



**Utilities Policy Advisory Committee (UPAC)
Wednesday, May 4, 2022, 8:00 a.m. – 10:30 a.m.**

Blue River Board Room, 121 S. Tejon Plaza of the Rockies or Microsoft Teams

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 719-733-3651,,601280238#](#)

Agenda

- | | | |
|-------------------|--|------------|
| 8:00 a.m. | 1. Call to Order | |
| 8:05 a.m. | 2. Approval of April 6, 2022 UPAC Meeting Minutes | Decision |
| 8:10 a.m. | 3. Water Acquisition Funding Assignment <ul style="list-style-type: none">• Work Session 4 Recap• Consideration Table• UPAC Recommendation | Discussion |
| 10:00 a.m. | 4. Citizen Comment <p>Citizens can provide comment in person, by joining the meeting from computer or by phone using the link above. If you would like to speak during the Citizen Comment period, please sign up to speak through BoardSubmissions@csu.org prior to the meeting.</p> | Discussion |
| 10:10 a.m. | 5. Committee Member General Discussion | |
| 10:30 a.m. | 6. Adjournment <p>Next meeting: June 1, 2022</p> | |

Note: UPAC Bylaws, Rule 6: Customer and Public Comment: (b) At the discretion of the Chair, or the majority of the Committee Members present, customers and members of the public will be allowed to comment or ask questions concerning items discussed at regular meetings or concerning matters discussed at special meetings. Comments or questions by individuals will be limited to five minutes each, and all customer or public comments will not exceed twenty minutes on any agenda item unless time is extended by the Chair or majority of the Committee Members present.



Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, April 6, 2022
Blue River Boardroom, 5th floor, 121 S. Tejon St., Colorado Springs, CO
and Microsoft Teams Virtual Meeting

Committee members present in the boardroom or via Microsoft Teams: Chair Gary Burghart, Vice Chair Larry Barrett, Rex Adams, Hilary Dussing, Katherine Danner, Michael Borden, and Alternate Member Ruth Ann Schonbachler

Committee members excused: Scott Callihan and Chris Francis

Staff members present in the boardroom or via Microsoft Teams: Lisa Barbato, Natalie Watts, Kerry Baugh, Al Wells, Kim Gortz, Pat Wells, Scott Shirola, Joe Marcotte, Pattie Benger, Abigail Ortega and Christian Nelson

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: David Beckett

1. Call to Order

Chair Gary Burghart called the meeting to order at 8:03 a.m.

2. Approval of March 2, 2022 UPAC Meeting Minutes

Vice Chair Larry Barrett motioned, and Committee Member Hilary Dussing seconded the motion to approve the March 2, 2022 meeting minutes. The minutes were unanimously approved with a voice vote.

3. Citizen Comment

Mr. Sam Masias discussed a Utilities Board governance study performed by UPAC in 2012 and suggested a different, more efficient and effective Utilities Board governance structure be considered in the future.

4. Water Acquisition Funding Assignment

Mr. Pat Wells, General Manager of Resource and Demand Management, provided an overview of the UPAC Water Acquisition Funding Assignment materials covered to date. He discussed fund framework considerations, including parameter thresholds and process.

Mr. Wells responded to committee members' questions regarding specific water projects and yield expansion projects, explaining the difference between water rights and water infrastructure in relation to water storage and expansion.

Mr. Scott Shirola, Pricing and Rates Manager, reviewed potential funding resources,

including the Water Resource Fee, the existing Water Reserve Account and other funding opportunities. He then discussed the current and potential cost recovery process with regards to a dedicated Water Acquisition Fund and reviewed current Utilities Board governance policies related to water reserves and water infrastructure.

Mr. Shirola and Ms. Kim Gortz, Water Planning Resource Supervisor, responded to committee member questions regarding the existing budget in relation to planned projects and to funding a Water Acquisition Fund, prioritization and potential policy changes. Mr. Shirola explained the background and timing of the Water Resource Fee and responded to Chair Burghart's question regarding the consideration of inflation and interest. He then responded to committee questions regarding potential sources of funds for a dedicated Water Acquisition Fund.

Vice Chair Barrett requested input from other stakeholders, including Colorado Springs Utilities leadership. Ms. Lisa Barbato, Systems Planning and Projects Officer, confirmed that executive leadership is informed and providing input on the UPAC assignment and potential Water Acquisition Fund.

Mr. Burghart proposed an outline for the next assignment update to the Utilities Board.

Mr. Wells concluded with next steps for the Water Acquisition Funding assignment.

5. Committee Member General Discussion

Vice Chair Barrett requested staff provide information regarding a news article he read on annexation and the City of Fountain.

6. Adjournment

Chair Burghart adjourned the meeting at 10:07 a.m.

Next meeting: Wednesday, May 4, 2022 at 8:00 a.m.



