



**Utilities Policy Advisory Committee (UPAC)
Wednesday, July 6, 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

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Or call in (audio only)

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Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of June 1, 2022 UPAC Meeting Minutes	Decision
8:10 a.m.	3. Water Acquisition Funding Assignment <ul style="list-style-type: none">• Draft Utilities Board Governance Policy Updates	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	

Next meeting: Aug. 3, 2022

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, June 1, 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, Chris Francis, Scott Callihan, Michael Borden, Hilary Dussing, Katherine Danner and Ruth Ann Schonbachler.

Committee members excused: No members excused.

Staff members present in the boardroom or via Microsoft Teams: Kerry Baugh, Al Wells, Andie Buhl, Lisa Barbato, Kim Gortz, Scott Shirola, Monica Indrebo, Tristan Gearhart, Jessica Rheinschmidt, Jennifer Jordan, Pat Wells and Gabe Caunt

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

Citizens Present: Joseph Kelley and Zach Schmidt

1. Call to Order

Chair Gary Burghart called the meeting to order at 8:00 a.m.

2. Approval of May 4, 2022, UPAC Meeting Minutes

Committee Member Hilary Dussing motioned, and Committee Member Chris Francis seconded the motion to approve the May 4, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Water Acquisition Funding Assignment

a. UPAC Recommendation

Chair Gary Burghart introduced the assignment, challenge and urgency of the Water Acquisition Fund project. Chair Burghart reviewed the assignment scope and assignment overview for water system and funding. Mr. Pat Wells, General Manager of Water Resources and Demand Management, discussed potential policy language changes.

UPAC built the framework for funding water acquisitions by updating Utilities Board governance policies in Board Instructions I-3 (Financial Planning and Budgeting) and I-7 (Water Supply Management), Guideline G-8 (Water Reserve Account) and creating a new guideline under I-3 for a Water Acquisition Account.

Mr. Scott Shirola, Manager of Pricing and Rates, discussed how to be flexible in

establishing the fund while accessing other sources of liquidity. The committee discussed policy considerations regarding how the fund would be established and managed, the thresholds and scope. The UPAC recommendation will be finalized and will be presented to the Utilities Board on June 15.

4. Citizen Comment

None

5. Committee Member General Discussion

None

6. Adjournment

Chair Burghart adjourned the meeting at 9:58 a.m.

Next meeting: Wednesday, July 6, 2022, at 8:00 a.m.



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Utilities Policy Advisory Committee Water Acquisition Fund Assignment

July 6, 2022

Agenda

1. June 15 Utilities Board Presentation Review
2. Proposed Utilities Board Governance Policy Updates
3. Next Steps

June Utilities Board Presentation Review

UPAC recommends the Utilities Board directs staff to draft policy using the UPAC considerations to include:

1. Immediate establishment of a dedicated fund in associated Board Instructions and Guidelines.
2. Set a fund value of \$40 Million as a targeted baseline.
3. Set scope to include water rights and infrastructure that increase water system yield.
4. Resource fund using revenue from Water Resource Fees, Water Reserve Account, revenue from water rates and augmented with debt as needed.
5. Proactively use the fund in a timely and opportunistic manner.

Utilities Board Governance Policy Updates

INSTRUCTIONS

Category:	Utilities Board Instructions to the Chief Executive Officer	Date of Adoption:	May 16, 2018
Policy Title (Number):	Financial Planning and Budgeting (I-3)	Revision Date:	<u>July 20, 2022</u>
Monitoring Type:	Internal	Revision Number:	<u>1</u>
Monitoring Frequency:	Annual		
Guidelines:	Water Reserve Account (G-8) <u>Water Acquisition Account (G-13)</u>		

The Chief Executive Officer shall direct that financial planning and budgeting is multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow. Accordingly, the CEO shall:

1. Maintain financial stability by meeting Utilities Board approved financial metrics that support a AA long-term credit rating.
2. Financially position the enterprise to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments.
3. Use planning assumptions that accurately forecast revenues and expenses.
4. Direct that a water reserve account is established and maintained to manage Water sales volatility.
5. Direct that a water acquisition account is established and maintained to enable timely acquisitions and participation in supply projects that increase raw water system yield.
- 5.6. Use financial methods that share the cost of utility infrastructure between current and future customers.
- 6.7. Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.

GUIDELINES

Guideline:	Water Reserve (G-8)	Date of Adoption:	May 16, 2018
Applicable Policy Title (Number):	Financial Planning and Budgeting (I-3)	Revision Date:	<u>July 20, 2022</u>
		Revision Number:	<u>1</u>

Water Reserve

1. A water reserve account is established and maintained to mitigate water revenue volatility.
2. The water reserve account is used to supplement current year water revenues only.
3. ~~Fifty~~One hundred percent (~~50~~100%) of actual revenue greater than budget will be allocated ~~monthly~~ to the water reserve account.
4. The water reserve account will only be used when the reserve account balance is greater than \$5 million and water revenues are \$10 million below budget in the current fiscal year.
5. Up to fifty percent (50%) of the water reserve account, as of January 1 of the current fiscal year, will be used to supplement current year budgeted expenditures.
6. Funds in excess of \$10 million in the water reserve account may be transferred to the water acquisition account with Utilities Board approval.

