

**MINUTES OF THE  
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.  
BOARD OF TRUSTEES  
FRIDAY, APRIL 28, 2023  
HERNANDEZ, NEW MEXICO**

1. This meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Board President Dennis Trujillo at 9:10 a.m. on the above-cited date, at the JMEC Headquarters, 19365 S.R. 84/285, Hernandez, New Mexico.

2. & 3. Following the Pledge of Allegiance, roll call confirmed a quorum as follows:

**Trustees Present:**

Dennis Trujillo, President  
Manuel Bustos, Vice President  
Dolores McCoy, Treasurer  
Stanley Crawford, Asst. Secretary/Treasurer  
Lucas J. Cordova  
Elias Coriz  
Marcie Martinez [10:30 departure]  
Marissa Maestas-Muller

**Trustee(s) Excused:**

Dennis Gallegos  
Bruce Duran  
John Ramon Vigil, Secretary

**JMEC Staff Present:**

Michael Hastings, CEO and General Manager  
Dennis Astley, Assistant General Manager  
Geraldine Romero, CFO  
Bill Barva, Cuba District Manager and Engineer  
Tammy Trujillo, Executive Assistant  
Dwight Herrera, Senior Manager of Human Resources and Support Services  
Karen Wisdom, Senior Manager of Contracts and Compliance

**Others Present:**

Frank Coppler, JMEC Counsel  
Tom Beamon, Bolinger, Segars, Gilbert & Moss  
Adam Ciepiela, Charles Stephens  
Jeremy Aguilar, Charles Stephens  
George Lynch, Kelso-Lynch  
Karen Farrell, Wordwork, Secretarial Services

**4. REMARKS FROM JMEC MEMBERS** - None were offered.

**5. CONSENT AGENDA**

- A. Approval of Agenda**
- B. Approval of the March 2023 Membership List**
- C. Approval of the March 31, 2023 Board Meeting Minutes**

**ACTION:** Mr. Crawford moved to approve the Consent Agenda. Mr. Cordova seconded and the Motion passed by unanimous [7-0] voice vote.

GM Hastings introduced Tom Beamon, with whom he worked with for a number of years, and who has served as CFO and CFC as its G&T representative in the past, as well as experience, in investment banking. Mr. Beamon is assisting at Bolinger, Segars, Gilbert & Moss and is working with CFO-type issues for JMEC in dividing broadband and electric into two separate ledgers/books.

**6. OTHER BOARD ITEMS – DISCUSSION AND ACTION**

**A. 2023 Audit Report – Kelso-Lynch**

Marcie Martinez, Chair of the JMEC Audit Committee, said that the Committee met yesterday and that George Lynch, of Kelso-Lynch, provided an in-depth presentation of JMEC's 2022 financial audit. She said she was very pleased with the detail and clarifications that Mr. Lynch provided the Committee and recommendations where improvements can be made. She thanked him for his thoroughness.

Mr. Lynch said Kelso-Lynch works with over 50 electric co-ops throughout the country, and he was able to provide a comparison of peer co-ops to JMEC. He outlined the pre-audit, noting that audit materiality assists in analyzing results and for JMEC, \$864,000 was accepted. He highlighted that internal controls were good at JMEC based on its size; there were no instances of fraud noted; the co-op is in compliance with applicable laws and regulations, and in compliance with debt covenants for all lenders except as outlined. Four adjustments were noted, and an unmodified audit opinion was achieved. He noted that the Government Auditing Standards were met within the report.

An issue with internal control over inventory was highlighted, in that there are not adequate accounting records over inventory. The main warehouse in Hernandez was the concern, and although inventory was located and accounted for, there is a need for an internal control procedure. Management concurred with the finding and is in the process of implementing a corrective action plan. Required audit letters to CFC and RUS were included in the report. He noted that RUS will not require the letter in the future.

Three debit balances that required adjustment totaled a little over \$1 million and were added back.

Increasing employees and salaries generated a margin loss of \$3.7 million for 2022. The TIER and OTIER need to be met two out of three years – 2020 was removed due to the

pandemic – and going back to 2019, the debt margins were met. This makes 2023 an important year to meet the targets.

Identifying labor as the co-op's second highest expense following the cost of power, Mr. Lynch noted that most co-ops have expensed labor around 60 percent while JMEC is above that number. Some of that cost can be attributed to Covid. Recording time is important and training linemen to better define their time could help JMEC's margins in the future.

