



# AGENDA

## Finance/Audit Committee Meeting

October 24, 2022

12:00 noon GUC Board Room

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### Call to Order and Ascertain Quorum

*[Committee Chair Peter Geiger]*

### Safety Brief

*[Tony Cannon]*

### Acceptance of the Agenda

*[Committee Chair Peter Geiger]*

1. Approval of Minutes

*[Committee Chair Peter Geiger]*

March 9, 2022

2. Annual Review of Investment Policy

*[Jeff McCauley]*

3. Annual FY 2021-2022 Audit Update

*[Jeff McCauley]*

4. LNG Plant Expansion Master Plan Update

*[Anthony Miller]*

### Adjournment



# Agenda Item # 1

Meeting Date: October 24, 2022

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<b>Board Committee:</b>	<b>Finance/Audit Committee</b>
<b>Item:</b>	Approval of Minutes
<b>Contact:</b>	Tony Cannon
<b>Explanation:</b>	Finance/Audit Committee Meeting: March 9, 2022
<b>Strategic Plan Elements:</b>	Strategic Themes: <ul style="list-style-type: none"><li>• Exceptional Customer Service</li><li>• Shaping Our Future</li></ul> Objectives: <ul style="list-style-type: none"><li>• Exceeding customer expectations</li><li>• Embracing change to ensure organizational alignment and efficiency</li></ul> Core Values: <ul style="list-style-type: none"><li>• Exceed customers' expectations</li><li>• Support the community</li><li>• Deliver reliable services</li></ul>
<b>Previous Board Actions:</b>	N/A
<b>Fiscal Note:</b>	N/A
<b>Recommended Action(s):</b>	Approval of minutes as presented or amended

GREENVILLE UTILITIES COMMISSION  
FINANCE/AUDIT COMMITTEE  
GREENVILLE, NORTH CAROLINA  
March 9, 2022

The Finance/Audit Committee of the Greenville Utilities Commission met on Wednesday, March 9, 2022, at 12 noon in the Board Room with the following members and others present.

Committee Members Present:

Peter Geiger, Committee Chair  
Minnie Anderson, Committee Vice-Chair  
Lindsey Griffin  
Ferrell L. Blount III

Tommy Stoughton, Board Chair, also attended.

GUC Staff Present:

Tony Cannon, General Manager/CEO	Jonathan Britt
Chris Padgett	Amanda Wall
Phil Dixon	Molly Ortiz
Jeff McCauley	Lou Norris
Amy Wade	
Steve Hawley	

Committee Chair Geiger called the meeting to order at 12 noon and Ms. Anderson ascertained that a quorum was present.

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

Safety Brief

Tony Cannon, General Manager/CEO, provided a safety brief and explained the plan of action should there be an emergency at today's meeting.

APPROVAL OF MINUTES (Agenda Item 1)

A motion was made by Ms. Anderson, seconded by Mr. Griffin, to approve the October 14, 2021, Finance/Audit Committee minutes as presented. The motion carried unanimously.

## END-OF-YEAR FORECAST/DRAFT REVENUE AND EXPENDITURES PROPOSAL FOR UPCOMING YEAR (Agenda Item 2)

Mr. Cannon's presentation focused on end-of-year performance for FY 2021-22, and the key elements of the proposed FY 2022-23. These areas include current status, capital investment, five-year capital plans, rate models, and the long-term financial forecast. A memorandum and supplemental materials were provided in the agenda packet.

A highlight of the supplemental items includes:

- End-of-year Projections for FY 2021-22 (current year)
- FY 2022-23 Forecast developed last year
- Proposed FY 2022-23 Budget
- FY 2023-27 Financial Forecasts
- FY 2023-27 Capital Improvement Plan

Key metrics, such as fund balance and debt service ratios, were included in the materials.

### End-of-Year Projections

Mr. Cannon shared that due to the continual rise in natural gas prices through the fiscal year, staff will be proposing a recommendation for the Board of Commissioners to amend the FY 2021-22 gas fund budget in order to remain in budgetary compliance. This budget amendment will be presented at the March Board meeting.

The current budget adopted for FY 2021-22 provided appropriations of \$12.7M in capital outlay improvements, more than \$75.7M in operations, and transfers of \$5.5M to the capital project fund. The FY 2021-22 original budget was 1.8% less than the previous year's budget and provided funding for operating and capital infrastructure improvements while maintaining competitive rates.

