

GREENVILLE UTILITIES COMMISSION
FINANCE/AUDIT COMMITTEE
GREENVILLE, NORTH CAROLINA
March 6, 2024

The Finance/Audit Committee of the Greenville Utilities Commission met on Wednesday, March 6, 2024, at 12 noon in the Board Room with the following members and others present.

Committee Members Present:

Lindsey Griffin, Committee Chair
Ferrell L. Blount III, Committee Vice-Chair
Tommy Stoughton
Dillon Godley

GUC Staff Present:

Tony Cannon, General Manager/CEO	Amy Wade
Chris Padgett	Maria Johnson
Phil Dixon	Jonathan Britt
Jeff McCauley	Amanda Wall
John Worrell	Molly Ortiz
Anthony Miller	Paige Wallace
David Springer	Jessica Hardy
Steve Hawley	

Others Present:

Peter Geiger, Commissioner
Mark Garner, Commissioner

Committee Chair Griffin called the meeting to order at 12:00 noon and Mr. Blount ascertained that a quorum was present.

A motion was made by Mr. Griffin, seconded by Mr. Blount, 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 Mr. Blount seconded by Mr. Stoughton, to approve the October 24, 2023, 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 financial projections for FY 2023-24 and the proposed budget for FY 2024-25. 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.

- End-of-year Projections for FY 2023-24 (current year)
- Proposed FY 2024-25 Budget
- FY 2025-29 Financial Forecasts
- FY 2025-29 Capital Improvement Plan

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

End-of-Year Projections

Mr. Cannon stated that the current budget adopted for FY 2023-24 provided appropriations of \$16.9M in capital outlay improvements, more than \$87.4M in operations, and transfers of \$2.2M to the capital projects fund. The FY 2023-24 original budget was 2.3% more than the previous year’s budget and provided funding for operating and capital infrastructure improvements while maintaining competitive rates.

Total adjustments of \$8.6M to the original budget are due to a reduction in Rates & Charges and the Transfer from Rate Stabilization as well as reduced Purchased Commodity costs.

In reviewing the end-of-year projection, 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.

Proposed FY 2024-25 Budget

- Expenditures budgeted for FY 2024-25 have increased by 2.3%, or \$6.6M, when compared to the FY 2023-24 budget. Key points are:
 - \$6.7M increase in operations
 - \$3.9M increase in purchased power
 - \$300K decrease in capital outlay
 - \$7.5M decrease in purchased gas
 - \$1.5M increase in debt service
 - \$1.4M increase in City turnover
 - \$400K increase in transfers to capital projects
 - \$900K increase in transfers to rate stabilization fund
 - 3.8% base rate increase for the Electric Fund, a 0.5% increase from last year’s forecast

- 0.0% rate increase for the Water Fund, a 3.0% reduction from last year's forecast
- 5.1% rate increase for the Sewer Fund, a 1.4% increase from last year's forecast
- 0.0% rate increase for the Gas Fund, a 5.3% decrease from last year's forecast

Across-the Board 5% Miscellaneous Fee Increases:

- Electric: Outdoor lighting, temporary service, underground residential & commercial service installations
- Water: Tap, temporary service, and meter testing
- Sewer: Tap and system development fees (per Analysis phase-in plan)
- Gas: Cut-on gas service, delivery pressure change, tap, and additional service line footage
- Customer Service Fees: Cut-on/set-up/transfer service, meter read, restore accounts, and theft and trouble calls

Key provisions in Proposed FY 2024-25 Budget

- Funding for a 3.5% employee merit/market adjustment
- 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
- One new permanent 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 Energy Efficiency Partnership
- Investment of \$16.6M for capital outlay to maintain system reliability and comply with regulatory requirements
- Annual turnover or transfer of \$8.7M 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 2025-29.

In summary, Mr. Cannon added that the proposed FY 2024-25 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 there was a consensus from the Finance/Audit Committee members to endorse to the full Board to move forward with appropriate actions related to the current end-of-year fiscal forecast and the proposed preliminary FY 2024-25 budget as presented.

RECOMMENDATION TO AWARD AUDITING SERVICES CONTRACT (Agenda Item 3)

Mr. Jeff McCauley, Chief Financial Officer, introduced Controller, Ms. Amanda Wall to share information on auditing services. Ms. Wall stated that in accordance with the Commission's charter, a single auditing firm must be used to perform the City's and the Commission's financial statement audits. Costs associated with the audits are based on the number of hours expended for each organization's audit engagement.

In 2015, a five-year (fiscal years 2015–2019) engagement contract for auditing services was awarded to Cherry Bekaert, LLP, subject to the approval of a contract on an annual basis. Subsequently, after the five-year initial contract period ended, the City and Commission staff recommended extending the audit engagement with Cherry Bekaert, LLP each year for an additional four years (fiscal years 2020–2023).

After the close of fiscal year 2023, the City and Commission desired to reassess whether they were receiving the most value for the auditing services being provided in this post-COVID financial climate; the decision was made to issue a Request for Proposals (RFP) for auditing services.

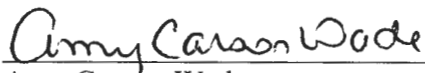
On January 23, 2024, an RFP for auditing services was issued requesting proposals for a five-year engagement. The City and Commission staff evaluated the responses received separately, then met together to go over the assessments. The City and Commission staff are in agreement on requesting to negotiate another five-year engagement contract with Cherry Bekaert, LLP in the amount of \$59,415.00 for auditing services, subject to approval of a contract on an annual basis.

After discussion, a motion was made by Mr. Griffin, seconded by Mr. Godley, it is with the consensus of the committee to concur with staff to recommend to the full Board to proceed with executing the fiscal year 2024 auditing services contract with Cherry Bekaert, LLP. The motion passed unanimously.

ADJOURNMENT

With no further business to conduct, Committee Chair Griffin adjourned the meeting at 1:26 p.m.

Respectfully submitted,



Amy Carson Wade
Executive Secretary