



Colorado Springs Utilities  
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# **2023AB Bond Ordinance**

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# Plan of Finance Overview

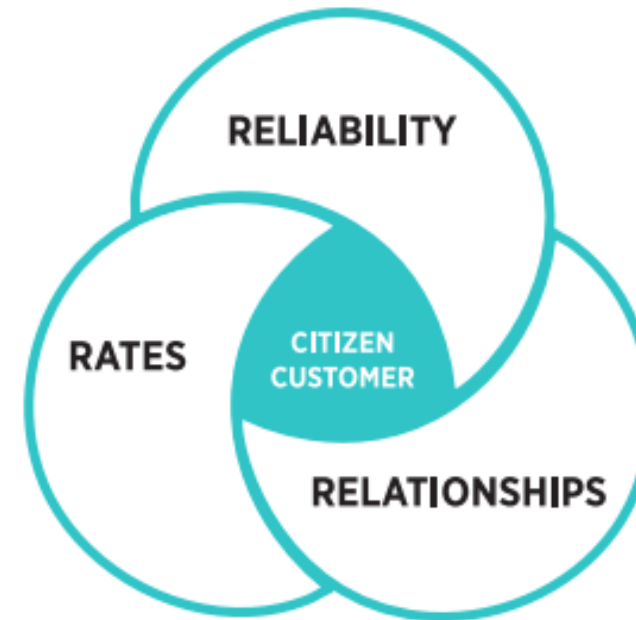
The Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Colorado Springs Utilities' ("The Utilities") capital needs

- 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

# Plan of Finance Overview

## Plan of Finance efforts are dedicated towards four key objectives:

1. Fund the debt-backed portion of The Utilities' upcoming capital plan
2. Manage and optimize The Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage The Utilities' financial reputation and industry relationships to ensure market access



# New Money Debt Issuance: 2023As

**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 \$432 million in total capital spend between September 2023 and September 2024

## **Anticipated Actions:**

- Issue new money debt in August 2023



# New Money Debt Issuance: 2023As

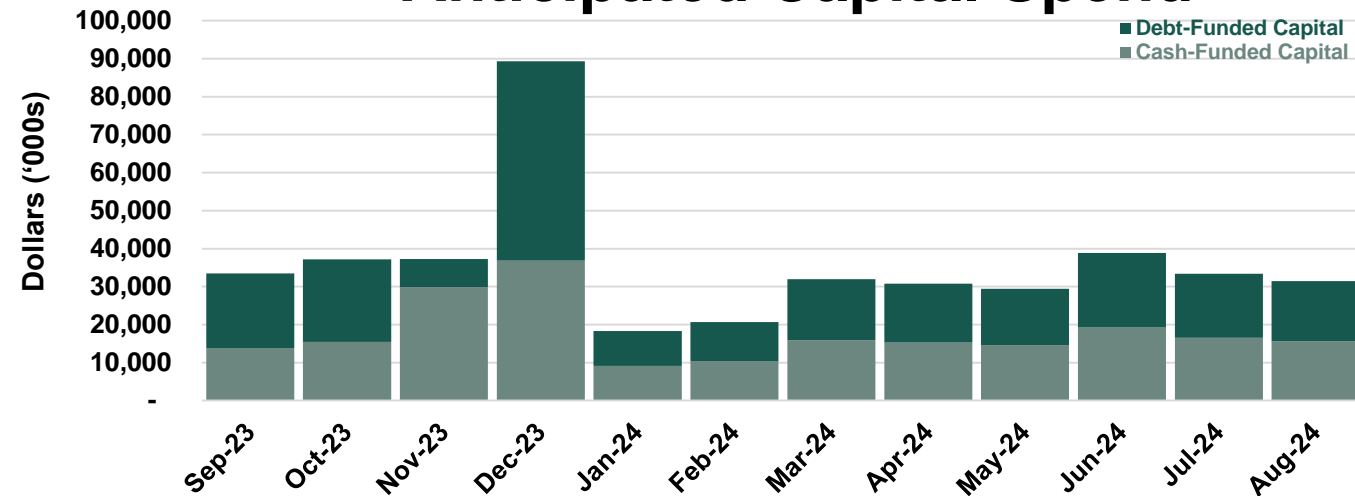
## Anticipated Issuance Details:

- Current Estimated - \$225 million (net proceeds)
- Ordinance Ceiling - \$250 million
- More clarity in coming month surrounding 2024 AOP/Capital Plan
- Effective balance between cash and debt to optimize financial metric performance

