



AGENDA

Finance/Audit Committee Meeting

June 1, 2021

2:00 p.m. – Zoom Meeting

Call to Order

[Committee Chair Tommy Stoughton]

Roll Call and Ascertain Quorum

[Amy Wade]

Acceptance of the Agenda

[Committee Chair Tommy Stoughton]

1. Approval of Minutes

[Committee Chair Tommy Stoughton]

May 10, 2021

2. Consideration of Adoption of Resolution Authorizing Negotiation and Execution of Natural Gas Supply Agreement with Gulf States Gas District

[Anthony Miller : Freddie Martin]

Adjournment



Agenda Item # 1

Meeting Date: June 1, 2021

Board Committee:	Finance/Audit Committee
Item:	Approval of Minutes
Contact:	Tony Cannon
Explanation:	Finance/Audit Committee Meeting: May 10, 2021
Strategic Plan Elements:	Strategic Themes: <ul style="list-style-type: none">• Exceptional Customer Service• Shaping Our Future Objectives: <ul style="list-style-type: none">• Exceeding customer expectations• Embracing change to ensure organizational alignment and efficiency Core Values: <ul style="list-style-type: none">• Exceed customers' expectations• Support the community• Deliver reliable services
Previous Board Actions:	N/A
Fiscal Note:	N/A
Recommended Action(s):	Approval of minutes as presented or amended

GREENVILLE UTILITIES COMMISSION
FINANCE/AUDIT COMMITTEE
GREENVILLE, NORTH CAROLINA
May 10, 2021

The Finance/Audit Committee of the Greenville Utilities Commission met on Monday, May 10, 2021, at 2:00 p.m. in the Board Room and virtually via Zoom with the following members and others present.

Committee Members Present:

Tommy Stoughton, Committee Chair
Minnie Anderson, Committee Vice-Chair
Peter Geiger
Lindsey Griffin

Parker Overton, Board Chair, also attended.

GUC Staff Present:

Tony Cannon, General Manager/CEO	Jonathan Britt
Chris Padgett	Kevin Keyzer
Phil Dixon	Amanda Wall
Jeff McCauley	Molly Ortiz
Randy Emory	Lou Norris
Anthony Miller	
John Worrell	
Keith Jones	
Amy Wade	
Steve Hawley	
Andy Anderson	

Committee Chair Griffin called the meeting to order at 2:00 p.m. and Ms. Anderson ascertained that a quorum was present.

A motion was made by Mr. Griffin, seconded by Mr. Geiger, to accept the agenda as presented. The motion carried unanimously.

APPROVAL OF MINUTES (Agenda Item 1)

A motion was made by Mr. Geiger, seconded by Mr. Griffin, to approve the March 5, 2021, Finance/Audit Committee minutes as presented. The motion carried unanimously.

CONSIDERATION OF ADOPTION OF OTHER POST EMPLOYMENT BENEFITS (OPEB) FUNDING POLICY (Agenda Item 2)

Mr. Jeff McCauley, Chief Financial Officer, reported that Greenville Utilities Commission (GUC) maintains a defined benefit OPEB plan that is funded through employer contributions, and the investment earnings resulting from those contributions. The level at which the employer contributes is determined by the Board of Commissioners. OPEB includes medical benefits provided to GUC retirees and the objective of OPEB is to accumulate sufficient assets during an employee's term of employment to fully finance the benefits received in retirement.

The purpose of this OPEB Plan Funding Policy is to formulate a funding policy in accordance with Governmental Accounting Standards Board (GASB) statements 74 and 75 for the Greenville Utilities Commission OPEB Plan (Plan). The policy establishes benchmarks that will be used to measure progress, and the methods and assumptions that will be employed to develop the benchmarks.

Key highlights of the policy include:

Benchmarks

- In accordance with Governmental Accounting Standards Board (GASB), the employer's portion of the actuarially determined contribution (ADC) will be set based on the valuation results produced as of the June 30th preceding the beginning of each biennium.
- Funded ratio should increase over time, before adjustments for changes in benefits, actuarial methods, and/or adjustments.

Methods of Assumption

- The assumptions are intended to represent the best estimate of anticipated experience and are intended to be long-term in nature.
- The unfunded actuarial accrued liability (UAAL) amortization period is set at 30 years beginning fiscal year 2016. The period will be closed and will decline one year each year until a funded ratio of 100 percent is reached.
- The UAAL will be developed using the level dollar payments methodology.
- The actuarial cost method will be in accordance with GASB statements 74 and 75.
- Long term rate of return will be 7% net of investment expenses.
- Future contributions will be annual benefit payment for retirees plus a cash amount determined by the Board (currently set at \$500,000).
- Benefit payments will be paid directly by the employer.

Adoption of a formal funding policy demonstrates GUC's commitment to funding OPEB, which will allow a more favorable interest rate to be applied when measuring the OPEB liability and will result in the most positive presentation in the financial statements.

A motion was made by Mr. Geiger, seconded by Ms. Anderson, to adopt the policy and recommend similar action to be taken by the Board of Commissioners. The motion passed unanimously.