Total adjustments of \$5.8M to the original budget are due to a \$5.8M increase in revenues as well as a \$5.8M increase in expenditures. The increased expenditures are from increased purchased gas costs and transfers to capital projects.

In reviewing the end-of-year forecast, the financial viability of each fund is considered to ensure that GUC is positioned to meet its mission and future financial obligations. ***Key Performance Indicators such as debt-service coverage ratios, fund balances, and days cash on hand are primary components of the review.*** These factors are also monitored by the NC Local Government Commission (LGC) and credit rating agencies in determining GUC's ability to borrow funds at a favorable interest rate.

GUC's current credit ratings are Aa1 with Moody's and AA- with Fitch. These high ratings enable GUC to borrow funds at lower interest rates, thereby lowering the cost of borrowing for necessary investments in infrastructure to maintain our systems.

- **End-of-Year Projection for Electric Fund After Transfers**  
 Revenues for the Electric Fund are projected to end the year slightly less than budgeted. It is anticipated the Electric Fund will end the fiscal year with \$173K in fund equity, a debt-service coverage ratio of 4.55x, and a fund balance of 19.8%, or \$36.1M.
- **End-of-Year Projection for Water Fund After Transfers**  
 It is projected that the Water Fund will end the fiscal year with approximately \$176K in fund equity, a debt-service coverage ratio of 4.29x, and a fund balance of 22.5%, or \$5.5M.
- **End-of-Year Projection for Sewer Fund After Transfers**  
 It is projected that the Sewer Fund will end the fiscal year with approximately \$147K in fund equity, a debt-service coverage ratio of 1.71x, and a fund balance of 26.3%, or \$6.5M.
- **End-of-Year Projection for Gas Fund After Transfers**  
 It is projected that the Gas Fund will end the fiscal year with \$2K in fund equity, a debt-service coverage ratio of 1.75x, and a fund balance of 34.3%, or \$13.8M.
- **End-of-Year Projection for the Combined Enterprise Operation After Transfers**  
 The combined funds are expected to realize revenues of approximately \$271M, an increase of \$5.8M, or 2.2%, from the original budget. Expenditures are projected to total approximately \$261M, a \$2.6M, or 1.0%, increase from the original budget. The combined funds' revenues, after \$9.4M in transfers, are projected to end the year \$497K higher than expenditures.

### **Proposed FY 2022-23 Budget**

Mr. Cannon reported on the drivers and goals of each of the four funds and the highlights of the FY 2022-23 proposed budget are listed below.

- Expenditures budgeted for FY 2022-23 have increased by 3.1%, or \$8.1M, when compared to the FY 2021-22 budget. Key points are:

  - \$6.8M increase in operations
  - \$482K decrease in purchased power
  - \$1.9M increase in capital outlay
  - \$1.6M increase in purchased gas
  - \$584K decrease in debt service
  - \$350K decrease in transfers to capital projects
  - \$650K decrease in transfers to rate stabilization
- No rate adjustment for the Electric Fund
- 3.1% rate increase for the Water Fund, a 3.5% reduction from last year's forecast
- No rate adjustment for the Sewer Fund
- 2.7% rate increase for the Gas Fund, a 2.7% increase from last year's forecast
- Funding for a 4.5% employee merit/market adjustment
- Funding for a 5% contribution to employee 401(k) plans

- Funding for a 3% increase in salaries as the result of upcoming pay study
- Continuation of a self-insured health insurance plan which includes a high deductible Health Savings Account option
- Continuation of self-insured dental insurance plan
- Funding to hire replacements prior to the retirement of key personnel to facilitate succession planning, leverage the knowledge and experience of long-term employees for training on critical issues and ensure smooth transitions
- Eight new permanent positions and one new part-time intern position to address workload
- Continuation of investment in the Greenville ENC Alliance to promote economic development in our region
- Transfer to Other Post-Employment Benefits (OPEB) of \$500K
- Transfer of \$150K to City's housing energy conservation program
- Investment of \$14.6M for capital outlay to maintain system reliability and comply with regulatory requirements
- Annual turnover or transfer of \$7.0M to the City of Greenville in accordance with the Charter issued by the North Carolina General Assembly

Additional components of the budget include:

