

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Allison Bueché

Date: September 12, 2022

Re: Agenda Item No. 5—Status Update on Change for Charity Program

The Kerrville Public Utility Board (KPUB) Change for Charity program has continued to be a successful partnership with the Society of St. Vincent de Paul over this past year.

Change for Charity continues to be well received by our customers and has been a very needed program during the extreme winter and summer temperatures our service area experienced this year.

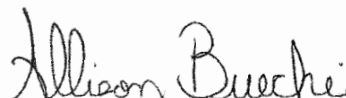
During the months of Oct 2021-August 2022, St. Vincent de Paul granted \$93,239 in assistance to KPUB customers. 819 vouchers were granted over the course of this time which averaged \$114.

Attached you will find an annual program review from St. Vincent for assistance granted to our customers and their most recent fiscal year-end balance sheet.

St. Vincent de Paul administrators of the Change for Charity program funds (Mike Henke and Barbara Bryan) will be attending our September 21 board meeting to present this overview and answer any questions that the board might have.

If you have any questions or need any additional information in the meantime, please let me know.

Sincerely,



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

KPUB

Change for Charity Program Annual Review

September 21, 2022



CCPF Assistance Overview

October 2021 thru
August 2022
(11 months)

Total Assistance Provided = \$93,239

Vouchers Written = 819

Households Assisted = 471

Maximum Assistance per bill = \$300

Average Assistance per Bill = \$114

CCPF Assistance per Household

October 2021 thru
August 2022
(11 months)

Maximum Assistance = \$700

Average Assistance = \$198

Maximum No. of Times Assisted = 9

Average No. of Bills = 1.7

82% of Households assisted were helped
only once or twice

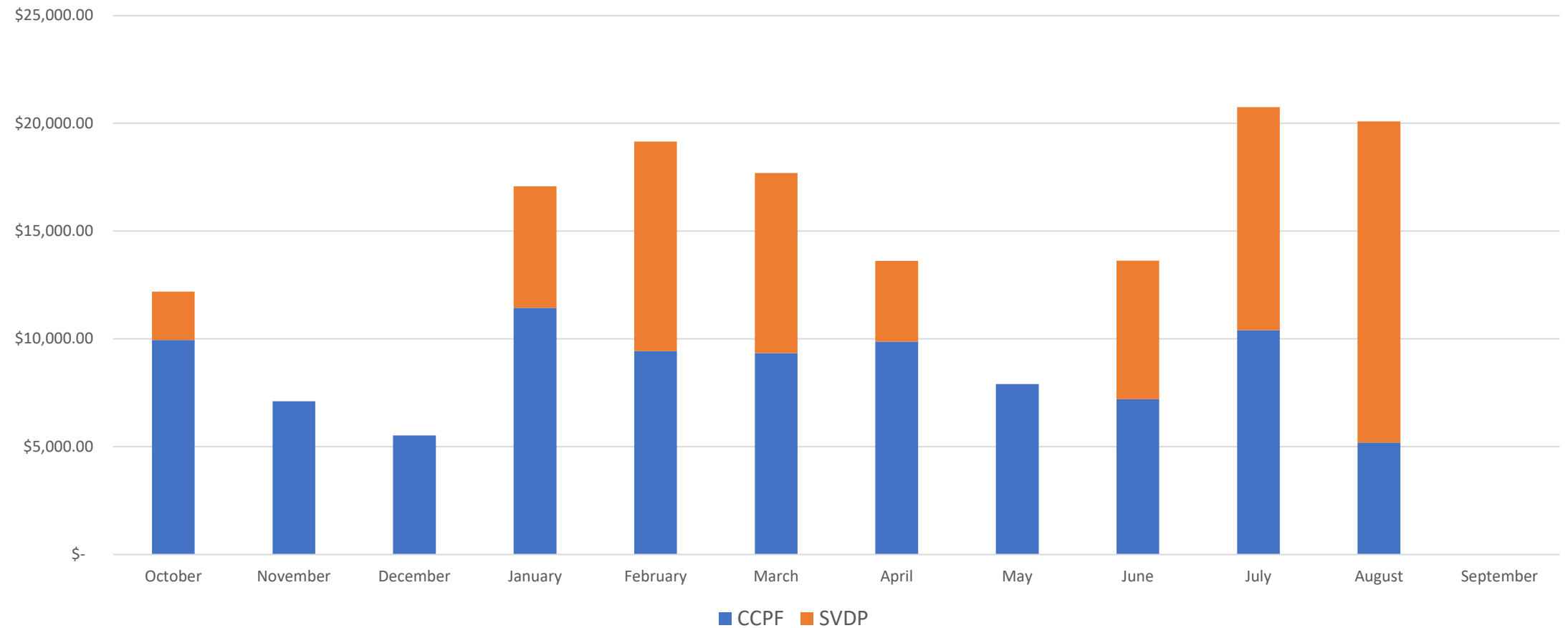
Neighbors Qualify for Assistance in Any of Three Ways

- Receive Assistance through Specific Government Programs
 - SNAP (Food Stamps)
 - NSLP (School Lunches)
 - TANF (Temporary Assistance for Needy Families)
 - SSI (Supplemental Security Income)
 - Medicaid
- Income Below 185% of Federal Poverty Level
 - Sliding Scale based on Number of People in Household
 - Updated each July 1 by Texas Department of Agriculture for Food Assistance
- Crisis Situation
 - Unexpected
 - Temporary
 - Out of Neighbor's Control

Assistance Process

- Annual Intake/Confirm Eligibility
- Daily Registration
- Review Assistance History
- Conduct Brief Interview
- Review Current Bill
- Write Voucher or Check

Monthly KPUB Bill Assistance 2021-2022



KPUB Vouchers 2021-2022

	TOTAL		CCPF Vouchers		SVDP Payments	
	Vouchers	\$	Vouchers	\$	Vouchers	\$
October	108	\$ 12,195.61	89	\$ 9,952.21	19	\$ 2,243.40
November	70	\$ 7,107.77	70	\$ 7,107.77	0	\$ -
December	69	\$ 5,526.75	69	\$ 5,526.75	0	\$ -
January	136	\$ 17,081.92	91	\$ 11,438.45	45	\$ 5,643.47
February	146	\$ 19,150.04	72	\$ 9,440.43	74	\$ 9,709.61
March	135	\$ 17,696.04	70	\$ 9,344.21	65	\$ 8,351.83
April	119	\$ 13,619.01	86	\$ 9,877.73	33	\$ 3,741.28
May	78	\$ 7,903.40	78	\$ 7,903.40	0	\$ -
June	133	\$ 13,629.31	68	\$ 7,203.63	65	\$ 6,425.68
July	171	\$ 20,754.91	84	\$ 10,402.30	87	\$ 10,352.61
August	161	\$ 19,944.50	42	\$ 5,041.83	119	\$ 14,902.67
September	0	\$ -				
TOTAL	1326	\$ 154,609.26	819	\$ 93,238.71	507	\$ 61,370.55
AVERAGES	\$ 116.60		\$ 113.84		\$ 121.05	

Frequency of Assistance

Number of Households	Times Assisted	Total Number of Bills
1	9	9
2	8	16
2	7	14
4	6	24
3	5	15
27	4	108
44	3	132
113	2	226
275	1	275

Assistance Overview

SVDP - ND Kerrville Conference

- Food Pantry
- Utilities
 - Electricity (KPUB, BEC, CTEC, Others)
 - Water and Sewer (City of Kerrville, Aqua Texas, Monarch, Others)
 - Natural Gas and Propane (ATMOS, Hunt-Ingram, Kerrville Butane, Others)
- Prescription Medicines (Medicine Stop)
- Gasoline (MiniMart)
- Other (Clothing, Furniture, Medical, Car/House Repairs, Insurance, Property Taxes, etc.)
- Disaster/Crisis Relief
- Limits are Evaluated and Adjusted Quarterly
 - Food = Twice per Month
 - Generally = \$150 - \$200 per Quarter
 - Occasional Advance of One Quarter's Assistance
 - Conference may approve more on a case by case basis

Balance Sheet

Notre Dame, Kerrville

As of September 30, 2021

Accrual Basis

Account	Sep 30, 2021
Assets	
Current Assets	
Cash and Cash Equivalents	
Notre Dame Kerrville Checking Account	10,448.91
Total Cash and Cash Equivalents	10,448.91
Food Pantry	11,192.12
Non-Cash Other	7,784.98
Total Current Assets	29,426.01
Total Assets	29,426.01
Liabilities and Equity	
Equity	
Current Year Earnings	12,933.61
Retained Earnings	16,492.40
Total Equity	29,426.01
Total Liabilities and Equity	29,426.01

SOCIETY OF ST. VINCENT DE PAUL, SOUTHWEST TEXAS COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 2,145,525
Investments	28,799
Grants Receivable	56,171
Note Receivable, Current Portion	3,600
Inventory - Donated and Purchased Goods	77,094
Inventory - Cemetery Plots	4,050
<i>Total Current Assets</i>	<u>2,315,239</u>

Noncurrent Assets:

Note Receivable, Net of Current Portion	15,346
Property and Equipment, Net of Accumulated Depreciation	283,206
<i>Total Noncurrent Assets</i>	<u>298,552</u>

TOTAL ASSETS	<u>\$ 2,613,791</u>
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LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts Payable	\$ 3,280
Accrued Liabilities	22,566
<i>Total Current Liabilities</i>	<u>25,846</u>

Net Assets:

Without Donor Restrictions	2,587,945
<i>Total Net Assets</i>	<u>2,587,945</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,613,791</u>
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The accompanying notes are an integral part of the financial statements.

SOCIETY OF ST. VINCENT DE PAUL, SOUTHWEST TEXAS COUNCIL
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Contributions			
Donations and Memorials	\$ 1,181,110	\$ -	\$ 1,181,110
Church/Poor Box Collections	1,899,367	-	1,899,367
In-Kind Donations	6,616,068	-	6,616,068
Foundation Grants	375,750	52,542	428,292
Other Government Grants	262,042	-	262,042
Paycheck Protection Program Grant	135,300	-	135,300
Fundraising Income	169,824	-	169,824
Other Income	159,031	-	159,031
Investment Income	1,902	-	1,902
Net Assets - Released from Restrictions	96,686	(96,686)	-
Total Revenues	<u>10,897,080</u>	<u>(44,144)</u>	<u>10,852,936</u>
EXPENSES:			
Program Services	9,922,669	-	9,922,669
Supporting Services	249,431	-	249,431
Total Expenses	<u>10,172,100</u>	<u>-</u>	<u>10,172,100</u>
Change in Net Assets	724,980	(44,144)	680,836
Net Assets, Beginning of Year	1,748,569	44,144	1,792,713
Prior Period Adjustment	114,396	-	114,396
Net Assets, End of Year	<u>\$ 2,587,945</u>	<u>\$ -</u>	<u>\$ 2,587,945</u>

The accompanying notes are an integral part of the financial statements.

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
REGULAR MONTHLY MEETING
WEDNESDAY, SEPTEMBER 07, 2022, AT 8:30 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS**

TRUSTEES PRESENT:

Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

STAFF PRESENT:

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

TRUSTEES ABSENT:

OTHERS PRESENT:

Stephen Schulte, Legal Counsel
Gil Salinas, KEDC

1. CALL TO ORDER:

Mr. Mark Cowden, Chairman, called the Regular Monthly Meeting to order at 8:31 a.m.

2. PLEDGE OF ALLEGIANCE:

3. CITIZEN/CONSUMER OPEN FORUM:

There were no citizens/consumers to speak.

4. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Mr. Wittler highlighted Utility Field Technician, Chris Stewart as the August staff spotlight for the month. Mr. Stewart has been with KPUB for four months. Accounting Supervisor, Jill Cook was highlighted as the September staff spotlight for the month. Ms. Cook has been with KPUB for one year. Mr. Wittler also highlighted employee anniversaries for August and September. KPUB community events included the Chamber Expo on August 5th, Food Pantry Event on August 29th and a Pet Food Drive in July benefiting Kerrville Pets Alive. Upcoming events include a Blood Drive on September 22nd, and a Bucket Truck Event on October 8th. Mr. Wittler noted the following upcoming board meetings tentatively scheduled for:

- *Wednesday, September 21, 2022 at 8:30 a.m.,*
- *Wednesday October 19, 2022 at 8:30 a.m., and*
- *Wednesday November 16, 2022 at 8:30 a.m.*
- *Wednesday, December 14, 2022 at 8:30 a.m.*

5. CONSIDERATION AND ACTION ON ANNUAL FUNDING REQUEST FROM THE KERRVILLE ECONOMIC DEVELOPMENT CORPORATION (KEDC) – GIL SALINAS, COO:

Mr. Gilbert Salinas reviewed the Kerr Economic Development Corporation's progress as well as the annual funding request. Mr. Salinas highlighted the projects and programs KEDC has worked on since the last budget request. He also advised that KEDC continues working, meeting and exceeding the goals and objectives set forth by the original 2-Year Roadmap and Economic Development Ecosystem, approved by all of the respective stakeholders. He added that housing is another priority to focus on for the community. Mr. Salinas answered questions from the Board Members, and they thanked Mr. Salinas on doing a good job.

Larry Howard, Vice Chairman, motioned to approve the funding request from KEDC. Mayor Judy Eychner seconded the motion. Vote was by a show of hands. Motion carried 5 – 0.

6. CONSENT AGENDA:

Glenn Andrew, Treasurer, made a motion to accept items in the consent agenda as presented. Mayor Eychner seconded the motion. Vote was by a show of hands. Motion carried 5 – 0.

6A. APPROVAL OF MINUTES.

6B. RESOLUTION NO. 22-14 – AMY DOZIER, DIRECTOR OF FINANCE. A Resolution approving payment to various providers of services or supplies.

END OF CONSENT AGENDA

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

Ms. Dozier presented the financial statements for the month of July 2022. Ms. Dozier highlighted items that included a \$322K increase in net position; \$5.1M in operating revenue for the month (due to 15% higher than budget kWh sales for July due to excessive heat and higher than planned unit costs for purchased power due to high natural gas prices); \$4.7M in operating expense; \$407K in operating income; \$3.2M in over collected power cost adjustment as of July 31, 2022; and \$30.2M invested in investment pools, CD's and an investment account at Happy State Bank. She added that the Power Cost Adjustment (PCA) remained at \$95.00 for July. On a YTD basis, actual power costs equate to a power cost adjustment factor of \$91.27, which is lower than the \$95.00 billed PCA. However, staff recommended to keep the PCA at \$95.00 due to ongoing litigation related to the February 2021 winter storm and the temporary reduction in solar revenue that was experienced due to hail damaged solar panels at Concho Bluff. Ms. Dozier also provided a power point presentation with the month's highlights and financial metrics from her memo.

