TEXAS MUNICIPAL POWER AGENCY

AUDIT & BUDGET COMMITTEE MEETING

VIA VIDEO CONFERENCE CALL

THE PRESIDING OFFICER WILL BE IN ATTENDANCE AT, AND MEMBERS OF THE PUBLIC MAY ATTEND, THE FOLLOWING LOCATION:

DENTON MUNICIPAL ELECTRIC
1659 SPENCER ROAD
DENTON, TX 76205

Wednesday, May 18, 2022
9:30 AM

AGENDA

Preliminary matters:

- Call to order
- Public comments

The following matters are scheduled for discussion and for possible action:

1. Consider approval of the minutes of the December 9, 2021 Audit and Budget Committee meeting.

2. Discuss the Agency's proposed FY23 Budget Package.

3. Review new accounting standards and their impact on the Agency.

4. Consider approval of the engagement letters with BKD, LLP for Fiscal Year 2022.

5. Discuss future meeting dates and topics.

6. Adjourn

IN REGARD TO ITEMS SCHEDULED ON THIS AGENDA FOR DISCUSSION AND/OR ACTION IN THE OPEN PORTION OF THE MEETING, THE COMMITTEE MAY, IN ITS DISCRETION, ADDRESS ONE OR MORE OF SUCH ITEMS IN EXECUTIVE SESSION IF AND TO THE EXTENT PERMITTED BY THE TEXAS OPEN MEETINGS ACT.

THIS COMMITTEE MEETING MAY BE ATTENDED BY ONE OR MORE BOARD MEMBERS WHO ARE NOT MEMBERS OF THE COMMITTEE, IN WHICH CASE A QUORUM OF THE BOARD OF DIRECTORS MAY BE IN ATTENDANCE AT THIS COMMITTEE MEETING.

May 18, 2022

AGENDA ITEM NO. 1

SUBJECT:	Consider approval of the minutes of the December 9, 2021 Audit and Budget Committee meeting.
BACKUP MATERIAL:	Minutes of the December 9, 2021 Audit and Budget Committee meeting.
ACTION REQUESTED:	Consideration and approval of minutes.

Lyndi Birkhead
5/11/22

TEXAS MUNICIPAL POWER AGENCY

AUDIT AND BUDGET COMMITTEE
MEETING NOTES

CAMBRIA HOTEL RICHARDSON - DALLAS
3605 SHIRE BOULEVARD
RICHARDSON, TEXAS 75082

THURSDAY – DECEMBER 9, 2021
9:00 AM

The following people were present at the meeting:

Committee Members:
Bill Cheek – City of Denton (Chairman)
James Ratliff – City of Garland
Summer Spurlock – City of Greenville

Absent – Buppy Simank – City of Bryan

Staff:
Lyndi Birkhead
Jan Horbaczewski
Bob Kahn
Daniel Meadows
Tracy Stracener

Others:
Kevin Kemp – BKD, LLP

1. **Consider approval of the minutes of the May 3, 2021 Audit and Budget Committee meeting.**

   A motion was made by Mr. Ratliff and seconded by Ms. Spurlock to approve the minutes. The motion passed with voting as follows:

   Cheek - Aye   Ratliff - Aye
   Spurlock - Aye

2. **Consider appointment of a Vice-Chair for the Committee.**

   Mr. Watts called for nominations for the Vice-Chair. Mr. Ratliff nominated Mr. Simank, seconded by Ms. Spurlock. No further nominations were made. The motion passed with voting as follows:

Cheek - Aye   Ratliff - Aye
Spurlock - Aye

3. Review the Agency's Financial Statements.

Ms. Birkhead explained that the FY21 financial audit went smoothly, as compared to past years during which big-ticket items such as the impairment of the generation assets and the decommissioning/environmental remediation entries were made. She highlighted that the largest impact to the FY21 financials was the gain on the sale of the plant. The assets associated with the Mine were reclassified as assets held for sale pending the sale of the mine.

Mr. Kemp stated that BKD issued a clean, unmodified opinion.

Mr. Ratliff asked why the Railroad Commission needs a copy of our audited financials each year since we obtain letters of credit with Wells Fargo to satisfy the bonding requirements. Mr. Horbaczewski explained that it is simply a regulatory requirement that we submit audited financials within 90 days of fiscal year-end.

Mr. Watts inquired about the $2.1M in miscellaneous other expense. Mr. Kemp explained that it is related to the write-off of Transmission assets retired during the year.

Mr. Ratliff asked why an audit of deferred assets is still completed annually since we have removed almost all deferred assets from our books. Ms. Birkhead explained that it is not a separate audit, but that BKD reviews the remaining deferred assets as part of the annual financial audit.

Mr. Kemp highlighted the removal of the decommissioning/environmental remediation liability/receivable as a result of the sale of the plant. He also confirmed they found no material weaknesses or significant deficiencies with our internal controls or financial reporting.

Mr. Ratliff moved, seconded by Ms. Spurlock to approve the financial statements and directed Staff to present them in the Board meeting immediately following this Committee meeting. The motion passed with voting as follows:

Cheek - Aye   Ratliff - Aye
Spurlock - Aye

4. Receive report on the City of Garland transmission expense billing audit.

Ms. Birkhead explained that this audit was part of the annual audit schedule, that no significant errors or findings were noted, and that this item was strictly for the Committee's information. She also mentioned that a formal audit of the City of Denton's invoices is not performed as they send invoices so infrequently (she audits each invoice when received).

5. Consider approval of the external auditors for the audit relating to the 2022 Fiscal Year.

Ms. Birkhead explained that staff is recommending continuing with BKD as auditors for the 2022 Fiscal Year. Fiscal year 2022 would be the third year of their five-year contract.

A motion was made by Ms. Spurlock and seconded by Mr. Ratliff to approve BKD as auditors for the 2022 Fiscal Year. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Spurlock - Aye	

6. <u>Receive update on the Annual Audit Plan.</u>

Ms. Birkhead stated that the only change that will be made to the Annual Audit Plan will be the removal of the deferred asset audit since it is part of the financial audit as discussed above.

A motion was made by Mr. Ratliff (including the change above) and seconded by Ms. Spurlock to approve the Annual Audit Plan. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Spurlock - Aye	

7. <u>Receive Annual Ethics Program update.</u>

Ms. Birkhead reported that there were no cases reported through the Ethics hotline and the annual conflict of interest survey revealed no significant conflicts.

8. <u>Discuss Cash Funding of the Mine Bonding Requirements.</u>

Ms. Birkhead explained that the letters of credit with Wells Fargo that are currently going through the approval process total $5.5M. Mr. Horbaczewski is estimating the requirement for the following year to be $1.4M. At that requirement level, TMPA would spend just over $100K annually on letters of credit fees, legal fees, etc. These fees can be reduced to near zero if TMPA opts to cash fund the estimated $1.4M beginning in June 2023. Cash funding would require the deposit of cash directly with the Railroad Commission.

A motion was made by Mr. Ratliff and seconded by Ms. Spurlock to make a recommendation to the Board to proceed with cash funding beginning June 2023. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Spurlock - Aye	

9. <u>Discuss future meeting dates and topics.</u>

Ms. Birkhead explained that the next Audit & Budget Committee meeting will be held in May primarily to discuss the FY23 Budget Package. All members agreed.

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Lyndi Birkhead, Director of Finance

May 18, 2022

AGENDA ITEM NO. 2

SUBJECT: Discuss the Agency's proposed FY23 Budget Package

DISCUSSION: Staff has prepared the FY23 Budget Package for the Committee's review and comment. Please refer to the attached FY23 Budget Package for further information. The package was reviewed with the Financial Working Group on 4/13 and the P&O Committee on 4/27. Their comments/changes have been incorporated.

BACKUP
MATERIAL: FY23 Budget Package

ACTION
REQUESTED: Review and approval to take the FY23 Budget forward to the Board.

Lyndi Birkhead
5/11/22

TEXAS MUNICIPAL POWER AGENCY

FY23 BUDGET PACKAGE

For Years FY23-32

Prepared by

TMPA Staff

May 2022

TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

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TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

EXECUTIVE SUMMARY & KEY BUDGET ASSUMPTIONS

The primary goals of the TMPA budget process continue to be reducing costs in accordance with the business plans of our Member Cities, while maintaining the reliability of the transmission system, wrapping up matters related to the mine land, and overseeing the demolition and remediation activities in accordance with the Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group (GCERG), all while achieving a compliant and safe working environment.

Staff prepared the attached budgets based on discussions at the February P&O and Board meetings.

Below is more detail on each business unit of TMPA:

- Generation – The only Generation function remaining, after the sale of the plant in February 2021, is overseeing the demolition and remediation activities in accordance with the APA with GCERG. The Agency's Compliance, Land & Mine Manager (formerly the Technical Manager) will oversee this activity and will also take on additional responsibilities (i.e. remaining mine functions and land matters) as headcount continues to reduce.

- Transmission – It is assumed that the transmission business will remain with TMPA for the foreseeable future, being managed as it is currently with Garland Power & Light (GP&L) and Denton Municipal Electric (DME) under Transmission Operation, Maintenance, and Construction Services Agreements.

- Mine – The majority of the mine land was sold in December 2021. The final request for bond release (with the exception of the acid seeps) will be submitted in Spring 2022. Continued work on the acid seep area will be handled by the Agency's Compliance, Land & Mine Manager in FY23 and beyond, in coordination with consulting by Jan Horbaczewski as needed.

- A&G – It is assumed that the General Manager will be retained until December 2023, to align with the scheduled completion of remediation activities by GCERG. The AP/Document Control Specialist plans to retire by the end of FY24. At that time, her duties will shift to the HR/Administrative Specialist. Remaining A&G employees will be retained until TMPA "dissolves" (CFO/Director of Finance & Support Services, Senior Accountant, HR/Administrative Specialist, IT Specialist, and Executive Assistant).

On the following page is the TMPA headcount chart to illustrate the staffing needs of each department.

	TMPA Headcount			
RA	**Department**	**FY23**	**FY24**	**FY25-32**
A&G				
1B	General Manager	2	2*	1
2C	Finance & Document Control	3	3	2
3B	IT	1	1	1
3E	HR & Administrative	1	1	1
Generation & Mine				
6D	Compliance	1	1	1
		8	**8***	**6**
**Headcount reduces by one in January 2024.*				

Included in the budgets are estimates for employee retention bonuses and severance packages, as applicable. The details of these incentives are discussed below. Under TMPA's current circumstances, there is concern that employees will seek employment elsewhere. However, these incentives, as applied in FY17-21, proved effective in retaining staff. It is management's belief that continuing with these incentives will preserve the knowledge and skills necessary for the Agency to function with a much reduced staff. The General Manager is excluded from both the retention bonus and severance package.

> Retention bonus period: Annually, October 1 – September 30
> Retention bonus: 20% of actual gross wages (less prior retention payments) during the bonus period. If the employee is released by TMPA prior to September 30, the employee will receive a retention bonus for actual gross wages earned through the date of release.
>
> Severance package: Severance is budgeted for all remaining, full-time employees in the year it would be expensed. Severance packages are equal to one week of pay for every year of service up to a maximum of 15 years.

Retiree medical/dental benefits are assumed to remain in effect until TMPA "dissolves".

