

MEMORANDUM

To: Fred Gamble
Bill Thomas
Philip Stacy
Mark Cowden
Mayor Bill Blackburn

From: Jill Sadberry

Date: January 08, 2020

Re: Agenda Item No. 3 – Presentation of the Annual Audit

This agenda item includes the Report to the Board of Trustees and the Audited Financial Statements for the year ended September 30, 2019. Also included is the report on the review of the Public Funds Investment Act (PFIA) requirements and KPUB's fulfillment of those requirements.

Present at your meeting this morning is David Copeland, with BSGM, L.L.P., Certified Public Accountants. Mr. Copeland will present the highlights of the audit and the PFIA review, and answer any questions concerning the audit, the financial statements, and the PFIA report.

Sincerely,



Jill Sadberry

MEMORANDUM

To: Fred Gamble
Bill Thomas
Philip Stacy
Mark Cowden
Mayor Bill Blackburn

From: Jill Sadberry

Date: January 08, 2020

Re: Agenda Item No. 4 – Approval of Annual Audit, Resolution 20-01

Presented for your discussion and consideration is Resolution No. 20-01 accepting the Annual Audit and the Public Funds Investment Act Review by BSGM, L.L.P., Certified Public Accountants. This agenda item includes the Report to the Board of Trustees and the Audited Financial Statements for the year ended September 30, 2019. Also included is the report on the review of the Public Funds Investment Act (PFIA) requirements and KPUB's fulfillment of those requirements.

Mr. Wittler, Staff and I have reviewed the audit as presented to you this morning. I recommend approval of this Resolution as presented.

Sincerely,



Jill Sadberry

RESOLUTION NO. 20-01

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD ACCEPTING THE 2019 ANNUAL AUDIT AND PUBLIC FUNDS INVESTMENT ACT REVIEW.

WHEREAS, the Kerrville Public Utility Board has hired the accounting firm of BSGM, LLP, Certified Public Accountants to provide annual auditing services for the Board; and

WHEREAS, the Kerrville Public Utility Board has hired the accounting firm of BSGM, LLP, Certified Public Accountants to provide an annual review of the Board's compliance with the requirements of the Public Funds Investment Act (PFIA); and

WHEREAS, BSGM, LLP, has completed the annual audit of the Kerrville Public Utility Board's books and the annual review of compliance with the requirements of the PFIA; and

WHEREAS, the Chief Financial Officer and the General Manager and CEO have reviewed the audit and the PFIA compliance review and met with BSGM, LLP, officials; and

WHEREAS, the annual audit and the annual PFIA review are now presented for acceptance; now, therefore,

BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:

Section 1. That the annual audit and annual PFIA compliance review now presented by BSGM, LLP, are accepted.

Section 2. This Resolution shall take effect immediately from and after its passage.

PASSED, APPROVED AND ADOPTED on this 15th day of January, 2020

Fred Gamble, Chairman

ATTEST:

Philip Stacy, Secretary

MEMORANDUM

To: Fred Gamble
Bill Thomas
Philip Stacy
Mark Cowden
Mayor Bill Blackburn

From: Mike Wittler

Date: January 10, 2020

Re: Annual System Users Meeting, Agenda Item 5—Annual General
Manager's Report

KPUB's enabling authority, City of Kerrville Ordinance 87-45, states "At least annually the Board shall hold a meeting for all users of the System to discuss the general condition of the System and other such matters as the Board shall determine."

You have received the independent auditor's report from Bolinger, Segars, Gilbert & Moss for Fiscal Year 2019. The audit reflects the continued financial stability of KPUB. Operating revenue of \$41,954,848 represents a decrease of \$212,554 or 0.5% less than the previous year. This decrease in operating revenue resulted from a decrease in power cost. For the twelve months ending September 30th, the Debt Service Coverage was 14.57, which compares favorably to the Board's established ratio of 1.65x to 1.

The power supply cost to KPUB customers has remained competitive. Average residential energy cost for Fiscal Year 2019 was \$89.37/1000kWh and 2018 was \$87.50/1000kWh. These compare very favorably with rate comparisons published by the Texas Public Power Association, Texas Public Utility Commission and American Public Power Association. Projected residential energy cost for the remainder of Fiscal Year 2020 is \$85.00/1000kWh.

In 2018 KPUB executed agreements to have community solar systems installed locally. Those systems eventually constructed by NextEra Energy Resources in the fall of 2018 and spring of 2019. The six systems have a combined capacity of 5.25 MW and are installed and interconnected with KPUB's distribution system at four locations across KPUB's service area. The systems reduce peak energy supply costs for all KPUB customers and also provide access to solar energy to the non-profit customers hosting the systems and low and moderate income households. The systems achieved commercial operations in May and June 2019.

