



Greenville Utilities

Strategic Planning & Financial Benchmarking

A large oval graphic with a dark blue background and a white technical drawing overlay. The drawing includes various lines, circles, and text such as 'READING UNIT' and '111 100'. The word 'Blueprint' is written in large white letters across the center, with a vertical double-headed arrow to its right. Below it, 'GUC'S STRATEGIC PLAN' is written in smaller white letters.

Blueprint

GUC'S STRATEGIC PLAN

Why Develop a Strategic Plan?



“Enough with all the strategic planning. Get out there and kill something.”



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Why Develop a Strategic Plan?



Align the Organization to Mission, Vision & Strategy

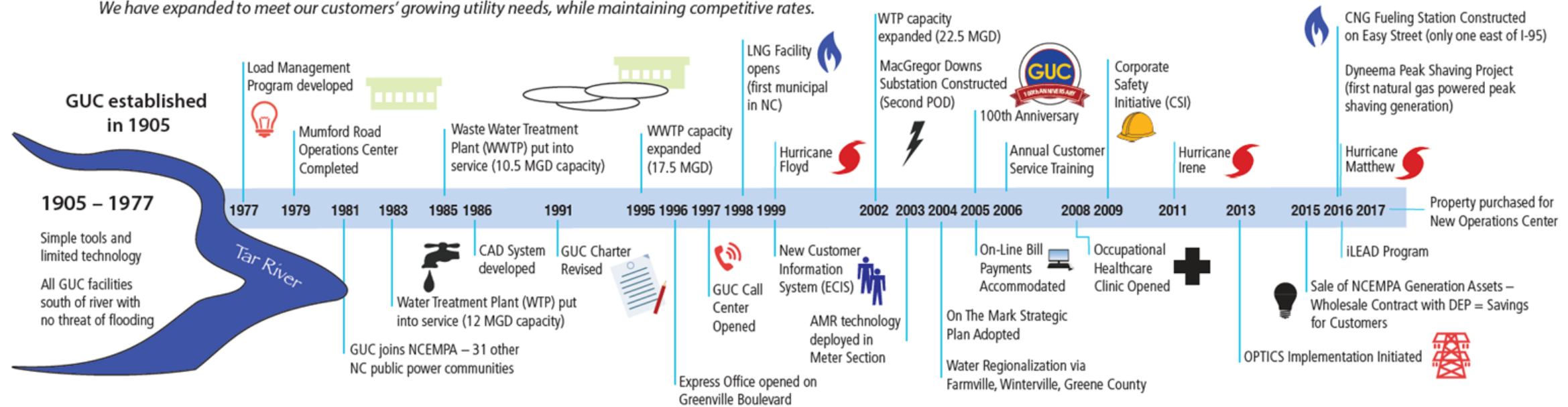
Strategic Plan Stakeholders 360 Degree View



Strategic Plan Provides Insight and a Historical Perspective

Greenville Utilities Commission: Major Milestones from 1977 – 2017

Since 1977, GUC has utilized new technologies to improve operational efficiency and safety.
We have expanded to meet our customers' growing utility needs, while maintaining competitive rates.



21st Century Strategic Management Process...



**Answers Both Strategic and Operational Questions:
 “Are we doing the right things, and are we doing them right?”**

GUC Strategic Plan

VISION

To provide safe, innovative, and sustainable utility solutions that serve as the foundation of growth for the Greenville region.

OBJECTIVES

- Providing competitive rates while maintaining the financial stability of the utility
- Exceeding customer expectations
- Safely providing reliable and innovative utility solutions

OBJECTIVES

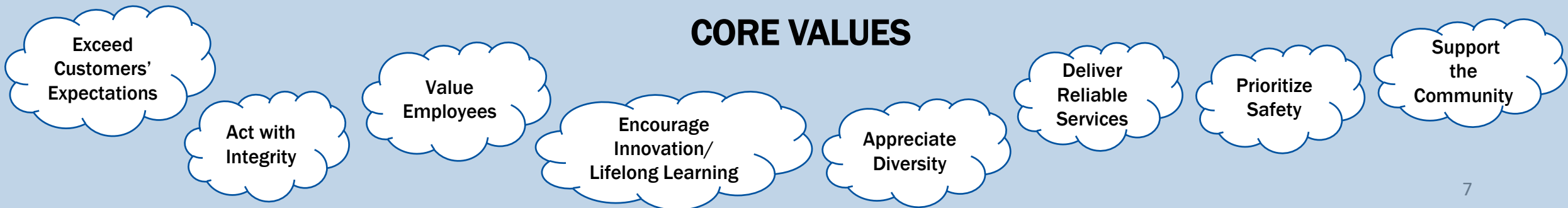
- Recruiting and retaining an exceptional, motivated, diverse, and agile workforce
- Developing and enhancing strategic partnerships
- Embracing change to ensure organizational alignment and efficiency