ADJOURNMENT

With no further business to conduct, a motion was made by Mr. Griffin, seconded by Ms. Anderson, to adjourn the meeting. The motion carried unanimously, and the Finance/Audit Committee meeting adjourned at 2:10 p.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary



Agenda Item # 2

Meeting Date: June 1, 2021

**Board
Committee:**

Finance/Audit Committee

Item:

Consideration of Adoption of Resolution Authorizing Negotiation and Execution of Natural Gas Supply Agreement with Gulf States Gas District

Contact:

Anthony Miller : Freddie Martin

Explanation:

In an effort to further diversify Greenville Utilities Commission's (GUC's) natural gas supply portfolio and reduce costs, staff has evaluated the option of GUC participating in a natural gas pre-payment (prepay) transaction with Gulf States Gas District (GSGD) and BP Energy Company (BPEC). A prepay is a transaction where a municipal utility can issue tax-exempt bonds to prepay for delivery of gas on a long-term basis to achieve an ongoing discount to the prevailing market price. Under the proposed agreement, GSGD will be the issuer of the bonds. In executing such an agreement, GUC would be a purchaser of gas from GSGD at a discount to prevailing market prices and would not have any liability associated with the bonds issued by GSGD.

GUC is currently in year 15 of a 15-year prepay with Patriots Energy Group (PEG), year 4 of a 30-year prepay with Black Belt Energy (BBE) and year 3 of a 30-year prepay with Public Energy Authority of Kentucky (PEAK). The PEG prepay has saved GUC and its customers \$1,741,600 since February 2007 and the agreement ends on January 31, 2022. Delivery under the BBE prepay began on November 1, 2018 with projected savings of \$8,071,106 over the term of the agreement. Delivery under the PEAK prepay began on July 1, 2019 with projected savings of \$4,634,449 over the term of the agreement.

GUC has an opportunity to participate in a new 30-year natural gas pre-payment deal with GSGD. Closing of this agreement is targeted for June 30, 2021. To participate in the prepay, GUC will need approval to execute a gas supply contract with Gulf States Gas District prior to June 30, 2021.

The key provisions of the proposed agreement are listed below:

- GUC enters the agreement to purchase volume up to, but not to exceed, 3,000 dekatherms per day for a term of 30 years.
- GUC receives a discount of \$0.30 or more per dekatherm from the applicable first-of-the-month gas index price.
- Remarketing provision - If demand drops GSGA will use commercially reasonable efforts to remarket the gas for an administrative charge of \$0.05 per dekatherm.
- Limited Liability Clause that keeps GUC from being obligated financially except as expressly described in contract
- Compensation for failure to perform.
- Termination rights (bankruptcy, failure to issue bonds, etc.)

**Strategic Plan
Elements:**

Strategic Themes:

- Safety, Reliability & Value
- Shaping Our Future

Objectives:

- Providing competitive rates, while maintaining the financial stability of the utility
- Safely providing reliable and innovative utility solutions
- Developing and enhancing strategic partnerships

Core Values:

- Exceed Customers' Expectations
- Deliver Reliable Services

**Previous
Committee
Actions:**

N/A

Fiscal Note:

By executing the agreement Greenville Utilities Commission and its customers will be positioned to save approximately \$200,400 annually from November 2021 to October 2051 for a total of \$6,012,000 in reduced natural gas cost depending on total contracted volumes.

**Recommended
Action(s):**

Staff recommends the Finance/Audit Committee adopt a Resolution and authorize the General Manager/CEO to Negotiate and Execute the Natural Gas Supply Agreement with Gulf States Gas District for a volume up to, but not to exceed, 3,000 dekatherms per day over 30 years and recommends similar action by the full Board of Commissioners.

BUYER'S AUTHORIZING RESOLUTION # _____

A RESOLUTION OF GREENVILLE UTILITIES COMMISSION ("GUC") (i) AUTHORIZING THE EXECUTION OF A GAS SUPPLY CONTRACT ("CONTRACT") WITH THE GULF STATES GAS DISTRICT ("GSGD") FOR THE PURCHASE OF NATURAL GAS FROM GSGD; (ii) ACKNOWLEDGING THAT GSGD WILL ISSUE ITS GAS SUPPLY REVENUE BONDS TO FUND THE PURCHASE OF A SUPPLY OF NATURAL GAS FROM BP ENERGY COMPANY ("BPEC"), WHICH GAS WILL BE USED TO MAKE DELIVERIES UNDER THE CONTRACT; AND (iii) FOR OTHER PURPOSES

WHEREAS, the GUC is a body politic organized and existing under the laws of the State of North Carolina; and

WHEREAS, the acquisition of secure, reliable and economic supplies of natural gas is necessary for the prudent and businesslike operation of GUC, the continued economic development of its community and the promotion of the public health, safety and welfare; and

WHEREAS, The Gulf States Gas District, which was organized and established pursuant to the provisions of the Alabama Gas Districts Act, Sec. 11-50-390 *et seq.* of the Alabama Code (1975), as amended, has offered to sell to the District, pursuant to the Contract, a supply of natural gas in the quantities on the dates set forth in the Contract, on the condition that GSGD issues its Gas Supply Revenue Bonds, 2021 Series A (the "Bonds"), the proceeds of which will be used to acquire a supply of natural gas (the "Gas Supply") pursuant to a Prepaid Agreement with BPEC (the "Prepaid Agreement"); and

WHEREAS, GUC is a Municipal Utility, as such term is defined in the Gas Supply Contract, and desires to enter into the Contract with GSGD.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of GUC as follows:

1. The Board of Commissioners of GUC hereby approves the execution and delivery of the Gas Supply Contract, in substantially the form previously submitted to GUC, pursuant to which GUC will agree to purchase specified quantities of natural gas from GSGD, such deliveries to be made on the dates, at the volumes and for the prices set forth in such Gas Supply Contract.
2. The General Manager/Chief Executive Officer of GUC, or his designee, is hereby authorized to execute any such other closing documents or certificates which may be required or contemplated in connection with the execution and delivery of the Contract or carrying out the intent and purpose of this resolution.

Attest:

Adopted: _____