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

Ms. Dozier presented summary information from the Quarterly Funds Report. She advised that as of June 30, 2022, KPUB had \$29.8M invested in CD's, municipal investment pools and demand accounts at Happy State Bank. The majority of the funds (\$22.9M) are held in demand accounts at Happy State Bank. These accounts are fully collateralized, completely liquid and earning 2.86% as of September 1, 2022. The investments were discussed with the Investment Committee following the July Board meeting. Continued favorable rates are now changing weekly following Happy State Bank's acquisition by Centennial Bank. The plan is to continue the current strategy of holding completely liquid and fully collateralized investments at increasingly favorable rates 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 5 – 0.

9. 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 and Possible Action on Hedging Activities, ERCOT Invoicing and Purchased Power Contracts – Mike Wittler, CEO

Staff asked the Board of Trustees if there was 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, and "Competitive Matters" in accordance with Texas Statutes Subchapter D, Chapter 551, Government Code Section §551.086. Mr. Howard so moved. Mayor Eychner seconded the motion. Vote was by show of hands. Motion carried 5 – 0.

The Board entered Executive Closed Session at 8:51 a.m. Chairman Cowden adjourned the Executive Closed Session and reconvened into Open Session at 9:24 a.m.

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

No action taken by the Board.

11. ADJOURNMENT

Chairman Cowden adjourned the Regular Board Meeting at 9:24 a.m.

Date Approved: _____

Mark Cowden, Chairman

ATTEST

Lidia S. Goldthorn, Assistant Secretary to the Board

**MINUTES OF THE
KERRVILLE PUBLIC UTILITY BOARD
SPECIAL CALLED MEETING
WEDNESDAY, SEPTEMBER 07, 2022, AT 9:27 A.M.
KPUB CONFERENCE ROOM
KERRVILLE PUBLIC UTILITY BOARD OFFICES
2250 MEMORIAL BLVD.
KERRVILLE, TEXAS**

TRUSTEES PRESENT:

Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

STAFF PRESENT:

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

TRUSTEES ABSENT:

OTHERS PRESENT:

1. CALL TO ORDER:

Mr. Mark Cowden, Chairman, called the Special Called Meeting to order at 9:27 a.m.

2. CONSIDERATION AND DISCUSSION OF FISCAL YEAR 2023 BUDGET:

Ms. Amy Dozier presented an overview of the Proposed FY2023 Budget to the Board. She started with the Budget Message to the Board, reflecting KPUB's mission to be a responsive and efficient, locally-owned provider of reliable, high-quality utility service at the lowest responsible price. She went over the proposed budget summary, advising that revenue and expense increases were driven by anticipated increases in purchased power cost. She advised the proposed budget will anticipate a small negative change in net position.

She went over Operating Revenues with the following budget assumptions: customer growth of 1.5%; average kWh sales per customer budgeted using a historical average, which is lower than FY2022 actual; no changes to tariff rates for customer charge, distribution charge or base power supply charge; projected split between residential and commercial revenue follows historical pattern; and other revenue is lower than FY2022 due to changes in pole attachment rate and temporary increase in LCRA lease payment that ended in FY2022. She also went over Operating Expenses showing purchased power represented 70% of expense; distribution, general and administrative, and customer service related expense account for 22% of operating expenses. She highlighted significant items in those categories include: 9.7% average merit adjustment (matching CPI for the KPUB area); market-based adjustments for some positions (based on August 2022 compensation study); 3 new positions; \$210K for potential new LCRA radio system; \$50K for uncollectible accounts; \$100K for pension expense based on investment performance; and increases in health insurance and pension contribution rates.

Ms. Dozier then went over Purchased Power, advising that natural gas prices have a large impact on monthly purchased power cost. Natural gas is approximately 60% of the CPS bill and the effectiveness of KPUB's renewable hedges are driven by natural gas prices. In the last 12 months, volatile natural gas prices have increased by 100.7% (from \$4.62 to \$9.26). FY2023 budget assumptions are: Natural gas prices based on futures as of August 9, 2022; hedges based on historical effectiveness associated with natural gas prices; Concho Bluff solar production assumed at 40% through July 2023; and no contractual changes assumed in 2023. Ms. Dozier reviewed the Power Cost Adjustment, advising current billed residential rate is \$95 per 1,000 kWh. In the last 15 years, the billed rate has been as high as \$130 (2008) and as low as \$70 (2016). The billed rate proposed beginning in October 2022 is \$102.50 with a budgeted cost of \$97.42. She advised the difference between billed rate and budgeted cost would result in an increase in the overcollection account of approximately \$2.6 million. Ms. Dozier presented a graph comparing residential rates charged in August 2022 for twelve Central and South Texas utilities. She advised KPUB's August 2022 rate is the lowest. KPUB's anticipated rate for FY2023, FY2024 and FY2025 show to be lower than most August 2022 rates.

Ms. Dozier presented a Five-Year Forecast, advising it is driven by increases in energy prices. She advised the current CPS contract expires on December 31, 2023. The forecast assumes a 20% increase in purchased power in FY2024, and 5% annual increases for FY2025 to FY2027. It will also assume a tariff increase in FY2024 (2%) and FY2026 (5%). FY2024 tariff changes are based on recommendations for 2021 increase presented in the 2018 Rate Design. The forecast will also assume a 5% salary adjustment in FY2024 and 3% annually for FY2025 to FY2027. Ms. Dozier went over the Cash Flow Forecast, advising that even with tariff changes, cash balance is forecast to decline by \$3.5M in the next 5 years. She advised that advance repayment (principal and interest) from the City of Kerrville will be a cash inflow of \$6.0M, and capital spending will be a cash outflow of \$26.3M. She added that numbers presented do not account for final payment related to Winter Storm Uri.

Mr. Mike Wittler went over the Capital Budget. A Five-Year Capital Improvement Plan is included in the budget for forecasting purposes. Year 1 notes are as follows: AMR systems are higher due to supply chain issues and increased development activity; Clay Street improvements equal \$250K (estimates have been provided to City Staff for request to EIC for half funding); for the KPD/Sheriff's Office/KPUB Reliability Project the KPUB office is currently served by two circuits and the switchgear that provides that service can be used to serve the new Public Safety Complex and Sheriff's Office (the switchgear is 26 years old and replacement is needed in any case); the radio system upgrade at Hunt will allow KPUB to start using the LCRA radio system (like the City, possibly the County and other regional entities); and facilities improvements are budgeted to complete main office remodel and then remodel rear offices as well. Mr. Wittler went over the replacement criteria for KPUB's fleet including what the current lead times are on purchases. Years 2 – 5 notes include pole replacements, which are projected to be caught up (reducing the budget from \$620K to \$300K), and the Ingram transformer replacement (\$1.5M) and associated new circuit (\$638K).

Mr. Wittler presented the payroll portion of the budget, which still needs to be reviewed by the Personnel Committee. The budget includes three new positions in Administration, Customer Service and IT; and a modification of roles for two CSR positions being Billing Specialist and CSR Team Lead. The total base payroll proposed budget is \$5.2M, with a merit increase pool of 9.7%. He also went over compensation study recommended restructured grade levels including an adjustment to bring all employees to new minimums at \$74K; Year 1 additional adjustment considering experience at \$48K; Year 2 additional adjustment considering experience at \$43K; and a total anticipated adjustment recommended from the compensation study of \$165K.

No further discussion by the Board.

3. **ADJOURNMENT**

Chairman Cowden adjourned the Special Called Meeting at 10:20 a.m.

Date Approved: _____

Mark Cowden, Chairman

ATTEST

Lidia S. Goldthorn, Assistant Secretary to the Board

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Larry Howard
Mayor Judy Eychner

From: Amy Dozier

Date: September 14, 2022

Re: Agenda Item No. 6B – Resolution No. 22-15

In accordance with Board resolution 10-06 that requires monthly reporting of wire transfers exceeding \$20,000, this memo reports the following transfers between September 1, 2022 and September 15, 2022 for Board approval:

	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
Payroll:				
1	Payroll	Pay period ending 8/27/2022	121,020.09	9/2/2022
2	Payroll Taxes	Pay period ending 8/27/2022	43,071.11	9/7/2022
Employee Benefits:				
1	TML	Health Insurance - September	61,203.90	9/1/2022
2	TMRS	Pension - August Payroll	66,216.77	9/13/2022
Investment Transfers (from Operating Account to Investment Account at Happy State Bank)				
1	Happy State Bank	Investment Transfer	400,000.00	9/2/2022
2	Happy State Bank	Investment Transfer	800,000.00	9/9/2022

I am happy to answer any questions regarding these transfers at your convenience.

Sincerely,



Amy Dozier
Director of Finance

RESOLUTION NO. 22-15

A RESOLUTION OF THE KERRVILLE PUBLIC UTILITY BOARD CONFIRMING AND AUTHORIZING THE PAYMENTS OF INVOICES AS APPROVED AND PRESENTED BY THE DIRECTOR OF FINANCE AND GENERAL MANAGER / CEO.

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

WHEREAS, the Director of Finance 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 21st day of September, 2022

Mark Cowden, Chairman

ATTEST:

Bill Thomas, Secretary

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andew
Mayor Judy Eychner

From: Howard Hall

Date: September 9, 2022

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

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

- A. Tower Site Agreement.** Staff recommends approval to continue with multi-year tower site agreements with West Central Wireless. This tower houses our radio equipment and repeater. Attached is the lease. This Motorola Radio System was evaluated and we chose to go with it in 2015 and is currently in use. We are currently evaluating on replacing or upgrading this system. Either way we go this tower site will be needed. The lease this coming year is \$8855.09 with a 3% increase each year after.

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

Sincerely,

Howard Hall
Supervisor of System Operations

Tower Lease Agreement

THIS TOWER LEASE AGREEMENT (this "Lease") is effective this 1st day of September, 2015, between TX RSA 15 B2 Limited Partnership dba West Central Wireless, a Texas limited partnership ("Landlord"), and Kerrville Public Utility Board ("Tenant").

1. Premises. Subject to the following terms and conditions, Landlord leases to Tenant a certain portion of the real property (the "Property") located at 152 Sunridge, Hunt, Texas. Kerr County, Texas (commonly known address) described in attached Exhibit A, and a portion of the tower located on the Property (the "Tower") (collectively referred to hereinafter as the "Premises").
2. Term. The initial term of this Lease shall be a 5 year initial term commencing on September 1st 2015, (the "Commencement Date"), and terminating at Midnight on the last day of the initial term. The Lease shall automatically renew for two (2) additional five (5) year renewal terms unless written notice is given to Landlord 90 days prior to end of each term.
3. Permitted Use. The Premises may be used by Tenant for, the transmission and reception of radio communication signals subject to the following:
 - (a). Subject to the provisions of this Lease, the Premises may be used by Tenant for the transmission and reception of radio communication signals on the frequencies set forth on Exhibit B hereto.
 - (b). Tenant may install, service, repair and operate at the Premises the equipment ("Antenna Facilities") further described in Section 7(a) of this Lease and as set forth on Exhibit E hereto, including substitution or replacement by comparable equipment from time to time. All such Tenant's equipment shall be "FCC type-accepted" (if applicable), shall comply with all applicable rules and regulations of the Federal Communications Commission ("FCC"), and shall be maintained in accordance with "good engineering practices" as defined therein.
 - (c). Tenant acknowledges that its rights hereunder are not exclusive rights of occupancy with respect to the Tower Site.
 - (d). Tenant shall obtain, at Tenant's expense, all necessary Governmental Approvals. Landlord agrees to reasonably cooperate with Tenant, at no cost to Landlord, where required to perform such procedures or obtain Governmental Approvals. If necessary, Tenant has the right to immediately terminate this Lease if Tenant notifies Landlord of unacceptable results of any Governmental Approvals.

4. Rent.

(a) Tenant shall pay Landlord, as Rent, \$7200.00 per year ("Rent") for the first year of the agreement. Payments for the initial year will be made at \$600.00 per month. Rent will increase by 3% per year for the remainder of the contract, including any renewal term, resulting in \$7416.00 per year for the second year of the agreement, \$7638.48 for the third year, \$7867.63 for the fourth year and the last year of the initial five year term will be \$8103.66 per year. Rent shall be payable in advance beginning on the Commencement Date for the remainder of the month in which the Commencement Date falls and for the following month, and thereafter rent will be payable monthly in advance on the first day of each month for the following month to West Central Wireless at Landlord's address specified in Section 11 below

(b) Notwithstanding the foregoing, and notwithstanding the terms set forth in Section 2 hereof, if Landlord's rights in the site are derived from a primary lease, then the terms shall continue and remain in effect only as long as Landlord retains its interest under said primary lease.

5. Interference. Subject to Tenant's right to use the Premises as set forth in Section 3, Tenant shall not otherwise use the Premises in any way which interferes with the use of the Property by Landlord, or lessees or licensees of Landlord, with rights in the Property prior in time to Tenant's (subject to Tenant's rights under this Lease, including without limitation, non interference). Such interference shall be deemed a material breach and Tenant shall, upon written or verbal notice from the Landlord, be responsible for terminating said interference immediately. In the event any such interference does not cease promptly, the Landlord shall have the right, in addition to any other rights that it may have at law or in equity, to terminate this Lease immediately upon written notice.

6. Improvements; Utilities; Access.

(a) Tenant shall have the right, at its expense, to erect and maintain on the Premises receiver and transmitter and related cables and utility lines (collectively the "Antenna Facilities") at the locations on the Tower as shown (description of antennas and location) and related cables as shown in Exhibit C. Tenant shall cause all construction to occur lien-free and in compliance with all applicable laws and ordinances. The imposition of any lien or breach of any applicable laws or ordinances shall be considered a material breach of this Lease. The Antenna Facilities shall remain the exclusive property of Tenant. Tenant shall have the right to remove the Antenna Facilities upon termination of this Lease. If Tenant fails to remove the Antenna Facilities and all other of Tenant's equipment and restore the Premises to its prior condition within thirty (30) days of written demand by Landlord, Landlord may remove and store the Antenna Facilities and other equipment of Tenant and restore the Premises to its prior condition, with the exception of reasonable wear and tear, at Tenant's sole expense. If Tenant does not within thirty (30) days thereafter claim its Antenna Facilities and other equipment, Landlord may keep or sell the Antenna Facilities and other Tenant equipment, at Landlord's option. Tenant

shall remain liable for any costs not recouped by Landlord upon the sale of the Antenna Facilities and other equipment of Tenant.

(b) Tenant shall only engage a vendor approved by Landlord to perform the installation of the Antenna Facilities.