We have continued to work on our long term power supply portfolio with the goal of ensuring long term stable rates for our customers. In late 2018 we executed two long term agreements with ENGIE for 25MW of capacity from their Long Draw Solar Project and OnPeak Power/Concho Bluff for 50MW of capacity from their Greasewood Solar Project. The projects will begin operations in 2020 and 2021. New Braunfels Utilities, Garland Power and Light, and Denton Municipal Electric are taking power from the projects as well.

Major capital projects were completed with overall costs at 57% of budget. Capital expenditures and construction projects included: (1) installation of material for fiber optic communication

between substations; (2) replacement of existing standing seam metal roof for warehouse building; (3) extensions of and improvements to overhead and underground facilities to increase capacity and reliability and provide service to new customers and developments; (4) improvements to KPUB's substations for enhanced reliability; (5) improvements to KPUB's information and technology infrastructure including redundant equipment, SCADA equipment upgrade, and fiber optic network equipment; (6) vehicle and equipment replacements; (7) building and facilities improvements including equipment replacement for energy efficiency and landscape improvements; (8) installation of equipment for new feeder tie line between Barker and Legion substations; (9) installation of equipment for standardization at Ingram substation; (10) acquisition of material and installation of AMI equipment; and (11) substation transformer replacement at Stadium substation. Costs associated with customer extensions decreased from \$737,012 in Fiscal Year 2018 to \$652,532 in Fiscal Year 2019.

Completion of the AMI Project is particularly notable. The entire project was completed over the course of two fiscal years with the majority of meter conversions being completed in seven months. The project was initially budgeted at \$4,400,000 and was completed at \$4,166,410. The transition was smooth and seamless for customers, the billing system, and our employees.

The electric system is in very good condition. Although we experienced a significant uptick in customer outage time, with SAIDI (average annual outage time) going from 56 minutes in 2018 to 145 in 2019, the majority of that increase was caused by problems with a single transformer at the Hunt substation. Once the problem was identified, we initiated an emergency purchase and that transformer has now been replaced. There were no lost time injuries and one minor preventable vehicle accident.

We have continued to work on employee engagement; this year we conducted an employee satisfaction survey to establish a baseline and help guide future workforce efforts. We currently have 53 full-time employees, two part-time employees and seven vacancies.

We initiated an ongoing annual Board and management workshop to provide updates to the Vision, Goals and Programs in our Strategic Plan.

I will be happy to address any questions from the Board or Customers.

Sincerely,



Mike Wittler, P.E.

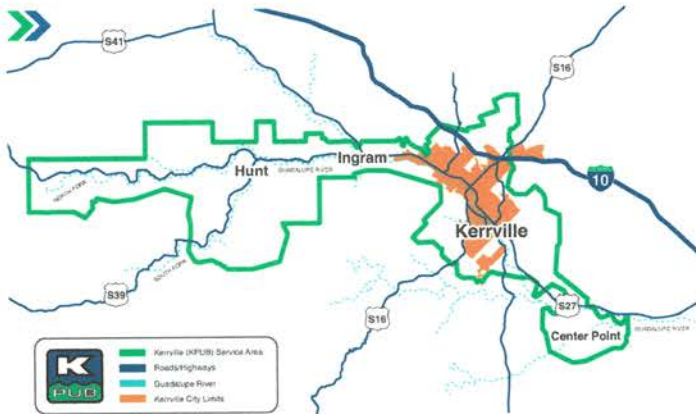


2018-2019 FISCAL YEAR

Community Report

POWERING A BRIGHT FUTURE FOR KERRVILLE AREA BUSINESSES & CITIZENS SINCE 1987

The **Kerrville Public Utility Board (KPUB)** was acquired by the City of Kerrville in 1987. KPUB serves approximately 23,000 customers throughout our 146 square mile service area including Kerrville, Center Point, Ingram, Hunt, and surrounding areas in Kerr County.



OUR MISSION

KPUB's mission is to be a responsive and efficient, locally-owned provider of reliable, high-quality utility service at the lowest responsible price.

YOUR VOICE MATTERS

Kerrville Public Utility Board is a community-owned, not-for-profit utility, which means your voice matters. *We don't answer to shareholders—we answer to you.* We are dedicated to powering the homes and businesses here with the best service possible, because, at the end of the day, it is our community, too.

YOUR COMMUNITY-OWNED UTILITY COMPANY

As a community-owned, not-for-profit electric company, **Kerrville Public Utility Board (KPUB)** is operated with local control. KPUB is overseen by a five-member board of trustees who are appointed by the Kerrville City Council and serve without compensation.

