



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

# 2024AB Bond Ordinance

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# Plan of Finance Overview

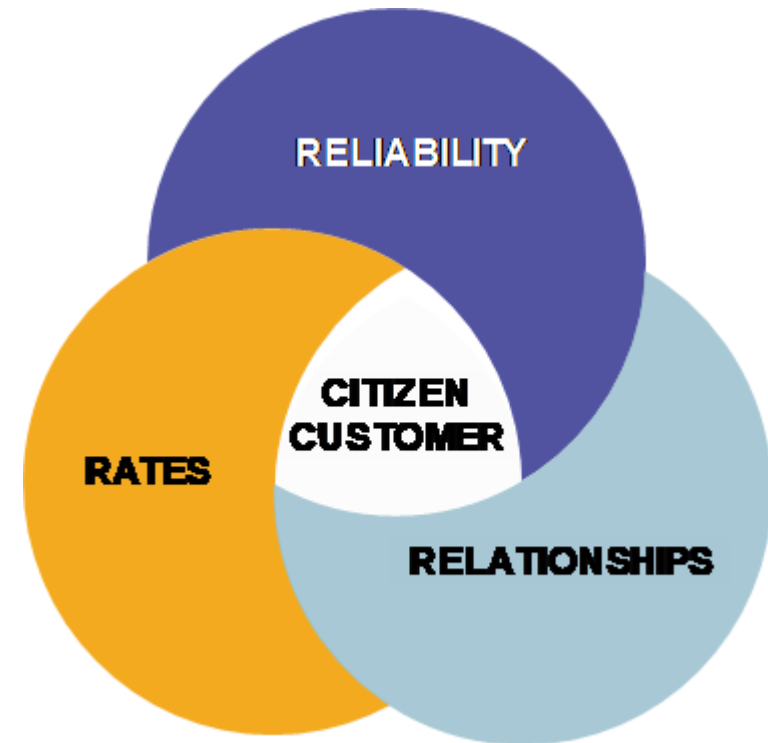
The Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Colorado Springs Utilities' ("The Utilities") capital needs

- 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



# 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: 2024As

**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 \$480 million in total capital spend between September 2024 and September 2025

## Anticipated Actions:

- Issue new money debt in August 2024



# New Money Debt Issuance: 2024As

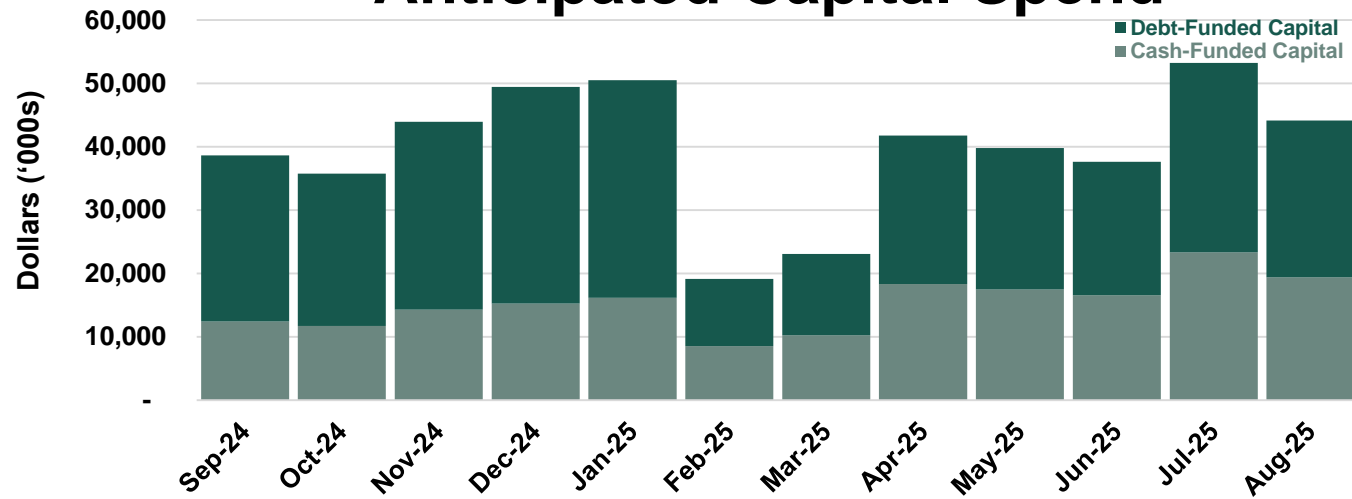
## Anticipated Issuance Details:

- Current Estimated - \$307 million (proceeds)
- Ordinance Ceiling - \$325 million
- More clarity in coming months surrounding 2025 AOP/Capital Plan
- Approximately 62% debt-funded capital over financing period
- Effective balance between cash and debt to optimize financial metric performance

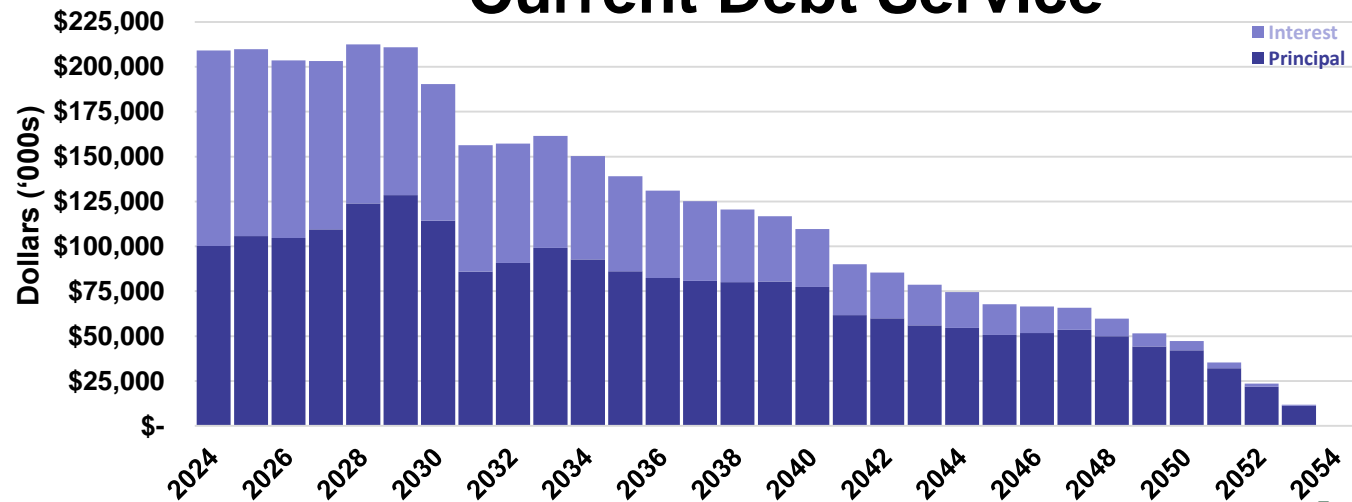
## Structure:

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

## Anticipated Capital Spend



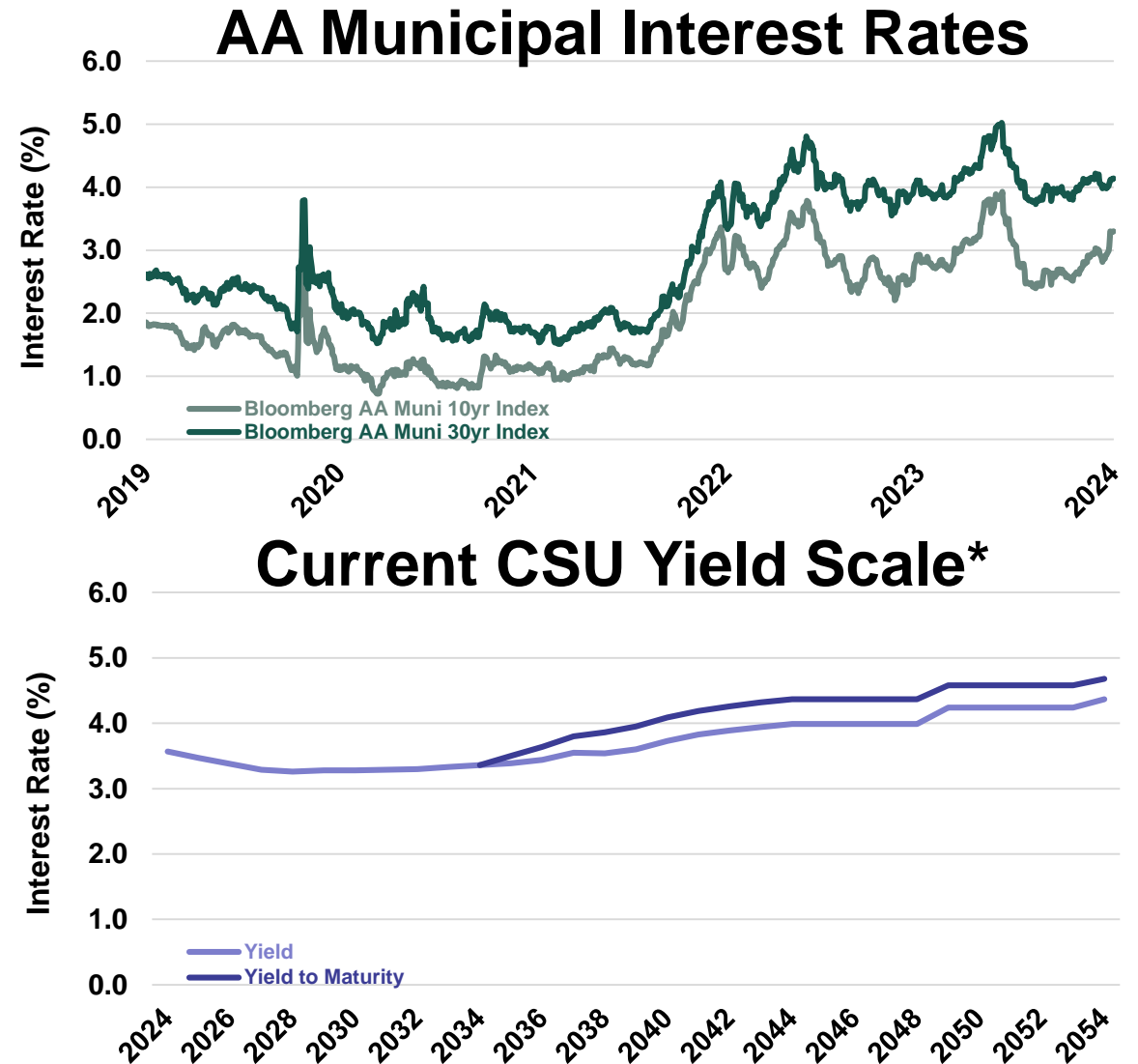
## Current Debt Service



# New Money Debt Issuance: 2024As

## Market Update:

- Interest rates have risen slightly since the last issuance
- The yield curve has remained persistently inverted since 2022
- Given the current short-term interest rate environment, planned issuance date (August) selected to optimize earnings on funds in escrow
- Inflation is still above the Federal Reserve's target range
- Municipal supply is up 37% compared to 2023



# Refunding Debt Issuance: 2024Bs

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

- \$1.92 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 2014A-1, 2014A-2 issuance:

### Current Estimated Refunding Results

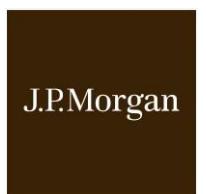
	2014A-1	2014A-2
Par Value of Remaining Bonds	\$53.1 million	\$49.1 million
Cashflow Savings from Refunding	\$5.9 million	\$5.4 million
NPV Savings (\$)	\$4.1 million	\$3.8 million
NPV Savings (%)	7.752%	7.716%

# Industry and Investor Relationships

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

## Underwriter Selection

- Pool established in 2023 for an anticipated 5-year term
- Competitive selection process completed in early May
- Team selected for 2024AB issuance:
  - Senior Manager – Bank of America
  - Co-Managers – Goldman Sachs, J.P. Morgan, 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
- Anticipated topics of interest to address:
  - Funding of large future capital programs driven by
    - Regulatory Planning
    - Resiliency and Reliability Planning
    - Preparing for Growth
  - Five-Year Financial Plan
  - Rate Design Initiatives
    - Electric Time-of-Day Rates
    - Recovery of specific, well-defined costs through bill riders

	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-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-Investment Grade	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
High Yield "Junk"	B1	B+	B+
	B2	B	B
	B3	B-	B-
Default	Caa	CCC	CCC
	Ca	CC	CC
	C	C	C
	C	D	D

# Debt Issuance Working Timetable

Date	Event
<i>Friday, January 12, 2024</i>	<i>Plan of Finance Presentation to Finance Committee</i>
<i>Thursday, April 21, 2024</i>	<i>JP Morgan Investor Conference</i>
<i>Monday, May 1, 2024</i>	<i>Underwriter RFP Selection</i>
<i>Monday, June 17, 2024</i>	<i>Finance Committee Presentation</i>
<i>Tuesday, June 18, 2024</i>	<i>Utilities Board Presentation</i>
<i>Monday, July 8, 2024</i>	<i>Rating Agency Presentations</i>
<b>Tuesday, July 9, 2024</b>	<b>First Reading of Ordinance - City Council</b>
Tuesday, July 23, 2024	Second Reading of Ordinance & Ordinance Approval – City Council
Wednesday, July 24, 2024	Due Diligence Call
Tuesday, August 6, 2024	Bond Pricing
Tuesday, August 20, 2024	Issuance Closing



Colorado Springs Utilities<sup>®</sup>

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