

GREENVILLE UTILITIES COMMISSION  
FINANCE/AUDIT COMMITTEE  
GREENVILLE, NORTH CAROLINA  
April 7, 2020

The Finance/Audit Committee of the Greenville Utilities Commission held a telephonic meeting on Tuesday, April 7, 2020, at 9:30 a.m. with the following members and others present via conference call, and Committee Chair Parker Overton presiding.

Committee Members Present:

Parker Overton, Committee Chair  
Tommy Stoughton, Committee Vice-Chair  
Minnie Anderson  
Peter Geiger

Other Board Members Present:

Joel Butler  
Kelly Darden  
Lindsey Griffin

GUC Staff Present:

Tony Cannon, General Manager/CEO	Jonathan Britt
Chris Padgett	Molly Ortiz
Phil Dixon	Amanda Wall
Jeff McCauley	Lou Norris
Keith Jones	
Roger Jones	
John Worrell	
Richie Shreves	
Amy Wade	
Steve Hawley	

Others present included Rick Smiley, City Liaison.

Committee Chair Overton called the meeting to order at 9:30 a.m. Ms. Amy Wade, Executive Secretary, called the roll and ascertained that a quorum was present.

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

APPROVAL OF MINUTES (Agenda Item 1)

A motion was made by Ms. Anderson, seconded by Mr. Geiger, to approve the March 9, 2020, Finance/Audit Committee minutes as presented. The motion carried unanimously.

UPDATE ON END-OF-YEAR FORECAST/DRAFT REVENUE AND EXPENDITURE PROPOSAL FOR UPCOMING YEAR (Agenda Item 2)

Mr. Tony Cannon, General Manager/CEO, stated that adjustments have been made to the end-of-year fiscal forecast and the preliminary revenue and expenditures proposal for FY 2020-21 in response to COVID-19.

**End-of-Year Projections**

COVID-19 end-of-year projection adjustments for FY 2019-20 since the March 9, 2020, Finance/Audit Committee Meeting are as follows:

- Reduced Electric & Gas final quarter small general service and medium general service/Commercial load projections by 10%
- Reduced Interest Income projection from \$1.8M to \$1.5M (\$300k)
- Reduced Electric and Water Reconnect Fee projections from \$694k to \$496k (\$198k)
- Increased Bad Debt Expense projection from \$642k to \$750k (\$108k)

The current budget adopted for FY 2019-20 provided appropriations of \$11.4M in capital outlay improvements, more than \$69.8M in operations, and transfers of \$8.25M to the capital project fund. The FY 2019-20 original budget was 3.0% higher than the previous year's budget and provided funding for operating and capital infrastructure improvements while maintaining competitive rates. Total adjustments of \$3M to the original budget are due to a \$3M increase in revenues as well as a \$3M increase in expenditures. The increased expenditures are from increased purchased power costs, capital outlay, and transfers to rate stabilization.

- **End-of-Year Projection for Electric Fund After Transfers**  
Revenues for the Electric Fund are projected to end the year higher than budgeted, as higher volumes of kWh were delivered to customers due to weather and overall system growth. It is anticipated the Electric Fund will end the fiscal year with \$50K in fund equity, a debt-service coverage ratio of 3.62x, and a fund balance of 16.3%, or \$29.7M.
- **End-of-Year Projection for Water Fund After Transfers**  
It is projected that the Water Fund will end the fiscal year with approximately \$15K in fund equity, a debt-service coverage ratio of 4.82x, and a fund balance of 15.2%, or \$3.6M.
- **End-of-Year Projection for Sewer Fund After Transfers**  
It is projected that the Sewer Fund will end the fiscal year with approximately \$15K in fund equity, a debt-service coverage ratio of 1.88x, and a fund balance of 22.9%, or \$5.7M.
- **End-of-Year Projection for Gas Fund After Transfers**  
It is projected that the Gas Fund will end the fiscal year with \$20K in fund equity, a debt-service coverage ratio of 4.25x, and a fund balance of 36.7%, or \$12.1M.

- **End-of-Year Projection for the Combined Enterprise Operation After Transfers**  
The combined funds are expected to realize revenues of approximately \$264M, an increase of \$3.0M, or 1.17%, over the original budget. Expenditures are projected to total approximately \$264M, a \$2.9M, or 1.13%, increase over the original budget. The combined funds' revenues (after \$8.9M in transfers) are projected to end the year \$100K higher than expenditures.