(c) Tenant shall, at Tenant's expense, keep and maintain the Antenna Facilities now or hereafter located on the Premises in commercially reasonable condition and repair during the term of this Lease, normal wear and tear excepted. Upon termination of this Lease, the Premises shall be returned to Landlord in good, usable condition, normal wear and tear excepted.

(d) Tenant shall not allow any third parties to place any equipment on the Tower or Premises, except as necessary to perform maintenance or to install or repair the Antenna Facilities.

(e) Landlord shall not provide power to Tenants Equipment. Tennant will be responsible for their own electric meter.

(f) As partial consideration for Rent paid under this Lease, Landlord hereby grants Tenant and Tenant's agents, employ or contractors, a non-exclusive easement ("Easement") for ingress, egress, and access (including access for the purposes described in Section 3 to the Premises adequate to install and maintain utilities, which include, but are not limited to the installation of overhead or underground power and telephone service cable, and to service the Premises and the Antenna Facilities at all times during the term of this Lease or any Renewal Term. Landlord shall designate the means of ingress and egress to the Premises to be used by Tenant. Upon prior written notice, provided Tenant's Antenna Facilities remain fully functional and continue to transmit at full power, Landlord shall have the right, at Landlord's sole expense, to relocate the Easement, provided such new location shall not materially interfere with Tenant's operations. Any Easement provided hereunder shall have the same term as this Lease and shall not be exclusive. The location of any Easement provided hereunder shall be placed so as not to interfere with any other existing easements affecting the Premises and shall not interfere with the Landlord's use and enjoyment of the Premises. Any easement granted by the Landlord shall use the most direct route from the main entrance of the property or to available utilities to the Premises and shall make use of existing roads.

(g) Tenant shall have 24-hours-a-day, 7-days-a-week access to the Premises at all times during the term of this Lease and any Renewal Term, however, it is agreed that only authorized employees, agents or engineers of Tenant or persons under their direct supervision will be permitted to enter the Property.

7. Termination. Except as otherwise provided herein, this Lease may be terminated, without any penalty or further liability as follows:

(a) upon thirty (30) days written notice by Landlord for failure to cure a material default for payment of amounts due under this Lease within that thirty (30) day period;

(b) upon thirty (30) days written notice by either party, if the other party defaults and fails to cure or commence curing such default within that 30-day period, or such longer period as may be required to diligently complete a cure commenced within that 30-day period;

(c) upon ninety (90) days written notice by Tenant, if it is unable to obtain, maintain, or otherwise forfeits or cancels any license, permit or Governmental Approval necessary to the installation and/or operation of the Antenna Facilities or Tenant's business;

(d) if the property Building or the Antenna Facilities are or become unacceptable under Tenant's design or engineering specifications for its Antenna Facilities or the communications systems to which the Antenna Facilities belong, Tenant shall provide written notice to Landlord. If Landlord fails to rectify such problem within one hundred eighty (180) days of the receipt of written notice, Tenant may terminate this Agreement.

(e) immediately upon written notice if the Premises or the Antenna Facilities are destroyed or damaged so as in Tenant's reasonable judgment to substantially and adversely affect the effective use of the Antenna Facilities. In such event, all rights and obligations of the parties shall cease as of the date of the damage or destruction, and Tenant shall be entitled to the reimbursement of any Rent prepaid by Tenant. If Tenant elects to continue this Lease, then all Rent shall abate until the Premises and/or Antenna Facilities are restored to the condition existing immediately prior to such damage or destruction;

(f) at the time title of the Property transfers to a condemning authority, pursuant to a taking of all or a portion of the Property sufficient in Tenant's determination to render the Premises unsuitable for Tenant's use. Landlord and Tenant shall each be entitled to pursue their own separate awards with respect to such taking. Sale of all or part of the Property to a purchaser with the power of eminent domain in the face of the exercise of the power shall be treated as a taking by condemnation.

8. Taxes. Tenant shall pay any personal property taxes assessed on, or any portion of such taxes attributable to, the Antenna Facilities. Landlord shall pay when due all real property taxes and all other fees and assessments attributable to the Property.

9. Insurance and Subrogation.

(a) Tenant will provide Commercial General Liability Insurance in an aggregate amount of \$2,000,000, including umbrella limits and name Landlord as an additional insured on the policy or policies. Tenant may satisfy this requirement by obtaining the appropriate endorsement to any master policy of liability insurance Tenant may maintain. Tenant shall provide written proof of insurance to Landlord within thirty (30) days after the commencement

of the Lease.

(b) Landlord and Tenant hereby mutually release each other (and their successors or assigns) from liability and waive all right of recovery against the other for any loss or damage for which payment is received from their respective first party property insurance policies for all perils insured thereunder. In the event of such insured loss, neither party's insurance company shall have a subrogated claim against the other.

10. Hold Harmless. Tenant agrees to hold Landlord harmless from claims arising from the installation, use, maintenance, repair or removal of the Antenna Facilities, except for claims arising from the gross negligence or intentional act or omission of Landlord, its employees, agents or contractors.

11. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed given if personally delivered or mailed, certified mail, return receipt requested, or sent by overnight carrier to the following addresses:

If to Tenant, to:
Kerrville Public Utility Board
2250 Memorial Blvd
Kerrville, Texas 78028

With a copy to:

Phone: (830)-792-8215
Fax: (830)-792-8231

If to Landlord, to:
TX RSA 15B2 Limited Partnership dba West Central Wireless
3389 Knickerbocker Rd
San Angelo, Texas, 76904
Phone (325) 944-9016
Fax (325) 656-7059

With a copy to:

12. Environmental Laws. Tenant represents, warrants, and agrees that it will conduct its activities on the Property in compliance with all applicable environmental laws. Tenant agrees to defend, indemnify, and hold Landlord harmless from and against any and all claims, causes of action, demands, and liability including, but not limited to, damages, costs, expenses, assessments, penalties, fines, losses, judgments, and attorney's fees that Landlord may suffer due to the existence or discovery of any Hazardous Substance on the Property or the migration of any Hazardous Substance to other properties or release into the environment arising from Tenant's activities on the Property or from activities of any assignee or sublessee of Tenant.

Landlord agrees to defend, indemnify, and hold Tenant harmless from and against any all claims, causes of action, demands, and liability including, but not limited to, damages, costs, expenses, assessments, penalties, fines, losses, judgments, and attorney's fees that Tenant may suffer due to the existence or discovery of any Hazardous Substance on the Property or the migration of any Hazardous Substance to other properties or released into the environment, that relate to or arise from Landlord's activities during this Lease.

The indemnifications in this section specifically include without limitation costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any governmental authority.

13. Assignment and Subleasing. Tenant may not assign this Lease without the written consent of Landlord, which such consent shall not be unreasonably withheld. Tenant may sublease the Premises only upon the written consent of the Landlord, which such consent shall not be unreasonably withheld, and only if such sublease is subject to the provisions of this Lease.

14. Successors and Assigns. This Lease and any easements granted herein shall run with the land, and shall be binding upon and inure to the benefit of the parties, their respective successors, personal representatives, and assigns.

15. Right to Mortgage. Landlord reserves the right to subject and subordinate this Lease at all times to the lien of any first mortgage now or hereafter placed on Landlord's interest in the Premises, and Tenant shall execute, at Landlord's request, any documents requested to effectuate such subordination; provided, however, no default by Landlord under any mortgage shall affect Tenant's rights under this Lease, so long as Tenant substantially performs the obligations imposed upon it hereunder.

16. Miscellaneous.

(a) The substantially prevailing party in any litigation arising hereunder shall be entitled to its reasonable attorneys' fees and court costs, including appeals, if any.

(b) Each party agrees to furnish to the other, within ten (10) days after request, such truthful estoppel information as the other may reasonably request.

(c) This Lease constitutes the entire agreement and understanding of the parties, and supersedes all offers, negotiations, and other agreements. There are no representations or understandings of any kind not set forth herein. Any amendments to this Lease must be in writing and executed by both parties.

(d) This Lease shall be construed in accordance with the laws of the state in which the Property is located. Venue for any legal action under the Lease shall be in Kerr County, Texas.

(e) The persons who have executed this Lease represent and warrant that they are duly authorized to execute this Lease in their individual or representative capacity as indicated.

(f) The submission of this document for examination does not constitute an offer to lease or a reservation of or option for the Premises and shall become effective only upon execution by both Tenant and Landlord.

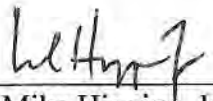
(g) This Lease may be executed in any number of counterpart copies, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

The Execution Date of this Lease is the 3RD day of September, 2015.

LANDLORD:

TX RSA 15B2 Limited Partnership dba West Central Wireless

By: its general partner CGKC&H Rural Cellular Limited Partnership

By: 
Name: Mike Higgins, Jr.
Title: Manager

TENANT:

Kerrville Public Utility Board

By: 
Its: General Manager and CEO

EXHIBIT A

Description

To the Tower Lease Agreement dated effective September 1, 2015, between Kerrville Public Utility Board, as Tennant, and. TX RSA 15B2 Limited Partners dba West Central Wireless, as Landlord.

The Property is described as follows:

Hunt II Tower ST-106
152 Sunridge
Hunt, TX.

EXHIBIT B

To the Tower Lease Agreement dated effective September 1, 2015, between Kerrville Public Utility Board, as Tenant, and. TX RSA 15B2 Limited Partners dba West Central Wireless, as Landlord.

Permitted Frequencies:

450-460 mhz

EXHIBIT C

To the Tower Lease Agreement dated effective September 1, 2015, between Kerrville Public Utility Board, as Tennant, and. TX RSA 15B2 Limited Partners dba West Central Wireless, as Landlord.

Site Plan and Equipment

Rx--Top mount

*Antenna--Comm Scope ASP705K, 10db fiberglass pole, 18.3' long, 25lbs
450-460 Mhz, 1.25" heliax*

Tx---antenna center- 210' level

*Antenna---Comm ScopeDB420-B , 9.2db exposed dipole, 19.4' long, 34lbs
450-460 Mhz, 7/8" heliax*

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Damon Richardson

Date: September 9, 2022


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

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

- A. 500 KVA 3 Phase Pad Mount Transformers.** Purchasing staff is recommending issuing a purchase order to Wesco for the purchase of 2, 225 KVA 3 phase pad mount transformers. Five bids were obtained and one no bid. The low bid in this case is a remanufactured unit, I am not recommendgng this for purchase. Low bid of the newunits is GE for \$29,471.50. Supporting documentation is a transformer evaluation spreadsheet.

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

Sincerely,


Damon Richardson
Purchasing Agent

RFQ 3110
Pole Mount Transformers 225kVA 208/120
September 16, 2022

Historical Loss Factor

Description	Vendor	Delivery Days	Incomplete Submission	Excep.	Qty	Price Ea.	Total Bid Price	%Z	No-load Losses	Load Losses	Total Owning Cost	
											Each	Bid
225kVA 208/120	Wesco GE	350	N	N	2	\$29,471.50	\$58,943.00		195	1780	\$ 32,270.37	\$ 64,540.74
	TEC	728	y	N	2	\$33,620.00	\$67,240.00				\$ 33,620.00	\$ 67,240.00
	Wesco Hitachi	462	N	N	2	\$40,944.44	\$81,888.88		481	1707	\$ 44,348.82	\$ 88,697.64
	Irby	462	N	y	2	\$40,494.51	\$80,989.02		481	2188	\$ 44,526.11	\$ 89,052.22
	UTB rebuild	266	y	N	2	\$13,450.00	\$26,900.00				\$ 13,450.00	\$ 26,900.00
		56	N	N	2		\$0.00				\$ -	\$ -
	KBS no bid	98	N	N	2		\$0.00				\$ -	\$ -

Max NL 481
Min LL 1780
NL Loss Factor 2.450
LL Loss Factor 1.304

Current Loss Factor

Description	Vendor	Delivery Days	Incomplete Submission	Excep.	Qty	Price Ea.	Total Bid Price	%Z	No-load Losses	Load Losses	Total Owning Cost	
											Each	Bid
225kVA 208/120	Wesco GE	350	N	N	2	\$29,471.50	\$58,943.00	0.00	195	1780	\$ 35,608.48	\$ 71,216.96
	TEC	728	y	N	2	\$33,620.00	\$67,240.00	0.00	0	0	\$ 33,620.00	\$ 67,240.00
	Wesco Hitachi	462	N	N	2	\$40,944.44	\$81,888.88	0.00	481	1707	\$ 49,856.97	\$ 99,713.94
	Irby	462	N	y	2	\$40,494.51	\$80,989.02	0.00	481	2188	\$ 50,522.83	\$ 101,045.65
	UTB rebuild	266	y	N	2	\$13,450.00	\$26,900.00	0.00	0	0	\$ 13,450.00	\$ 26,900.00
	0	56	N	N	2	\$0.00	\$0.00	0.00	0	0	\$ -	\$ -
	KBS no bid	98	N	N	2	\$0.00	\$0.00	0.00	0	0	\$ -	\$ -

Max NL 481
Min LL 1780
NL Loss Factor 10.297
LL Loss Factor 2.320

Evaluation	Vendor	Value
Total Lead Time	0	56
Minimum Ownership Cost (Historical Loss Factor)	0	\$ -
Minimum Ownership Cost (Current Loss Factor)	0	\$ -
Minimum Purchase	UTB rebuild	\$13,450.00

Rank	Total Lead Time	Minimum Ownership Cost (Historical Loss Factor)	Minimum Ownership Cost (Current Loss Factor)	Minimum Purchase	TOTAL
Wesco GE	4	4	3	4	15
TEC	1	3	4	3	11
Wesco Hitachi	2	2	2	1	7
Irby	2	1	1	2	6
UTB rebuild	5	5	5	5	20
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Amy Dozier

Date: September 14, 2022

Re: Agenda Item No. 7 – Financial Report

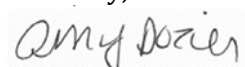
Attached please find financial statements for the month of August 2022.

Highlights include:

- **\$484K increase in net position** for the month, **\$2.0M** increase in net position on a year-to-date (YTD) basis.
- **\$3.7M in operating revenue** for the month, **\$40.9M** on a YTD basis.
 - Operating revenue was 20% lower than budget for August due to:
 - ♦ Significantly lower than budget purchased power cost due to the increased value of price stabilization contracts in periods of high natural gas prices.
 - ♦ The lower prices were partially offset by kWh sales that were 11% higher than budget for the month. August started off hot, but cooled down significantly during the last half of the month. Overall for the month, average temperature and rainfall ended up very close to the 30-year historical average. Because billing cycles do not align with the calendar month, some cycles bill the later part of August in September.
- **\$3.2M in operating expense** for the month, **\$38.4M** on a YTD basis.
 - Operating expense is less than budget by \$877K or 22% for the month due primarily to purchased power price as explained above.
- **\$464K in operating income** for the month, **\$2.6M** in operating income on a YTD basis.
- **\$4.6M in over collection of power cost adjustment** as of 8/31/2022, an **increase of \$1.5M** from the prior month due to effective price stabilization contracts during periods of high natural gas prices as explained above.
- **\$32.5M invested** in investment pools, CD's and an investment account at Happy State Bank. The investment account at Happy State Bank is completely liquid, fully collateralized, and earning 3.085% as of September 14, 2022.