MISSION STATEMENT

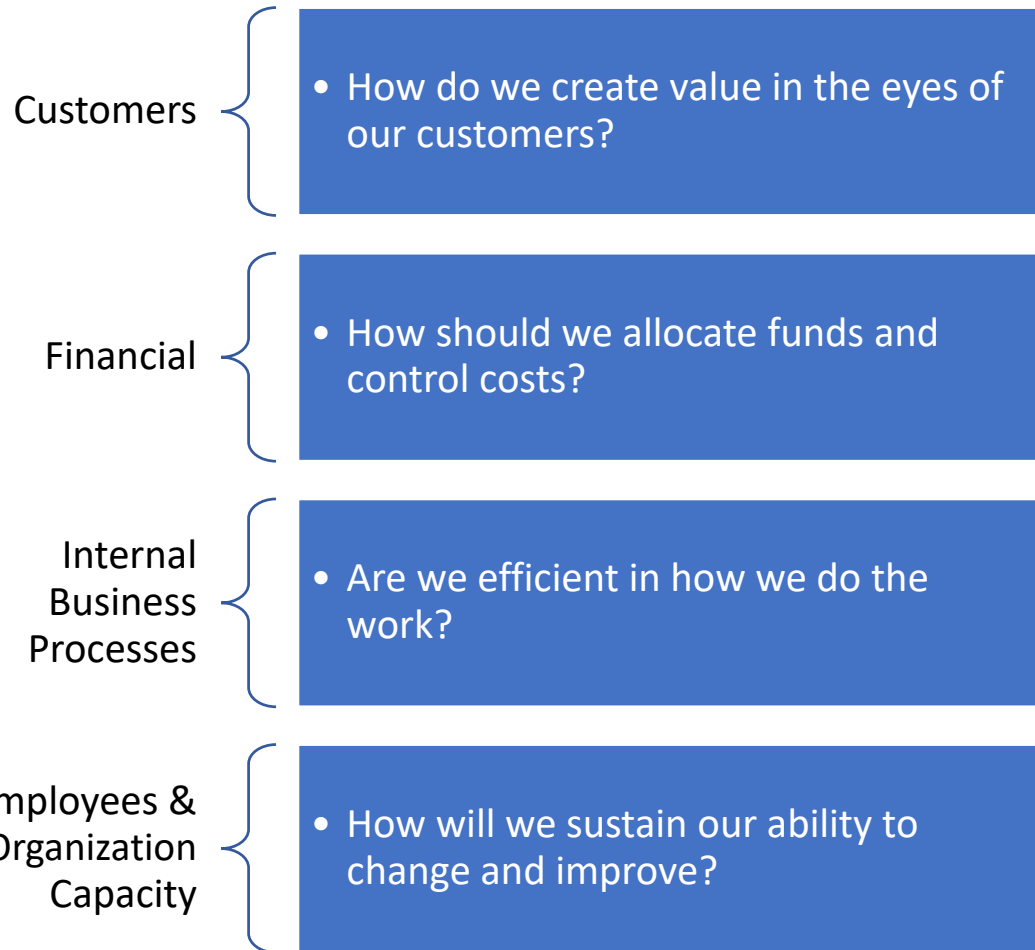
Greenville Utilities is dedicated to enhancing the quality of life for those we serve by safely providing reliable utility solutions at the lowest reasonable cost, with exceptional customer service in an environmentally responsible manner.

