

COST OF TRUSTEES

There are two groups of cost associated with the SEC Board of Trustees. The first is that which the Trustees receive directly whose figures are shown on the Form 1099 and are the numbers quoted in the newspapers as the total outrageous cost of the Trustees. These figures, including the cost of health insurance complete with medical, dental, and vision are considered taxable to the trustees and amounted to \$319,475 for 2007, an average of \$29,047 for each Trustee for that year. The second group of costs is paid by the coop on behalf of the Trustees. These include registration and tuition fees for conferences, meetings, and training schools; air travel tickets, lodging, etc. These 2007 costs totaled \$127,335; an average cost of \$11,576 per each Trustees. Added together the total cost of Trustees in 2007 was \$446,810 or an average of \$40,619 per Trustee. Reducing the number of Trustees from 11 to 7 would save approximately \$162,476 each year; reducing the number to 5 would save \$203,3095.

These numbers do not reflect the real cost of the Board. There are other indirect or hidden expenditures that are not generally known to the Members/Owners of the Coop. The following listed expenditures should be made public to the Members who are paying the bills. There may be others but the following can be verified by Board minutes and/or financial records and Audit Reports of the Coop all of which should be available to the Members upon request.

HEALTH INSURANCE:

The Board raises the cost of Health Insurance for the entire coop both employees and trustees. This is due to the age of the trustees as group insurance premiums are based on the average age of the entire group. The average age of the 11 trustees is much higher than the average age of the 36 employees. This results in the cooperative not only paying approximately \$18,000 per trustee per year ($\$18,000 \times 11 = \$198,000$) but raises the entire actuarial calculation. Many if not most corporations nationwide do not provide any health insurance much less free health, dental, and vision insurance to trustees, board members, or directors. One of the pressing reasons for not providing such insurance is that many trustees refuse to give up their seats as that would mean giving up the free health insurance. Terms limits for trustees would help to solve this problem of entitlement which results from decades on the Board.

LEGAL FEES:

The Board hires a coop attorney without referral to a written list of standards or contract. This is not necessarily a bad thing but it does raise questions which could be unfair both to the attorney and the cooperative itself. The cooperative has always had an attorney but this past summer, an additional attorney was hired by the first attorney for the stated purpose of "take"ing "care of legal issues that might arise as a result of the congressional hearings." The fees of two lawyers are expensive and unnecessary. One good lawyer is enough for most cooperatives.

TOO MANY TRUSTEES:

Two numbers succinctly express one of the main problems with the Socorro Electric

Cooperative. Employees-36; Trustees-11. Socorro County gets by with a 5 member board. Surely the Coop does not need such a large number. Eight members of the Board represent approximately 685 members each; three members represent approximately 1,500 each. Redistricting the coop for equal representation and reducing the number of Trustees would give Member/Owners fair and equitable rights and save a lot of money. Using the average Direct Cost amount of each Trustee's compensation of \$40,619, we could save \$162,000 a year by scaling down to a seven member Board. A five member Board would save \$243,714 a year.

MEETINGS:

Local Board Meetings: SEC Trustees have meetings twice a month with each meeting lasting about an hour each. No meeting is ever cancelled without being rescheduled within the same month. No other New Mexico coop has two meetings a month. Of the 44 coops in 4 states that buy their power from TriState, each has only one meeting per month. Why does a relatively small coop such as SEC need to hold two meetings.

Local meetings pay a fee of \$15, a \$15 meal allowance, and mileage at the federal compensation of \$.55 per mile plus a \$45 per diem allowance in lieu of expenses actually and necessarily incurred. There is no accounting for these "incurred expenses" as no expenses are incurred.

Leaving the mileage out of the equation as it varies widely, each Trustee is paid \$75 for each meeting, a high hourly rate. That adds up to \$825 a meeting, \$1650 a month and \$19,800 a year for the 11 Trustees. Reducing the meetings to one per month would save \$9900 a year plus attorneys' fees and the overtime for staff members who must attend. The same arrangement pays the president, secretary, and treasurer for any portion of a day that they sign documents, minutes, or checks.

Local Committee Meetings: There are nine standing committees of five members each which meet at least twice a year. The fees are the same as above with the exception of no meal allowance. The President of the Board is also paid to attend all Committee meetings. Socorro's trustees are the majority on each committee. A smaller Board could act as a Committee of the Whole without the need for paying for extra Committee Meetings.

