

Mayor

David Phillips

Mayor Pro Tem

Ed Samaha

Town Manager

Ryan Spitzer

**Town Council**Chris McDonough
Amelia Stinson-Wesley
Danielle Moore**Town Clerk**

Lisa Snyder

BUDGET MEETING #2
MARCH 7, 2024

The Town Council of the Town of Pineville, NC, met in a Budget Workshop on Thursday, March 7, 2024 @ 6:00 p.m. The meeting was held at the Town Hall Council Chambers.

ATTENDANCE

Mayor: David Phillips

Mayor Pro-Tem: Ed Samaha

Council Members: Amelia Stinson-Wesley, Chris McDonough, Danielle Moore

Town Manager: Ryan Spitzer

Town Clerk: Lisa Snyder

Finance Director: Chris Tucker

Electricities Director: David Lucore

Mayor David Phillips called the meeting to order at 6:00 pm. Chris Tucker, Finance Director, began the meeting by stating that the fund we'll be discussing tonight has different pressures than the General Fund. The Enterprise Funds are driven solely by the rates that we charge.

He reviewed the Statement of Net Position. This is the unrestricted net position of fund balance. We need to create more revenues in order to cover the expenditures of the electric fund, mainly an electric substation and electric operations.

The ILEC is the original boundaries when the Town bought the Telephone Company in 1937, the heart of the Town, the Incumbent Local Exchange Company. The CLEC we went to the Utilities Commission about eighteen years ago to go to all of our annexed borders, the outer area, including down Dorman Road, down Downs Road, aka Competitive Local Exchange Company.

Electricities Director David Lucore began his presentation with the recently conducted Cost of Service Study conducted for FY25. The results of that study showed that the large industrial class is being heavily subsidized by other rates. We are losing 25% every month. This is not unusual for industrial customers. A negative number is good, that means we are covering costs. A positive number is not good and means we're losing. Our total Cost of Service is \$13,085,560 to supply electricity to all of our customers, and our Projected Revenues are \$13,586,958, so we're covering our expenditures and making a little more for the positive side. However, what we are not doing is making enough revenues to build some fund balance for the capital projects that we have coming up.

The rate changes that were recommended by the consultant are in the OP20-2 and the recommendation is 8% each year for three years to bring us closer in line. The only businesses in OP20 are the Amazon facility and the Bakery. The remainder of the classes are a one-year increase. Council may choose to do the increase all at once or do it in increments. Mr. Lucore added that the rates for years 1, 2 and 3 for energy and demand charges are based on 8% per year for OP20.

Mr. Lucore shared a chart of how we compare with Duke Energy. With the 3% increase we are proposing, we are still offering a lower rate than Duke's rate. We do not know when they will raise their rates. We have not had a rate increase for several years. Mr. Lucore discussed the FY24 and FY25 Projections. FY25 Revenues and Expenditures look very good, but we may have to borrow in FY26. Non-operating Revenues in FY25 (\$18,500,000.00), just the debt, includes building an operations facility, in the amount of \$9,000,000, and the most expensive option for the substation. This is the worst-case scenario. On March 5th, the NCMPA voted for a 10% wholesale power rate decrease for everyone. We will see a 10% decrease and we will get \$2.3 million dollars as a capital infusion (rebate) in FY25. The rate reduction will take effect on July 1, 2024. This will be a savings of \$700,000 annually to the Town of Pineville. The reduction in power costs, along with the proposed increased electric rates, will bring the electric fund into a more favorable financial position.

The financial forecast for FY 24 through FY29 was reviewed. It was recommended to have one increase of 3% in FY25 and no more projected for several years. Town Manager Spitzer shared that there have been no increases in the rates in the last seven years. Mr. Lucore answered a question about recommended minimum days cash. The recommendation is that you keep 120 days of cash on hand in the event of an emergency. This is the base minimum. We currently do not have a policy. Other municipalities have their own policies on this.

Council will vote on this when they vote on the Fee Schedule. The next budget meeting will be on March 21st on Public Safety.

Council Member Stinson-Wesley moved to adjourn followed by a second made by Council Member Danielle Moore. All ayes.

ADJOURNMENT: At 7:40 p.m. the meeting adjourned.

David Phillips, Mayor

ATTEST:

Lisa Snyder, Town Clerk