

MID-CAROLINA ELECTRIC COOPERATIVE, INC.
LEXINGTON, SOUTH CAROLINA
MINUTES OF THE REGULAR BUDGET PRESENTATION MEETING
OF BOARD OF TRUSTEES
October 19, 2022

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
Justin B. Watts

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
Steven Davidson, VP, Information Technology
Vicki E. Ross-Bell, Administrative Services Manager

INVOCATION: Bob Paulling

PLEDGE OF ALLEGIANCE

AGENDA ITEM # 2

2023 BUDGET PRESENTATION: Chairman Sox called the meeting to order, and advised the Board will need to vote on a budget for 2023 during the meeting on November 22, 2022. 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 Cultural Platform, which defines the purpose, mission, values and vision.

Mr. Paulling reported the proposed budget is based upon several major financial strategies: The Cooperative's TIER will be set at 2.25 in 2023. 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 1.70. In 2023, 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 \$7 million loan draws in 2023.

Deferred Credits are projected to fluctuate from a low of \$4 million to a high of \$6.9 million and end the year at \$5.4 million. Equity is projected to increase in 2023 to 26.7%. Mr. Paulling reviewed the capital credit retirement schedule. In 2023, the proposed plan is to pay out \$1,750,000 from 2010 and \$1,750,000 from 2022, as well as \$180,000 for estates in 2023, for a total retirement amount of \$3,680,000.

Mr. Paulling explained the details of the 2023 Labor and Benefits budget. The total number of employee positions budgeted in 2023 is 161 full-time positions (including three new full-time positions) and four part-time positions. He discussed the proposed three new full-time positions for next year, two Fiber Technicians and one Fiber Staking Technician. The total amount budgeted for next year's payroll is \$13,141,765, which is an increase of \$496,822 (3.9%) from last year's budget. This budget includes an average adjustment of 4% effective October 1, 2023.

Mr. Paulling next reviewed the amounts budgeted for employee benefits. The total amount budgeted for medical insurance in the proposed budget is \$1,769,906 and the dental insurance total is \$188,809. He next reviewed a schedule showing the amounts budgeted for each employee benefit in 2023. The total amount budgeted for employee benefits (including payroll taxes) is \$7,977,402 (increase of 5.5%). Mr. Paulling stated the total labor and benefits budget in 2023 will be \$21,119,168 (increase of 4.5%). He then reviewed a schedule showing the amounts budgeted for each board member benefit indicating no change in 2023.

Mr. Paulling then presented the Property Tax budget for 2023. 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 \$6,452,918 (decrease of 2.2%).

Mr. Paulling presented the proposed Transportation Costs for 2023. 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 \$1,872,032 (increase of 5.7%).

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 \$14,690,400, and \$4,800,000 for new electric service extensions in 2023. 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 \$25,498,650 (\$2,566,400 more than 2022).

Mr. Paulling called on each department head to explain their General Plant Additions in detail. The total general plant in 2023 would be \$2,316,920 (\$87,060 less than 2022). Mr. Paulling asked Mr. Wilbur to discuss a map of the Cooperative's service territory displaying the right-of-way and chemical side trimming 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. He then 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.

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 26, 2022. Chairman Sox stated again that the intent is for the Board to approve a budget for 2023 at the November 22, 2022, meeting.

AGENDA ITEM # 3

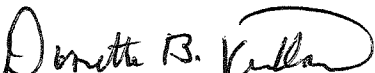
NEW BUSINESS: Chairman Sox called for any new business. There was no new business to come before the meeting at this time. A motion was made by Mr. Kirkland to enter into executive session. The motion was seconded by Mr. Watts and unanimously passed.

AGENDA ITEM # 4

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

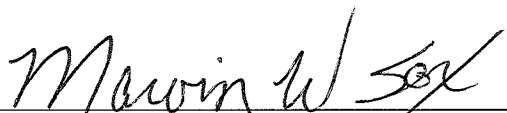
AGENDA ITEM # 5

ADJOURNMENT: There was no further business, and the meeting was adjourned at 4:15 p.m.



Donette B. Kirkland, Secretary

Approval:



Marvin W. Sox, President/Chairman of the Board