GUIDELINES

Guideline:	Water Acquisition Account (G-13)	Date of Adoption:	July 20, 2022
Applicable Policy Title (Number):	Financial Planning and Budgeting (I-3)	Revision Date:	
		Revision Number:	

Water Acquisition Account

1. A water acquisition account is established and maintained to fund capital expenditures that enable timely acquisitions and participation in supply projects that increase raw water system yield.
2. The water acquisition account will be used to partially or completely fund acquisitions and projects necessary to fulfill long range water supply and resiliency goals and levels of service.
3. The account will be supported by revenue collected from the Water Resource Fee, potential transfers from the Water Reserve Account, and may be funded by other sources of water revenue and or sources of debt in accordance with the Annual Operating and Financial Plan or as directed by Utilities Board.
4. An account balance of \$40 million will be targeted through a combination of cash and access to other sources of liquidity.
5. Sources of water revenue funding and the account balance will be evaluated periodically to determine the appropriate targeted account balance and in support of approved enterprise financial metrics.

INSTRUCTIONS

Category:	Utilities Board Instructions to the Chief Executive Officer	Date of Adoption:	May 16, 2018
Policy Title (Number):	Water Supply Management (I-7)	Revision Date:	May 20, 2020 <u>July 20, 2022</u>
Monitoring Type:	Internal	Revision Number:	<u>3</u>
Monitoring Frequency:	Annual		

The Chief Executive Officer shall direct that new and existing water resources and systems are aggressively developed, protected and optimized to maintain and enhance water system sustainability in a manner that responsibly balances costs and risks to reliably meet the needs of current and future customers.

Accordingly, the CEO shall:

1. Defend Colorado Springs Utilities' water rights against claims and filings by others if these would in any way injure, hinder, or decrease Colorado Springs' current or future yield or use.
2. Conduct periodic evaluations of Colorado Springs Utilities' existing decreed water rights and take legal and administrative actions necessary to optimize the water system.
3. Provide a reliable water supply to existing and future customers, including requests for regional service contracts and annexations, by planning for, developing, and managing water resources and infrastructure in accordance with the following criteria:
 - A. At all times maintain a minimum of one year of customer demand in water system storage.
 - B. Meet or exceed 90 percent reliability for maintaining a minimum of 1.5 years of customer demand in water system storage.
 - C. Conduct an evaluation of the need for water shortage response measures when water system storage is forecast to fall below 1.5 years of customer demand on or after April 1 of any year.
4. Utilize Colorado Springs Utilities' dedicated water acquisition fund to the extent necessary to timely acquire additional water rights and participate in yield expansion projects.
- 4.5. Plan for and implement water use efficiency and demand management measures to support and enhance water system

reliability.

- ~~5.6.~~ Use Denver Basin groundwater in Colorado Springs Utilities' exclusive water service territory only for emergency supplemental supply, limited non-potable uses, aquifer storage and recovery, or periodic exercising of groundwater infrastructure for operation and maintenance purposes.
- ~~6.7.~~ Not develop or allow development of controlled ground water in the Dawson Aquifer in Colorado Springs Utilities' exclusive water service territory.
- ~~7.8.~~ Not reserve Colorado Springs Utilities' water supplies, infrastructure, or capacity for any person, organization, property or development regardless of whether that entity is inside or outside the city limits or Colorado Springs Utilities' exclusive water service territory, except that the Utilities Board may evaluate and approve such a reservation to ensure that Colorado Springs Utilities can meet the reasonably anticipated water and wastewater demands of the Pikes Peak Region's military installations on a case by case basis.
- ~~8.9.~~ Only provide water and wastewater-related services including, but not limited to, water leases, storage, conveyance, or treatment (collectively referred to as "water- related services"), outside Colorado Springs Utilities' exclusive water service territory pursuant to regional service contracts that comply with City Code, the guidelines set forth in the Regional Water and Wastewater Service Management Plan (Plan), and other applicable Utilities Board approved policies or directives. Regional service contracts are also subject to the following requirements:

 - a. All regional service contracts must be approved by the Utilities Board. Colorado Springs Utilities may deny any service request, modify the type of service to be provided, request mitigation to offset water system impacts and risks, or impose terms and conditions on the provision of service necessary to offset impacts and risks.
 - b. Regional service contracts shall provide a net benefit to Colorado Springs Utilities and the City of Colorado Springs' ratepayers, appropriately balancing costs and risks, and recognizing historic and planned investments.
 - c. For each contract requested, Utilities will perform an evaluation of impacts to water system reliability, level of service, and water resources for new water and wastewater regional service per the Plan based on a 10 year planning horizon.

- d. Regional service contracts for water-related services shall include a premium on rates that will benefit the City of Colorado Springs' ratepayers. ~~and no more than 50 percent of such premium will be dedicated as surplus revenue, which may be appropriated to the general revenues of the City of Colorado Springs by the City Council in its Annual Budget and Appropriation Ordinance pursuant to the City Charter.~~
- e. In accordance with the City Charter and City Code, regional service contracts shall not exceed a 25-year term limit.

Next Steps

July 15 Finance Committee

July 20 Utilities Board Meeting

- Draft policy language and Board Instruction changes (provided by staff)





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