

**MINUTES OF THE  
KERRVILLE PUBLIC UTILITY BOARD  
REGULAR MONTHLY MEETING  
WEDNESDAY, JANUARY 20, 2021, AT 8:30 A.M.  
KPUB CONFERENCE ROOM  
KERRVILLE PUBLIC UTILITY BOARD OFFICES  
2250 MEMORIAL BLVD.  
KERRVILLE, TEXAS**

**TRUSTEES PRESENT:**

Bill Thomas  
Philip Stacy  
Larry Howard  
Mayor Bill Blackburn

**STAFF PRESENT:**

Mike Wittler, General Manager and CEO  
Robby McCutcheon, IT Manager (*Via teleconference*)  
Gerald Bryla, Controller  
Tammye Riley, HR Manager  
Ricardo Berrios, Interim Manager of Engineering  
Allison Bueché, Interim Director of C.C.R.  
Howard Hall, Field Services Supervisor  
Lidia S. Goldthorn, Assistant Secretary to the Board

**TRUSTEES ABSENT:**

Mark Cowden

**OTHERS PRESENT:**

Stephen Schulte, Legal Counsel

**1. CALL TO ORDER:**

Mr. Bill Thomas, Chairman, called the Regular Monthly Meeting to order at 8.29 a.m.

**2. PLEDGE OF ALLEGIANCE:**

**3. APPROVAL OF MINUTES:**

The Trustees reviewed the minutes of the December 16, 2020. Annual System Users Meeting and December 16, 2020, Regular Monthly Board Meeting. Larry Howard, Treasurer, motioned to approve the minutes as amended. Philip Stacy, Vice Chairman, seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

**4. CITIZEN/CONSUMER OPEN FORUM:**

There were no citizens/consumers to speak.

**5. ANNOUNCEMENTS OF COMMUNITY INTEREST:**

Mr. Wittler highlighted Ashleigh Ross, System Dispatcher, as the staff spotlight for the month. Ashleigh has been with KPUB for five months. KPUB community involvement coming up will include volunteering at the Light on the Hill/Mega Mobile Food Pantry Event on January 25<sup>th</sup>, and a Community Blood Drive on March 25<sup>th</sup>, which will include testing for COVID antibodies. Mr. Wittler advised the next regular board meeting is scheduled for February 17, 2021 at 8:30 a.m.

**6. CONSIDERATION AN ACTION ON RESOLUTION NO. 21-01 – GERALD BRYLA, CONTROLLER:**

Mr. Bryla presented this month's wire transfers for operating expenses to the Board. Mr. Howard motioned for approval of Resolution No. 21-01. Mr. Stacy seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

**7. FINANCIAL REPORT – GERALD BRYLA, CONTROLLER:**

Mr. Bryla presented Financial Statements (unaudited) for the Fiscal Year 2021 through December 31, 2020. Mr. Bryla reviewed the Statements and Balance Sheets for the month. He stated at December 31, 2020, operating expenses, excluding power cost, were below budget by \$338,707.53 or by 11.10%. The balance in the over-collected power cost was \$1,457,678.99. Mr. Bryla noted the balance in the Rate Stabilization Fund was \$1,897,316.60. The Debt Service coverage was 25.04 for the month and 11.91 for the Fiscal Year. Also provided at the Board's request was a quarterly check register of single payments over \$10,000.00 to accompany the cumulative report, along with the quarterly summary of selected financial and operating ratios.

**8. APPROVAL AND REPORTING OF PURCHASES AND SALES:**

**A. Tree Trimming Contract (Howard Hall, Field Services Supervisor)**

Mr. Hall recommended the approval of a blanket purchase order to Townsend Tree Service Company, LLC for an estimated \$679,800.00 for one year of tree trimming and right-of-way clearing services by two crews and equipment. Bids were requested for a one-year contract with up to four one-year extensions. This will be the second one-year extension since the contract was approved. Townsend Tree Service Company, LLC has provided quality tree trimming services to KPUB since 2006. Services are invoiced weekly based on actual billable hours. Attached is the proposed rate schedule for 2021 with a spreadsheet showing the increases. The increase in labor is due to a spike in wages that Townsend has seen in the last year and they are wanting to stay competitive in the market to maintain the employees they currently have.

**B. Construction Services (Howard Hall, Field Services Supervisor)**

Mr. Hall recommended approval of two purchase orders to LineTec Services and Greenstone for \$500,000.00, and one purchase order to James Powerline for \$250,000.00 for the primary purpose of replacing utility poles that failed inspection; but may include other distribution, substation or communication projects. He advised this will allow KPUB to have work performed as the need arises without having to bid each project individually. Mr. Hall provided the price sheets from LineTec, Greenstone and James Powerline for review. KPUB plans to have two contractors on board so that pricing can be evaluated on a per job basis and the best value and then be determined. He advised two contractors will allow for a backup in case one is unable to perform. This will also secure set pricing for contractor assistance should emergency response be needed.

Mayor Bill Blackburn motioned for approval of items #8A and #8B. Mr. Howard seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

C. Update on Substation Maintenance 2021-2024 Procurement – (Brian Mikulencak, Substation Project Coordinator)

Mr. Mikulencak advised that as per the last discussion at the December 16<sup>th</sup> board meeting, the Board approved the current 2021 maintenance bid with LCRA to continue work as required. The Board requested to look more into other contractors that would be able to come in and perform the maintenance at a lower price. In discussion with Schneider Engineering, who have assisted customers in helping them prepare bids, but did not have final billing costs from contractors to share. Mr. Mikulencak advised that most companies that use LCRA prefer to stay with LCRA due to the many ways they assist the utility. He also found that larger companies are able to afford to do their maintenance in-house. He added that a quote was recently received from National Field Services and put the numbers together for the Board to compare to LCRA. He included a list of services beneficial to KPUB that LCRA currently does. Those items are extremely valuable and should be taken into consideration in case LCRA would no longer perform them for KPUB. Mr. Mikulencak advised that based on his review, it appears that LCRA's pricing is reasonable. He added that staff is happy to continue to get quote/bids to have more information for the Board to compare pricing with. Staff would also need to further assess the changes that will take effect of KPUB taking this work away from LCRA and find out how many services LCRA will no longer assist KPUB with if the maintenance contract with them is ended. After discussion, Board Members encouraged staff to keep looking for other options for future consideration.

Mayor Blackburn moved to continue with LCRA and accept the 4-year bid contract with LCRA based on the recommendations and findings regarding comparison costs submitted by staff. Mr. Stacy seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

D. RFP #2831, Capacitor Control Upgrade – (Ricardo Berrios, Interim Manager of Engineering)

Mr. Berrios recommended the purchase be awarded to the lowest bidder, K.D. Johnson, representing Schweitzer Engineering Laboratories (SEL), for a total of \$127,585.00, for 34 SEL-734W capacitor controls. He advised the companies that participated in the bid were K.D. Johnson (representing SEL), Irby (representing Eaton), and Preister-Mell and Nicholson (PMN) (representing S&C). the Schweitzer 3-phase capacitor control includes three wireless sensors, one for each phase and a power supply. The Irby and PMN bids would require KPUB to purchase and install two additional sensors at each of the 34 locations. These capacitor controls will replace obsolete Canon/Yukon capacitor controls and help to continue to operate the distribution system efficiently. The added that the \$127,585.00 will come out of the \$350,000.00 that has been budgeted for the DA Automation project for this year.

Mr. Howard motioned for approval of item #8D. Mr. Stacy seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

9. **ENGINEERING AND OPERATIONS PROJECTS, CAPITAL BUDGET AND RELIABILITY REPORTS – RICARDO BERRIOS, INTERIM MANAGER OF ENGINEERING:**

Mr. Berrios presented a spreadsheet summarizing spending for the Capital Budget through the first quarter of fiscal year end 2021. Mr. Berrios highlighted padmount refurbish and replacement; Digger Derrick Replacement, two truck replacements, pole inspection replacements, and Harper Road equipment

upgrade. He also presented the quarterly reliability reports summarizing industry performance indices by substation, feeder, and entire system by month. In the monthly summary, total number of customers connected was also reflected. Service summary also identified common outage causes and Major Event Day threshold including the day the event occurred. Additional information was provided from last year for comparison.

**10. UPDATE ON ANNUAL COMMUNITY REPORT – ALLISON BUECHÉ, INTERIM DIRECTOR OF CUSTOMER & COMMUNITY RELATIONS:**

Ms. Bueché presented KPUB's second annual Community Report to the Board. She advised the report summarizes the KPUB organization's key accomplishments and community impact during FY 2019-2020. She added that the report will be distributed to KPUB customers during the month of February as bill inserts, a link in the e-bills, and various newspaper/social media advertisements. Board members complimented Ms. Bueché on the report.

**11. STATUS UPDATE ON CHANGE FOR CHARITY PROGRAM – ALLISON BUECHÉ, INTERIM DIRECTOR OF CUSTOMER & COMMUNITY RELATIONS:**

Ms. Bueché gave the Board an update on the KPUB Change for Charity program fund, which is continuing to be well received with the majority of customers. The partnership with St. Vincent de Paul also continues to run smoothly. She advised there have been 664 residential customers opt-out of the program as of January 11th. For the month of December, KPUB has granted \$10,434.60 in program funds to 86 households. Ms. Bueché added that since the program's inception in July, KPUB has granted a total of \$74,500.11 in bill payment assistance through the Change for Charity Fund to 647 families in the community. Board Members thanked Ms. Bueché for the update.

**12. CONSIDERATION AND ACTION ON POTENTIAL CANDIDATES FOR BOARD POSITION #3 – MIKE WITTLER, CEO:**

Mr. Wittler went over the application process for potential candidates for Board Position #3. The media has received the Public Notice for publication and it has been posted at the KPUB office and at City Hall, as well as on KPUB's and the City's websites. As a refresher, Mr. Wittler summarized that the Board will need to nominate three names to send to the City Council. If the City Council rejects them, the process will need to start over again. Applicants are required to live or conduct business in Kerr County and use KPUB service for their home or business.

**13. STATUS UPDATE ON COMMUNITY SOLAR SYSTEMS – MIKE WITTLER, CEO:**

Mr. Wittler advised the Board that the KPUB community solar systems were brought online in 2019, and some problems with the system owner NextEra are being worked through. Mr. Wittler went over the six solar arrays which in total, produce about 4% of KPUB's peak summer demand and about 2% of KPUB's annual energy requirements. He added that the system provides benefits to all KPUB customers through lower summer peak energy transmission costs; non-profit partners (Mo-Ranch, Schreiner University, and City of Kerrville) who are hosting the sites and receive land lease revenue and a portion of the energy produced; and low- and moderate-income customers who would normally not have the ability to access roof-top solar energy options.

Mr. Wittler advised there are two issues that staff is working on to address. The first being the tracking systems at the Mo-Ranch, J.E. Sample, and Kerrville City Farm sites, which have not been operational since their installment. NextEra has stated that they have software upgrades planned for this

month which will address the tracking issues as well as additional physical damper improvements to improve stability. The second issue is that the installation of the Kerrville City Farm site required significant site work and the finished site has no vegetation on it, which sheds water very quickly. As a result, three downstream property owners have had problems with excessive runoff from the site. KPUB engaged Wellborn Engineering to review the situation and they have raised concerns about the water retention efforts that have been made and the efforts to stabilize the site post-construction. Ultimately NextEra is responsible for addressing these issues as the owner of the project. After discussion by the Board, a request was made to add this item to next month's executive session agenda for further discussion.

