

This document was produced by the Interim Finance Director of the Robert Bobb Group. All colored comments are from me, Earnestine D. Pittman. Documentation has been provided in an earlier article.

**City of East Point Electric Department Fund Analysis**  
**Assessment of Power Cost Adjustment Charges**  
**October 13, 2014**

Below is a detailed assessment of the Electric Department Financial Position and Power Cost Adjustment costs as requested by City Council Members in the October 6, 2014, City Council meeting.

The information includes the following:

- I. FY 2014 Electric Fund Balance Analysis – (Unaudited)
- II. FY 2015 Electric Fund Budget
- III. Power Cost Adjustment Information

**I. FY 2014 Electric Fund Balance Analysis – (Unaudited)**

<b>Category</b>	<b>Amount</b>	<b>Comments</b>
Beginning Fund Balance – July 1, 2013	<b>(\$394,862)</b> <b>Here are the End-of-Year Settlement for the last five years amounts beginning with 2009:</b> <b>2008--\$597,042</b> <b>2009--\$1,264,369</b> <b>2010—674,987</b> <b>2011--\$938,459</b> <b>(Credited to MEAG Power Monthly Bill.)</b> <b>2012-- \$2,046,721</b> <b>2013--\$1,597,968</b> <b>(Credited to MEAG Monthly Bill.)</b>	Includes all spendable revenue (Cash & Cash Equivalents).  Does not include land, buildings, infrastructure, or depreciation of these assets. <b>(Does not include any End- of – Year Settlement Funds, therefore all spendable revenues are not accounted for in this figure. Where is the rest of the End-of-Year Settlement money?)</b>
Revenues – July 1, 2013 through June 30, 2014	\$44,638,039	Total revenues received from customer charges, off power sales, and miscellaneous receipts. <b>(Where and how much are these miscellaneous receipts?)</b>
Expenditures – July 1, 2013 through June 30, 2014	\$40,709,332	\$1.5 million in Reduced Electric Expenditures from End of Year

	<b>The 2013 End-of-Year Settlement amount was \$1,597,968. What happened to the \$97,968?)</b>	Settlement Funds. [Total expenditures have been reduced by \$1.5 million]. General Accepted Accounting Principles require end of year settlement to be recorded as a reduction in expenditures. <b>(General Accepted Accounting Principles cannot be used to hide money. Where is this "PRINCIPLE" written in Georgia's Uniform Code of Audits? Where is there a line item for this in the 2013 CARF?)</b>
Difference between Revenues & Expenditures for fiscal year 2014	<b>\$3,928,707</b>	Revenues exceeded expenditures by \$3.9 million because of better than expected off-system power sales and electric fund expenditures being reduced by \$1.5 million in end of Year Settlement reimbursement <b>(The Electric Utility is doing extremely well to have such a large surplus since the Indirect Cost Allocation went from \$740,194 in 2013 to \$2,152,396 in 2014 for the General Fund.)</b>
Ending fund Balance – June 30, 2014	<b>\$3,533,845</b> <b>If "General Accepted Accounting Principles" require that End-of-Year Settlement Funds be recorded as reduction in expenditures then why isn't the (\$394,862) fund balance higher? Are you saying that all of the End-of-Year Settlement Funds collected since 2008 have been spent?</b>	Beginning fund balance of (\$394,862) plus \$3,928,707 FY 2014 increase in fund balance equals Ending Fund balance of \$3,533,845.
Electric Fund Comments		A. Ending Fund Balance is approximately 8% of operating budget.  B. Accumulated Depreciation or Deprecation expense is a non-spendable amount - not addressed in this Cash & Cash equivalent Fund Balance analysis.