The Power Cost Adjustment (PCA) remained at \$95.00 for August. On a YTD basis, actual power costs equate to a power cost adjustment factor of \$88.56, which is lower than the \$95.00 billed PCA. However, we recommend keeping the PCA at \$95.00 due to ongoing litigation related to the February 2021 winter storm and the temporary reduction in solar revenue that we are experiencing due to hail damaged solar panels at Concho Bluff.

Sincerely,



Amy Dozier
Director of Finance

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended August 31, 2022
(Unaudited)

	Comparison to Budget				Comparison to Last Year		
	Current Month	Current Month Budget Amount	Variance Favorable (Unfavorable)	Percentage Variance	Current Month Last Year Amount	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUES:							
Residential	\$ 2,126,752	\$ 2,613,765	\$ (487,012)	-18.63%	\$ 2,268,277	\$ (141,524)	-6.24%
Commercial/Industrial	1,471,641	1,916,795	(445,154)	-23.22%	1,722,259	(250,618)	-14.55%
Sales to Public Authorities	21,557	21,000	557	2.65%	21,385	171	0.80%
Other	41,246	51,600	(10,354)	-20.07%	53,178	(11,931)	-22.44%
TOTAL OPERATING REVENUES	3,661,197	4,603,160	(941,963)	-20.46%	4,065,098	(403,902)	-9.94%
OPERATING EXPENSES:							
Purchased Power	2,178,240	2,985,911	807,671	27.05%	2,651,324	473,084	17.84%
Distribution	289,939	308,875	18,936	6.13%	289,573	(365)	-0.13%
Customer Accounts	45,303	48,600	3,297	6.78%	40,430	(4,873)	-12.05%
Customer Service, Informational & Sales	40,261	37,800	(2,461)	-6.51%	15,752	(24,509)	-155.59%
Administrative Expenses	328,150	384,000	55,850	14.54%	272,109	(56,041)	-20.60%
Depreciation	315,028	309,000	(6,028)	-1.95%	301,239	(13,790)	-4.58%
TOTAL OPERATING EXPENSES	3,196,921	4,074,186	877,265	21.53%	3,570,427	373,506	10.46%
OPERATING INCOME (LOSS)	464,275	528,974	(64,699)	-12.23%	494,672	(30,396)	-6.14%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	62,616	5,421	57,195	1055.10%	4,676	57,940	1239.06%
Interest Income - City of Kerrville	15,000	15,000	-	0.00%	15,000	-	0.00%
Interest Expense - Debt	(9,594)	(9,594)	-	0.00%	(10,460)	867	-8.28%
Interest Expense - Customer Deposits	(24)	-	(24)		(247)	222	-90.12%
City of Kerrville - General Fund Transfer	(111,714)	(138,300)	26,586	-19.22%	(140,634)	28,920	-20.56%
City of Ingram - Franchise Fee	(3,608)	(3,400)	(208)	6.11%	(3,082)	(525)	17.04%
Other - Net	2,313	1,430	883	61.72%	5,718	(3,405)	-59.55%
TOTAL NONOPERATING REVENUES (EXP)	(45,012)	(129,443)	84,431	-65.23%	(129,030)	84,018	-65.12%
INCOME BEFORE CONTRIBUTIONS	419,264	399,531	19,733	-4.94%	365,642	53,622	14.67%
CAPITAL CONTRIBUTIONS	64,891	9,000	55,891	621.01%	9,735	496	5.09%
CHANGE IN NET POSITION	\$ 484,154	\$ 408,531	\$ 75,623	18.51%	\$ 375,377	\$ 54,118	14.42%
NET POSITION AT BEGINNING OF MONTH	\$ 73,585,908				\$ 70,828,809		
NET POSITION AT END OF MONTH	\$ 74,070,062				\$ 71,204,185		

Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Month Ended August 31, 2022
(Unaudited)

	Year to Date	Comparison to Budget			Comparison to Last Year		
		Year to Date Budget Amount	Variance Favorable (Unfavorable)	Percentage Variance	Year to Date Last Year Amount	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUES:							
Residential	\$ 23,378,788	\$ 23,128,207	\$ 250,581	1.08%	\$ 18,471,651	\$ 4,907,137	26.57%
Commercial/Industrial	16,688,246	17,273,539	(585,293)	-3.39%	13,653,664	3,034,582	22.23%
Sales to Public Authorities	237,250	231,000	6,250	2.71%	231,500	5,750	2.48%
Other	640,891	718,800	(77,909)	-10.84%	686,486	(45,595)	-6.64%
TOTAL OPERATING REVENUES	40,945,175	41,351,546	(406,371)	-0.98%	33,043,301	7,901,874	23.91%
OPERATING EXPENSES:							
Purchased Power	27,220,155	27,948,729	728,574	2.61%	20,305,361	(6,914,794)	-34.05%
Distribution	3,229,185	3,336,623	107,438	3.22%	2,762,549	(466,637)	-16.89%
Customer Accounts	527,887	525,600	(2,287)	-0.44%	513,358	(14,530)	-2.83%
Customer Service, Informational & Sales	284,099	408,600	124,501	30.47%	230,830	(53,268)	-23.08%
Administrative Expenses	3,687,774	4,215,100	527,326	12.51%	3,730,183	42,409	1.14%
Depreciation	3,421,364	3,371,500	(49,864)	-1.48%	3,238,923	(182,441)	-5.63%
TOTAL OPERATING EXPENSES	38,370,464	39,806,152	1,435,688	3.61%	30,781,203	(7,589,261)	-24.66%
OPERATING INCOME (LOSS)	2,574,711	1,545,394	1,029,317	66.61%	2,262,098	312,613	13.82%
NONOPERATING REVENUES (EXP):							
Interest Income - Investments	226,128	59,629	166,499	279.22%	65,373	160,755	245.91%
Interest Income - City of Kerrville	165,000	165,000	-	0.00%	175,000	(10,000)	-5.71%
Interest Expense - Debt	(106,398)	(106,398)	-	0.00%	(115,819)	9,420	-8.13%
Interest Expense - Customer Deposits	(950)	-	(950)		(4,868)	3,918	-80.49%
City of Kerrville - General Fund Transfer	(1,235,139)	(1,242,300)	7,161	-0.58%	(1,167,981)	(67,158)	5.75%
City of Ingram - Franchise Fee	(31,717)	(30,800)	(917)	2.98%	(28,169)	(3,548)	12.60%
Other - Net	29,467	15,730	13,737	87.33%	(23,158)	52,625	-227.24%
TOTAL NONOPERATING REVENUES (EXP)	(953,610)	(1,139,139)	185,530	-16.29%	(1,099,621)	146,011	-13.28%
INCOME BEFORE CONTRIBUTIONS	1,621,101	406,254	1,214,847	299.04%	1,162,477	458,624	39.45%
CAPITAL CONTRIBUTIONS	338,627	99,000	239,627	242.05%	198,614	140,013	70.50%
CHANGE IN NET POSITION	\$ 1,959,728	\$ 505,254	\$ 1,454,474	287.87%	\$ 1,361,091	\$ 598,637	43.98%
NET POSITION AT BEGINNING OF YEAR	\$ 72,110,334				\$ 69,843,094		
NET POSITION AT END OF MONTH	\$ 74,070,062				\$ 71,204,185		

Kerrville Public Utility Board
Balance Sheet
As of August 31, 2022

Assets and Deferred Outflows	August 31, 2022 (Unaudited)	September 30, 2021	Net Position, Liabilities and Deferred Inflows	August 31, 2022 (Unaudited)	September 30, 2021
Utility Plant:					
Utility Plant in Service	\$ 93,164,460	\$ 90,118,697	Total Net Position	\$ 74,070,062	\$ 72,110,334
Less: Accumulated Depreciation	(46,561,130)	(44,085,063)			
Net Utility Plant in Service	46,603,330	46,033,634			
Construction Work in Progress	1,749,765	1,943,177	Liabilities:		
Total Utility Plant	48,353,094	47,976,812	Current Liabilities:		
			Current Portion of 2013 Revenue Bonds	422,000	411,000
Restricted and Noncurrent Assets:			Accrued Interest Payable	38,375	52,302
Customer Deposits	447,575	493,781	Accounts Payable - Purchased Power	10,295,379	10,295,379
Interest and Sinking Fund	390,042	429,052	Accounts Payable - Other	810,308	1,164,618
Emergency, Repair, Replace, Contingency Fund	3,576,116	3,546,912	Over Collection of Power Cost Adjustment	4,625,656	1,681,982
Advance to City of Kerrville	7,500,000	7,500,000	Total Current Liabilities	16,191,718	13,605,280
Total Restricted and Noncurrent Assets	11,913,733	11,969,744			
			Noncurrent Liabilities:		
Current Assets:			2013 Revenue Bonds, net of current portion	2,847,000	3,269,000
Revenue Fund:			Customer Deposits	447,575	493,781
Cash and Cash Equivalents	471,967	511,280	Interest on Customer Deposits	2,500	3,178
Investments	24,192,286	21,179,561	Net Pension & OPEB Liability	1,132,935	1,132,935
Less: Customer Deposits	(447,575)	(493,781)	Total Long-Term Liabilities	4,430,010	4,898,894
Total Revenue Fund	24,216,678	21,197,060			
Construction Fund:			Total Liabilities	20,621,728	18,504,175
Cash and Cash Equivalents	5,122	5,081			
Investments	1,453,338	1,442,338	Deferred Inflows of Resources - Pension & OPEB	1,873,832	1,873,832
Total Construction Fund	1,458,460	1,447,419			
Rate Stabilization Fund:					
Investments	1,912,588	1,898,113			
Total Rate Stabilization Fund	1,912,588	1,898,113			
Long Term Rate Stabilization Fund:					
Investments	1,001,599	904,094			
Total Rate Stabilization Fund	1,001,599	904,094			
Customer Accounts Receivable, net of allowance	4,200,860	3,710,840			
Materials and Supplies	1,100,053	955,314			
Other	890,233	910,622			
Total Current Assets	34,780,471	31,023,461			
Deferred Outflow of Resources - Pension & OPEB	1,518,324	1,518,324			
Total Assets and Deferred Outflows	\$ 96,565,622	\$ 92,488,341	Total Net Position, Liabilities and Deferred Inflows	\$ 96,565,622	\$ 92,488,341

Kerrville Public Utility Board
Invested Funds Detail
For the Month Ended August 31, 2022

	Date	Revenue Fund	Construction Fund	Rate Stabilization Fund	Long Term Rate Stabilization Fund	Restricted			Emergency Repair, Replacement & Contingency Fund	Total Funds Invested
						Debt Reserve Fund	Interest & Sinking Fund			
Beginning Fund Balance		\$ 21,940,988	\$ 1,450,112	\$ 1,908,343	\$ 999,376	\$ -	\$ 345,281		\$ 3,568,179	\$ 30,212,279
Withdrawals:										
Happy Investment - TML	08/01/22	(63,142)								(63,142)
Happy Investment - ERCOT	08/08/22	(39,767)								(39,767)
Happy Investment - TMRS	08/11/22	(66,784)								(66,784)
Happy Investment - ERCOT	08/12/22	(324)								(324)
Happy Investment - NextEra	08/18/22	(485,088)								(485,088)
Happy Investment - CPS	08/18/22	(3,457,782)								(3,457,782)
Happy Investment - ERCOT	08/22/22	(19,877)								(19,877)
Happy Investment - Concho Bluff	08/22/22	(110,770)								(110,770)
Happy Investment - DG Solar	08/22/22	(78,307)								(78,307)
Happy Investment - Engie	08/24/22	(127,880)								(127,880)
Happy Investment - LCRA	08/29/22	(598,208)								(598,208)
Investments:										
Happy Investment	08/02/22	350,000								350,000
Happy Investment	08/05/22	450,000								450,000
Happy Investment	08/09/22	500,000								500,000
Happy Investment	08/15/22	900,000								900,000
Happy Investment	08/19/22	500,000								500,000
Happy Investment	08/22/22	600,000								600,000
Happy Investment	08/26/22	600,000								600,000
Happy Investment	08/29/22	600,000								600,000
Happy Investment	08/31/22	2,800,000								2,800,000
Fund Balance after Withdrawals & Investments		24,193,060	1,450,112	1,908,343	999,376	-	345,281		3,568,179	32,464,351
Allocation of:										
Interest Income	08/31/22	42,338	3,226	4,245	2,223	-	774		7,938	60,745
Int Receivable (accrued on CD)	08/31/22	874							-	874
Total Interest Allocation		43,212	3,226	4,245	2,223	-	774		7,938	61,618
Fund Balance After Allocations		24,236,273	1,453,338	1,912,588	1,001,599	-	346,056		3,576,116	32,525,969
Interfund Transfers :										
Debt Service	08/31/22	(43,986)							43,986	-
Ending Fund Balance		\$ 24,192,286	\$ 1,453,338	\$ 1,912,588	\$ 1,001,599	\$ -	\$ 390,042		\$ 3,576,116	\$ 32,525,969

Kerrville Public Utility Board
 Computation of the Monthly and Annual Debt Service Coverage
 For the Month Ended August 31, 2022

Description	Current Month	Fiscal Year	Previous 12 Months
CHANGE IN NET POSITION	\$ 484,154	\$ 1,959,728	\$ 2,865,877
PLUS:			
Interest Expense (net of amortizations)	9,594	106,398	116,859
Depreciation Expense	314,489	3,421,364	3,728,834
Numerator	<u>808,237</u>	<u>5,487,491</u>	<u>6,711,570</u>
DIVIDED BY:			
Interest Expense (net of amortizations)	9,594	106,398	116,859
Principal Payment Due	35,167	385,917	420,167
Denominator	<u>\$ 44,760</u>	<u>\$ 492,315</u>	<u>\$ 537,025</u>
DEBT SERVICE COVERAGE RATIO	<u>18.06</u>	<u>11.15</u>	<u>12.50</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: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Mike Wittler

Date: September 14, 2022

Re: Agenda Item No. 8 – FY2023 Budget

Management hereby submits the following FY2023 Annual Budget for approval.