*\*At 10:29 Mayor Bill Blackburn left the meeting.*

**14. STATUS UPDATE ON DOWNTOWN BEAUTIFICATION AND LIGHTING PROJECTS**  
**- MIKE WITTLER, CEO:**

Mr. Wittler advised that for several years there has been a placeholder in the capital budget for downtown underground conversation in the amount of \$200,000.00. The intent initially was to work on undergrounding along Water St., starting at Sidney Baker and going West to Clay Street. The City now has plans for improvements at the parking garage. The Kerrville Urban Trail System (KUTS) has also started with a focus on Clay Street from Water moving North and West to the Doyle Neighborhood. The A.C. Schreiner Mansion is also being repurposed, and the existing services there will not be adequate to serve the renovated mansion. Staff has been doing preliminary work on undergrounding the area around the parking garage (Clay and Water St.) in anticipation of the improvements coming to this area.

Mr. Wittler feels that KPUB should try to make aesthetic improvements to the Downton and TIRZ district when possible. One of the first intentional undergrounding/beautification efforts that Mr. Wittler was involved with was at the City Library, and looking back on that, he wished they had done a little more. KPUB now has a pole with many conduits right in front of the library. He added that years ago there was a significant effort and now have no overhead lines along the southern block of Earl Garrett to Water Street. About 8 – 10 years ago KPUB also undergrounded its line along Sidney Baker from City Hall to the River and behind the buildings along Water Street (Arcadia Live, Pampell's, Grape Juice and Herring Printing). That project was funded by the EIC. Mr. Wittler advised the scope of the project being looked at is larger than initially planned, with rough cost estimates being \$346,500.00 to underground all (1225 feet), \$217,500.00 to underground the Water/Clay intersection (800 feet), and \$0.00 to leave overhead. Spending KPUB funds on underground projects can raise issues about rate payer equities (city vs. county ratepayers and Kerrville vs. Ingram, Hunt and Center Point). Another minor issue to work through is funding the cost of undergrounding the communications utilities.

Mr. Wittler also advised that at the request of the City and KUTS, staff is working on designs for string lights across the street at points of interest along the trail. The first two locations would be between the Voelkel Building and the Garage and between Napa Auto and Pint and Plow. Costs for these installations would be recovered through a new lighting rate which would have to be approved by the Board. Mr. Wittler requested feedback from Board Members on these efforts. After discussion by the Board, it was suggested that KPUB pay for its work only; look for projects with economic benefit to the City; look into options that would be equitable for Ingram, Hunt and Center Point; and develop an estimated lighting rate and get confirmation from the City to see if this is something they want to pursue before doing more work. Mr. Wittler advised staff would keep working on gathering information and bring back further details at a future date.

**15. CONSIDERATION AND ACTION ON EMPLOYEE AND MANAGEMENT INCENTIVE PLANS AND PAYROLL MERIT BUDGET FOR FY 2021 – TAMMYE RILEY, H.R. MANAGER:**

Ms. Riley started with the KPUB Incentive Plan Revision for FY 2021. She advised that members of management met with the Personnel Committee to discuss KPUB's incentive plans. With the impact of COVID-19, management wished to maintain focus on operational integrity and emergency preparedness, rather than trying to set target goals with the incentive program. In lieu of the standard incentive plan, management requested a temporary suspension of the incentive plans for FY 2021, this timeframe will allow a review and redesign of the programs. The goal of the redesign will be to provide more meaningful and impactful measures and goals that fall in line with the strategic plan and vision. Along with the request to suspend the plan, management requested approval for a one-time lump sum payment, to eligible full-time employees, subject to final board approval at the end of the fiscal year. The maximum allowed percentage of both the employee and management plans is a 3% of base salary. A table showing a 6-year average attainment percentage was reviewed by Ms. Riley. She advised that based on discussion with the personnel committee, a recommendation was made for a lump sum payment of 2.5% for non-management staff and 2.25% for management staff, in November 2021 and suspend the plan for one year to allow for redesign. She added that final approval of the payments and amount is subject to Board approval which will be presented at the October 2021 board meeting. Other criteria for employee eligibility would be determined per the normal requirements of the incentive plans.

This item did not require a second, due to it being recommended by the Personnel Committee. Vote was by a show of hands. Motion carried 3 – 0.

Ms. Riley continued with KPUB's Merit Budget for FY 2021. She advised that when management began the annual budget preparation and workshop for Fiscal Year 2021 (effective 10/2/2020), a recommendation was made to suspend all merit increases for both management and non-management staff, excluding step progression increases for Department of Labor accredited apprentice program enrollees. The initial recommendation was based on following suit with the City of Kerrville, as they too had budgeted no merit increases for the FY 2021. The budget was presented to the Board and approved. In November 2020, the City requested to amend their budget to allow for a 2% lump-sum payment based of base pay, to all eligible staff. The amendment was approved by City Council and payouts proceeded shortly thereafter. Ms. Riley advised that in light of this new information, staff met with the Personnel Committee to discuss a similar amendment to the FY 2021 budget. She added that staff is recommending, with the Personnel Committee's support, a 2% lump-sum payment to all employees, to be paid according to their base pay at the time of approval and paid out March 1, 2021. To receive the lump-sum payment, an employee must be employed in good standing at the time of payout. She advised that KPUB's 4-year average for annual merit increases was 3.7%. With the current payroll budget of \$4.3M, a 2% lump-sum payment would increase the payroll budget by \$86,000.00.

This item did not require a second, due to it being recommended by the Personnel Committee. Vote was by a show of hands. Motion carried 3 – 0.

**16. UPDATE AND DISCUSSION ON COVID-19 – TAMMYE RILEY, H.R. MANAGER:**

Ms. Riley advised that over the past 10 months, staff has taken great measures to ensure the safety and health of the workforce, while continuing operational integrity and a high standard of customer service to the community. She recapped efforts and actions management staff took to stay committed to the goals, which have proven to be successful. Ms. Riley advised that as KPUB enters into the next phase, she will to monitor cases, update staff about vaccine information and working with local pharmacies to help those employees that want the vaccine, to get it. As the vaccine becomes more readily available, she will continue

to provide the most updated information to the workforce. She added that KPUB is not requiring employees to be vaccinated.

Ms. Riley advised that customer service has developed a cross training program that is part of the efforts to ensure outstanding customer service, and she will be working closely with them to achieve this rotation/training program in a safe manner. She added that CDC continue to be KPUB's primary source for updated information and recommendations regarding quarantining, isolation and testing guidelines for the workforce. Board Members thanked Ms. Riley for the update.

**17. ADJOURNMENT**

Chairman Thomas adjourned the Regular Board Meeting at 11:13 a.m.

**Date Approved:** \_\_\_\_\_

\_\_\_\_\_  
Bill Thomas, Chairman

**ATTEST**

\_\_\_\_\_  
Lidia S. Goldthorn, Assistant Secretary to the Board

## MEMORANDUM

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

FROM: Jill Sadberry

DATE: February 10, 2021

SUBJECT: Agenda Item No. 6 - Resolution No. 21-02

Presented for your review, wire transfers for operating expenses.

I. WIRE TRANSFERS - Operating Expense

ERCOT – CRR Auction Invoice Paid February 10, 2021 Transfer from TexPool Investment Fund to ERCOT.	\$ 91,943.97
LCRA - Power Cost Billing 12/01/2020 to 12/31/2020. Paid January 29, 2021 Transfer from TexPool Investment Fund to LCRA.	\$ 540,874.40
CPS ENERGY - Power Cost Billing 12/01/2020 to 12/31/2020. Paid January 25, 2021 Transfer from TexPool Investment Fund to CPS ENERGY.	\$ 1,090,681.41
NEXTERA - Power Cost Billing 12/01/2020 to 12/31/2020. Paid January 20, 2021 Transfer from TexPool Investment Fund to NEXTERA.	\$ 485,088.00
CITY OF GARLAND – Power Cost Billing 12/01/2020 to 12/31/2020. Paid February 01, 2021 Transfer from TexPool Investment Fund to CITY OF GARLAND.	\$ 166,718.23
DG TEXAS SOLAR, LLC - Power Cost Billing 12/01/2020 to 12/31/2020. Paid January 25, 2021 Transfer from TexPool Investment Fund to DG TEXAS SOLAR, LLC.	\$ 33,275.36
ENGIE LONG DRAW SOLAR, LLC – Power Cost Billing Paid February 12, 2021 Transfer from TexPool Investment Fund to ENGIE LONG DRAW SOLAR, LLC.	\$ 47,419.32



II. WIRE TRANSFERS – Investments

A. Transfer from Happy Bank Revenue Fund to TexPool Investment Fund:

<u>Date</u>	<u>Principal</u>
January 22, 2021	\$ 300,000.00
January 25, 2021	500,000.00
January 29, 2021	400,000.00
February 01, 2021	200,000.00
February 02, 2021	200,000.00
February 05, 2021	300,000.00
February 08, 2021	400,000.00

III. WIRE TRANSFERS - Payroll

Automated Clearing House for Pay Periods Ending:

January 22, 2021	\$ 105,764.66
February 05, 2021	\$ 104,035.77

IV. WIRE TRANSFERS - Payroll - Federal Reserve Bank

Federal Withholding and FICA for Period Ending:

January 22, 2021	\$ 38,345.10
February 05, 2021	\$ 38,185.02

V. WIRE TRANSFER - Comptroller of Public Accounts

2020 - Sales and Use Tax for January – Paid 02/08/2021	\$ 77,125.79
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VI. WIRE TRANSFER - TMRS and TML


Texas Municipal Retirement System (TMRS)

Retirement Plan Contribution for the month of January – Paid 02/01/2021	\$ 65,650.26
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Texas Municipal League (TML)

Monthly Premium - Medical, Dental, Vision and Life for the month of January – Paid 02/02/2021	\$ 56,635.79
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If you have any questions on the items presented for payment, I will be happy to answer them at your convenience.

Sincerely,  
  
Jill Sadberry  
Chief Financial Officer

**RESOLUTION NO. 21-01**

**A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD CONFIRMING AND AUTHORIZING THE PAYMENTS OF INVOICES AS APPROVED AND PRESENTED BY THE CHIEF FINANCIAL OFFICER AND GENERAL MANAGER / CEO.**

**WHEREAS**, the providers of services or material have submitted invoices for payment;  
and

**WHEREAS**, the Chief Financial Officer or General Manager/CEO has reviewed the invoices and approved payments for services rendered or material received.

**WHEREAS**, the items marked "Paid" have been previously approved by the Board and are included in this Resolution for information; now, therefore,

**BE IT RESOLVED BY THE KERRVILLE PUBLIC UTILITY BOARD THAT:**

**Section 1.** That the Kerrville Public Utility Board review payment of the items set forth on the preceding Schedule.

**Section 2.** That the Kerrville Public Utility Board instructs the General Manager/CEO or his designee to make said payments and ratifies the payment of the items marked "Paid."

**Section 3.** This Resolution shall take effect immediately from and after its passage.

**PASSED, APPROVED AND ADOPTED on this 17<sup>th</sup> day of February, 2021**

\_\_\_\_\_  
**Bill Thomas, Chairman**

**ATTEST:**

\_\_\_\_\_  
**Mark Cowden, Secretary**

## MEMORANDUM

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

From: Jill Sadberry

Date: February 10, 2021

Re: Agenda Item No. 7 — Financial Report

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Operating income for the month of January is \$146,002.87, which is below budget by \$331,730.13. Net income for the month is \$153,409.68, which is below budget by \$343,435.32. Year to date operating income is below budget by \$139,626.00 and net income is below budget by \$181,877.31.

For the year, kWh sales are above budget by 2,091,984 kWhs, or by 1.32%.

At January 31, 2021, operating expenses, excluding power cost, are below budget by \$398,896.76 or by 9.79%.

The balance in the over collected power cost at January 31, 2021 was \$1,635,981.09.

The balance in the Rate Stabilization Fund is \$1,897,411.15.