Colorado Springs Utilities
It's how we're all connected

UPAC Assignment Water Acquisition Fund

Presenters:

Kim Gortz, Water Resource Planning

Scott Shirola, Pricing and Rates

May 4, 2022

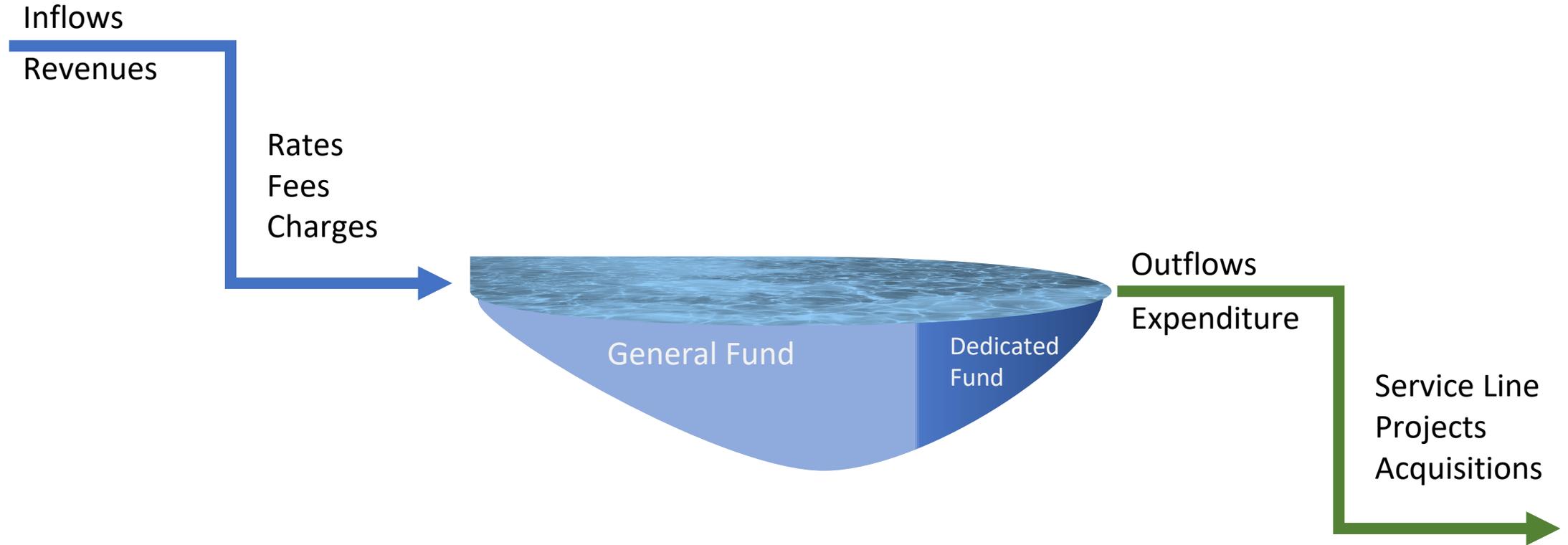
Agenda

1. Work Session 4 Recap
2. Consideration Table
3. UPAC Recommendation
4. Discussion

Work Session 4 – Key Discussion Items

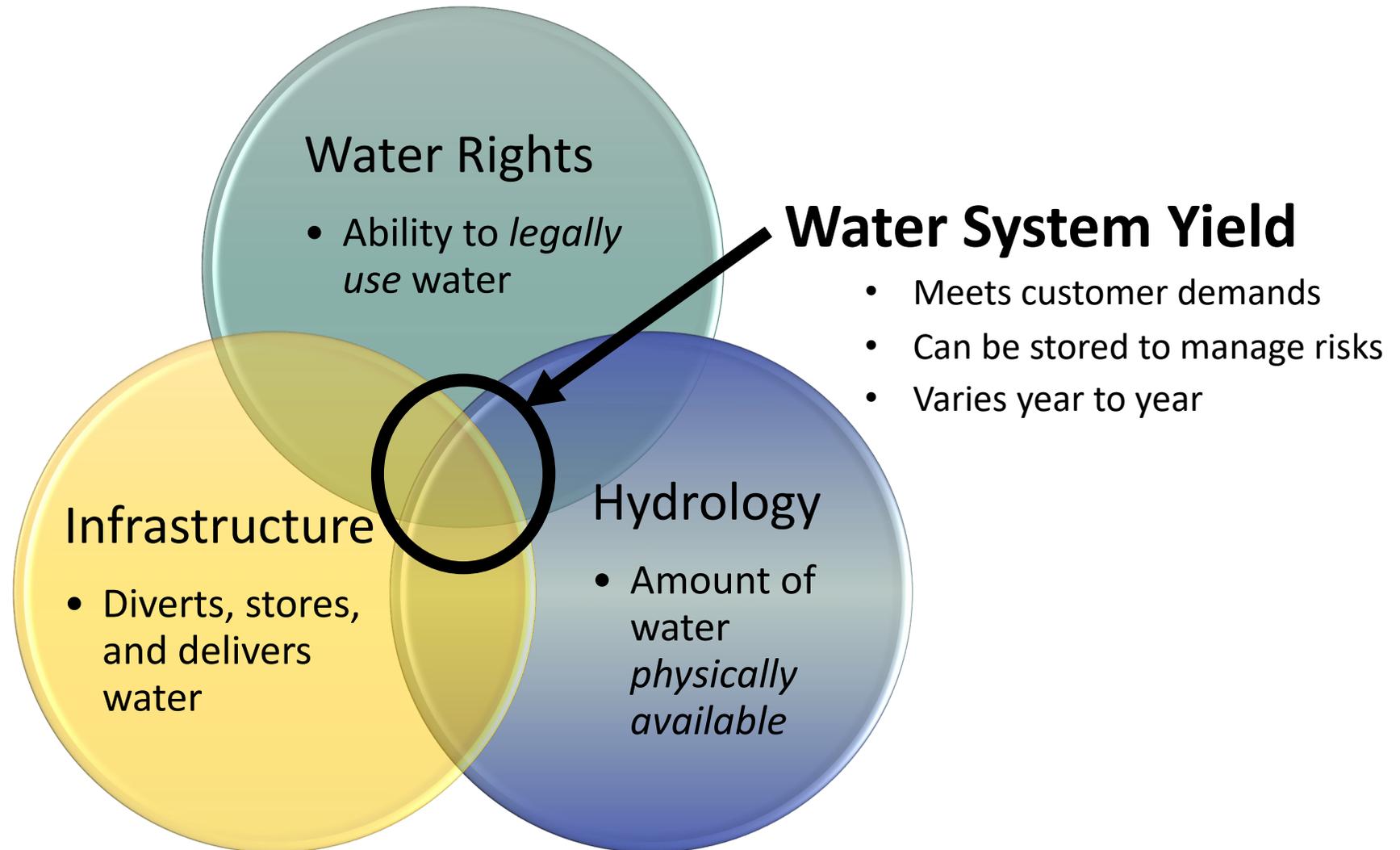
- Thresholds and Process
- Parameters for Building a Fund
- Potential Planning and Cost Recovery Process

Practices and Process



*Animation to show current vs. potential

Water Acquisition Scope



Considerations Table

UPAC Recommendation

Next Steps

Work Session 1

- Background
- Water System
- Risk based Planning

Work Session 2

- Situation Assessment
- Drivers
- IWRP Implementation

Work Session 3

- Peer Utilities
- Funding Approaches
- Principles

Work Session 4

- Fund Approaches, cont.
- Potential Policy Discussion

Work Session 5

- **Formulate Recommendation**

Work Session 6:

- Present Recommendation**

January

February

March

April

May

June Recommendation

UPAC Feb 2

UPAC Mar 6

UPAC May 4

UPAC June 1

UB Check-in
May 18

Assignment Questions

Assignment Scope:

Evaluate options for funding the acquisition of additional water resources in a timely and opportunistic manner to meet water system reliability and level of service goals.

Is the water acquisition fund recommended in the IWRP an appropriate adaptive management strategy for Colorado Springs Utilities to implement?

Yes

What is the appropriate framework to fund future acquisitions?

Content of Draft UPAC Recommendation

Consider Policy Language for Implementation

- Board Instruction 7 and 3
- Guideline 8 under I-3
- New Guideline under I-3

Considerations for Guideline

Thresholds – the maximum or minimum value of the fund

Scope – what is included in the scope of water acquisitions

Process – how could the fund be resourced

Process – management of fund and disbursement approval process



Colorado Springs Utilities[®]

It's how we're all connected

UPAC Water Acquisition Fund Assignment Policy Consideration Table

