

**Minutes
Finance Committee
Colorado Springs Utilities Board
Jan. 12, 2024**

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

Board Members present via Microsoft Teams: David Leinweber, Michelle Talarico, Brian Risley, Randy Helms and Mike O'Malley

Staff members present via Microsoft Teams or Rosemont Conference Room:
Renee Adams, Tristan Gearhart, Travas Deal, Scott Shirola, Natalie Lovell, Nicole Means, Bethany Schoemer, Lisa Barbato, John Hunter, Adam Hegstrom, Mallorie Hansen, Somer Mese, Bryan English and Mike Francolino

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:
Renee Congdon and Chris Bidlack

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 Oct. 17, 2023, Finance Committee meeting were reviewed and accepted for posting.

3. 2024 Plan of Finance Overview

Mr. Adam Hegstrom, Treasury and Finance Manager, discussed the 2024 Plan of Finance. Mr. Hegstrom introduced Ms. Mallorie Hansen, Corporate Financial Analyst Principal, and explained the Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Colorado Springs Utilities' capital needs. He explained the core tenets of prudence, efficiency and flexibility. Mr. Hegstrom prefaced the presentation is a high-level overview for informational purposes, and action items will be brought to the Utilities Board at later dates throughout 2024.

The presentation included an in-depth explanation of the four Plan of Finance objectives. Ms. Hansen reviewed objective one, which is to support Springs Utilities'

operations by funding the debt-backed portion of the Enterprise's future capital plan. Committee Chair Henjum commented on Springs Utilities' typical 50/50 balance of debt-funded capital to cash-funded capital and asked the presenters to speak about the reason for the 62/38 ratio. Mr. Hegstrom explained the long-term strategic debt to cash ratio of the organization. Ms. Hansen gave an overview of objective two, which is to manage and optimize Springs Utilities' current debt portfolio and explained anticipated actions. She reviewed a tentative debt issuance working timetable. Mr. Hegstrom review objective three which is to successfully manage debt-supporting instruments and services. Springs Utilities will need to take action on one expiring liquidity agreement. Lastly, Mr. Hegstrom summarized objective four to manage Springs Utilities' financial reputation and industry relationships to ensure market access.

Board Member Leinweber asked a question regarding the value of commodities. Committee Chair Henjum asked a question about the recent cold front. Mr. Travas Deal, Chief Executive Officer stated the biggest impact is on the trading side because of the requirement to purchase four days in advance and Martin Luther King Jr. Day on Monday. He explained the team is prepared and Springs Utilities has communicated with customers regarding usage.

4. Amara Annexation Costs and Payback Overview Model

Mr. Tristan Gearhart, Chief Planning and Finance Officer, Mr. John Hunter, Financial Planning and Risk Manager, and Mr. Bryan English, Development Projects Manager, presented the Amara Annexation Costs and Payback Overview Model. Mr. Deal said today is to strictly look at the financial side of the annexation before the item goes to City Council. The costs associated with the annexation are not in Springs Utilities' current budget as the item has not been approved by City Council. Additionally, the costs are based on the current annexation agreement and are projected based on Springs Utilities' best knowledge at the time.

Mr. English gave an overview of the location of Amara in Southeast Colorado Springs. The annexation is an owner-initiated, voluntary, serial flagpole annexation totaling 3,292 acres, including portions of the Bradley Road right of way. Mr. Gearhart prefaced a revised packet was distributed due to additional information being available.

Board Member Risley asked a question about using the model as a template as not every future annexation will be residential. Mr. Gearhart explained Springs Utilities is building a template that incorporates all annexation fees and revenue streams for residential, commercial and industrial uses. Before the current template is a final project, the commercial and industrial impacts need to be assessed.

Mr. Gearhart reviewed the calculation used for revenue inputs, which encompasses annual homes built in Single-Family Equivalents (SFEs), maximum buildout size, typical annual non-fuel revenue per SFE and fixed revenue percent. He explained the model is based on three different estimations for the number of homes built within a year with 400 SFEs per year as the highest estimation, 200 SFEs as the mid-level, and 100 SFEs per

year as the lowest estimation. Mr. Hunter stated on average, a little more than 2,000 SFEs are added each year. Therefore, if Amara adds 400 SFEs per year, it would be an increase of 20%. Board Member Risley commented that the applicant is planning to build 9,500 SFEs at full buildout and stated it would be unreasonable to assume Amara will take 95 years to complete the development. Mr. Gearhart explained the process Springs Utilities has taken to assess all levels of risk.

Mr. English highlighted the unique characteristics of the land and the costs it will impose on the annexee. This includes a requirement for a new utilities service center to support field service and operational needs. Amara will be responsible for \$7 million of the estimated \$99 million for a new utility service center, stranded asset costs, invasion fees for natural gas and electric, developer portion of the Colorado Information Analysis Center and typical developer-provided infrastructure and facilities. All of these are costs are outlined in the annexation agreement and help to mitigate risk for Springs Utilities. Committee Chair Henjum asked when the new service center is estimated to be built. Mr. Deal stated Springs Utilities will move quickly on the process upon approval of the annexation due to the extended timeframe for design, budget and construction.

Mr. Gearhart reviewed Springs Utilities' operation and maintenance costs at full buildout and the payback analysis and timeframe. The operation and maintenance costs are estimated at \$4.66 million.

The committee had a conversation about next steps in the annexation discussion as it pertains to Finance Committee, the Utilities Board and City Council.

5. Resolution to Appoint Members to the Board of the Public Authority for Colorado Energy (PACE)

Mr. Hegstrom gave an overview of the appointment. He explained the Public Authority for Colorado Energy (PACE) is a separate legal entity governed and operated solely by Springs Utilities. PACE was created in 2008 to transact and execute a natural gas prepay transaction.

The public authority bylaws require three members sit on the Board of Directors. Ms. Somer Mese, Chief Operations Officer, is nominated as President of the Board and Ms. Lisa Barbato, Chief Systems Planning and Projects Officer, is nominated as Vice President of the Board. The committee agreed to put the resolution on consent at the January Utilities Board meeting.

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

This item was removed from the agenda due to time constraints. Mr. Gearhart expressed Board Members can pull the item off the consent agenda at the January Utilities Board meeting if they desire to hear the full presentation.

7. Plan for Future Meeting: Monday, March 18, 2024

The February Finance Committee meeting is cancelled. The Finance Committee reviewed the agenda for the upcoming meeting in March.

8. Adjournment: The meeting adjourned at 3:24 p.m.