Debt service coverage for January is 10.19. The coverage factor for the fiscal year is 11.5.

Sincerely,



Jill Sadberry  
Chief Financial Officer

Kerrville Public Utility Board  
Statement of Revenues, Expenses and Changes in Retained Earnings  
January 31, 2021  
(UNAUDITED)



	Comparison to Budget				Comparison to Last Year		
	Current Month	Current Month Budget Amount	Increase (Decrease)	Percentage Increase (Decrease)	Current Month Last Year Amount	Increase (Decrease)	Percentage Increase (Decrease)
<b>OPERATING REVENUES:</b>							
Residential	2,205,136.96	2,385,343.00	(180,206.04)	-7.55%	1,971,474.36	233,662.60	11.85%
Commercial/Industrial	1,273,096.52	1,488,625.00	(215,528.48)	-14.48%	1,204,539.57	68,556.95	5.69%
Sales to Public Authorities	21,078.44	23,200.00	(2,121.56)	-9.14%	23,281.70	(2,203.26)	-9.46%
Other	109,215.61	177,350.00	(68,134.39)	-38.42%	35,166.39	74,049.22	210.57%
<b>TOTAL OPERATING REVENUES</b>	<b>3,608,527.53</b>	<b>4,074,518.00</b>	<b>(465,990.47)</b>	<b>-11.44%</b>	<b>3,234,462.02</b>	<b>374,065.51</b>	<b>11.56%</b>
<b>OPERATING EXPENSES:</b>							
Purchased Power	2,498,992.89	2,573,064.00	(74,071.11)	-2.88%	2,171,665.77	327,327.12	15.07%
Distribution	280,101.11	291,021.00	(10,919.89)	-3.75%	368,849.36	(88,748.25)	-24.06%
Customer Accounting	40,948.67	55,800.00	(14,851.33)	-26.62%	48,086.69	(7,138.02)	-14.84%
Customer Service & Info	22,759.65	28,000.00	(5,240.35)	-18.72%	19,966.17	2,793.48	13.99%
Administrative Expenses	325,161.72	352,400.00	(27,238.28)	-7.73%	301,506.42	23,655.30	7.85%
Franchise Fees - Ingram	2,982.10	3,000.00	(17.90)	-0.60%	2,726.80	255.30	9.36%
Depreciation	291,578.52	295,500.00	(3,921.48)	-1.33%	285,255.51	6,323.01	2.22%
Other	-	(2,000.00)	2,000.00	-100.00%	(915.69)	915.69	-100.00%
<b>TOTAL OPERATING EXPENSES</b>	<b>3,462,524.66</b>	<b>3,596,785.00</b>	<b>(134,260.34)</b>	<b>-3.73%</b>	<b>3,197,141.03</b>	<b>265,383.63</b>	<b>8.30%</b>
<b>OPERATING INCOME</b>	<b>146,002.87</b>	<b>477,733.00</b>	<b>(331,730.13)</b>	<b>-69.44%</b>	<b>37,320.99</b>	<b>108,681.88</b>	<b>0.03</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Int Inc Revenue Fund, Constr, Emerg	5,851.21	7,517.00	(1,665.79)	-22.16%	32,644.20	(26,792.99)	-82.08%
Int Inc Interest & Sinking Fund	4.93	88.00	(83.07)	-94.40%	191.03	(186.10)	-97.42%
Int Inc Reserve Fund	-	-	-	-	-	-	-
Interest Inc-City of Kerrville	16,666.67	14,167.00	2,499.67	17.64%	15,000.00	1,666.67	11.11%
Interest Expense	(10,460.33)	(10,460.00)	(0.33)	0.00%	(11,215.55)	755.22	-6.73%
Interest On Customer's Deposits	(262.74)	-	(262.74)	#DIV/0!	-	-	-
AFUDC - Borrowed Funds	-	3,100.00	(3,100.00)	-100.00%	2,845.97	(2,845.97)	-100.00%
Other - net	(4,392.93)	4,700.00	(9,092.93)	-193.47%	343.60	(4,736.53)	-1378.50%
<b>TOTAL NONOPERATING REVENUES (EXPENSES):</b>	<b>7,406.81</b>	<b>19,112.00</b>	<b>(11,705.19)</b>	<b>-61.25%</b>	<b>39,809.25</b>	<b>(32,139.70)</b>	<b>-80.73%</b>
<b>NET INCOME</b>	<b>153,409.68</b>	<b>496,845.00</b>	<b>(343,435.32)</b>	<b>-69.12%</b>	<b>77,130.24</b>	<b>76,542.18</b>	<b>99.24%</b>
<b>RETAINED EARNINGS AT BEGINNING OF MONTH</b>							
	70,190,262.35				68,654,874.09		
Plus: Contributions in Aid of Constr	4,674.00	9,000.00	(4,326.00)	-48.07%	27,888.35	(23,214.35)	-83.24%
Less: General Fund Transfer - Reg	112,231.11	122,500.00	(10,268.89)	-8.38%	104,821.53	7,409.58	7.07%
Less: General Fund Transfer - Spec	-	-	-	-	-	-	-
<b>RETAINED EARNINGS AT END OF MONTH</b>	<b>70,236,114.92</b>				<b>68,655,071.15</b>		
<b>Percent of Net Income to Operating Rev</b>	<b>4.25%</b>				<b>2.38%</b>		

Kerrville Public Utility Board  
Statement of Revenues, Expenses and Changes in Retained Earnings  
January 31, 2021  
(UNAUDITED)

	Comparison to Budget				Comparison to Last Year		
	Year to Date	Year to Date	Increase	Percentage	Year to Date	Increase	Percentage
	Date	Budget Amount	(Decrease)	(Decrease)	Last Year Amount	(Decrease)	(Decrease)
OPERATING REVENUES:							
Residential	8,133,374.11	7,705,332.00	428,042.11	5.56%	7,681,226.60	452,147.51	5.89%
Commercial/Industrial	5,390,617.32	6,094,403.00	(703,785.68)	-11.55%	5,608,124.82	(217,507.50)	-3.88%
Sales to Public Authorities	83,517.13	92,800.00	(9,282.87)	-10.00%	92,990.37	(9,473.24)	-10.19%
Other	213,763.05	295,900.00	(82,136.95)	-27.76%	27,907.94	185,855.11	665.96%
	13,821,271.61	14,188,435.00	(367,163.39)	-2.59%	13,410,249.73	411,021.88	
OPERATING EXPENSES:							
Purchased Power	9,479,339.37	9,307,980.00	171,359.37	1.84%	8,667,103.97	812,235.40	9.37%
Distribution	945,076.75	1,158,174.00	(213,097.25)	-18.40%	1,227,298.56	(282,221.81)	-23.00%
Customer Accounting	209,301.40	221,600.00	(12,298.60)	-5.55%	194,496.05	14,805.35	7.61%
Customer Service & Informational	91,190.90	111,700.00	(20,509.10)	-18.36%	70,205.57	20,985.33	29.89%
Administrative Expenses	1,281,661.18	1,401,100.00	(119,438.82)	-8.52%	1,215,710.59	65,950.59	5.42%
Franchise Fees - Ingram	9,841.64	10,400.00	(558.36)	-5.37%	9,968.68	(127.04)	-1.27%
Depreciation	1,148,356.39	1,179,000.00	(30,643.61)	-2.60%	1,133,959.89	14,396.50	1.27%
Other	(10,351.02)	(8,000.00)	(2,351.02)	29.39%	(11,242.27)	891.25	-7.93%
TOTAL OPERATING EXPENSES	13,154,416.61	13,381,954.00	(227,537.39)	-1.70%	12,507,501.04	646,915.57	5.17%
OPERATING INCOME	666,855.00	806,481.00	(139,626.00)	-17.31%	902,748.69	(235,893.69)	(0.05)
NONOPERATING REVENUES (EXPENSES):							
Revenue Fund	28,949.80	30,068.00	(1,118.20)	-3.72%	139,034.84	(110,085.04)	-79.18%
Interest & Sinking Fund	44.07	352.00	(307.93)	-87.48%	1,090.00	(1,045.93)	-95.96%
Reserve Fund	-	-	-		-	-	
Interest Inc-City of Kerrville	66,666.68	56,668.00	9,998.68	17.64%	60,000.00	6,666.68	11.11%
Interest Expense	(42,596.54)	(42,596.00)	(0.54)	0.00%	(45,505.73)	2,909.19	-6.39%
Interest On Customer's Deposits	(3,112.69)	-	(3,112.69)		-	(3,112.69)	
AFUDC - Borrowed Funds	-	12,400.00	(12,400.00)	-100.00%	10,700.80	(10,700.80)	-100.00%
Other - net	(16,510.63)	18,800.00	(35,310.63)	-187.82%	1,618.26	(18,128.89)	-1120.27%
TOTAL NONOPERATING REVENUES (EXPENSES):	33,440.69	75,692.00	(42,251.31)	-55.82%	166,938.17	(133,497.48)	-79.97%
NET INCOME	700,295.69	882,173.00	(181,877.31)	-20.62%	1,069,686.86	(369,391.17)	-34.53%
RETAINED EARNINGS AT BEGINNING OF YEAR							
	69,843,094.49				67,899,781.61		
Plus: Contributions in Aid of Constr	97,703.28	36,000.00	61,703.28	171.40%	114,938.79	(17,235.51)	-15.00%
Less: General Fund Transfer - Reg	404,978.54	425,700.00	(20,721.46)	-4.87%	429,336.11	(24,357.57)	-5.67%
Less: General Fund Transfer - Spec	-	45,920.00	(45,920.00)		-	-	
RETAINED EARNINGS AT END OF YEAR	70,236,114.92				68,655,071.15		
Percent of Net Income to Operating Rev	5.07%				7.98%		



Kerrville Public Utility Board  
Balance Sheets  
January 31, 2021

Assets	January 31, 2021 (Unaudited)	October 1, 2020	Liabilities and Equity	January 31, 2021 (Unaudited)	October 1, 2020
<b>Utility Plant:</b>			<b>Equity:</b>		
Electric Plant in Service	86,933,043.36	84,757,080.78	Retained Earnings - Unreserved	70,236,115.02	69,843,094.49
Less: Accumulated Depreciation	(42,481,415.09)	(41,511,651.27)			
	44,451,628.27	43,245,429.51	Total Equity	70,236,115.02	69,843,094.49
Construction Work in Progress	3,346,129.92	4,386,813.55			
Net Utility Plant	47,797,758.19	47,632,243.06			
<b>Restricted Assets:</b>			<b>Liabilities:</b>		
Cash and Cash Equivalents:			Long-Term Debt:		
Customer Deposits	512,256.00	523,276.00	2013 Revenue Bonds		
Total Cash and Cash Equivalents	512,256.00	523,276.00	Net of Current Portion	3,269,000.00	3,680,000.00
Investments:			Plus: Unamortized Premium	-	-
2013 Bond Construction Fund	-	-	Less: Unamortized Refunding Charge	-	-
Interest and Sinking Fund	134,135.93	423,697.43			
Emergency, Repair, Replace, Conting Fund	3,686,361.50	3,534,535.21	Pension Liability	1,445,475.00	1,445,475.00
L.T. Rate Stabilization Fund:	813,771.36	723,583.07	Total Long-Term Debt	4,714,475.00	5,125,475.00
Total Investments	4,634,268.79	4,681,815.71			
Total Restricted Assets	5,146,524.79	5,205,091.71			
<b>Current Assets:</b>			<b>Current Liabilities Payable</b>		
Revenue Fund:			from Restricted Assets:		
Cash and Cash Equivalents	554,833.38	591,034.51	Current Portion of 2013 Revenue Bonds	411,000.00	401,000.00
Investments - Less: Customer Deposits	9,869,719.14	10,485,175.65	Accrued Interest Payable	31,380.99	56,077.75
Total Revenue Fund	10,424,552.52	11,076,210.16	Customer Deposits	512,256.00	523,276.00
Construction Fund:			Interest on Customer Deposits	13,570.77	11,564.40
Cash and Cash Equivalents	5,071.94	5,067.68		968,207.76	991,918.15
Investments	1,658,951.06	1,658,519.20			
Total Construction Fund	1,664,023.00	1,663,586.88	<b>Current Liabilities:</b>		
Rate Stabilization Fund:			Accounts Payable - Power Suppliers	2,880,891.21	2,165,917.04
Cash and Cash Equivalents	-	-	Accounts Payable and Accrued Liab's	753,196.10	1,220,722.13
Investments	1,897,411.15	1,896,917.91	Over Collection of Power Cost Adj Revs	1,635,981.09	1,983,317.71
Total Rate Stabilization Fund	1,897,411.15	1,896,917.91		5,270,068.40	5,369,956.88
ERCOT CRR Auction Funds	373,976.03	279,826.49			
Customer Accounts Receivable,			<b>Total Liabilities</b>	10,952,751.16	11,487,350.03
Net of Allowances	4,058,769.77	3,721,152.41			
Materials and Supplies	946,913.95	1,011,261.27	<b>Deferred Credits</b>		
Other	947,303.25	912,521.10	Deferred Inflows of Resources-Pension	2,540,816.00	2,540,816.00
Total Current Assets	20,312,949.67	20,561,476.22			
<b>Deferred Debits</b>			<b>Total</b>	83,729,682.18	83,871,260.52
Deferred Outflow of Resources	1,972,449.53	1,972,449.53			
Advance to City of Kerrville	7,500,000.00	7,500,000.00			
Advance to City of Kerrville-2020	1,000,000.00	1,000,000.00			
Total	83,729,682.18	83,871,260.52			