- Water and Sewer System Development Fees-Increase 55% of calculated maximum allowable fees
- Bethel Water Monthly Surcharge-Increase to \$15.50, up 8% or \$1.14 over initial surcharge
- Proposed revisions for line extension to GUC Utility Regulations Electric Service Guidelines
- Proposed revisions for line extension to Part A – Terms and Conditions for Electric Service
- Proposed revisions for line extension to Part B – Terms and Conditions of Gas Services
- Proposed revisions for line extension to Part C – Terms and Conditions of Water and/or Sewer Service
- Electric Rate Stabilization Reserves via Rate Stabilization Fund(s)
- Electric Rate Design Modifications (area and street lighting)
- LED Streetlight Conversion: Currently in year 4 of 4-year conversion plan
- Water Rate Design Modifications
- Gas Rate Stabilization Reserves via Rate Stabilization Fund(s)

### **Long-term Financial Forecast**

Mr. Cannon reviewed the long-term financial forecast that included the five-year plan through FY 2026-27.

In summary, Mr. Cannon added that the proposed FY 2022-23 is a balanced budget and he asked for the Finance/Audit Committee to endorse the end-of-year projections and the proposed preliminary budget.

Following discussion, a motion was made by Mr. Griffin, seconded by Ms. Anderson for the Finance/Audit Committee to endorse the full Board to move forward with appropriate actions related to the current end-of-year fiscal forecast and the proposed preliminary FY 2022-23 budget as presented. The motion carried unanimously.

RECOMMENDATION TO AWARD AUDITING SERVICES CONTRACT (Agenda Item 3)

Mr. Jeff McCauley, Chief Financial Officer, stated in accordance with GUC's Charter, a single auditing firm is used to perform the City's and GUC's audit. The costs associated with the audit are based on hours expended for each organization. In 2015, a five-year engagement contract for auditing services was awarded to Cherry Bekaert, LLP, but subject to approval of a contract on an annual basis.

In 2020, the City and Commission staff recommended extending the audit engagement with Cherry Bekaert, LLP for an additional three-year term; fiscal years ending June 30, 2020, 2021, and 2022.

Last year's audit fee for the Commission was \$41,000. The proposed audit fee for fiscal year ending 2022 is \$52,000, which is approximately a 27% increase from the previous year. The fee increase reflects the hourly rate increasing from approximately \$100 hour to \$130 hour to enable the firm to retain professional staffing associated with the audit engagement.

After discussion, a motion was made by Mr. Griffin, seconded by Ms. Anderson, to approve executing the fiscal year 2022 auditing services contract with Cherry Bekaert, LLP in the amount of \$52,000 and recommend similar action be taken by the full Board. The motion passed unanimously.

ADJOURNMENT

With no further business to conduct, Committee Chair Geiger adjourned the meeting at 1:21 p.m.

Respectfully submitted,

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Amy Carson Wade  
Executive Secretary



# Agenda Item # 2

Meeting Date: October 24, 2022

<b>Board Committee:</b>	Finance/Audit Committee
<b>Item:</b>	Annual Review of Investment Policy
<b>Contact:</b>	Jeff McCauley
<b>Explanation:</b>	<p>It is the policy of GUC to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of GUC and conforming to all state and local statutes governing the investment of public funds. To that end, GUC's Investment Policy requires that a review of the investment policy be conducted on an annual basis by the Finance/Audit Committee.</p>
<b>Strategic Plan Elements:</b>	<p>Strategic Themes:</p> <ul style="list-style-type: none"><li>• Exceptional Customer Service</li><li>• Safety, Reliability &amp; Value</li><li>• Shaping Our Future</li></ul> <p>Objectives:</p> <ul style="list-style-type: none"><li>• Providing competitive rates, while maintaining the financial stability of the utility</li><li>• Exceeding customer expectations</li></ul> <p>Core Values:</p> <ul style="list-style-type: none"><li>• Exceed Customers' Expectations</li><li>• Act with Integrity</li><li>• Value Employees</li><li>• Support the Community</li></ul>
<b>Previous Board Actions:</b>	<p>October 14, 2021 – The Investment Policy was reviewed and all updates that were suggested to remain in conformance as outlined by the Association of Public Treasurers of the United States and Canada were approved by the Finance/Audit Committee.</p>
<b>Fiscal Note:</b>	N/A
<b>Recommended Action(s):</b>	Review of Investment Policy

**GREENVILLE UTILITIES COMMISSION**  
**INVESTMENT POLICY**

**I. POLICY**

It is the policy of Greenville Utilities Commission to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of Greenville Utilities Commission and conforming to all state and local statutes governing the investment of public funds.

