



Minutes
January 21, 2025
10:00 a.m. to 12:00 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room:

Nancy Henjum and Dave Donelson

Staff members present via Microsoft Teams or Rosemont Conference Room:

Travas Deal, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Alex Baird, Pete Bejadhar, Andrew Colosimo, Kalea Daub, Lily Fleck, Jennifer Franceschelli, Pete Goslin, Jason Green, Kelly Guisinger, Mallorie Hansen, Adam Hegstrom, John Hunter, Chad Jolly, Channing Law, Justine Mitchell, Angelia Mora, Danielle Nieves, Gail Pecoraro, Scott Read, Lindsay Riley, Cindi Ruybal, Bethany Schoemer, Rodger Scriven, Scott Shirola, Admar Susic, Matthew Thieme, Natalie Watts, Al Wells and Kyle Wilson

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

Sally Barber, Chris Bidlack and Jacqueline Rowland

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 10:03 a.m. and read a statement regarding the Colorado Open Meetings Law and the City Charter and noted that public comment would not be a part of the meeting.

2. Review Minutes

Minutes from the Oct. 14, 2024, Finance Committee meeting were reviewed and accepted for posting.

3. 10-Year Financial Outlook

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the 10-year forecast. The debt ratio projection in 2025 is 53.58%; in 2026 it is 56.4%; in 2027, it grows to 58.78%; in 2028, is 58.79%; and in 2029 it is 57.26%.

The non-fuel typical bill increase is projected at 6.6% in 2024, 6.6% in 2025, 6.6% in 2027, 5.5% in 2028, and 6.6% in 2029. These projections are based on the approved 5-year rate increase. There is some projected relief to the customers after the five years if Colorado Springs Utilities can adhere to the plan.

Committee Chair Henjum asked what would happen if the debt funded capital does creep up to 60%. Mr. Hunter said that the organization would need to evaluate how capital is allocated or another revenue source to keep it under 60%.

Mr. Tristan Gearhart, Chief Financial Officer, said that much of this budget is tied to regulatory items. These items were highlighted in the five-year rate case. If items do begin to come in at higher prices, the organization would need to see if items can be shifted or if additional rates are needed. Mr. Gearhart stated that internal teams are being challenged to live within the annual budget. Mr. Gearhart said that historically the budget and appropriation ordinances have been timed consecutive with the rate case each year, but since the rate increases have been set for the next five years, the budget appropriations could occur earlier in the year. Committee Chair Henjum asked how this change could help. Mr. Gearhart said that it allows more preparation time and time to move forward with plans.

Committee Chair Henjum asked if this forecast considers Karman Line passing, and Mr. Hunter said that it does not. Mr. Gearhart said that riders may be necessary to cash fund some of these items.

Committee Member Donelson asked how often the 10-Year Financial Outlook is provided. Mr. Gearhart said this update is provided quarterly.

4. 2025 Plan of Finance Overview

Mr. Adam Hegstrom, Treasury and Finance Manager, said the Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support the organization's capital needs.

The first objective of the Plan of Finance is to support the organization's operations by funding the debt-backed portion of the enterprise's future capital plan. \$280,000,000 remains from the 2024A bond issuance and approximately \$535,000,000 bond issue is needed to fund the 2025/2026 capital needs.

The second objective is to manage and optimize the organization's current debt portfolio – refunding issuances. Anticipated actions include tax-exempt refunding – 1 series from 1025 totaling \$50.8 million (very likely), bond tenders – exchange bonds from existing bondholder (unlikely), or refund Variable Rate Demand Obligations (VRDO) and terminate swaps(s) – unwind synthetically fixed debt issuances and refinance into traditional fixed rate debt (unlikely).

Mr. Gearhart said that the organization should receive positive credit feedback with the locked in five-year rate case.

Committee Chair Henjum asked how other utilities are reacting to Springs Utilities' five-year rate case approval. Mr. Gearhart said that other companies have received 2- and 3-year rate increases. The organization has received inquiries from other utilities asking how the Utilities Board was prepared for a five-year rate case vote. Mr. Travas Deal, Chief Executive Officer, said that this year in particular, the hot topic of discussion will be fire mitigation and risk.

The debt issuance timetable includes the Bond Issuance presentation to the Working Committee on June 16, to the Utilities Board on June 18, the 1st Ordinance Reading at City Council on June 24, 2nd Reading on July 8, Issuance Pricing on Aug. 5, and Issuance Closing on Aug. 19.

The third plan of finance objective is to successfully manage debt-supporting instruments and services. The organization has a \$75 million revolving line of credit with U.S. Bank that expires in September 2025. Tentative SBPA / Liquidity events include renewing 2008A and 2010A liquidity facilities and line of credit on June 6, a presentation to the Working Committee on June 16, presentation to the Utilities Board on June 18, and renewing / replacing liquidity facilities and line of credit on Sept. 10.

