

MEMORANDUM

To: Bill Thomas
Philip Stacy
Mark Cowden
Larry Howard
Mayor Bill Blackburn

From: Jill Sadberry

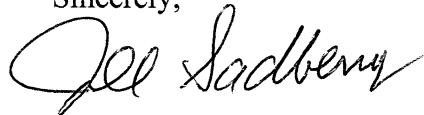
Date: December 09, 2020

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, 2020. 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: Bill Thomas
Philip Stacy
Mark Cowden
Larry Howard
Mayor Bill Blackburn

From: Jill Sadberry

Date: December 09, 2020

Re: Agenda Item No. 4 – Approval of Annual Audit, Resolution 20-22

Presented for your discussion and consideration is Resolution No. 20-22 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, 2020. 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. 20-22

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD ACCEPTING THE 2020 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 16th day of December, 2020

Bill Thomas, Chairman

ATTEST:

Mark Cowden, Secretary

MEMORANDUM

To: Bill Thomas
Philip Stacy
Mark Cowden
Larry Howard
Mayor Bill Blackburn

From: Mike Wittler

Date: December 11, 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 2020. The audit reflects the continued financial stability of KPUB. Operating revenue of \$41,672,978 represents a decrease of \$281,870 or 0.676% less than the previous year. This decrease in operating revenue resulted from a decrease in kWh sold. For the twelve months ending September 30th, the Debt Service Coverage was 13.14, 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 2020 was \$85.00/1000kWh and 2019 was \$89.37/1000kWh. 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 2021 is \$85.00/1000kWh or less.

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 are expected to begin commercial operations this week. 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 40% of budget. Capital expenditures and construction projects included: (1) Hunt Substation transformer replacement; (2) extensions of and improvements to overhead and underground facilities to increase capacity and provide service to new customers and developments; (3) improvements to and replacements on the overhead and underground distribution system for enhanced capacity and reliability; (4) improvements to KPUB's substations for enhanced reliability; (5) improvements to KPUB’s information and technology infrastructure including Access System upgrades, email software updates and infrastructure upgrades; (6) vehicle and equipment replacements. Costs associated with customer extensions decreased from \$652,532 in Fiscal Year 2019 to \$530,646 in Fiscal Year 2020.

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 145 minutes in 2019 to 395 minutes in 2020, the majority of that increase was caused by major storms during the Memorial Day week. Our staff performed admirably in response to the events. Within 12 hours of the biggest event we had brought in additional crews from CTEC, Fredericksburg, Boerne, Seguin, James Power Line and Line Tech, effectively quadrupling the number of personnel in the field responding to the event.

There was one lost time injury and no preventable vehicle accidents during the year.

We made monumental changes to our operations in response to the Covid-19 pandemic. Our highest priorities in all of our Covid-19 efforts have been ensuring the safety of our employees and the customers we interact with and ensuring that we were able to maintain continuous operations. Our Director of HR, Safety and Training, Tammye Riley, is to be commended for stepping up to lead our response efforts.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Wittler". The signature is stylized and cursive.

Mike Wittler, P.E.