Budget highlights include:

- \$49.4 million in operating revenues, up 8.7% from the FY2022 Budget
- \$34.1 million for purchased power expense, up 11.8% from the FY2022 Budget
- \$48.8 million in operating expenses, up 11.0% from the FY2022 Budget
- \$135 thousand decrease in net position
- Revenue and expense increases are driven by expected increases in purchased power cost
- Operating expense increases also include salary adjustments for KPUB employees, the addition of 3 new employees and \$210 thousand for a new radio system
- The capital budget includes \$762 thousand in radio system and tower upgrades at the Hunt Substation, \$550 thousand for a remodel of the warehouse and \$1.5 million in customer extensions

Since the Budget Workshop on September 7, 2022, the following changes have been made:

- Small reductions to the payroll budget (approximately \$48 thousand) that were discussed with and approved by the Personnel Committee on September 15, 2022. These changes impact multiple operating expense line items.
- Changes to interest income based on recalculated cash balances following the payroll changes.
- Changes to ending balances, ratios and change percentages based on the payroll and interest changes.

Note that the budget being adopted covers the period from October 1, 2022 to September 30, 2023. Five-year projections are presented for information and discussion purposes only.

Sincerely,



Mike Wittler
General Manager and CEO



Fiscal Year 2023 Proposed Budget

September 7, 2022



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BUDGET MESSAGE



GENERAL MANAGER & CEO MESSAGE

September 15, 2022

Dear Kerrville Public Utility Board of Trustees,

In accordance with Board Policy 49, please find attached my submission of KPUB's Fiscal Year 2023 (FY2023) proposed budget.

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

The budget was prepared over several months using input from staff, outside experts and extensive research on items ranging from energy futures to economic forecasts to construction in Kerrville.

FY2023 is an important time for KPUB as we anticipate significant progress on items such as:

- Litigation related to Winter Storm Uri
- A new power supply contract following the expiration of KPUB's current contract with CPS Energy that expires on 12/31/2023
- Continued evaluation of KPUB's hedge strategy given increased volatility in the energy markets, especially natural gas
- Extensive customer extensions based on current development plans potentially tempered by rising interest rates and changing economic conditions
- Radio system upgrade at the Hunt Substation
- Facility remodel projects
- Pole inspection and replacement project
- Construction projects at Clay St. and related to the new Public Safety Complex
- Consideration of changes to KPUB's rate structure using recommendations from the 2018 Cost of Service and Rate Design Study

In addition, attracting and retaining staff in a very competitive market continues to be a priority for KPUB. Accordingly, the budget presented includes recommendations from a compensation study completed in August 2022 as well as an average 9.7% merit increase and three new positions. The new positions will provide additional support for key accounts, operations safety and information technology. We anticipate keeping employee benefit levels the same, but expect to see increases in the cost of health insurance and pension contribution rates.



Despite market and economic challenges, KPUB's financial position continues to be strong. Our rates remain lower than almost all utilities in our region and are some of the most competitive across the entire United States. In addition, our financial metrics continue to be in line with or better than the American Public Power Association's (APPA) metrics for utilities of similar size or in a similar area (see page 17).

As required by policy, the attached pages present summary and detailed information regarding our operating and capital budget for FY2023. In addition, the five-year forecast information is less certain but presented for planning and discussion purposes.

The FY2023 proposed budget reflects fiscal discipline and continued focus on our mission. The budget provides the resources to accomplish significant projects while maintaining our excellent service reliability, world-class service and competitive rates for our customers.

As always, I look forward to the board's input and strategic guidance during the coming fiscal year.

Regards,

A handwritten signature in black ink, appearing to read 'Mike Wittler', is positioned above the printed name.

Mike Wittler, P.E.
General Manager and CEO

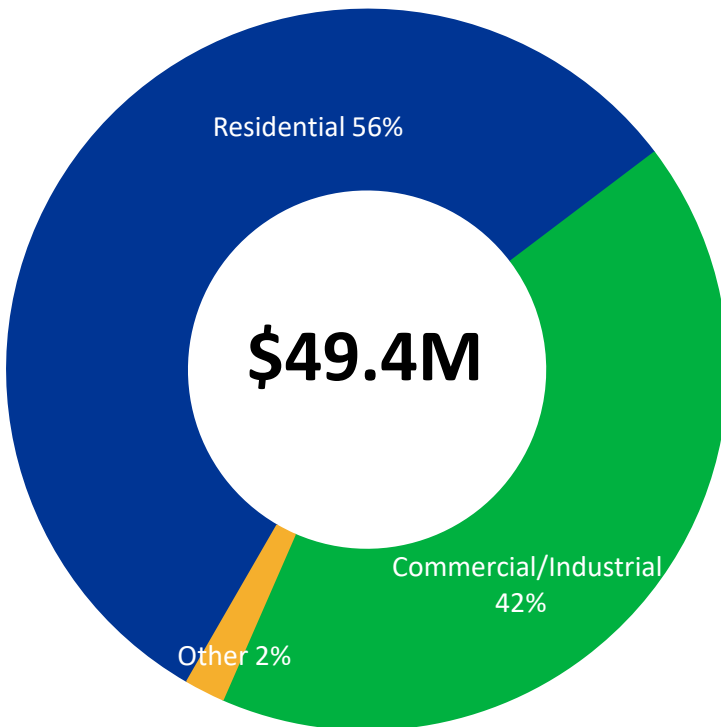


OPERATING BUDGET



BUDGET SUMMARY

KPUB's FY2023 proposed budget projects operating revenues of \$49.4M and operating expenses of \$48.8M. After adjustments for nonoperating items, the budget results in a \$0.1M decrease in net position.



OPERATING REVENUES - \$49.4M

Operating revenues are projected to be 7.4% higher than FY2022 revenues. A small portion of the increase is due to an increase in kilowatt hour (kWh) sales, which are projected to increase less than 1%. A projected 1.5% growth in customers is offset by a projection of lower per capita usage, assuming more normal temperatures in FY2023.

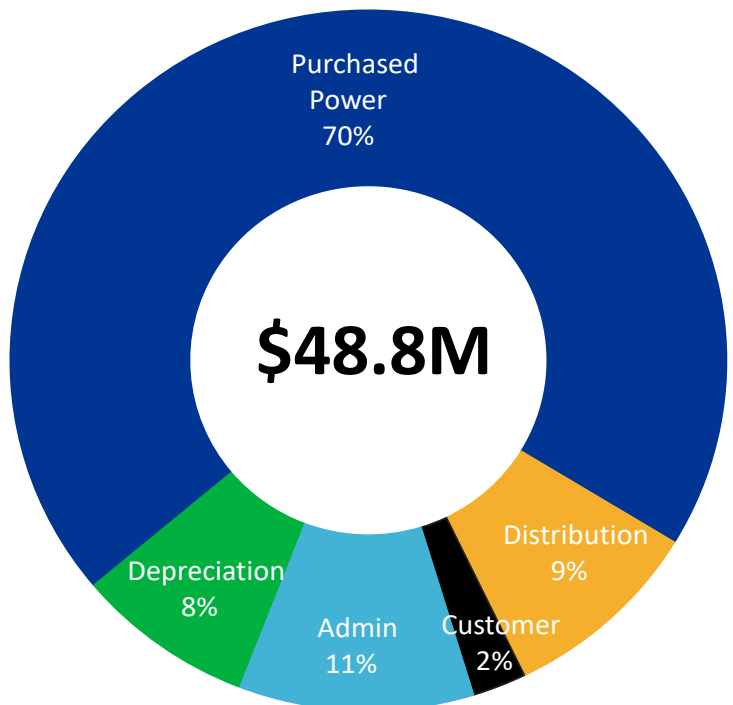
The revenue change is due primarily to increases in the cost to purchase power which are passed on to customers through the power cost adjustment factor. Tariff rates for customer and distribution charges are budgeted to remain unchanged in FY2023.

The split between types of revenue is anticipated to remain similar to prior years with residential sales accounting for 56% and commercial sales accounting for 42% of revenue.

OPERATING EXPENSES - \$48.8M

Operating expenses are projected to increase by 12.9% compared to FY2022 expenses. The increase is primarily driven by purchased power which accounts for 70% of operating expenses. Energy markets, most notably the natural gas market, have seen incredible amounts of volatility and increase in 2022 driven by a myriad of factors, most notably the war in Ukraine. The purchased power budget was calculated using natural gas futures to estimate natural gas prices in FY2023.

Costs in distribution, administration and customer related expenses are increasing due to inflation in personnel, services and material costs. KPUB completed a salary survey in August 2022. Based on the results of that survey and CPI changes for our area, management is recommending an average 9.7% merit increase in addition to some position-based market adjustments. The FY2023 budget also includes the addition of 3 new positions.





Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
FY2023 Budget

	FY2023 Budget	FY2022 Budget	% change	FY2022 Estimate	% change
OPERATING REVENUES:					
Residential	\$ 27,841,338	\$ 25,452,360	9.4%	\$ 26,189,954	6.3%
Commercial/Industrial	20,672,290	18,967,620	9.0%	18,827,481	9.8%
Sales to Public Authorities	258,000	252,000	2.4%	257,693	0.1%
Other	619,701	768,300	-19.3%	700,745	-11.6%
TOTAL OPERATING REVENUES	49,391,329	45,440,281	8.7%	45,975,872	7.4%
OPERATING EXPENSES:					
Purchased Power	34,134,413	30,525,183	11.8%	30,827,733	10.7%
Distribution	4,451,024	3,646,600	22.1%	3,558,099	25.1%
Customer Accounts	755,007	574,400	31.4%	579,984	30.2%
Customer Service, Informational & Sales	422,076	446,600	-5.5%	319,638	32.0%
Administrative Expenses	5,182,799	5,147,100	0.7%	4,243,624	22.1%
Depreciation	3,900,000	3,681,000	5.9%	3,724,836	4.7%
TOTAL OPERATING EXPENSES	48,845,318	44,020,883	11.0%	43,253,913	12.9%
OPERATING INCOME (LOSS)	546,010	1,419,398	-61.5%	2,721,959	-79.9%
NONOPERATING REVENUES (EXP):					
Interest Income - Investments	475,000	65,050	630.2%	265,512	78.9%
Interest Income - City of Kerrville	169,285	180,000	-6.0%	180,000	-6.0%
Interest Expense - Debt	(114,256)	(115,992)	-1.5%	(115,993)	-1.5%
Interest Expense - Customer Deposits	(5,000)	-		(925)	440.3%
City of Kerrville - General Fund Transfer	(1,495,990)	(1,365,100)	9.6%	(1,387,242)	7.8%
City of Ingram - Franchise Fee	(42,445)	(33,800)	25.6%	(35,000)	21.3%
Other - Net	32,000	17,160	86.5%	34,000	-5.9%
TOTAL NONOPERATING REVENUES (EXP)	(981,405)	(1,252,682)	21.7%	(1,059,647)	-7.4%
INCOME BEFORE CONTRIBUTIONS	(435,395)	166,716	-361.2%	1,662,312	-126.2%
CAPITAL CONTRIBUTIONS	300,000	108,000	177.8%	300,000	0.0%
CHANGE IN NET POSITION	\$ (135,395)	\$ 274,716	-149.3%	\$ 1,962,312	-106.9%
NET POSITION AT BEGINNING OF YEAR	\$ 74,072,646	\$ 72,110,334		\$ 72,110,334	
NET POSITION AT END OF YEAR	\$ 73,937,251	\$ 72,385,050		\$ 74,072,646	



Kerrville Public Utility Board
Budget Highlights
FY2023 Budget

Operating Revenues

- * Customer growth of 1.5%.
- * kWh sales based on historical average use per customer. FY2022 has seen higher than average use.
- * Proposed billed residential rate of \$102.50 per 1,000 kWh.
- * Budgeted actual residential cost of \$97.42 per 1,000 kWh.
- * Decreases in Other Operating Revenue category due to lower pole attachment rates (per FCC) and lower substation lease revenue due to expiration of temporary transmission cost recapture.

Purchased Power

- * Natural gas pricing based on natural gas futures.
- * Hedges based on historical effectiveness associated with natural gas prices.
- * Concho Bluff assumption - operation at 40% through July 2023.
- * No additional adjustment for gas locks.
- * No contractual changes assumed in FY2023.

Other Operating Expenses

- * Assumes full staffing.
- * 63 full time employees, 2 interns.
- * New positions:
 - Key Accounts and Education Specialist (9 months)
 - Safety and Training Supervisor (6 months)
 - Information Technology Supervisor (6 months)
- * 9.7% increase for employees plus adjustments related to compensation study.
- * 7% increase for health insurance benefits starting in January 2023.
- * \$210K for new radios. Current radios are beyond projected life and no longer supported.
- * \$50K for uncollectible accounts.
- * \$100K estimate for year end pension adjustment (noncash).

Nonoperating Revenues and Expenses

- * Interest income at 2.5%.
- * Customer Deposits rate is based on 13 week Treasury Bill less 25 basis points.
- * City of Kerrville transfer is 3% of revenues.
- * City of Ingram franchise fee is 2% of Ingram revenues.