KPUB'S BOARD OF TRUSTEES



Fred Gamble
Chairman



Bill Thomas
Vice Chairman



Mark Cowden
Treasurer



Philip Stacy
Secretary



Bill Blackburn
Mayor of Kerrville

SAFE. RELIABLE. YOURS.



23,000+

customers served



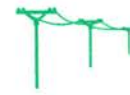
55

KPUB employees



146

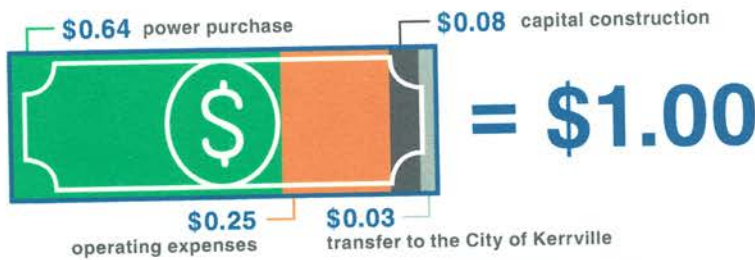
square mile service area



664 miles

of power lines in and around our community

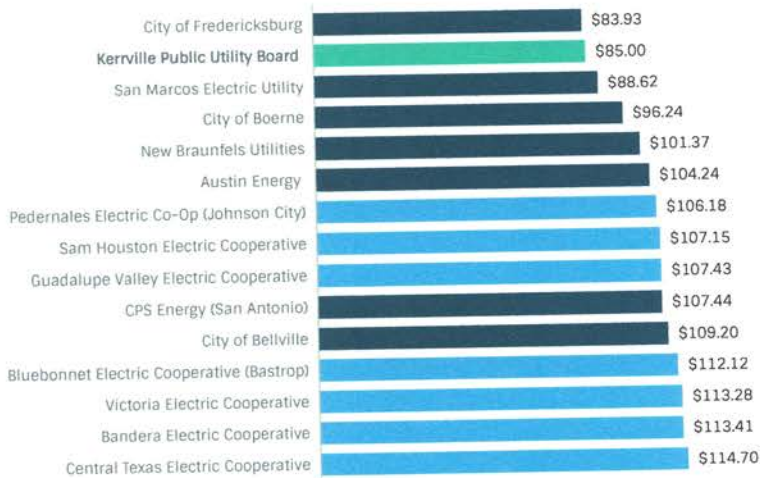
WHERE DOES YOUR MONEY GO FOR EVERY DOLLAR SENT TO KPUB?



NOT-FOR-PROFIT RATES

Keeping electricity costs low is a priority for community-owned, not-for-profit utilities. Nationwide, the average residential customer served by public power pays 11.8 cents per kilowatt-hour, compared to 11.9 cents for cooperative utilities and 13.5 cents for customers served by investor-owned utilities. *(cited from APPA website)*

» Electric Residential Bill Comparison



Information obtained for a bill comparison based on 1,000 kWh usage in September 2019.

RELIABILITY & SYSTEM INVESTMENTS

Community-owned, public power utilities deliver more reliable electric service.

Did you know? Outside of major adverse events (e.g., storms), customers of a community-owned utility are likely to be without power for less time—74 minutes a year, compared to 136 minutes a year for customers of private, investor-owned utilities. *(cited from APPA website)*

160 utility pole replacements completed for reliability & to prevent future outages

149 transformer restorations completed to save customers \$ & extend equipment life

22,950+ customers upgraded to AMI meters to improve reliability

"I wasn't home when the power went out, but thanks to the new AMI meters, they knew the power was out before I even did...they had the power restored within 10 minutes—even on a Saturday. Thank you, KPUB!"

—Stephanie Skrumeda, KPUB customer (May 2019)

HELPING CUSTOMERS SAVE ENERGY & MONEY

36

Free residential energy audits

246

Account rebates totaling **\$80,727.16** awarded to customers who made energy-efficiency improvements



Partnered with AACOG for community weatherization efforts

AWARDS & ACCOMPLISHMENTS

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide

APPA Awards—Awarded the **APPA National Safety in Excellence Award** (for two straight years now)

National Commendation Award from APPA for KPUB's restoration efforts after Hurricane Irma

2017-2020 KPUB Reliable Public Power Provider (RP3)[®] designation, recognizing public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement



Certificate of Achievement for Excellence in Financial Reporting Award

Awarded the **Certificate of Financial Achievement for Excellence in Financial Reporting** by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR)

U.S. DOE Award

U.S. Department of Energy (DOE) award winner for **Solar in Your Community Challenge** for the best low-to-moderate income (LMI) program

Completed four community solar systems that generate environmentally responsible power for KPUB. The power generated is used to reduce costs with peak power demand for all KPUB customers, and it supplies both the nonprofit hosting sites and low-to-moderate-income (LMI) homes with access to solar energy, too.