

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
REGULAR MONTHLY MEETING
WEDNESDAY, NOVEMBER 17, 2021, AT 8:30 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS**

TRUSTEES PRESENT:

Philip Stacy
Mark Cowden
Larry Howard
Mayor Bill Blackburn

STAFF PRESENT:

Mike Wittler, General Manager and CEO
Amy Dozier, Director of Finance
Paul Martinez, Director of Engineering
Tammye Riley, Director of Operations
Robby McCutcheon, Director of IT
Allison Bueché, Director of Customer and Community Relations
Jill Cook, Accounting Supervisor
Lidia Goldthorn, Assistant Secretary to the Board

TRUSTEES ABSENT:

Bill Thomas

OTHERS PRESENT:

Stephen Schulte, Legal Counsel
Ramsey Cripe, Schneider Engineering (*Via teleconference*)
John E. Sample

1. CALL TO ORDER:

Mr. Philip Stacy, Chairman, called the Regular Monthly Meeting to order at 8.31 a.m.

2. PLEDGE OF ALLEGIANCE:

3. APPROVAL OF MINUTES:

The Trustees reviewed the minutes of the October 20, 2021, Regular Monthly Board Meeting. Mark Cowden, Vice Chairman, motioned to approve the minutes. Larry Howard, Secretary, 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:

Ms. Bueché listed employee anniversaries for the month of November: Toby Geurin, 20 years; Josh Whitworth, 15 years; and Andrew Stevens, 4 years. She advised the Courthouse tree and street ornament decorations have been installed by our crews. Community Events that KPUB has participated in include the City of Kerrville Family Fright Night and Community Blood Drive. An upcoming event will be the KPUB and AACOG Community Weatherization Event at the Dietert Center on December 9th. Ms. Bueché added Volunteer Events KPUB volunteered for were the Mobile Food Pantry and habitat for Humanity Day. Upcoming Volunteer events include helping with the Salvation Army Thanksgiving Meal Prep on November 19th and Salvation Army Bell Ringing on December 2nd and 16th. Ms. Bueché advised that KPUB offices will be closed Thursday and Friday, November 25th and 26th in observance of Thanksgiving. She added that KPUB is also sponsoring a Coat and Blanket Drive through December 10th. Mr. Wittler advised the next regular board meeting is scheduled for December 15, 2021 at 8:30 a.m.

6. CONSIDERATION AND ACTION ON RESOLUTION NO. 21-29 – AMY DOZIER, DIRECTOR OF FINANCE:

Ms. Dozier presented last month's wire transfers for operating expenses to the Board. She highlighted the semi-annual bond payment to Broadway Bank, as well as a credit received from the City of Garland. Mayor Blackburn motioned for approval of Resolution No. 21-29. Mr. Cowden seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

7. FINANCIAL REPORT – AMY DOZIER, DIRECTOR OF FINANCE:

Ms. Dozier advised this month's report contains financial statements for two months, September 2021 and October 2021. She advised the September report was delayed in order to accommodate the year-end financial close schedule and the annual audit. Ms. Dozier highlighted FY2021 items that included a \$2.3M increase in net position, \$42.7M in operating revenues (2.5% increase from FY2020), \$39.5M in operating expenses (0.9% increase from FY2020), \$3.2M in operating income and \$1.7M in over collected power cost adjustment at September 30, 2021. October 2021 highlights included a \$159K increase in net position, \$3.4M in operating revenues (better than budget and prior year), \$3.2M in operating expense (better than budget, higher than prior year), \$257K in operating income, and \$2.1M in over collected power cost adjustment at October 31, 2021. Ms. Dozier added that the Power Cost Adjustment (PCA) remained at \$95.00 for October. Due to pending litigation and rising purchased power costs, the PCA is expected to remain stable at \$95.00 for the foreseeable future. Ms. Dozier also provided a power point presentation with the financial metrics from her memo.

8. CONSIDERATION AND ACTION ON SEPTEMBER QUARTERLY FUNDS REPORT – AMY DOZIER, DIRECTOR OF FINANCE:

Ms. Dozier presented summary information from the Quarterly Funds Report. She advised that as of September 30, 2021, KPUB had \$29.9M invested in CD's, municipal investment pools and demand accounts at Happy State Bank. The majority of the funds (\$17.6M) are held in demand accounts at Happy State Bank. These accounts are fully collateralized, completely liquid and earning 25 basis points. The investments were discussed in detail with the Investment Committee following the October Board meeting. Ms. Dozier added that KPUB plans to continue holding most of its investments in liquid accounts until pending litigation is resolved. This item did not require a motion and second because it was being submitted for Board approval by the Investment Committee. Vote was by a show of hands. Motion carried 4 – 0.

9. APPROVAL AND REPORTING OF PURCHASES AND SALES:

A. Wood Pole Inspection and Treatment Services (Paul Martinez, Director of Engineering)

Mr. Martinez recommended executing the final extension of the existing agreement with Osmose. He advised the three-year base contract with up to two extension was approved in November of 2017. Per the allowable terms of the original agreement, the unit pricing represents an increase of 3.2% from last year utilizing the Consumer Price Index. Last year we utilized an average price per pole cost of \$46, adding the 3.2% we will utilize an average price per pole of \$47.38. to maintain a ten-year cycle, we have been inspecting 2000 poles per year which results in a purchase order amount of \$94,760.

B. Report on Purchase Orders for Single Phase Underground Padmount Transformers and Underground Primary Cable issued prior to Board approval due to increasing lead times (Mike Wittler, CEO)

Mr. Wittler advised that at the September 2021 Board Meeting, staff advised the Board that we had supply chain issues with single phase padmount transformers and that we had issued a purchase order for transformers to replace an order that had been cancelled by the manufacturer. We also advised the Board that in light of the increasing lead times we had also evaluated needs for underground single-phase distribution materials for the next 12 to 24 months and issued a request for quotation for 90 transformers, 30,000 feet of underground primary cable and other miscellaneous materials for total cost of which was estimated to be \$400,000 to \$450,000. Mr. Wittler went over the purchase orders for transformers and primary cable that were issued on September 30. He advised these purchase orders were issued prior to the normally required Board approval as allowed by "Resolution No. 20-06, A Resolution Granting the KPUB General Manager and CEO authorizations to Respond to the Covid-19 Disaster". This resolution gives the General Manager and CEO authorization to "Approve any expenditures in excess of \$5,000 up to \$500,000 for ... General Services ... as those items are defined in Board Policy 42; Purchasing and Procurement Policy; require notification of the Kerrville Public Utility Board Trustees". Mr. Wittler added that staff is continuing to closely monitor lead times to ensure KPUB is prepared to promptly provide service to new customers and developments. Increased lead times and pricing on materials are being seen across the board.

Mr. Howard motioned for approval purchases and sales. Mr. Cowden seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

10. CONSIDERATION AND ACTION ON IDENTITY THEFT POLICY AND PROCEDURES – ALLISON BUECHÉ, DIRECTOR OF CUSTOMER & COMMUNITY RELATIONS:

Ms. Bueché advised that as part of KPUB's Identity Theft Prevention Program, the Customer Service Department verifies a customer's identity by running an ONLINE Information Utility Exchange report. For that purpose, KPUB has had an agreement in place with ONLINE Information Services since October of 2008. During the last twelve months, KPUB has processed 2,259 identity verification checks with zero issues. The total cost including monthly fees was \$4,487.31. The Identify Theft Committee met recently to review the identity theft policies and procedures. Based on that review recommended revisions to the program were provided by Ms. Bueché; which were minor to simplify and update some of the program language.

Mayor Blackburn motioned for approval to continue under the current policy and procedures. Mr. Cowden seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

11. REVIEW, CONSIDERATION AND ACTION ON POSSIBLE CHANGES TO KPUB SCHOLARSHIP PROGRAM – ALLISON BUECHÉ, DIRECTOR OF CUSTOMER & COMMUNITY RELATIONS:

Ms. Bueché provided the Board the original copy of KPUB's Scholarship Program Eligibility Criteria and Guideline from when the program was established in 2013 and recommended changes for 2022. The judge's evaluation form and point system being used is also included. Ms. Bueche advised the last program revisions were in 2020 to increase the two renewable scholarship amounts from \$1,000 to \$1,500 annually. Additionally, a one-time \$1,000 scholarship was added to be awarded exclusively for tech/trade school students in 2020. Before that, the program was last revised in 2017 for the eligibility requirements to allow for a wider range of applicants by increasing the economic need ranges for consideration. Ms. Bueché provided additional history for the Board's review on the program, with a list of students who have been awarded scholarships since the program's inception with their intended majors, and a listing of the 2021 applicants with their intended majors. Ms. Bueché recommended removal of the current SAR under the eligibility guidelines going forward for students applying for the renewal of the scholarship since the only renewal requirement is maintaining a minimum GPS of 2.5 (on a 4.0 scale) while in college. She advised it is not a necessary renewal requirement – the SAR is only considered upon the initial scholarship award, per the eligibility guidelines. After consideration by the Board, it was recommended the item be tabled so that Philip Stacy, Larry Howard, and Allison Bueche could further review potential changes to the programs and requirements and bring it back to the Board at a future meeting.