GENERATION

TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

GENERATION STRATEGY & KEY BUDGET ASSUMPTIONS

The Generation business unit consists of a single responsibility area under the administration of the Compliance, Land & Mine Manager. The primary function of this department is to oversee matters related to the regulatory closure of Gibbons Creek Steam Electric Station (GCSES) in accordance with the Asset Purchase Agreement (APA) with GCERG and the subsequent post-closure requirements from the Texas Commission on Environmental Quality (TCEQ). This department also handles other environmental compliance matters, excluding mine and transmission. This department will be maintained as TMPA's sole technical resource.

Key Budget Assumptions

1) The primary function of the Generation business unit is to ensure GCERG's performance of the remediation. In accordance with the APA, a professional engineer was contracted in FY21 to serve as the Environmental Designee to monitor the progress of the remediation work, suspend payments from escrow when work falls behind schedule, review correspondence between GCERG and regulatory authorities, and report to TMPA on environmental conditions at the plant site. The remediation activities are currently scheduled to conclude in late FY23 or early FY24 with the acceptance of post-closure plans by TCEQ. Post-closure requirements from TCEQ to GCERG will become known toward the end of closure activities, likely in FY23. TMPA's oversight of post-closure will be better understood at that time.

2) As part of GCERG's closure plans for the Coal Combustion Residuals (CCR) units, it is possible that TCEQ will challenge the CCR groundwater monitoring Alternate Source Demonstration (ASD) prepared for TMPA by Wood Group in April 2019. If TCEQ were to question the ASD when GCERG files for closure, TMPA may be required to participate in or defend the assertions made in the ASD. In January 2022, HDR Engineering, hired by GCERG, supported TMPA's ASD claims making it unlikely that TMPA will be involved in the defense of the ASD. Expenses have been included in the FY23 Budget in the event it is needed.

3) The APA related to the sale of GCSES contains a provision pertaining to the cost of the Preliminary Regulatory Closure of Site F Landfill. It states that if the actual costs incurred by GCERG to close Site F Landfill are less than the $13.6 million estimate, TMPA would receive the difference at the end of the remediation project. At the time of the FY23 budget development, there is a significant disagreement between TMPA and GCERG which may require legal and consulting expenses to resolve. Due to the revised remediation completion date in mid-FY23, a majority of these costs are expected in FY23.

   The amount or timeline related to the return of funds to TMPA for Site F Closure Costs under $13.6 million will likely not be known until late FY23 or early FY24. No revenue projection is included in the FY23 budget.

4) The Environmental Designee has the authority to deny escrow payments if the remaining closure costs are more than the total security available (remaining Escrow and Regulatory Closure Bonds), if there are environmental issues with GCERG's performance, or if GCERG falls behind schedule. If a situation such as this arises, engineering or legal consulting may be required to resolve.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Generation

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	202,079	103,808	(98,271)	-48.6%	1
L01 Retention Bonuses	30,246	33,271	3,025	10.0%	
R51 Contractor Maintenance	3,200	-	(3,200)	-100.0%	
S02 Consulting Services	173,200	140,000	(33,200)	-19.2%	
S04 Legal Services	118,000	520,000	402,000	340.7%	2
Other Fixed Costs	9,733	8,439	(1,294)	-13.3%	
Allocation of A&G	217,800	326,566	108,766	49.9%	3
TOTAL FIXED COSTS	**$ 754,258**	**$ 1,132,084**	**$ 377,826**	**50.1%**	
OTHER REVENUES					
Interest Income	(5,100)	(5,450)	(350)	-6.9%	
TOTAL OTHER REVENUES	**$ (5,100)**	**$ (5,450)**	**$ (350)**	**-6.9%**	
TOTAL COSTS	**$ 749,158**	**$ 1,126,634**	**$ 377,476**	**50.4%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Generation

Fixed Costs

1) Labor & Benefits decreased as the budget for Daniel Meadows, Compliance, Land & Mine Manager, is now allocated among the three divisions, with 60% being allocated to Generation.

2) Legal Services increased as a result of the significant disagreement between TMPA and GCERG regarding Site F Landfill costs which may require legal expenses to resolve.

3) Allocation of A&G increased primarily due to the impending Site F Landfill litigation.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Generation Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	103,808	67,266	69,284	71,363	73,504	75,709	77,980	80,319	82,729	85,211	787,172
L01 Retention Bonuses	33,271	34,269	35,297	36,356	37,447	38,570	39,727	40,919	42,147	43,411	381,415
S02 Consulting Services	140,000	56,650	31,828	32,782	33,766	34,778	35,821	36,896	38,003	39,143	479,667
S04 Legal Services	520,000	113,300	26,523	27,319	28,138	28,981	29,851	30,746	31,669	32,619	869,146
Other Fixed Costs	8,439	8,693	8,953	9,222	9,499	9,783	10,078	10,379	10,690	11,012	96,748
Allocation of A&G	326,566	111,790	58,956	60,503	62,547	64,186	66,355	68,095	70,395	72,243	961,636
TOTAL FIXED COSTS	**$ 1,132,084**	**$ 391,969**	**$ 230,841**	**$ 237,544**	**$ 244,900**	**$ 252,007**	**$ 259,812**	**$ 267,355**	**$ 275,633**	**$ 283,639**	**$ 3,575,784**
OTHER REVENUES											
Interest Income	(5,450)	(3,325)	(2,616)	(3,399)	(4,182)	(4,965)	(5,749)	(6,532)	(7,315)	(8,098)	(51,631)
TOTAL OTHER REVENUES	**$ (5,450)**	**$ (3,325)**	**$ (2,616)**	**$ (3,399)**	**$ (4,182)**	**$ (4,965)**	**$ (5,749)**	**$ (6,532)**	**$ (7,315)**	**$ (8,098)**	**$ (51,631)**
TOTAL COSTS	**$ 1,126,634**	**$ 388,644**	**$ 228,225**	**$ 234,145**	**$ 240,718**	**$ 247,042**	**$ 254,064**	**$ 260,823**	**$ 268,318**	**$ 275,540**	**$ 3,524,153**
Monthly Charge	**$ 93,886**	**$ 32,387**	**$ 19,019**	**$ 19,512**	**$ 20,060**	**$ 20,587**	**$ 21,172**	**$ 21,735**	**$ 22,360**	**$ 22,962**	**$ 293,679**

TRANSMISSION

TRANSMISSION STRATEGY & KEY BUDGET ASSUMPTIONS

TMPA's transmission system will continue to be maintained for safety, reliability, and operational compliance requirements.

GP&L, in collaboration with the other Member Cities, and TMPA staff will continue to monitor for new projects required for system reliability. These will be assessed project-by-project to determine if it is better for the project to be pursued by TMPA or a Member City.

GP&L will continue to provide transmission operator, maintenance, compliance, and construction services under the agreement with TMPA. DME has a similar transmission operator agreement for the transmission assets in the Denton area. Denton only charges incremental, third-party costs under its contract.

The Member Cities can decide to acquire the transmission assets at any time. The Cities currently wish to have the assets remain with TMPA for the foreseeable future.

Key Budget Assumptions

1) Identified the Transmission Capital Plan needed for safe, compliant, reliable operations.
2) In July 2021, TMPA issued $192,510,000 of Transmission Refunding Bonds, Series 2021. These Bonds become callable in 2026. Proceeds from this issuance were used to refund the Series 2010 and 2017 Bonds and $30M of the Series "A" Notes. This transaction resulted in significant savings to the Agency due to very low interest rates.
3) The current Series "A" Notes with Bank of America have $60M in capacity ($14.4M currently outstanding) and expire on November 23, 2022. At that time, a new, similar agreement will be entered into.
4) For budgeting purposes, fix-outs of portions of the Notes into long-term bonds are assumed in FY23 and FY24. Fix-outs become necessary when a significant amount of short-term Note funded assets are placed in service and/or when the Agency is nearing capacity of the Notes.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Transmission

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	614,717	732,866	118,149	19.2%	1
R06 Bank Charges	301,350	319,500	18,150	6.0%	
R41 Insurance Premiums	341,186	389,172	47,986	14.1%	
R51 Contractor Maintenance	1,917,000	1,835,172	(81,828)	-4.3%	
S04 Legal Services	132,000	195,000	63,000	47.7%	2
Other Fixed Costs	1,263,109	1,444,765	181,656	14.4%	3
Allocation of A&G	1,965,994	2,079,066	113,072	5.8%	4
Subtotal Fixed Costs - Non-Debt	**$ 6,535,356**	**$ 6,995,541**	**$ 460,185**	7.0%	
R57-R58 Debt Service - Bonds	13,623,267	13,169,709	(453,558)	-3.3%	
R55 Interest on Short-term Notes	706,181	815,299	109,118	15.5%	5
I62 Debt Coverage Payment (DCP)	3,542,049	3,424,124	(117,925)	-3.3%	
Subtotal Fixed Costs - Debt	**$ 17,871,497**	**$ 17,409,132**	**$ (462,365)**	-2.6%	
TOTAL FIXED COSTS	**$ 24,406,853**	**$ 24,404,674**	**$ (2,179)**	**0.0%**	
OTHER REVENUES					
I50 Transmission System Revenue	(30,890,630)	$ (32,040,872)	(1,150,242)	-3.7%	
Interest Income	(134,651)	$ (60,959)	73,692	54.7%	6
Other Revenue	(82,300)	(89,490)	(7,190)	-8.7%	
TOTAL OTHER REVENUES	**$ (31,107,581)**	**$ (32,191,321)**	**$ (1,083,740)**	**-3.5%**	
TOTAL COSTS / (REVENUE)	**$ (6,700,728)**	**$ (7,786,648)**	**$ (1,085,920)**	**-16.2%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Transmission

<u>Fixed Costs – Non-Debt</u>

1) Labor & Benefits increased because of (a) reduced charge-outs to capital projects and (b) 20% of the budget for Daniel Meadows, Compliance, Land & Mine Manager, now being allocated to Transmission.

2) Legal Services increased primarily because of anticipated legal fees related to the new Note Program to be entered into in November 2022 and the planned fix-out of a portion of the Notes into long-term bonds.

3) Other Fixed Costs increased primarily because of the purchase of two replacement trucks and the purchase of a skid steer forklift and trailer needed for job-site clean-up, grading repairs, and ROW repairs.

4) Allocation of A&G increased due to increased fixed costs within the Transmission budget.

<u>Fixed Costs – Non-Debt</u>

5) Interest on Short-term Notes increased because there are a significant amount of upcoming Transmission projects to be funded.

