

BOARD OF PUBLIC UTILITIES

September 16, 2014

The regular meeting of the Board of Public Utilities held on the 16th day of September, 2014, was called to order at 4:00 p.m. with VICE CHAIRMAN SHAW presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, MOFFITT, SHAVER AND SCHNEIDER

Also Present: SECRETARY SALLIS, CITY MANAGER DANIELS, AND OTHER KEY STAFF

APPROVAL COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER
AGENDA SULLIVAN, to approve the agenda. Motion carried by the following vote:

AYES: VICE CHAIRMAN SHAW, COMMISSIONERS SULLIVAN,
MOFFITT, SHAVER AND SCHNEIDER
NOES: NONE
ABSENT: CHAIRMAN POCOCK

APR MINS: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
SULLIVAN, to approve the minutes of the regular meeting held September 2,
Sept 2, '14 2014. Motion carried by the following vote:

AYES: VICE CHAIRMAN SHAW, COMMISSIONERS SULLIVAN,
MOFFITT, SHAVER AND SCHNEIDER
NOES: NONE
ABSENT: CHAIRMAN POCOCK

CORSPNDN: None

PBLC APRN: None

CHAIRMAN POCOCK entered the meeting at 4:03 p.m. and assumed the Chair.

UNF BUSNS: None

NEW BUSN: Sylvia Miledi, finance director, briefly outlined the internal process that must be completed before the audit can begin and the need to complete "month 13".

TIMELINE

FOR AUDIT COMMISSIONER SULLIVAN questioned if, during month 13, staff writes off
- EXTEND the utility bad debts over 90 days. Kim Mitchell, business office supervisor,
TO 12/31/14 explained that write offs are part of the year end close and was done the end of
April this year so there are currently no accounts over 90 days. She spoke on the
bad debt process with sending out red letters, disconnect, and turning them over to
collections before they are written off. Supervisor Mitchell assured the Board that

from this point forward, write offs will be done yearly (the write offs in April had not been done since 2006).

Discussion followed on the process of attempting to collect bad debts and the time involved before writing them off.

COMMISSIONER SULLIVAN agreed that staff is making progress on the bad debts and felt we need to continue to make progress on the financial accounting and not carry over any at the end of the year. Finance Director Miledi clarified that what the business office does with bad debt write offs is different than what the auditors do.

City Manager Daniels explained that staff should not be writing off bad debts without coming to this Board and the Board making that decision. COMMISSIONER SULLIVAN wants to make sure that bad debts are taken out of the accounts receivable so we have accurate numbers of the true revenues to the utilities.

CHAIRMAN POCOCK questioned when the preliminary audit will be available to which Finance Director Miledi responded maybe the end of October as the auditors are on-site now.

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SHAW, to extend the audit deadline to December 31, 2014. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: NONE

RECLMD
WTR ON
GOLF CRS

City Manager Daniels explained that at the last meeting questions were raised about the feasibility of using reclaimed water (wastewater) as irrigation for the golf course. EUSI (contract operator of our wastewater plant) pulled up the Title 22 regulations which were included in the Board's packet and estimated the cost at \$.6 to \$1.2 million for infrastructure plus \$1,500-\$1,800 per month for testing, laboratory work, chlorination/de-chlorination, etc. The outflow at our wastewater plant is about 350,000 gallons per day and the golf course uses approximately one million gallons per day so it's not feasible at this time.

REPORTS:

Finance Director Miledi distributed additional information on the 2014 fiscal year end close preliminary numbers (unaudited) and reviewed all that was provided.

2014 FY END
CLOSE

She noted that all revenues and expenses were less than forecasted and reminded the Board that approximately \$103,000 was refunded to the customers in March/

PRELIM #S

April due to the utility users tax (UUT) and rate change errors and that the waste-

(UNAUDITD)

water asset replacement fee was suspended so that will come up short.

COMMISSIONER SULLIVAN questioned the debt ratio between the utilities and how that was determined (electric 72%; water 16%; wastewater 12%). Finance Director Miledi responded that the percentages were started several years ago and the averages are based on the percentage of revenues. COMMISSIONER SULLIVAN pointed out that these percentages are different than what is used by the auditors (electric 52%; water 24%; wastewater 24%). He felt we might want to be consistent and advise the auditors to use staff's percentages so that the same allocations are being used for all expenses, including indirect expenses.