**II. SCOPE**

These investment policies apply to all cash-related assets included within the scope of the Commission's audited financial statements and held directly by the Commission. These funds are accounted for in the Commission's Comprehensive Annual Financial Report and include:

1. Operating Fund
2. Capital Projects Fund
3. Capital Reserve Fund
4. Rate Stabilization Fund

Funds of the Commission will be invested in compliance with the provision of North Carolina General Statutes 159-30.

Deposits into trustee held funds including proceeds from debt financings and investments into the Other Post-Employment Benefits Trust Fund (OPEB) are excluded from the scope of this policy.

**III. OBJECTIVES**

The Commission's investment objectives, in priority order are:

**Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Greenville Utilities Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the total portfolio.

**Liquidity:** The Director of Financial Services shall assure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable and debt service.

Market Yield: The Commission's investment strategy utilizes a passive approach and is the basis used to determine whether market yield is being achieved. The investment portfolio shall be designed with the objective of regularly exceeding the average return on 90-day U.S. Treasury Bills.

\*The 90-day T bill is considered a benchmark for risk-free investment transactions and therefore represents a minimum standard for the portfolio's rate of return.

#### **IV. PRUDENCE**

Investments shall be made with judgement and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise, in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be received.

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, the investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

\*This is a realistic standard of knowledge and professional expertise to expect from a reasonably well-informed person who will be responsible for managing the Commission's investments.

#### **V. RESPONSIBILITY**

The authority for investing the funds of Greenville Utilities Commission lies with the Chief Financial Officer and the Director of Financial Services. The primary authority is the Chief Financial Officer. Management responsibility for the investment program is delegated to the Director of Financial Services who shall serve in the capacity of Investment Officer and be responsible for all transactions undertaken and shall establish a system of controls to regulate investment activity and appropriate procedures in the absence of the Chief Financial Officer. The Director of Financial Services is charged with the day-to-day operations of the Commission's investment portfolio, including the placement of purchase and sell orders with dealers and financial institutions and the preparation of reports as required.

The Director of Financial Services shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should reference safekeeping, wire transfer agreements, banking service contracts, collateral/depository agreements and selection of appropriate investments. Investment procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Financial Services.

## VI. INVESTMENT DIVERSIFICATION

Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, purchasing from sound and different financial institutions and brokers to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

The funds of the Commission may be invested in the following instruments, as allowed by North Carolina General Statutes 159-30, in the following percentages that are listed in Table 1. If applicable, the table also defines other restrictions to reduce risk in the Commission's portfolio.

**TABLE 1**

<b>INSTRUMENT</b>	<b>MAXIMUM % OF PORTFOLIO</b>	<b>Other Restrictions</b>
U.S. TREASURY OBLIGATIONS (BILLS, NOTES, BONDS)	100%	None
U.S. GOVERNMENT AGENCY SECURITIES ALLOWED BY STATE STATUTES	100%	No more than 50% of the Commission's total portfolio may be invested in any one agency
NORTH CAROLINA CAPITAL MANAGEMENT TRUST (LOCAL GOVERNMENT POOL)	100%	None
MONEY MARKET ACCOUNTS	100%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
CERTIFICATES OF DEPOSIT (BANKS AND SAVINGS AND LOAN ASSOCIATIONS)	70%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
BANKER'S ACCEPTANCES (BA'S)	45%	No more than 25% of the Commission's total portfolio may be invested in any one entity
COMMERCIAL PAPER (CP)	50%	No more than 25% of the Commission's total portfolio may be invested in any one entity
STATE OF NORTH CAROLINA AND LOCAL GOVERNMENT SECURITIES WITH AAA RATING OR BETTER	20%	None

With respect to those instruments that are allowed under the state statutes the following have been omitted from this list and will not be purchased unless this investment policy is amended to include those instruments. They are:

- Repurchase agreements
- Commingled investment pool established by G.S. 160-A-464
- Participating shares in a mutual fund for local government
- Evidences of ownership of future interest and principal payments of direct obligations of the U.S. government

Relative safety and liquidity of each investment type determine the appropriate percentage of the portfolio. Investments are arranged approximately by level of risk, with the safest investments first. State and local government securities with a AAA rating are low risk but also low interest.