12. CONSIDERATION AND ACTION FOR RECOMMENDED ONE-TIME PAYMENT IN LIEU OF INCENTIVE PLAN PAYMENTS FOR FY 2021 – TAMMYE RILEY, DIRECTOR OF OPERATIONS:

Ms. Riley advised that on January 15, 2021, the Board approved a temporary suspension of the incentive plans for FY 2021 along with the approval of a one-time lump sum payment to eligible full-time employees. The payment was subject to final board approval at the end of the fiscal year. The Board approved (based on recommendation of the personnel committee) for a payout percentage of 2.5% for non-management staff and 2.25% for management staff in November 2021. Ms. Riley provided FY 2021 attainments achieved for key areas of focus in prior years and the proposed payout amounts by department for the Board's review. Ms. Riley requested final approval of the payments based on attainments presented. She added that the criteria for employee eligibility was determined per the normal requirements of the incentive plans.

Mr. Howard motioned for approval of a one-time payment in lieu of incentive plan payments for FY 2021. Mayor Blackburn seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

13. CONSIDERATION AND ACTION ON OPT-IN/OPT-OUT DECISION FOR ERCOT SECURITIZATION FOR FEBRUARY 2021 MARKET UPLIFTS – MIKE WITTLER, CEO:

Mr. Wittler advised that after the February 2021 winter storm, the Texas Legislature enacted House Bill 4492 directing ERCOT to issue bonds to refund charges for Ancillary Services (AS) above \$9,000 and Reliability Deployment Price Adder (RDPA). The total of the charges across ERCOT during the winter storm are estimated to be \$4.8B and ERCOT is authorized to issue bonds for and refund up to \$2.1B. KPUB has paid approximately \$4.7M in RDPA charges. KPUB had no charges for AS above \$9,000 because we had contracted for AS at fixed prices. Mr. Wittler further advised that ERCOT is authorized to issue bonds to raise the money necessary to refund these charges and to collect fees from certain entities, like KPUB, over a 30-year period so ERCOT can pay off its bonds. The PUCT is directed to implement this. The Legislature has allowed municipally owned utilities (like KPUB) and cooperatives to waive their refunds and avoid paying the 30-year fee. The fee is assessed based on an entity's percent of the total ERCOT load share during the upcoming 30 years. It is difficult to accurately estimate what KPUB's load share will be

for such a long period in the future because it depends on many unknown variables. If KPUB's total electricity consumption increased at a faster pace than the rest of the state, then KPUB's load share would increase over time. KPUB's load share would probably not increase if another entity defaulted on these 30-year fees at some point (through bankruptcy or similar action), because the new entity that takes over those customers would then have an increased load share and would essentially continue paying the prior entity's fees.

Mr. Wittler added that the current estimate of KPUB's annual obligation over the next 30 years if KPUB does opt-in to this securitization program, is approximately \$323K (very close to the cost of borrowing \$4.7M at 5.25% for 30 years). The biggest unknown is how much KPUB would be refunded because that depends on how many entities are opted-in to the program. With total charges of \$4.8B and refund pool of \$2.1B, it is likely that many entities will only receive partial refunds of their costs. Additionally, the refund process gives priority to refunds to Retail Electric Providers (REPs) operating in retail competition that are smaller and without affiliates that own generation. The process has four levels of priority with Municipally Owned Utilities, Cooperatives, and large REPs with affiliates at the bottom of the list. Once a municipally owned utility or cooperative opts out or opts in, it is permanent and irreversible. The deadline to file the necessary documentation at the PUCT to opt out of the fee (and the refund) is November 29, 2021. No filing is needed to opt-in. Mr. Wittler provided a memorandum from Schneider Engineering with a recommendation to opt-out. He also provided a list of entities that have currently opted-out for the Board's reference. Because of all of the unknowns related to participation and relatively high interest rate, staff recommends that KPUB opt-out of the ERCOT securitization program. Mr. Wittler also advised that John Davidson is on board with staff's recommendation and will file with the PUC for KPUB.

Mr. Cowden motioned to opt-out of the ERCOT Securitization for February 2021 Market Uplifts. Mr. Howard seconded the motion. Vote was by a show of hands. Motion carried 4 – 0.

**At 9:44 am the Board took a five-minute break.*

14. MOTION AND VOTE TO RECESS THE PUBLIC MEETING AND RECONVENE IN AN EXECUTIVE CLOSED SESSION:

I. EXECUTIVE CLOSED SESSION – CONSULTATION WITH ATTORNEY:

In accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, the Kerrville Public Utility Board will recess for the purpose of "Consultation With Attorney" regarding the following matter:

- A. Consultation with Attorney Regarding Pending or Contemplated Litigation – Mike Wittler, CEO

II. EXECUTIVE CLOSED SESSION – COMPETITIVE MATTERS:

In accordance with Texas Statutes Subchapter D, chapter 551, Government Code Section §551.086, the Kerrville Public Utility Board will recess to discuss and take any necessary action on the following "Competitive Matters":

- A. Bidding and pricing information for purchased power, general and fuel, and Electric Reliability Council of Texas bids, prices, offers, and related services and strategies; Risk management information, contracts, and strategies, including fuel hedging and storage;

- (1) Discussion on Hedging Activities and Risk Management Policy – Mike Wittler, CEO

III. EXECUTIVE CLOSED SESSION – DELIBERATIONS REGARDING SECURITY DEVICES OR SECURITY AUDITS:

In accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.076, the Kerrville Public Utility Board will recess to discuss and take any necessary action on the following “Deliberations Regarding Security Devices or Security Audits”:

- A. Cybersecurity Overview – Robby McCutcheon, Director of Information Technology

Chairman Stacy asked the Board of Trustees if he had a motion that the Board convene in Executive Closed Session to discuss “Consultation With Attorney” in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.071, “Competitive Matters” in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.086, and “Deliberations Regarding Security Devices or Security Audits” in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.076. Mr. Cowden so moved. Mayor Blackburn seconded the motion. Vote was by show of hands. Motion carried 4 – 0.

The Board entered Executive Closed Session at 9:38 a.m. Chairman Stacy adjourned the Executive Closed Session and reconvened into Open Session at 10:56 a.m.

15. CONSIDERATION AND ACTION AS A RESULT OF EXECUTIVE SESSIONS:

No action taken by the Board.

16. ADJOURNMENT

Chairman Stacy adjourned the Regular Board Meeting at 10:56 a.m.

Date Approved: _____

Philip Stacy, Chairman

ATTEST

Lidia S. Goldthorn, Assistant Secretary to the Board

MEMORANDUM

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

From: Amy Dozier

Date: December 8, 2021

Re: Agenda Item No. 6A – Resolution No. 21-30

The following transfers were initiated since the last Board meeting:

I. WIRE TRANSFERS - Operating Expense

CONCHO BLUFF - Power Cost Billing 10/01/2021 to 10/31/2021. Paid November 29, 2021 Transfer from TexPool Investment Fund to CONCHO BLUFF.	\$ 247,714.80
CPS ENERGY - Power Cost Billing 10/01/2021 to 10/31/2021. Paid November 24, 2021 Transfer from TexPool Investment Fund to CPS ENERGY.	\$ 1,170,352.07
DG TEXAS SOLAR, LLC - Power Cost Billing 10/01/2021 to 10/31/2021. Paid November 22, 2021 Transfer from TexPool Investment Fund to DG TEXAS SOLAR, LLC.	\$ 54,351.53
DG TEXAS SOLAR, LLC – Annual Furman Lease Payment Paid November 16, 2021 Transfer from TexPool Investment Fund to DG TEXAS SOLAR, LLC.	\$ 9,849.47
DG TEXAS SOLAR, LLC – Annual Kerrville Lease Payment Paid November 16, 2021 Transfer from TexPool Investment Fund to DG TEXAS SOLAR, LLC.	\$ 15,160.06
ENGIE LONG DRAW SOLAR - Power Cost Billing 10/01/2021 to 10/31/2021. Paid November 24, 2021 Transfer from TexPool Investment Fund to ENGIE LONG DRAW SOLAR.	\$ 98,468.05
ERCOT – CRR Auction – Monthly - December 2021. Paid November 23, 2021 Transfer from TexPool Investment Fund to ERCOT.	\$ 14,448.32

ERCOT- CRR Auction – Annual – July 2022.

