

**Minutes
Finance Committee
Colorado Springs Utilities Board
March 10, 2023**

Committee members present via Microsoft Teams or Rosemont Conference Room:
Committee Chair Nancy Henjum, Tom Strand, Bill Murray and Dave Donelson

Staff members present via Microsoft Teams or Rosemont Conference Room: Tristan Gearhart, Travas Deal, Scott Shirola, Natalie Lovell, Mike Francolino, Joe Awad, Adam Hegstrom, Lauren Connelly, Lynn Guido and Julie Mathis

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

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 1:30 p.m. and read a statement regarding the Colorado Open Meetings Law and the City Charter and noted that public comment would not be a part of the meeting.

2. Review Minutes

Minutes from the Feb. 10, 2023 Finance Committee meeting were reviewed and approved for posting.

3. Compliance Reports

a. (I-4) Risk Management (Annual Auditor Report)

Ms. Sally Barber, City Audit Supervisor, reviewed the (I-4) Risk Management Report and explained how an enterprise risk tool was not being utilized properly.

Mr. Tristan Gearhart, Chief Planning and Finance Officer, reviewed the (I-4) which states:

Chief Executive Officer shall direct that the enterprise maintains enterprise risk management activities that identify, assess and prudently manage a variety of risks including strategic, financial, operational, legal and hazard. Accordingly, the CEO shall:

- 1. Maintain a Risk Management Committee to identify, measure, monitor, manage and report risk on an enterprise-wide basis.*
- 2. Operate under and maintain a written Enterprise Risk Management (ERM) Plan and its required plans listed below that each include management level approval, detailed procedures, internal controls and reporting requirements, and external audits.*

- A. *Energy Risk Management Plan - establishes procedures for limiting organizational exposure to price volatility and supports the acquisition or sale of energy that does not unreasonably jeopardize the ability to meet customer needs.*
- B. *Investment Plan - establishes investment scope, objectives, delegation of authority, standards of prudence, eligible investments and transactions, risk tolerance and safekeeping and custodial procedures for the investment of all funds.*
- C. *Financial Risk Management Plan - establishes objectives and procedures for minimizing risk to support responsible compliance.*

Mr. Gearhart highlighted the top 25 identified risks by the organization and discussed the risk matrix form, and its function. He said the form consists of a simple process – name, risk area, rating on the matrix, what is the risk, what caused it or will cause it, can it be avoided or fixed and how, and whether the impact is internal or external. He said multiple entries can be used with the same form.

Mr. Gearhart said from a risk captured perspective, the form allows the organization to easily input risk data in real time and then send the data directly to executive and management levels. By doing so, staff is effectively communicating when potential risk(s) occur, their level of importance and how to properly mitigate them. He explained how Springs Utilities will use this process moving forward.

a. (I-8) Asset Protection (Semi-Annual)

Mr. Mike Francolino, Customer Enterprise Services Officer, reviewed the (I-8), which states:

The Chief Executive Officer shall direct that enterprise assets are protected, adequately maintained and not unnecessarily risked. Accordingly, the CEO shall:

- 1. *Protect enterprise assets including, but not limited to, water rights, rights of way, physical assets, cyber assets, intellectual property, records and information from loss or significant damage.*

Mr. Francolino reviewed the assets included in the report. There were no questions.

3. Electric Cost Adjustment/Gas Cost Adjustment Monitoring Update

Mr. Scott Shirola, Pricing and Rates Manager, provided natural gas prices as of March 1, 2023, and highlighted prices during the heating season (November – March). He concluded with Electric Cost Adjustment (ECA) and Gas Cost Adjustment (GCA) projections for March 2023.

4. 2022 Audit Debrief

Ms. Natalie Lovell, Accounting Controller Manager, explained the audit objective which is to obtain reasonable assurance that financial statements are free from material misstatement. She said financial statements received an unmodified opinion (clean opinion).

Ms. Lovell gave an overview of facts and figures of the audit process. She said the audit is performed in accordance with Generally Accepted Auditing Standards and Government Standards for Springs Utilities. She said the audit is based on assessment of risk in key business process areas, including:

- Investments
- Accounts payable
- Payroll
- Accounts receivable/revenue recognition
- Net position calculation
- Debt coverage
- Energy market accounting
- Deferred charges
- Financial reporting
- Assets under construction, plan in service and inventories
- Review of controls over work orders, cash disbursements, payroll, billing, energy trading, and information technology
- Analytical review of statement of net position and statement of revenues, expenses, and changes in net position
- Sensitive estimates

Ms. Lovell concluded with auditor feedback to those charged with governance, including:

- Auditor's view on qualitative aspects of accounting practice
- Significant difficulties encountered in performing audit
- Uncorrected misstatements
- Disagreements with management
- Other findings or issues
- Corrected misstatements
- Management representations
- Management's consultation with other accountants
- Auditor independence

Ms. Lovell explained that Springs Utilities is awaiting the final 2022 Financial Statements Audit Report from Baker Tilly.

Ms. Lynn Guido, Accounting Supervisor, provided historical information about the Accounting Department at Springs Utilities.

5. By Exception:

- Financial Monitoring Update
- Enterprise Risk Management Report
- Year-to-Date Water Revenue
- Financial Forecast Dashboard

Mr. Gearhart and Mr. Shirola briefly reviewed the Year-to-Date Water Revenue Report.

6. Plan for Future Meeting: Friday, April 14, 2023

Chair Henjum expressed appreciation for Committee Members Strand and Murray for serving eight years on Finance Committee.

Committee Member Strand reflected on his time on the Finance Committee.

The Finance Committee reviewed agenda items for the next meeting.

7. Adjournment: The meeting adjourned at 3:18 p.m.