



DATE: JANUARY 13, 2020

TO: Public Utilities Advisory Board

CC: Zach Walker, City Manager  
Jim Nail, Interim Assistant General Manager

FROM: Adam Norris, Assistant City Manager

SUBJECT: Independence Power and Light Major Initiatives and Work Plan

In December, City Manager Walker reassigned the duties of the Assistant City Managers and realigned departmental reporting structures between Public Services and Development Services. Since assuming this new role, I have promoted Jim Nail to Interim Assistant General Manager to provide day-to-day leadership to IPL. We are fortunate to have someone of Jim's integrity and expertise to help us lead IPL at this critical point in time. While my initial focus has been on IPL, I have used these few weeks to understand the operations of all City's utilities and the people that provide these important services to our customers on a daily basis. I have appreciated the patience of the City Council, PUAB, and our staff team during this transition period.

IPL is undergoing a period of transformation with several significant initiatives completed, planned, or underway. During such periods of change, and especially in a resource-restricted environment, competing demands required to drive such change often exceed capacity (e.g., resources, focus, energy, etc.). In order to successfully execute the initiatives and facilitate the important decisions in front of the City and IPL, I would like to outline those key objectives in order of priority based on my understanding of deadlines, immediacy of need, and capacity. The City Council Rates Committee met on January 13 and unanimously endorsed these priorities. I would like to get feedback and ultimately support from the PUAB and City Council to ensure these are in alignment with their expectations going forward. It is important to note that the intention with establishing these priorities is not to create a linear process, rather to bring clarity and focus to our mission and the work we do on a daily basis.

1. Year-End Financials and 2020-21 FY Budget Development:
  - a. I have directed the Finance and Administration Director to present the June 30, 2019 financial statements at the January 16 PUAB meeting. It is imperative for us to understand the value of the utilities and the results of operations in the last fiscal year. These numbers should be the basis of future discussions regarding rates, capital programming, and future budget needs. In addition to the year-end financials, updated budget reports will be available at all future PUAB meetings and a member of the Finance and Administration staff will attend in the event there are any needs or clarification from the reports.



- b. Submit preliminary 2020-21 FY budget by January 31.
  - c. Develop financial policies consistent with industry best practices. We will include this objective as part of the evaluation criteria for the selection of the management firm in Priority #3 below.
- 2. Updated IPL Rate Structure: Develop and Present Rate Structure that meets the previous direction of the City Council (currently targeting January 27 Work Session). IPL staff will make available a summary of the presentation to members of the PUAB.
- 3. Selection and negotiation of agreement with third party management firm for IPL: The City received six responses to a request for qualifications to assist the City with the management of IPL for a period of six to 18 months. A selection committee has identified three firms as the most qualified to work with IPL. The shortlist includes: MPUA Resource Services Corporation; Baker Tilly Virchow Krause LLP, and DKMT Consulting, LLC. Procurement staff is in the process of setting up interviews with those three firms to identify the most qualified to work with IPL. Staff is anticipating requesting the Council to give the City Manager the authority to negotiate a contract with the most qualified before March 1.
- 4. Blue Valley Plant Closure:
  - a. Staff reductions: We are on track to discontinue plant operations by June 1, 2020. Several key decisions must be made by the end of January to advance negotiations with IBEW and notify impacted staff, including any transfers and adopting severance language. We have made significant progress on this front and will be prepared to present the plan to IBEW later this month. This plan meets the savings outlined in the Energy Master Plan and City Council direction of \$3.5 million.
  - b. Plant Repurposing: In addition to staff impacts, executing the plant closure and plans to repurpose the site are underway. The City engaged a consultant to assess and develop potential concepts relative to the repurposing of Blue Valley; that report is included as an attachment to this memo. We anticipate issuing a Request for Information (RFI) by the end of the January for potential redevelopment/repurposing concepts. We will determine next steps based on the feedback from responses to the RFI.
- 5. Management Analyst Findings and Overtime:
  - a. City Management Analyst Report: The City's Management Analyst released a portion of his preliminary findings. The City Council approved a Resolution directing staff to conduct a review of payroll internal controls and compliance with the Personnel Policies and Procedures. The report triggered an automatic review by the City's external auditor. That review is underway and should be forthcoming in March 2020.



- b. Overtime and standby pay has been a long-standing area of concern at IPL. We will implement changes within the next 30-45 days that ensures we are consistently applying standards in the Personnel Policies and Procedures Manual and ensure employees are compensated fairly. This complicated, long-standing practice affects numerous employees. It is of the utmost importance that we treat all employees fairly, apply our policies consistently, remain competitive, and exercise good stewardship of resources entrusted to us.
6. Future of IPL Production: As outlined in the Energy Master Plan, the Combustion Turbines are nearing the end of their useful life. While we need to act deliberately and with urgency to develop alternative solutions to provide peak load capacity as part of our membership to SPP, we do have time to make thoughtful decisions that will be in the best long-term interest of the City. We also have a built-in "safety net" with the ONETA contract for the purchase of 25 additional megawatts in the event peak load capacity is needed from a source other than the CTs. The team is developing a timeline with key decision points to help guide this discussion, including the ultimate approval by SPP. This timeline will be presented in the next 60-90 days.
7. Municipal Broadband: A key priority of the City Council and Chamber of Commerce is the evaluation and potential deployment of a Municipal Broadband Network. This initiative is an opportunity for the City to collaborate with/support community partners and the private sector and have an impact on the quality of life of Independence residents. Much groundwork has been completed and the business plan needs to be updated at this point. As the team is able to advance and/or complete the priorities listed above over the next several months, resources will be available to dedicate the time and attention this key initiative merits. We are hopeful that the most qualified firm selected for the third party management in priority #3 will have the resources and expertise to assist the IPL team. We anticipate including a budget request for the 2020-21 FY to further support this initiative.