

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Minutes of Meeting
Thursday, May 14, 2020
Livestream at <https://www.lpea.coop/finance-and-audit-committee>

CALL TO ORDER

The Finance and Audit Committee Committee of the La Plata Electric Association Board of Directors was held Thursday, May 14, 2020 via livestream webinar in compliance with the Governor's orders against in-person gatherings of more than 10 people. Committee Chairman Wheeler called the meeting to order at 2:02 p.m. The following committee members were in attendance:

COMMITTEE MEMBERS:

Tim Wheeler, Committee Chairman
Britt Bassett
Guinn Unger
Dan Huntington
Jessica Matlock, CEO
Karl Ramsey, VP Finance

LPEA STAFF:

Monica Rodriguez, Controller

EXCUSED ABSENCE: None

GUESTS: Livestream audience

APPROVAL OF AGENDA

Committee Chairman Wheeler addressed the May 14, 2020 Finance and Audit Committee (FAC) meeting agenda.

Motion: Committee Member Huntington moved to approve the May 14, 2020 Finance and Audit Committee meeting agenda as presented. Motion seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chairman Wheeler addressed the April 9, 2020 Finance and Audit Committee meeting minutes.

Motion: Committee Member Unger moved to approve the April 9, 2020 Finance and Audit Committee meeting minutes as presented. Motion seconded and carried without dissent.

COMMITTEE DISCUSSION AND POSSIBLE ACTION

BUDGET PROCESS AND SCHEDULE REVIEW – Karl Ramsey discussed the schedule for the 2021 zero-based budget process that is built around departments, based on activity codes, integrates the construction work plan and other capital expenditures, cash and long term forecasting, and considers the impact of changes in power supply. Discussion ensued on timelines for deliverables, plans to develop a 10-year outlook on capital projects and a rolling 5-year load forecast, and the budget calculation tool demonstrated by Ramsey in his discussion of the 2021 budget process. Budgetary deliverables will be reviewed with the FAC prior to presentation and discussion with the full board.

FINANCIAL REVIEW INCLUDING COVID-19 IMPACT – Karl Ramsey reported that the Income Statement was in a good position, margins are slightly ahead of budget, and stringent cost control measures are offsetting the current loss of load. Ramsey is optimistic that operating margins could come in, as planned in December 2019, at around \$750,000; and that huge write-offs may not be necessary, as overdue balances are declining.

CEO Matlock advised that a communications plan in place to help members shift energy use behaviors to align with off peak demand windows, and that she is working with the Round Up Foundation to see if additional funds can be utilized for members affected by Covid-19.

FINANCIAL GOALS RECOMMENDATIONS – Following robust discussion of benchmarks and ranges of acceptable parameters for 2020 key financial metrics, the committee agreed on targets of 45-50% for equity as a percentage of assets, 4 % for operating margins as a percentage of revenue, cash reserves of 16-20% annual operating expenses, total debt remaining below the level of equity, and OTIER between 1.5 - 2.0. Financial goal for LPEA Capital Credits will be discussed at the June 11 meeting. The committee will draft a set of financial goals recommendations with rationale for committee approval prior to a formal presentation by Karl Ramsey at the June 17 Board Meeting.

REVIEW BOARD FINANCIAL DASHBOARD, REPORTS, AND DISCUSS TIMING – Chairman Wheeler addressed the current financial dashboard reporting and took questions.

RATE STABILIZATION RESERVE FUND RECOMMENDATIONS – Discussion of this item was deferred to a later date.

FORMS 7 AND 990 REVIEW – The Form 7 has been completed, and the Form 990 is expected to be completed in July.

AGENDA DISCUSSION – No discussion took place.

FUTURE AGENDA ITEMS (AS TIME PERMITS)

Committee member Unger addressed relevant financial policies to recommend for review in the Policy Committee, including ideas for a policy that will tie into financial goals.

EXECUTIVE SESSION AS NEEDED

No discussion took place.

ADJOURN

There being no further business, the Finance and Audit Committee of the La Plata Electric Association, Board of Directors meeting adjourned at 4:59 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:



Tim Wheeler, Committee Chairman