

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Minutes of Meeting
Thursday, August 13, 2020
Livestream at <https://www.lpea.coop/finance-and-audit-committee>

CALL TO ORDER

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held Thursday, August 13, 2020 via livestream webinar. Committee Chairman Wheeler called the meeting to order at 2:00 p.m. The following committee members were in attendance:

COMMITTEE MEMBERS:

Tim Wheeler, Committee Chairman
Britt Bassett
Kirsten Skeeahan
Karl Ramsey, VP of Finance

LPEA STAFF:

Monica Rodriguez, Controller
Dan Harms, VP of Grid Solutions

EXCUSED ABSENCE: Bob Lynch, Jessica Matlock, CEO

GUESTS: Guinn Unger, Holly Metzler, Kohler McInnis, Jenny Taylor, Sue McWilliams

APPROVAL OF AGENDA

Committee Chairman Wheeler addressed the August 13, 2020 Finance and Audit Committee (FAC) meeting agenda.

Motion: Committee member Bassett moved to approve the August 13, 2020 FAC meeting agenda as presented. Motion seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chairman Wheeler addressed the July 9, 2020 FAC meeting minutes.

Motion: Committee member Bassett moved to approve the July 9, 2020 FAC meeting minutes as presented. Motion seconded and carried without dissent.

COMMITTEE DISCUSSION AND POSSIBLE ACTION

BUDGET AND FINANCIAL REVIEW – VP, Finance, Ramsey reported that the July gross margin came in at 3% below budget. The July Operating Margin is \$246k higher than budgeted due to decreased operating expenditures, robust residential sales, the July 1st rate increase, and Finance and Audit Committee Meeting, August 13, 2020

higher gross margins than in previous months. All financial goals were met with the exception of cash reserves which came in at 2% below the goal of 16% of operating margins, overdue balances are at the lowest they have been since the onset of Covid-19, and staff are working with members to establish six month payment plans that will bring delinquent accounts to current.

VP, Finance, Ramsey also reported that he and CEO Matlock are working with the department VPs to dial in the 2021 department budgets at 98.5% of the 2020 budget levels. The budgeting process includes consideration for additional costs related to alternative power supply, and a more complete 2021 budget draft will be presented and discussed at the September 10, 2020 FAC meeting. Discussion ensued, VP, Finance, Ramsey took all questions.

BOARD BUDGET REVIEW AND RECOMMENDATIONS – VP, Finance, Ramsey discussed his approach to setting the 2021 board budget at \$280,000, which is slightly lower than the 2020 budget of \$283,400. The proposal increases and decreases various expenses, eliminates individual director budgets in favor of a shared budget for training and discretionary travel, and accounts for standard and customary stipends and per diems for regular board, committee, and mandatory external meetings.

Motion: Committee member Bassett moved to recommend to the full board, a director budget of \$280,000 for the 2021 budget. Motion seconded and carried without dissent.

2019 CAPITAL CREDITS RETIREMENT DISCUSSION – VP, Finance, Ramsey proposed retiring \$3.5 million in capital credits from the cooperative portion of allocated patronage, with the majority being retired on a first-in first-out (FIFO) basis. He also recommended that no retirement of Tri-State G&T capital credits be made, and that \$2 million should instead be used to increase the rate stabilization fund to the targeted level of \$4 million. Discussion ensued on retirements based on percentages versus dollar amounts, and consideration for LPEA's member-owners. VP, Finance, Ramsey will discuss the rationale for this recommendation with the full board at the August 19, 2020 Board meeting.

PAPER BILL CHARGES – Committee member Bassett asked for input on whether or not to place a surcharge of \$.50 on paper bills to cover administrative costs and encourage use of lower cost electronic billing. Discussion ensued on various concerns about fairness, and preferences for incentivizing electronic billing and payments. VP, Finance, Ramsey will look into viable electronic processing options and bring back for discussion at a later date.

BOARD FINANCIAL REPORTS REVIEW – The committee discussed improvements to the Performance Statistics Report within the Financial Report and requested a reformatting of some of the pie charts that would reflect data over time. The committee will review the next set of chart improvements at the next meeting.

AGENDA DISCUSSION – Committee members discussed potential agenda items for the upcoming meeting.

FUTURE AGENDA ITEMS – A future agenda items discussion did not take place.

EXECUTIVE SESSION AS NEEDED

An executive session did not take place.

ADJOURN

There being no further business, this meeting of the Finance and Audit Committee of the La Plata Electric Association, Board of Directors adjourned at 4:52 p.m.

The Finance and Audit Committee meetings are scheduled to take place from 2:00 p.m. to 5:00 p.m., on the 2nd Thursday of every month.

Recorded by C.E. Charistopoulos, and approved by:

A handwritten signature in black ink, appearing to read "T. Wheeler", is written above a horizontal line.

Tim Wheeler, Committee Chairman