Paid December 6, 2021 Transfer from TexPool Investment Fund to ERCOT.	\$	63,278.04
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LCRA - Power Cost Billing 10/01/2021 to 10/31/2021.

Paid November 29, 2021 Transfer from TexPool Investment Fund to LCRA.	\$	584,687.65
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NEXTERA - Power Cost Billing 10/01/2021 to 10/31/2021.

Paid November 19, 2021 Transfer from TexPool Investment Fund to NEXTERA.	\$	485,088.00
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II. TRANSFERS – Investments

A. Transfer from Happy State Bank operating account to Happy State Bank Investment Fund or Wires from Happy State Investment Fund to TexPool

<u>Date</u>		<u>Principal</u>
November 15, 2021	\$	500,000.00
November 16, 2021(Wire to TexPool)	\$	(600,000.00)
November 19, 2021	\$	450,000.00
November 24, 2021	\$	500,000.00
November 30, 2021	\$	1,100,000.00
December 3, 2021	\$	500,000.00

III. WIRE TRANSFERS - Payroll

Automated Clearing House for Pay Periods Ending:

November 12, 2021	\$	108,291.08
November 24, 2021 (incentive payroll)	\$	55,896.18
November 26, 2021	\$	111,282.81
December 10, 2021	\$	108,486.85

IV. WIRE TRANSFERS - Payroll - Federal Reserve Bank

Federal Withholding and FICA for Period Ending:

November 12, 2021	\$	38,620.35
November 24, 2021 (incentive payroll)	\$	29,190.98
November 26, 2021	\$	39,369.07
December 10, 2021	\$	38,630.56

V. WIRE TRANSFER - TMRS and TML

Texas Municipal Retirement System (TMRS)

Retirement Plan Contribution for the month of November – Paid 12/13/2021	\$	84,498.39
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Texas Municipal League (TML)

Monthly Premium - Medical, Dental, Vision and Life for the month of December – Paid 12/01/2021	\$	54,626.24
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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,

A handwritten signature in blue ink that reads "Amy Dozier". The signature is written in a cursive, flowing style.

Amy Dozier
Director of Finance

RESOLUTION NO. 21-30

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 15th day of December, 2021

Philip Stacy, Chairman

ATTEST:

Larry Howard, Secretary

MEMORANDUM

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

From: Howard Hall

Date: December 09, 2021

Re: Agenda Item No. 6B.1 – Approval and Reporting of Purchases and Sales

Presented for your consideration and review are these recommendations for purchase and/or sale of goods or services.

- A. Approval for Increase.** Staff would like approval to increase the purchase order by another \$250,000 for pole replacement funds to LineTec Services. In the January 2021 Board Meeting approval was received to cut two purchase orders for \$500,000 each to LineTec and Greenstone and one to James Powerline for \$250,000. At this time Greenstone is unable to provide a crew for pole replacements. LineTec currently has a crew in place and working for us. This money would allow us time to rebid the contract that is due in February 2022, and keep the progress of poles being replaced. We went out for bids on renewing the contract for an additional 3 years with the option for two 1 year extensions on December 7, 2021. We will be presenting recommendation for the new contract in the January 2022 Board Meeting.

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

Sincerely,

Howard Hall
Field Services Supervisor

MEMORANDUM

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

From: Damon Richardson

Date: December 09, 2021

Re: Agenda Item No. 6B.2 – Approval and Reporting of Purchases and Sales

Presented for your consideration and review are the recommendations for purchase of goods or services.

- A. Transformer Price Increase.** On December the 8th, Techline informed us that they had a price increase from their manufacturer, Howard Transformers. This price increase effected four purchase orders and averaged 7%. One of the purchase order's original award was for \$48,390.00, that with the increase became \$50,490.00 making it 4% higher than the original award. Purchasing Staff would like to report this increase to the Board and leave the purchase order in place. I have attached a spreadsheet detailing the quotation for this purchase order, as well as a spreadsheet with the effected four purchase orders.

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

Sincerely,



Damon Richardson
Purchasing Agent

Quotation	Description	Date	Response Due Date	Name	Quantity	Total Quotation Cost	Vendor Status	Vendor
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	MASTER QUOTATION	30	0		
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	WESCO DISTRIBUTION, INC.	30	0	No Bid	77
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	TECHLINE INCORPORATED	30	48,390.00	Fully Awarded	70
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	KBS ELECTRICAL DISTRIBUTORS INC.	30	0	No Bid	45
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	TEXAS ELECTRIC COOPERATIVES, INC.	30	0	No Bid	18391
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	PRIESTER-MELL & NICHOLSON, INC.	30	164,670.00	Not Awarded	17989
2979	50 KVA OH Transfromers	12/2/2021	12/7/2021 10:00	STUART C. IRBY COMPANY	30	82,233.30	Not Awarded	17273

Transformer Price Increase	PO/Bid Price	New Price	Increase	% Increase	# of Units	Total PO Bid	New Price	Increase
KPUB PO# 19672 Transformer, 25KVA 7200 120/240 2 Bushing No Taps Polemount	\$936.00	\$1,130.00	\$194.00	21%	10	\$9,360.00	\$11,300.00	\$1,940.00
KPUB PO# 19715 Transformer, 50KVA 12470/7200 240/120 1 Phase Padmount	\$2,267.00	\$2,422.00	\$155.00	7%	15	\$34,005.00	\$36,330.00	\$2,325.00
KPUB PO# 19715 Transformer, 75KVA 12470/7200 240/120 1 Phase Padmount	\$2,782.00	\$2,928.00	\$146.00	5%	15	\$41,730.00	\$43,920.00	\$2,190.00
KPUB PO# 19715 Transformer, 100KVA 12470/7200 240/120 1 Phase Padmount	\$3,495.00	\$3,770.00	\$275.00	8%	15	\$52,425.00	\$56,550.00	\$4,125.00
KPUB PO# 19738 Transformer, 100KVA 12470/7200 240/120 1 Phase Padmount	\$3,495.00	\$3,770.00	\$275.00	8%	25	\$87,375.00	\$94,250.00	\$6,875.00
KPUB PO# 19738 Transformer, 75KVA 12470/7200 240/120 1 Phase Padmount	\$2,782.00	\$2,928.00	\$146.00	5%	15	\$41,730.00	\$43,920.00	\$2,190.00
KPUB PO# 22048 Transformer, 50KVA 7200 120/240 2 Bushing No Taps Polemount	\$1,613.00	\$1,683.00	\$70.00	4%	30	\$48,390.00	\$50,490.00	\$2,100.00
	\$17,370.00	\$18,631.00	\$1,261.00			\$315,015.00	\$336,760.00	\$21,745.00

MEMORANDUM

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

From: Amy Dozier

Date: December 8, 2021

Re: Agenda Item No. 9 – Investment Policy - Resolution No. 21-31

Resolution No. 21-31 and Board Policy 44 – Investment Policy and Strategy (Policy) are presented for your consideration. The Public Funds Investment Act requires an annual review and adoption of an investment policy and authorized brokers and dealers.

This year, KPUB's policy was reviewed and updated by:

1. **Linda Patterson** of Patterson and Associates. Linda is a Registered Investment Advisor and Certified Finance Administrator with 38 years of public finance experience, including as Deputy State Treasurer for the State of Texas. Linda authored the state's Public Funds Investment Act (PFIA) and Public Funds Collateral Act (PFCA) and was instrumental in establishing investing parameters for public entities in Texas. She teaches nationally on a full range of treasury functions including investment strategy, investments, benchmarking, cash flow, cash handling and banking and has written two public investing books.
2. **Stephanie Leibe**, Partner at Fulbright & Jaworski. As KPUB's Bond Counsel, Stephanie reviewed and approved the attached investment policy for legality and content.

Significant changes to the policy this year include:

1. The policy now contains an authorized list of brokers and dealers as Exhibit A. Both the policy and the broker/dealer list must be approved annually. Previously, this was done as 2 separate resolutions in 2 separate Board meetings. For the sake of efficiency as well as clarity, the broker/dealer list is now part of the Policy and will be approved with the Policy using one resolution for both.
2. Previously, Hilltop Securities was the only broker/dealer on the authorized list. Linda recommends having multiple broker/dealers authorized so that investment options can be obtained from multiple sources in order to get the best interest rate and term structure for KPUB. Note that, currently, KPUB does not hold any investments purchased from broker/dealers. KPUB has no plans to purchase these types of investments while litigation continues and our cash flow forecast is uncertain. However, approving this list now will give KPUB investment options in the future. The broker/dealers listed are also on the approved broker/dealer list for the City of Kerrville.
3. The PFIA training requirement for Board members has been removed from the Policy. Investment officers must still complete training as required by the PFIA.
4. Section 44.60 on hedging was amended to make a distinction between KPUB's hedging strategy related to purchased power supply and an investment hedging strategy. The hedging strategy related to purchased power is referred to as an "internal hedge" and an

investment hedging strategy is referred to as a “market hedge.” Per the PFIA, KPUB is generally prohibited in participating in market hedges, so the policy was amended to make a distinction between different types of hedges.