GM Hastings said that differentiating between capitalizing/building out new infrastructure versus maintenance is important. In an effort to save money, the co-op had not adequately invested in its infrastructure for decades. The cumulative effect of that is a lack of capitalization: the JMEC infrastructure has depreciated. Instead of a \$200 million to \$250 million range, it's in the \$80 million range, which makes it hard to leverage, i.e. expanding into the broadband business. Putting money into the system is important, and the four-year work plan presented by Mr. Astley will need to be adhered to.

GM Hastings pointed out that the co-op's metering system is failing due to age. It is important that the linemen delineate their time by maintenance or capital projects. Work order coding is an important function for the linemen. JMEC is increasing its lineman ranks through the apprenticeship program.

Mr. Lynch said JMEC's margins will improve substantially with properly registered time and the new rate increase revenues.

Mr. Lynch pointed out that the cost of power is well over half JMEC's expenses and interest and depreciation are based on previously-made decisions, leaving 35 percent of costs that can be managed. He reviewed the cash flow and noted that in the past two and a half years, JMEC went through \$11.5 million in cash. Regarding the net utility plant, JMEC's was very low with less than \$2,600 allocated to each member. Peer co-ops were at \$3,600 to \$6,100 per member. He expected a co-op of JMEC's size to be closer to \$200 million in net utility plant compared to JMEC's \$84.6 million. Even though the co-op went through a lot of cash, its liquidity position is good.

GM Hastings said JMEC will continue to spend money to improve the infrastructure as outlined in the new 4-year work plan. "Power Up!" the proposed slogan, will be used to inform the membership that investment to the infrastructure provide greater reliability and overall improvements.

Regarding the net plant to total plant percentage, Mr. Lynch said typically that would be 65 percent to 70 percent. JMEC is at 54.6 percent. Investment wise, Tri-State is at the top and was flat with last year. As far as equity percentage, JMEC is average with 46 percent; however, once broadband begins, there is typically a 15 to 20 percent reduction in equity. After a few years, the equity percentage will come back up.

Mr. Lynch concluded the review with long-term debt, associated interest, lines of credit, deferred credit and 401k benefits.

In response to President Trujillo's question regarding easement payments to sovereign governments, Mr. Lynch said that it was unique here, and he had no comparisons to offer.

**ACTION:** Ms. Martinez moved to accept the 2022 Financial Audit. Mr. Coriz seconded and the Motion passed by unanimous [7-0] voice vote.

## **B. Charles Stephen – Foundation Investment Report**

Adam Ciepiela, partner at Charles Stephens, Inc., thanked the Board for the opportunity to assist with the Foundation investments. Last year was difficult for investing, with several factors including inflation and the rapid rise in interest rates. When interest rates are increased, the value of bonds comes down. Last year bonds experienced the worse price reduction in over 40 years. Stocks were also down, which was not an issue for the JME Foundation portfolio. In 2022 things turned, and experts are cautioning that a mild recession is expected to fix interest rates, inflation and labor utilization. January was a good month for the portfolio, February, not good, and March and April improved. He discussed the current investment environment.

Mr. Ciepiela reminded the Board that they requested a more thorough breakdown of asset class and provided that by manager – 46.5 percent with JP Morgan, 48.7 percent with State Street and 4.6 percent with GuidePath – and percentage of money within different asset classes that include U.S. large cap, small/mid cap, international developed equity and emerging market equity. The portfolio is well diversified by asset class as well as manager. The current market value of the portfolio is \$1,362,911. Year-to-date, the portfolio is up 3.6 percent. The past six months have shown marked improvements.

The concept behind the JME Foundation's portfolio is how to protect the money on the downside, be conservative and provide income and growth in a risk adjusted environment. Since the account's inception with Charles Stephens, approximately \$259,000 of income has been generated.

Regarding management fees, Mr. Ciepiela said Charles Stephen charges .50 percent plus .08 for New Mexico gross receipts. Manager fees vary, and he offered to provide that information.

If JMEC were to invest \$500,000 from uncollected capital credits, GM Hastings asked, where that money would be invested. Mr. Ciepiela responded in low risk bonds which are now making money, and short-term treasuries. It may also provide a good time to buy stocks while they are down. He noted that the treasury option provides immediate liquidity. A SBLOC, security based line of credit, which works like a home equity line of credit could be useful in that assets are used as collateral without taking money out of the market.