Kerrville Public Utility Board  
Detail of Fund Balances from Funds Invested in Government Securities For the Month Of  
January 2021

						Restricted			
		Revenue Fund	Construction Fund	Rate Stabilization Fund	Long Term Rate Stabil. Fund	Debt Reserve Fund	Interest & Sinking Fund	Emergency, Repair, Replace & Contingency Fund	Total Funds Invested
Beginning of the Month Balance		11,150,078.89	1,661,189.69	1,897,316.60	723,735.15	-	88,863.35	3,167,835.64	18,689,019.32
Maturities and/or Withdrawals:									-
									-
TEXPOOL-TML Insurance	1/4/2021	(53,983.86)							(53,983.86)
TEXPOOL-TMRS	1/4/2021	(63,370.31)							(63,370.31)
TEXPOOL-LCRA	1/29/2021	(540,874.40)							(540,874.40)
TEXPOOL-CPS Energy	1/25/2021	(1,090,681.41)							(1,090,681.41)
TEXPOOL-NextEra	1/20/2021	(485,088.00)							(485,088.00)
TEXPOOL-ERCOT	1/11/2021	(48,508.06)							(48,508.06)
TEXPOOL-ERCOT									-
TEXPOOL-City of Garland									-
TEXPOOL-DG Southwest Solar LLC	1/25/2021	(33,275.36)							(33,275.36)
TEXPOOL-Engie-Long Draw Solar	1/13/2021	(6,518.15)							(6,518.15)
TEXPOOL-Withdrawal to Checking	1/13/2021	(200,000.00)							(200,000.00)
									-
Hunt Emergency Transformer Replaceme	1/31/2021	-	-						-
Fund EM Rep,Rep & Cont Fund									-
Per Resolution 20-21	1/31/2021	(75,474.49)						75,474.49	-
Investments:									-
TEXPOOL	1/5/2021	500,000.00							500,000.00
TEXPOOL	1/11/2021	700,000.00							700,000.00
TEXPOOL	1/22/2021	300,000.00							300,000.00
TEXPOOL	1/25/2021	500,000.00							500,000.00
TEXPOOL	1/29/2021	400,000.00							400,000.00
TEXPOOL									-
TEXPOOL									-
TEXPOOL									-
TEXPOOL									-
TEXPOOL									-
TEXPOOL									-
Transfer City Interest Payment	1/31/2021	(90,000.00)			90,000.00				-
		10,862,304.85	1,661,189.69	1,897,316.60	813,735.15	-	88,863.35	3,243,310.13	18,566,719.77
Allocation of:									
mo int earned to the separate funds		574.77	82.79	94.55	36.21	-	4.93	157.99	951.25
Transfer of interest to I & S Fund									
Interest Receivable (accrued on CD)		3,936.58						900.27	4,836.85
Interest Receivable (accrued on CD)								-	-
									-
									-
Tot Fund Bal after int allocation & Xfer		10,866,816.20	1,661,272.48	1,897,411.15	813,771.36	-	88,868.28	3,244,368.39	18,572,507.87
Interfund transfers	1/25/21	(44,707.20)					44,707.20		-
Total Fund Balance at End of Month		10,822,109.00	1,661,272.48	1,897,411.15	813,771.36	-	133,575.48	3,244,368.39	18,572,507.87

Kerrville Public Utility Board  
 Computation of the Monthly and Year to Date Debt Service Coverage  
 For the Month Ended  
 January 31, 2021

Description	Current Month	Fiscal Year	Previous Twelve Months
Net Income	153,409.68	700,295.69	3,496,139.00
Plus:			
Interest Expense (net of afudc)	10,460.33	53,812.09	110,408.10
Depreciation Expense	291,578.52	1,430,786.07	3,729,012.56
	-	-	-
Miscellaneous Amortizations	-	-	-
 Numerator	 455,448.53	 2,184,893.85	 7,335,559.66
 DIVIDED BY:			
 Interest Expense (net of amortizations)	 10,460.33	 53,812.09	 110,408.10
Principal Payment Due	34,250.00	136,166.67	403,500.00
 Denominator	 44,710.33	 189,978.76	 513,908.10
 Debt Service Coverage Ratio	 10.19	 11.50	 14.27
 Minimum Requirement per Bond Covenant	 1.10 times Debt Service		
Minimum Requirement Established by KPUB Board for Good Business Practices	1.65 times Debt Service		



## MEMORANDUM

**TO:** Bill Thomas  
Philip Stacy  
Mark Cowden  
Larry Howard  
Mayor Bill Blackburn

**FROM:** Jill Sadberry

**DATE:** February 10, 2020

**SUBJECT:** Agenda Item No. 8 - Board Policy 44 - Investment Policy- Resolution No. 21-03

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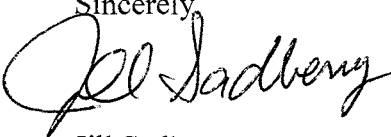
Resolution No. 21-03 and the Board Policy 44 - Investment Policy are presented for your consideration.

The Public Funds Investment Act requires that the governing body adopt a written instrument stating that it has considered the Policy and Investment Strategy on an annual basis.

Stephanie Leibe, Partner at Norton Rose Fulbright, KPUB's Bond Counsel, has reviewed the Investment Policy and current applicable Texas Statutes with minor recommended changes. A copy of Ms. Leibe's red-lined recommendations is attached.

Staff recommends approval of Resolution No. 21-03: A Resolution accepting and approving Board Policy 44 - Investment Policy.

I will be happy to answer any questions you might have at this time.

Sincerely,  
  
Jill Sadberry

## **RESOLUTION NO. 21-03**

**RESOLUTION BY THE BOARD OF TRUSTEES OF THE KERRVILLE PUBLIC UTILITY BOARD RELATING TO ITS ANNUAL REVIEW OF THE BOARD'S INVESTMENT POLICY AND INVESTMENT STRATEGIES AS REQUIRED BY THE PROVISIONS OF CHAPTER 2256, AS AMENDED, TEXAS GOVERNMENT CODE; APPROVING THE BOARD'S INVESTMENT POLICY AND INVESTMENT STRATEGIES; AND OTHER MATTERS IN CONNECTION THEREWITH.**

**WHEREAS**, the Board of Trustees (the "Board") of the Kerrville Public Utility Board (the "KPUB") has previously adopted an investment policy (the "Policy") and certain investment strategies that are attached as Exhibit A to this Resolution and incorporated by reference herein for all purposes;

**WHEREAS**, the Board is required by the provisions of Chapter 2256, as amended, Texas Government Code (the "Act") to annually review and approve the Policy;

**WHEREAS**, pursuant to Section 2256.005(e) of the Act, the Board shall record any substantive changes made to either the Policy or its investment strategies;

**WHEREAS**, the Board hereby finds and determines that the Policy and investment strategies are adopted for the fiscal year ending September 30, 2020; and

**WHEREAS**, the Board hereby finds and determines that these actions are in the best interest of the citizens of the KPUB; now, therefore;

### **BE IT RESOLVED BY THE TRUSTEES OF THE KERRVILLE PUBLIC UTILITY BOARD THAT:**

**Section 1.** The Policy and investment strategies attached hereto as Exhibit A are incorporated by reference for all purposes into this Resolution and minor changes are recommended to the Policy.

**Section 2.** The Investment Officer (as defined in the Policy) is authorized to implement the Policy in accordance with the provisions of the Policy and applicable law.

**Section 3.** The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

**Section 4.** All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

**Section 5.** This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

**Section 6.** If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

**Section 7.** It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

**Section 8.** This Resolution shall be in force and effect from and after the date of its adoption, and it is so resolved.

**PASSED, APPROVED AND ADOPTED on this 17<sup>th</sup> day of February, 2021**

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**Bill Thomas, Chairman**

**ATTEST:**

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**Mark Cowden, Secretary**

February 17, 2021

21-\_\_

KERRVILLE PUBLIC UTILITY BOARD	
BOARD POLICY 44	
Title: Investment Policy	
Effective Date: <del>February 19, 2020</del>	Resolution No. <del>20-04</del>
Replaces: <del>March 27, 2019</del>	Resolution No. <del>19-06</del>

February 19, 2020

20-04

44.00

## SCOPE

This investment policy (the "Policy") applies to all the financial assets of Kerrville Public Utility Board ("KPUB"), its investment activities and bank depository agreements. All funds shall be administered in accordance with the provision of this Policy. All other funds which may be created are included under this Policy unless specifically excluded by the Board of Trustees (the "Board"). This Policy does not apply to funds managed under separate pension investment programs.

44.10

## POLICY STATEMENT

The KPUB's investments will be made in accordance with applicable laws, Board policies, this Policy, and the restrictions in current KPUB bond ordinances and resolutions. Selection of securities firms must be approved by the Board. Local investment pools in which the KPUB participates shall be approved by action of the Board. Investment of KPUB funds will be transacted in accordance with the Texas Public Funds Investment Act Chapter 2256, as amended, Texas Government Code (the "Act"). Depository collateral shall be controlled under the terms of the Texas Public Funds Collateral Act Chapter 2257, as amended, Texas Government Code. Effective cash management is recognized as a foundation of this Policy. The Chief Financial Officer ("CFO") is responsible for implementing this Policy.

44.20

## OBJECTIVES

The primary objective of KPUB's investment activity is the preservation and safety of principal and maintenance of sufficient liquidity to meet anticipated expenditures. The objectives shall also include diversification and attainment of reasonable yield subject to compliance with the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.

Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. KPUB's investment portfolio will remain sufficiently liquid to meet KPUB's operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing the securities with active secondary markets as well as maintaining a minimum one-month liquidity buffer.

**44.21** KPUB's portfolio shall be invested in high-credit quality securities. Funds shall be diversified to manage market price risks and default risks that would jeopardize the assets available to accomplish their stated objective. Funds should never be invested in a manner inconsistent with this Policy and applicable federal and state laws and regulations.

