANTLERS PARK  
BANCROFT PARK  
CITY HALL PARK  
HARLAN-WOLFE PARK  
Special Resource Areas- Open Spaces  
HIGH PLAINS OPEN SPACE (PLDO-Developed)  
PROMONTORY OPEN SPACE (PLDO-Developed)  
WOODLAND HILLS OPEN SPACE (PLDO-Developed)

**Sports Complexes**

GOSSAGE YOUTH SPORTS COMPLEX  
LEON YOUNG SPORTS COMPLEX  
SKY VIEW SPORTS COMPLEX

**FOOTNOTE REFERENCE**

1. Cf., Colo. Const. Art. XX §1.

2. *Clough v. City of Colorado Springs*, 70 Colo. 87, 197 P.896 (1921).
3. *County Commissioners of El Paso County, et al. v. City of Colorado Springs* 66 Colo. 111, 180 P.301 (1919).
4. *Clough v. City of Colorado Springs*, *ibid*.
5. \*\*Ed Note: The ballot question for the amendment to the Charter that changed the number of districts from four to six stated: "and shall the two winning at large candidates receiving the least number of votes in the April 2011 general municipal election serve only two years ending with the April 2013 General Municipal Election by amending City Charter Article II and any other provisions of the City Charter in conflict therewith . . . ."
6. The truth or falsity of a declaration by Council that an emergency exists is a legislative rather than a judicial question. *Shields v. City of Loveland*, 74 Colo. 27, 218 P.913 (1923). Absent a showing that Council acted arbitrarily or capriciously, a reviewing court is bound by Council's determination of an emergency. *U.S. Disposal Systems, Inc. v. City of Northglenn*, Colo. 567 P.2d 365 (1977).
7. Mayor replaced City Manager by amendment to the Charter adopted November 2, 2010.
8. At the General Municipal Election in April 1993 an additional Council Appointee was created; "Utilities Director." This removed the control of the Utilities from the City Manager to the Utilities Director.
9. Ed. Note: It is the City Manager's responsibility to draft and submit the annual budget. See §4-20(h). November 2, 2010 Mayor assumed budget responsibilities § 4-40(i).
10. Home rule municipalities are empowered to assess property and levy taxes and municipal, county, or state officials may collect said taxes. Colo. Const. Art. XX §6(g).
11. Colo. Const. Art. XX §4.
12. Power to regulate municipal elections: Colo. Const. Art. XX §6(d).
13. Cf., Colo. Const. Art. V, Art. XXI.
14. A reservation of power in the people of a city by its Charter providing for referendum must be liberally construed in favor of the people's right to exercise such power. Any limitations on the referendum power must be strictly construed and should not be extended either by implication or inference. *Brooks v. Zabka*, 168 Colo. 265, 450 P.220 (1924).
15. *Webb v. Dorlac*, 75 Colo. 49, 224 P.220 (1924).
16. *Webb v. Dorlac*, 75 *supra*.
17. With regard to initiated constitutional amendments which conflict, see *In re Interrogatories*, 189 Colo. 1, 536 P.2d 308 (1975). Cf., C.R.S. §1-40-113 (1973).
18. Power to define and regulate municipal officers, agencies, and employments. Colo. Const. Art. XX §6(a).
19. A municipal civil service commission cannot exercise any power that is not expressly conferred by the power that created it, nor can it assume an enlarged power by making its own rules. *Bratton v. Dice*, 93 Colo. 593, 27 P.2d 1028 (1933).
20. "Municipal Home Rule Act of 1971," C.R.S. §31-2-201 *et. seq.* (1973).
21. Cf., *In re Interrogatories*, 189 Colo. 1, 536 P.2d 308 (1975); C.R.S. §1-40-113 (1973).
22. The "Open Meetings Law" in effect at the time of the April 1993 General Municipal Election was derived from Colorado Senate Bill 91-33 (effective date 6/1/91), Colorado Senate Bill 91-225 (effective date 6/1/91) and Colorado House Bill 92-1167 (effective date 4/23/92). The complete text of these three bills are contained in Bradford Publishing Company's, 1992 Cumulative Supplement, Volume 10A, 1988 Replacement Volume to the Colorado Revised Statutes.

**Colorado Springs Utilities Officers:**

121 S. Tejon Street, 5<sup>th</sup> Floor, Colorado Springs, Colorado 80903

Travas Deal – Chief Executive Officer  
Renee Adams - Chief Human Resources Officer  
Mike Francolino - Chief Customer & Enterprise Services Officer  
Tristan Gearhart - Chief Planning & Finance Officer  
Somer Mese - Chief Operations Officer  
Nick Peters - Chief System Planning and Projects Officer

**City of Colorado Springs Utilities Board/City Council Members:**

107 N. Nevada Avenue, Suite 300, Colorado Springs, CO 80903

Dave Donelson, Utilities Board Chair (District 1)  
Brandy Williams, Utilities Board Vice Chair (District 3)  
Ken Casey, Board Member (District 2)  
Kimberly Gold, Board Member (District 4)  
Nancy Henjum, Board Member (District 5)  
Roland Rainey, Board Member (District 6)  
Lynette Crow-Iverson, Board Member (At Large; City Council President)  
David Leinweber, Board Member (At Large)  
Brian Risley, Board Member (At Large; City Council President Pro Tem)

**COUNCIL BILL NO. 1424**

**ORDINANCE NO. 0424**

**ORDINANCE**

**AN ORDINANCE OF THE CITY OF MANITOU SPRINGS, COLORADO APPROVING A FRANCHISE AGREEMENT WITH COLORADO SPRINGS UTILITIES GRANTING THE RIGHT TO PROVIDE, SELL AND DELIVER NATURAL GAS AND ELECTRICITY TO THE CITY AND ITS RESIDENTS**

**WHEREAS**, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

**WHEREAS**, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024;

**WHEREAS**, pursuant to C.R.S. §§ 31-32-101 through 103, the City may grant a franchise by ordinance after statutory notice and publication requirements have been met and after two readings of the ordinance;

**WHEREAS**, as evidenced by publisher's affidavits, the statutory notice requirements have been met; and

**WHEREAS**, this Ordinance has been read twice, first on May 21, 2024, and next on June 4, 2024.

**WHEREAS**, at second reading on June 4, 2024, the City Council held a properly noticed public hearing to consider adoption of a franchise agreement with Colorado Springs Utilities.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MANITOU SPRINGS, COLORADO:**

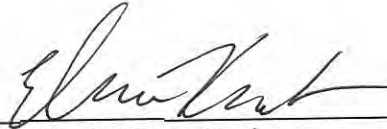
**Section 1.** The Franchise Agreement between the City of Manitou Springs, Colorado and Colorado Springs Utilities, in the form attached hereto as **Exhibit A** and incorporated herein by this reference, is hereby approved, and Colorado Springs Utilities is hereby granted a franchise to provide gas and electric services in the City of Manitou Springs pursuant to the terms of such Franchise Agreement. The Mayor is hereby authorized to sign the Franchise Agreement on behalf of the City.

**Section 2.** If any article, section, paragraph, sentence, clause or phrase of this Ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each part or parts hereof irrespective of the fact that any one part or parts be declared unconstitutional or invalid.

**Section 3.** This Ordinance is deemed necessary for the protection of the health, welfare and safety of the community.

**Section 4.** This Ordinance shall take effect five days after publication following final passage.

Passed on first reading and ordered published this 21<sup>st</sup> day of May 2024.

  
\_\_\_\_\_  
City Clerk, Elena Krebs

A Public Hearing on this ordinance will be held at the June 4, 2024, City Council meeting. The Council Meeting will be held at 6:00 P.M. at City Hall, 606 Manitou Avenue, Manitou Springs, Colorado.

Ordinance Published: May 22, 2024. (in full)  
*City's Official Website and City Hall*

Passed on second reading and adopted by Council this 4<sup>th</sup> day of June 2024.

  
\_\_\_\_\_  
Mayor, John Graham

Attest:   
\_\_\_\_\_  
City Clerk, Elena Krebs

Ordinance Published: June 5, 2024 (in full)  
*City's Official Website and City Hall*

**FRANCHISE AGREEMENT**  
**BETWEEN**  
**THE CITY OF MANITOU SPRINGS, COLORADO**  
**AND**  
**COLORADO SPRINGS UTILITIES**

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into this 18<sup>th</sup> day of JUNE, 2024 ("Effective Date"), by and between Colorado Springs Utilities ("Springs Utilities"), an enterprise of the City of Colorado Springs, a Colorado home rule City and municipal corporation, and the City of Manitou Springs (the "City") a Colorado home rule city and municipal corporation (Springs Utilities and the City are referred to individually as a "Party" and collectively as the "Parties").