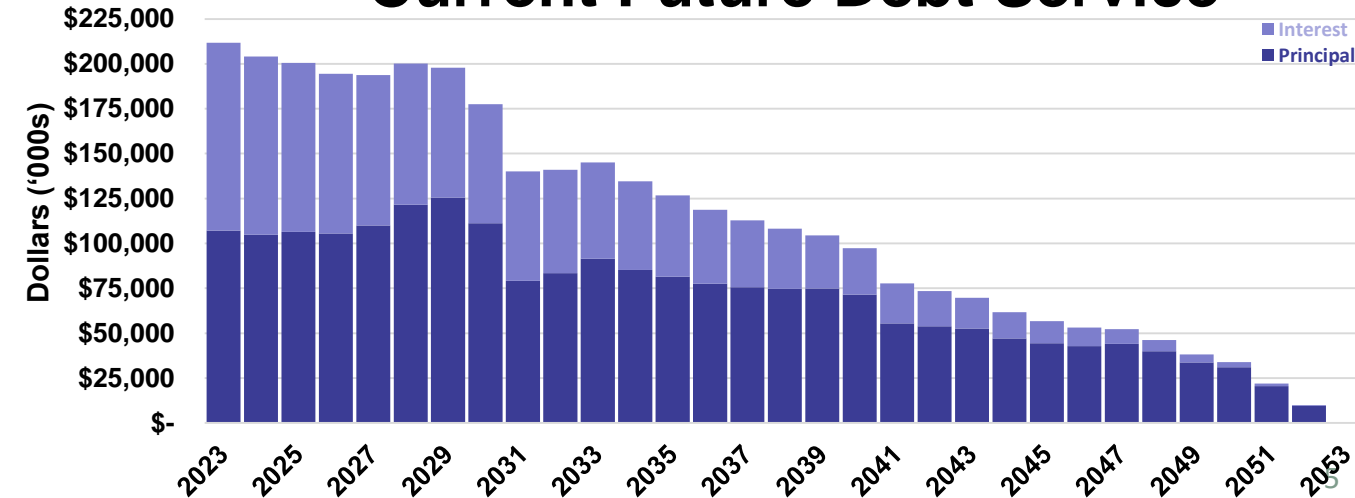
## Structure:

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

## Anticipated Capital Spend



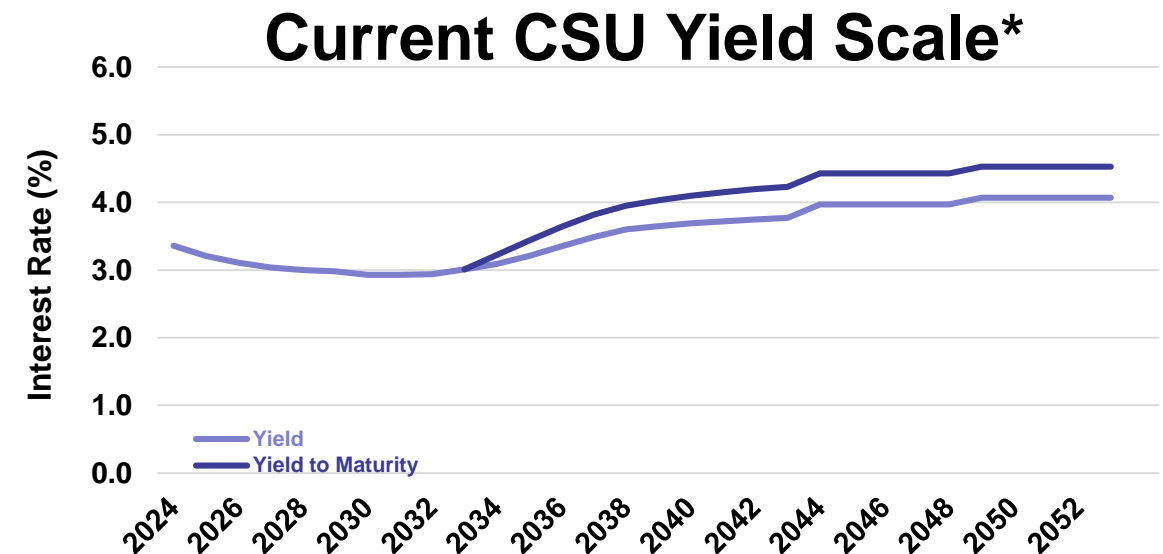
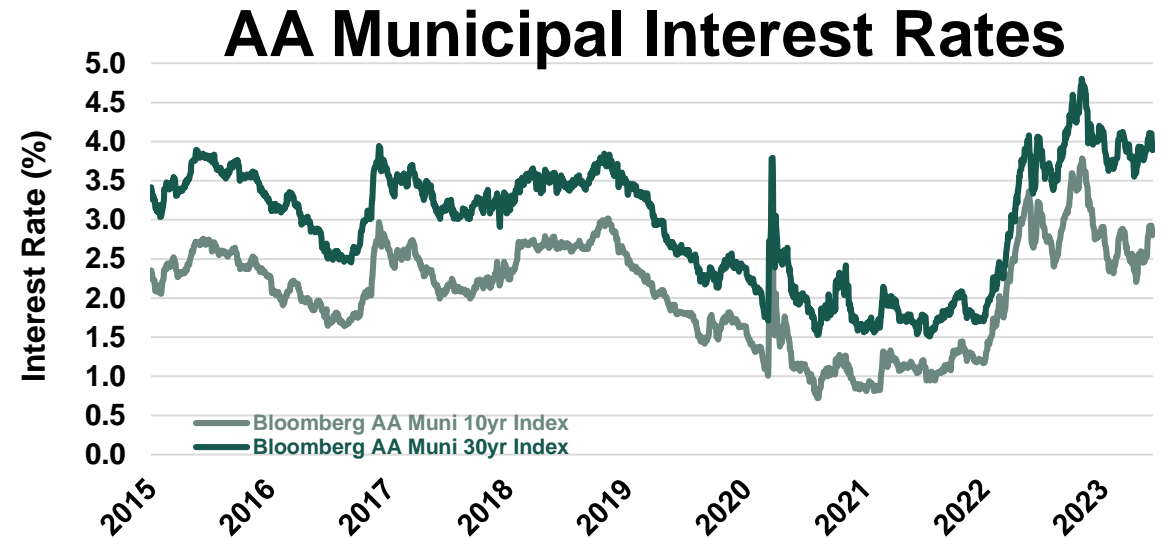
## Current Future Debt Service



