

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

October 20, 2021

AGENDA ITEM # 1

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.
Kenneth E. Lindler
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

AGENDA ITEM # 2

2022 BUDGET PRESENTATION: Chairman Sox called the meeting to order, and advised the Board will need to vote on a budget for 2022 during the meeting on November 23, 2021. 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 Strategy Map.

Mr. Paulling reported the proposed budget is based upon several major financial strategies: The Cooperative's TIER will be set at 2.25 in 2022. 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 "MDSC": CFC requires a minimum of 2 of 3 year average of 1.35, and the budgeted MDSC is 1.64. In 2022, the Cooperative will retire approximately \$3.7 million in Capital Credits, which includes \$180,000 for estate payouts. Mr. Paulling stated there will be a need for an estimated \$12 million loan draws in 2022, of which, half will be used for electric operations and the other half will be used for fiber installation.

Deferred Credits are projected to fluctuate from a low of \$2.6 million to a high of \$3.9 million and end the year at \$3.9 million. Equity is projected to increase in 2022 to 25.57%. Mr. Paulling reviewed the capital credit retirement schedule. In 2022, the proposed plan is to pay out \$1,750,000 from 2010 and \$1,750,000 from 2021, as well as \$180,000 for estates in 2022, for a total retirement amount of \$3,680,000.

Mr. Paulling explained the details of the 2022 Labor and Benefits budget. The total number of employee positions budgeted in 2022 is 156 full-time positions (including two new full-time positions) and four part-time positions. He discussed the proposed two new full-time positions for next year, a Network Engineer and an Electrical Engineer. Mr. Ayers also discussed the need for these positions. The total amount budgeted for next year's payroll is \$12,482,421, which is an increase of \$1,229,386 (10.9%) from last year's budget. This budget includes an average adjustment of 4% effective October 1, 2022.

Mr. Paulling next reviewed the amounts budgeted for employee benefits. The total amount budgeted for medical insurance in the proposed budget is \$1,708,130, and the dental insurance total is \$193,602. He next reviewed a schedule showing the amounts budgeted for each employee benefit in 2022. The total amount budgeted for employee benefits (including payroll taxes) is \$7,561,725 (increase of 12.7%). Mr. Paulling stated the total labor and benefits budget in 2022 will be \$20,044,146 (increase of 11.6%). He then reviewed a schedule showing the amounts budgeted for each board member benefit in 2022 (decrease of 14.3%).

Mr. Paulling then presented the Property Tax budget for 2022. 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 \$6,599,346 (decrease of 2.1%).

Mr. Paulling presented the proposed Transportation Costs for 2022. 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 \$1,771,313 (increase of 5.8%).

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 2022. Mr. Ayers answered questions about the fiber construction budget. Mr. Paulling also reviewed and explained the amounts budgeted for system improvements \$4,258,250, and substation improvements \$1,750,000. He summarized that the total amount budgeted for all distribution plant additions will be \$22,932,250 (\$419,150 more than 2021).

Mr. Paulling called on each department head to explain their General Plant Additions in detail. The total general plant in 2022 would be \$2,403,980 (\$286,920 less than 2021). 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 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 all line items. Mr. Paulling and Mr. Simpson answered several questions throughout the presentation.

Mr. Paulling reviewed the pullout sheets showing the overall costs listed by each department in detail. 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. There will also be a follow-up budget discussion at the Board Meeting on October 27, 2021. Chairman Sox stated again that the intent is for the Board to approve a budget for 2022 at the November 23, 2021, meeting.

AGENDA ITEM # 3

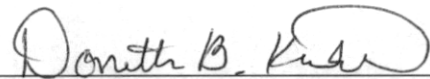
NEW BUSINESS: Chairman Sox called for any new business. There was no new business to come before the meeting at this time. A motion was made by Mr. Bedenbaugh to enter into executive session. The motion was seconded by Mr. Lindler and unanimously passed.

AGENDA ITEM # 4

EXECUTIVE SESSION: There was no action taken during the executive session.

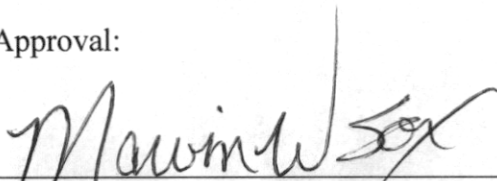
AGENDA ITEM # 5

ADJOURNMENT: There was no further business, and the meeting was adjourned at 4:20 p.m.



Donette B. Kirkland, Secretary

Approval:



Marvin W. Sox, President/Chairman of the Board