**44.22** All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in KPUB. The Board recognizes that in a diversified portfolio, occasional measured unrealized losses due to market volatility are inevitable and must be considered within the context of the overall portfolio's investment market value, provided that adequate diversification has been implemented. Strict adherence to provisions of Bond Ordinance No. 2013-21, or to any subsequent revenue bond ordinance, shall always apply.

**44.30 ASSIGNMENT OF RESPONSIBILITIES**

**44.31 KPUB Board**

The KPUB Board retains the ultimate fiduciary responsibility for the investment of its funds. (Section 2256.005(f) of the Act) The Board will:

- adopt a written investment policy and strategy statement at least annually,
- designate investment officers,
- designate an investment committee, and
- accept quarterly investment reports.

**44.32 Investment Committee**

There is hereby created an Investment Committee, consisting of the General Manager and Chief Executive Officer, CFO and two KPUB Trustees. The CFO is designated as the Investment Officer for KPUB.

The Investment Committee shall meet at least quarterly to determine general strategies and to monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to KPUB's funds, authorized municipal advisors and broker/dealers, and appropriate competitive and reasonable benchmarks for the investment

portfolio. The Investment Committee shall report to the Board after each quarterly meeting and submit the Investment Officer's report on investment activities for the past quarter. The Investment Committee shall establish its own rules or procedures, compliant with this Policy and schedule additional meetings when deemed necessary.

44.33

#### **Investment Officers**

Management responsibility for the investment program is hereby delegated to the CFO, who shall establish written procedures for the operation of the investment program, consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO. The CFO shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate staff. The Investment Officer shall disclose relationships by blood or marriage and any "personal business relationship" with sellers of investments to both the Board as determined by Chapter 573, Texas Government Code, and to the Texas Ethics Commission as defined in the Act (Section 2256.005(i)). The Investment Officer shall also file a conflict disclosure statement with respect to a vendor, as applicable and pursuant to Chapter 176, Texas Government Code, as amended, and any conflict disclosure statement required by the Board.

Local

44.34

#### **Standard of Care**

Investments shall be made with exercise of judgment and due care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs. Investments shall not be speculative, but for investment, and will consider the probable safety of their capital as well as the probable income to be derived. Investment of funds shall be governed by the following principles, in order of priority:

- (1) Preservation and safety of capital,
- (2) Liquidity, and
- (3) Yield.

44.35

#### **Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict (or have the appearance of conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

44.36

#### **Officer Training**

All designated Investment Committee members must attend at least one investment training session as required by the Act.

- (a) All persons who are named as, carry the titles of, or otherwise perform the functions of Treasurer, Chief Financial Officer, or Investment Officer shall receive a training session from an independent source, approved by the Investment Committee, within one year of assuming duties containing at least 10 hours of instruction relating to officer responsibilities.
- (b) At least once every succeeding two fiscal years, all persons who are named as, carry the title of, or perform the functions of Treasurer, Chief Financial Officer or Investment Officer must receive additional training sessions of not less than 8 hours of instruction relating to investment responsibilities from an independent source approved by the Investment Committee. Such session must include education in investment controls, security risk, strategy risk, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (c) An individual's reporting requirements are satisfied by a report of the training sponsor, or training program organizing entity.

#### **44. 40       REPORTING**

The CFO, as the Investment Officer, shall submit quarterly, or more often as directed by the Board, an investment report to the General Manager and Chief Executive Officer, and the Board. The report shall include all items required by the Act (Section 2256.023) and shall summarize the investment strategies employed in the most recent quarter. The report shall represent that all investments made in the quarter complied with this Investment Policy and the Act. The report shall detail total earnings and compare the return with the risk benchmark and budgetary expectations. The report shall include detail for all transactions during the past quarter.

#### **44.41       Annual Report**

Within 90 days of the end of each fiscal year, the CFO shall present an annual report to the Board on the investment program and investment activity. The annual report shall include a 12-month comparison of the allocation of assets, yields, and earnings.

#### **44.42       Audits**

Yearly audits must be made of compliance with the management controls on investments and with the Act. The quarterly investment reports must be formally reviewed annually by an independent auditor for compliance with the Act and the results of the review reported to the Board. An internal compliance audit conducted by the Investment Officer(s) shall be performed annually for compliance with this Policy and the Act. (Section 2256.005(m)).



## AUTHORIZED INVESTMENTS

Assets or funds of KPUB may be invested only in the following investments. New investment types authorized by Texas law will not be authorized for KPUB until this Policy is reviewed, amended, and adopted by the Board. All investment transactions will be made on a competitive basis and all securities shall be delivered versus payment ("DVP") to the KPUB contracted safekeeping institution.

- (a) Obligations of the United States or its agencies and instrumentalities excluding mortgage backed securities with a maximum maturity of three (3) years, as permitted by the Act (Section 2256.009);
- (b) Depository certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas with a maximum maturity of two (2) years, which are fully FDIC insured or collateralized in accordance with this policy and meet all further requirements as set forth in the Act (Section 2256.010(a)). This is to include those deposits placed through the Certificate of Deposit Account Registry Service (CDARS) and meeting all further requirements as set forth in the Act (Section 2256.010(b);
- (c) Fully NCUSIF insured share certificates from credit unions domiciled in the State of Texas meeting all other requirements set forth in the Act (Section 2256.010) with a maximum maturity of two (2) years;
- (d) Repurchase agreements collateralized only by cash and obligations of the United States or its agencies and meeting all other requirements set forth in the Act (Section 2256.011);
- (e) Local government investment pools rated not less than AAA, or an equivalent rating by at least one nationally recognized rating service which strive to maintain a \$1 net asset value and meeting all other requirements of the Act (Section 2256.016). The Board must approve by resolution, participation in any pool;
- (f) Fully insured brokered certificate of deposit securities from any US state, delivered versus payment to KPUB safekeeping. The broker must have its main office or a branch office in Texas and be selected from a list of brokers previously approved by the Board. Before purchase the investment officer must verify the FDIC status of the bank or banks;
- (g) Fully FDIC or NCUSIF insured or collateralized interest bearing accounts of any bank doing business in Texas;

, meet all other requirements set forth in the Act (Section 2256.010(b)),

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and meets all other requirements set forth in the Act (Section 2256.014(a)).

- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 90 days and meeting all other requirements of the Act (Section 2256.013); and
- (i) AAA rated no-load money market mutual funds which strive to maintain a \$1 net asset value.

The maximum allowable stated maturity of any individual investment owned by KPUB shall be not more than ten years.

#### 44.60 HEDGING:

In accordance with the Act (Section 2256.0206) KPUB may enter into hedging contracts if it meets the requirements as an "eligible entity." The Board must adopt a separate hedging policy prior to any hedging transaction, and such transaction must be made in accordance with the CFTC and SEC requirements.

44.61 The individual securities shall be marked to market as of the close of business on the last day of each month. Market prices are to be from an independent source or party.

The net asset value of all investment pools shall be reported as of the close of each month.

44.62 KPUB requires that all securities shall be purchased using DVP so that no funds are released prior to receiving the security into safekeeping. The securities shall be delivered to KPUB's depository bank and held on behalf of KPUB. Safekeeping receipts shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

#### 44.70 INVESTMENT STRATEGIES

Investments may be commingled for investment purposes while still addressing the particular needs of each fund. A pro-active ladder portfolio structure, based on anticipated cash flow needs, will be used to fund anticipated liabilities. The KPUB portfolio is designed as a buy-and-hold portfolio with minimal anticipated trading.

In accordance with this Policy's objectives, the following detailed investment strategies are provided for specific KPUB funds to include the following:

- 1) Suitability of investments,
- 2) Preservation and safety of principal,
- 2) Liquidity,
- 3) Potential marketability of investments in case of required liquidation, and
- 4) Diversification and yield considerations.

All designated fund investments must meet credit and safety criteria as required by the Act. Due to the overall short-term nature of the portfolio, involuntary investment liquidations are unlikely for any of the funds; however, should liquidations be necessary, the limited maturity of the securities should make material losses unlikely.

No. 2013-21

The various funds' investments will be structured to achieve competitive yields, given the pertinent liquidity requirements, and they will be compared against appropriately competitive and reasonable benchmarks. The overall portfolio shall not exceed a maximum weighted average maturity (WAM) of two years.

44.71

#### OVERVIEW OF FUNDS

(2)

The Bond Ordinance requires a System Fund, a Bond (Interest and Sinking) Fund, and a Reserve (Debt Reserve) Fund. The Bond Ordinance requirements for amounts set aside in the Reserve Fund are suspended as long as the Pledged Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements. The Board has divided the System Fund into the following funds for operational, emergency and long term planning needs: Revenue Fund; Construction Fund; Emergency Repair, Replacement, and Contingency Fund; Rate Stabilization Fund; and Long Term Rate Stabilization Fund.

44.72

#### Revenue Fund

The Revenue Fund requires a high degree of liquidity to meet ongoing operational needs. Investments shall have a maximum maturity of two years and a maximum WAM of one (1) year. The Revenue Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

44.73

#### Construction Fund

The Construction Fund is to be structured to meet construction payment requirements for which the related funds are acquired. Due to long construction periods the maximum maturity for these funds shall be ten (10) years and the maximum WAM shall be three (3) years. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer

44.74

#### Debt Reserve Fund

The Debt Reserve Fund is created to provide reserves to meet any shortfalls in the Interest and Sinking Fund. As Debt Reserve Funds are not anticipated to be utilized except to support the semi-annual debt service payments, the maximum maturity shall be six (6) months and a maximum WAM of one (1) year. The funds will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

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Consider reversing these (1 year maximum maturity and 6 months maximum WAM) to match I&S Fund below

44.75

**Interest and Sinking Fund**

The Interest and Sinking Fund amounts shall include investments appropriate to meet the twice yearly bond payment requirements for which the funds are accumulated. Investments will be structured to meet the current debt payment date and no extension shall be made until the preceding payments have been funded. Investments shall strive to achieve competitive yields. The maximum maturity shall be one (1) year and the maximum WAM shall be six (6) months. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

44.76

**Emergency Repair, Replacement, and Contingency Fund**

The Emergency Repair, Replacement, and Contingency Fund was established to provide for emergency repairs and/or replacement of capital assets damaged by catastrophes, acts of God, or other disasters, and to fund unforeseen projects of the Board in excess of \$100,000 (so as to level the impact on electric tariffs from those unbudgeted projects). Investments in the Emergency Repair, Replacement, and Contingency Fund shall be limited to a maximum maturity of three (3) years, and a maximum WAM of eighteen (18) months. The Emergency Repair, Replacement, and Contingency Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by Board action.

44.77

**Rate Stabilization Fund**

The Rate Stabilization Fund was established to minimize the exposure of the KPUB consumers to extreme or significant power supply volatility. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer recommending transfers from the Rate Stabilization Fund to the Revenue Fund to fund expenses or charges for significant increases in purchase power, fuel or other expenses as deemed appropriate and to minimize the exposure of KPUB's consumers to extreme or significant power supply volatility.

The Rate Stabilization Fund shall include investments suitable for a fund requiring a high degree of liquidity. As such, investments in this fund shall be limited to a maximum maturity no greater than six (6) months and a maximum WAM of three (3) months. The Rate Stabilization Fund will be compared to appropriately competitive and reasonable benchmarks.

44.78

**Long Term Rate Stabilization Fund**

The Long Term Rate Stabilization Fund was established to minimize the exposure of KPUB customers to long term power supply volatility. The use of this fund will be initiated by Board action to fund acquisition of equity positions in generation resources, pre-purchase fuel agreements, investment in infrastructure, and other actions to limit long term exposure to ERCOT market volatility.

