



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

# **2022AB Bond Ordinance**

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# Plan of Finance Overview

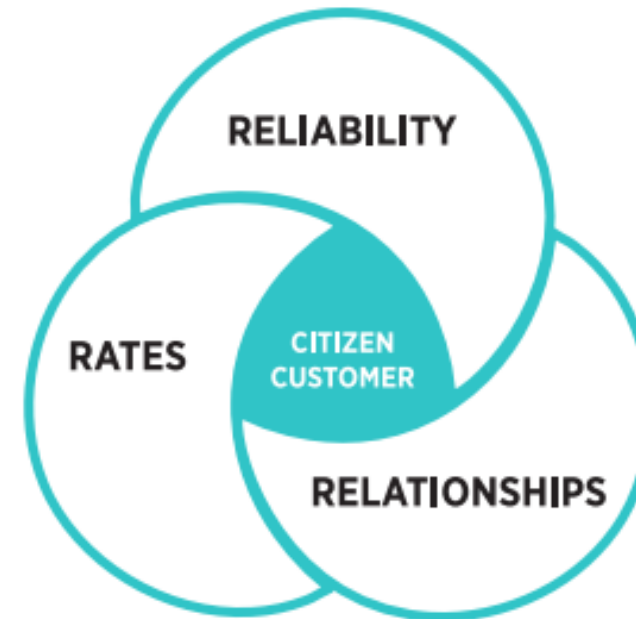
The Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Colorado Springs Utilities' ("The Utilities") capital needs

- Critical to Utilities Board's Strategic Focus
- Core tenets:

**Prudence - Efficiency - Flexibility**

Collectively executed by:

- Utilities Leadership
- Planning and Finance Staff
- Key Advisors
  - Financial Advisor
  - Bond Counsel
- Key Banking Partners and Counterparties



## RATES

- Financial sustainability
- Resources used responsibly
- Customer value

## RELIABILITY

- On-demand energy and water service
- System resiliency
- Trusted community service provider

## RELATIONSHIPS

- Safe, satisfied and loyal customers
- Safe, engaged, innovative and customer-focused employees
- Valued stakeholders
- Vibrant regional economy



# 2022 New Money Issuance

**Objective 1:** Support The Utilities' operations by funding the debt-backed portion of the Enterprise's future capital plan ("New Money Issuances")

## **Enterprise Need:**

- Estimated \$400 million in total capital spend between September 2022 and August 2023
- Support the continued financial recovery from Winter Storm Uri
- Flexibility for potential future capital plan changes

## **Anticipated Actions:**

- Issue new money debt in September 2022



# New Money Debt Issuance

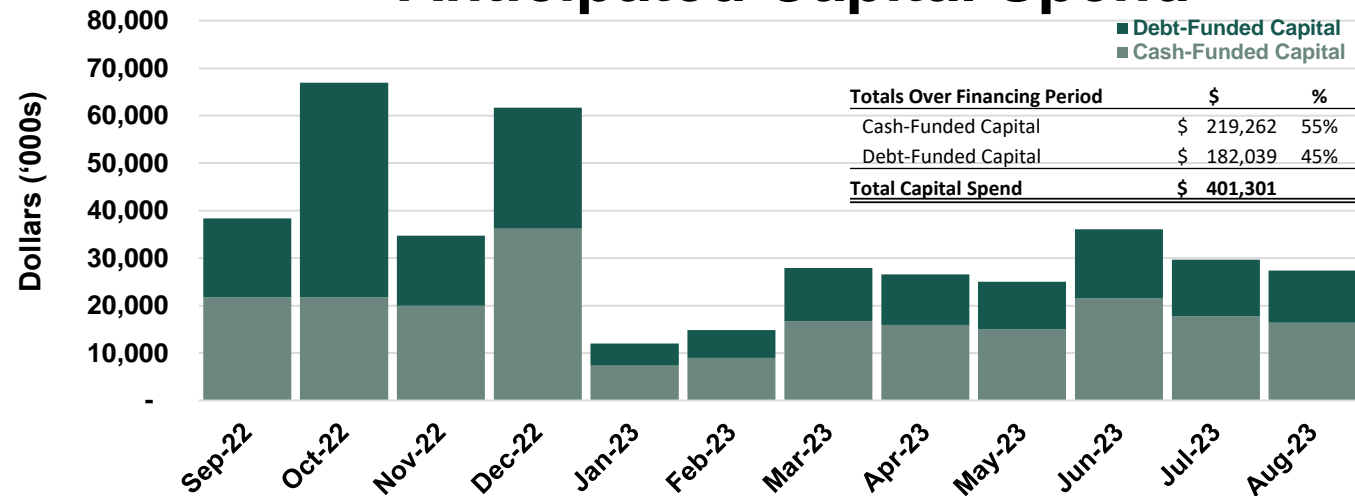
## Anticipated Issuance Details:

- Current Estimated - \$180 million
- Ordinance Ceiling - \$210 million
- More clarity in coming months surrounding 2023 AOP/Capital Plan
- Effective balance between cash and debt to optimize financial metric performance

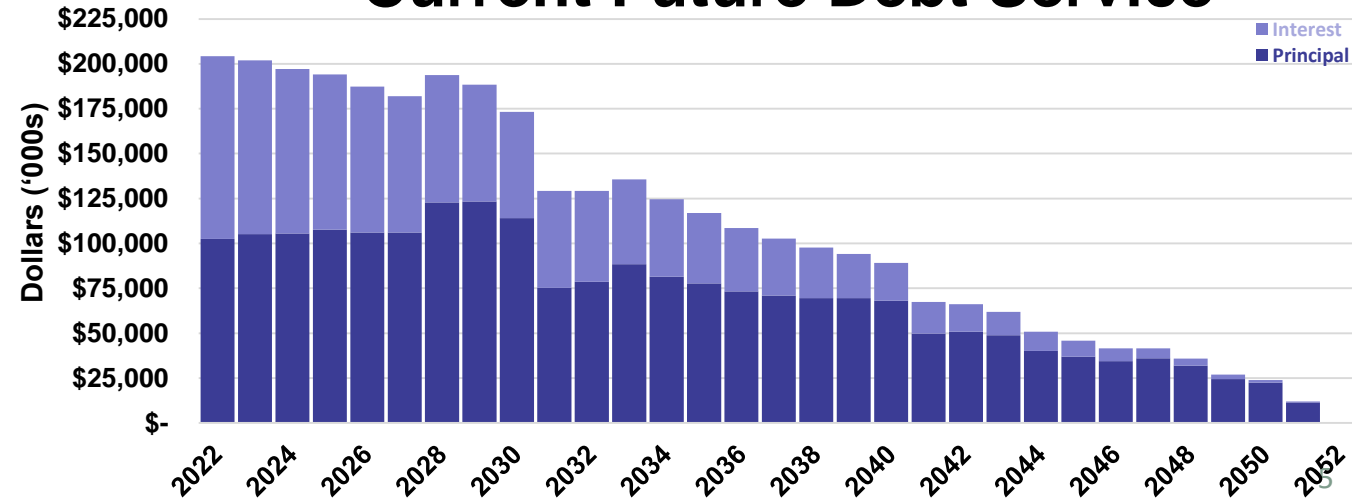
## Structure:

- Traditional tax exempt fixed-rate debt
- Maturity-by-maturity optimization near issuance date

## Anticipated Capital Spend



## Current Future Debt Service



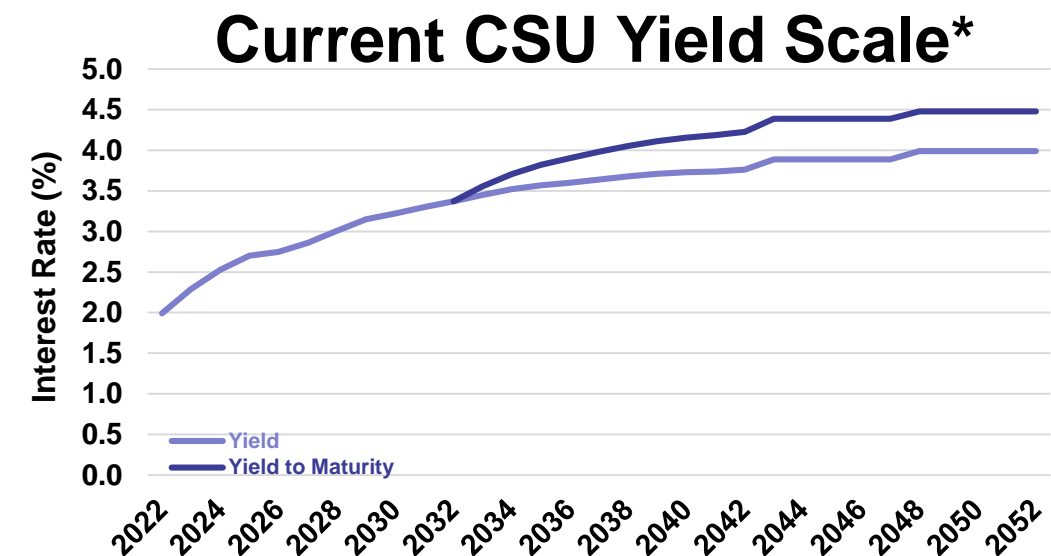
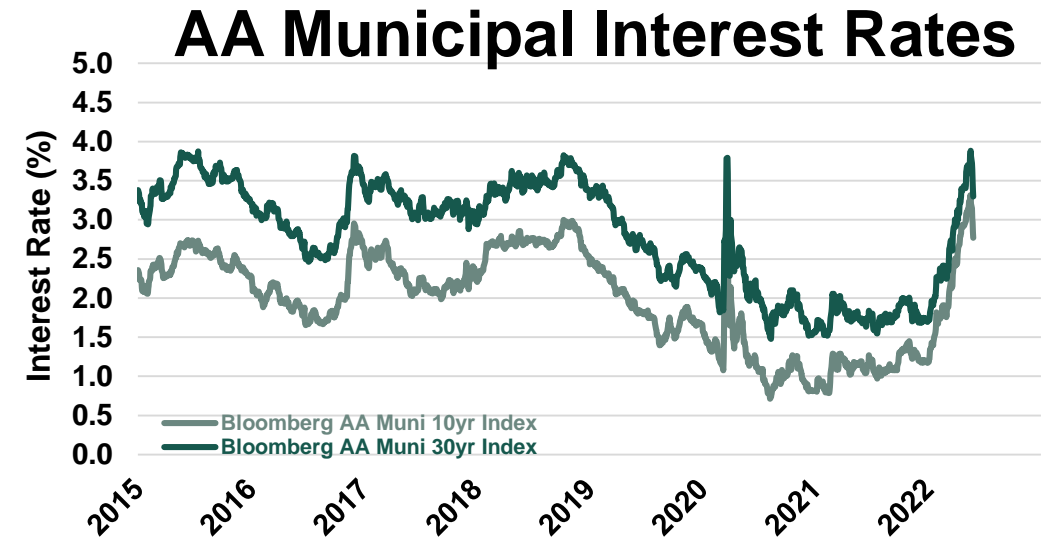
Source: CSU preliminary 4+8 forecast