Mr. Ciepiela estimated an overall 2 percent allocation within the oil industry.

## **C. Business Services and Finance**

### **i. March 2023 Financial Reports**

GM Hastings noted that the RUS Form 7 covers the first quarter of 2023 and shows revenue was up by \$220,000, meaning more power was sold than budgeted. Distribution expense from operations was \$250,000 more than budgeted and management is carefully monitoring that, as well as capitalizing costs. Administrative and General expense is also over budget. The two over budget line items can be attributed to employee costs – payroll, benefits, taxes, etc. There are 119 employees through March 2023.

There is approximately \$9.5 million in construction work in process, and progress is being made on closing work orders. Net utility plant is at \$87 million and will continue to rise with improvements to the infrastructure. Currently, there is \$4.6 million in cash and management will be watching that closely. Notes receivables includes the CFC \$1 million line of credit for broadband. Payments through March regarding broadband are \$363,000 and, as noted earlier by Mr. Lynch, as broadband is built out, that number will increase.

The ratios were met for the month and quarter, and the CFC modified debt service coverage ratio (MDSC) has been driving whether the JMEC financial ratios are met or not. That seems to be a key driver/ratio and that will be presented to the Board monthly.

GM Hastings pointed out that \$1.8 million was drawn from the CFC line of credit in March. There is a \$3.7 million balance on that credit line. Taxes in the amount of \$550,000, Tri-State power bill of \$2.6 million and the CFC quarterly loan payment of \$305,000 were part of the big expenditures during March. Usage is up and so are the rates, which is good for JMEC's Financial Performance. The rate increase for residential average kilowatt hour cost has increased and is a positive for revenue.

Regarding broadband accounting, GM Hastings said he was optimistic that it could be separated and presented by June. CFO Romero said that there is a dedicated general ledger for broadband. In response to the Board's concern that the books be separated as soon as possible, Mr. Beamon said that the amount of transition and work to understand where the general ledgers are set up takes a great deal of staff time. Working with Mr. Lynch, Mr. Beamon was confident that JMEC was establishing the correct method. Broadband will be pulled into a deferred regulatory asset to ensure the costs accumulate into a separate account on the balance sheet. He assured the Board that the expertise was present with Ms. Romero.

[Ms. Martinez left the meeting at this time.]

## **ii. Finance Committee Meeting**

Mrs. McCoy, Finance Committee Chair, said that the Committee met on Thursday April 27, 2023 without a quorum and did review all Agenda items.

### **a. March 2023 General Fund Expenditures**

**ACTION:** For informational purposes, Mr. Coriz moved to approve the March 2023 general fund expenditures list. Mr. Bustos seconded and the Motion passed by unanimous [6-0] voice vote.

**b. March 2023 Staff Credit Cards**

**ACTION:** Ms. Muller moved to approve the staff credit card charges. Mr. Cordova seconded. The Motion passed by unanimous [6-0] voice vote.

**c. March 2023 Attorney Expenses**

GM Hastings said Wiggins, Williams and Wiggins assists JMEC with employment law/union member grievances. He recommended discussing the item during executive session.

**ACTION:** Mrs. McCoy moved to approve the March 2023 attorney expenses. Mr. Coriz seconded and the Motion passed by unanimous [6-0] voice vote.

**d. March 2023 Consulting Expenses**

**ACTION:** Mr. Bustos moved to approve the March 2023 consulting expenses. Ms. Muller seconded and the Motion passed by unanimous voice vote.

**e. March 2023 Trustee Reimbursement Vouchers**

**ACTION:** Mr. Crawford moved to approve the March 2023 trustee reimbursement vouchers. Mr. Bustos seconded.

President Trujillo commented that the increase in vouchers is attributed to travel to Tri-State and the Legislative Conference.

The motion passed by unanimous [6-0] voice vote.

**f. Donations**

Mrs. McCoy said that there were requests from Sandoval and Rio Arriba Counties. Sandoval requested \$2,000, but JMEC's practice has been to provide \$1,000. Having discussed the item yesterday, it was determined that \$1,000 per request was appropriate.

**ACTION:** Mr. Crawford moved to approve the donations in the amount of \$1,000 each to Sandoval and Rio Arriba Counties. Mr. Bustos seconded, and the Motion passed by unanimous [6-0] voice vote.