**WHEREAS**, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

**WHEREAS**, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024; and

**WHEREAS**, the Parties desire to renew the franchise granted to Springs Utilities subject to the terms and conditions set forth herein.

**NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE FOREGOING REPRESENTATIONS, IT IS AGREED AS FOLLOWS:**

1. Franchise Grant. From the date of acceptance as reflected below, and for the full term of twenty years thereafter, Springs Utilities, an enterprise of the City of Colorado Springs, its successors and assigns, be, and it hereby is, granted the right, license, and authority to acquire, construct, maintain, own, and operate within the City an electric transmission and distribution system and a natural gas distribution system, and to distribute and sell electricity and natural gas in the City for light, heat, power, or other useful purpose to all persons, associations, or corporations, either public or private, desiring the same.

2. General Grant Terms. For the purpose of exercising such right, license, and authority, Springs Utilities, its successors, and assigns, is hereby granted permission, license, and authority to acquire, construct, own, maintain, and operate along, upon, or under the streets, alleys, and public places (but not parks, open space, or trails) of the City and all extensions thereof, such lines, poles, wires, electrical conductors, and pipes, together with all necessary fixtures and appliances as may be necessary or useful in the conduct of said business. Springs Utilities, by accepting and acting under this Agreement, agrees for itself, its successors, and assigns, that it will locate,

construct, and maintain its electric transmission and distribution lines, and its natural gas distribution lines, and all appurtenant appliances under the direction of the City Council of the City and in conformance with the ordinances of the City, provided, however, that no unreasonable or impossible restrictions shall be required by the City Council. Such conditions considered reasonable may include, but are not limited to, review and approval of all structures for conformance with right-of-way, zoning, planning, and historic preservation requirements. Replacement of all curbs, streets, sidewalks, and private property shall be performed in conformance with pertinent City ordinances. Adequate notice of significant electric or natural gas system changes in the City shall be provided to the City Council of the City. The City shall not require Springs Utilities to perform in any manner which is contrary to any law, rule, regulation, or operating and maintenance procedure for electric transmission and distribution systems, or natural gas distribution systems as established by Springs Utilities or any federal or Colorado regulatory authority. Springs Utilities expressly acknowledges the City's right to adopt, from time to time, in addition to the provisions contained herein, such laws, including ordinances and regulations, as the City may deem necessary in the exercise of its governmental powers. The right to make reasonable use of City streets, alleys and public places under this franchise is subject to and subordinate to any City use of said areas.

3. Work in Rights-of-Way. Springs Utilities will follow the City permit process for any work within the rights-of-way of the City and will, except in the case of emergencies, coordinate activities that involve street cuts with the City's schedule for roadway overlays. Whenever reasonably possible, and within the constraints of any applicable code provisions, Springs Utilities will share the space available in any trench opened within City rights-of-way. The City shall have the right to use without payment of any compensation therefore, any of the distribution line poles or underground conduit of the electric system owned by Springs Utilities within the City for the purpose of carrying any telephone, police, fire alarm, or other wires belonging to the City, as mutually agreed to in writing, provided, however, that all such telephone, police, fire alarm, or other wires shall be placed on said poles or within conduit under the direction of Springs Utilities. All such attachments shall comply with all applicable codes and regulations specifically including the National Electrical Safety Code. This authorization does not require Springs Utilities to make any new or additional pole or conduit space available for carrying of City wires if insufficient space is available on or in such facilities at the time of the City's request for space; provided that Springs Utilities shall upsize conduit or poles to provide space for City facilities if the City agrees to pay the cost differential resulting from the upsizing and if such oversizing can be accomplished without unduly interfering with Springs Utilities' facilities and project scheduling and provided that it is technically feasible.

4. Cost of Service. Springs Utilities agrees to furnish electricity and natural gas for light, heat, and power to all persons, associations, or corporations, either public or private, within the City, desiring the same, under the rate schedules and tariffs on file with the appropriate regulatory body, as established by Colorado law, and in accordance with appropriate engineering specifications. Springs Utilities, in consideration of the rights and privileges hereby granted, agrees that it will not at any time during the term hereof establish and endorse any schedule of rates for the City or its inhabitants which is higher than the schedule of rates effective in the City of Colorado Springs during the same period. A continued violation of this provision after ten days

written notice by the City to Springs Utilities shall allow the City, at its discretion, to terminate all rights and privileges hereby conferred on Springs Utilities. In the event of such termination, the City will pay to Springs Utilities a termination fee equal to the amount of any outstanding unpaid in-kind franchise fee payments owed by the City plus any increase in value these outstanding unpaid in-kind franchise fee payments have accrued under Section 7 of this franchise.

5. Franchise Fee.

a. In consideration for this franchise, Springs Utilities will pay to the City a franchise fee in the amount of ten percent (10%) of the gross revenues received from the electric service provided to customers within the municipal limits of the City. No franchise fee will be paid upon the gross revenues received from natural gas service. At the discretion of Springs Utilities, the franchise fee may be payable either in cash or as in-kind services, as set forth below, however the cash element of the franchise fee payment shall not be less than four percent (4%) of the gross revenues received from electric service for any month during the term of this franchise. Springs Utilities shall not collect this fee as a surcharge upon its City customers.

b. The in-kind franchise fee payments are being made in order to assist the City in a series of utility undergrounding projects in the City. If during any month the in-kind payment, in combination with the cash payment, exceeds the total amount that would otherwise be due as a franchise fee payment the amount of the payment in excess of the amount due will be credited to future franchise fee obligations. In order to reflect the time value of money, the credited amount will increase in value over time during the construction period of the project at the then-current rate of Springs Utilities cost of internal funds, Allowance for Funds Used During Construction (AFUDC) compounded monthly, until the credit is extinguished, or the project is completed. The credit amount will increase in value over time after completion of the project at the then current rate established for United States Treasury Ten Year Treasury Bonds, compounded monthly, until the credit is extinguished.

c. Any undergrounding, service conversions, or streetlight improvements completed in stages or phases by Springs Utilities shall be considered an in-kind payment at least annually or when the improvement phase is completed and in service. Any agreement between the City and Springs Utilities in relation to ongoing streetlight operations and maintenance will be addressed in a separate agreement. Springs Utilities will account for all in-kind payments and will provide this information to the City upon completion of each phase. The projects costs for each phase shall include all design, labor, materials, permits, inspection, and expenses necessary to complete the work including the prevailing Springs Utilities overhead expenses. If the City disputes any amount accounted as an in-kind franchise fee payment, such dispute must be set forth in writing within thirty (30) days of receipt of the accounting information from Springs Utilities.

d. The franchise fee payments are to be made on or before the twentieth (20th) day of each month for sales made during the preceding month on account of electricity sold

to the City and to all persons, associations or corporations, either public or private, within the City, less the amount (if any) paid by Springs Utilities on account of any pole or wire tax or City of Manitou Springs taxes hereafter levied on account of the property of Springs Utilities within the City.

e. If at any time during the term hereof, the Constitution and laws of Colorado shall be amended or changed so that the property of Springs Utilities is no longer exempt from taxation and if pursuant to such amendment and change, any taxes shall be lawfully assessed in any year on the electric or natural gas property of Springs Utilities located within the City, or any occupation, license, or similar tax shall be imposed upon Springs Utilities on account of its sale or distribution of electricity or natural gas within the City, then the amount payable hereunder to the City shall be the above-mentioned fee, less any taxes so assessed and paid, and if said taxes equal or exceed said fee, then no part of said fee shall be payable in addition to such taxes; provided, however, that any such reduction shall only be in an amount equal to that portion of any such taxes as are received by the City of Manitou Springs.

f. In the event that an action taken by an entity not a Party to this Agreement materially impacts the franchise fee, the Parties will negotiate in good faith to adjust the franchise fee calculations through a mutually agreed upon amendment so that the burden of the change in cost is equitably shared by the Parties.