<u>Other Revenues</u>

6) Interest Income decreased primarily due to lower budgeted interest rates resulting from the continued impact of the COVID pandemic.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Transmission Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	732,866	768,071	791,113	814,847	839,292	864,471	890,405	917,117	944,631	972,970	8,535,783
R06 Bank Charges	319,500	329,085	338,957	349,126	359,600	370,388	381,500	392,945	404,733	416,875	3,662,709
R41 Insurance Premiums	389,172	400,847	412,872	425,258	438,016	451,158	464,692	478,633	492,992	507,782	4,461,422
R51 Contractor Maintenance	1,835,172	1,890,227	1,946,934	2,005,342	2,065,503	2,127,467	2,191,291	2,257,030	2,324,741	2,394,483	21,038,190
S04 Legal Services	195,000	149,350	153,831	158,445	163,198	168,095	173,137	178,332	183,682	189,192	1,712,262
Other Fixed Costs	1,444,765	1,488,108	1,532,752	1,578,734	1,626,096	1,674,879	1,725,125	1,776,879	1,830,185	1,885,091	16,562,615
Allocation of A&G	2,079,066	2,284,676	2,234,328	2,292,945	2,370,404	2,432,596	2,514,761	2,580,735	2,667,909	2,737,903	24,195,322
Subtotal Fixed Costs - Non-Debt	**$ 6,995,541**	**$ 7,310,364**	**$ 7,410,787**	**$ 7,624,697**	**$ 7,862,109**	**$ 8,089,054**	**$ 8,340,912**	**$ 8,581,672**	**$ 8,848,873**	**$ 9,104,295**	**$ 80,168,304**
R57-R58 Debt Service - Bonds	13,169,709	14,365,294	14,572,290	14,572,782	14,572,377	14,574,665	14,571,035	14,570,632	14,573,151	14,577,882	144,119,817
R55 Interest on Short-term Notes	815,299	1,056,145	1,352,384	1,816,177	2,226,680	2,496,908	2,767,136	3,037,365	3,307,593	3,577,821	22,453,508
I62 Debt Coverage Payment (DCP)	3,424,124	3,734,976	3,788,795	3,788,923	3,788,818	3,789,413	3,788,469	3,788,364	3,789,019	3,790,249	37,471,150
Subtotal Fixed Costs - Debt	**$ 17,409,132**	**$ 19,156,415**	**$ 19,713,469**	**$ 20,177,882**	**$ 20,587,875**	**$ 20,860,986**	**$ 21,126,640**	**$ 21,396,361**	**$ 21,669,763**	**$ 21,945,952**	**$ 204,044,475**
TOTAL FIXED COSTS	**$ 24,404,674**	**$ 26,466,779**	**$ 27,124,256**	**$ 27,802,579**	**$ 28,449,984**	**$ 28,950,040**	**$ 29,467,552**	**$ 29,978,033**	**$ 30,518,636**	**$ 31,050,247**	**$ 284,212,779**
OTHER REVENUES											
Transmission System Revenue	(32,040,872)	(32,681,690)	(33,335,324)	(34,002,030)	(34,682,071)	(35,375,712)	(36,083,226)	(36,804,891)	(37,540,989)	(38,291,808)	(350,838,613)
Interest Income	(60,959)	(117,243)	(169,285)	(219,818)	(270,351)	(320,885)	(371,418)	(421,951)	(472,484)	(523,018)	(2,947,413)
Other Revenue	(89,490)	(92,174)	(94,940)	(97,788)	(100,722)	(103,743)	(106,856)	(110,061)	(113,362)	(116,764)	(1,025,900)
TOTAL OTHER REVENUES	**$ (32,191,321)**	**$ (32,891,107)**	**$ (33,599,549)**	**$ (34,319,636)**	**$ (35,053,144)**	**$ (35,800,340)**	**$ (36,561,500)**	**$ (37,336,903)**	**$ (38,126,835)**	**$ (38,931,590)**	**$ (354,811,926)**
TOTAL COSTS / (REVENUE)	**$ (7,786,648)**	**$ (6,424,327)**	**$ (6,475,293)**	**$ (6,517,057)**	**$ (6,603,161)**	**$ (6,850,300)**	**$ (7,093,948)**	**$ (7,358,871)**	**$ (7,608,199)**	**$ (7,881,343)**	**$ (70,599,146)**
Monthly Charge	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Transmission Capital Plan

NEW DEBT FUNDED TRANSMISSION PROJECTS	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	10-YEAR TOTALS
DME											
T21004 Masch Branch-North Denton TxDOT I35 Road Widening	2,600,000										2,600,000
T21xxx Spencer Interchange to Industrial TML Reconductor	1,722,803										1,722,803
Underwood Substation - transmission tie-in		**1,350,000**	**150,000**								**1,500,000**
West Denton - erosion on south side of station		**200,000**									**200,000**
West Denton - construct two new 138kV terminals to serve two new Brazos TM lines			**1,250,000**	**1,050,000**							**2,300,000**
West Denton - install new 600 MVA Autotransformer	**2,900,000**	**3,100,000**									**6,000,000**
West Denton - Replace 3 Circuit Breakers											
West Loop 288 - West Denton to Fort Worth TM line relocation for new ROW			**1,300,000**	**2,600,000**							**3,900,000**
West Loop 288 - Masch Branch to North Denton TM line relocation for new ROW			**1,300,000**	**2,600,000**							**3,900,000**
Spencer Interchange to Pockrus TM line reconductor to provide additional capacity			**900,000**	**500,000**							**1,400,000**
GP&L											
T11009 Substation Security	105,210										105,210
T13001 Breaker Replacement Project	255,319										255,319
T13002 Dansby - replace relay panel including Pulsar	255,319										255,319
T17007 Brand Rd. Pole Reroute		148,598									148,598
T19004 McCree- install 2-345kv/2-138kv breakers/switches	279,084										279,084
T20004 Ben Davis- 345kV breaker Replacement and Elevating Equipment	3,790,000										3,790,000
T21003 Ben Davis - Royse Transmission Line Tower Replacement 2/5)	1,800,000										1,800,000
T21005 Pruitt 138kV Terminal Addition (Pink Solar termination & Line)	2,700,000										2,700,000
T21006 Gibbons Creek Decommission Transmission Project Phase 2	760,000										760,000
GNIN to Pruitt New Line & Station (Makalu Solar)	**2,300,000**	**10,200,000**									**12,500,000**
Steep Hollow to Dansby - Rebuild Transmission Structures Leaning	11,000,000	8,500,000									19,500,000
Gibbons Creek POI with BEPC (Data Center)	2,000,000										2,000,000
Misc. capital projects, failed equipment, modifications, instrument transformer replacements	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**							**4,000,000**
TOTAL DEBT FUNDING REQUIREMENT	**$ 33,467,735**	**$ 24,498,598**	**$ 5,900,000**	**$ 7,750,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$71,616,333**

***Does not yet have Board approval**
*Projects to be reimbursed by TXDOT

MINE

MINE STRATEGY & KEY BUDGET ASSUMPTIONS

Bond Release

TMPA's plan for the release of reclamation bonds on the GC lignite mine property is summarized in Table 1 and depicted on the map (Figure 1). Items shown in the table in green font have been completed: items in blue have been submitted to the Railroad Commission and are in review; items in red remain to be submitted.

Table 1 – Plan and Status of Final Bond Release (as of 3/9/22)

Packet(s)	TMPA property (acres)	Leased property (acres)	Total (acres)	Status
26D – Mine shop facilities	0	71	71	Released 2000
26D – Gas well pads and roads	74	24	98	Released 2001-2006
26D – A1 Block	343	561	904	Released 1/15/13
38D – Rev. 14 (map adjustments)	257	38	295	Released 7/31/13
26D – Rev. 21 (map adjustments)	212	42	254	Released 12/8/14
26D – Falco + Ciesielski property	0	111	111	Released 8/25/15
38D – Rail spur (Permit 38D part)	55	0	55	Released 10/20/15
38D – Rev. 35 (map adjustments)	82	29	111	Released 2/7/17
26D – Rev. 40 (map adjustments)	3	0	3	Released 2/23/18
26D – Kolbachinski property	0	7	7	Released 2/27/18
26D – Rail spur (Permit 26D part)	131	0	131	Released 6/5/18
38D – A2/A3 core area	957	14	971	Released 6/18/19
26D – "Big" application	4,045	248	4,293	Released 1/14/20
38D – A2/A3 peripheral area	544	10	554	Released 1/26/21
26D – Area B2-7 + B2-9	85	0	85	Released 10/12/21
26D – Moody property	0	453	453	Released 04/12/22
Total Released	**6,788 ac (94% of TMPA property)**	**1,608 ac (100% of leased property)**	**8,396 ac (95% of total)**	
26D – Area B2-8	146	0	146	Submitted 9/23/21
38D – A2/A3 Blocks (198 ac) – Pond SP-50 (181 ac) + Area A2-4 (17 ac)	198	0	198	Submitted 10/12/21
38D – Seep buffer areas (48 ac) + Mine Shop (3 ac)	51	0	51	Submit Spring 2022
38D – Seeps 1 and 9A	22	0	22	Submit – TBD
TOTAL (both permits)	**7,205 (TMPA property)**	**1,608 (Leased property)**	**8,813 (Total bonded)**	

Figure 1 – Plan for Final Bond Release

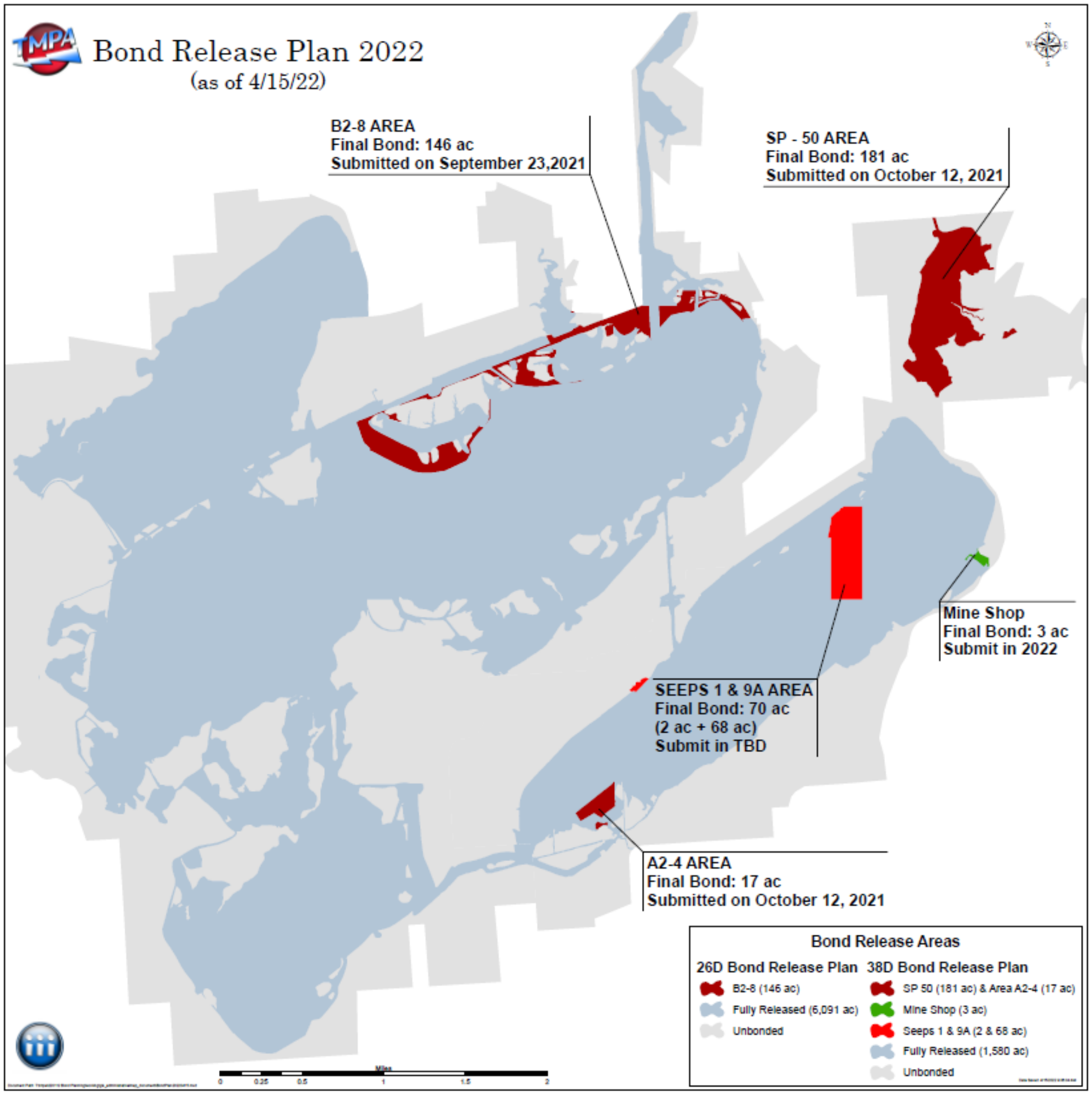


Table 1 represents the plan for submittal of bond release applications. The duration of the entire bond release process has typically been in the range of 9-20 months (Table 2).