# New Money Debt Issuance

## Market Update:

- Interest rates have risen dramatically so far in 2022
- Current inflation is +8.26%
- Federal Reserve projected to raise rates to 2.5% by year end, as well as engage in significant quantitative tightening
- Municipal supply is down -5.5% in 2022
- Investors have pulled over \$57 billion from municipal bond funds year-to-date

**Current market environment is when an AA/Aa2/AA+ rating is so important**



# 2022 Refunding Issuance

**Objective 2:** Manage and optimize The Utilities' current debt portfolio (“Refunding Issuances”)

- \$1.78 billion in outstanding fixed rate bonds
- Vast majority can be refinanced 10 years after issuance if interest rate economics are favorable

## Anticipated Actions:

- Issue a current refunding transaction in September to refinance all/parts of the following:

### Current Estimated Refunding Results

	2012B	2012C-1	2012C-2	Total
Remaining Par	\$79.29 million	\$44.94 million	\$27.69 million	<b>\$151.9 million</b>
Cashflow Savings	\$3.27 million	\$2.50 million	\$3.40 million	<b>\$9.17 million</b>
NPV Savings (\$)	\$2.20 million	\$2.04 million	\$2.59 million	<b>\$6.83 million</b>
NPV Savings (%)	2.78%	4.54%	9.36%	<b>4.50%</b>

# Credit Ratings

## Objective 4: Successfully manage credit rating agency relationships

- Currently preparing messaging materials for upcoming rating agency visits
- Anticipated topics of interest to address:
  - Recovery from Winter Storm Uri
  - Major project highlights
  - Inflation and supply chain impacts
  - Fuel price volatility
  - Short- and long-term financial planning processes
  - Environmental, Social, and Governance Factors (“ESG”)

	MOODY'S	S&P Global	FitchRatings
	Moody's	S&P	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Investment Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Non-Investment Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
High Yield "Junk"	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Default	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa	CCC	CCC
	Ca	CC	CC
	C	C	C
	C	D	D



# Debt Issuance Working Timetable

Date	Event
<i>Friday, March 11, 2022</i>	<i>Plan of Finance Presentation to Finance Committee</i>
<i>Wednesday, March 30, 2022</i>	<i>JP Morgan Investor Conference</i>
<i>Friday, April 29, 2022</i>	<i>Underwriter Selection (JP Morgan and BAML)</i>
<i>Friday, June 10, 2022</i>	<i>Finance Committee Presentation</i>
<i>Wednesday, June 15, 2022</i>	<i>Utilities Board Presentation</i>
<i>Monday, July 18, 2022</i>	<i>Document Review with Underwriters</i>
<b>Tuesday, July 26, 2022</b>	<b>First Reading of Ordinance - City Council</b>
Tuesday, August 2, 2022	Rating Agency Presentations
Tuesday, August 9, 2022	2nd Reading of Ordinance & Ordinance Approval – City Council
Tuesday, September 13, 2022	Bond Pricing
Wednesday, September 28, 2022	Issuance Closing



Colorado Springs Utilities<sup>®</sup>

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