6. System Improvement Program Undergrounding.

a. In further consideration for this franchise, Springs Utilities commits to work with the City on further undergrounding of electric infrastructure through Springs Utilities' System Improvement Program (SIP), as amended from time to time. The SIP permits underground cost sharing of 50% to 50%. The City and Springs Utilities will consult and cooperate collaboratively to annually determine the electric infrastructure to be for undergrounding through the SIP. Such projects may include, but are not limited to, the remaining above-ground infrastructure on Manitou Ave., those portions of Canon Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Park Avenue, those portions of Park Avenue beginning with the intersection with Canon Avenue and ending with the intersection with Manitou Avenue, those portions of El Paso Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Mayfair Avenue, Ruxton Ave, and/or certain powerlines located on the ridgeline behind the Manitou Springs Middle School. The City acknowledges that undergrounding of certain high voltage transmission lines may be infeasible for financial, technological, or operational reasons. Nevertheless, if requested by the City, Springs Utilities will evaluate the potential of undergrounding high voltage transmission lines and provide such evaluation to the City. The City will pay 100% of the costs for secondary conversions unless Utilities' SIP program allows otherwise; provided that nothing herein shall prevent the City from recapturing such costs from benefitted property owners. Subject to any subsequent separate streetlighting agreement between the Parties, the City will pay 50% of the cost of standard streetlighting on approved projects and if decorative streetlighting is

selected by the City, the City will pay an additional amount equal to 100% of the difference in cost between standard streetlighting and decorative streetlighting on approved projects. All costs associated with streetlighting infrastructure, as well as the balance of the undergrounding costs not paid by Springs Utilities, as set forth above, will be treated as in-kind payments of the franchise fee.

b. The City and Springs Utilities shall prepare a plan for undergrounding substantially all of Springs Utilities' facilities that are reasonably capable of being undergrounded by the end of the twenty-year franchise term (the "Undergrounding Plan"). The plan may include, without limitation, a survey of all Springs Utilities' facilities located in the City, cost estimates for undergrounding the Springs Utilities' facilities, descriptions of the work necessary to underground the different Springs Utilities' facilities, financing options and plans, and prioritization of various facilities and areas of the City based on mutually agreeable factors such as fire hazard, reliability, viewscape impacts, and cost. The City and Springs Utilities shall use good faith efforts to complete the Undergrounding Plan within two (2) years of the date on which this Agreement commences. The City and Springs Utilities acknowledge that the plan may change over time and that any obligations shall be subject to future agreements, budgeting, and appropriation by each Party.

7. Audits. The city auditor of the City shall have the right to examine the books of Springs Utilities as far as they pertain to the gross income received from electric service within the City, during normal business hours, in order to ascertain the amount due the City under the terms of this Agreement.

8. Reliability. Springs Utilities shall continue to operate and maintain its facilities efficiently and economically and in accordance with the standards, systems, methods, and skills consistent with the provision of adequate, safe, and reliable utility service. Such standards, systems, and skills include, but are not limited to the Colorado Springs City Code, the Manitou Springs Municipal Code, the American National Standards Institute (ANSI), the Institute of Electric and Electronic Engineers (IEEE), and the National Electric Safety Code (NESC). Springs Utilities will provide an annual Electric Reliability and Outage Report to the City during the first quarter of each calendar year showing the number and duration of outages affecting City accounts and will provide aggregate data related to service provided to customers within the City subject to Springs Utilities then current data aggregation standards.

9. Purchase of Distribution System. It is expressly made a condition of this franchise that Springs Utilities, by the acceptance hereof; covenants and agrees for itself, its successors and assigns, that the City shall have and hereby is granted the right to purchase all or a portion of said electric and/or natural gas distribution system within the City exclusively used or useful for the convenience of the City, provided the City pays a just compensation that is agreed upon or determined as provided by law. Just compensation shall be adjusted to account for any monies owed by one Party to the other under this Agreement.

10. Renewable Resources. Springs Utilities will notify the City and customers within the City of Springs Utilities' renewable resource programs and rate options as it would to all other,

similarly situated customers. The City actively supports Springs Utilities' compliance with the renewable resource standards required by law.

11. Immunity. Nothing in this Agreement or any other provision of this Agreement shall be construed as a waiver of the notice requirements, defenses, immunities and limitations the City or Springs Utilities may have under the Colorado Governmental Immunity Act, or of any other defenses, immunities, or limitations of liability available to the either Party by law.

12. Dispute Resolution. If a dispute arises between the Parties relating to this franchise, the following procedure shall be followed:

a. The Parties shall hold a meeting promptly, but in no event later than thirty (30) calendar days from the initial written notice of the dispute, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties thereunder or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled thereunder unless otherwise agreed to by the Parties in writing.

b. If, within thirty (30) calendar days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to non-binding mediation and to bear equally the costs of the mediation.

c. The Parties will jointly appoint a mutually acceptable mediator. If they fail to do so within twenty (20) calendar days from the conclusion of the negotiation period, they shall each select a mediator. The two mediators will then appoint a third mediator who shall, as the sole mediator, conduct mediation for the Parties.

d. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) calendar days. The substantive and procedural law of the State of Colorado shall apply to the proceedings. If the Parties are not successful in resolving the dispute through mediation, then the Parties shall be free to litigate the matter, and agree that in the event of such litigation, the exclusive venue for such litigation shall be the El Paso County District Court, Colorado Springs, Colorado.

13. Entire Agreement. This franchise constitutes the entire agreement and understanding of the Parties and supersedes all prior negotiations and other agreements of any kind. There are no representations or understandings of any kind not set forth in this franchise.

*[Remainder of page intentionally blank. Signatures on following page.]*

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

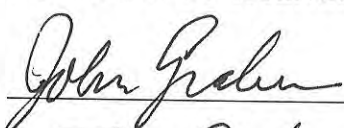
COLORADO SPRINGS UTILITIES

By: 

Name: TRAVIS DOAN

Title: Chief Executive Officer

CITY OF MANITOU SPRINGS

By: 

Name: John Graham

Title: June 5, 2024

Approved as to form:



Attest:





# PIKES PEAK BULLETIN

Affidavit of Publication

*Council Bill No. 1424*

*Ordinance No 0424*

STATE OF COLORADO, } ss.  
COUNTY OF EL PASO }

I, Lyn Ettinger-Harwell, Publisher, or the undersigned Authorized Agent of the Publisher, do solemnly swear that I am the Publisher, or Authorized Agent of the Publisher, of the Pikes Peak Bulletin; that the same is a weekly newspaper printed, in whole or in part and published in the County of El Paso, State of Colorado, and has a general circulation therein; that said newspaper has been published continuously and uninterruptedly in said county of El Paso for a period of more than fifty-two consecutive weeks prior to the first publication of the annexed legal notice or advertisement; that said newspaper has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879, or any amendments thereof, and that said newspaper is a weekly newspaper duly qualified for publishing legal notices and advertisements within the meaning of the laws of the State of Colorado. That the annexed legal notice or advertisement was published in the regular and entire issue of every number of said weekly newspapers for the period of 1 consecutive insertion(s) each week and on the same day each week: and the first publication of said notice was in the issue of said newspaper dated **24, May, A.D. 2024**

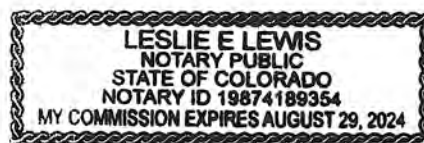
And that the last publication of said notice  
was in the issue of said newspaper dated **31, May, A.D. 2024**

In witness whereof I have hereunto set my hand this 31<sup>st</sup> day of May, A.D. 2024

Gaye W. Bosley-Mitchell  
Publisher/Authorized Agent

Subscribed and sworn to before me, a notary  
public in and for the County of El Paso, State of  
Colorado, this 31<sup>st</sup> day of May, A.D., 2024.

Leslie E. Lewis  
Notary Public





# PIKES PEAK BULLETIN

## PUBLIC NOTICE OF THE CITY OF MANITOU SPRINGS' CONSIDERATION OF AN ORDINANCE GRANTING A NATURAL GAS AND ELECTRIC FRANCHISE TO COLORADO SPRINGS UTILITIES

Notice is hereby given pursuant to C.R.S. § 31-32-103, that the City Council of Manitou Springs, Colorado will consider the passage of the following ordinance granting Colorado Springs Utilities a franchise to furnish, sell and distribute natural gas and electricity to the City and to all businesses and residents of the City.

Second reading and possible adoption of the ordinance will occur at the regular meeting of the City Council of the City of Manitou Springs, Colorado to be held on June 4, 2024, at the Manitou Springs City Hall, 606 Manitou Avenue, Manitou Springs, Colorado 80829, at 6:00 p.m.

COUNCIL BILL NO. 1424

ORDINANCE NO. 0424

### ORDINANCE

**AN ORDINANCE OF THE CITY OF MANITOU SPRINGS, COLORADO APPROVING A FRANCHISE AGREEMENT WITH COLORADO SPRINGS UTILITIES GRANTING THE RIGHT TO PROVIDE, SELL AND DELIVER NATURAL GAS AND ELECTRICITY TO THE CITY AND ITS RESIDENTS**

WHEREAS, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

WHEREAS, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024;

WHEREAS, pursuant to C.R.S. §§ 31-32-101 through 103, the City may grant a franchise by ordinance after statutory notice and publication requirements have been met and after two readings of the ordinance;

WHEREAS, as evidenced by publisher's affidavits, the statutory notice requirements have been met; and

WHEREAS, this Ordinance has been read twice, first on May 21, 2024, and next on June 4, 2024.