Kerrville Public Utility Board
Statement of Revenues, Expenses and Changes in Fund Net Position
Five-Year Forecast

	FY2022 Estimate	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
OPERATING REVENUES:						
Residential	\$ 26,189,954	\$ 27,841,338	\$ 32,227,492	\$ 34,000,266	\$ 37,682,910	\$ 39,723,820
Commercial/Industrial	18,827,481	20,672,290	24,984,698	25,742,136	28,554,698	30,058,838
Sales to Public Authorities	257,693	258,000	263,160	268,423	273,792	279,267
Other	700,745	619,701	650,686	683,220	717,381	753,250
TOTAL OPERATING REVENUES	45,975,872	49,391,329	58,126,036	60,694,046	67,228,780	70,815,176
OPERATING EXPENSES:						
Purchased Power	30,827,733	34,134,413	40,592,608	43,424,903	46,454,841	49,696,215
Distribution	3,558,099	4,451,024	4,737,100	4,879,213	5,025,589	5,176,357
Customer Accounts	579,984	755,007	814,808	839,252	864,429	890,362
Customer Service, Informational & Sales	319,638	422,076	443,179	456,475	470,169	484,274
Administrative Expenses	4,243,624	5,182,799	5,544,839	5,822,081	6,113,185	6,418,844
Depreciation	3,724,836	3,900,000	4,095,000	4,299,750	4,514,738	4,740,474
TOTAL OPERATING EXPENSES	43,253,913	48,845,318	56,227,533	59,721,673	63,442,951	67,406,526
OPERATING INCOME (LOSS)	2,721,959	546,010	1,898,503	972,373	3,785,830	3,408,649
NONOPERATING REVENUES (EXP):						
Interest Income - Investments	265,512	475,000	185,000	135,000	112,500	145,000
Interest Income - City of Kerrville	180,000	169,285	147,857	122,143	96,429	70,714
Interest Expense - Debt	(115,993)	(114,256)	(96,584)	(82,531)	(67,041)	(49,999)
Interest Expense - Customer Deposits	(925)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
City of Kerrville - General Fund Transfer	(1,387,242)	(1,495,990)	(1,749,331)	(1,824,871)	(2,020,238)	(2,128,805)
City of Ingram - Franchise Fee	(35,000)	(42,445)	(49,951)	(52,158)	(57,774)	(60,856)
Other - Net	34,000	32,000	35,000	35,000	35,000	35,000
TOTAL NONOPERATING REVENUES (EXP)	(1,059,647)	(981,405)	(1,533,009)	(1,672,417)	(1,906,124)	(1,993,946)
INCOME BEFORE CONTRIBUTIONS	1,662,312	(435,395)	365,493	(700,045)	1,879,705	1,414,704
CAPITAL CONTRIBUTIONS	300,000	300,000	300,000	300,000	300,000	300,000
CHANGE IN NET POSITION	\$ 1,962,312	\$ (135,395)	\$ 665,493	\$ (400,045)	\$ 2,179,705	\$ 1,714,704
NET POSITION AT BEGINNING OF YEAR	\$ 72,110,334	\$ 74,072,646	\$ 73,937,251	\$ 74,602,744	\$ 74,202,700	\$ 76,382,405
NET POSITION AT END OF YEAR	\$ 74,072,646	\$ 73,937,251	\$ 74,602,744	\$ 74,202,700	\$ 76,382,405	\$ 78,097,108



Kerrville Public Utility Board
Forecast Assumptions
Five-Year Forecast

Operating Revenues

- * Customer growth of 1.5%.
- * 2% rate increase in FY2024 using rate structure proposed for 2021 from 2018 cost of service and rate design study.
- * 5.4% rate increase in FY2026.
- * Power Cost Adjustment Factor (PCAF) increases due to increased cost for purchase power. See detail on page 16.
- * Even with rate increases and purchased power adjustments, rates remain below 2021 average Texas rate until FY2026 and the projected rate in FY2027 is 7% below the 2021 national average rate.

Purchased Power

- * Assumes a 20% increase in purchased power costs in FY2024.
- * Assumes a 5% increase in purchased power costs for FY2025-FY2027.
- * Assumes a 7% increase in LCRA transmission costs based on historical averages.

Other Operating Expenses

- * Assumes full staffing.
- * 63 full time employees, 2 interns.
- * Assumes full year staffing for FY2023 new employees.
- * 5% salary adjustments in FY2024.
- * 3% salary adjustments annually in FY2025 to FY2027.

Nonoperating Revenues and Expenses

- * Interest income at 2.5% in all years.
- * Customer Deposits rate is based on 13 week Treasury Bill less 25 basis points.
- * City of Kerrville transfer is 3% of revenues.
- * City of Ingram franchise fee is 2% of Ingram revenues.



Kerrville Public Utility Board
kWh Sales
Five-Year Forecast

	FY2022 Estimate	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
RESIDENTIAL	289,248,190	291,450,000	295,821,750	300,259,076	304,762,962	309,334,407
COMMERCIAL:						
Small Commercial	161,298,688	161,387,610	163,808,425	166,265,551	168,759,534	171,290,927
Large Commercial-Primary	12,718,016	12,190,700	12,373,560	12,559,163	12,747,551	12,938,764
Large Commercial-Secondary	46,472,787	48,236,690	48,960,240	49,694,644	50,440,064	51,196,665
COMMERCIAL	220,489,491	221,815,000	225,142,225	228,519,358	231,947,149	235,426,356
STREET & SECURITY LIGHT	1,204,331	1,200,000	1,206,000	1,212,030	1,218,090	1,224,181
TOTAL SALES	510,942,012	514,465,000	522,169,975	529,990,465	537,928,201	545,984,943
% CHANGE		0.7%	1.5%	1.5%	1.5%	1.5%



Kerrville Public Utility Board
Operations & Maintenance Detail
FY2023 Budget

	FY2023 Budget	FY2022 Budget	% change	FY2022 Estimate	% change
DISTRIBUTION EXPENSE					
OPERATION EXPENSE					
580 Operation Supervision & Engineering	\$ 50,260	\$ 1,600	96.8%	\$ 21,839	130.1%
581 Load Dispatching	17,000	10,000	41.2%	8,019	112.0%
582 Station Expense	110,234	52,900	52.0%	82,810	33.1%
583 Overhead Line Expense	-	600		200	-100.0%
585 Street Lighting & Signal Expense	-	4,200		3,055	-100.0%
586 Meter Expense	299,158	201,800	32.5%	202,649	47.6%
588 Misc. Distribution Expense	1,033,457	689,200	33.3%	608,810	69.8%
589 Rent Expense	14,000	15,000	-7.1%	16,323	-14.2%
Total Operation Expense	1,524,108	975,300	36.0%	943,703	61.5%
MAINTENANCE EXPENSE					
590 Maintenance Supervision & Engineering	150,678	119,600	20.6%	127,699	18.0%
591 Maintenance of Structures	-	4,900		900	-100.0%
592 Maintenance of Station Equipment	404,883	420,000	-3.7%	335,578	20.7%
593 Maintenance of Overhead Lines	2,161,320	1,959,000	9.4%	1,907,320	13.3%
594 Maintenance of Underground Lines	146,831	64,900	55.8%	116,087	26.5%
595 Maintenance of Line Transformers	1,000	6,200	-520.0%	4,422	-77.4%
596 Maintenance of Street Lights & Signals	-	100		94	-100.0%
597 Maintenance of Meters	52,204	91,400	-75.1%	113,772	-54.1%
598 Miscellaneous Maintenance Expense	10,000	5,200	48.0%	8,525	17.3%
Total Maintenance Expense	2,926,915	2,671,300	8.7%	2,614,396	12.0%
Total Distribution Expense	4,451,024	3,646,600	18.1%	3,558,099	25.1%
CUSTOMER ACCOUNTS EXPENSE					
901 Supervision	28,908	26,500	8.3%	24,925	16.0%
902 Meter Reading	-	6,000		5,838	-100.0%
903 Customer Records & Collection	676,099	480,900	28.9%	537,705	25.7%
904 Uncollectible Accounts	50,000	61,000	-22.0%	11,516	334.2%
Total Customer Accounts Expense	755,007	574,400	23.9%	579,984	30.2%
CUSTOMER SERVICE, INFORMATIONAL & SALES EXPENSE					
907 Supervision	64,384	41,900	34.9%	45,235	42.3%
908 Customer Assistance	181,861	274,100	-50.7%	141,650	28.4%
909 Informational & Instructional	12,000	-	100.0%	3,245	269.8%
910 Miscellaneous Customer Service Expense	-	20,000		3,400	-100.0%
912 Demonstrating & Selling Expense	1,100	-	100.0%	-	
913 Advertising	162,730	110,600	32.0%	126,107	29.0%
Total CS, Informational & Sales Expense	422,076	446,600	-5.8%	319,638	32.0%



Kerrville Public Utility Board
Operations & Maintenance Detail
FY2023 Budget

	FY2023 Budget	FY2022 Budget	% change	FY2022 Estimate	% change
ADMINISTRATIVE & GENERAL EXPENSE					
920 Administrative & General Salaries	1,171,889	1,256,500	-7.2%	986,691	18.8%
921 Office Supplies & Expenses	870,340	649,700	25.4%	785,475	10.8%
923 Outside Services Employed	363,000	592,000	-63.1%	452,298	-19.7%
924 Property Insurance	55,000	50,000	9.1%	47,969	14.7%
925 Injuries & Damages	86,361	74,200	14.1%	51,054	69.2%
926 Employee Pensions & Benefits	2,368,200	2,220,000	6.3%	1,675,597	41.3%
930 Miscellaneous General Expenses	161,809	93,000	42.5%	146,384	10.5%
931 Rents	10,700	39,100	-265.4%	21,141	-49.4%
935 Maintenance of General Plant	95,500	12,000	87.4%	77,015	24.0%
Total Administrative & General Expense	\$ 5,182,799	\$ 4,986,500	3.8%	\$ 4,243,624	22.1%

Community Support Detail

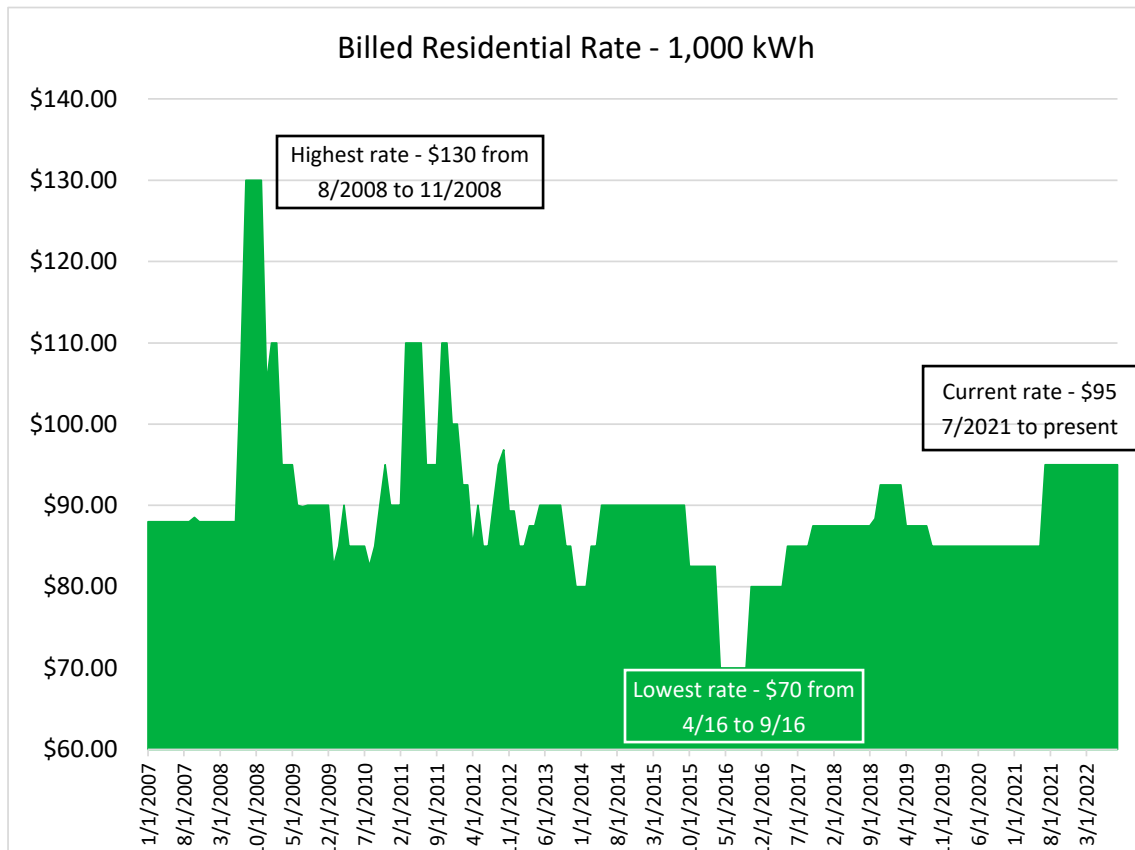
Account 930 - Miscellaneous General Expenses:

Kerrville Economic Development Corp	\$ 62,500
Community Support Sponsorships	50,000
Community Support Projects - Labor & OH	28,309
Scholarships	13,000
Community Event Meters	5,000
Other Supplies & Materials	3,000
Total 930 - Miscellaneous General Expenses	\$ 161,809



Kerrville Public Utility Board
Purchased Power Metrics
Five-Year Forecast

	FY2022 Estimate	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
1 Total Customers	23,814	24,170	24,533	24,901	25,274	25,653
2 kWh Sales	510,940,712	514,465,000	522,163,975	529,978,435	537,910,111	545,960,763
3 Line Loss	5%	6%	6%	6%	6%	6%
4 kWh Purchased	537,832,328	547,303,191	555,493,590	563,806,845	572,244,799	580,809,322
5 Purchased Power Cost	\$ 30,827,733	\$ 34,134,413	\$ 40,592,608	\$ 43,424,903	\$ 46,454,841	\$ 49,696,215
6 Cost per kWh - purchased	0.05732	0.06237	0.07307	0.07702	0.08118	0.08556
7 Cost per kWh - sold	0.06034	0.06635	0.07774	0.08194	0.08636	0.09103
8 Power Cost Adjustment Factor	1.5202	1.6717	1.9587	2.0644	2.1759	2.2934
9 Residential Rate - 1,000 kWh	\$ 91.27	\$ 97.42	\$ 111.57	\$ 115.87	\$ 126.80	\$ 131.57
10 Billed Residential Rate - 1,000 kWh	\$ 95.00	\$ 102.50	\$ 112.00	\$ 116.00	\$ 127.00	\$ 132.00
11 % Change - Power Cost		10.7%	18.9%	7.0%	7.0%	7.0%
12 % Change - Cost per kWh - purchased		8.8%	17.2%	5.4%	5.4%	5.4%
13 % Change - Cost per kWh - sold		10.0%	17.2%	5.4%	5.4%	5.4%
14 % Change - Residential Rate		6.7%	14.5%	3.8%	9.4%	3.8%
15 % Change - Billed Residential Rate		7.9%	9.3%	3.6%	9.5%	3.9%





Kerrville Public Utility Board
Industry Comparison Metrics
FY2023 Budget

				APPA - 20,000 to 50,000 customers (2022 report based on 2020 data)	APPA - Southwest (2022 report based on 2020 data)	APPA - No Generation (2022 report based on 2020 data)
	FY2022 Estimate		FY2023 Budget			
1 Operating Ratio (Op Expense / Op Revenue)	0.860		0.910	0.860	0.774	0.870
2 O&M per kWh sales	\$ 0.077	\$	0.087	\$ 0.087	\$ 0.075	\$ 0.087
3 O&M per customer	\$ 365.38	\$	447.29	\$ 499.00	\$ 746.00	n/a
4 Distribution per customer	\$ 149.41	\$	184.15	\$ 185.00	\$ 179.00	n/a
5 Customer Accts, Service, Sales per customer	\$ 37.78	\$	48.70	\$ 58.00	\$ 58.00	n/a
6 Administrative & General per customer	\$ 178.20	\$	214.43	\$ 145.00	\$ 229.00	n/a
7 Capital Expenditures to depreciation expense	1.21		1.50	1.16	1.11	1.20