5. The language regarding maximum maturity of authorized investments was amended for clarity and consistency throughout the policy. The maximum maturity for an individual investment is 10 years in the Construction Fund and 5 years in all other funds. The weighted average maturity requirements remain at 10 years for the Construction Fund and 3 years for all other funds.
6. The CFO title was changed to Director of Finance throughout the Policy and the Accounting Supervisor was added as an investment officer to provide additional support and coverage.

Staff recommends approval of Resolution No. 21-31.

Sincerely,



Amy Dozier
Director of Finance

RESOLUTION NO. 21-31

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

WHEREAS, the Board of Trustees (the "Board") of the Kerrville Public Utility Board (the "KPUB") has previously separately adopted an investment policy and strategy and an approved list of brokers and dealers,

WHEREAS, the investment policy and strategy now includes the approved list of brokers and dealers (the "Policy") so that the policy and brokers and dealers can be adopted together with one annual resolution,

WHEREAS, the Policy is attached as Exhibit A to this Resolution and incorporated by reference herein for all purposes; and

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; and

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; and

WHEREAS, the Board hereby finds and determines that the Policy is adopted for the fiscal year ending September 30, 2022; and

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

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

Section 1. The Policy attached hereto, including authorized brokers and dealers, as Exhibit A are incorporated by reference for all purposes into this Resolution.

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. The Kerrville Public Utility Board approves as the Board's official authorized Brokers and Dealers, those shown in Exhibit A of the Policy.

Section 9. 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 15th day of December, 2021

Philip Stacy, Chairman

ATTEST:

Larry Howard, Secretary

EXHIBIT A – BOARD POLICY 44 – INVESTMENT POLICY AND STRATEGY

KERRVILLE PUBLIC UTILITY BOARD

BOARD POLICY 44

Title: Investment Policy and Strategy	
Effective Date: December 15, 2021	Resolution No. 21-31
Replaces: February 24, 2021	Resolution No. 21-03

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 brokerage firms must be approved by the Board annually. 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 Director of Finance 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 this policy and the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.

Each investment decision 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 in 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 shall 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,
- adopt a list of authorized broker/dealers at least annually,
- 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, Director of Finance and two KPUB Trustees. The Director of Finance and Accounting Supervisor are designated as the Investment Officers 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 investment advisors and broker/ dealers, and appropriate competitive and reasonable benchmarks for the investment portfolio. The Investment Committee may approve the broker/dealer list annually and approve the sources for investment training. 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 Director of Finance, 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 subordinate staff processing 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 Director of Finance. The Director of Finance 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)) if required by the Act. 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 (including diversification),
- (2) Liquidity,
- (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 Officers must attend investment training as required by the Act.

- (a) All designated Investment Officers 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 and the Act.
- (b) At least once every succeeding two fiscal years, all designated Investment Officers must receive additional investment training 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/certificate of the training sponsor, or training program organizing entity.

44.40 REPORTING

The Director of Finance, 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 Director of Finance shall sign and certify that the report represents compliance 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 portfolio summary information and detail for all transactions during the past quarter.

44.41 Annual Report

Within 90 days of the end of each fiscal year, the Director of Finance shall present an annual report to the Board on the investment program and investment activity. The annual report shall include a quarterly 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)).

44.50 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 five

years, as permitted by the Act (Section 2256.009), extending to ten years in construction funds;

- (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). Flex repurchase agreements may be utilized for bond construction funds to match anticipated expenditure limits and may extend beyond five years to match anticipated expenditures. Section 2256.000 limits reverse security repurchase agreements to 90 days;
- (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 be on the authorized broker/dealer list of KPUB and meet all other requirements set forth in the Act (Section 2256.010), including a main or branch office in Texas. 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 or credit union doing business in Texas;
- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 270 days and meeting all other requirements of the Act (Section 2256.013); an AAA rated SEC-registered 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 five years, extending to ten years in construction funds.

44.51 Mark-to-market

All individual securities held in the portfolio shall be marked to market and reported as of the close of business on the last day of each month. Market prices are to be obtained from an independent source.

44.52 Delivery versus payment settlement

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/reports shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

44.60 HEDGING

This policy considers 2 types of hedges – market and internal. A market hedge would be used for investment purposes and purchased through an external broker. An internal hedge specifically relates to managing the price paid for purchased power using the terms of existing purchased power agreements.

44.61 Market Hedge

In accordance with the Act (Section 2256.0206) KPUB may enter hedging market contracts if it meets the principal and debt requirements as an “eligible entity.” The Board must adopt a separate hedging policy prior to any hedging market transaction, and such transaction must be made in accordance with CFTC and SEC requirements. Hedging transactions may include financial agreements such as put and call options, producer price agreements, or futures contracts. A hedging market strategy should be utilized and reviewed quarterly by the Investment Committee.

44.62 Internal Hedge

In addition to market-based investment strategies for recognized funds, the Power Supply Committee may create and monitor an internal hedge strategy related to purchased power prices. Renewable energy sources (wind and solar) are designed to act as a hedge against purchased natural gas. In addition, an internal hedge may include natural gas price locks executed through the terms of KPUB's existing purchased power agreement with CPS Energy. Specific internal hedge strategies will be reviewed and approved at least semi-annually by the Power Supply Committee.

44.70 INVESTMENT STRATEGIES

Investments may be commingled for investment purposes while still addressing the unique needs of each defined 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 pro-active portfolio with minimal anticipated trading. The total portfolio shall have a maximum weighted average maturity of two years. Construction funds may have a maximum weighted average maturity of three years. The benchmarks for the total portfolio will be the comparable period two and three year Treasury Notes.

In accordance with this Policy's objectives, the fund type investment strategies address 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 Strategy by fund type

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: 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. High credit quality securities provide marketability should liquidity needs arise. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.73 Construction Fund

The Construction Fund is to be structured to meet known construction payment requirements. 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. A

laddered portfolio strategy using high credit quality securities will be based on known expenditure plans. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the Director of Finance 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, short investments targeting the semi-annual debt service payments will be utilized. The use of this fund will be initiated by the Director of Finance and or the General Manager/Chief Executive Officer.

44.75 Interest and Sinking Fund

The Interest and Sinking Fund investments will be designed 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 fully funded. Investments shall strive to achieve competitive yields. The use of this fund will be initiated by the Director of Finance 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 high credit quality, short and intermediate securities with a one month liquidity buffer. 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 Director of Finance 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 moderate degree of liquidity but allowing for short maturity extensions under one year.

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 only a moderate degree of liquidity. The maturity 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.

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. The Board recognizes that excess earnings may activate rebate provisions but the goal will be to match all available earnings potential.

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 five 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 Director of Finance 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 annual audited financial statements, evidence of Federal insurance and other information as required by the Director of Finance.

44.82 Broker/dealers: The Investment Committee or Board shall approve a list of authorized broker/dealers recommended by the Investment Officer no less than annually. The list is shown as Exhibit A of this policy. Annual adoption of the approved list will occur at the same time as the annual adoption of the investment policy.

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 this Policy.

44.90 COLLATERAL

44.91 Collateral Pledged to KPUB:

All time and demand deposits shall be secured by KPUB authorized collateral with a market value equal to at least 102 percent of the daily time and demand deposits, plus any accrued interest, less any amount insured by FDIC. Evidence of the pledged collateral shall be maintained by the Director of Finance and collateral shall be 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 Director of Finance 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.

44.92 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

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.

44.101 Cash Flow Forecasting

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

44.102 Loss of Rating

The Investment Officer shall monitor, on no less than a monthly 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.

44.103 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 _____, 2022

Philip Stacy, Chairman

EXHIBIT A
AUTHORIZED BROKER / DEALERS

1. Hilltop Securities
2. FHN Financial
3. Robert W. Baird
4. Stifel, Nicolas & Company

KERRVILLE PUBLIC UTILITY BOARD

BOARD POLICY 44

Title: Investment Policy and Strategy

Effective Date: December 15, 2021 ~~February 24, 2021~~

Replaces: February ~~1924, 2021~~ 101

Resolution No. 21-31 ~~21-03~~

Resolution No. 20-04 ~~21-03~~

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-brokerage~~ firms must be approved by the Board annually. 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")~~ Director of Finance 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 this policy and the Internal Revenue Code of 1986, as amended, within the cash flow constraints of KPUB.

Each investment ~~transaction-decision~~ shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.

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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~~shall never be invested in a manner inconsistent with this Policy and applicable federal and state laws and regulations.