WHEREAS, at second reading on June 4, 2024, the City Council held a properly-noticed public hearing to consider adoption of a franchise agreement with Colorado Springs Utilities.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MANITOU SPRINGS, COLORADO:**

**Section 1.** The Franchise Agreement between the City of Manitou Springs, Colorado and Colorado Springs Utilities, in the form attached hereto as Exhibit A and incorporated herein by this reference, is hereby approved, and Colorado Springs Utilities is hereby granted a franchise to provide gas and electric services in the City of Manitou Springs pursuant to the terms of such Franchise Agreement. The Mayor is hereby authorized to sign the Franchise Agreement on behalf of the City.

**Section 2.** If any article, section, paragraph, sentence, clause or phrase of this Ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each part or parts hereof irrespective of the fact that any one part or parts be declared unconstitutional or invalid.

**Section 3.** This Ordinance is deemed necessary for the protection of the health, welfare and safety of the community.

**Section 4.** This Ordinance shall take effect five days after publication following final passage. Passed on first reading and ordered published this 21<sup>st</sup> day of May 2024.

*/s/ Elena Krebs*

City Clerk, Elena Krebs

A Public Hearing on this ordinance will be held at the June 4, 2024, City Council meeting. The Council Meeting will be held at 6:00 P.M. at City Hall, 606 Manitou Avenue, Manitou Springs, Colorado.

Ordinance Published: May 24, 2024 and May 31, 2024, (in full)

*Pikes Peak Bulletin*

Exhibit A - Franchise Agreement (attached)

May 24, 2024 | PIKES PEAK BULLETIN 23



# PIKES PEAK BULLETIN

## PUBLIC NOTICE OF THE CITY OF MANITOU SPRINGS' CONSIDERATION OF AN ORDINANCE GRANTING A NATURAL GAS AND ELECTRIC FRANCHISE TO COLORADO SPRINGS UTILITIES

Notice is hereby given pursuant to C.R.S. § 31-32-103, that the City Council of Manitou Springs, Colorado will consider the passage of the following ordinance granting Colorado Springs Utilities a franchise to furnish, sell and distribute natural gas and electricity to the City and to all businesses and residents of the City.

Second reading and possible adoption of the ordinance will occur at the regular meeting of the City Council of the City of Manitou Springs, Colorado to be held on June 4, 2024, at the Manitou Springs City Hall, 606 Manitou Avenue, Manitou Springs, Colorado 80829, at 6:00 p.m.

COUNCIL BILL NO. 1424

ORDINANCE NO. 0424

### ORDINANCE

**AN ORDINANCE OF THE CITY OF MANITOU SPRINGS, COLORADO APPROVING A FRANCHISE AGREEMENT WITH COLORADO SPRINGS UTILITIES GRANTING THE RIGHT TO PROVIDE, SELL AND DELIVER NATURAL GAS AND ELECTRICITY TO THE CITY AND ITS RESIDENTS**

**WHEREAS**, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

**WHEREAS**, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024;

**WHEREAS**, pursuant to C.R.S. §§ 31-32-101 through 103, the City may grant a franchise by ordinance after statutory notice and publication requirements have been met and after two readings of the ordinance;

**WHEREAS**, as evidenced by publisher's affidavits, the statutory notice requirements have been met; and

**WHEREAS**, this Ordinance has been read twice, first on May 21, 2024, and next on June 4, 2024.

**WHEREAS**, at second reading on June 4, 2024, the City Council held a properly-noticed public hearing to consider adoption of a franchise agreement with Colorado Springs Utilities.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MANITOU SPRINGS, COLORADO:**

**Section 1.** The Franchise Agreement between the City of Manitou Springs, Colorado and Colorado Springs Utilities, in the form attached hereto as **Exhibit A** and incorporated herein by this reference, is hereby approved, and Colorado Springs Utilities is hereby granted a franchise to provide gas and electric services in the City of Manitou Springs pursuant to the terms of such Franchise Agreement. The Mayor is hereby authorized to sign the Franchise Agreement on behalf of the City.

**Section 2.** If any article, section, paragraph, sentence, clause or phrase of this Ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each part or parts hereof irrespective of the fact that any one part or parts be declared unconstitutional or invalid.

**Section 3.** This Ordinance is deemed necessary for the protection of the health, welfare and safety of the community.

**Section 4.** This Ordinance shall take effect five days after publication following final passage.  
Passed on first reading and ordered published this 21<sup>st</sup> day of May 2024.

/s/ Elena Krebs

City Clerk, Elena Krebs

A Public Hearing on this ordinance will be held at the June 4, 2024, City Council meeting. The Council Meeting will be held at 6:00 P.M. at City Hall, 606 Manitou Avenue, Manitou Springs, Colorado.

Ordinance Published: May 24, 2024 and May 31, 2024. (in full)

*Pikes Peak Bulletin*

Exhibit A - Franchise Agreement (attached)

May 31, 2024 | PIKES PEAK BULLETIN 23



# PIKES PEAK BULLETIN

Affidavit of Publication

*Franchise Agreement*

*Between the City and CSU (3 full pages)*

STATE OF COLORADO,} ss.  
COUNTY OF EL PASO }

I, Lyn Ettinger-Harwell, Publisher, or the undersigned Authorized Agent of the Publisher, do solemnly swear that I am the Publisher, or Authorized Agent of the Publisher, of the Pikes Peak Bulletin; that the same is a weekly newspaper printed, in whole or in part and published in the County of El Paso, State of Colorado, and has a general circulation therein; that said newspaper has been published continuously and uninterruptedly in said county of El Paso for a period of more than fifty-two consecutive weeks prior to the first publication of the annexed legal notice or advertisement; that said newspaper has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879, or any amendments thereof, and that said newspaper is a weekly newspaper duly qualified for publishing legal notices and advertisements within the meaning of the laws of the State of Colorado. That the annexed legal notice or advertisement was published in the regular and entire issue of every number of said weekly newspapers for the period of 1 consecutive insertion(s) each week and on the same day each week: and the first publication of said notice was in the issue of said newspaper dated **24, May, A.D. 2024**

And that the last publication of said notice  
was in the issue of said newspaper dated **31, May, A.D. 2024**

In witness whereof I have hereunto set my hand this 31<sup>st</sup> day of May, A.D. 2024

Jayne N. Bosley-Mitchell  
Publisher/Authorized Agent

Subscribed and sworn to before me, a notary public in and for the County of El Paso, State of Colorado, this 31<sup>st</sup> day of May, A.D., 2024.

Leslie E. Lewis  
Notary Public



## PUBLIC NOTICE

### FRANCHISE AGREEMENT BETWEEN THE CITY OF MANITOU SPRINGS, COLORADO AND COLORADO SPRINGS UTILITIES

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2024 ("Effective Date"), by and between Colorado Springs Utilities ("Springs Utilities"), an enterprise of the City of Colorado Springs, a Colorado home rule City and municipal corporation, and the City of Manitou Springs (the "City") a Colorado home rule city and municipal corporation (Springs Utilities and the City are referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

WHEREAS, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024; and

WHEREAS, the Parties desire to renew the franchise granted to Springs Utilities subject to the terms and conditions set forth herein.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE FOREGOING REPRESENTATIONS, IT IS AGREED AS FOLLOWS:

1. Franchise Grant. From the date of acceptance as reflected below, and for the full term of twenty years thereafter, Springs Utilities, an enterprise of the City of Colorado Springs, its successors and assigns, be, and it hereby is, granted the right, license, and authority to acquire, construct, maintain, own, and operate within the City an electric transmission and distribution system and a natural gas distribution system, and to distribute and sell electricity and natural gas in the City for light, heat, power, or other useful purpose to all persons, associations, or corporations, either public or private, desiring the same.