Table 2 – Duration of bond release approval process

Description	Date submitted	Date released	Duration
Permit 26D – Rail Spur (131 acres)	10/25/16	6/5/18	19 months
Permit 26D – Kolbachinski tract (7 acres)	5/3/17	2/27/18	10 months
Permit 38D – "Core Area" (971 acres)	10/18/17	6/18/19	20 months
Permit 26D – "Big" bond release (4,301 acres)	6/11/18	1/14/20	19 months
Permit 38D – A2/A3 "Peripheral Area" (554 acres)	5/5/20	1/26/21	9 months
Permit 26D – Areas B2-7 + B2-9 (85 acres)	09/14/20	10/12/21	13 months
Permit 26D – Moody Property (453 acres)	10/7/20	04/12/22	18 months

Recent changes in staffing in the Hearings Division at the Railroad Commission have been delaying the bond release process, but TMPA is projecting that by the end of FY22, the only areas remaining to be released will be the 51 acres of the seep buffer areas and the 22 acres of the Seep 1 and Seep 9A core areas (line items in red font in Table 1). Part of the buffer area is expected to be released in early FY23; the rest of the buffer area and the core areas are the subject of discussions with the Commission.

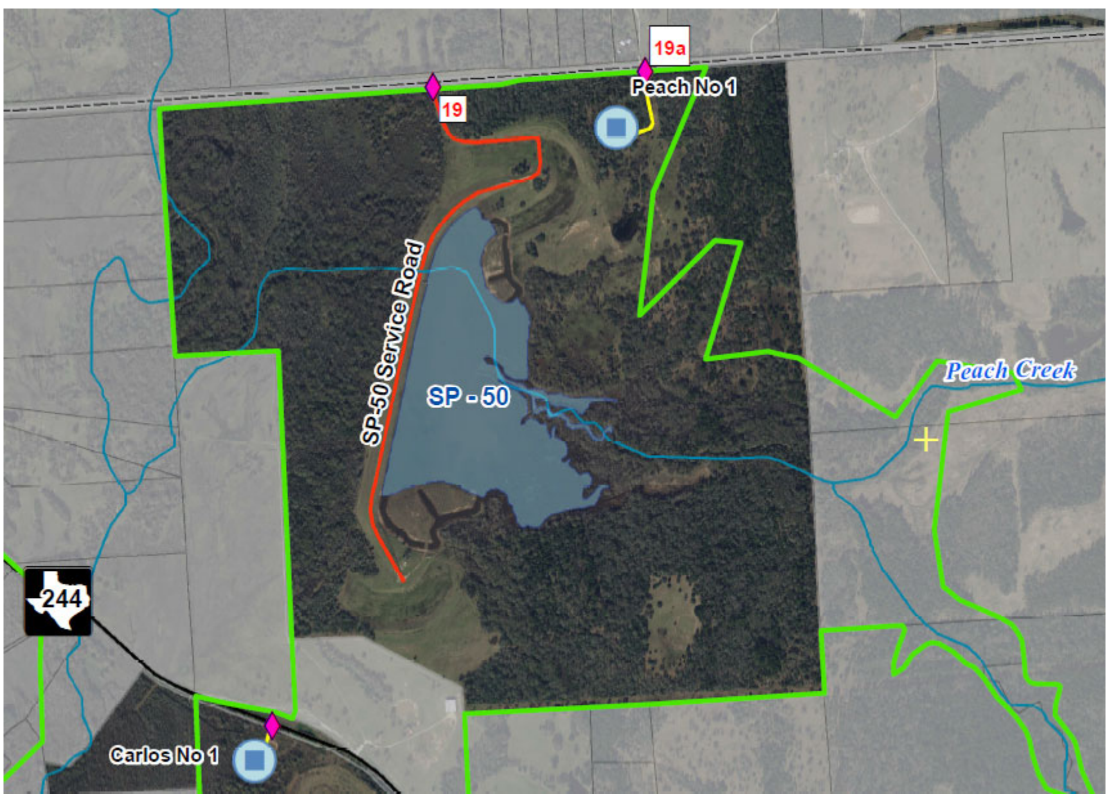
Sale of Mine Property

The mine property was sold on 12/22/21. Mine reclamation and permitting activities are therefore confined to the areas that are still bonded (line items depicted in blue and red font in Table 1).

Land Ownership

The Pond SP-50 Property (723 acres) is still owned by TMPA. It was not part of the mine sale on 12/22/21 because it is physically separate from the rest of the mine (Figure 2) and because Pond SP-50 is classified by TCEQ as a “High Hazard” structure because of its potential to cause damage downstream if it is breached.

Figure 2 – Pond SP-50 Property (723 acres)



An additional factor was the timing of reclamation of the waste piles inside the footprint of the pond. The conversion of these into wetland/wildlife islands is nearing completion. A bond release application for this area was submitted on 10/12/21 and was declared administratively complete on 1/3/22. Commission Staff are preparing their Technical Analysis. TMPA requested proposals from real estate brokers in March 2022 and plans to hire a broker in June 2022.

The Pond SP-50 property is expected to sell at a value no less than the sale price of the mine ($6,800/acre). This value is used in Table 3, but it will be updated following an appraisal in 2022 prior to putting the property up for sale.

Table 3 – Potential Sale Price of Pond SP-50 Property

Description	Acreage	$/Acre *	Projected Sale Price	Timing
Pond SP-50 property	723	$6,800	$4,916,400	FY22/FY23

Note: Does not include the cost to market and sell the land.

Budget for the Mine Business Unit

Permit 26D, which lies north of Gibbons Creek, is close to being completely released from bond. The only area that remains bonded is the B2-8 Area (146 acres). Staff recommended release of this area on 2/25/22. Once it has been released, TMPA will request termination of Permit 26D removing the whole mine property north of Gibbons Creek from the Commission's jurisdiction. This is projected to happen before the end of 2022.

Permit 38D, which lies south of Gibbons Creek, is down to 271 acres still under bond, of which 198 acres (the Pond SP-50 Area) were submitted on 10/12/21. The next submittal, scheduled for spring 2022, will be for part of the buffer area around Seep 9A. This will leave 22 acres and part of the buffer area under Railroad Commission jurisdiction. TMPA is working on a plan to achieve bond release on the rest of the buffer area and the core areas, but release of the core area (22 acres) may not happen before 2030. Permit 38D, which lies south of Gibbons Creek, will therefore continue to remain active (although it will be down-sized as much as possible) requiring all associated permitting, monitoring, inspection, and reporting activities.

Costs associated with these activities are included in the FY23 Mine budget pro forma. They include, but are not limited to, items such as: monthly sampling of seeps, groundwater monitoring wells, and wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, annual mine reclamation bonding renewals, annual mine permit fees, and associated paperwork.

Special Issues

- Changes in leadership at RCT Commission: There have been several changes in leadership. In July 2016, Denny Kingsley replaced John Caudle as the Director of the RCT's Surface Mining and Reclamation Division. Under Director Kingsley's leadership, there was significant improvement in review times for both permitting and bond release actions. But he and Assistant Director Travis Wootton suddenly left without notice in November 2018 to be replaced by Interim Director Alex Schoch who, in turn, was replaced by Dr. Brent Elliott in February 2020.

- COVID-19: The functioning of the Commission, like all other businesses, has been disrupted since March 2020 by the COVID-19 pandemic, including the Delta and Omicron variants. As of the time of writing (2/21/22), the Commission has not returned to the pre-COVID mode of operations.

- Changes in Administrative Law Judges: Over the last year, there have been several changes in staffing in the Hearings Division. Judges Lebby, Ruberto, and Spraggins are no longer at the Commission and currently Judge Rutledge is reviewing all three of TMPA's pending bond release applications as well as applications from other permittees. One new judge has been hired recently.

- Bonding renewals: TMPA is projecting that after FY22, the only areas that will require bonding will be Acid Seeps 1 and 9A. These currently total 70 acres but will decrease after TMPA has achieved bond release on the "buffer areas" around the seeps. This is expected to occur by 2024.

- Cash bonding: TMPA has been exploring the option of cash bonding instead of the more expensive current process of annually procuring Letters of Credit as collateral for mine reclamation bonds. Cash bonding was considered for our current bonding term, however, at the time, the Railroad Commission had not given us clear guidance on the cash funding process. Because they have since provided that guidance, and the bond requirement is expected to be greatly reduced, we now plan to cash fund for the June 2023–June 2024 bonding term, by which time bond requirements are projected to be approximately $1.4 million. It is estimated that the cost of cash funding will be $1,500 instead of the $100,000 that would be spent on securing Letters of Credit.

- Remediation plans for Acid Seeps 1 and 9A: A remediation structure for Seep 1 was installed in 2011 and is being monitored. A phased remediation plan for Seep 9A was implemented in December 2020. End lake A3P-1 was permanently lowered by 4.5 feet and End Lake A3P-2 by 3.0 feet. It appears that these lower lake levels have lowered the spoil water table and thereby reduced the hydrostatic pressure driving the Seep 9A system.

  Options for additional remediation measures at Seep 9A were discussed with Commission Staff at a field meeting on 1/11/22. These include the construction of rock berm check dams across the Seep 9A drainage to intercept sediment and develop a series of terraces that will stabilize the soil and divert the seeps to subsurface flow. TMPA is developing a conceptual plan for Commission review and approval.

- Cultural resources (archeological and historical): On 4/30/81, a Memorandum of Agreement was executed among TMPA, the Advisory Council on Historic Preservation, the EPA, and the Texas State Historic Preservation Officer. This Agreement stipulates (Paragraph I.I) that:

  > TMPA will ensure that all notes, photographs, negatives, and processed data (tables, maps, etc.) will be stored in good order and in a manner that makes them available for future study at an appropriately equipped institution that meets the standards set forth in the proposed 36 CFR Part 66 and that makes these data available to other parties for research or other appropriate purposes.

  TMPA has completed the scanning of all relevant documents for future availability.

- Document control – hard-copy and electronic files: Critical current records and documents were moved from the power plant site with the move to the Bryan office in February 2020.

Following the sale of the power plant area in February 2021, Staff relocated the Agency's remaining legacy records to long-term storage in Bryan. These are now being reviewed for consolidation, scanning where needed, and indexing for long-term storage.