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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,
- adopt a list of authorized broker/dealers at least annually,
- 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~~Director of Finance and two KPUB Trustees. The ~~CFO~~Director of Finance and Accounting Supervisor ~~are~~is designated as the Investment Officers 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~~investment advisors and broker/ dealers, and appropriate competitive and reasonable benchmarks for the investment portfolio. The Investment Committee may approve the broker/dealer list annually and approve the sources for investment training. The

Commented [LP1]: These are the only two official actions a Committee designated by the Board can take.

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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 ~~CFOD~~Director of Finance, 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 subordinate persons ~~staff processing 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 ~~CFOD~~Director of Finance. The ~~CFOD~~Director of Finance 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)) ~~if required by the Act~~ ~~statute~~. 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.

Commented [LP2]: The investment officer is responsible and really the only one who can make the decision but supporting personnel can be used who are not designated officers

Commented [LP3]: The TEC requirement has high level \$\$ standards before disclosure need be made to them

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 ~~(including diversification)~~,
- (2) Liquidity,
- ~~(2) Diversification, 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~~Officers must attend at least one

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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 designated~~ Investment Officers 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 and the Act.
- (b) At least once every succeeding two fiscal years, all ~~designated persons who are named as, carry the title of, or perform the functions of Treasurer, Chief Financial Officer or~~ Investment Officers must receive additional investment 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/certificate of the training sponsor, or training program organizing entity.

44.40 REPORTING

The ~~CFODirector of Finance~~, 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 ~~Director of Finance~~Investment Officers shall sign and certify that the report shall represents that all investments made in the quarter complied compliance 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 portfolio summary information and detail for all transactions during the past quarter.

44.41 Annual Report

Within 90 days of the end of each fiscal year, the ~~CFODirector of Finance~~ shall present an annual report to the Board on the investment program and investment activity. The annual report shall include a ~~12-month~~quarterly 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

Commented [AD4]: Per Stephanie Leibe: Note: Per section 2256.023(b)(4), summary statements are required for pooled fund groups (which requires interest information not required of individual transactions). Grouped summary information, to the extent it differs from portfolio summary information, may be required.

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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)).

44.50

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) five~~ years, as permitted by the Act (Section 2256.009), extending to ten years in construction funds;
- (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). Flex repurchase agreements may be utilized for bond construction funds to match anticipated expenditure limits and may extend beyond five years to match anticipated expenditures. Section 2256.000 limits reverse security repurchase agreements to 90 days;
- (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 be on the authorized broker/dealer list of KPUB ~~have its main office or a branch~~

Commented [AD5]: Per Stephanie Leibe: section 2256.000 has a 90 day limitation on reverse security repurchase agreements.

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~~office in Texas, and~~ meet all other requirements set forth in the Act (Section 2256.010), ~~including a main or branch office in Texas(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;

Commented [AD6]: Per Stephanie Leibe: Section 2256.010(a) (& (b)(1) contain a requirement for a main or branch office within the State of Texas.

(g) Fully FDIC or NCUSIF insured or collateralized interest bearing accounts of any bank or credit union doing business in Texas;

Commented [LP7]: Since you had NCUSIF referenced

(h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of ~~90270~~ days and meeting all other requirements of the Act (Section 2256.013); an ~~d~~

~~(i)~~ AAA rated SEC-registered 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)).

Commented [LP8]: Money market funds are no loaded - only mutual funds which is confusing because in the Act they are in the same paragraph

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The maximum allowable stated maturity of any individual investment owned by KPUB shall be not more than ~~ten-five years~~, extending to ten years in construction funds.

Commented [LP9]: Above you have restricted everything to 3 years and then here say 10 - ??

44.51 ~~Mark-to-market~~ ARK-TO-MARKET

All individual securities held in the portfolio shall be marked to market and reported as of the close of business on the last day of each month. Market prices are to be obtained from an independent source.

Commented [LP10]: I moved these sections which deal with authorized investment up under the investments so that Hedging stands alone as it should

44.52 ~~DELIVERY VERSUS PAYMENT SETTLEMENT~~ Delivery versus payment settlement

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/~~reports~~ shall be delivered to KPUB. The depository should provide a monthly report of KPUB holdings.

Commented [LP12]: No longer any actual receipts

44.60 ~~HEDGING:~~

This policy considers 2 types of hedges – market and internal. A market hedge would be used for investment purposes and purchased through an external broker. An internal hedge specifically relates to managing the price paid for purchased power using the terms of existing purchased power agreements.

Commented [LP13]: Just in case you get big enough to be an 'eligible' entity the bare bones of a hedge are added here. It also differentiates itself from the hedging internal strategy I added as 44.79 below

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44.61 Market Hedge

In accordance with the Act (Section 2256.0206) KPUB may ~~enter into~~ enter hedging market contracts if it meets the principal and debt requirements as an "eligible entity." The

Board must adopt a separate hedging policy prior to any hedging market transaction, and such transaction must be made in accordance with ~~the~~ CFTC and SEC requirements. Hedging transactions may include financial agreements such as put and call options, producer price agreements, or futures contracts.

A hedging market strategy should~~may~~ be utilized and reviewed quarterly by the Investment Committee.

44.62 Internal Hedge

In addition to market-based investment strategies for recognized funds, the Power Supply Committee may create and monitor an internal hedge strategy related to purchased power prices. Renewable energy sources (wind and solar) are designed to act as a hedge against purchased natural gas. In addition, an internal hedge may include natural gas price locks executed through the terms of KPUB's existing purchased power agreement with CPS Energy. Specific internal hedge strategies will be reviewed and approved at least semi-annually by the Power Supply Committee.

~~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~~ unique needs of each defined 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 pro-active portfolio with minimal anticipated trading. The total portfolio shall have a maximum weighted average maturity of two years. Construction funds may have a maximum weighted average maturity of three years. The benchmarks for the total portfolio will be the comparable period two and three year Treasury Notes.

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

- 1) Suitability of investments,

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Commented [LP14]: I do think this should be in the policy as it is a good strategy and should be recognized but needed to be differentiated from market strategies.

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Commented [LP15]: Moved above with Authorized Securities so not confused with Hedging

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- 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

Strategy by fund type**STRATEGY BY OVERVIEW OF FUND TYPE S**

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. ~~High credit quality securities provide marketability should liquidity needs arise. 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~~Director of Finance and or the General Manager/Chief Executive Officer.

44.73

Construction Fund

The Construction Fund is to be structured to meet known 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. A laddered portfolio strategy using high credit quality securities will be based on known expenditure plans. The Construction Fund will be compared against appropriately competitive and reasonable benchmarks. The use of this fund will be initiated by the ~~CFO~~Director of Finance and or the General Manager/Chief Executive Officer.

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Commented [LP16]: Mixing all these different WAMs is almost impossible unless you do not commingle and set each aside as a sub portfolio which is not efficient for investment purposes - I tool out the individual limits and instead focused on the differing needs

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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, ~~short investments targeting except to support~~ the semi-annual debt service payments ~~will be utilized, 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 ~~CFOD~~Director of Finance and or the General Manager/Chief Executive Officer.

44.75

Interest and Sinking Fund

The Interest and Sinking Fund ~~amounts shall include~~ investments will be designed 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 fully 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 ~~CFOD~~Director of Finance 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 ~~high credit quality, short and intermediate securities with a one month liquidity buffer, 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 ~~CFOD~~Director of Finance 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 moderate degree of liquidity but allowing for short maturity extensions under one year. 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 only 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 maturity 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 In addition to market based investment strategies for recognized funds, the Committee may create and monitor an internal hedge on the Board's natural gas prices. Renewable energy sources (wind and solar) are designed to act as a hedge against purchased natural gas.~~

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44.798079 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. The Board recognizes that excess earnings may activate rebate provisions but the goal will be to match all available earnings potential.

Commented [LP17]: I do think this should be in the policy as it is a good strategy and should be recognized but needed to be differentiated from market strategies.

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44.80810 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 five ~~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 ~~CFOD~~Director of Finance 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.

Commented [LP18]: Why three years instead of five? Are you following county statutes? What statute?

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44.81812 Banks: Banks and savings banks seeking to establish eligibility for KPUB's time or demand deposits shall submit annual audited financial statements, evidence of Federal insurance and other information as required by the CFO Director of Finance.

Commented [LP19]: This provisions would normally just be put in the bank RFP but if used here make it annual

44.82823 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.- The list is shown as Exhibit A of this policy. Annual adoption of the approved list will occur at the same time as the annual adoption of the investment policy.

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.

44.83843 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.

44.990 COLLATERAL

44.91 Collateral Pledged to KPUB:

All time and demand deposits shall be secured by KPUB authorized collateral with a market value equal to at least 102 percent of the daily time and demand deposits daily, plus any accrued interest, less any amount insured by FDIC. Evidence of the pledged collateral shall be maintained by the CFO Director of Finance and collateral shall be 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 Director of Finance 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:

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- 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;

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- 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.