The Long Term Rate Stabilization Fund shall include investments suitable for a fund requiring a moderate degree of liquidity. As such, investments in this fund shall have a maximum maturity of ten (10) years and a maximum WAM of three (3) years. The length of these investments should be coordinated to support KPUB's Integrated Resource Plan. Other criteria may be used in making this investment maturity decision such as arbitrage considerations, flexibility, and marketability. The Long Term Rate Stabilization Fund will be compared to appropriately competitive and reasonable benchmarks.

**44.79 Federal Income Tax Limitations on Investments**

The Board recognizes that the provisions of Bond Ordinance No. 2013-21 and the Internal Revenue Code of 1986, as amended (the "Code") impose certain restrictions upon the investment of KPUB funds. While the investment strategies of the Board include goals to maximize the yield on any investments, the Board recognizes that certain investments must be made at yields at or below the yields on KPUB's outstanding revenue bonds to comply with the provisions of the aforementioned ordinance and the Code.

**44.80 BANKS AND BROKER/DEALERS**

A banking services depository shall be selected through KPUB's procurement process, which shall include a formal request for proposals issued at least every three years. Other financial institutions may be designated as depositories for other time and demand deposits. In selecting the banking services depository, the credit worthiness of institutions, earnings potential and service costs shall be considered, and the CFO shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history along with the estimated cost of the banking services to be provided to KPUB.

**44.81** Banks: Banks and savings banks seeking to establish eligibility for KPUB's time or demand deposits shall submit financial statements, evidence of Federal insurance and other information as required by the CFO.

**44.82** Broker/dealers: The Investment Committee or Board shall approve a list of authorized broker/dealers/advisors recommended by the Investment Officer no less than annually.

Broker/dealers shall provide to the Investment Officer the following:

- Annual financial statements (required annually),
- Registration with FINRA and the firm's FINRA CRD number, and
- Registration with the Texas State Securities Board.

Each broker/dealer will be provided the current Policy.



and meet all requirements set forth in the Act (Section 2256.016)

Investment Officers in their dealing with KPUB funds shall not conduct business with any securities dealer with whom or through whom public entities have sustained losses on investments.

**44.83** Local Government Investment Pools: Pools must provide a policy certification to certify that they have received and reviewed the KPUB investment policy. Investment pools or investment management firms offering to engage in an investment transaction with KPUB must comply with the requirements of Section 44.10 of this Policy.

#### **44.90 COLLATERAL**

##### **Collateral Pledged to KPUB:**

All time and demand deposits shall be secured by authorized collateral with a market value equal to at least 102 percent of the deposits daily, plus any accrued interest, less ~~an~~ amount insured by FDIC. Evidence of the pledged collateral shall be maintained by the CFO and held by an independent third party financial institution approved by KPUB. The pledging institution or the custodian shall provide a monthly listing of the collateral. The collateral report will be reviewed monthly by the CFO to assure the market value of the securities pledged equals or exceeds the related bank collected balances. The custodian of these pledged securities must be:

- 1) A state or national bank that:
  - a) Is designated by the Comptroller as a state depository
  - b) Has its main office or a branch office in this state, and
  - c) Has capital stock and permanent surplus of \$5 million or more;
- 2) A Federal Reserve Bank or a branch of a Federal Reserve Bank; or
- 3) A Federal Home Loan Bank.

Only securities allowed by the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code shall be eligible to be pledged as collateral. KPUB will authorize letters of credit as collateral but will give preference to pledged securities.

KPUB's designated custodian shall provide a current list of all pledged investment securities monthly. The list must include (for each pledged investment security): KPUB's name; the CUSIP number of the security; par amount and maturity date of the security.

**Collateral Owned by KPUB**

Collateral underlying repurchase agreements are owned by KPUB and must have a market value equal to at least 102 percent daily monitored and reported daily by the counter-party. Collateral shall be held by an independent third party financial institution approved by KPUB using a DVP settlement.

Authorized collateral for repurchase agreements shall include only:

- (a) cash, and
- (b) obligations of the US Government, its agencies and instrumentalities including the Federal Home Loan Banks.

**44.100****INTERNAL CONTROLS**

The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of KPUB. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

**Cash Flow Forecasting**

Cash flow forecasting is a control designed to protect and sustain cash flow requirements. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

**Loss of Rating**

The Investment Officer shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment Officer shall notify the Committee of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available.

**Monitoring FDIC Coverage**

The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by KPUB based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer shall immediately liquidate any brokered CD which places KPUB above the FDIC insurance level.

44.110

## INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its investment strategies and any changes to the Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

Approved as to Form



Stephen Schulte, General Counsel

Approved as to Legality and Content



~~W. Jeffrey Kuhn~~, Bond Counsel

Recommended for Board Approval



General Manager and Chief Executive Officer

Stephanie V. Leibe

Passed, Approved and Adopted this 19<sup>th</sup> day of February 2020



Fred Gamble, Chairman

## KERRVILLE PUBLIC UTILITY BOARD

### BOARD POLICY 44

Title: Investment Policy	
Effective Date: February 17, 2021	Resolution No. 21-03
Replaces: February 19, 2020	Resolution No. 20-04

#### **44.00 SCOPE**

This investment policy (the "Policy") applies to all the financial assets of Kerrville Public Utility Board ("KPUB"), its investment activities and bank depository agreements. All funds shall be administered in accordance with the provision of this Policy. All other funds which may be created are included under this Policy unless specifically excluded by the Board of Trustees (the "Board"). This Policy does not apply to funds managed under separate pension investment programs.

#### **44.10 POLICY STATEMENT**

The KPUB's investments will be made in accordance with applicable laws, Board policies, this Policy, and the restrictions in current KPUB bond ordinances and resolutions. Selection of securities firms must be approved by the Board. Local investment pools in which the KPUB participates shall be approved by action of the Board. Investment of KPUB funds will be transacted in accordance with the Texas Public Funds Investment Act Chapter 2256, as amended, Texas Government Code (the "Act"). Depository collateral shall be controlled under the terms of the Texas Public Funds Collateral Act Chapter 2257, as amended, Texas Government Code. Effective cash management is recognized as a foundation of this Policy. The Chief Financial Officer ("CFO") is responsible for implementing this Policy.

#### **44.20 OBJECTIVES**

The primary objective of KPUB's investment activity is the preservation and safety of principal and maintenance of sufficient liquidity to meet anticipated expenditures. The objectives shall also include diversification and attainment of reasonable yield subject to compliance with the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.



Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. KPUB's investment portfolio will remain sufficiently liquid to meet KPUB's operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing the securities with active secondary markets as well as maintaining a minimum one-month liquidity buffer.

**44.21** KPUB's portfolio shall be invested in high-credit quality securities. Funds shall be diversified to manage market price risks and default risks that would jeopardize the assets available to accomplish their stated objective. Funds should never be invested in a manner inconsistent with this Policy and applicable federal and state laws and regulations.

**44.22** All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in KPUB. The Board recognizes that in a diversified portfolio, occasional measured unrealized losses due to market volatility are inevitable and must be considered within the context of the overall portfolio's investment market value, provided that adequate diversification has been implemented. Strict adherence to provisions of Bond Ordinance No. 2013-21, or to any subsequent revenue bond ordinance, shall always apply.

**44.30 ASSIGNMENT OF RESPONSIBILITIES**

**44.31 KPUB Board**

The KPUB Board retains the ultimate fiduciary responsibility for the investment of its funds. (Section 2256.005(f) of the Act) The Board will:

- adopt a written investment policy and strategy statement at least annually,
- designate investment officers,
- designate an investment committee, and
- accept quarterly investment reports.

**44.32 Investment Committee**

There is hereby created an Investment Committee, consisting of the General Manager and Chief Executive Officer, CFO and two KPUB Trustees. The CFO is designated as the Investment Officer for KPUB.

The Investment Committee shall meet at least quarterly to determine general strategies and to monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to KPUB's funds, authorized municipal advisors and broker/dealers, and appropriate competitive and reasonable benchmarks for the investment

portfolio. The Investment Committee shall report to the Board after each quarterly meeting and submit the Investment Officer's report on investment activities for the past quarter. The Investment Committee shall establish its own rules or procedures, compliant with this Policy and schedule additional meetings when deemed necessary.

**44.33 Investment Officers**

Management responsibility for the investment program is hereby delegated to the CFO, who shall establish written procedures for the operation of the investment program, consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO. The CFO shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate staff. The Investment Officer shall disclose relationships by blood or marriage and any "personal business relationship" with sellers of investments to both the Board as determined by Chapter 573, Texas Government Code, and to the Texas Ethics Commission as defined in the Act (Section 2256.005(i)). The Investment Officer shall also file a conflict disclosure statement with respect to a vendor, as applicable and pursuant to Chapter 176, Texas Local Government Code, as amended, and any conflict disclosure statement required by the Board.

**44.34 Standard of Care**

Investments shall be made with exercise of judgment and due care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs. Investments shall not be speculative, but for investment, and will consider the probable safety of their capital as well as the probable income to be derived. Investment of funds shall be governed by the following principles, in order of priority:

- (1) Preservation and safety of capital,
- (2) Liquidity, and
- (3) Yield.

**44.35 Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict (or have the appearance of conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

**44.36 Officer Training**

All designated Investment Committee members must attend at least one investment training session as required by the Act.

- (a) All persons who are named as, carry the titles of, or otherwise perform the functions of Treasurer, Chief Financial Officer, or Investment Officer shall receive a training session from an independent source, approved by the Investment Committee, within one year of assuming duties containing at least 10 hours of instruction relating to officer responsibilities.
- (b) At least once every succeeding two fiscal years, all persons who are named as, carry the title of, or perform the functions of Treasurer, Chief Financial Officer or Investment Officer must receive additional training sessions of not less than 8 hours of instruction relating to investment responsibilities from an independent source approved by the Investment Committee. Such session must include education in investment controls, security risk, strategy risk, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (c) An individual's reporting requirements are satisfied by a report of the training sponsor, or training program organizing entity.

#### **44.40       REPORTING**

The CFO, as the Investment Officer, shall submit quarterly, or more often as directed by the Board, an investment report to the General Manager and Chief Executive Officer, and the Board. The report shall include all items required by the Act (Section 2256.023) and shall summarize the investment strategies employed in the most recent quarter. The report shall represent that all investments made in the quarter complied with this Investment Policy and the Act. The report shall detail total earnings and compare the return with the risk benchmark and budgetary expectations. The report shall include detail for all transactions during the past quarter.

#### **44.41       Annual Report**

Within 90 days of the end of each fiscal year, the CFO shall present an annual report to the Board on the investment program and investment activity. The annual report shall include a 12-month comparison of the allocation of assets, yields, and earnings.

#### **44.42       Audits**

Yearly audits must be made of compliance with the management controls on investments and with the Act. The quarterly investment reports must be formally reviewed annually by an independent auditor for compliance with the Act and the results of the review reported to the Board. An internal compliance audit conducted by the Investment Officer(s) shall be performed annually for compliance with this Policy and the Act. (Section 2256.005(m)).

**AUTHORIZED INVESTMENTS**

Assets or funds of KPUB may be invested only in the following investments. New investment types authorized by Texas law will not be authorized for KPUB until this Policy is reviewed, amended, and adopted by the Board. All investment transactions will be made on a competitive basis and all securities shall be delivered versus payment (“DVP”) to the KPUB contracted safekeeping institution.

