

## **REGULAR MEETING OF THE JEFFERSON UTILITIES COMMISSION, HELD MAY 10, 2021**

On call of the roll, commissioners present were: Pieters (via telephone), Ganser, Oppermann, Bristol, Brandel, Adams and Neils. Also present were: Utility Manager Adler, Office Manager Statz, City Attorney Rogers and Baker Tilly Partner Jodi Dobson. The meeting began at 5:31 p.m.

### **PUBLIC PARTICIPATION**

Utility Manager Adler stated the utility's construction authorization has been approved by the Public Service Commission for work in Riverside Alley. He stated the project will take three years to complete. Digging will begin in July/August of this year.

### **MINUTES**

It was moved by Comm. Neils and seconded by Comm. Brandel to approve the minutes from the April 12, 2021 meeting. Motion carried on a voice vote. Comm. Brandel and Comm. Adams abstained.

### **EXPENDITURES**

It was moved by Comm. Brandel and seconded by Comm. Neils to approve the payment of April 2021 bills totaling \$969,206.32. On call of the roll, motion carried. (Pieters – Aye, Ganser – Aye, Neils – Aye, Oppermann – Aye, Bristol – Aye, Brandel – Aye, Adams - Aye)

### **2020 AUDIT RESULTS – BAKER TILLY**

Baker Tilly Partner Jodi Dobson presented the 2020 audit findings. She explained the electric rate of return for 2020 was down slightly from 2019, 6.67% and 6.93% respectively. She explained the expenses and revenues are trending downward, largely because of the decrease in purchase power. She stated there is a consistent margin between the revenues and expenses, which is good. On the water side, the rate of return also decreased in 2020 from 2019, 2.78% and 4.36% respectively.

Comm. Adams asked if a rate case was necessary on the water side.

Ms. Dobson stated it depends on the cause of the increased expenses. Sometimes there are large expenses in one year that are not typical annual costs. This wouldn't signal a rate case, unless those expenses are going to continue at that level.

Office Manager Statz stated there were a lot of repairs done at the wells in 2020, which attributed to the increased expenses.

Ms. Dobson reviewed the cash on hand available to the utility. She explained rating agencies are looking for six to twelve months of cash on hand, Jefferson Utilities is at 5.44 months. The utility has been building their reserves over the last five years.

Comm. Pieters stated there is quite a jump from 2016 to 2020, 1.60 to 5.44 months on hand. He questioned what that was attributed to.

Ms. Dobson stated it could be a number of things, the electric and water rate cases done in 2016 and capital project planning.

Comm. Brandel stated it was purposeful and is what the commission wanted.

Utility Manager Adler clarified the amount of funds on hand belongs to both the electric and water departments. With the water and wastewater merger that is occurring, some of those dollars will go to the water department and we will have to work to build those dollars again.

Ms. Dobson stated that was correct. She stated Baker Tilly will work on that split this summer. She stated some things are clear cut, but others are comingled and will need some investigation into what belongs to each utility.

Ms. Dobson stated the debt coverage requirement is 1.10 and the utility is at 32.52, well above what is necessary. She explained only about 6% of the capital in service is funded through debt. She stated this was very good and the utility is in a good place should it need to borrow funds.

Utility Manager Adler stated this is good for the city as well, as when they issue debt, the rating agencies look at all city funds.

Ms. Dobson believed that to be correct, but she was not an expert in that area.

Ms. Dobson stated there are two notes in the audit related to internal control procedures. One of them is a lack of segregation of duties and the other is financial reports are not available until the end of the year when the auditors prepare them. She stated these deficiencies are not uncommon in smaller organizations and is reported in 90% of her clients.

Comm. Adams questioned if the WPPI billing error will have any effect on our financials.

Ms. Dobson stated the billing error should flow through the PCAC and shouldn't have any effect. If anything, the utility would just need to wait a month or two to recoup its purchase power costs from customers.

Comm. Pieters questioned the meaning of the language on page 34 of the financial details

Ms. Dobson explained it was general language noting that if staff knew of any changes that would affect future operations, the auditors should know about it.

Comm. Neils asked how important the separation of duties was to the utility.

Ms. Dobson stated the utility would have to do a cost benefit analysis to see if adding staff would make sense.

Comm. Neils asked for feedback from staff.

Office Manager Statz stated the office has made changes over the years to try to address some concerns, for example, journal entries are double checked by Billing Clerk Emily Hein. She stated staff hasn't ignored the notation, but realistically, the remark won't come out of the audit unless we hire additional staff to completely split out duties.

Comm. Pieters stated he hasn't seen many of the utility's audits, but his understanding from the financials and the comments was that the utility was doing well.

Ms. Dobson stated the financial metrics are good and trends are moving in the right direction. She stated staff is organized and is able to answer questions that arise.

It was moved by Comm. Brandel and seconded by Comm. Bristol to accept the 2020 audit as presented. On call of the roll, motion carried. (Pieters – Aye, Ganser – Aye, Neils – Aye, Oppermann – Aye, Bristol – Aye, Brandel – Aye, Adams - Aye)

It was moved by Comm. Bristol and seconded by Comm. Neils to adjourn. Motion carried on a voice vote. The meeting adjourned at 5:53 p.m.