44.92 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.

44.101 Cash Flow Forecasting

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

44.102 Loss of Rating

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The Investment Officer shall monitor, on no less than a ~~monthly~~ 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.

44.103 **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.

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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 ____, 20221

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Philip Stacy~~Bill Thomas~~, Chairman

EXHIBIT A
AUTHORIZED BROKER / DEALERS

1. Hilltop Securities
2. FHN Financial
3. Robert W. Baird
4. Stifel, Nicolas & Company

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MEMORANDUM

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

From: Amy Dozier

Date: December 8, 2021

Re: Agenda Item No. 10 — Financial Report

Attached please find financial statements for the month of November 2021.

Highlights include:

- \$26K **increase in net position** for the month, \$184K increase in net position on a year to date (YTD) basis
- \$2.9M in **operating revenue** for the month, \$6.3M on a YTD basis
 - YTD revenues are slightly less than budget due primarily to lower than budgeted purchased power costs that result in accounting adjustments to move revenue to the Over Collection of Power Cost Adjustment account
 - YTD kWh sold in November are 3.0% less than the prior year due primarily to mild weather
- \$2.8M in **operating expense** for the month, \$6.0M on a YTD basis
 - Lower than budget and prior year due primarily to purchased power cost
- \$60K in **operating income** for the month, \$316K on a YTD basis
- \$2.4M in **over collection of power cost adjustment** as of 11/30/2021, an increase of \$281K from the prior month
- \$29.7M invested in investment pools, CD's and an investment account at Happy State Bank.

The Power Cost Adjustment (PCA) remained at \$95.00 for November. Due to pending litigation and higher purchased power costs during the winter months, the PCA is expected to remain stable at \$95.00 for the foreseeable future.

Sincerely,



Amy Dozier
Director of Finance

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended November 30, 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)
OPERATING REVENUES:							
Residential	\$ 1,505,937	\$ 1,699,902	\$ (193,965)	-11.41%	\$ 1,800,852	\$ (294,916)	-16.38%
Commercial/Industrial	1,323,564	1,509,400	(185,836)	-12.31%	1,344,971	(21,407)	-1.59%
Sales to Public Authorities	21,502	21,000	502	2.39%	20,806	696	3.35%
Other	55,443	55,400	43	0.08%	35,296	20,147	57.08%
TOTAL OPERATING REVENUES	2,906,446	3,285,701	(379,255)	-11.54%	3,201,926	(295,480)	-9.23%
OPERATING EXPENSES:							
Purchased Power	1,842,447	2,274,846	(432,399)	-19.01%	2,222,117	(379,670)	-17.09%
Distribution	259,685	299,009	(39,324)	-13.15%	202,717	56,968	28.10%
Customer Accounting	35,947	47,200	(11,253)	-23.84%	90,319	(54,372)	-60.20%
Customer Service & Informational	36,696	36,600	96	0.26%	22,334	14,362	64.31%
Administrative Expenses	364,191	371,900	(7,709)	-2.07%	400,469	(36,278)	-9.06%
Depreciation	307,283	304,500	2,783	0.91%	283,623	23,660	8.34%
TOTAL OPERATING EXPENSES	2,846,249	3,334,055	(487,806)	-14.63%	3,221,578	(375,329)	-11.65%
OPERATING INCOME	60,197	(48,354)	108,551	-224.49%	(19,652)	79,850	-406.31%
NONOPERATING REVENUES (EXPENSES):							
Interest Income - Investments	5,991	5,421	570	10.52%	6,909	(918)	-13.29%
Interest Income - City of Kerrville	15,000	15,000	-	0.00%	16,667	(1,667)	-10.00%
Interest Expense - Debt	(9,594)	(9,594)	-	0.00%	(10,460)	867	-8.28%
Interest Expense - Customer Deposits	(250)	-	(250)		(950)	700	-73.71%
City of Kerrville - General Fund Transfer	(87,438)	(98,700)	11,262	-11.41%	(88,206)	768	-0.87%
City of Ingram - Franchise Fees	(2,296)	(2,400)	104	-4.32%	(2,303)	7	-0.30%
Other - Net	6,746	1,430	5,316	371.75%	(3,843)	10,589	-275.56%
TOTAL NONOPERATING REVENUES (EXPENSES):	(71,841)	(88,843)	17,002	-19.14%	(82,186)	10,345	-12.59%
INCOME BEFORE CONTRIBUTIONS	(11,644)	(137,196)	125,552	-91.51%	(101,839)	90,195	-88.57%
CAPITAL CONTRIBUTIONS	37,444	9,000	28,444	316.05%	22,754	496	2.18%
CHANGE IN NET POSITION	\$ 25,800	\$ (128,196)	\$ 153,997	120.13%	\$ (79,085)	\$ 90,690	114.68%
NET POSITION AT BEGINNING OF MONTH	\$ 72,269,005				\$ 69,474,493		
NET POSITION AT END OF MONTH	\$ 72,294,806				\$ 69,395,408		

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended November 30, 2021
(Unaudited)

	Year to Date	Comparison to Budget			Comparison to Last Year		
		Year to Date Budget Amount	Increase (Decrease)	Percentage Increase (Decrease)	Year to Date Last Year Amount	Increase (Decrease)	Percentage Increase (Decrease)
OPERATING REVENUES:							
Residential	\$ 3,361,795	\$ 3,452,069	\$ (90,274)	-2.62%	\$ 3,327,088	\$ 34,707	1.04%
Commercial/Industrial	2,818,743	2,984,483	(165,740)	-5.55%	2,465,874	352,869	14.31%
Sales to Public Authorities	42,936	42,000	936	2.23%	41,574	1,362	3.28%
Other	107,480	110,900	(3,420)	-3.08%	67,975	39,505	58.12%
TOTAL OPERATING REVENUES	6,330,954	6,589,452	(258,498)	-3.92%	5,902,510	428,444	7.26%
OPERATING EXPENSES:							
Purchased Power	4,049,434	4,535,595	(486,161)	-10.72%	4,427,549	(378,115)	-8.54%
Distribution	521,625	597,216	(75,592)	-12.66%	436,023	85,602	19.63%
Customer Accounting	62,706	94,200	(31,494)	-33.43%	121,702	(58,996)	-48.48%
Customer Service & Informational	56,786	73,000	(16,214)	-22.21%	40,082	16,704	41.67%
Administrative Expenses	710,976	804,800	(93,824)	-11.66%	646,000	64,976	10.06%
Depreciation	613,600	608,500	5,100	0.84%	566,052	47,547	8.40%
TOTAL OPERATING EXPENSES	6,015,126	6,713,311	(698,185)	-10.40%	6,237,408	(222,282)	-3.56%
OPERATING INCOME	315,828	(123,859)	439,687	-354.99%	(334,898)	650,726	-194.31%
NONOPERATING REVENUES (EXPENSES):							
Interest Income - Investments	13,183	10,842	2,341	21.60%	16,352	(3,169)	-19.38%
Interest Income - City of Kerrville	30,000	30,000	-	0.00%	33,333	(3,333)	-10.00%
Interest Expense - Debt	(20,054)	(20,054)	-	0.00%	(21,676)	1,622	-7.48%
Interest Expense - Customer Deposits	(498)	-	(498)		(1,904)	1,406	-73.86%
City of Kerrville - General Fund Transfer	(203,942)	(198,000)	(5,942)	3.00%	(168,691)	(35,251)	20.90%
City of Ingram - Franchise Fees	(5,057)	(4,900)	(157)	3.21%	(4,584)	(473)	10.32%
Other - Net	7,729	2,860	4,869	170.25%	2,285	5,444	238.31%
TOTAL NONOPERATING REVENUES (EXPENSES):	(178,639)	(179,252)	614	-0.34%	(144,885)	(33,754)	23.30%
INCOME BEFORE CONTRIBUTIONS	137,189	(303,112)	440,301	-145.26%	(479,783)	616,972	-128.59%
CAPITAL CONTRIBUTIONS	47,283	18,000	29,283	162.68%	32,097	15,186	47.31%
CHANGE IN NET POSITION	\$ 184,472	\$ (285,112)	\$ 469,583	164.70%	\$ (447,686)	\$ 632,158	141.21%
NET POSITION AT BEGINNING OF YEAR	\$ 72,110,334				\$ 69,843,094		
NET POSITION AT END OF MONTH	\$ 72,294,806				\$ 69,395,408		