		<p>C. Reserved funds for a 5-year Capital Investment Plan not addressed</p> <p>D. Recommendation to reserve funds for economic development related projects.</p> <p>E. One month's operating budget is equal to approximately \$3.6 million <b>or \$39.6 million for the year. Out of a budget of \$45,688,065 that leaves \$6,088,065 for what? The \$3.6 million includes MEAG's Monthly Power Bill.</b></p>
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## II. FY 2015 Electric Fund Budget

Category	Amount	Comments
Beginning Fund Balance July 1, 2014 (Projected - Unaudited)	\$3,533,845	This amount does not include all of the End-of-Year Settlement Funds.
Revenues – July 1, 2014 through June 30, 2015 (Budgeted)	Customer Charges - \$37,933,953 Customer PCA - \$ 3,463,661 Customer ECCR \$ 2,105,362 Miscellaneous Rev. \$ <u>2,185,089</u> <b>Total Revenue - \$45,688,065</b>	Identify the sources.
Expenditures – July 1, 2014 through June 30, 2015 (Budgeted)	MEAG Power Costs - \$35,631,064 Electric Operating - <u>\$10,057,001</u> <b>Total Expenses - \$45,688,065</b>	This amount is budgeted, however the total cost for MEAG Power has been less than \$30 million for the past two years and was only \$30,550,990 in 2011-2012. In fact, MEAG Power Cost should be going down because of the decrease in the Bond Debt.
Difference between Revenues & Expenditures for fiscal year 2015	\$0.00	
Ending fund Balance – June 30, 2015	<b>\$3,533,845</b>	

## III. Power Cost Adjustment Information

Category	Amount	Comments
Total Power Cost Adjustment collected from	\$1,554,929	\$635,171 collected from Residential.

<p>January 1, 2014 through June 30, 2014</p>		<p>\$919,758 collected from Large, Medium, Small Power, General Service, Church, and Multi-Residential.</p> <p>41% of Power Cost Adjustment revenue comes from Residential charges.</p>
<p>MEAG's Calendar Year 2015 Budget</p>	<p>\$604,000 Increase</p>	<p>Wholesale Costs in Calendar Year 2015 increased \$604,000 from Calendar Year 2014</p>
<p>Reduction of the Power Cost Adjustment Rate</p>	<p>Would reduce Revenues and require Electric Fund Balance to be reduced from current Reserve of \$3,533,845</p> <p>The Electric Fund is a Proprietary or Enterprise Fund by Governmental Accounting Standards Board (GASB) definition.</p> <p>The Electric Fund is required to be operated like a business enterprise and be self-supporting. The recommended Minimum Reserve is one-month operating funds.</p> <p><b>No definition of GASB or any Accepted Accounting Principle can overrule a City of East Point Ordinance stating the process for initiating a power cost adjustment. Robert Bobb Group failed to this during the 2015 Budget process. The Utility Ordinance clearly states the conditions and process for the City to</b></p>	<p><b>According to East Point City Utility Ordinance Sec. 8-2105. Riders and adjustments to commercial and industrial electric rates. (c) in the municode, "Power cost adjustment rider CPCAI: The monthly power cost adjustment in cents per kWh shall represent the difference between total electric department costs (including wholesale power, distribution system operation &amp; maintenance, administrative charges, transfers and allocations paid to the general fund of the City of East Point) and total electric department revenues(including sales of electricity and other operating receipts) divided by the total kilowatt hour sold to customers served under tariffs subject to such power cost adjustment. ... Applicable tariffs include residential, general service, small power, medium and large power."</b></p>

	<p><b>implement a power cost adjustment and that has not been done for the 2015 Budget.</b></p>	
<p>Capital Projects and Infrastructure Improvements</p>	<p>If Power Cost Adjustment is reduced there could be a significant impact on Capital Projects and Infrastructure Improvements.</p> <p><b>Mayor and Council are clearly violating the Utility Ordinance by allowing the Robert Bobb Group to continue to bill and collect a power cost adjustment that do not meet the conditions or process for implementation. The lack of action by Mayor and Council is putting this City a great risk if a lawsuit is filed.</b></p> <p><b>This is why I alone with other residents are not paying the PCA amount on our utility bills and our lights are still on. The City has no legal grounds to turn our power off.</b></p>	<p><b>The use of a power cost adjustment as defined in the Utility Ordinance does not cover non-electric Capital Projects and Infrastructure Improvements. Previous Mayors and Councils voted to use MCT Funds for those projects.</b></p>

**This document with its faulty reasoning, disregard for the City Utility Ordinance, and out-and-out misrepresentation of GASB is why it is past time to say “GOODBYE” to the Robert Bobb Group.**