# New Money Debt Issuance: 2023As

## Market Update:

- Interest rates are roughly unchanged since last issuance
- However, the yield curve has shifted greatly
- Inflation is still above the Federal Reserve's target range
- Municipal supply has dropped dramatically
- Investor flows have stabilized after large outflows in 2022
- To best match short-term market supply and demand/liquidity, pricing date has been accelerated to mid-August



# Refunding Debt Issuance: 2023Bs

**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 August to refinance all/parts of the 2013A, 2013B-1, and 2013B-2 issuance:

### Current Estimated Refunding Results

	Total
Par Value of Remaining Bonds	\$191.8 million
Cashflow Savings from Refunding	\$26.0 million
NPV Savings (\$)	\$18.50 million
NPV Savings (%)	9.644%

# Industry and Investor Relationships

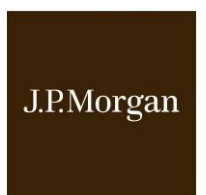
**Objective 4:** Manage The Utilities' financial reputation and industry relationships to ensure market access

## JP Morgan Investor Conference

- Presentation to ~50 institutional investors on the state of The Utilities and our credit
- 6 Q&A meetings with interested portfolio managers and analysts

## Underwriter Pool Selection

- Competitive process from 12 banks
- Six chosen for pool for an anticipated 5-year term
- Team selected for 2023AB issuance:
  - Senior Manager - Goldman Sachs
  - Co-Managers - Bank of America, Morgan Stanley, and Piper Sandler





# Industry and Investor Relationships

**Objective 4:** Manage The Utilities' financial reputation and industry relationships to ensure market access

## Credit Rating Agencies

- Currently preparing messaging materials for upcoming rating agency meetings
- Site tours included
- Anticipated topics of interest to address:
  - Fuel price volatility management
  - Funding of large future capital programs
  - Environmental regulation
  - Colorado River Compact implications
  - Major project highlights
  - Inflation and supply chain impacts
  - Short- and long-term financial planning processes

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

# Debt Issuance Working Timetable

Date	Event
<i>Friday, February 10, 2023</i>	<i>Plan of Finance Presentation to Finance Committee</i>
<i>Wednesday, April 26, 2023</i>	<i>JP Morgan Investor Conference</i>
<i>Monday, May 1, 2023</i>	<i>Underwriter Pool Selection</i>
<i>Monday, June 19, 2023</i>	<i>Finance Committee Presentation</i>
<i>Wednesday, June 21, 2023</i>	<i>Utilities Board Presentation</i>
<i>Wednesday, June 21, 2023</i>	<i>Document Review with Underwriters</i>
<b>Tuesday, June 27, 2023</b>	<b>First Reading of Ordinance - City Council</b>
Tuesday, July 11, 2023	Second Reading of Ordinance & Ordinance Approval – City Council
Wednesday, July 12, 2023	Rating Agency Presentations
Tuesday, August 15, 2023	Bond Pricing
Thursday, August 31, 2023	Issuance Closing



Colorado Springs Utilities<sup>®</sup>

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