

This is a special meeting of the Loveland Utilities Commission (LUC) and Loveland Communications Advisory Board (LCAB).

LUC Commission Members Present: Bill Szmyd, Dan Herlihey (Chair), Don Cook (Vice Chair), Gary Hausman, Gene Packer, Randy Lee Williams, Christopher Say

LUC Commission Members Absent: John Butler, Matt Elkins, Richard Bilancia

LUC Council Liaison Present: Steve Olson

LUC Council Liaison Absent: Andrea Samson

LCAB Commission Members Present: Adam Auriemmo, David Hetrick, J.D. Walker, John Cameron, Paul Langfield, Richard Toftness, Shane Mares, and Justin Schuh

LCAB Commission Members Absent: Jamie English

LCAB Council Liaison Present: Erin Black

LUC Council Liaison Absent: Andrea Samson

City Staff Members Present: Aaron Rodriguez, Adam Bromley, Brieana Reed-Harmel, Chad Birgenheier, Jerry Schleiger, Jim Lees, Kharis Johnston, Laurie Wilson, Lindsay Johansen, Melanie Reeves, Nicole Yost, Noah Cecil, Ryan Greene, Ryan Van Pelt, Tracey Hewson

Guest Attendance: None

CALL TO ORDER: Dan Herlihey called the joint meeting to order at **4:01 PM**.

ADOPTION OF MINUTES

Item 2.1: Adoption of Loveland Utilities Commission Minutes – Dan Herlihey

This item requested a motion to approve the minutes of the Loveland Utilities Commission meeting on May 15, 2024.

Recommendation: Adopt A Motion to Approve of the Loveland Utilities Commission Meeting Minutes from May 15, 2024.

Motion: Don Cook made the motion.

Second: Gary Hausman seconded the motion. The minutes were approved with a 6-0 vote.

Item 2.2: Adoption of Loveland Communications Advisory Board Minutes – Shane Mares

This item requested a motion to approve the minutes of the Loveland Communications Advisory Board meeting on May 8, 2024.

Recommendation: Adopt A Motion to Approve of the Loveland Communication Advisory Board Meeting Minutes from May 8, 2024.

Motion: Justin Schuh made the motion.

Second: David Hetrick seconded the motion. The minutes were approved with an 8-0 vote.

CITIZENS REPORT

Item 3.1: Citizens Report

None.

INFORMATIONAL ITEMS

Item 4.1: Water Law and Legislative Update – Ryan Van Pelt

This item provides a brief update on water-related legislation introduced or under discussion by the Colorado General Assembly during the legislative season, water court developments or items of interest in District 4 of Water Division 1 (The Big Thompson and Little Thompson River basins), and Colorado or Loveland-related water news.

Recommendation: Information Item Only. No Action Required.

Item 4.2: Water Supply Update – Ryan Van Pelt

This item provides the raw water supply update.

Recommendation: Information Item Only. No Action Required.

Item 4.3: Pulse Monthly Financial Report – Briana Reed-Harmel & Jim Lees

The item is a summarized financial comparison between the year-to-date budget and actuals for Pulse through April 2024.

Recommendation: Information Item Only. No Action Required.

Item 4.4: Utility Financial Report Update – Jim Lees

This item summarizes the preliminary monthly and year-to-date financials for May 2024.

Recommendation: Information Item Only. No Action Required.

REGULAR AGENDA

Item 5.1: Utility Revenue Bonds – Briana Reed-Harmel, Jim Lees, Aaron Rodriguez

The purpose of this item is to discuss the upcoming bonding needs for each of the four utilities (Water, Wastewater, Power, and Pulse) and the value of municipal revenue bonds for these purposes. This item is also to ask the LCAB and the LUC to adopt a motion recommending that City Council approve the issuance of \$25 million in municipal revenue bonds for Pulse, secured by the Electric and Communications Utility, for the purpose of helping to fund expansion of the Pulse network.

Recommendation:

Adopt a Motion Recommending that the City Council Approve the Issuance of Municipal Revenue Bonds by the City of Loveland, Colorado Electric and Communications Enterprise to Finance Expansion of the Pulse Fiber Network.

Discussion:

- **Bill Szmyd** wanted to know if we intend to spend the suggested \$42 million dollars borrowed for water in the year 2025. **Jim Lees** noted that there are rules with bonding that require that a certain portion of that money, 85% of tax-exempt bonds, needs to be spent within 3 years.
- **Bill Szmyd** questioned if it would be better to borrow more often, but smaller amounts, to spend the bond money within the year requested. He thought it seemed unlikely that we would be able to spend the full amount in the year the money is borrowed. **Jim Lees** explained that we work with a consultant, Hilltop Securities, to help us make the best decision on bonding. He further explained that there can be a benefit to borrowing more at one time depending on interest rates.
- **Don Cook** wanted to know what development is being planned for the Highway 402 corridor since there is 12.4 million dollars allotted for that area. **Chad Birgenheier** gave the commissioners a rundown of the properties in that area where we will be running gravity lines and will need to install a lift station so that we can allow for future development in that area. Chad noted that the whole development is just waiting for a start date – we are under agreement to be prepared for that development per a contract we have in place, although it is currently delayed.
- **Don Cook** requested clarification on ‘existing customer areas’ versus the ‘additional scope’ customer areas. He wanted to understand the additional capital costs that would be incurred for expanding to those additional areas. **Brieana Reed-Harmel** and **Aaron Rodriguez** responded with discussion around the lost opportunities over the next ten years from both loss in revenue from potential customers and higher future construction.
- **Justin Schuh** wanted to know if the capital expenditures graph included the cost-savings if we are able to combine with developers to install fiber? **Aaron Rodriguez** responded that the capital expenditures graph includes the full dollar amount Pulse would be able to spend on installation, the cost savings of installing while the trench is open versus having to install later are accounted for by the amount of installs we would be able to complete for that dollar amount.
- **Bill Szmyd** inquired what the worst-case scenario would be if Pulse is not able to cover their loan? **Jim Lees** noted that the electric utility would cover the cost in the event Pulse was not able to fully cover payments. In the worst-case scenario of a complete default on the debt, Pulse’s assets would be sold in part or whole and under current assumptions would be able to cover the majority of the outstanding debt. Any amount not covered by the sale of the business or business assets would need to be covered by the Electric Utility.
- **Christopher Say** wanted to know how much money it would cost to provide services to Timnath from these funds. **Brieana Reed-Harmel** informed him that Timnath is fully providing the funding for that growth. None of the \$25 million dollars borrowed will be used in Timnath or the Larimer County grant areas.
- **Richard Toftness** recommended changing financial slide (#19) to include cumulative amounts instead of only annual before presenting to City Council.

- **Gary Hausman** wanted to know where you go for the bonding and how you get your bond rating. **Aaron Rodriguez** gave him an overview of the bonding process and stated that we have an A-level bond rating. Gary wanted to know who will be buying these bonds? Aaron stated that we are not sure, they will be sold publicly through various investment companies by a third party. Due to previous experiences, it was noted that we would not likely set aside a portion of bonds for local purchase.
- **Bill Szmyd** wanted to know if there was some amount of money that the electric utility will need to set aside to cover this debt? **Aaron Rodriguez** gave a high-level overview of debt service coverage ratio and stated that the electric utility had reserves sufficient to cover this obligation. The amount of reserves that will be required with this new debt will be equal to the maximum annual debt service, currently the utilities target having reserves of 21% of their operating expenses with this number increasing to 33% of operating expenses by 2029. This amount far exceeds the maximum annual debt service, so no additional reserves will be required.
- **J.D. Walker** wanted to know where we are at on paying off our current debt. **Aaron Rodriguez** stated that Pulse is covering its current debt service obligations.
- **Shane Mares** expressed some concerns about the chart builds/labeling on slides #9 and #18, and recommended staff review and possibly edit those charts before the presentation to City Council.

Motion: Don Cook made the motion for the **Loveland Utilities Commission**.

Second: Bill Szmyd seconded the motion. The motion was **approved** with a **6-0 vote**.

Motion: Justin Schuh made the motion for the **Loveland Communications Advisory Board**.

Second: J.D. Walker seconded the motion. The motion was **approved** with an **8-0 vote**.

COMMISSION & COUNCIL REPORTS

Item 6.1:

Loveland Utilities Commission Reports

Dan Herlihey: Dan Herlihey also took the Northern Water East Slope tour. He was particularly impressed with the bus driver along the Hanson feeder canal!

Gene Packer: Gene Packer had a great conversation with the construction crew that replaced the 29th street water line leak. He was very impressed with their work.

Bill Szmyd: None.

Don Cook: Don Cook went on the Northern Water East Slope tour yesterday. Northern did a great job.

Gary Hausman: None.

John Butler: N.A.

Matt Elkins: N.A.

Randy Williams: None.

Richard Bilancia: N.A.

Christopher Say: Christopher Say took the Northern Water tour at the end of May. He learned a lot and thought it was fascinating.

Loveland Communication Advisory Board Reports

Adam Auriemmo: None.

David Hetrick: None.

J.D. Walker: None.

Jamie English: None.

John Cameron: None.

Justin Schuh: None.

Paul Langfield: None.

Richard Toftness: None.

Shane Mares: Noted that though the LCAB review and approval of the annual budget is postponed until next month, the liaison review by Shane Mares and Richard Toftness has been conducted and all questions were fully answered by staff.

Council Reports

Steve Olson: City Council was not able to get to the budget discussion last week, so they addressed it yesterday (Tuesday, June 11, 2024). Councilor Olson feels they gave limited guidance last night.

Erin Black: Councilor Black appreciated the presentation today. She appreciates the Pulse mission to serve the community. The Colorado Municipal League (CML) conference is being hosted in Loveland next week at the Embassy Suites. She noted that the CML Annual Business meeting will be on Thursday, June 20th and she and Councilor Krenning will be representing Loveland at that meeting.

Andrea Samson: N.A.

ADJOURN: The meeting was adjourned at 5:43 p.m.

Respectfully submitted,
Melanie Reeves
Recording Secretary
Loveland Utilities Commission
Dan Herlihey, Chair

Coreen Callahan
Recording Secretary
Loveland Communications Advisory Board
Shane Mares, Chair