In State Meeting: The per diem rate is \$140 with travel paid at the federal mileage rate of 55 cent or air fare whichever is cheaper. Hotel bills are advanced at the price of the meeting's hotel rate. No invoices or vouchers are required. Meeting fees are paid by the Coop directly to the meeting sponsors.

Out of state Meetings: Same as In State Meetings except the per diem is raised to \$200.

There are no restrictions on the number of Trustees attending a meeting. In addition to the Board, the Coop pays to send members of management, lawyer(s), and staff to meetings. There is no way of judging the usefulness or productivity of attendance at these events.

OFFICERS AND REPRESENTATIVES:

President: As noted above, the President is paid to attend all Committee Meetings.

Secretary: Paid to review minutes of meeting which are taken and transcribed by a member of the Coop's secretarial staff.

Treasurer: Paid to sign checks.

Representative to Tri-State Generating: There are 44 members on Tri-States' Board Of Directors, one from each coop served. The per diem and expenses paid to the SEC representative is unknown.

Representative to NMREC: Each of the 18 New Mexico Coops send a representative to The New Mexico Statewide. The SEC representative is paid by SEC at the in state rate plus mileage and lodging.

SEC COOPERATIVE EXPENDITURES:

Contracts, purchases, bids, etc. need more examination.

MISCELLANEOUS:

The SEC manager has an entertainment entry in annual expenses of the coop that covers such items as taking a group of people to lunch or dinner (complete with drinks) while at meetings and locally. We have not been able to get the amount of this entertainment although, it should be a matter of public record.

The Annual Meeting Dinner is held at a local restaurant for the Trustees and their guests, certain staff, and other invited guests. This dinner also has an open bar.

The Awards Banquet is held during the Christmas season for all SEC employees, trustees and their guests with a dance band, open bar, and lobster and steak dinner.

Door prizes, refreshments and giveaways at the district and annual meetings. Cost of staff members to run these meetings, voting machines where used, and security for whatever purpose. Voting by mail would do away with these sizeable costs. Other coops nationwide vote by mail, by phone, online, or in person.

Sponsorships: There is a sum of money that is used to fund worthy causes in the Coop territory. Questions have been asked as to the equal distribution of these funds. The most expensive single sponsorship is of the Socorro Open Golf Tournament.

The New Mexico Statewide's reception held at the Hyatt Regency, Capitol Hill during the annual Legislative Rally in Washington D.C. This reception features gifts of New Mexico products, carving and other serving stations and an open bar.

Special Meeting called to order September 8, 2008 at 6:00 pm

The purpose of this special meeting was to allow Mr. Michael Sharp of Research and

Polling, Inc. to present a brief survey of the process his company would use to execute a redistricting plan for Socorro Electric Cooperative, Inc.

His presentation was excellent describing the constitutional requirements for establishing legal districts; such as equal population, minority voting strength, etc. and democratic standards such as equal population = equal representation, and the one person, one vote principle. These are aspects of election law which SEC's board has violated for several years. I believe the co-op's elections are vulnerable to law suits because of this.

The member turnout for the meeting was encouraging for those who favor reform. Seven members from Socorro attended including two reform candidates for the District III election. The challengers who attended were Mr. Donald Wolberg who will oppose Mr. Manny Marquez and Mr. Peter Martinez who has not officially filed as of this update. Two news reporters attended also. Charlene West, the Reform Committee Chair person attended as usual.

It is obvious that the presence of members/owners improves the conduct of the meetings even though some board members are having a hard time adjusting to the sunshine. I plan to urge the board to allow a member comment or question period into the agenda of each meeting. It can only help the board to focus on their duty to obey the principle of democratic control by members.

The "Redistricting Committee" met before the special meeting and based on the discussion of the committee members, in which they all agreed with each other that the process will be so lengthy that there is no way redistricting can be completed before at least next year. The chairman, Mr. Juan Gonzales, acknowledged that the board began discussing the bylaw which requires equitable representation in June of 2007 but failed to admit to his efforts to block, delay, and circumvent the bylaws' mandate. It seems that this special meeting was called as window dressing. Based on past performance by Mr. Gonzales and the District III majority any geographical redistrict plan will fail unless it can be gerrymandered to assure majority status to District III trustees.

The members' petition to reduce the board from 11 to 7 which makes all trustees even as to number of members represented, using the co-op's traditional method, is the procedure which meets the bylaws' mandate. We need members to consider the petition, sign it, and pursue the restoration of member control. We are more than halfway there.

Respectfully submitted, Charlie Wagner