				APPA 2020 Investor- Owned Utility Average
	FY2023 KPUB Budget	APPA - 2020 Public Power Average	APPA - 2020 Cooperative Average	
8 Residential Rate per 1,000 kWh usage	\$102.50	\$121.70	\$118.20	\$137.00



CAPITAL BUDGET



Kerrville Public Utility Board
Capital Budget
Five-Year Forecast

	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
METERS					
Existing AMR Systems	\$ 190,000	\$ 75,000	\$ 67,259	\$ 68,951	\$ 70,643
Total Meters	190,000	75,000	67,259	68,951	70,643
LINE CONSTRUCTION					
Ordinary Replacements	110,382	113,142	115,971	118,870	121,842
Customer Extensions	1,470,820	1,506,805	1,543,710	1,581,600	1,620,425
System Improvements	233,700	591,325	573,950	614,092	473,000
New Ingram Circuit	-	-	638,880	-	-
Pole Inspection Replacements	620,400	450,000	300,000	300,000	300,000
Power Factor Improvement	42,833	43,904	45,002	46,127	47,280
Contingency Development	110,382	113,142	115,971	118,870	121,842
Padmount Refurbish & Replacements	-	197,260	198,120	199,020	199,940
Street lights	15,840	16,240	16,640	17,040	17,480
Clay Street Improvements	250,000	-	-	-	-
KPD/Sheriff's Office/KPUB Reliability Project	100,000	200,000	-	-	-
Total Line Construction	2,954,357	3,231,818	3,548,244	2,995,619	2,901,809
HEAVY EQUIPMENT & VEHICLES					
Bucket/Derrick Truck	250,134	569,000	430,500	220,000	414,000
Small Vehicles	176,929	84,376	296,750	80,000	104,000
Total Heavy Equipment & Vehicles	427,063	653,376	727,250	300,000	518,000
GENERAL PLANT/OTHER					
Normal IT	25,000	25,000	25,000	25,000	25,000
Major IT	430,000	390,000	399,750	409,744	419,988
FiberOptic Communications	60,000	60,000	61,500	63,038	64,614
Radio System Upgrade at Hunt Substation	762,372	-	-	-	-
Office Furniture	50,000	50,000	10,000	10,000	10,000
Facilities Improvements	655,000	50,000	50,000	50,000	50,000
Energy Efficiency	75,000	50,000	50,000	50,000	50,000
Capital Tools	50,000	25,000	45,485	40,769	45,000
Total General Plant / Other	2,107,372	650,000	641,735	648,551	664,602
SUBSTATIONS					
Ingram Transformer Replacement	-	-	1,500,000	-	-
Minor Improvements	150,000	150,000	265,000	265,000	240,000
DA Equipment Deployment	25,000	100,000	100,000	-	-
SCADA Upgrades	15,000	15,375	15,759	16,153	16,557
Total Substations	190,000	265,375	1,880,759	281,153	256,557
TOTAL CAPITAL BUDGET	\$ 5,868,792	\$ 4,875,569	\$ 6,865,247	\$ 4,294,274	\$ 4,411,611



CASH FLOW FORECAST



Kerrville Public Utility Board
Cash Flow Forecast
Five-Year Forecast

	FY2022 Estimate	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
BALANCE AT BEGINNING OF YEAR	\$ 29,400,069	\$ 29,530,154	\$ 27,633,035	\$ 27,143,914	\$ 23,644,321	\$ 25,256,372
CASH INFLOWS:						
Cash from Operations	5,803,140	3,878,861	4,857,077	3,982,236	6,761,484	6,505,177
Pension Adjustment (noncash)		100,000	105,000	110,250	115,763	121,551
Capital Contributions	300,000	300,000	300,000	300,000	300,000	300,000
Advance to City of Kerrville	180,000	1,244,999	1,219,285	1,193,571	1,167,858	1,142,143
Interest Income	265,512	475,000	185,000	135,000	112,500	145,000
Total Inflows	6,548,652	5,998,860	6,666,362	5,721,057	8,457,604	8,213,870
CASH OUTFLOWS:						
Winter Storm Uri		TBD				
General Fund Transfer	1,387,242	1,495,990	1,749,331	1,824,871	2,020,238	2,128,805
Debt Repayment	531,325	531,197	530,584	530,531	531,041	530,999
Capital Spending	4,500,000	5,868,792	4,875,569	6,865,247	4,294,274	4,411,611
Total Outflows	6,418,567	7,895,979	7,155,484	9,220,649	6,845,553	7,071,415
NET CHANGE IN CASH	130,085	(1,897,119)	(489,122)	(3,499,592)	1,612,051	1,142,455
BALANCE AT END OF YEAR	\$ 29,530,154	\$ 27,633,035	\$ 27,143,914	\$ 23,644,321	\$ 25,256,372	\$ 26,398,828



Kerrville Public Utility Board
Bonds Payable and Advance Receivable Schedules
As of September 2022

Bonds Payable:

Series 2013 Revenue Bonds
Original Principal: \$6,300,000
Interest Rate: 1.01% to 4.13%, overall 3.16%
Semiannual Payments on May 1 and November 1

Maturity Schedule:

Fiscal Year	Principal	Interest	Total
FY2022	\$ 411,000	\$ 120,325	\$ 531,325
FY2023	422,000	109,197	531,197
FY2024	434,000	96,584	530,584
FY2025	448,000	82,531	530,531
FY2026	464,000	67,041	531,041
FY2027	481,000	49,999	530,999
FY2028	500,000	31,276	531,276
FY2029	520,000	10,738	530,738
TOTAL	\$ 3,680,000	\$ 567,691	\$ 4,247,691

Advance Receivable:

City of Kerrville
Original Principal: \$7,500,000
Interest Rate: 2.4%
Semiannual Payments on February 1 and August 1

Maturity Schedule:

Fiscal Year	Principal	Interest	Total
FY2022	\$ -	\$ 180,000	\$ 180,000
FY2023	1,071,428	173,571	1,244,999
FY2024	1,071,428	147,857	1,219,285
FY2025	1,071,428	122,143	1,193,571
FY2026	1,071,429	96,429	1,167,858
FY2027	1,071,429	70,714	1,142,143
FY2028	1,071,429	45,000	1,116,429
FY2029	1,071,429	19,286	1,090,715
TOTAL	\$ 7,500,000	\$ 855,000	\$ 8,355,000



DEBT SERVICE COVERAGE



Kerrville Public Utility Board
Debt Service Coverage
Five-Year Forecast

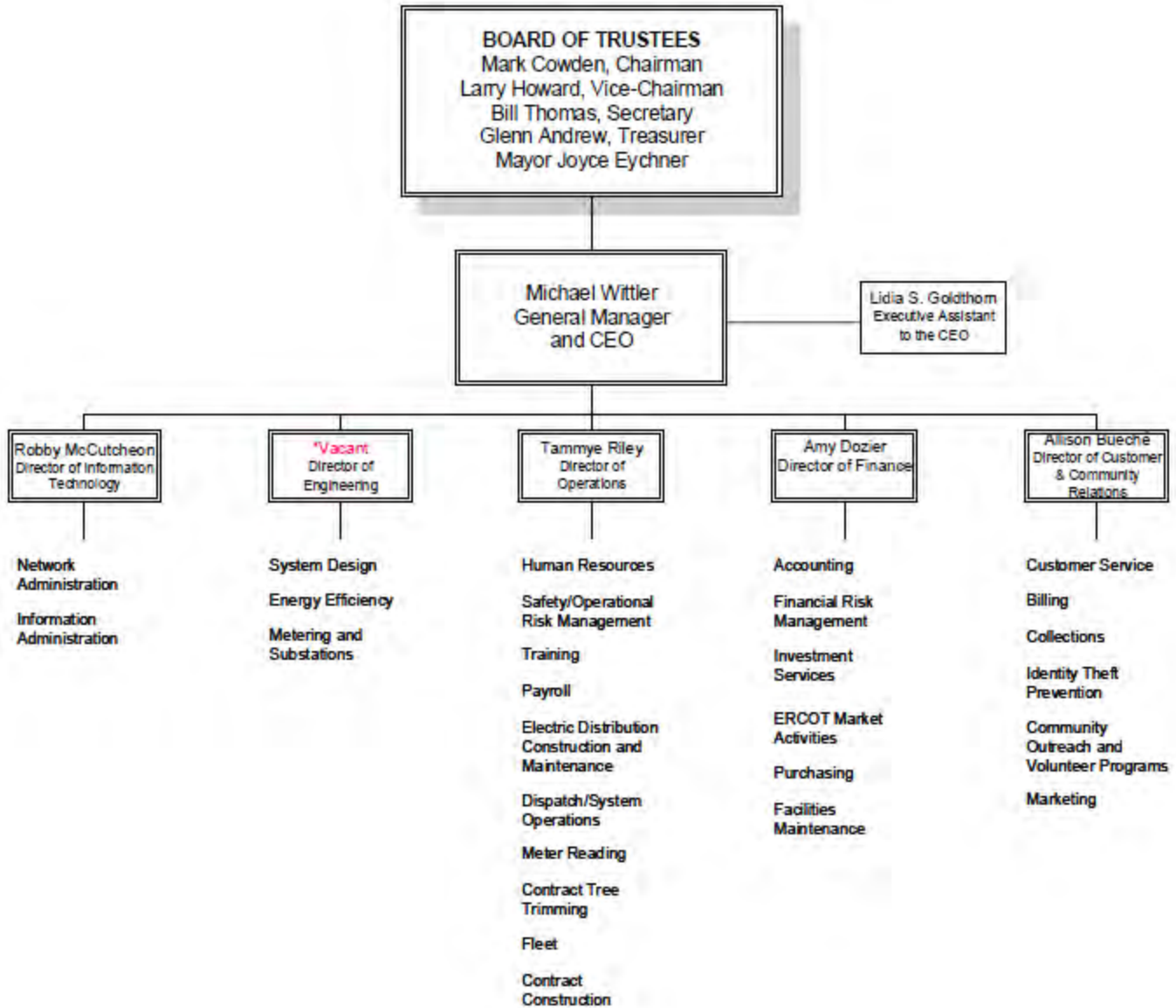
	FY2022 Estimate	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
CHANGE IN NET POSITION	\$ 1,962,312	\$ (135,395)	\$ 665,493	\$ (400,045)	\$ 2,179,705	\$ 1,714,704
PLUS:						
Interest Expense (net of amortizations)	115,993	114,256	96,584	82,531	67,041	49,999
Depreciation Expense	3,724,836	3,900,000	4,095,000	4,299,750	4,514,738	4,740,474
Numerator	5,803,140	3,878,861	4,857,077	3,982,236	6,761,484	6,505,177
DIVIDED BY:						
Interest Expense (net of amortizations)	115,993	114,256	96,584	82,531	67,041	49,999
Principal Payment Due	421,083	433,000	446,833	462,667	479,583	498,417
Denominator	\$ 537,076	\$ 547,256	\$ 543,417	\$ 545,197	\$ 546,624	\$ 548,415
DEBT SERVICE COVERAGE RATIO	10.81	7.09	8.94	7.30	12.37	11.86