**g. New Business**

GM Hastings said that JMEC filed a property tax protest with NM Tax and Revenue. The State, through the Counties, were charging property taxes and then those properties within the Pueblos/tribal nations, they too were charging a property tax. That double

taxation has been occurring for many years. A federal regulation (CFR) says property tax is only paid once, and if paying to a tribe the State or County is not paid. JMEC advised the Counties, and they were not receptive to the advice. So, a protest was filed with the State. Gerald Coppler assisted with the protest. Going forward the co-op should save \$1.1 million annually in property taxes. By law, JMEC could go back two years and request refunds. However, the Counties are not willing to reimburse for the past two years and there is case law supporting that legal position.

GM Hastings said that, earlier this month, he was confident that JMEC would receive refunds from the counties for the last two years and instructed Ms. Romero to include those funds on the books. Those sums will now be removed from the books for next month's report.

GM Hastings presented a proposed settlement which stipulates that, going forward, JMEC will not be double taxed, and accepts that there will be no refund for the past two years.

**ACTION:** Mr. Coriz moved to accept the property tax settlement. Mr. Cordova seconded.

Mr. Coriz commented that the refunds would greatly impact local government. The savings will benefit membership going forward.

The Motion passed by unanimous [6-0] voice vote.

## 8. OTHER COMMITTEE REPORTS

President Trujillo thanked the Trustees for attending the strategic planning sessions April 21-22, 2023.

GM Hastings said that a lot is going on regarding solar with the Pueblos. He offered the following updates:

- San Ildefonso - is working on a water treatment plant.
- Pojoaque - has chosen a solar vendor and is ready to move forward.
- Nambe - management has scheduled a meeting with the Governor.
- Zia - a meeting occurred with the Governor and others. JMEC does not have an easement agreement with them, and has been in trespass for a long time; however, Zia's legal counsel is disinclined to charge for distribution lines that serve the Zia pueblo people.
- Santa Clara - JMEC sent a letter to the governor informing that the Satview cable system is not owned by JMEC. JMEC pays to have its poles in the Pueblo and before anyone attaches to those poles they will need to speak to JMEC. A separate fee may be required to run broadband through the Pueblo.
- Santa Ana – 48 accounts have been picked up on the north side of that service area.

GM Hastings said he also advised Redi-Net that JMEC does not own the Satview cable system.

Attaching to JMEC poles without an agreement may be addressed by FCC rules. GM Hastings said JMEC will be attaching its fiber directly below the neutral wire.

Regarding Santa Clara, President Trujillo recommended legal counsel works with the Pueblo's legal counsel to resolve these issues. A standardized easement schedule should be developed regarding broadband to ensure consistency.

GM Hastings said that Karen Wisdom submitted an application for the NRECA member communication activity awards. JMEC qualified for one of the 18 categories and received first place (the Gold Award) in that category. Additionally, JMEC was awarded the best for 2022 in communicating with the district meeting project. This was called the "Chesnutt Award." GM Hastings will accept the award in Jacksonville, Florida. He congratulated Ms. Wisdom and all of JMEC's staff and Trustees for their efforts.

**A. Bylaw Committee - No update**

**B. Communications Committee**

Communications Committee Chair Crawford said they met on April 5, 2023 and discussed items for the *Enchantment* magazine and downloading credit card charges and Board vouchers on the website.

**9. EXECUTIVE SESSION**

**A. Legal Matters**

**B. Personnel Matters**

**ACTION:** Mr. Cordova moved to go into executive session and Mr. Coriz seconded. The Motion passed by unanimous voice vote.

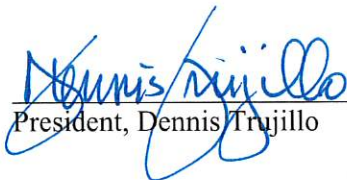
[The Board met in Executive Session from 11:30 a.m. to 12:13 p.m.]

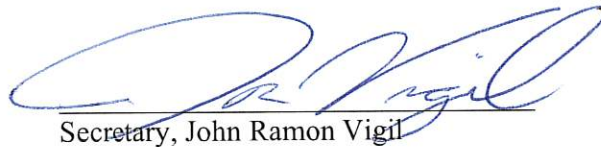
**10. NEW BUSINESS**

**11. ADJOURN**

Having completed the agenda and with no further business to come before the Board, President Trujillo adjourned this meeting at 12:14 p.m.

APPROVED:

  
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President, Dennis Trujillo

  
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Secretary, John Ramon Vigil



**D R A F T**

- subject to approval –