CORE VALUES



Aligning Objectives with Perspectives

Key Perspectives



Perspective \ Objective	Customers	Financial	Internal Business Processes	Employees & Organizational Capacity
1. Safely providing reliable and innovative utility solutions				
2. Exceeding customer expectations				
3. Providing competitive rates while maintaining the financial stability of the utility				
4. Recruiting and retaining an exceptional, motivated, diverse, and agile workforce				
5. Developing and enhancing strategic partnerships				
6. Embracing change to ensure organizational alignment and efficiency				

Aligning Objectives with Initiatives

Objective	Sample Initiatives
<p>1. Safely providing reliable and innovative utility solutions</p> <ul style="list-style-type: none"> • Excel at our core services • Safety is part of everything we do • Strive for 100% reliability • Explore new utility options including alternative energy sources • Pursue, support, and promote environmental stewardship 	<ul style="list-style-type: none"> • SafeAlign Program • System-Wide Advanced metering infrastructure • New Operations Center • Increase Capacity of Water Treatment Plant and Wastewater Treatment Plant
<p>2. Exceeding customer expectations</p> <ul style="list-style-type: none"> • Provide exceptional customer service • Increase communication and education • Maintain high level of service standards • Expand value added service 	<ul style="list-style-type: none"> • Enhance Bill Presentation • Pre-pay and Usage Alerts • Comprehensive Industrial Energy Audit Program • “Value of GUC” Communication Campaign • Provide Multiple Payment Channels
<p>3. Providing competitive rates while maintaining the financial stability of the utility</p> <ul style="list-style-type: none"> • Maintain financial integrity • Strategic asset management • Long-range planning • Pursue new revenue opportunities • Expand our customer base 	<ul style="list-style-type: none"> • Fully integrated analysis of system expansions and improvements • Rate model • Benchmark • Five-Year Financial Plans

Remind Governing Board and Public


















Agenda Item

Meeting Date: _____, 2019

Item:	Item Title here
Contact:	Contact Name here
Explanation:	Explanation here
Strategic Plan Elements:	Explain tie-in to Strategic Plan here
Previous Board Actions:	Previous Board Actions here
Fiscal Note:	Fiscal Note here
Recommended Action(s):	Recommended Actions here









Corporate KPI's

Customer

Indicator	Goal/Caution	Value	Status
Customer Satisfaction	80.00%	84.00%	
Billing Process Accuracy	99.800%	99.991%	
Install New Service (Electric)	3.00	1.03	
Install New Service (Gas)	15	8.66	
Install New Service (Water/Sewer)	6	5	
Duration of Interruptions - Electric (CAIDI)	82.00	63.16	
Duration of Interruptions - Electric (SAIDI)	65.00	27.82	
Interruptions in Service - Electric (SAIFI)	0.79	0.44	
Response Time to Unplanned Outages	30.00	28.39	
Response Time to Cut Gas Lines/Leaks	0:30:00	0:23:02	
Response Time to Water Leaks	1:00	0:50	
Typical Bill Comparison - Residential Electric	\$119	\$109	
Typical Bill Comparison - Residential Gas	\$77	\$91	
Typical Bill Comparison - Residential Water	\$36	\$34	
Typical Bill Comparison - Residential Sewer	\$47	\$45	








Corporate KPI's

Financial





Indicator	Goal/Caution	Value	Status
Overtime Costs	3%	8%	
Bond Rating	75	85	
Days Operating Cash on Hand	125	142	
Debt Service Coverage	1.75	3.31	
Fund Balance (Available for Appropriation)	16.0%	25.0%	
Net Margin	2.75%	6.57%	
Return on Assets	1.60%	3.17%	
Return on Equity	2.50%	5.04%	

Corporate KPI's

Internal Business Processes

Indicator	Goal/Caution	Value	Status
Connections per Employee	337	342	
Operating Cost per Customer	\$350	\$388	
System Losses - Electric	3.00%	2.91%	
System Losses - Gas	1.50%	-0.48%	
System Losses - Water (less than 13.5%)	13.5%	11.1%	
Disruption of Service- Water	6:00	1:30	
Miles Driven Without Preventable Vehicle Incident	1,000,000	337,230	

Employee & Organizational Capacity

Indicator	Goal/Caution	Value	Status
Hours Worked Without a Lost Workday Injury	3,000,000	2,011,552	
OSHA Recordable Incident Rate	1.00	1.43	
Capital Spending Ratio	120%	100%	
Degree of Asset Depreciation	50%	50%	

Safety Goals – KPI's

CSI: Goals

Corporate Safety Initiative Safety is a part of everything we do – every day.