2. General Grant Terms. For the purpose of exercising such right, license, and authority, Springs Utilities, its successors, and assigns, is hereby granted permission, license, and authority to acquire, construct, own, maintain, and operate along, upon, or under the streets, alleys, and public places (but not parks, open space, or trails) of the City and all extensions thereof, such lines, poles, wires, electrical conductors, and pipes, together with all necessary fixtures and appliances as may be necessary or useful in the conduct of said business. Springs Utilities, by accepting and acting under this Agreement, agrees for itself, its successors, and assigns, that it will locate, construct, and maintain its electric transmission and distribution lines, and its natural gas distribution lines, and all appurtenant appliances under the direction of the City Council of the City and in conformance with the ordinances of the City, provided, however, that no unreasonable or impossible restrictions shall be required by the City Council. Such conditions considered reasonable may include, but are not limited to, review and approval of all structures for conformance with right-of-way, zoning, planning, and historic preservation requirements. Replacement of all curbs, streets, sidewalks, and private property shall be performed in conformance with pertinent City ordinances. Adequate notice of significant electric or natural gas system changes in the City shall be provided to the City Council of the City. The City shall not require Springs Utilities to perform in any manner which is contrary to any law, rule, regulation, or operating and maintenance procedure for electric transmission and distribution systems, or natural gas distribution systems as established by Springs Utilities or any federal or Colorado regulatory authority. Springs Utilities expressly acknowledges the City's right to adopt, from time to time, in addition to the provisions contained herein, such laws, including ordinances and regulations, as the City may deem necessary in the exercise of its governmental powers. The right to make reasonable use of City streets, alleys and public places under this franchise is subject to and subordinate to any City use of said areas.

3. Work in Rights-of-Way. Springs Utilities will follow the City permit process for any work within the rights-of-way of the City and will, except in the case of emergencies, coordinate activities that involve street cuts with the City's schedule for roadway overlays. Whenever reasonably possible, and within the constraints of any applicable code provisions, Springs Utilities will share the space available in any trench opened within City rights-of-way. The City shall have the right to use without payment of any compensation therefore, any of the distribution line poles or underground conduit of the electric system owned by Springs Utilities within the City for the purpose of carrying any telephone, police, fire alarm, or other wires belonging to the City, as mutually agreed to in writing, provided, however, that all such telephone, police, fire alarm, or other wires shall be placed on said poles or within conduit under the direction of Springs Utilities. All such attachments shall comply with all applicable codes and regulations specifically including the National Electrical Safety Code. This authorization does not require Springs Utilities to make any new or additional pole or conduit space available for carrying of City wires if insufficient space is available on or in such facilities at the time of the City's request for space; provided that Springs Utilities shall upsize conduit or poles to provide space for City facilities if the City agrees to pay the cost differential resulting from the upsizing and if such oversizing can be accomplished without unduly interfering with Springs Utilities' facilities and project scheduling and provided that it is technically feasible.

4. Cost of Service. Springs Utilities agrees to furnish electricity and natural gas for light, heat, and power to all persons, associations, or corporations, either public or private, within the City, desiring the same, under the rate schedules and tariffs on file with the appropriate regulatory body, as established by Colorado law, and in accordance with appropriate engineering specifications. Springs Utilities, in consideration of the rights and privileges hereby granted, agrees that it will not at any time during the term hereof establish and endorse any schedule of rates for the City or its inhabitants which is higher than the schedule of rates effective in the City of Colorado Springs during the same period. A continued violation of this provision after ten days written notice by the City to Springs Utilities shall allow the City, at its discretion, to terminate all rights and privileges hereby conferred on Springs Utilities. In the event of such termination, the City will pay to Springs Utilities a termination fee equal to the amount of any outstanding unpaid in-kind franchise fee payments owed by the City plus any increase in value these outstanding unpaid in-kind franchise fee payments have accrued under Section 7 of this franchise.

5. Franchise Fee.

a. In consideration for this franchise, Springs Utilities will pay to the City a franchise fee in the amount of ten percent (10%) of the gross revenues received from the electric service provided to customers within the municipal limits of the City. No franchise fee will be paid upon the gross revenues received from natural gas service. At the discretion of Springs Utilities, the franchise fee may be payable either in cash or as in-kind services, as set forth below, however the cash element of the franchise fee payment shall not be less than four percent (4%) of the gross revenues received from electric service for any month during the term of this franchise. Springs Utilities shall not collect this fee as a surcharge upon its City customers.

b. The in-kind franchise fee payments are being made in order to assist the City in a series of utility undergrounding projects in the City. If during any month the in-kind payment, in combination with the cash payment, exceeds the total amount that would otherwise be due as a franchise fee payment the amount of the payment in excess of the amount due will be credited to future franchise fee obligations. In order to reflect the time value of money, the credited amount will increase in value over time during the construction period of the project at the then-current rate of Springs Utilities cost of internal funds, Allowance for Funds Used During Construction (AFUDC) compounded monthly, until the credit is extinguished, or the project is completed. The credit amount will increase in value over time after completion of the project at the then current rate established for United States Treasury Ten Year Treasury Bonds, compounded monthly, until the credit is extinguished.

c. Any undergrounding, service conversions, or streetlight improvements completed in stages or phases by Springs Utilities shall be considered an in-kind payment at least annually or when the improvement phase is completed and in service. Any agreement between the City and Springs Utilities in relation to ongoing streetlight operations and maintenance will be addressed in a separate agreement. Springs Utilities will account for all in-kind payments and will provide this information to the City upon completion of each phase. The projects costs for each phase shall include all design, labor, materials, permits, inspection, and expenses necessary to complete the work including the prevailing Springs Utilities overhead expenses. If the City disputes any amount accounted as an in-kind franchise fee payment, such dispute must be set forth in writing within thirty (30) days of receipt of the accounting information from Springs Utilities.

d. The franchise fee payments are to be made on or before the twentieth (20th) day of each month for sales made during the preceding month on account of electricity sold to the City and to all persons, associations or corporations, either public or private, within the City, less the amount (if any) paid by Springs Utilities on account of any pole or wire tax or City of Manitou Springs taxes hereafter levied on account of the property of Springs Utilities within the City.

e. If at any time during the term hereof, the Constitution and laws of Colorado shall be amended or changed so that the property of Springs Utilities is no longer exempt from taxation and if pursuant to such amendment and change, any taxes shall be lawfully assessed in any year on the electric or natural gas property of Springs Utilities located within the City, or any occupation, license, or similar tax shall be imposed upon Springs Utilities on account of its sale or distribution of electricity or natural gas within the City, then the amount payable hereunder to the City shall be the above-mentioned fee, less any taxes so assessed and paid, and if said taxes equal or exceed said fee, then no part of said fee shall be payable in addition to such taxes; provided, however, that any such reduction shall only be in an amount equal to that portion of any such taxes as are received by the City of Manitou Springs.

f. In the event that an action taken by an entity not a Party to this Agreement materially impacts the franchise fee, the Parties will negotiate in good faith to adjust the franchise fee calculations through a mutually agreed upon amendment so that the burden of the change in cost is equitably shared by the Parties.

6. System Improvement Program Undergrounding.

a. In further consideration for this franchise, Springs Utilities commits to work with the City on further undergrounding of electric infrastructure through Springs Utilities' System Improvement Program (SIP), as amended from time to time. The SIP permits underground cost sharing of 50% to 50%. The City and Springs Utilities will consult and cooperate collaboratively to annually determine the electric infrastructure to be for undergrounding through the SIP. Such projects may include, but are not limited to, the remaining above-ground infrastructure on Manitou Ave., those portions of Canon Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Park Avenue, those portions of Park Avenue beginning with the intersection with Canon Avenue and ending with the intersection with Manitou Avenue, those portions of El Paso Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Mayfair Avenue, Ruxton Ave, and/or certain powerlines located on the ridgeline behind the Manitou Springs Middle School. The City acknowledges that undergrounding of certain high voltage transmission lines may be infeasible for financial, technological, or operational reasons. Nevertheless, if requested by the City, Springs Utilities will evaluate the potential of undergrounding high voltage transmission lines and provide such evaluation to the City. The City will pay 100% of the costs for secondary conversions unless Utilities' SIP program allows otherwise; provided that nothing herein shall prevent the City from recapturing such costs from benefitted property owners. Subject to any subsequent separate streetlighting agreement between the Parties, the City will pay 50% of the cost of standard streetlighting on approved projects and if decorative streetlighting is selected by the City, the City will pay an additional amount equal to 100% of the difference in cost between standard streetlighting and decorative streetlighting on

approved projects. All costs associated with streetlighting infrastructure, as well as the balance of the undergrounding costs not paid by Springs Utilities, as set forth above, will be treated as in-kind payments of the franchise fee.

b. The City and Springs Utilities shall prepare a plan for undergrounding substantially all of Springs Utilities' facilities that are reasonably capable of being undergrounded by the end of the twenty-year franchise term (the "Undergrounding Plan"). The plan may include, without limitation, a survey of all Springs Utilities' facilities located in the City, cost estimates for undergrounding the Springs Utilities' facilities, descriptions of the work necessary to underground the different Springs Utilities' facilities, financing options and plans, and prioritization of various facilities and areas of the City based on mutually agreeable factors such as fire hazard, reliability, viewscape impacts, and cost. The City and Springs Utilities shall use good faith efforts to complete the Undergrounding Plan within two (2) years of the date on which this Agreement commences. The City and Springs Utilities acknowledge that the plan may change over time and that any obligations shall be subject to future agreements, budgeting, and appropriation by each Party.