Items not requiring major action under objective three include swaps, VRDO remarketers, and Public Authority for Colorado Energy.

Committee Chair Henjum asked why the days cash on hand increases after the five-year rate plan. Mr. Hunter said that there is a defect in the model that causes cash to spike the last two years, this may not be realized. Committee Chair Henjum asked if there were other defects in the model, and Mr. Hunter said that the cash on hand is the only one.

The last plan of finance objective is to manage the organization's financial reputation and industry relationships to ensure market success. These include maintaining strong banking relationships to help ensure financing plans, maintaining strong investor relationships, and maintaining strong relationships with rating agencies.

Credit rating agency events include credit presentation preparation April – July, presentations in July, 2025AB rating request submissions in July, receive 2025 AB issuer credit rating in July, and receive credit ratings for 2008A and 2010C renewals in September.

Committee Member Donelson asked how much will be spent on the Karman Line that may not be reimbursed if the development is not realized. Mr. Deal said that this project will be “build as you go” so there will be less risk. Ms. Lisa Barbato, Chief Systems Planning and Projects Officer, said that the annexation agreement now includes specific language around stranded assets that allows the organization to recoup money from the developers if revenue is not being collected to recover costs.

Committee Chair Henjum asked how the Finance Team is approaching the next five years from a leadership, operations, and effectiveness standpoint. Mr. Gearhart said that his team is emphasizing the confidence the Board placed in the organization by approving the five-year rate case and the importance of operating to the five-year operating budgets. One initiative that has been implemented is budget prioritization teams in Operations and Systems Planning and Projects. Another focus is placing more emphasis on the I-2 report quarterly.

5. I-2 Report Revision Review

Mr. Hunter stated the I-2 is the report back to the Board to show how the organization is doing what they said they were going to do. The Finance Department will be revising the I-2 report after discussions at the October 2024 Finance Committee meeting.

The new report will have sections outlining the significant financial variances; budget transfers and cancelled major capital projects over \$2,000,000 in the approved budget or new major capital projects not funded in the approved budget; invest funds in accordance with Board Ordinance

requirements and Utilities Investment Plan; Ensure Controls are in place for receiving, processing, or disbursing funds and allow only bonded personnel access to material amounts of funds; ensure receivables are resolved within a reasonable grace period; settle payroll and debts in a timely manner; ensure tax payments or other government ordered payments are timely and materially accurate; operate within the applicable sections of the Colorado State Procurement Code and Springs Utilities procurement policies and procedures assuring legal and fiscal compliance with competitive acquisition practices, conflict of interest, favoritism, and procurement from local vendors; and inform the Utilities Board of significant financial impacts on the Municipal Government.

Springs Utilities will be meeting with the City Auditor's Office for input on the content of this updated report. Mr. Gearhart stated that the goal is to finalize the new report format by March 2025.

6. Electric Cost Adjustment (ECA) / Gas Cost Adjustment (GCA) Monitoring

Mr. Scott Shirola, Pricing and Rates Manager, said that the January forecast reflects slightly higher fuel prices than the prior two monthly forecasts.

Natural Gas Prices as of Jan. 1, 2025, reflects slightly higher fuel prices through the heating season.

January 2025 ECA was under collected by \$1.4 million. This under collection balance changed by \$0.1 million from the \$1.3 million under collection balance reported last month. On Sept. 24, 2024, City Council approved the ECA rate of \$0.0301 per kWh effective Oct. 1, 2024.

January 2025 GCA was over collected by \$0.9 million. This over collection balance changed by \$2.1 million from the \$3.0 million over collection balance reported last month. On Sept. 4, 2024, City Council approved the GCA rate of \$0.1725 per Ccf effective Oct. 1, 2024.

Mr. Alex Baird, General Manager of Fuels and Purchase Power, said that over the weekend the Incident Command Center was stood up due to the frigid temperatures. Gas prices did spike for the weekend. The Propane Air Plant was utilized during weekend.

Committee Member Donelson asked what the native load was. Mr. Baird said in 2024 it was 844 MW, and this past weekend it was 825 MW.

Committee Member Donelson asked when the Birdsall Power Plant will shut down. Ms. Somer Mese, Chief Operations Officer, said Birdsall I and II will shut down at the end of 2025, and Birdsall III will shut down in 2027. Plans after the closure are still to be determined.

7. Future Meeting

Mr. Gearhart said that the Finance Committee meetings will become part of the Working Committee meetings.

Ms. Natalie Watts, Strategic Planning and Governance Manager, said that a presentation will be made to the full Utilities Board on Jan. 22, 2025. A final vote will be done at the February Utilities

Board meeting since this would require changes to the Excellence in Governance Manual and Utilities Bylaws changes.

Mr. Deal said that the purpose of the Working Committee is to streamline the communication, efficiency, and staff time.

8. Closing Remarks and Adjournment

The meeting adjourned at 11:27 a.m.