Dissolution of the Mine Business Unit

Following the sale of the mine property in December 2021, the mine business unit has a reduced scope, staffing, and budget. The Land Administrator, Murphy Hawkins, retired at the end of FY21, and the Mine and Land Manager, Jan Horbaczewski, will retire at the end of June 2022 (he will consult thereafter, as needed).

Residual work (summarized below) will be managed by Daniel Meadows, Compliance, Land & Mine Manager:

- Long-term maintenance and monitoring plan for the lignite mine acid seep areas.
- Safeguarding of the regulatory records of the mine.
- Final closure / notification to regulatory authorities with jurisdiction over the mine, such as the Railroad Commission, TCEQ, the federal Office of Surface Mining and Reclamation Enforcement, the US Environmental Protection Agency, the US Army Corps of Engineers, the US Mine Safety and Health Administration, the US Fish and Wildlife Service, the Texas Parks and Wildlife Department, and the Texas Historical Commission.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Mine

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	266,326	34,603	(231,723)	-87.0%	1
L01 Retention Bonuses	38,485	-	(38,485)	-100.0%	
L01 Severance Packages	50,790	-	(50,790)	-100.0%	2
M44 Mine Maintenance	320,000	175,000	(145,000)	-45.3%	3
R06 Bank Charges	140,000	45,000	(95,000)	-67.9%	4
R51 Contractor Maintenance	110,000	60,000	(50,000)	-45.5%	3
S02 Consulting Services	375,000	185,000	(190,000)	-50.7%	3
S04 Legal Services	160,000	50,000	(110,000)	-68.8%	4
Other Fixed Costs	84,050	20,250	(63,800)	-75.9%	3
Allocation of A&G	626,184	240,978	(385,206)	-61.5%	5
Subtotal Fixed Costs	**$ 2,170,835**	**$ 810,831**	**$ (1,360,004)**	**-62.6%**	
C03 Cash Fund Mine Bonding**	-	1,400,000	1,400,000	100.0%	6
Subtotal Cash Fund Mine Bonding	**$ -**	**$ 1,400,000**	**$ 1,400,000**	**100.0%**	
TOTAL FIXED COSTS	**$ 2,170,835**	**$ 2,210,831**	**$ 39,996**	**1.8%**	
OTHER REVENUES					
Interest Income	(14,661)	(4,022)	10,639	72.6%	
Other Revenue	(60,000)	-	60,000	100.0%	7
TOTAL OTHER REVENUES	**$ (74,661)**	**$ (4,022)**	**$ 70,639**	**94.6%**	
TOTAL COSTS	**$ 2,096,174**	**$ 2,206,809**	**$ 110,635**	**5.3%**	

* Explanations are provided for changes over $50K AND 5%.

** The Cash Fund will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Mine

Fixed Costs

1) Labor & Benefits decreased because Jan Horbaczewski, Mine & Land Manager, will retire in FY22. Daniel Meadows, Compliance, Land & Mine Manager, will have 20% of his time allocated to the Mine division.

2) Severance Packages reduced to zero as Jan's severance will be paid FY22.

3) Mine Maintenance, Contractor Maintenance, Consulting Services, and Other Fixed Costs decreased drastically as a result of the sale of the mine in December 2021. Remaining costs (which continue to reduce in future years) are associated with the acid seeps, which are not expected to achieve bond release before 2030. Costs include, but are not limited to, items such as: monthly sampling of seeps, groundwater monitoring wells, wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, and annual mine permit fees.

4) Bank Charges and Legal Services decreased as the Agency will be cash funding the bonding requirements with the Railroad Commission beginning in 2023.

5) Allocation of A&G decreased due to decreased fixed costs within the Mine budget primarily resulting from the sale of the mine in December 2021.

6) Cash Fund Mine Bonding is a new line item for FY23 and will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023. The current letters of credit with Wells Fargo that satisfy the bonding requirements of the Railroad Commission expire in June 2023. They will be replaced with a cash deposit directly with the Railroad Commission that will be reduced and returned to the Cities as bond release is achieved over the remaining years.

Other Revenues

7) Other Revenue reduced to zero as oil and gas income ceased with the sale of the mine in December 2021.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Mine Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	34,603	62,079	63,941	65,859	67,835	69,870	71,966	74,125	76,349	78,639	665,265
M44 Mine Maintenance	175,000	118,450	116,700	120,201	123,806	127,519	131,347	135,285	139,345	143,525	1,331,178
R06 Bank Charges	45,000	-	-	-	-	-	-	-	-	-	45,000
R51 Contractor Maintenance	60,000	61,800	63,654	65,563	67,530	69,557	71,644	73,793	76,007	78,287	687,835
S02 Consulting Services	185,000	92,700	84,872	87,418	90,040	92,742	95,526	98,390	101,342	104,382	1,032,412
S04 Legal Services	50,000	51,500	53,046	54,636	56,276	57,964	59,702	61,494	63,338	65,238	573,194
Other Fixed Costs	20,250	20,189	20,793	21,417	22,061	22,723	23,403	24,105	24,828	25,572	225,341
Allocation of A&G	240,978	184,894	173,950	178,513	184,544	189,386	195,784	200,918	207,706	213,154	1,969,827
Subtotal Fixed Costs	**$ 810,831**	**$ 591,611**	**$ 576,956**	**$ 593,607**	**$ 612,092**	**$ 629,761**	**$ 649,372**	**$ 668,110**	**$ 688,914**	**$ 708,797**	**$ 6,530,052**
C03 Cash Fund Mine Bonding*	1,400,000	-	-	-	-	-	-	-	-	-	1,400,000
Subtotal Cash Fund Mine Bonding	**$ 1,400,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,400,000**
TOTAL FIXED COSTS	**$ 2,210,831**	**$ 591,611**	**$ 576,956**	**$ 593,607**	**$ 612,092**	**$ 629,761**	**$ 649,372**	**$ 668,110**	**$ 688,914**	**$ 708,797**	**$ 7,930,052**
OTHER REVENUES*											
Interest Income	(4,022)	(5,638)	(8,023)	(10,425)	(12,827)	(15,229)	(17,632)	(20,034)	(22,436)	(24,838)	(141,103)
TOTAL OTHER REVENUES*	**$ (4,022)**	**$ (5,638)**	**$ (8,023)**	**$ (10,425)**	**$ (12,827)**	**$ (15,229)**	**$ (17,632)**	**$ (20,034)**	**$ (22,436)**	**$ (24,838)**	**$ (141,103)**
TOTAL COSTS	**$ 2,206,809**	**$ 585,973**	**$ 568,933**	**$ 583,182**	**$ 599,265**	**$ 614,532**	**$ 631,740**	**$ 648,077**	**$ 666,479**	**$ 683,960**	**$ 7,788,949**
Monthly Charge	**$ 67,234**	**$ 48,831**	**$ 47,411**	**$ 48,599**	**$ 49,939**	**$ 51,211**	**$ 52,645**	**$ 54,006**	**$ 55,540**	**$ 56,997**	**$ 532,412**

** The Cash Fund will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023. This amount is NOT included in the monthly charge calculated above.

Supplemental Information

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - A&G

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	1,120,840	1,074,511	(46,329)	-4.1%	
L01 Retention Bonuses	130,991	137,267	6,276	4.8%	
L01 Severance Packages	33,926	-	(33,926)	-100.0%	
R06 Bank Charges	10,000	10,500	500	5.0%	
R27 Maintenance Agreements	45,883	48,570	2,687	5.9%	
R41 Insurance Premiums	624,768	631,277	6,509	1.0%	
R51 Contractor Maintenance	10,000	-	(10,000)	-100.0%	
S02 Consulting Services	237,530	232,315	(5,215)	-2.2%	
S04 Legal Services	143,375	78,375	(65,000)	-45.3%	1
Other Fixed Costs	452,665	433,795	(18,870)	-4.2%	
TOTAL FIXED COSTS	**$ 2,809,978**	**$ 2,646,609**	**$ (163,369)**	**-5.8%**	
TOTAL COSTS	**$ 2,809,978**	**$ 2,646,609**	**$ (163,369)**	**-5.8%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – A&G