7. Audits. The city auditor of the City shall have the right to examine the books of Springs Utilities as far as they pertain to the gross income received from electric service within the City, during normal business hours, in order to ascertain the amount due the City under the terms of this Agreement.

8. Reliability. Springs Utilities shall continue to operate and maintain its facilities efficiently and economically and in accordance with the standards, systems, methods, and skills consistent with the provision of adequate, safe, and reliable utility service. Such standards, systems, and skills include, but are not limited to the Colorado Springs City Code, the Manitou Springs Municipal Code, the American National Standards Institute (ANSI), the Institute of Electric and Electronic Engineers (IEEE), and the National Electric Safety Code (NESC). Springs Utilities will provide an annual Electric Reliability and Outage Report to the City during the first quarter of each calendar year showing the number and duration of outages affecting City accounts and will provide aggregate data related to service provided to customers within the City subject to Springs Utilities then current data aggregation standards.

9. Purchase of Distribution System. It is expressly made a condition of this franchise that Springs Utilities, by the acceptance hereof, covenants and agrees for itself, its successors and assigns, that the City shall have and hereby is granted the right to purchase all or a portion of said electric and/or natural gas distribution system within the City exclusively used or useful for the convenience of the City, provided the City pays a just compensation that is agreed upon or determined as provided by law. Just compensation shall be adjusted to account for any monies owed by one Party to the other under this Agreement.

10. Renewable Resources. Springs Utilities will notify the City and customers within the City of Springs Utilities' renewable resource programs and rate options as it would to all other, similarly situated customers. The City actively supports Springs Utilities' compliance with the renewable resource standards required by law.

11. Immunity. Nothing in this Agreement or any other provision of this Agreement shall be construed as a waiver of the notice requirements, defenses, immunities and limitations the City or Springs Utilities may have under the Colorado Governmental Immunity Act, or of any other defenses, immunities, or limitations of liability available to the either Party by law.

12. Dispute Resolution. If a dispute arises between the Parties relating to this franchise, the following procedure shall be followed:

a. The Parties shall hold a meeting promptly, but in no event later than thirty (30) calendar days from the initial written notice of the dispute, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties thereunder or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled thereunder unless otherwise agreed to by the Parties in writing.

b. If, within thirty (30) calendar days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to non-binding mediation and to bear equally the costs of the mediation.

c. The Parties will jointly appoint a mutually acceptable mediator. If they fail to do so within twenty (20) calendar days from the conclusion of the negotiation period, they shall each select a mediator. The two mediators will then appoint a third mediator who shall, as the sole mediator, conduct mediation for the Parties.

d. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) calendar days. The substantive and procedural law of the State of Colorado shall apply to the proceedings. If the Parties are not successful in resolving the dispute through mediation, then the Parties shall be free to litigate the matter, and agree that in the event of such litigation, the exclusive venue for such litigation shall be the El Paso County District Court, Colorado Springs, Colorado.

13. Entire Agreement. This franchise constitutes the entire agreement and understanding of the Parties and supersedes all prior negotiations and other agreements of any kind. There are no representations or understandings of any kind not set forth in this franchise.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

COLORADO SPRINGS UTILITIES

CITY OF MANITOU SPRINGS

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Chief Executive Officer

Title: \_\_\_\_\_

Approved as to form: \_\_\_\_\_

Attest: \_\_\_\_\_

## PUBLIC NOTICE

### FRANCHISE AGREEMENT BETWEEN THE CITY OF MANITOU SPRINGS, COLORADO AND COLORADO SPRINGS UTILITIES

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2024 ("Effective Date"), by and between Colorado Springs Utilities ("Springs Utilities"), an enterprise of the City of Colorado Springs, a Colorado home rule City and municipal corporation, and the City of Manitou Springs (the "City") a Colorado home rule city and municipal corporation (Springs Utilities and the City are referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, pursuant to Chapter 12 of the Manitou Springs Municipal Charter, the City has full authority to grant franchises for the provision of gas or electric service in the City;

WHEREAS, Colorado Springs Utilities has held a franchise and provided gas and electric service in the City for the past twenty (20) years, which franchise is set to expire on July 25, 2024; and

WHEREAS, the Parties desire to renew the franchise granted to Springs Utilities subject to the terms and conditions set forth herein.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE FOREGOING REPRESENTATIONS, IT IS AGREED AS FOLLOWS:

1. Franchise Grant. From the date of acceptance as reflected below, and for the full term of twenty years thereafter, Springs Utilities, an enterprise of the City of Colorado Springs, its successors and assigns, be, and it hereby is, granted the right, license, and authority to acquire, construct, maintain, own, and operate within the City an electric transmission and distribution system and a natural gas distribution system, and to distribute and sell electricity and natural gas in the City for light, heat, power, or other useful purpose to all persons, associations, or corporations, either public or private, desiring the same.

2. General Grant Terms. For the purpose of exercising such right, license, and authority, Springs Utilities, its successors, and assigns, is hereby granted permission, license, and authority to acquire, construct, own, maintain, and operate along, upon, or under the streets, alleys, and public places (but not parks, open space, or trails) of the City and all extensions thereof, such lines, poles, wires, electrical conductors, and pipes, together with all necessary fixtures and appliances as may be necessary or useful in the conduct of said business. Springs Utilities, by accepting and acting under this Agreement, agrees for itself, its successors, and assigns, that it will locate, construct, and maintain its electric transmission and distribution lines, and its natural gas distribution lines, and all appurtenant appliances under the direction of the City Council of the City and in conformance with the ordinances of the City, provided, however, that no unreasonable or impossible restrictions shall be required by the City Council. Such conditions considered reasonable may include, but are not limited to, review and approval of all structures for conformance with right-of-way, zoning, planning, and historic preservation requirements. Replacement of all curbs, streets, sidewalks, and private property shall be performed in conformance with pertinent City ordinances. Adequate notice of significant electric or natural gas system changes in the City shall be provided to the City Council of the City. The City shall not require Springs Utilities to perform in any manner which is contrary to any law, rule, regulation, or operating and maintenance procedure for electric transmission and distribution systems, or natural gas distribution systems as established by Springs Utilities or any federal or Colorado regulatory authority. Springs Utilities expressly acknowledges the City's right to adopt, from time to time, in addition to the provisions contained herein, such laws, including ordinances and regulations, as the City may deem necessary in the exercise of its governmental powers. The right to make reasonable use of City streets, alleys and public places under this franchise is subject to and subordinate to any City use of said areas.

3. Work in Rights-of-Way. Springs Utilities will follow the City permit process for any work within the rights-of-way of the City and will, except in the case of emergencies, coordinate activities that involve street cuts with the City's schedule for roadway overlays. Whenever reasonably possible, and within the constraints of any applicable code provisions, Springs Utilities will share the space available in any trench opened within City rights-of-way. The City shall have the right to use without payment of any compensation therefore, any of the distribution line poles or underground conduit of the electric system owned by Springs Utilities within the City for the purpose of carrying any telephone, police, fire alarm, or other wires belonging to the City, as mutually agreed to in writing, provided, however, that all such telephone, police, fire alarm, or other wires shall be placed on said poles or within conduit under the direction of Springs Utilities. All such attachments shall comply with all applicable codes and regulations specifically including the National Electrical Safety Code. This authorization does not require Springs Utilities to make any new or additional pole or conduit space available for carrying of City wires if insufficient space is available on or in such facilities at the time of the City's request for space; provided that Springs Utilities shall upsize conduit or poles to provide space for City facilities if the City agrees to pay the cost differential resulting from the upsizing and if such oversizing can be accomplished without unduly interfering with Springs Utilities' facilities and project scheduling and provided that it is technically feasible.

4. Cost of Service. Springs Utilities agrees to furnish electricity and natural gas for light, heat, and power to all persons, associations, or corporations, either public or private, within the City, desiring the same, under the rate schedules and tariffs on file with the appropriate regulatory body, as established by Colorado law, and in accordance with appropriate engineering specifications. Springs Utilities, in consideration of the rights and privileges hereby granted, agrees that it will not at any time during the term hereof establish and endorse any schedule of rates for the City or its inhabitants which is higher than the schedule of rates effective in the City of Colorado Springs during the same period. A continued violation of this provision after ten days written notice by the City to Springs Utilities shall allow the City, at its discretion, to terminate all rights and privileges hereby conferred on Springs Utilities. In the event of such termination, the City will pay to Springs Utilities a termination fee equal to the amount of any outstanding unpaid in-kind franchise fee payments owed by the City plus any increase in value these outstanding unpaid in-kind franchise fee payments have accrued under Section 7 of this franchise.