2,011,552

consecutive hours without a lost workday incident.
Goal: 3,000,000

41,429

consecutive hours without an OSHA Recordable incident.
Goal: 300,000

362,997

miles driven without a preventable vehicle incident.
Goal: 1,000,000

427

annual Lighthouse observations.
Goal: 3,360



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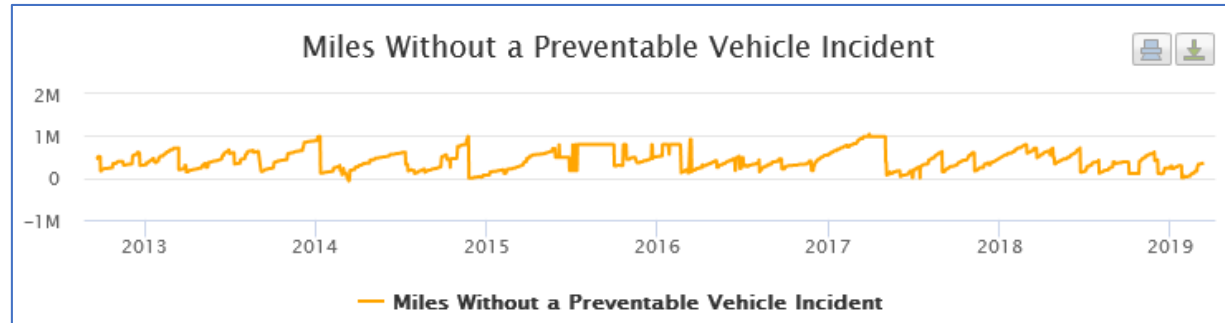
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427

annual Lighthouse observations.
Goal: 3,360



Combined Funds - Key Performance Indicators

	15-16 Actual	16-17 Actual	17-18 Actual	18-19 Budget	18-19 Projected
Debt Service Coverage <i>(1x coverage required)</i>	3.83x	3.18x	3.36x	2.63x	2.48x
LGC Fund Balance	21.2%	21.6%	21.1%	22.0%	21.7%
Days Cash on Hand	141	134	134	131	132

Investment in Infrastructure

- **Degree of Asset Depreciation**
 - Measures the age of the system (the closer to 100%, the older the system)
 - 50% GUC Combined Utilities
 - 50% of our system has reached the end of its depreciable life



Value: 50% Goal: 50% Warning: 51%



Investment in Infrastructure

- **Capital Spending Ratio**
 - Measures investment in capital assets compared to depreciation
 - 100% GUC Combined Utilities
 - For each \$1.00 of depreciation we are investing \$1.00



Value: 100% Goal: 120% Warning: 105%



Bond Rating



Bond Rating

The Bond Rating is an annual outcome measure for GUC. It monitors the credit worthiness of GUC's debt issues.

Value: 85 Goal: 75 Warning: 70



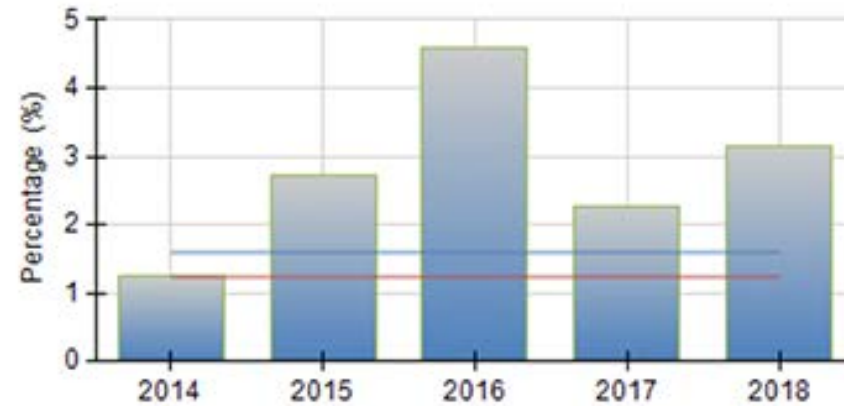
Return on Assets



Return on Assets

Return on Assets measures the overall financial performance of GUC as compared against GUC's total assets.