- (a) Obligations of the United States or its agencies and instrumentalities excluding mortgage backed securities with a maximum maturity of three (3) years, as permitted by the Act (Section 2256.009);
- (b) Depository certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas with a maximum maturity of two (2) years, which are fully FDIC insured or collateralized in accordance with this policy and meet all further requirements as set forth in the Act (Section 2256.010(a)). This is to include those deposits placed through the Certificate of Deposit Account Registry Service (CDARS) and meeting all further requirements as set forth in the Act (Section 2256.010(b));
- (c) Fully NCUSIF insured share certificates from credit unions domiciled in the State of Texas meeting all other requirements set forth in the Act (Section 2256.010) with a maximum maturity of two (2) years;
- (d) Repurchase agreements collateralized only by cash and obligations of the United States or its agencies and meeting all other requirements set forth in the Act (Section 2256.011);
- (e) Local government investment pools rated not less than AAA, or an equivalent rating by at least one nationally recognized rating service which strive to maintain a \$1 net asset value and meeting all other requirements of the Act (Section 2256.016). The Board must approve by resolution, participation in any pool;
- (f) Fully insured brokered certificate of deposit securities from any US state, delivered versus payment to KPUB safekeeping. The broker must have its main office or a branch office in Texas, meet all other requirements set forth in the Act (Section 2256.010(b)), and be selected from a list of brokers previously approved by the Board. Before purchase the Investment Officer must verify the FDIC status of the bank or banks;
- (g) Fully FDIC or NCUSIF insured or collateralized interest bearing accounts of any bank doing business in Texas;

- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 90 days and meeting all other requirements of the Act (Section 2256.013); and
- (i) AAA rated no-load money market mutual funds which strive to maintain a \$1 net asset value and meets all other requirements set forth in the Act (Section 2256.014(a)).

The maximum allowable stated maturity of any individual investment owned by KPUB shall be not more than ten years.

#### **44.60 HEDGING:**

In accordance with the Act (Section 2256.0206) KPUB may enter into hedging contracts if it meets the requirements as an "eligible entity." The Board must adopt a separate hedging policy prior to any hedging transaction, and such transaction must be made in accordance with the CFTC and SEC requirements.

**44.61** The individual securities shall be marked to market as of the close of business on the last day of each month. Market prices are to be from an independent source or party.

The net asset value of all investment pools shall be reported as of the close of each month.

**44.62** KPUB requires that all securities shall be purchased using DVP so that no funds are released prior to receiving the security into safekeeping. The securities shall be delivered to KPUB's depository bank and held on behalf of KPUB. Safekeeping receipts shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

#### **44.70 INVESTMENT STRATEGIES**

Investments may be commingled for investment purposes while still addressing the particular needs of each fund. A pro-active ladder portfolio structure, based on anticipated cash flow needs, will be used to fund anticipated liabilities. The KPUB portfolio is designed as a buy-and-hold portfolio with minimal anticipated trading.

In accordance with this Policy's objectives, the following detailed investment strategies are provided for specific KPUB funds to include the following:

- 1) Suitability of investments,
- 2) Preservation and safety of principal,
- 3) Liquidity,
- 4) Potential marketability of investments in case of required liquidation, and
- 5) Diversification and yield considerations.

All designated fund investments must meet credit and safety criteria as required by the Act. Due to the overall short-term nature of the portfolio, involuntary investment liquidations are unlikely for any of the funds; however, should liquidations be necessary, the limited maturity of the securities should make material losses unlikely.

The various funds' investments will be structured to achieve competitive yields, given the pertinent liquidity requirements, and they will be compared against appropriately competitive and reasonable benchmarks. The overall portfolio shall not exceed a maximum weighted average maturity (WAM) of two (2) years.

#### **44.71 OVERVIEW OF FUNDS**

The Bond Ordinance No. 2013-21 requires a System Fund, a Bond (Interest and Sinking) Fund, and a Reserve (Debt Reserve) Fund. The Bond Ordinance requirements for amounts set aside in the Reserve Fund are suspended as long as the Pledged Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements. The Board has divided the System Fund into the following funds for operational, emergency and long term planning needs: Revenue Fund; Construction Fund; Emergency Repair, Replacement, and Contingency Fund; Rate Stabilization Fund; and Long Term Rate Stabilization Fund.

#### **44.72 Revenue Fund**

The Revenue Fund requires a high degree of liquidity to meet ongoing operational needs. Investments shall have a maximum maturity of two years and a maximum WAM of one (1) year. The Revenue Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

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The Construction Fund is to be structured to meet construction payment requirements for which the related funds are acquired. Due to long construction periods the maximum maturity for these funds shall be ten (10) years and the maximum WAM shall be three (3) years. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

#### **44.74 Debt Reserve Fund**

The Debt Reserve Fund is created to provide reserves to meet any shortfalls in the Interest and Sinking Fund. As Debt Reserve Funds are not anticipated to be utilized except to support the semi-annual debt service payments, the maximum maturity shall be six (6) months and a maximum WAM of one (1) year. The funds will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

**44.75 Interest and Sinking Fund**

The Interest and Sinking Fund amounts shall include investments appropriate to meet the twice yearly bond payment requirements for which the funds are accumulated. Investments will be structured to meet the current debt payment date and no extension shall be made until the preceding payments have been funded. Investments shall strive to achieve competitive yields. The maximum maturity shall be one (1) year and the maximum WAM shall be six (6) months. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer.

**44.76 Emergency Repair, Replacement, and Contingency Fund**

The Emergency Repair, Replacement, and Contingency Fund was established to provide for emergency repairs and/or replacement of capital assets damaged by catastrophes, acts of God, or other disasters, and to fund unforeseen projects of the Board in excess of \$100,000 (so as to level the impact on electric tariffs from those unbudgeted projects). Investments in the Emergency Repair, Replacement, and Contingency Fund shall be limited to a maximum maturity of three (3) years, and a maximum WAM of eighteen (18) months. The Emergency Repair, Replacement, and Contingency Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by Board action.

**44.77 Rate Stabilization Fund**

The Rate Stabilization Fund was established to minimize the exposure of the KPUB consumers to extreme or significant power supply volatility. The use of this fund will be initiated by the CFO and or the General Manager/Chief Executive Officer recommending transfers from the Rate Stabilization Fund to the Revenue Fund to fund expenses or charges for significant increases in purchase power, fuel or other expenses as deemed appropriate and to minimize the exposure of KPUB's consumers to extreme or significant power supply volatility.

The Rate Stabilization Fund shall include investments suitable for a fund requiring a high degree of liquidity. As such, investments in this fund shall be limited to a maximum maturity no greater than six (6) months and a maximum WAM of three (3) months. The Rate Stabilization Fund will be compared to appropriately competitive and reasonable benchmarks.

**44.78 Long Term Rate Stabilization Fund**

The Long Term Rate Stabilization Fund was established to minimize the exposure of KPUB customers to long term power supply volatility. The use of this fund will be initiated by Board action to fund acquisition of equity positions in generation resources, pre-purchase fuel agreements, investment in infrastructure, and other actions to limit long term exposure to ERCOT market volatility.

The Long Term Rate Stabilization Fund shall include investments suitable for a fund requiring a moderate degree of liquidity. As such, investments in this fund shall have a maximum maturity of ten (10) years and a maximum WAM of three (3) years. The length of these investments should be coordinated to support KPUB's Integrated Resource Plan. Other criteria may be used in making this investment maturity decision such as arbitrage considerations, flexibility, and marketability. The Long Term Rate Stabilization Fund will be compared to appropriately competitive and reasonable benchmarks.

**44.79 Federal Income Tax Limitations on Investments**

The Board recognizes that the provisions of Bond Ordinance No. 2013-21 and the Internal Revenue Code of 1986, as amended (the "Code") impose certain restrictions upon the investment of KPUB funds. While the investment strategies of the Board include goals to maximize the yield on any investments, the Board recognizes that certain investments must be made at yields at or below the yields on KPUB's outstanding revenue bonds to comply with the provisions of the aforementioned ordinance and the Code.

**44.80 BANKS AND BROKER/DEALERS**

A banking services depository shall be selected through KPUB's procurement process, which shall include a formal request for proposals issued at least every three years. Other financial institutions may be designated as depositories for other time and demand deposits. In selecting the banking services depository, the credit worthiness of institutions, earnings potential and service costs shall be considered, and the CFO shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history along with the estimated cost of the banking services to be provided to KPUB.

**44.81** Banks: Banks and savings banks seeking to establish eligibility for KPUB's time or demand deposits shall submit financial statements, evidence of Federal insurance and other information as required by the CFO.

**44.82** Broker/dealers: The Investment Committee or Board shall approve a list of authorized broker/dealers/advisors recommended by the Investment Officer no less than annually.

Broker/dealers shall provide to the Investment Officer the following:

- Annual financial statements (required annually),
- Registration with FINRA and the firm's FINRA CRD number, and
- Registration with the Texas State Securities Board.

Each broker/dealer will be provided the current Policy.



Investment Officers in their dealing with KPUB funds shall not conduct business with any securities dealer with whom or through whom public entities have sustained losses on investments.

**44.83** Local Government Investment Pools: Pools must provide a policy certification to certify that they have received and reviewed the KPUB investment policy and meet all requirements set forth in the Act (Section 2256.016). Investment pools or investment management firms offering to engage in an investment transaction with KPUB must comply with the requirements of Section 44.10 of this Policy.

**44.90 COLLATERAL**

**Collateral Pledged to KPUB:**

All time and demand deposits shall be secured by authorized collateral with a market value equal to at least 102 percent of the deposits daily, plus any accrued interest, less any amount insured by FDIC. Evidence of the pledged collateral shall be maintained by the CFO and held by an independent third party financial institution approved by KPUB. The pledging institution or the custodian shall provide a monthly listing of the collateral. The collateral report will be reviewed monthly by the CFO to assure the market value of the securities pledged equals or exceeds the related bank collected balances. The custodian of these pledged securities must be:

- 1) A state or national bank that:
  - a) Is designated by the Comptroller as a state depository,
  - b) Has its main office or a branch office in this state, and
  - c) Has capital stock and permanent surplus of \$5 million or more;
- 2) A Federal Reserve Bank or a branch of a Federal Reserve Bank; or
- 3) A Federal Home Loan Bank.

Only securities allowed by the Public Funds Collateral Act, Chapter 2257, as amended, Texas Government Code shall be eligible to be pledged as collateral. KPUB will authorize letters of credit as collateral but will give preference to pledged securities.

KPUB's designated custodian shall provide a current list of all pledged investment securities monthly. The list must include (for each pledged investment security): KPUB's name; the CUSIP number of the security; par amount and maturity date of the security.

**Collateral Owned by KPUB**

Collateral underlying repurchase agreements are owned by KPUB and must have a market value equal to at least 102 percent daily monitored and reported daily by the counter-party. Collateral shall be held by an independent third party financial institution approved by KPUB using a DVP settlement.

Authorized collateral for repurchase agreements shall include only:

- (a) cash, and
- (b) obligations of the US Government, its agencies and instrumentalities including the Federal Home Loan Banks.

**44.100**

**INTERNAL CONTROLS**

The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of KPUB. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

**Cash Flow Forecasting**

Cash flow forecasting is a control designed to protect and sustain cash flow requirements. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

**Loss of Rating**

The Investment Officer shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment Officer shall notify the Committee of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available.

**Monitoring FDIC Coverage**

The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by KPUB based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer shall immediately liquidate any brokered CD which places KPUB above the FDIC insurance level.

**44.110 INVESTMENT POLICY ADOPTION**

The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its investment strategies and any changes to the Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

**Approved as to Form**

\_\_\_\_\_  
Stephen Schulte, General Counsel

**Approved as to Legality and Content**

\_\_\_\_\_  
Stephanie V. Leibe, Bond Counsel

**Recommended for Board Approval**

\_\_\_\_\_  
General Manager and Chief Executive Officer

**Passed, Approved and Adopted this \_\_\_\_ day of \_\_\_\_\_, 2020**

\_\_\_\_\_  
Bill Thomas, Chairman

## MEMORANDUM

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

From: Ricardo Berrios Jr.