<i>Policy Topic</i>	<i>General Policy Description</i>	<i>At Issue</i>	<i>Policy Questions</i>	<i>Considerations</i>
Board Instruction 7 (I-7)	Planning, protection, development and management of water supply.	-Capital expenditure for raw water acquisitions and yield expansion projects can have narrow windows of opportunity. - Well funded, more nimble market competition can act quicker and outbid Springs Utilities for water supply acquisitions. -Current budget and financing processes pose challenges to securing water deals in narrow windows of opportunity.	Is a dedicated fund an appropriate adaptive management tool for timely and proactive water resource projects?	<ul style="list-style-type: none"> • A dedicated fund can be leveraged for financing projects and acquisitions. • A dedicated fund provides more certainty and flexibility to compete in the water market. • A dedicated fund is common practice for other Front Range water providers. • Specific acknowledgment of adequate and timely funding in I-7 supports CEO direction to aggressively plan, protect and develop additional water supplies.
Board Instruction 3 (I-3)	Financial planning and budgeting are multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow.	-Unplanned capital expenditures are prioritized and managed to the approved budget. - Prioritization of unplanned capital expenditures may cause other planned capital projects to be delayed. - Financial metrics could be impacted if Springs Utilities funds water acquisitions outside of approved capital budget. -Supplemental appropriations may be required to fund water acquisitions, creating additional process and approvals that decrease agility.	What is the appropriate framework for the dedication and maintenance of a fund?	<ul style="list-style-type: none"> • Delay of planned capital projects to support unplanned water acquisitions may cause project management, staffing, scheduling and supply chain issues. • Target volume of acquisitions over the next decade can be planned and acted on quickly with the creation of dedicated fund.