Value: 3.17% **Goal:** 1.60% **Warning:** 1.25%



Return on assets = net income less contributions divided by total assets

Return on Equity



Return on Equity

Return on Equity measures the overall financial performance of GUC as compared against GUC's net assets.

Value: 5.04% **Goal:** 2.50% **Warning:** 2.25%



Return on equity = net income less contributions divided by the amount of equity (net assets) at the beginning of the year

Net Margin



Net Margin

Net Margin is an annual outcome measure of overall GUC profitability.

Value: 6.57% **Goal:** 2.75% **Warning:** 2.50%



Net Margin = net income less capital contributions divided by operating revenues

Debt Service Coverage



Debt Service Coverage

Debt Service Coverage is an annual measure used to monitor the overall financial performance of the Utilities. It measures the ratio of operating revenues versus debt service. The minimum levels are 1.0 for all debt and 1.25 for parity. The target levels are set in the Reserve Policy at 1.25 for all and 1.75 for parity.

Value: 3.31 Goal: 1.75 Warning: 1.00



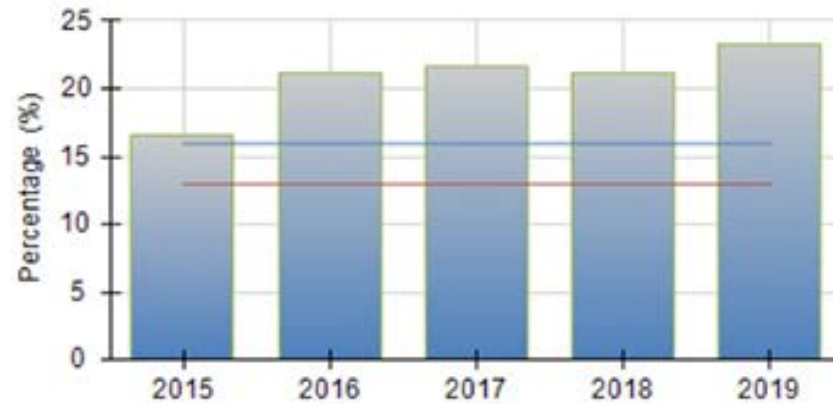
Fund Balance



Fund Balance (Available for Appropriation)

The Fund Balance is a percentage of the money available for appropriation and is measured and reported on a monthly basis to monitor the financial health of the Utilities. The lower and upper ranges are set by the Reserve Policy and are 13% and 30% respectively. LGC currently recommends greater than 8%.

Value: 23.2% **Goal:** 16.0% **Warning:** 13.0%



Days Operating Cash on Hand



Days Operating Cash on Hand

The Days Cash on Hand is measured and reported on a monthly basis to monitor the cash flow and liquidity of the Utilities. The lower and upper ranges are set by the Reserve Policy and are 110 days and 125 days respectively. Benchmark for Days Cash on Hand based on the Financial Reserves Policy adopted by the Board in November 2009 and amended in 2015, which is supported by "Moody's U.S. Public Finance."

Value: 145 Goal: 125 Warning: 110



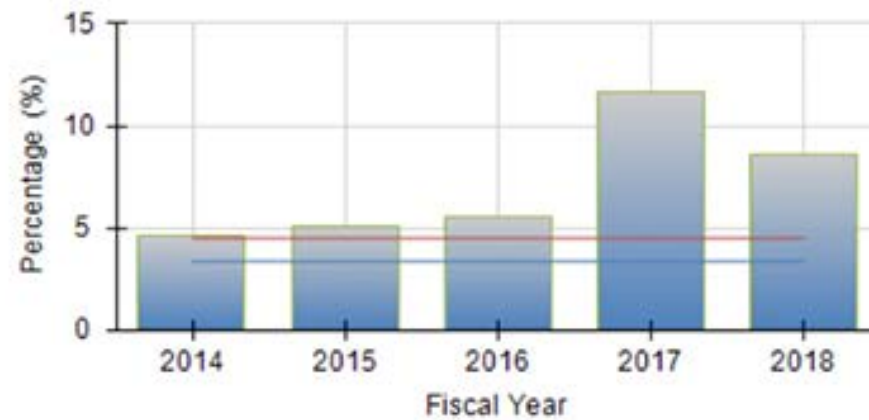
Overtime Costs



Overtime Costs

Overtime Costs is a percentage of the total labor cost of overtime worked at GUC as compared to the total labor cost for the same time period.