Kerrville Public Utility Board
Balance Sheet
As of November 30, 2021

Assets and Deferred Outflows	November 30, 2021 (Unaudited)	September 30, 2021	Net Position, Liabilities and Deferred Inflows	November 30, 2021 (Unaudited)	September 30, 2021
Utility Plant:					
Utility Plant in Service	\$ 90,730,068	\$ 90,118,697	Total Net Position	\$ 72,294,806	\$ 72,110,334
Less: Accumulated Depreciation	(44,374,124)	(44,085,063)			
Net Utility Plant in Service	46,355,944	46,033,634			
Construction Work in Progress	1,338,292	1,943,177	Liabilities:		
Total Utility Plant	47,694,237	47,976,812	Current Liabilities:		
			Current Portion of 2013 Revenue Bonds	422,000	411,000
Restricted and Noncurrent Assets:			Accrued Interest Payable	9,594	52,302
Customer Deposits	488,501	493,781	Accounts Payable - Purchased Power	10,295,379	10,295,379
Interest and Sinking Fund	45,627	429,052	Accounts Payable - Other	652,231	1,164,618
Emergency, Repair, Replace, Contingency Fund	3,549,038	3,546,912	Over Collection of Power Cost Adjustment	2,413,931	1,681,982
Advance to City of Kerrville-2016	7,500,000	7,500,000	Total Current Liabilities	13,793,135	13,605,280
Total Restricted and Noncurrent Assets	11,583,166	11,969,744			
			Noncurrent Liabilities:		
Current Assets:			2013 Revenue Bonds, net of current portion	2,847,000	3,269,000
Revenue Fund:			Customer Deposits	488,501	493,781
Cash and Cash Equivalents	528,230	511,280	Interest on Customer Deposits	3,425	3,178
Investments	21,869,861	21,179,561	Net Pension & OPEB Liability	1,132,935	1,132,935
Less: Customer Deposits	(488,501)	(493,781)	Total Long-Term Liabilities	4,471,861	4,898,894
Total Revenue Fund	21,909,589	21,197,060			
Construction Fund:			Total Liabilities	18,264,996	18,504,175
Cash and Cash Equivalents	5,083	5,081			
Investments	1,442,797	1,442,338	Deferred Inflows of Resources - Pension & OPEB	1,873,832	1,873,832
Total Construction Fund	1,447,880	1,447,419			
Rate Stabilization Fund:					
Investments	1,898,717	1,898,113			
Total Rate Stabilization Fund	1,898,717	1,898,113			
Long Term Rate Stabilization Fund:					
Investments	904,381	904,094			
Total Rate Stabilization Fund	904,381	904,094			
Customer Accounts Receivable, net of allowance	3,407,022	3,710,840			
Materials and Supplies	1,001,502	955,314			
Other	1,068,817	910,622			
Total Current Assets	31,637,907	31,023,461			
Deferred Outflow of Resources - Pension & OPEB	1,518,324	1,518,324			
Total Assets and Deferred Outflows	\$ 92,433,634	\$ 92,488,341	Total Net Position, Liabilities and Deferred Inflows	\$ 92,433,634	\$ 92,488,341

Kerrville Public Utility Board
Investment Fund Balance Detail
For the Month Ended November 30, 2021

					Restricted					
					Rate	Long Term Rate	Debt		Emergency	
	Date	Revenue Fund	Construction Fund	Stabilization Fund	Stabilization Fund	Reserve Fund	Interest & Sinking Fund	Replacement & Contingency	Total Funds Invested	
Beginning Fund Balance		\$ 19,993,632	\$ 1,442,576	\$ 1,898,426	\$ 904,243	\$ -	\$ -	\$ 3,547,997	\$ 27,786,874	
Withdrawals:										
TEXPOOL-TML Insurance	11/01/21	(54,569)							(54,569)	
TEXPOOL-ERCOT	11/08/21	(96,497)							(96,497)	
TEXPOOL-TMRS	11/12/21	(100,810)							(100,810)	
TEXPOOL-DG Southwest Solar LLC	11/16/21	(25,010)							(25,010)	
TEXPOOL-NextEra	11/19/21	(485,088)							(485,088)	
TEXPOOL-DG Southwest Solar LLC	11/22/21	(54,352)							(54,352)	
TEXPOOL-ERCOT	11/23/21	(14,448)							(14,448)	
TEXPOOL-CPS Energy	11/24/21	(1,170,352)							(1,170,352)	
TEXPOOL-Engie-Long Draw Solar	11/24/21	(98,468)							(98,468)	
TEXPOOL-LCRA	11/29/21	(584,688)							(584,688)	
TEXPOOL-Concho Bluff	11/29/21	(247,715)							(247,715)	
Investments:										
Happy State Bank	11/01/21	1,600,000							1,600,000	
Happy State Bank	11/05/21	350,000							350,000	
Happy State Bank	11/09/21	350,000							350,000	
Happy State Bank	11/15/21	500,000							500,000	
Happy State Bank	11/19/21	450,000							450,000	
Happy State Bank	11/24/21	500,000							500,000	
Happy State Bank	11/30/21	1,100,000							1,100,000	
Fund Balance after Withdrawals & Investments		21,911,636	1,442,576	1,898,426	904,243	-	-	3,547,997	29,704,878	
Allocation of:										
Interest Income	11/30/21	2,676	221	291	138	-	0	237	3,564	
Interest Receivable (accrued on CD)	11/30/21	1,548						804	2,352	
Interest Receivable (received on CD)	11/3/21	(374)							(374)	
Total Interest Allocation		3,851	221	291	138	-	0	1,041	5,543	
Fund Balance After Allocations		21,915,487	1,442,797	1,898,717	904,381	-	0	3,549,038	29,710,421	
Interfund Transfers :										
Debt Service	11/30/21	(45,627)					45,627		-	
Ending Fund Balance		\$ 21,869,861	\$ 1,442,797	\$ 1,898,717	\$ 904,381	\$ -	\$ 45,627	\$ 3,549,038	\$ 29,710,421	

Kerrville Public Utility Board
 Computation of the Monthly and Year to Date Debt Service Coverage
 For the Month Ended November 30, 2021

Description	Current Month	Fiscal Year	Previous 12 Months
Change in Net Position	\$ 25,800	\$ 184,472	\$ 2,899,397
Plus:			
Interest Expense (net of amortizations)	9,594	20,054	124,657
Depreciation Expense	307,283	613,600	3,593,940
Numerator	<u>342,677</u>	<u>818,125</u>	<u>6,617,995</u>
DIVIDED BY:			
Interest Expense (net of amortizations)	9,594	20,054	124,657
Principal Payment Due	34,250	69,417	411,917
Denominator	<u>\$ 43,844</u>	<u>\$ 89,471</u>	<u>\$ 536,574</u>
Debt Service Coverage Ratio	<u>7.82</u>	<u>9.14</u>	<u>12.33</u>
Minimum Requirement per Bond Covenant		1.35	times Debt Service
Minimum Requirement Established by KPUB Board for Good Business Practices		1.65	times Debt Service

MEMORANDUM

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

From: Mike Wittler

Date: December 10, 2021

Re: Agenda Item 11 – Consideration and Action on Application for Economic Development Support from KEDC on Behalf of Killdeer Mountain Manufacturing

Attached is a request from the Kerr Economic Development Corporation on behalf of Killdeer Mountain Manufacturing (KMM) to be placed on KPUB's Economic Development Rate at its 2812 Cobbler Lane location. Our normal process is to rely on review and recommendation from the Economic Development GO Team, but in this case the project is not located within the city limits so we asked KEDC staff for their recommendation.

KMM meets the eligibility criteria for KPUB's Economic Development Rate as a primary industry employer.

Staff is recommending approval of the economic development support request for KMM. KPUB's Economic Development Rider is attached for your reference.

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

Sincerely,



Mike Wittler



December 9, 2021

Kerrville Public Utility Board
Board of Directors
2250 Memorial Blvd.
Kerrville, Texas 78202

RE: Request and Recommendation for Economic Development Utility Rate on Behalf of Killdeer Mountain Manufacturing-Kerrville

Mr. Chairman and Members of the Board,

The Kerr Economic Development Corporation is requesting and recommending the Economic Development KPUB Utility Rate for Killdeer Mountain Manufacturing-Kerrville at its 2812 Cobbler Lane location. We are making this request on behalf of KMM-K.

The Teir 1 Aerospace Components supplier will be manufacturing wiring harnesses, fiber cabling and circuit boards in Kerrville for such OEMs (Original Equipment Manufacturers) as Boeing, Lockheed Martin, Raytheon and the Department of Defense. KMM-K will create 400 jobs over the next 20 years paying \$44,000 in average annual wages.

The Kerrville operation will be the company's fourth in the family business and the first outside of their home state of North Dakota. KMM, a family business in operation since the 1980s, got on the radar of the KEDC when they first started looking at cities outside of North Dakota for needed capacity and added workforce capabilities.