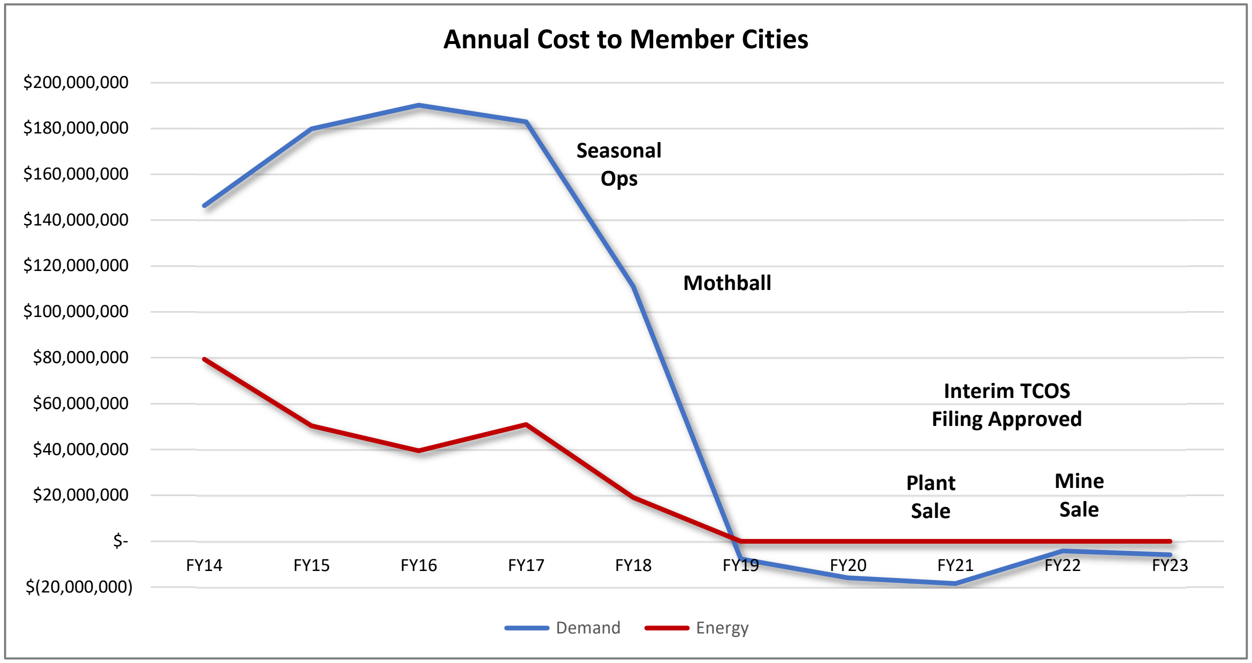
<u>Fixed Costs</u>

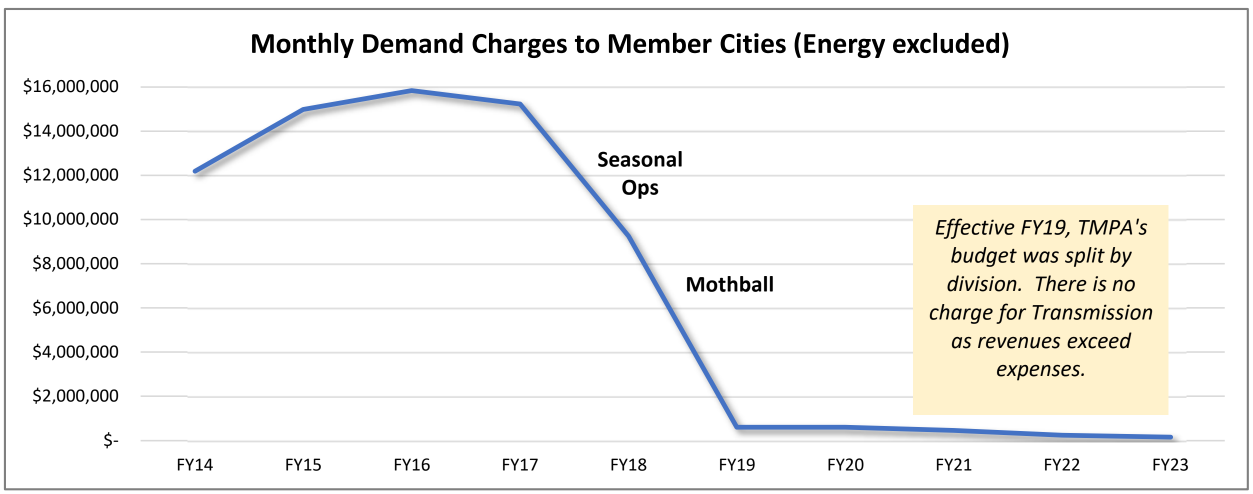
1) Legal Services decreased as it is now budgeted directly in the business unit it serves. Anticipated general legal services has decreased steadily over the last several years.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 A&G Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	1,074,511	966,584	835,644	860,713	886,535	913,131	940,525	968,741	997,803	1,027,737	9,471,924
L01 Retention Bonuses	137,267	141,385	126,126	129,909	133,807	137,821	141,955	146,214	150,601	155,119	1,400,202
L01 Severance Packages	-	19,796	-	-	-	-	-	-	-	-	19,796
R06 Bank Charges	10,500	10,815	11,139	11,473	11,818	12,173	12,538	12,914	13,301	13,700	120,371
R27 Maintenance Agreements	48,570	50,027	51,528	53,075	54,665	56,304	57,995	59,735	61,526	63,372	556,797
R41 Insurance Premiums	631,277	650,215	669,721	689,815	710,507	731,823	753,778	776,390	799,683	823,672	7,236,881
S02 Consulting Services	232,315	230,860	248,918	247,096	264,078	262,148	280,161	278,112	297,223	295,048	2,635,959
S04 Legal Services	78,375	80,726	83,149	85,642	88,211	90,858	93,584	96,391	99,283	102,262	898,481
Other Fixed Costs	433,795	430,951	441,010	454,237	467,874	481,910	496,363	511,252	526,591	542,390	4,786,373
TOTAL FIXED COSTS	**$ 2,646,609**	**$ 2,581,360**	**$ 2,467,235**	**$ 2,531,961**	**$ 2,617,495**	**$ 2,686,168**	**$ 2,776,899**	**$ 2,849,749**	**$ 2,946,010**	**$ 3,023,299**	**$ 27,126,785**
TOTAL COSTS	**$ 2,646,609**	**$ 2,581,360**	**$ 2,467,235**	**$ 2,531,961**	**$ 2,617,495**	**$ 2,686,168**	**$ 2,776,899**	**$ 2,849,749**	**$ 2,946,010**	**$ 3,023,299**	**$ 27,126,785**

TEXAS MUNICIPAL POWER AGENCY
10-Year History of TMPA's Costs & Charges to Member Cities





May 18, 2022

AGENDA ITEM NO. 3

SUBJECT: Review New Accounting Standards and Their Impact on the Agency

DISCUSSION: This agenda item is provided each year to keep the Committee advised of new accounting standards issued by the Governmental Accounting Standards Board (GASB) and their impact on the Agency, if any.

The GASB Update memo, which is provided as backup material, lists and summarizes the new accountings standards issued by GASB which are effective in the current fiscal year. Additionally, the memo highlights future significant standards.

BACKUP MATERIAL: GASB Update Memo

ACTION REQUESTED: None. This item is presented for the Committee's information.

Lyndi Birkhead
5/11/22

TEXAS MUNICIPAL POWER AGENCY

M E M O R A N D U M

To: Audit and Budget Committee   Date: April 12, 2022

From: Lyndi Birkhead, Director of Finance & Support Services

Subject: GASB Update

Staff prepares this memo annually to provide the Committee with information on new accounting standards and their impact on the Agency. Currently, the Governmental Accounting Standards Board (GASB), which is the independent organization that establishes and improves standards of accounting and financial reporting for state and local governmental entities like the Agency, has the following standards that will be adopted in the current fiscal year:

- **Statement No. 87** *"Leases"*
- **Statement No. 92 "***Omnibus 2020"*
- **Statement No. 93** *"Replacement of Interbank Offered Rates"*
- **Statement No. 98 "***The Annual Comprehensive Financial Report*

Current Standards

GASB Statement No. 87, *Leases,* provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

Implementation of GASB 87 will require the lease of the Bryan office space to be recorded on the statement of net position if deemed material.

GASB Statement No. 92, *Omnibus 2020,* objectives are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is not anticipated to have a significant impact, if any, on the Agency.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Our current Revolving Note Program with BAML is currently being evaluated to determine if the use of SIFMA requires implementation of this standard for the Agency. Implementation would simply involve more specific disclosures on the Program.

GASB Statement No. 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

This statement has no impact on the Agency's annual report.

Future Standards

GASB Statement No. 91, *Conduit Debt Obligations*, has a primary objective to provide a single method of reporting conduit debt obligations by issuers and eliminate a diversity in practice. The effective date for the Agency would be for the fiscal year ended September 30, 2023, but it is not currently applicable to the Agency.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* will be effective for fiscal year ended September 30, 2023, but it is currently not applicable to the Agency.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, will be effective for fiscal year ended September 30, 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. This standard is not applicable to the Agency as we have no such arrangements.

May 18, 2022

AGENDA ITEM NO. 4

SUBJECT: Consider Approval of External Audit Firm Engagement Letters

DISCUSSION: The current agreement with BKD, LLP requires that annual engagement letters be prepared outlining the scope of services to be provided. Attached are the engagement letters for FY22.

BACKUP MATERIAL: BKD, LLP Draft Engagement Letters

ACTION REQUESTED: Direct Staff to execute the engagement letters.

Lyndi Birkhead
5/11/22

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

April 13, 2022

Members of the Board
Mr. Bob Kahn, General Manager
Ms. Lyndi Birkhead, Director of Finance and Support Services
Texas Municipal Power Agency
P.O. Box 7000
Bryan, Texas 77805

We appreciate your selection of **BKD, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you **Unmatched Client Service®**.

In addition to the terms set forth in this contract, including the detailed **Scope of Services,** our engagement is governed by the following, incorporated fully by this reference:

- Terms and Conditions Addendum

Summary Scope of Services

As described in the attached **Scope of Services,** our services will include the following:

Texas Municipal Power Agency
- Audit Services for the year ended September 30, 2022

Engagement Fees

Our fees will be based $48,250. In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as software licensing, user access, and research tools, and similar expense items. The administrative fee and travel costs will not exceed $2,450.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. Payment of our invoices is due upon receipt.

Additional Costs Related to Implementing New Standards

Assistance and additional time as a result of the adoption of new standards, such as those listed in the attached **New Auditing and Accounting Standards,** are not included within our standard engagement fees. These fees will be based on time expended and will vary based on the level of assistance and procedures required.

Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

BKD, LLP

BKD, LLP

Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services** and **Terms and Conditions Addendum** on behalf of Texas Municipal Power Agency.

BY ______________________________ CJS
Bob Kahn, General Manager

DATE ____________________________

Scope of Services

The following apply for all services:

Assistance

Our timely completion of services depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in untimely filings or inability to meet other deadlines.

Responsibility for Outcomes

We may perform additional services for you that are not covered by this contract. You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.

You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.

We understand you have designated (or will) a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined (or will) this individual is qualified to conduct such oversight.

Boycott Israel

As required by Chapter 2271, Texas Government Code, we represent that we do not boycott Israel and will not boycott Israel through the term of this engagement. For purposes of this representation, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Audit Services

We will audit the basic financial statements and related notes to the basic financial statements for the following entity with the objective of expressing an opinion on the financial statements:

Texas Municipal Power Agency as of and for the period ended September 30, 2022

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

We will also express an opinion on whether the combining statement of revenues and expenses and changes in net position ("supplementary information") is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will also provide you with the following nonattest services:

- Preparing a draft of the financial statements and related notes

Kevin Kemp, Partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

Entity Name	**Party Name**
Texas Municipal Power Agency	Audit and Budget Committee

The following apply for the audit services described above:

Our Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). We will exercise professional judgment and maintain professional skepticism throughout the audit.

We will identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We will obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will also conclude, based on audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Limitations & Fraud

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our understanding of internal control is not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate contract to be signed by you and **BKD, LLP**.

Opinion

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement.

If we discover conditions that may prohibit us from issuing a standard report, we will notify you. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Management and, if applicable, those charged with governance acknowledges and understand their responsibility for the following:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

- To provide us with:
  - Access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters
  - Additional information that we may request for the purpose of the audit
  - Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence

Written Confirmations Required

As part of our audit process, we will request from management written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audit for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Supplementary Information

With regard to any supplementary information that we are engaged to report on:

- Management is responsible for its preparation in accordance with applicable criteria
- Management will provide certain written representations regarding the supplementary information at the conclusion of our engagement
- Management will include our report on this supplementary information in any document that contains this supplementary information and indicates we have reported on the supplementary information
- Management will make the supplementary information readily available to intended users if it is not presented with the audited financial statements

Implementation of New Standards

Unless indicated in our contract, our services and related fees do not include substantive assistance beyond routine advice related to the adoption of new accounting and reporting standards. Should you require assistance, we will bill you at our standard hourly rates.

Assistance with Application of Standards

Transactions or changes in business may require you to apply existing standards differently each year, such as when business operations create new revenue streams, operations are discontinued, liquidity or operational challenges are encountered, business combinations are executed, etc. We welcome your questions throughout the year and are happy to provide general guidance and routine support; however, our engagement does not include substantive effort to assist you with applying standards to these circumstances, unless otherwise indicated in the contract.

BKD, LLP Terms and Conditions Addendum

GENERAL

1. **Overview.** This addendum describes BKD, LLP's standard terms and conditions ("Terms and Conditions") applicable to Our provision of services to the Client ("You"). The Terms and Conditions are a part of the contract between You and BKD, LLP. For the purposes of the Terms and Conditions, any reference to "Firm," "We," "Us," or "Our" is a reference to BKD, LLP ("BKD"), and any reference to "You" or "Your" is a reference to the party or parties that have engaged Us to provide services and the party or parties ultimately responsible for payment of Our fees and costs.

BILLING, PAYMENT, & TERMINATION

2. **Billing and Payment Terms.** We will bill You for Our professional fees and costs as outlined in Our contract. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10 percent.

   We reserve the right to suspend or terminate Our work for this engagement or any other engagement for nonpayment of fees. If Our work is suspended or terminated, You agree that We will not be responsible for Your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against You resulting from Your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of Our services.