5. Franchise Fee.

a. In consideration for this franchise, Springs Utilities will pay to the City a franchise fee in the amount of ten percent (10%) of the gross revenues received from the electric service provided to customers within the municipal limits of the City. No franchise fee will be paid upon the gross revenues received from natural gas service. At the discretion of Springs Utilities, the franchise fee may be payable either in cash or as in-kind services, as set forth below; however the cash element of the franchise fee payment shall not be less than four percent (4%) of the gross revenues received from electric service for any month during the term of this franchise. Springs Utilities shall not collect this fee as a surcharge upon its City customers.

b. The in-kind franchise fee payments are being made in order to assist the City in a series of utility undergrounding projects in the City. If during any month the in-kind payment, in combination with the cash payment, exceeds the total amount that would otherwise be due as a franchise fee payment the amount of the payment in excess of the amount due will be credited to future franchise fee obligations. In order to reflect the time value of money, the credited amount will increase in value over time during the construction period of the project at the then-current rate of Springs Utilities cost of internal funds, Allowance for Funds Used During Construction (AFUDC) compounded monthly, until the credit is extinguished, or the project is completed. The credit amount will increase in value over time after completion of the project at the then current rate established for United States Treasury Ten Year Treasury Bonds, compounded monthly, until the credit is extinguished.

c. Any undergrounding, service conversions, or streetlight improvements completed in stages or phases by Springs Utilities shall be considered an in-kind payment at least annually or when the improvement phase is completed and in service. Any agreement between the City and Springs Utilities in relation to ongoing streetlight operations and maintenance will be addressed in a separate agreement. Springs Utilities will account for all in-kind payments and will provide this information to the City upon completion of each phase. The projects costs for each phase shall include all design, labor, materials, permits, inspection, and expenses necessary to complete the work including the prevailing Springs Utilities overhead expenses. If the City disputes any amount accounted as an inkind franchise fee payment, such dispute must be set forth in writing within thirty (30) days of receipt of the accounting information from Springs Utilities.

d. The franchise fee payments are to be made on or before the twentieth (20th) day of each month for sales made during the preceding month on account of electricity sold to the City and to all persons, associations or corporations, either public or private, within the City, less the amount (if any) paid by Springs Utilities on account of any pole or wire tax or City of Manitou Springs taxes hereafter levied on account of the property of Springs Utilities within the City.

e. If at any time during the term hereof, the Constitution and laws of Colorado shall be amended or changed so that the property of Springs Utilities is no longer exempt from taxation and if pursuant to such amendment and change, any taxes shall be lawfully assessed in any year on the electric or natural gas property of Springs Utilities located within the City, or any occupation, license, or similar tax shall be imposed upon Springs Utilities on account of its sale or distribution of electricity or natural gas within the City, then the amount payable hereunder to the City shall be the above-mentioned fee, less any taxes so assessed and paid, and if said taxes equal or exceed said fee, then no part of said fee shall be payable in addition to such taxes; provided, however, that any such reduction shall only be in an amount equal to that portion of any such taxes as are received by the City of Manitou Springs.

f. In the event that an action taken by an entity not a Party to this Agreement materially impacts the franchise fee, the Parties will negotiate in good faith to adjust the franchise fee calculations through a mutually agreed upon amendment so that the burden of the change in cost is equitably shared by the Parties.

6. System Improvement Program Undergrounding.

a. In further consideration for this franchise, Springs Utilities commits to work with the City on further undergrounding of electric infrastructure through Springs Utilities' System Improvement Program (SIP), as amended from time to time. The SIP permits underground cost sharing of 50% to 50%. The City and Springs Utilities will consult and cooperate collaboratively to annually determine the electric infrastructure to be for undergrounding through the SIP. Such projects may include, but are not limited to, the remaining above-ground infrastructure on Manitou Ave., those portions of Canon Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Park Avenue, those portions of Park Avenue beginning with the intersection with Canon Avenue and ending with the intersection with Mayfair Avenue, Ruxton Ave, and/or El Paso Ave. beginning with the intersection with Manitou Avenue and ending with the intersection with Mayfair Avenue, Ruxton Ave, and/or certain powerlines located on the ridgeline behind the Manitou Springs Middle School. The City acknowledges that undergrounding of certain high voltage transmission lines may be infeasible for financial, technological, or operational reasons. Nevertheless, if requested by the City, Springs Utilities will evaluate the potential of undergrounding high voltage transmission lines and provide such evaluation to the City. The City will pay 100% of the costs for secondary conversions unless Utilities' SIP program allows otherwise; provided that nothing herein shall prevent the City from recapturing such costs from benefitted property owners. Subject to any subsequent separate streetlighting agreement between the Parties, the City will pay 50% of the cost of standard streetlighting on approved projects and if decorative streetlighting is selected by the City, the City will pay an additional amount equal to 100% of the difference in cost between standard streetlighting and decorative streetlighting on

approved projects. All costs associated with streetlighting infrastructure, as well as the balance of the undergrounding costs not paid by Springs Utilities, as set forth above, will be treated as in-kind payments of the franchise fee.

b. The City and Springs Utilities shall prepare a plan for undergrounding substantially all of Springs Utilities' facilities that are reasonably capable of being undergrounded by the end of the twenty-year franchise term (the "Undergrounding Plan"). The plan may include, without limitation, a survey of all Springs Utilities' facilities located in the City, cost estimates for undergrounding the Springs Utilities' facilities, descriptions of the work necessary to underground the different Springs Utilities' facilities, financing options and plans, and prioritization of various facilities and areas of the City based on mutually agreeable factors such as fire hazard, reliability, viewscape impacts, and cost. The City and Springs Utilities shall use good faith efforts to complete the Undergrounding Plan within two (2) years of the date on which this Agreement commences. The City and Springs Utilities acknowledge that the plan may change over time and that any obligations shall be subject to future agreements, budgeting, and appropriation by each Party.

7. Audits. The city auditor of the City shall have the right to examine the books of Springs Utilities as far as they pertain to the gross income received from electric service within the City, during normal business hours, in order to ascertain the amount due the City under the terms of this Agreement.

8. Reliability. Springs Utilities shall continue to operate and maintain its facilities efficiently and economically and in accordance with the standards, systems, methods, and skills consistent with the provision of adequate, safe, and reliable utility service. Such standards, systems, and skills include, but are not limited to the Colorado Springs City Code, the Manitou Springs Municipal Code, the American National Standards Institute (ANSI), the Institute of Electric and Electronic Engineers (IEEE), and the National Electric Safety Code (NESC). Springs Utilities will provide an annual Electric Reliability and Outage Report to the City during the first quarter of each calendar year showing the number and duration of outages affecting City accounts and will provide aggregate data related to service provided to customers within the City subject to Springs Utilities then current data aggregation standards.

9. Purchase of Distribution System. It is expressly made a condition of this franchise that Springs Utilities, by the acceptance hereof, covenants and agrees for itself, its successors and assigns, that the City shall have and hereby is granted the right to purchase all or a portion of said electric and/or natural gas distribution system within the City exclusively used or useful for the convenience of the City, provided the City pays a just compensation that is agreed upon or determined as provided by law. Just compensation shall be adjusted to account for any monies owed by one Party to the other under this Agreement.

10. Renewable Resources. Springs Utilities will notify the City and customers within the City of Springs Utilities' renewable resource programs and rate options as it would to all other, similarly situated customers. The City actively supports Springs Utilities' compliance with the renewable resource standards required by law.

11. Immunity. Nothing in this Agreement or any other provision of this Agreement shall be construed as a waiver of the notice requirements, defenses, immunities and limitations the City or Springs Utilities may have under the Colorado Governmental Immunity Act, or of any other defenses, immunities, or limitations of liability available to the either Party by law.

12. Dispute Resolution. If a dispute arises between the Parties relating to this franchise, the following procedure shall be followed:

a. The Parties shall hold a meeting promptly, but in no event later than thirty (30) calendar days from the initial written notice of the dispute, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties thereunder or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled thereunder unless otherwise agreed to by the Parties in writing.

b. If, within thirty (30) calendar days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to non-binding mediation and to bear equally the costs of the mediation.

c. The Parties will jointly appoint a mutually acceptable mediator. If they fail to do so within twenty (20) calendar days from the conclusion of the negotiation period, they shall each select a mediator. The two mediators will then appoint a third mediator who shall, as the sole mediator, conduct mediation for the Parties.

d. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) calendar days. The substantive and procedural law of the State of Colorado shall apply to the proceedings. If the Parties are not successful in resolving the dispute through mediation, then the Parties shall be free to litigate the matter, and agree that in the event of such litigation, the exclusive venue for such litigation shall be the El Paso County District Court, Colorado Springs, Colorado.