Value: 9% **Goal: 3%** **Warning: 5%**

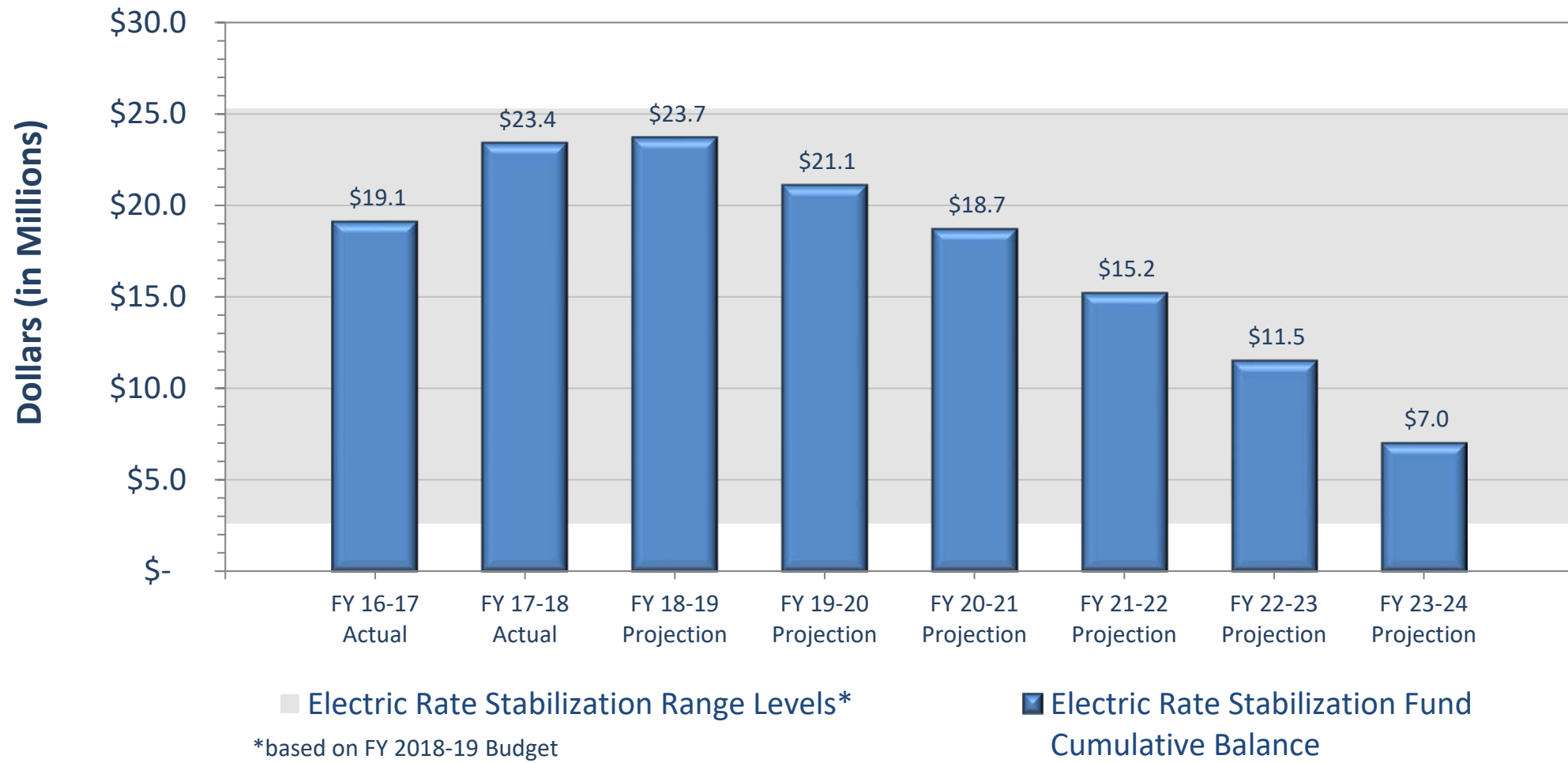


Rate Stabilization Reserves via Rate Stabilization Fund(s)

