

MID-CAROLINA ELECTRIC COOPERATIVE, INC.
LEXINGTON, SOUTH CAROLINA
MINUTES OF THE REGULAR BUDGET PRESENTATION MEETING
OF BOARD OF TRUSTEES

October 21, 2020

CALL TO ORDER: Marvin W. Sox, President/Chairman
(2:00 p.m.) Clifford B. Shealy, Vice-President/Vice-Chairman
Donette B. Kirkland, Secretary
J. Allan Risinger, Treasurer
J. Carey Bedenbaugh, Jr.
Eddie C. Best, Jr. (via Zoom)
Kenneth V. Frick
Alan R. Lunsford

STAFF PRESENT: B. Robert "Bob" Paulling, President and CEO
Theresa D. Crepes, VP, Finance & Accounting
Robert A. "Bobby" Wilbur, VP, Operations
Lee H. Ayers, VP, Engineering
Troy A. Simpson, VP, Member Services
Keith D. Sturkie, VP, Information Technology
Vicki E. Ross-Bell, Administrative Services Manager

INVOCATION: Bob Paulling

PLEDGE OF ALLEGIANCE

2021 BUDGET PRESENTATION: Chairman Sox called the meeting to order, and advised the Board will need to vote on a budget for 2021 during the meeting on November 24, 2020. He then called on Mr. Paulling for his presentation. Mr. Paulling thanked the Staff for their input on the proposed budget. He then reviewed and discussed the Cooperative's Key Initiatives for 2018-2020, which include Rates, Economic Development, Member Engagement, Workforce Development and Energy and Technology Innovation. All of this is a prelude to the Board's Strategic Planning session next week on October 29-30, 2020.

Mr. Paulling reported the proposed budget is based upon several major financial strategies: The Cooperative's TIER will remain at 1.50 in 2021. Mr. Paulling discussed TIER and how it affects the margins that are paid back to the members through capital credits. The next major financial strategy is Modified Debt Service Coverage: CFC requires a minimum of 2 of 3 year average of 1.35, and the Cooperative is currently at 1.49. In 2021, the Cooperative will retire approximately \$3.2 million in Capital Credits, which includes \$180,000 for estate payouts. Mr. Paulling stated there will be a need for an estimated \$20 million loan draws in 2021, of which, half will be used for electric operations and the other half will be used for fiber installation. The Cooperative will pay about \$8.7 million in principal, so the net loan draw will be \$11.3, if needed.

Deferred Credits are projected to fluctuate from a low of \$1.0 million to a high of \$2.8 million and end the year at \$2.4 million. Equity is projected to decrease in 2021 to 22.10%. Mr. Paulling reviewed the capital credit retirement schedule. In 2021, the proposed plan is to pay out the remaining balance of \$921,728 from 2009, \$578,272 from 2010, \$1.5 million from 2020, and \$180,000 for estates in 2021, for a total retirement amount of \$3,180,000.

Mr. Paulling explained the details of the 2021 Labor and Benefits budget. The total number of employee positions budgeted in 2021 is 150 full-time positions (including six new full-time positions) and four part-time positions. He discussed the proposed six new full-time positions for next year, Corporate Communications Coordinator, Fiber Services System Technician, Fiber Services Coordinator, GIS Technician and two Line Technicians. The total amount budgeted for next year's payroll is \$11,155,035, which is an increase of \$214,447 (2.0%) from last year's budget. This budget includes an average adjustment of 2.5% effective October 1, 2021.

Mr. Paulling next reviewed the amounts budgeted for employee benefits. The total amount budgeted for medical insurance in the proposed budget is \$1,510,464, and the dental insurance total is \$176,511. He next reviewed a schedule showing the amounts budgeted for each employee benefit in 2021. The total amount budgeted for employee benefits (including payroll taxes) is \$6,710,538 (increase of 1.7%). Mr. Paulling stated the total labor and benefits budget in 2021 will be \$17,865,572 (increase of 1.9%). He then reviewed a schedule showing the amounts budgeted for each board member benefit in 2021.

Mr. Paulling then presented the Property Tax budget for 2021. He reviewed the millage schedule that showed the amount of property tax projected for each tax district within the Cooperative's service area. The total amount budgeted for property taxes in the proposed budget is \$6,743,436 (increase of 3.85%).

Mr. Paulling presented the proposed Transportation Costs for 2021. He explained that transportation costs are either expensed or capitalized throughout the budget based upon vehicle use. The total amount budgeted for transportation cost in the proposed budget is \$1,674,716 (increase of 1.77%).

Mr. Paulling then presented the proposed capitalized expenditures for distribution plant additions under the proposed new budget. The total amount budgeted for fiber construction and drops is \$12,124,000, and \$4,800,000 for new electric service extensions in 2021. Mr. Paulling also reviewed and explained the amounts budgeted for new transformers \$750,000, system improvements \$3,839,100, and substation improvements \$1,750,000. Mr. Paulling summarized that the total amount budgeted for all distribution plant additions will be \$22,513,100 (\$2,209,600 more than 2020).

Mr. Paulling called on each department head to explain their General Plant Additions in detail, to include the requested new position(s) in each department. The total general plant in 2021 would be \$2,690,900, of which, \$769,400 is a carryover from 2020.

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Mr. Paulling asked Mr. Wilbur to discuss a map of the Cooperative's service territory displaying the right-of-way rotation schedule by color. The Board discussed this schedule in detail. Mr. Paulling reviewed the pullout sheets showing the overall costs listed by each department in detail.

Mr. Paulling called on Mr. Simpson to discuss a list of donations to local organizations that is located in Department 400 - Member Service's budget. Mr. Simpson gave a detailed explanation of some line items. Mr. Paulling and Mr. Simpson answered several questions throughout the presentation.

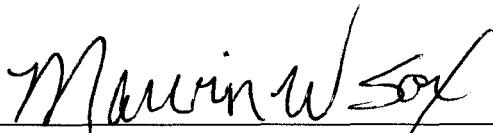
Chairman Sox thanked Mr. Paulling and the Staff for all of their work on the proposed budget. He then encouraged the Board Members to study the proposed budget documents, and direct any questions they may have on the budget to Mr. Paulling. Chairman Sox stated again that the intent is for the Board to approve a budget for 2021 at the November 24, 2020, meeting.

Mr. Frick made a motion to adjourn the meeting. Mr. Bedenbaugh seconded the motion. The meeting adjourned at 3:55 p.m.



Donette B. Kirkland, Secretary

Approval:



Marvin W. Sox, President/Chairman of the Board