Date: February 10, 2021

Re: Agenda Item No. 11—Update on EV Charging Stations Usage

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As requested by the Board, attached for your review is a summary report of each of KPUB's charging stations usage by months and years. In addition, KPUB made a total net revenue of \$1,490.96 from the EVs' charging fees that started on October 1, 2019. From the Electric Vehicle Public Charging Flat Rate Program, KPUB has three EV users that joined on the flat rate of \$30.00 for 6 months.

Please let me know if you have any questions or concerns.

Sincerely,



Ricardo Berrios Jr.  
Interim Manager of Engineering

## KPUB CHARGING STATION USAGE REPORT

<b>KERRVILLE PUB / PETERSON HOSPITAL (LEVEL 2-CHARGING STATION)</b>	<b>263</b>	<b>TOTAL USAGE</b>
<b>2020</b>	<b>199</b>	<b>TOTAL YEAR</b>
May	9	MONTHLY USAGE
Jun	11	MONTHLY USAGE
Jul	19	MONTHLY USAGE
Aug	29	MONTHLY USAGE
Sep	27	MONTHLY USAGE
Oct	39	MONTHLY USAGE
Nov	39	MONTHLY USAGE
Dec	26	MONTHLY USAGE
<b>2021</b>	<b>64</b>	<b>TOTAL YEAR</b>
Jan	44	MONTHLY USAGE
Feb	20	MONTHLY USAGE
<b>KERRVILLE PUB / KERRVILLE DOWNTOWN GARAGE (LEVEL 2-CHARGING STATION)</b>	<b>3443</b>	<b>TOTAL USAGE</b>
<b>&lt;11/17/2013</b>		
<b>2013</b>	<b>2</b>	<b>TOTAL YEAR</b>
Nov	2	
<b>2014</b>	<b>242</b>	<b>TOTAL YEAR</b>
Feb	6	MONTHLY USAGE
Mar	12	MONTHLY USAGE
Apr	9	MONTHLY USAGE
May	18	MONTHLY USAGE
Jun	28	MONTHLY USAGE
Jul	31	MONTHLY USAGE
Aug	31	MONTHLY USAGE
Sep	24	MONTHLY USAGE
Oct	34	MONTHLY USAGE
Nov	18	MONTHLY USAGE
Dec	31	MONTHLY USAGE
<b>2015</b>	<b>415</b>	<b>TOTAL YEAR</b>
Jan	27	MONTHLY USAGE
Feb	23	MONTHLY USAGE
Mar	41	MONTHLY USAGE
Apr	27	MONTHLY USAGE
May	30	MONTHLY USAGE
Jun	50	MONTHLY USAGE
Jul	41	MONTHLY USAGE
Aug	34	MONTHLY USAGE
Sep	39	MONTHLY USAGE
Oct	38	MONTHLY USAGE
Nov	40	MONTHLY USAGE
Dec	25	MONTHLY USAGE
<b>2016</b>	<b>461</b>	<b>TOTAL YEAR</b>
Jan	33	MONTHLY USAGE
Feb	36	MONTHLY USAGE
Mar	34	MONTHLY USAGE



Apr	38	MONTHLY USAGE
May	34	MONTHLY USAGE
Jun	35	MONTHLY USAGE
Jul	41	MONTHLY USAGE
Aug	38	MONTHLY USAGE
Sep	33	MONTHLY USAGE
Oct	42	MONTHLY USAGE
Nov	46	MONTHLY USAGE
Dec	51	MONTHLY USAGE
<b>2017</b>	<b>562</b>	<b>TOTAL YEAR</b>
Jan	56	MONTHLY USAGE
Feb	50	MONTHLY USAGE
Mar	56	MONTHLY USAGE
Apr	52	MONTHLY USAGE
May	49	MONTHLY USAGE
Jun	44	MONTHLY USAGE
Jul	29	MONTHLY USAGE
Aug	44	MONTHLY USAGE
Sep	52	MONTHLY USAGE
Oct	39	MONTHLY USAGE
Nov	41	MONTHLY USAGE
Dec	50	MONTHLY USAGE
<b>2018</b>	<b>603</b>	<b>TOTAL YEAR</b>
Jan	53	MONTHLY USAGE
Feb	34	MONTHLY USAGE
Mar	45	MONTHLY USAGE
Apr	50	MONTHLY USAGE
May	56	MONTHLY USAGE
Jun	57	MONTHLY USAGE
Jul	57	MONTHLY USAGE
Aug	52	MONTHLY USAGE
Sep	45	MONTHLY USAGE
Oct	55	MONTHLY USAGE
Nov	46	MONTHLY USAGE
Dec	53	MONTHLY USAGE
<b>2019</b>	<b>690</b>	<b>TOTAL YEAR</b>
Jan	63	MONTHLY USAGE
Feb	42	MONTHLY USAGE
Mar	77	MONTHLY USAGE
Apr	64	MONTHLY USAGE
May	65	MONTHLY USAGE
Jun	68	MONTHLY USAGE
Jul	48	MONTHLY USAGE
Aug	56	MONTHLY USAGE
Sep	50	MONTHLY USAGE
Oct	48	MONTHLY USAGE
Nov	55	MONTHLY USAGE
Dec	54	MONTHLY USAGE
<b>2020</b>	<b>429</b>	<b>TOTAL YEAR</b>
Jan	54	MONTHLY USAGE
Feb	54	MONTHLY USAGE

Mar	48	MONTHLY USAGE
Apr	23	MONTHLY USAGE
May	24	MONTHLY USAGE
Jun	36	MONTHLY USAGE
Jul	35	MONTHLY USAGE
Aug	40	MONTHLY USAGE
Sep	24	MONTHLY USAGE
Oct	33	MONTHLY USAGE
Nov	26	MONTHLY USAGE
Dec	32	MONTHLY USAGE
<b>2021</b>	<b>39</b>	<b>TOTAL YEAR</b>
Jan	27	MONTHLY USAGE
Feb	12	MONTHLY USAGE
<b>KERRVILLE PUB / SCHREINER UNIVERSITY (LEVEL 2-CHARGING STATION)</b>	<b>1</b>	<b>TOTAL USAGE</b>
<b>2020</b>	<b>1</b>	<b>TOTAL YEAR</b>
Mar	1	MONTHLY USAGE
<b>KERRVILLE PUB / VISITOR CENTER (LEVEL 3-CHARGING STATION)</b>	<b>100</b>	<b>TOTAL USAGE</b>
<b>2020</b>	<b>82</b>	<b>TOTAL YEAR</b>
Apr	1	
May	6	
Jun	9	
Jul	7	
Aug	6	
Sep	22	
Oct	9	
Nov	9	
Dec	13	
<b>2021</b>	<b>18</b>	<b>TOTAL YEAR</b>
Jan	13	
Feb	5	
<b>Grand Total</b>	<b>3807</b>	<b>TOTAL USAGE</b>

## MEMORANDUM

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

From: Allison Bueché

Date: February 8, 2021

RE: Agenda Item #12—Change for Charity Program Fund Update

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The Kerrville Public Utility Board (KPUB) Change for Charity program fund continues to be well received with the majority of our customers, and the partnership with St. Vincent de Paul is continuing smoothly as well.

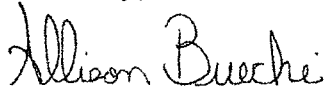
We have had 674 residential customers opt-out of the program as of February 8, 2021.

For the month of January, we granted \$16,910.01 in program funds to 135 households.

Since the program's inception in July, we have granted a total of \$99,313.11 in bill payment assistance through the Change for Charity fund to 829 families in our community.

Please let me know if you have any questions or concerns.

Sincerely,



Allison Bueché  
Interim Director of Customer & Community Relations  
Kerrville Public Utility Board



## MEMORANDUM

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

From: Tammye Riley

Date: February 12, 2021

Re: Agenda Item No. 13

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As we began our response to the COVID-19 pandemic 1 year ago, we had little idea of the magnitude of the journey we were about to face. Our management team gathered forces and set into motion our emergency preparedness plan - decisions were carefully considered but our actions were swift. We relied on industry member organizations & peers, as well as government health departments to help pave the way of this unknown road. I am proud to say that we have stayed the course and have remained vibrant through this pandemic.

Our goal from the beginning was to ensure the safety and health of our workforce, while continuing operational integrity and reliability of power to our community. Our goals continue to remain the same with little changes being made to our day to day operations over the past year; we continue to separate the workforce, continue with our disinfecting measures, and accommodating our staff when absences are required, to name a few. A great deal of patience and ingenuity has been shown by our staff and we could not be prouder of them.

I will be happy to answer any questions or concerns you might have regarding our COVID-19 responses.

Sincerely,



Tammye Riley  
Director of HR, Safety & Training

# MEMORANDUM

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

From: Mike Wittler

Date: February 11, 2021

Re: Agenda Item 14—Status Update on Downtown Beautification and Lighting Projects

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## **KUTS Lighting:**

At the request of the City and the Kerrville Urban Trail System (KUTS) we have been working on designs for string lighting across the streets at points of interest along the trail. The first two locations would be on Clay St. between the Voelkel Building and the Downtown Parking Garage and between Napa Auto and Pint and Plow. We estimate a typical installation cost of \$24,540.78 for each location and a monthly rate of \$144.98 for each location. The rates have been developed using formulas previously provided by Utility Financial Solutions for KPUB installed street light poles. Their rates recover costs for depreciation (20-30 years) and a 5% rate of return based on average net book value of assets installed. To that we have added costs for maintenance of the string lighting fixtures. Each location will have eight light strings crossing the road and the rate is equivalent to the cost of eight streetlights. City staff has requested KPUB to proceed with the installations.

## **Downtown Beautification:**

As reported last month, we have had a placeholder in our capital budget for downtown underground conversion in the amount of \$200,000 for several years. The intent initially was to work on undergrounding along Water St. starting at Sidney Baker and going West to Clay Street.

Several projects are now underway: TXDOT is replacing the traffic signal at Water St. and Sidney Baker, KUTS has installed two murals and is working on pedestrian crossings at Water St. and Clay St., and the City is now working on projects at the A.C Schreiner Mansion and the Downtown Parking Garage.

I think that KPUB is in a position to make aesthetic improvements to the Downtown, TIRZ district, and other areas of our service area when possible. If KPUB can make these improvements for our community and continue to maintain competitive rates, this would be a reasonable course of action.

The scope of the project we are looking at is larger than initially planned. Rough cost estimates are:

1. Underground all (1225 feet): \$346,500
2. Underground the Water/Clay intersection (800 feet): \$217,500

3. Leave Overhead: \$0

Moving the communications utilities will also cost \$25,000 to \$50,000. KPUB cannot fund these costs with ratepayer funds and will need to find other funding sources for these costs.

In determining policies regarding beautification expenditures, the Board should be mindful of potential rate payer equities (city vs. county ratepayers and Kerrville vs. Ingram, Hunt and CenterPoint).

The possibility of seeking EIC funding for 50% of this project was brought up at last month's Board meeting. EIC funds are limited and sought out for many projects. When compared to projects that support primary manufacturing jobs, utility infrastructure to support primary jobs and workforce housing, and quality of life projects like the River Trail, I expect that this beautification project will rank low on the priority list.

I would recommend that the Board support this as a project fully funded by KPUB. If the Board does choose to seek EIC funding, I would recommend that the Board support KPUB funding the installation of conduit for utility crossings at the intersection of Clay and Water Streets so that we can complete that work before KUTS street crossings are done in early summer.

The policy question for the Board to discuss is how aesthetic improvement projects should be funded. Traditionally these projects have been funded by the requestor. An additional consideration is that if matching funding is required, then projects outside of the City may be put at a disadvantage.

Please let me know if you require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Wittler", with a stylized flourish at the end.

Mike Wittler, P.E.