## **VII. DIVERSIFICATION BY MATURITY**

Recognizing the Commission's need for funds is not constant, the Director of Financial Services shall schedule investments in coordination with all funds such that there is as little idle cash as practical. Investments shall be limited to maturities not exceeding five years. Maturities should be selected in consideration of the Commission's cash flow requirements.

Investments in Treasuries, Agencies and Instrumentalities may be purchased with maturities exceeding 3 years. All others (with maturities greater than 3 years) are prohibited without the expressed approval of the Commission Board.

Length of Maturity is calculated to be the number of days from the date of the purchase of the investment to the maturity date of the investment.

## **VIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

Before the Commission invests any surplus funds in secondary market investments, competitive bids shall be obtained. Records will be kept of the bids offered, the bids accepted, and a brief explanation of the decision made.

## **IX. QUALIFIED INSTITUTIONS**

The Commission shall maintain a listing of all authorized dealers and financial institutions which are approved for investment purposes. Written procedures and criteria for selection of financial institutions will be established by the Director of Financial Services. Any firm is eligible to apply to provide investment services to the Commission and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made by the Director of Financial Services. Firms performing investment services for the Commission shall provide their most recent financial statements upon request.

## **X. INVESTMENT POOLS / MUTUAL FUNDS**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The following information should be available to the Investment Officer:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

## **XI. SAFEKEEPING AND COLLATERALIZATION**

In accordance with state statutes, the Governing Board shall designate as its official depositories one or more banks, or trust companies in North Carolina. The amount of funds on deposit shall be secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in a sufficient amount to protect the Commission.

Investment securities purchased by the Commission shall be delivered by either book entry or physical delivery and held in third party safekeeping by a bank designated as primary agent. The trust department of the bank designated as primary agent may be a third party for the purposes of safekeeping of securities purchased from that bank. The purchase and sale of all securities will

be on a payment versus delivery basis. The primary agent shall issue a safekeeping receipt to the Investment Officer listing the specific instrument, rate, maturity, and other pertinent information.

Deposit-type securities (i.e. certificates of deposit, money market accounts, and checking accounts) shall be 100% collateralized as required by North Carolina General Statutes.

## **XII. ACCOUNTING METHOD**

Investments will be recorded at cost. Realized gains or losses from investments will be credited or charged to interest income at the time of maturity or sale. For instruments purchased at a price greater than par or less than par and not sold, the purchase price premium or discount will be accounted for in accordance with generally accepted accounting principles (GAAP). Investments will be reported annually at market value.

## **XIII. REPORTING REQUIREMENTS**

The Chief Financial Officer and/or Director of Financial Services shall submit an Annual Statement of Investment Policy to the Commission, noting compliance with Commission policies. This statement shall be filed no later than August 31 of each year.

The General Manager/CEO and appropriate Finance Department staff will review the Investment Policy with the Finance/Audit Committee annually by no later than October 31 of each year.

The Chief Financial Officer and/or Director of Financial Services shall provide the Commission with a monthly investment report, which will provide, at a minimum, the following information:

- CUSIP Number
- Issuer or Broker/Dealer (Financial Institution)
- Type of Investment
- Effective Yield
- Purchase Date
- Maturity Date
- Cost
- Par Value
- Where Held (Safekeeping)

The monthly investment report shall include all investments held in the Commission's portfolio as of the end of the month and shall be issued with the monthly financial report. Market values shall be reported semi-annually.

Any investment that does not meet policy guidelines due to Board adopted changes will be temporarily exempted for a period not to exceed six months. Investments must come in

conformance with the policy within six months of the policy's adoption or the Board must be presented with a plan through which investments will come into conformance.

If a violation does occur, the Chief Financial Officer and/or the Director of Financial Services shall report such violation in a timely manner to the General Manager/CEO along with a plan to address the violation. The violation and plan will then be reported to the Board.

#### **XIV. INTERNAL CONTROLS**

The Director of Financial Services shall maintain a system of written internal controls, which shall be reviewed by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

#### **XV. ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager/CEO any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Commission. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the public.