   Our fees may increase if Our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. Our engagement fees do not include any time for post-engagement consultation with Your personnel or third parties, consent letters and related procedures for the use of Our reports in offering documents, inquiries from regulators, or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

3. **Billing Records.** If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, We agree to make available to the Secretary of Health and Human Services, or to the U.S. Comptroller General, or any of their duly authorized representatives, such of Our books, documents, and records that are necessary to certify the nature and extent of Our services, until the expiration of four (4) years after the furnishing of these services. This contract allows access to contracts of a similar nature between subcontractors and related organizations of the subcontractor, and to their books, documents, and records.

4. **Termination.** Either party may terminate these services in good faith at any time for any reason, including Your failure to comply with the terms of Our contract or as We determine professional standards require. Both parties must agree, in writing, to any future modifications or extensions. If services are terminated, You agree to pay BKD for time expended to date. In addition, You will be billed costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as software licensing, user access, and research tools, and similar expense items.

DISPUTES & DISCLAIMERS

5. **Mediation.** Any dispute arising out of or related to this engagement will, prior to resorting to litigation, be submitted for nonbinding mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. Unless the parties agree otherwise, the American Arbitration Association ("AAA") will administer any such mediation in accordance with its Commercial Mediation Rules. The mediator will be selected by agreement of the parties. If We cannot agree, a mediator shall be designated by the AAA. The mediation proceeding shall be confidential. Each party will bear its own costs in the mediation, but the fees and expenses of the mediator will be shared equally.

6. **Indemnification.** Unless disallowed by law or applicable professional standards, You agree to hold BKD harmless from any and all claims which arise from knowing misrepresentations to BKD, or the intentional withholding or concealment of information from BKD by Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. You also agree to indemnify BKD for any claims made against BKD by third parties, which arise from any wrongful actions of Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. The provisions of this paragraph shall apply regardless of the nature of the claim.

7. **Statute of Limitations.** You agree that any claim or legal action arising out of or related to this contract and the services provided hereunder shall be commenced no more than one (1) year from the date of delivery of the work product to You or the termination of the services described herein (whichever is earlier), regardless of any statute of limitations prescribing a longer period of time for commencing such a claim under law. This time limitation shall apply regardless of whether BKD performs other or subsequent services for You. A claim is understood to be a demand for money or services, demand for mediation, or the service of suit based on a breach of this contract or the acts or omissions of BKD in performing the services provided herein. This provision shall not apply if enforcement is disallowed by applicable law or professional standards.

8. **Limitation of Liability.** You agree that BKD's liability, if any, arising out of or related to this contract and the services provided hereunder, shall be limited to the amount of the fees paid by You for services rendered under this contract. This limitation shall not apply to the extent it is finally, judicially determined that the liability resulted from the intentional or willful misconduct of BKD or if enforcement of this provision is disallowed by applicable law or professional standards.

9. **Waiver of Certain Damages.** In no event shall BKD be liable to You or a third party for any indirect, special, consequential, punitive, or exemplary damages, including but not limited to lost profits, loss of revenue, interruption, loss of use, damage to goodwill or reputation, regardless of whether You were advised of the possibility of such damages, regardless of whether such damages were reasonably foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise.

10. **Severability.** If any portion of this contract is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this contract.

11. **Assignment.** You acknowledge and agree that the terms and conditions of this contract shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

12. **Disclaimer of Legal or Investment Advice.** Our services do not constitute legal or investment advice.

RECORDS, WORKPAPERS, DELIVERABLES, & PROPRIETARY INFORMATION

13. **Maintenance of Records.** You agree to assume full responsibility for maintaining Your original data and records and that BKD has no responsibility to maintain this information. You agree You will not rely on BKD to provide hosting, electronic security, or backup services, *e.g.*, business continuity or disaster recovery services, to You unless separately engaged to do so. You understand that Your access to data, records, and information from BKD's servers, *i.e.*, BKDconnect, can be terminated at any time and You will not rely on using this to host Your data and records.

14. **BKD Workpapers.** Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, We may be requested by regulatory or enforcement bodies (including any State Board) to make certain workpapers available to them pursuant to authority granted by law or regulation. Unless We are prohibited from doing so by law or regulation, BKD will inform You of any such legal process or request. You agree We have no legal responsibility to You in the event We determine We are obligated to provide such documents or information. In addition, You agree to compensate or reimburse BKD for all costs and expenses, including reasonable attorney's fees, associated with BKD's compliance with requests or demands for its workpapers or other information related to this engagement, and for any testimony required by summons or subpoena.

15. **Use of Deliverables and Drafts.** You agree You will not modify any deliverables or drafts prepared by Us for internal use or for distribution to third parties. You also understand that We may on occasion send You documents marked as draft and understand that those are for Your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

    Our report on any financial statements must be associated only with the financial statements that were the subject of Our engagement. You may make copies of Our report, but only if the entire financial statements (exactly as attached to Our report, including related footnotes and supplementary information, as appropriate) are reproduced and distributed with Our report. You agree not to reproduce or associate Our report with any other financial statements, or portions thereof, that are not the subject of Our engagement.

16. **Proprietary Information.** You acknowledge that proprietary information, documents, materials, management techniques, and other intellectual property are a material source of the services We perform and were developed prior to Our association with You. Any new forms, software, documents, or intellectual property We develop during this engagement for Your use shall belong to us, and You shall have the limited right to use them solely within Your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements, and other documents which We make available to You are confidential and proprietary to Us. Neither You, nor any of Your agents, will copy, electronically store, reproduce, or make any such documents available to anyone other than Your personnel. This provision will apply to all materials whether in digital, "hard copy" format, or other medium.

REGULATORY

17. **U.S. Securities and Exchange Commission ("SEC") and other Regulatory Bodies.** Where We are providing services either for (a) an entity that is registered with the SEC, (b) an affiliate of such registrant, or (c) an entity or affiliate that is subject to rules, regulations, or standards beyond those of the American Institute of Certified Public Accountants ("AICPA"), any term of this contract that would be prohibited by or impair Our independence under applicable law or regulation shall not apply to the extent necessary only to avoid such prohibition or impairment.

18. **Offering Document.** You may wish to include Our report(s) on financial statements in an exempt offering document. You agree that any report, including any auditor's report, or reference to Our firm, will not be included in any such offering document without notifying us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

    Any exempt offering document issued by You with which We are not involved will clearly indicate that We are not involved by including a disclosure such as, "**BKD, LLP**, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. **BKD, LLP** also has not performed any procedures relating to this offering document."

19. **BKD Not a Municipal Advisor.** BKD is not acting as Your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to You and does not owe You a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such matters with internal or external advisors and experts You deem appropriate before acting on any such information or material provided by BKD.

TECHNOLOGY

20. **Electronic Sites.** You agree to notify Us if You desire to place Our report(s), including any reports on Your financial statements, along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that We have no responsibility to review information contained in electronic sites.

21. **Electronic Signatures and Counterparts.** This contract and other documents to be delivered pursuant to this contract may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this contract are intended to authenticate this writing and to have the same

force and effect as manual signatures. Delivery of a copy of this contract or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software, will have the same effect as physical delivery of the paper document bearing an original signature.

22. **Electronic Data Communication and Storage.** In the interest of facilitating Our services to You, We may send data over the internet, temporarily store electronic data via computer software applications hosted remotely on the internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, We employ measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with Our obligations under applicable laws, regulations, and professional standards.

    You recognize and accept that We have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to Our use of these electronic devices and applications during this engagement.

OTHER MATTERS

23. **Third-Party Service Providers.** BKD may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about You to third-party service providers in serving Your account. BKD maintains, however, internal policies, procedures, and safeguards to protect the confidentiality and security of Your information. In addition, BKD will secure confidentiality agreements with all service providers to maintain the confidentiality of Your information. If We are unable to secure an appropriate confidentiality agreement, You will be asked to consent prior to BKD sharing Your confidential information with the third-party service provider.

24. **Independent Contractor.** When providing services to You, We will be functioning as an independent contractor; and in no event will We or any of Our employees be an officer of You, nor will Our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to You.

25. **Use of BKD Name.** Any time You intend to reference BKD's firm name in any manner in any published materials, including on an electronic site, You agree to provide Us with draft materials for review and approval before publishing or posting such information.

26. **Praxity.** BKD is an independent accounting firm allowed to use the name "Praxity" in relation to its practice. BKD is not connected, however, by ownership with any other firm using the name "Praxity." BKD will be solely responsible for all work carried out on Your behalf. In deciding to engage BKD, You acknowledge that We have not represented to You that any other firm using the name "Praxity" will in any way be responsible for Our work.

27. **BKD Status as LLP.** BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, for any debts, obligations, or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract, or otherwise.

28. **Entire Agreement.** The contract, including this *Terms and Conditions Addendum* and any other attachments or addenda, encompasses the entire agreement between You and BKD and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this contract must be made in writing and signed by both You and BKD.

29. **Force Majeure.** We shall not be held responsible for any failure to fulfill Our obligations if such failure was caused by circumstances beyond Our control.

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

April 13, 2022

Members of the Board
Mr. Bob Kahn, General Manager
Ms. Lyndi Birkhead, Director of Finance and Support Services
Texas Municipal Power Agency
P.O. Box 7000
Bryan, Texas 77805

We appreciate your selection of **BKD, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you **Unmatched Client Service®**.

In addition to the terms set forth in this contract, including the detailed **Scope of Services,** our engagement is governed by the following, incorporated fully by this reference:

- Terms and Conditions Addendum

Summary Scope of Services

As described in the attached **Scope of Services,** our services will include the following:

Texas Municipal Power Agency Employee's Pension Plan
- Audit Services for the year ended September 30, 2022

Engagement Fees

Our fees will be $13,125. Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. Payment of our invoices is due upon receipt.

Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

BKD, LLP

BKD, LLP

Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services** and **Terms and Conditions Addendum** on behalf of Texas Municipal Power Agency Employee's Pension Plan.

BY ________________________________ CJS
Bob Kahn, General Manager

DATE ______________________________

Scope of Services

The following apply for all services:

Assistance Our timely completion of services depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in untimely filings or inability to meet other deadlines.

Responsibility for Outcomes We may perform additional services for you that are not covered by this contract. You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.

You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.

We understand you have designated (or will) a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined (or will) this individual is qualified to conduct such oversight.

Boycott Israel As required by Chapter 2271, Texas Government Code, we represent that we do not boycott Israel and will not boycott Israel through the term of this engagement. For purposes of this representation, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Audit Services

We will audit the basic financial statements and related notes to the basic financial statements for the following entity with the objective of expressing an opinion on the financial statements:

Texas Municipal Power Agency Employee's Pension Plan as of and for the period ended September 30, 2022

- Statement of fiduciary net position and related statements of changes in fiduciary net position

We will also provide you with the following nonattest services:

- Preparing a draft of the financial statements and related notes

Kevin Kemp, Partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

Entity Name	**Party Name**
Texas Municipal Power Agency Employee's Pension Plan	Board of Directors

The following apply for the audit services described above:

Our Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). We will exercise professional judgment and maintain professional skepticism throughout the audit.

We will identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We will obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will also conclude, based on audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Limitations & Fraud

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our understanding of internal control is not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate contract to be signed by you and **BKD, LLP**.

Opinion

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement.

