



BUSINESS OPERATIONS – SEPTEMBER 10, 2018

ARPA Board Reviews 2019 Budget: The ARPA Board of Directors reviewed different scenarios for its 2019 budget, as it began its 2019 budget process. None of the scenarios discussed included a rate increase which will signal an 8th straight year without a rate increase by the Authority. The Board directed staff to focus on two priorities, accumulation of funds to retire the Authority's 2010 bond series when they become callable (fall of 2020), and evaluate opportunities to reduce rates both near term and long term. To that end, ARPA placed \$4.2 million into its rate stabilization account that is earmarked for retiring the 2010 bonds.

The budget scenarios included recognition of the savings from ARPA's recent debt refinancing. ARPA's debt service was reduced by approximately \$700,000 annually via the refinancing. If ARPA is successful with retiring the 2010 bonds, it will realize another \$1.2 million in annual savings beginning in 2021. The *Preliminary Budget* presented to the Board included total revenues of \$33.7 million, operating costs of \$19.1 million and debt service costs of \$9.5 million.

Budget Hearing: The proposed 2019 budget for the Arkansas River Power Authority will be available for inspection beginning November 5th at the City Clerk's office in each member city. Any interested elector in an ARPA member community or electricity consumer of an ARPA member (Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad, Colorado) may register objections to the proposed Budget prior to its final adoption. The ARPA Board of Directors will hold a public hearing on the proposed Budget at the Otero Junior College Student Center, 2001 San Juan, in La Junta on Thursday, December 6, 2018.

Financial Projection for YE 2018: Projections for YE 2018 include power sales approximately \$1.5 million better than budget (projected at \$29.1 million) while cost of operations are projected to be approximately \$1.0 million less than budget (projected at \$18.1 million). The reduction in bond interest payments from the recent bond refinancing are projected to lower costs by \$308,000 for 2018 and A&G costs are projected to be \$1.3 million less than budget. Projections for net cash for operations at the end of 2018 is approximately \$3 million.

Summary of July 2018 Operational Financial and Operating Statements: During the month of July, total cost of goods sold were over budget 9.4% which was offset by revenues that were 13.5% better than budget. There were Net Revenues from operations of \$1,021,599 for the month. Member sales for July were 1.2% better than July of 2017. Total Operational Revenues YTD are better than budget by 8.7% as Member Sales YTD are 9.2% better than budget and 4.6% better than 2017 sales.

Extraordinary Income and Expenses: ARPA refinanced the 2003, 2006, 2007 and 2008 bonds in July which resulted in approximately \$933,000 in bond issue expenses. The Authority also realized revenues of approximately \$5.0 million for amortization of bond premiums and \$4.9 million from litigation and insurance settlements.

Next ARPA Meeting: The next regularly scheduled ARPA board meeting is Thursday, September 27, 2018. The meeting will be held in Lamar at the Cultural Events Center, 102 East Parmenter, and will begin at 10:00 AM. ARPA board meetings are open to the public.