#### **XVI. POLICY REVIEW AND ADOPTION**

This investment policy may be reviewed by the Board of Commissioners of Greenville Utilities Commission at their pleasure and amended and adopted at any time.

Last Revised: November 18, 2021

## GLOSSARY

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES:** Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services

to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5700 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are back by the FHA, VA or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have

the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PORTFOLIO:** Collection of securities held by an investor.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule.

**TREASURY BILLS:** A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



# Agenda Item # 3

Meeting Date: October 24, 2022

<b>Board Committee:</b>	Finance/Audit Committee
<b>Item:</b>	Annual FY 2021-22 Audit Update
<b>Contact:</b>	Jeff McCauley
<b>Explanation:</b>	<p>The fiscal year-end audit has been progressing nicely. Staff has been providing the auditors with information in a timely manner. At this time the auditors have not made staff aware of any auditing issues and it is anticipated that the Commission will receive a clean audit opinion.</p> <p>Staff is on track to deliver the audited financial statements to the State Treasurer's Office by October 31, 2022. Presentation of the full audit report to the Board will be scheduled to occur in November.</p> <p>Based on Generally Accepted Accounting Principles (GAAP) the Commission generated \$24.0 million in net income for fiscal year-ended June 30, 2022. A presentation on the status of the audit will be provided at the Finance/Audit Committee meeting.</p>
<b>Strategic Plan Elements:</b>	<p>Strategic Themes:</p> <ul style="list-style-type: none"><li>• Exceptional Customer Service</li><li>• Safety, Reliability &amp; Value</li><li>• Shaping Our Future</li></ul> <p>Objectives:</p> <ul style="list-style-type: none"><li>• Providing competitive rates, while maintaining the financial stability of the utility</li><li>• Exceeding customer expectations</li></ul> <p>Core Values:</p> <ul style="list-style-type: none"><li>• Exceed Customers' Expectations</li><li>• Act with Integrity</li><li>• Value Employees</li></ul>
<b>Previous Board Actions:</b>	Approved Audit Contract in March 2022
<b>Fiscal Note:</b>	N/A

**Recommended  
Action(s):**

N/A



# Agenda Item # 4

Meeting Date: October 24, 2022

<b>Board Committee:</b>	<b>Finance/Audit Committee</b>
<b>Item:</b>	LNG Plant Expansion Master Plan Update
<b>Contact:</b>	Anthony Miller
<b>Explanation:</b>	<p>To continue safely providing reliable natural gas service at the lowest reasonable cost, GUC has been exploring and evaluating options for increasing our natural gas supply and peak shaving opportunities.</p> <p>Staff's presentation will provide a brief history of GUC's LNG Facility and its benefits, review the challenges facing our system and provide a recommendation on how to address these issues.</p>
<b>Strategic Plan Elements:</b>	<p>Strategic Themes:</p> <ul style="list-style-type: none"><li>• Exceptional Customer Service</li><li>• Safety, Reliability &amp; Value</li><li>• Shaping Our Future</li></ul> <p>Objectives:</p> <ul style="list-style-type: none"><li>• Safely providing reliable and innovative utility solutions</li></ul> <p>Core Values:</p> <ul style="list-style-type: none"><li>• Exceeding the expectations of our customers</li><li>• Deliver reliable services of the highest quality</li><li>• Prioritize safety</li></ul>
<b>Previous Board Actions:</b>	<ul style="list-style-type: none"><li>• June 11, 2015 – Adoption of GCP-92</li><li>• May 23, 2022 – Budget amended</li></ul>
<b>Fiscal Note:</b>	Estimated project cost for completion of first phase of expansion (site infrastructure and two storage tanks) is \$15,000,000.
<b>Recommended Action(s):</b>	<p>Recommend to the Board of Commissioners:</p> <ul style="list-style-type: none"><li>• Increase the budget for GCP92 LNG Facility Expansion from \$8,000,000 to \$15,000,000.</li><li>• Authorize General Manager/CEO to execute a contract amendment with New Energy Development Company, the Design/Builder for Phase 1 Expansion of the LNG Peak Shaving Facility, to include a</li></ul>

Guaranteed Maximum Price for an amount not to exceed  
\$14,800,000.

- Recommendation to be presented to the full Board in January 2023