13. Entire Agreement. This franchise constitutes the entire agreement and understanding of the Parties and supersedes all prior negotiations and other agreements of any kind. There are no representations or understandings of any kind not set forth in this franchise.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

COLORADO SPRINGS UTILITIES      CITY OF MANITOU SPRINGS

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: Chief Executive Officer      Title: \_\_\_\_\_

Approved as to form: \_\_\_\_\_ Attest: \_\_\_\_\_



# PIKES PEAK BULLETIN

Affidavit of Publication

*Council Bill 1424 Ordinance 0424*

*6.7.24*

STATE OF COLORADO, } ss.  
COUNTY OF EL PASO }

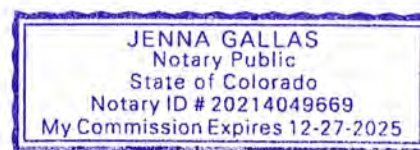
I, Lyn Ettinger-Harwell, Publisher, or the undersigned Authorized Agent of the Publisher, do solemnly swear that I am the Publisher, or Authorized Agent of the Publisher, of the Pikes Peak Bulletin; that the same is a weekly newspaper printed, in whole or in part and published in the County of El Paso, State of Colorado, and has a general circulation therein; that said newspaper has been published continuously and uninterruptedly in said county of El Paso for a period of more than fifty-two consecutive weeks prior to the first publication of the annexed legal notice or advertisement; that said newspaper has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879, or any amendments thereof, and that said newspaper is a weekly newspaper duly qualified for publishing legal notices and advertisements within the meaning of the laws of the State of Colorado. That the annexed legal notice or advertisement was published in the regular and entire issue of every number of said weekly newspapers for the period of 1 consecutive insertion(s) each week and on the same day each week: and the first publication of said notice was in the issue of said newspaper dated **7, June, A.D. 2024**.

And that the last publication of said notice was in the issue of said newspaper dated **7, June, A.D. 2024**

In witness whereof I have hereunto set my hand this 10<sup>th</sup> day of July, A.D. 2024

Gaye Bailey-Mitchell, CFO  
Publisher/Authorized Agent

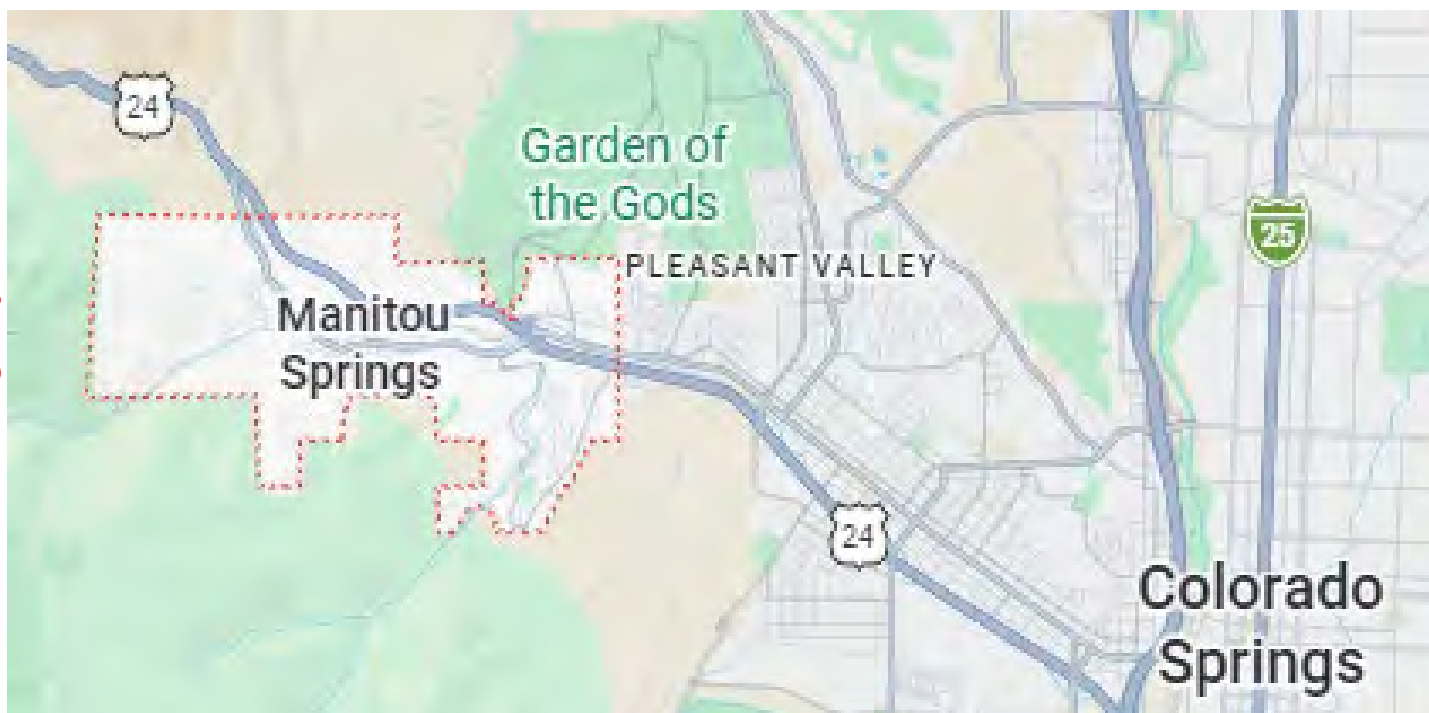
Subscribed and sworn to before me, a notary public in and for the County of El Paso, State of Colorado, this 10 day of July, A.D., 2024.



Jenna Gallas  
Notary Public

## PIKES PEAK BULLETIN 22 | June 7, 2024

Source: Google Maps



## FORM OF NEWSPAPER NOTICE

**COLORADO SPRINGS UTILITIES  
121 SOUTH TEJON STREET  
COLORADO SPRINGS, COLORADO 80903**

### **Notice of Application by Colorado Springs Utilities for Approval of a Renewal of a Franchise Agreement with the City of Manitou Springs, Colorado**

**Colorado Springs Utilities, an enterprise of the City of Colorado Springs, a Colorado home-rule city and municipal corporation, has applied to the Colorado Public Utilities Commission (“Commission”) for approval to exercise electric and natural gas service franchise rights granted by the City of Manitou Springs, Colorado, through issuance of a certificate of public convenience and necessity by the Commission for that purpose (the “Application”).**

This franchise was granted by Ordinance No. 0424 (Council Bill No. 1424). This franchise renewal, effective June 18, 2024, is for a term of twenty (20) years and expires on June 17, 2044. The franchise provides authorization for Colorado Springs Utilities to provide electric and natural gas service within its certificated area within the City of Manitou Springs, Colorado.

The Colorado Springs Utilities’ Application, including the franchise agreement, is available for inspection at the offices of Colorado Springs Utilities, 111 South Cascade Avenue, Colorado Springs, Colorado, 80903, on Colorado Springs Utilities’ website [www.csu.org](http://www.csu.org), or at the offices of the Public Utilities Commission of the State of Colorado, 1560 Broadway, Suite 250, Denver, Colorado 80202. Customers with questions concerning the Application may call the Commission at (303) 894-2000; or may contact Colorado Springs Utilities by telephone at (719) 448-4800.

Any person may file written comments or objections concerning this Application with the Commission, or may file to intervene as a party, at its address listed above, or at the following website: <https://puc.colorado.gov/participate> by email at: [dora\\_puc\\_website@state.co.us](mailto:dora_puc_website@state.co.us). Requests for written notices can also be made to the Commission by telephone at (303) 894-2000 or, alternatively, by contacting the Consumer Affairs section of the Commission at its local number (303) 894-2070 or toll-free number (800) 456-0858. The Commission will consider all written comments and objections submitted prior to any evidentiary hearing on the Application. Filing a written objection by itself will not allow you to participate as a party in any proceeding established in these matters. If you wish to participate as a party in this matter, you must file written intervention documents under Commission Rule 723-1-1401, 4 Colorado Code of Regulations 723, or any applicable Commission order.

The Commission may hold a public hearing in addition to an evidentiary hearing on the Application. If such hearing is held, members of the public may attend and make statements even if they did not file comments, objections, or an intervention. If the Application is uncontested or unopposed, the Commission may determine the matter without a hearing and without further notice.