



ROCHELLE UTILITY ADVISORY BOARD MEETING
Wednesday, September 26, 2012

The Rochelle Utility Advisory Board met on September 26, 2012 in the RMU Technology Center, 910 Technology Parkway. The meeting was called to order by Mr. Elliott at 3:00 p.m.

Present at the meeting:

Bob Elliott, UAB Chairman
Richard Ohlinger, UAB
Ray Schwartz, UAB
Maryann Macklin, UAB
Jim Black, UAB
Dave Plyman, City Manager
Chet Olson, Mayor
Jeff Leon, WRHL

Joe Orlikowski, RMU
Joanne Peters, RMU
Chris Frye, Finance Manager
Kathy Cooper, RMU
Scott Koteski, RMU
Lynette Fischer, HR
Ed Rice, City Council

Absent:

Claude McKibben, UAB

Approval of Minutes:

MOTION: To approve the UAB meeting minutes dated August 1, 2012
MAKER: Ray Schwartz
SECOND: Richard Ohlinger
VOICE VOTE: Motion Carried

Financial Statements: Chris Frye provided a summary of the August 2012 Financial Statements. Mr. Ohlinger inquired about the loan from the Water Reclamation fund to the Water fund. Chris advised during the budgeting process the loan was “forgiven” and the monthly payments go into a restricted account for future water infrastructure.

Annual Financial Report: Chris Frye provided these comments regarding the Audit:

“Sikich, our auditors for the past 3 years, were here for 3 weeks this year to complete the City & RMU audits.

Page 1 of the audit states that “the financial statements present fairly in all material respects the financial position of RMU as of 4/30/12”

The Management Discussion and Analysis (pgs MD&A 1-13) provide an overview of the results of the audit.

MD&A 3 - 3 yr comparison of Electric shows a steady increase in net assets (assets minus liabilities); net assets for FY 2012 are \$43,935,944 which consists of capital net of related debt (capital minus accumulated depreciation minus outstanding bonds), restricted and unrestricted; this is an increase of almost 6% from 2011 and 14% from 2010; almost all of the increase was in the unrestricted category

UAB Meeting
September 26, 2012

MD&A 4 - 3 yr comparison of Water/Water Reclamation shows a steady increase in net assets (assets minus liabilities); net assets for FY 2012 are \$33,316,134 which consists of capital net of related debt (capital minus accumulated depreciation minus outstanding bonds), restricted and unrestricted; this is an increase of almost 10% from 2011 and 2.5% from 2010; almost all of the increase was in capital assets from contributions in aid of construction from developers

MD&A 5 - 3 yr comparison of Communications shows a steady increase in net assets (assets minus liabilities); net assets for FY 2012 are a positive \$134,751 which consists of capital net of related debt (capital minus accumulated depreciation minus outstanding bonds), restricted and unrestricted; this is an increase of almost \$180,000 from 2011 and \$550,000 from 2010; the \$100,000 increase in capital assets was due to an investment in fiber infrastructure; need to take into consideration the Tech Center data was included in 2010, it wasn't until 2011 that that was broken out into a separate fund

MD&A 6 - 2 yr comparison of Technology Center shows a steady increase in net assets (assets minus liabilities); net assets for FY 2012 are (\$295,583) which consists of capital net of related debt (capital minus accumulated depreciation minus outstanding bonds), restricted and unrestricted; this is an increase of almost \$134,000 from 2011

Of the total RMU net assets 68% are capital assets net of related debt, 10% are restricted for debt service, and 22% are unrestricted.

MD&A 8 - Electric revenues and other operating expenses vary proportionately due to the PCA and purchased power cost.

MD&A 9 - Water/Water Reclamation revenues have remained unchanged over the past 3 years. Over \$5.2 mil was recorded as contribution in aid of construction for 2011 and 2012 from various developments.

MD&A 10 - Communication revenues have been stable the past 2 years. In 2010, the revenues included those from the Technology Center. Operating expenses have decreased 15% from 2011 to 2012.

MD&A 11 - Technology Center revenues are up 16% and expenses are up 3% over the last 2 years."

Following the comments, Mr. Schwartz requested that the Management Letters be forwarded to the Board in "paper" form. Dave Plyman added that during the audit process a weakness in the electric division's inventory process was discovered. Staff has reviewed the process; the problems have been identified and staff is working to improve procedures and corrections are underway.

Discussion Item: At this time a teleconference was initiated with Russ Hissom, Baker Tilley. Mike Johnson and Barbara Bell also participated via teleconference.

Dave Plyman opened the teleconference and advised the City has received pressure to unbundle the electric rates. At the direction of the Utility Advisory Board staff has reviewed the process and a sound analysis of data is needed. Russ Hissom advised that the last cost of service study doesn't have enough data and recommends that the last study be updated. Russ added that Baker Tilley could assist with the process. Dave Plyman added that in order for RMU to be competitive we need to know how we compare not only in Illinois, but with Wisconsin and Iowa. Russ added that the study will answer these questions as well as being useful to RMU when talking to large customers.

UAB Meeting
September 26, 2012

MOTION: To recommend that the City proceed with an updated Cost of Service study as soon as possible subject to any required City Council approval.
MAKER: Richard Ohlinger
SECOND: Maryann Macklin
VOICE VOTE: Motion Carried

Russ advised that he would prepare a proposal for the Cost of Service Study and anticipates the unbundled rate structure will be completed before the end of the year. The conference call ended at 3:45 p.m.

Projects in Progress: Mr. Elliott asked for questions regarding projects in progress. Mr. Schwartz requested an update on the asbestos removal at the generation facility and the documentation of the fiber network and staff provided updates. Scott Koteski reported that Follett has exercised their right to lease all of the available space at the Technology Center which will increase the monthly revenue \$20,000. Councilman Rice added that Follett was a “high quality” company. Mr. Schwartz asked if the Technology Center would now be expanded and Mr. Plyman advised not at this time. A discussion followed regarding a Fiber to the Home (FTTH) project and it was suggested that a strategic plan be developed.

Comments from City Manager: Mr. Plyman reported the executive search was underway and several interviews have been completed. An interview panel has been assembled for Monday, October 1st. Dave advised that staff was working as quickly as possible and hope to have some of the open positions filled within the next month.

Comments for the Public: Mayor Olson advised that the 5KV project required directional boring throughout the city and that it was a perfect time to add conduit for future fiber use. The Mayor added that he would like fiber to his residence and that it would be useful in the community for not only internet service but for “smart metering” in the future as well.

Comments from the Board: None

Adjournment:

MOTION: To adjourn at 4:35 p.m.
MAKER: Jim Black
SECOND: Maryann Macklin
VOICE VOTE: Motion Carried

Minutes Submitted By,
Joanne M. Peters