ORGANIZATION CHARTS

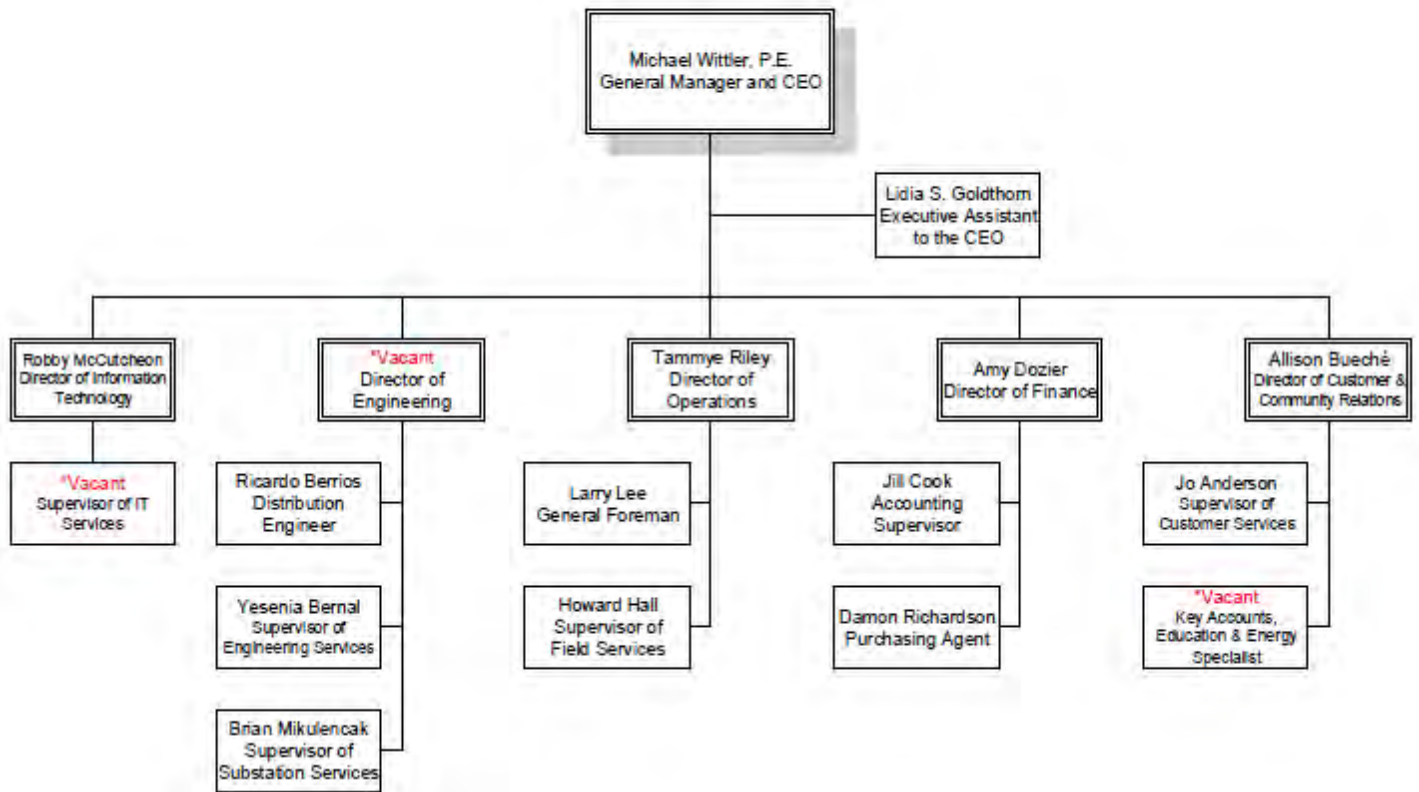


Kerrville Public Utility Board
2022 Board Organization Chart
October 01, 2022



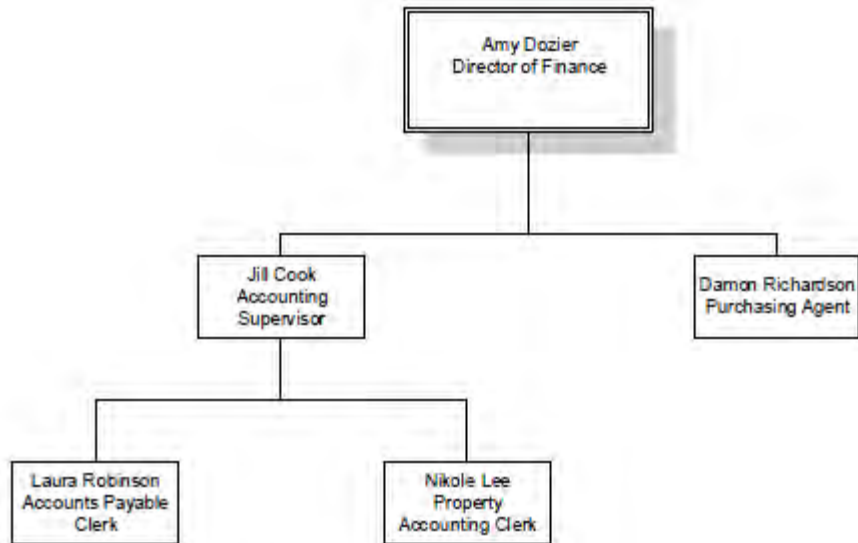


Kerrville Public Utility Board
2022 Organization Chart
October 01, 2022



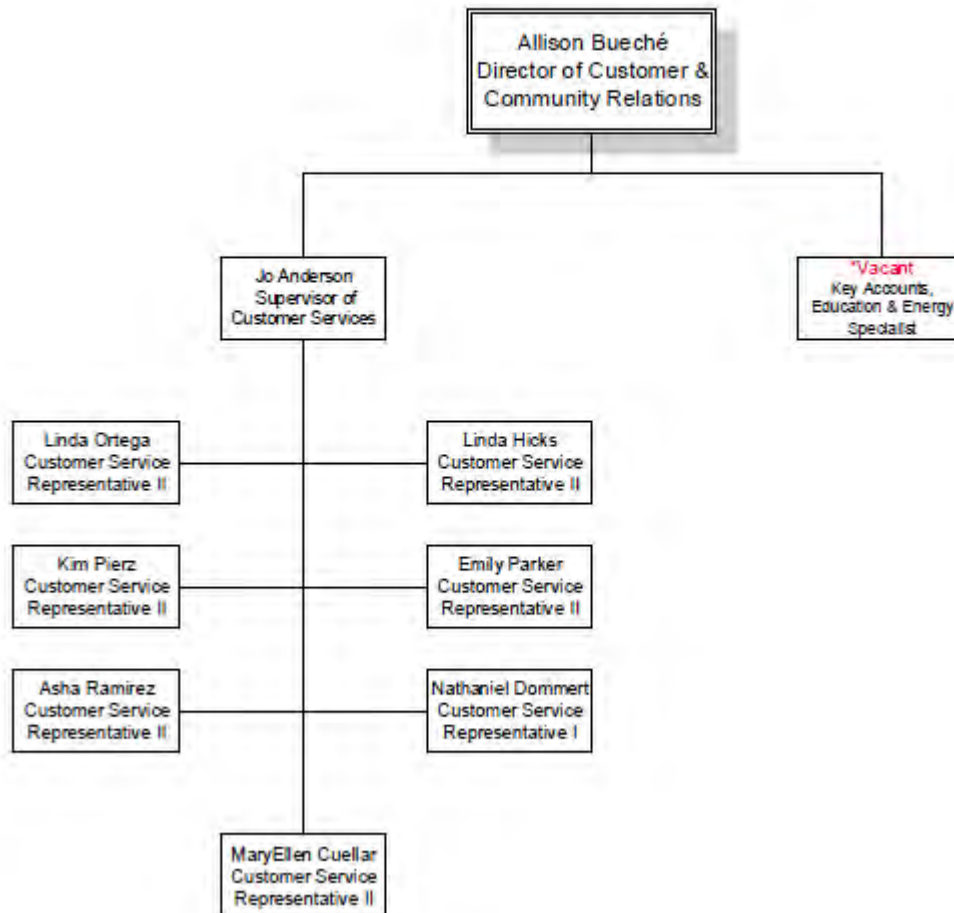


Kernville Public Utility Board
Accounting
October 01, 2022



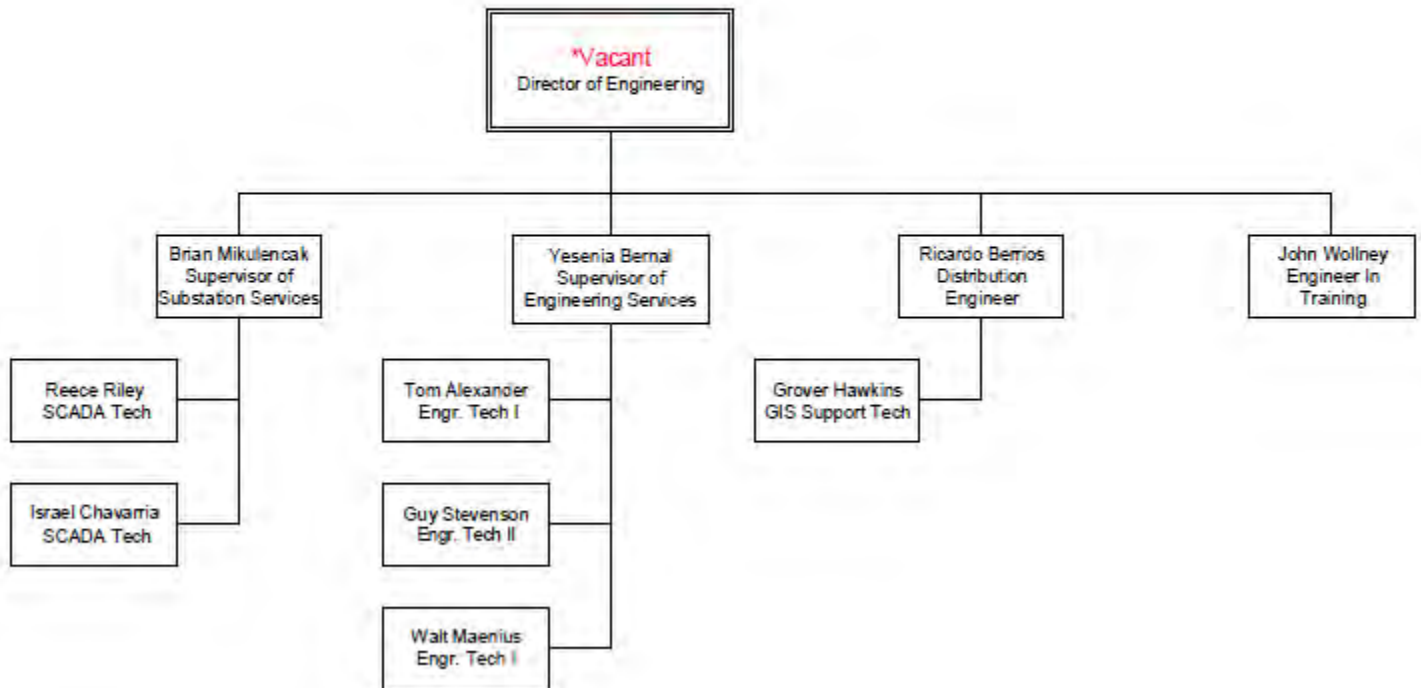


Kenville Public Utility Board
Customer Service
October 01, 2022



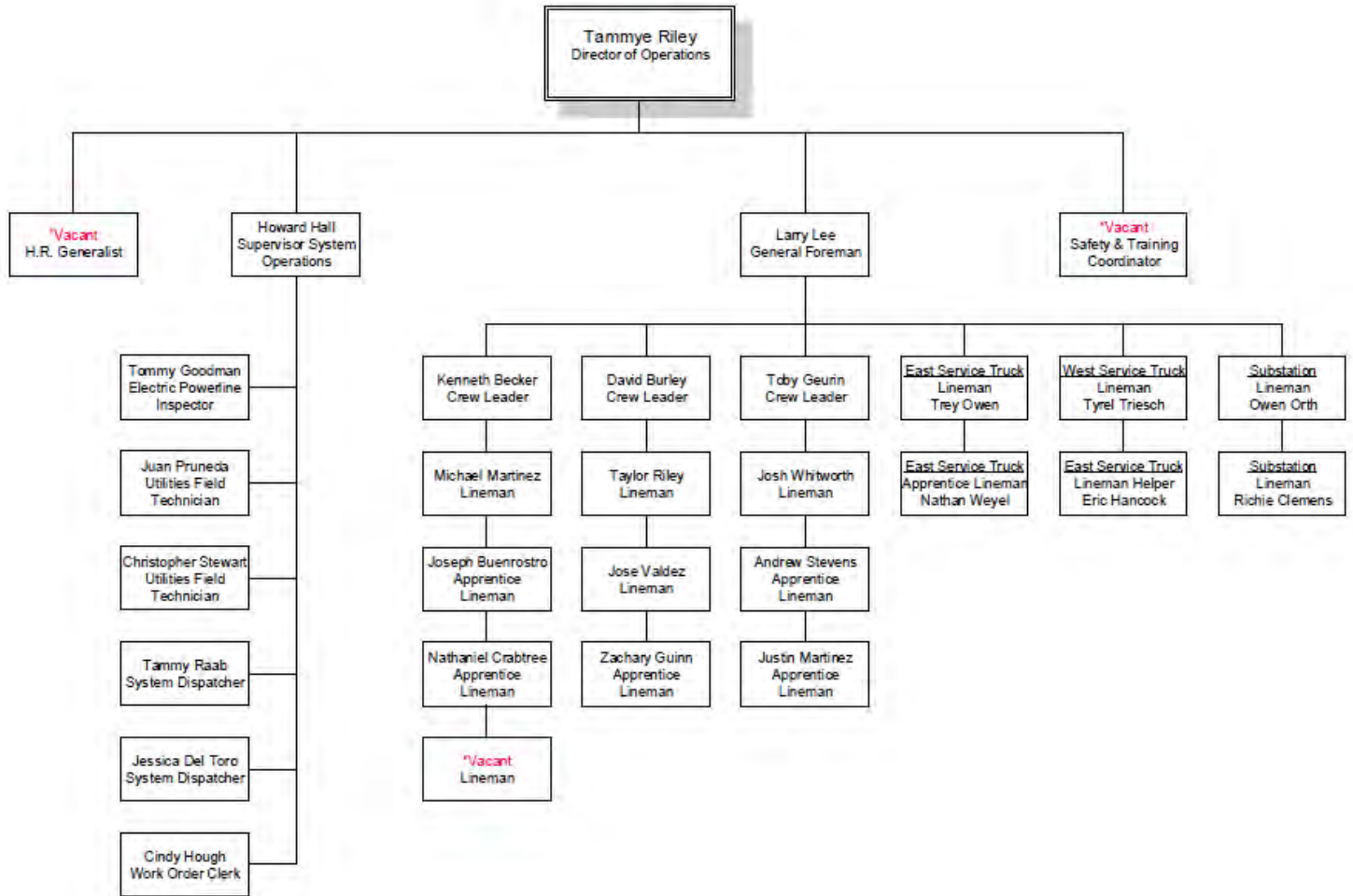


Kerrville Public Utility Board
Engineering
October 01, 2022





Kernville Public Utility Board
Operations
October 01, 2022



MEMORANDUM

To: Mark Cowden
Larry Howard
Bill Thomas
Glenn Andrew
Mayor Judy Eychner

From: Mike Wittler

Date: September 15, 2022

Re: Item 9—Consideration and Possible Action on Downtown Beautification Project

On August 9 KPUB sent the attached funding request letter to City staff. The item was placed on the September 13th City Council agenda along with aesthetic improvements at the downtown garage and Council approved taking the funding request forward to EIC.

EIC will be presented the request on September 19th and I will provide any feedback we receive there to you at our Board meeting.

I will be happy to address any questions from the Board regarding this project.

Thanks,

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

Mike Wittler, P.E.

August 9, 2022

Kerrville EIC Board Members
Mr. E.A. Hoppe
701 Main Street
Kerrville, TX 78028

Re: Funding Request for Clay and Water Street Underground Utility Conversion

In light of the activity being planned in the area of the Clay and Water Street intersection, KPUB has been investigating the possibility of converting the existing overhead utility lines in the area to underground.

KPUB has developed estimates of the cost to do this work which are summarized below. There are two costs provided with the variance being related to how much we are allowed to shut down the intersection for our work. If we are able to completely close the intersection for the duration of the civil work in the intersection, the work will be completed more quickly and at lower cost.

Activity	With Intersection Closure	With Partial Road Closures
Civil Construction Work	\$ 173,500	\$ 205,500
Material cost	\$ 141,506	\$ 141,506
KPUB Labor	\$ 50,000	\$ 50,000
HCTC Material and Labor	\$ 4,800	\$ 4,800
Windstream Material and Labor	\$ 8,500	\$ 8,500
Spectrum Material and Labor	\$ 8,813	\$ 8,813
Customer Service Entrance Conversions	\$ 10,000	\$ 10,000
Contingency	\$ 19,856	\$ 21,456
	\$ 416,975	\$ 450,575

This project will remove the overhead electric and telecommunications utilities starting on Clay Street starting approximately 60 feet South of Main Street and along Water Street from Sidney Baker to the A.C. Schreiner Mansion.

It would make sense to do this project in coordination with the other projects in this area if there is an interest in beautification for the area. The project will also help address providing service to the remodeled A.C. Schreiner Mansion as the existing service will not have the capacity required.

The KPUB Board has directed me to seek outside funding for 50% of the cost of this project. Factors considered in seeking outside funding include:

- KPUB line extension policy is based on overhead service as standard cost and customers are required to fund additional costs when underground is requested.
- Approximately 40% of KPUB's ratepayers are located outside of the Kerrville City limits and outside funding will help alleviate outside concerns.
- It is not appropriate for KPUB to fund the cost of conversion of telecommunications utilities (HCTC, Windstream, and Spectrum).
- It is not appropriate for KPUB to fund the cost of conversion of customer service entrance equipment.

Funding from the Kerrville EIC in an amount not to exceed \$225,287, or half of the total project expenses, whichever is less, will allow us to move forward with this project.

Please let me know if you need additional information.

Thanks,

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

Mike Wittler, P.E.