### **Proposed FY 2020-21 Budget**

COVID-19 proposed FY 2020-21 budget adjustments since the March 9, 2020, Finance/Audit Committee Meeting are as follows:

- Deferred the proposed 6.8% Water rate increase
- Revised Residential customer growth rate for FY21 to 0% for all funds
- Revised Commercial customer growth rate for FY21 to -2% for Electric and Gas
- Revised Commercial customer growth rate for FY21 to -1% for Water and Sewer
- Removed 2% market adjustment
- Revised 1.5% merit increase to 2.0%
- Reduced Interest Income revenue from \$1.35M to \$750k (\$600k)
- Reduced Electric and Water Reconnect Fee revenues from \$708k to \$375k (\$333k)
- Increased Bad Debt Expense from \$374k to \$450k (\$76k)

Highlights of the FY 2020-21 proposed budget are listed below:

- Expenditures budgeted for FY 2020-21 have increased by 3.7%, or \$9.7M, when compared to the FY 2019-20 budget. Key points are:
  - \$3.6M increase in operations
  - \$2.8M increase in purchased power
  - \$2.6M increase in capital outlay
  - \$2.0M decrease in purchased gas
  - \$1.9M increase in debt service
  - \$3.9M increase in transfers to capital projects
  - \$250K decrease in transfers to rate stabilization
- No rate adjustment for the Electric Fund
- No rate adjustment for the Water Fund, 6.9% less than projected last year
- No rate adjustment for the Sewer Fund
- No rate adjustment for the Gas Fund
- Funding for the employee merit program at 2.0%
- 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

- Three part-time positions converted to permanent positions to appropriately respond to needs within the combined enterprise operation
- Seven permanent positions have been added to provide contracted professional services to the Greenville ENC Alliance
- Transfer to Other Post-Employment Benefits (OPEB) of \$500K
- Funding for the increase in the Local Government Employees Retirement System (LGERS) required employer contribution from 8.95% to 10.15% - \$373K
- Transfer of \$150K to City's housing energy conservation program
- Investment of \$14.0M for capital outlay to maintain system reliability and comply with regulatory requirements
- Annual turnover or transfer of \$6.4M to the City of Greenville in accordance with the Charter issued by the North Carolina General Assembly

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

Mr. Cannon reviewed the long-term financial forecast that included the five-year plan through FY 2024-25. COVID-19 proposed long-term financial forecast adjustments since the March 9, 2020, Finance/Audit Committee Meeting are as follows:

- Year 1 reductions in customer growth connections and load carry through each fiscal year
- Increased Electric Rate Stabilization Fund utilization by \$3.8M
- Added a 1.4% Electric Residential rate increase in FY23
- Reduced the Electric Residential rate increase in FY24 from 3.6% to 3.2%
- Increased the FY22 Water Residential rate increase from 6.4% to 7.0%
- Added Water Residential rate increases of 6.7% and 3.1% to FY23 and FY24, respectively

In summary, Mr. Cannon stated that the proposed FY 2020-21 budget is balanced and asked for the Finance/Audit Committee to endorse the end-of-year projections and the proposed preliminary budget. Following discussion, it was the consensus of the Finance/Audit Committee to move forward with appropriate actions related to the current end-of-year fiscal forecast and preparation of the proposed preliminary FY 2020-2021 budget as presented.

### **PREVIEW OF APRIL 16, 2020 AGENDA ITEMS (Agenda Item 3)**

Mr. Chris Padgett, Chief Administrative Officer, stated that consideration of an agreement with the Town of Bethel regarding the management and maintenance of their water and sanitary sewer systems will be presented at an upcoming Board Meeting. Mr. Padgett stated that a management and maintenance agreement will allow GUC to manage the water and sanitary sewer systems and allow GUC's Water Resources crews to do an assessment of the sanitary sewer system using grant funds the town has received for that purpose. A list of prioritized projects will be developed and provided to the state to secure funding.

Mr. Padgett also provided an update on the consideration of a furniture contract for the new operations center. The new site has 142,000 square feet of finished floor space located within three buildings and will be home to over 330 GUC employees. The following areas would need

to be furnished: offices, cubicles, conference rooms, copy rooms, storage, lobbies, crew areas, break rooms, medical clinic, etc.

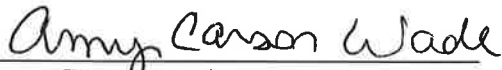
Knoll was selected as the primary product that best met GUC's needs, and CBI, a preferred Knoll dealer, was selected as the vendor. GUC will receive discounts approximately 8.5% below the state contract pricing due to volume. In addition, local subcontractors will handle installation. The furniture budget was established at \$2.0M. The furniture contract will be below budget.

Mr. Cannon stated that it is the recommendation of the City and GUC to cancel the Joint Pay and Benefits Committee meeting and the Joint Board and City Council Meeting previously scheduled in April. The Board will make a motion to cancel these meetings at the April 16, 2020 Board meeting.

#### ADJOURNMENT

A motion was made by Mr. Stoughton, seconded by Mr. Geiger, to adjourn the meeting. The motion carried unanimously, and the Finance/Audit Committee meeting adjourned at 10:22 a.m.

Respectfully submitted,

  
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Amy Carson Wade  
Executive Secretary