Our community stakeholders, including KPUB leadership, in collaboration with the Office of the Governor and Texas Workforce Commission were instrumental in recruiting KMM, which was initially considering other cities in the Midwest for their expansion plans. The project, announced last year, will have an \$82 million economic impact to the local economy in its first 10 years in Kerrville, creating an additional 300 indirect and ancillary jobs in Kerr County.

Thank you for your time and attention to this request. Should you have any questions, please do not hesitate to contact me or my Deputy Director Theresa Metcalf.

Sincerely,

A handwritten signature in black ink, appearing to read "Gilberto Salinas", is placed over a light blue rectangular background.

Gilberto Salinas
Executive Director
Kerr Economic Development Corp.
1700 Sidney Baker, Ste. 100
Kerrville, Texas 78028
Tel: (830) 896-1157
Gsalinas@kerredc.com

ECONOMIC DEVELOPMENT RIDER ED

AVAILABILITY

This rider is available only in conjunction with full service electric commercial accounts for businesses meeting the following eligibility requirements:

1. Primary Industries
 - a. Available to existing and new customers making significant business expansion in targeted primary industries.
 - b. Existing business expansion must be made at a new metering point.
 - c. Application for Economic Development Support must be made to and approved by the Economic Development Go Team.
 - d. KPUB must determine that this Rider ED is a significant factor to induce the qualifying Customer to locate or expand and receive Service from KPUB.
 - e. The discount will be available for five (5) years.
2. Load Additions
 - a. Available to existing and new customers making load expansion of at least 400 KW at a new single metering point.
 - b. In the event that the load addition of at least 400 KW fails to materialize within one year of the commencement of service, the Customer will take service under the applicable standard rate schedule.
 - c. Application for Economic Development Support must be made to and approved by KPUB Staff. KPUB will estimate the load addition to evaluate the application.
 - d. KPUB must determine that this Rider ED is a significant factor to induce the qualifying Customer to locate or expand and receive Service from KPUB.
 - e. The discount will be available for five (5) years.
3. City of Kerrville TIRZ District
 - a. Available to new businesses in the retail, arts, and entertainment trades locating within the Reinvestment Zone Number One, City of Kerrville, Texas.
 - b. Eligible Customers must be open to the public at least four days per week including at least one day on the weekend and until at least 8:00pm each day the business is open or have an equivalent or greater impact to the economic development of the TIRZ District as determined by the KPUB Board of Trustees.
 - c. Application for Economic Development Support must be made to and approved by the Economic Development Go Team.
 - d. The discount will be available for two (2) years.

CONDITIONS

The current rules and regulations shall apply to the Customer, including the payment and collection process.

Service to a Customer under this Rider ED must be approved by the KPUB Board of Trustees.

KPUB reserves the right to discontinue or suspend at any time the availability of this Rider ED for new applications.

For existing customers only the additional demand/load will qualify for the Rider ED discount.

The Customer must apply for service under this program prior to a decision or commitment to construct, purchase, or lease new or additional space or new electrical equipment that will result in additional electric load.

The Customer must be located such that no significant additional investment in utility facilities by KPUB is required.

This Rider is not available for temporary Service for construction.

MONTHLY RATE

The monthly bill will be calculated with a discount as defined in the following table based on the Customer's rate class. The discount will be applied to the Customer Charge, Distribution Energy and Demand Charges, and Power Supply Charges including Rider PCAF. The discount will not be applied to any other charges and fees.

Rate Class	Discount
Commercial Service – Rate Schedule CS	18%
Large Commercial Service – Rate Schedule LCS Secondary	10.8%
Large Commercial Service – Rate Schedule LCS Primary	8.7%

MEMORANDUM

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

From: Tammye Riley

Date: December 10, 2021

Re: Agenda Item No. 12 – Consideration and Action on KPUB Incentive Plans

On December 8, 2021, management met with the Personnel Committee to discuss the KPUB employee and management incentive plans. Two options were presented and discussed. Option 1: simplify the plans by combining them with one set of goals for both management and employees or Option 2: discontinuing the plans.

After discussion, a recommendation was presented to the Personnel Committee to discontinue the plan because of our strong and successful merit program in place now. Below is the history that was provided to the committee to support the recommendation.

The beginning of the incentive plan started when KPUB was on a step increase plan for employees, each year employees were eligible for a 5% step increase and typically maxed out at the top of their grade range in 6-7 years. There were COLA considerations given each year, but for the most part the only “merit for performance” was given through attainments met in the incentive plan. In 2016, management moved our step increase pay plan to a merit-based increase that was given on individual performance and each job grade was given a salary range, with a min and max. The goal was to provide individual employees the opportunity to perform at a higher level, by setting reasonable and challenging performance categories, that aligned with our goals and our organization’s visions.

Management is requesting, with Personnel Committee’s concurrence, to discontinue the KPUB Management and Employee Incentive Plans. The Personnel Committee also strongly suggested that we continue/improve on our programs and events for team building and safety rewards and recognitions outside of the annual review. It is managements goal to continue/improve these programs and events for our staff.

Sincerely,



Tammye Riley
Director of Operations

MEMORANDUM

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

From: Allison Bueché

Date: December 9, 2021

RE: Agenda Item #13—Consideration & Action on Revision to KPUB
Scholarship Program

Attached are recommended changes for KPUB's 2022 scholarship program for your review.

Staff is recommending that we remove the current SAR under the eligibility guidelines going forward for students applying for the renewal of the scholarship since the only renewal requirement is maintaining a minimum GPA of 2.5 (on a 4.0 scale) while in college. It's not a necessary renewal requirement—the SAR is only considered upon the initial scholarship award, per our eligibility guidelines.

The scholarship program will be reviewed again in the spring for potential revisions for 2023.

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

Sincerely,



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



2022 Kerrville Public Utility Board Scholarship Program

The Kerrville Public Utility Board (KPUB) encourages our local youth to work hard and follow their dreams. This scholarship program will provide financial assistance for higher education to three local students.

Awards

- Two (2) \$1,500 per year renewable scholarships for a total of up to \$6,000 overall
Eligible students may receive \$1,500 per year for up to four years
- One (1) \$1,000 one-time scholarship
Eligible students may receive a \$1,000 one-time scholarship that is exclusively for accredited trade school or technical students

Eligibility

- Applicants must be graduating high school seniors who are enrolling for the first time in a full-time course of study at an accredited technical school, trade school, public or private college or university in the State of Texas.
- Applicants must be able to meet the requirements of the school, college or university selected.
- Applicants must have a minimum GPA of 2.5 (on a 4.0 scale) while in high school and, if seeking renewal of the scholarship, a minimum GPA of 2.5 (on a 4.0 scale) while in college.
- Upon initial award, the primary residence of the applicant's parents/guardians must be served by KPUB.
- The applicant must submit a completed KPUB Scholarship Application, an official high school transcript, two letters of recommendation from teachers, principals, counselors, etc. from the high school that is currently being attended, and a current Student Aid Report (SAR). *Incomplete packets will not be considered.*
- Students applying for renewal of the scholarship will have to prove continuing eligibility by submitting official college transcripts each year ~~and a current SAR.~~

Program Guidelines

- A Scholarship Selection Committee will choose candidates and an alternate for the available scholarships to be awarded.
- Scholarships will be granted to attend an accredited technical school, trade school, public or private college or university in the State of Texas.
- Scholarship recipients must be considered by the registrar to be a full-time student.
- Awarded scholarships will be mailed directly to the Financial Aid Office of the selected school, college or university.

Application Process

- Scholarship applications and guidelines will be available on our website at www.kpub.com and in the KPUB office at 2250 Memorial Blvd, Kerrville, Texas, beginning January 1 of each year.
- Successful applicants will be announced by April 30, 2022.

Deadline

Completed application packets must be received by **5 p.m. CST, Friday, February 25, 2022**, in the KPUB office located at: 2250 Memorial Boulevard, Kerrville, Texas 78028.

MEMORANDUM

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

From: Howard Hall

Date: December 09, 2021

Re: Agenda Item No. 14 – Report on Winter Storm Uri Response Update

As we enter back into the Winter months, we wanted to bring you up to date on our preparations and discussions going forward to handle major weather events.

Over the course of several meetings, we have identified 65 action items and work flow processes that could be improved or implemented. Management met last week to revisit and update the action items and will meet again the first part of January to continue. Most of the established action items were related to communications between departments/community, establishing standardized work processes for events, and additional employee training. The majority of the actions have been completed and are work in progress as we perform daily functions, update our training manuals, and schedule training on our software that is used during the events. This will allow us to use the systems to their full extent to troubleshoot problem areas and keep the customers informed on status of outages.

We have discussed the need or possible benefit for local control of mandated outages. I am meeting with LCRA the first part of January to discuss what is required to become a Criteria 1 customer which would allow for local control of load shedding.

I'll be happy to address any questions or concerns that you may have regarding our storm update.

Sincerely,

Howard Hall
Field Services Supervisor