<i>New Guideline</i>	<i>Description</i>	<i>At Issue</i>	<i>Policy Questions</i>	<i>Considerations</i>
Thresholds	A maximum or minimum value of the fund level	-Building the fund to an adequate level. The goal would be to have a balance sufficient to cover all capital costs for water acquisitions and water supply projects, but is unlikely without substantial tradeoffs. -A dedicated fund should complement/supplement other available funding mechanisms.	What is the appropriate guideline for the fund level?	<ul style="list-style-type: none"> • Revenues collected from the Water Resource Fee will likely not meet the full funding requirement for water acquisitions and supply projects. • A fund that is too small will cause Springs Utilities to rely too heavily on planned capital deferrals, debt funding or other current practices that do not support timely water acquisitions or completion of water supply projects. • A fund that is too large may result in larger than necessary fee or rate increases and may reserve funds that go unspent for long periods of time that could have been dedicated to addressing other priorities. • A formula that is evaluated regularly, versus a set value, may provide flexibility in evaluating required fees and rate, but adds policy financial modeling complexity. • A set value is easy to track compliance and financial targets but may not capture variations in annual or budget horizon costs.
Scope	Type of projects in which the fund can be used.	-Projects that provide resiliency against water supply risks and serve projected demands are needed.	<p>What is the appropriate guideline for the types of projects in which the fund can be used?</p> <p>What is the budgeting horizon to consider?</p>	<ul style="list-style-type: none"> • Clear guidelines for eligible projects should be established to prevent “raiding” of the fund to support projects that do not increase water system reliability or yield. • Budgeting horizons are useful for planning and projects scheduling certainty, but do not address unforeseen opportunistic acquisitions. • Water projects with multiple partners or more complexity to plan, permit and construct benefit from dedicated funding that can be accessed across multiple years. • The Integrated Water Resources Plan (IWRP) recommends developing a minimum of

UPAC Water Acquisition Fund Assignment Policy Consideration Table

				<p>10,000 acre-feet per decade.</p> <ul style="list-style-type: none"> • A 5-year forward look may not be long enough to encompass the total project costs of acquiring and developing water supply. • A 10-year forward look would encompass the planning horizon of 10,000 acre-feet per decade and may over time collect and maintain enough revenue to adequately fund the proposed project, while keeping the flexibility to act quickly. • A 10- to 20-year forward look would potentially over-inflate the project and acquisition cost forecast and introduces more uncertainty on the timing of implementation.
Process (inflows)	The revenues that will be used to build and/or replenish the fund.	-One revenue stream may not be sufficient to reliably build and/or replenish the fund.	<p>How can flexibility be built into resourcing the fund?</p> <p>What, if any, limits from certain revenue sources should be considered?</p>	<ul style="list-style-type: none"> • Collection and dedication of the Water Resource Fee is compatible with establishing a fund. • Regular recalculation of Water Resource Fee helps ensure revenues used to build and/or replenish a dedicated fund meet water acquisition and water supply project needs. • Since projects will boost resiliency as well, other revenues from sources such as the Water Reserve Account and rates, may be dedicated under certain circumstances. • Adequate inflows to build and replenish the fund are necessary to take pressure off of additional mechanisms for meeting project costs and adds flexibility and certainty to meeting full funding requirement for planned and unplanned projects.
Process (outflows)	Process of use and approval of the funds.	<p>-The process for approving use of the fund should be more timely and readily actionable than current processes to ensure Springs Utilities is nimble to pursue projects.</p> <p>-Reporting should be consistent with other Instructions and Guidelines.</p>	<p>How can a draw on the fund remain flexible and a streamlined process?</p> <p>What is the appropriate level of accountability for reporting?</p>	<ul style="list-style-type: none"> • Guideline can establish the scope of projects and if they fit the scope would not be subject to four services general prioritization processes. • Guidelines and operating rules for how the fund is governed supports transparency and accountability. • Current reporting mechanisms for planned projects and capital expenditures exist such as: <ul style="list-style-type: none"> ○ Board approves acquisitions. ○ Board Instruction reports and scorecards.