If we discover conditions that may prohibit us from issuing a standard report, we will notify you. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Management and, if applicable, those charged with governance acknowledges and understand their responsibility for the following:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- To provide us with:
    - Access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters

- Additional information that we may request for the purpose of the audit
- Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence

Written Confirmations Required

As part of our audit process, we will request from management written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audit for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Implementation of New Standards

Unless indicated in our contract, our services and related fees do not include substantive assistance beyond routine advice related to the adoption of new accounting and reporting standards. Should you require assistance, we will bill you at our standard hourly rates.

Assistance with Application of Standards

Transactions or changes in business may require you to apply existing standards differently each year, such as when business operations create new revenue streams, operations are discontinued, liquidity or operational challenges are encountered, business combinations are executed, etc. We welcome your questions throughout the year and are happy to provide general guidance and routine support; however, our engagement does not include substantive effort to assist you with applying standards to these circumstances, unless otherwise indicated in the contract.

BKD, LLP Terms and Conditions Addendum

GENERAL

1. **Overview.** This addendum describes **BKD, LLP's** standard terms and conditions ("Terms and Conditions") applicable to Our provision of services to the Client ("You"). The Terms and Conditions are a part of the contract between You and **BKD, LLP**. For the purposes of the Terms and Conditions, any reference to "Firm," "We," "Us," or "Our" is a reference to **BKD, LLP** ("BKD"), and any reference to "You" or "Your" is a reference to the party or parties that have engaged Us to provide services and the party or parties ultimately responsible for payment of Our fees and costs.

BILLING, PAYMENT, & TERMINATION

2. **Billing and Payment Terms.** We will bill You for Our professional fees and costs as outlined in Our contract. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10 percent.

   We reserve the right to suspend or terminate Our work for this engagement or any other engagement for nonpayment of fees. If Our work is suspended or terminated, You agree that We will not be responsible for Your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against You resulting from Your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of Our services.

   Our fees may increase if Our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. Our engagement fees do not include any time for post-engagement consultation with Your personnel or third parties, consent letters and related procedures for the use of Our reports in offering documents, inquiries from regulators, or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

3. **Billing Records.** If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, We agree to make available to the Secretary of Health and Human Services, or to the U.S. Comptroller General, or any of their duly authorized representatives, such of Our books, documents, and records that are necessary to certify the nature and extent of Our services, until the expiration of four (4) years after the furnishing of these services. This contract allows access to contracts of a similar nature between subcontractors and related organizations of the subcontractor, and to their books, documents, and records.

4. **Termination.** Either party may terminate these services in good faith at any time for any reason, including Your failure to comply with the terms of Our contract or as We determine professional standards require. Both parties must agree, in writing, to any future modifications or extensions. If services are terminated, You agree to pay BKD for time expended to date. In addition, You will be billed costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as software licensing, user access, and research tools, and similar expense items.

DISPUTES & DISCLAIMERS

5. **Mediation.** Any dispute arising out of or related to this engagement will, prior to resorting to litigation, be submitted for nonbinding mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. Unless the parties agree otherwise, the American Arbitration Association ("AAA") will administer any such mediation in accordance with its Commercial Mediation Rules. The mediator will be selected by agreement of the parties. If We cannot agree, a mediator shall be designated by the AAA. The mediation proceeding shall be confidential. Each party will bear its own costs in the mediation, but the fees and expenses of the mediator will be shared equally.

6. **Indemnification.** Unless disallowed by law or applicable professional standards, You agree to hold BKD harmless from any and all claims which arise from knowing misrepresentations to BKD, or the intentional withholding or concealment of information from BKD by Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. You also agree to indemnify BKD for any claims made against BKD by third parties, which arise from any wrongful actions of Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. The provisions of this paragraph shall apply regardless of the nature of the claim.

7. **Statute of Limitations.** You agree that any claim or legal action arising out of or related to this contract and the services provided hereunder shall be commenced no more than one (1) year from the date of delivery of the work product to You or the termination of the services described herein (whichever is earlier), regardless of any statute of limitations prescribing a longer period of time for commencing such a claim under law. This time limitation shall apply regardless of whether BKD performs other or subsequent services for You. A claim is understood to be a demand for money or services, demand for mediation, or the service of suit based on a breach of this contract or the acts or omissions of BKD in performing the services provided herein. This provision shall not apply if enforcement is disallowed by applicable law or professional standards.

8. **Limitation of Liability.** You agree that BKD's liability, if any, arising out of or related to this contract and the services provided hereunder, shall be limited to the amount of the fees paid by You for services rendered under this contract. This limitation shall not apply to the extent it is finally, judicially determined that the liability resulted from the intentional or willful misconduct of BKD or if enforcement of this provision is disallowed by applicable law or professional standards.

9. **Waiver of Certain Damages.** In no event shall BKD be liable to You or a third party for any indirect, special, consequential, punitive, or exemplary damages, including but not limited to lost profits, loss of revenue, interruption, loss of use, damage to goodwill or reputation, regardless of whether You were advised of the possibility of such damages, regardless of whether such damages were reasonably foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise.

10. **Severability.** If any portion of this contract is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this contract.

11. **Assignment.** You acknowledge and agree that the terms and conditions of this contract shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

12. **Disclaimer of Legal or Investment Advice.** Our services do not constitute legal or investment advice.

RECORDS, WORKPAPERS, DELIVERABLES, & PROPRIETARY INFORMATION

13. **Maintenance of Records.** You agree to assume full responsibility for maintaining Your original data and records and that BKD has no responsibility to maintain this information. You agree You will not rely on BKD to provide hosting, electronic security, or backup services, *e.g.*, business continuity or disaster recovery services, to You unless separately engaged to do so. You understand that Your access to data, records, and information from BKD's servers, *i.e.*, BKDconnect, can be terminated at any time and You will not rely on using this to host Your data and records.

14. **BKD Workpapers.** Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, We may be requested by regulatory or enforcement bodies (including any State Board) to make certain workpapers available to them pursuant to authority granted by law or regulation. Unless We are prohibited from doing so by law or regulation, BKD will inform You of any such legal process or request. You agree We have no legal responsibility to You in the event We determine We are obligated to provide such documents or information. In addition, You agree to compensate or reimburse BKD for all costs and expenses, including reasonable attorney's fees, associated with BKD's compliance with requests or demands for its workpapers or other information related to this engagement, and for any testimony required by summons or subpoena.

15. **Use of Deliverables and Drafts.** You agree You will not modify any deliverables or drafts prepared by Us for internal use or for distribution to third parties. You also understand that We may on occasion send You documents marked as draft and understand that those are for Your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

    Our report on any financial statements must be associated only with the financial statements that were the subject of Our engagement. You may make copies of Our report, but only if the entire financial statements (exactly as attached to Our report, including related footnotes and supplementary information, as appropriate) are reproduced and distributed with Our report. You agree not to reproduce or associate Our report with any other financial statements, or portions thereof, that are not the subject of Our engagement.

16. **Proprietary Information.** You acknowledge that proprietary information, documents, materials, management techniques, and other intellectual property are a material source of the services We perform and were developed prior to Our association with You. Any new forms, software, documents, or intellectual property We develop during this engagement for Your use shall belong to us, and You shall have the limited right to use them solely within Your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements, and other documents which We make available to You are confidential and proprietary to Us. Neither You, nor any of Your agents, will copy, electronically store, reproduce, or make any such documents available to anyone other than Your personnel. This provision will apply to all materials whether in digital, "hard copy" format, or other medium.

REGULATORY

17. **U.S. Securities and Exchange Commission ("SEC") and other Regulatory Bodies.** Where We are providing services either for (a) an entity that is registered with the SEC, (b) an affiliate of such registrant, or (c) an entity or affiliate that is subject to rules, regulations, or standards beyond those of the American Institute of Certified Public Accountants ("AICPA"), any term of this contract that would be prohibited by or impair Our independence under applicable law or regulation shall not apply to the extent necessary only to avoid such prohibition or impairment.

18. **Offering Document.** You may wish to include Our report(s) on financial statements in an exempt offering document. You agree that any report, including any auditor's report, or reference to Our firm, will not be included in any such offering document without notifying us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

    Any exempt offering document issued by You with which We are not involved will clearly indicate that We are not involved by including a disclosure such as, "**BKD, LLP**, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. **BKD, LLP** also has not performed any procedures relating to this offering document."

19. **BKD Not a Municipal Advisor.** BKD is not acting as Your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to You and does not owe You a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such matters with internal or external advisors and experts You deem appropriate before acting on any such information or material provided by BKD.

TECHNOLOGY

20. **Electronic Sites.** You agree to notify Us if You desire to place Our report(s), including any reports on Your financial statements, along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that We have no responsibility to review information contained in electronic sites.

21. **Electronic Signatures and Counterparts.** This contract and other documents to be delivered pursuant to this contract may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be

effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this contract are intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this contract or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software, will have the same effect as physical delivery of the paper document bearing an original signature.

22. **Electronic Data Communication and Storage.** In the interest of facilitating Our services to You, We may send data over the internet, temporarily store electronic data via computer software applications hosted remotely on the internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, We employ measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with Our obligations under applicable laws, regulations, and professional standards.

    You recognize and accept that We have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to Our use of these electronic devices and applications during this engagement.

OTHER MATTERS

23. **Third-Party Service Providers.** BKD may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about You to third-party service providers in serving Your account. BKD maintains, however, internal policies, procedures, and safeguards to protect the confidentiality and security of Your information. In addition, BKD will secure confidentiality agreements with all service providers to maintain the confidentiality of Your information. If We are unable to secure an appropriate confidentiality agreement, You will be asked to consent prior to BKD sharing Your confidential information with the third-party service provider.

24. **Independent Contractor.** When providing services to You, We will be functioning as an independent contractor; and in no event will We or any of Our employees be an officer of You, nor will Our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to You.

25. **Use of BKD Name.** Any time You intend to reference BKD's firm name in any manner in any published materials, including on an electronic site, You agree to provide Us with draft materials for review and approval before publishing or posting such information.

26. **Praxity.** BKD is an independent accounting firm allowed to use the name "Praxity" in relation to its practice. BKD is not connected, however, by ownership with any other firm using the name "Praxity." BKD will be solely responsible for all work carried out on Your behalf. In deciding to engage BKD, You acknowledge that We have not represented to You that any other firm using the name "Praxity" will in any way be responsible for Our work.

27. **BKD Status as LLP.** BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, for any debts, obligations, or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract, or otherwise.

28. **Entire Agreement.** The contract, including this *Terms and Conditions Addendum* and any other attachments or addenda, encompasses the entire agreement between You and BKD and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this contract must be made in writing and signed by both You and BKD.

29. **Force Majeure.** We shall not be held responsible for any failure to fulfill Our obligations if such failure was caused by circumstances beyond Our control.

May 18, 2022

AGENDA ITEM NO. 5

SUBJECT: Discuss future meeting dates and topics.

DISCUSSION: The next regular Audit and Budget Committee meeting is scheduled for the morning of December 8, 2022, prior to the December Board meeting. The typical agenda items for this meeting are:

- Review the FY22 audited financial statements
- Annual review of audit services commissioned by the Committee
- Receive Annual Ethics Program update

BACKUP MATERIAL: None.

ACTION REQUESTED: None.

Lyndi Birkhead
5/11/22