JULY '14
ACTVTY
REPORT

Finance Director Miledi acknowledged the change to the water consumption report as requested by the Board. COMMISSIONER SULLIVAN explained there's been an approximate 14% reduction with 20% being the goal. He requested Finance Director Miledi add the percentage of reduction so the Board knows where we're at each month.

COMMISSIONER SCHNEIDER questioned the cost of purchased power which shows a 70% increase over last year. Finance Director Miledi thought it was probably a purchase made during the month of July and not necessarily a price change. COMMISSIONER SULLIVAN pointed out that the monthly power purchases (consumption) went down and the cost went up. City Manager Daniels explained that Asst City Manager Brownlee is out of the office this week but he will be asked to provide a detailed explanation before the next meeting. COMMISSIONER SULLIVAN questioned if any greenhouse gas credits were purchased and if so are they included in the numbers. COMMISSIONER SCHNEIDER responded that the greenhouse gas credits would not come from Western Area Power Administration and these numbers are from Western. CHAIRMAN POCOCK felt that the purchased power anomaly might be for July 2013 and the 70% increase in this report we are now seeing will not continue.

City Manager Daniels pointed out that the bad debts are dropping based on the policy changes directed by the Board.

Discussion ensued on including a monthly profit and loss statement with good information so the Board knows where the finances are actually at.

JULY '14
FINCL RPTS

City Manager Daniels spoke on the NPUA treasurer's report as of July 31, 2014 noting there is a total of \$3,846 million which is down from \$4,481 million for the same month last year. He asked finance for a balance report as of July 2012, 2011 and 2010 which is shown on this treasurer's report. Included are \$691,000 rate stabilization, \$400,000 water asset replacement fund, \$100,000 wastewater asset replacement fund, and \$2.2 million electric asset replacement fund which includes the \$400,000 in water leaving about \$200,000-\$300,000 in reserve which is dangerously close in case funds are needed for cash flow purposes in an emergency.

COMMISSIONER SULLIVAN asked if at the end of June 2014 staff took all funds according to the approved depository agreement? Finance Director Miledi

responded no, it was \$300,000 short. CHAIRMAN POCOCK reminded the Board that the power cost adjustment (PCA) was over-refunded which was a negative cash flow of about \$200,000 and now that is being recaptured and should show in the cash balance. Finance Director Miledi explained she will be reviewing the NPUA treasurer's report to subtract out the asset replacement funds for all three utilities and the rate stabilization funds in order to show true operating cash.

BRD RQSTS: COMMISSIONER SULLIVAN reiterated his previous request for an estimated cost of the recent storm damages (July and August), expenses recoverable through insurance, and possible out-of-pocket costs.

UPDATES

COMMISSIONER SULLIVAN also asked for an update on a new financial system.

RATE STDY COMMISSIONER SULLIVAN explained that when we get ready to do the rate studies, we need to start looking at the utilities as a business with funds to take care of the financial obligations. He also felt that eventually we need to discuss and address surplus revenues and how they're defined. The previous prepayments to the city were not surplus as we do not have the funds to cover a catastrophic emergency not covered by insurance. There needs to be an open discussion on how to better define ambiguous terms to protect the financial viability of both the city and utilities.

COMMISSIONER SULLIVAN thanked Finance Director Miledi and Business Office Supervisor Mitchell for all the work they've done in providing the financial reporting to the Board.

RATE CALS COMMISSIONER SCHNEIDER referenced the increase in electric rates for July, August and September to recover the over-refund of the PCA. Supervisor Mitchell noted she's already changed the rates back as of October 1. COMMISSIONER SCHNEIDER explained that if we're going to roll the bad debt into the rate, we need to include everything before calculating the numbers and he needs the financial information to do the electric rate calculations. He also noted that every couple years, our hydro allocation gets updated so if we have that information from the Bureau of Reclamation, he'll need that as well. City Manager Daniels recalls that Asst City Manager Brownlee received some information on the hydro this week so once he returns, we'll get that information.

AUDITORS City Manager Daniels introduced Cid Conde and Ethan Quiambao, auditors with Vasquez. Both the city and NPUA audits are going on concurrently this week and he would like to have a live presentation to the Board so that all questions can be answered. CHAIRMAN POCOCK reminded him that the Board wants to see a preliminary audit before finalized.

ADJOURN: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SHAW, to adjourn. Motion carried by the following vote:

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AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: NONE

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 16th day of September, 2014, adjourned at 4:56 p.m.

ATTEST: _____

Chairman

Secretary