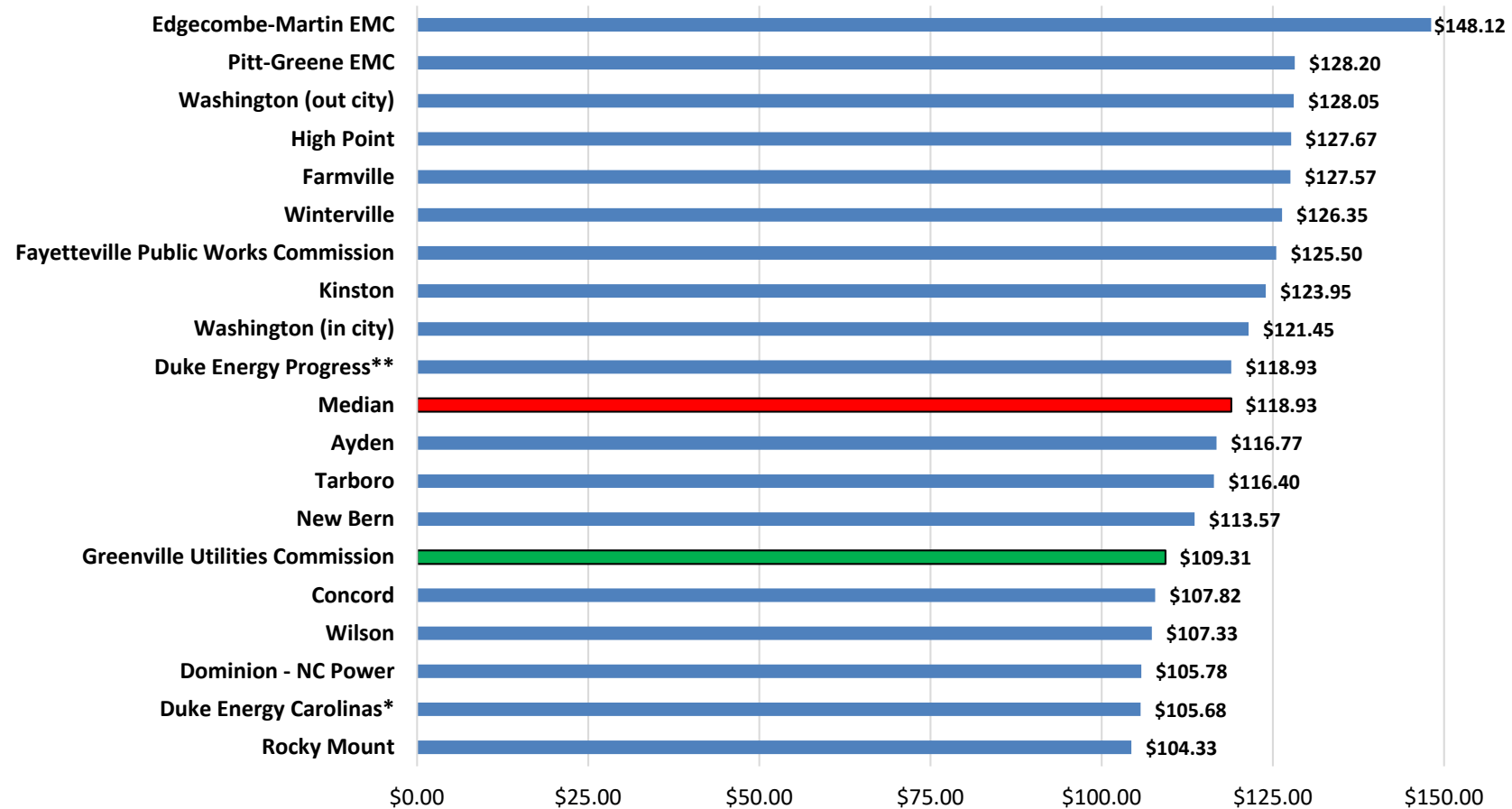
- Maintain competitiveness and rate stability by mitigating cost increases otherwise passed along to the customers
- Accommodate updated rate model for electric utility. Provides future flexibility.
- Establish rate stabilization reserve fund(s) as needed

Guidelines		Electric Fund
Minimum	1.5% of Rates and Charges	\$2,600,000
Maximum	15% of Rates and Charges	\$25,300,000

Electric Rate Stabilization Fund Cumulative Balance



Electric: *Typical Residential Customer using 1,000 kWh with LM Credits*



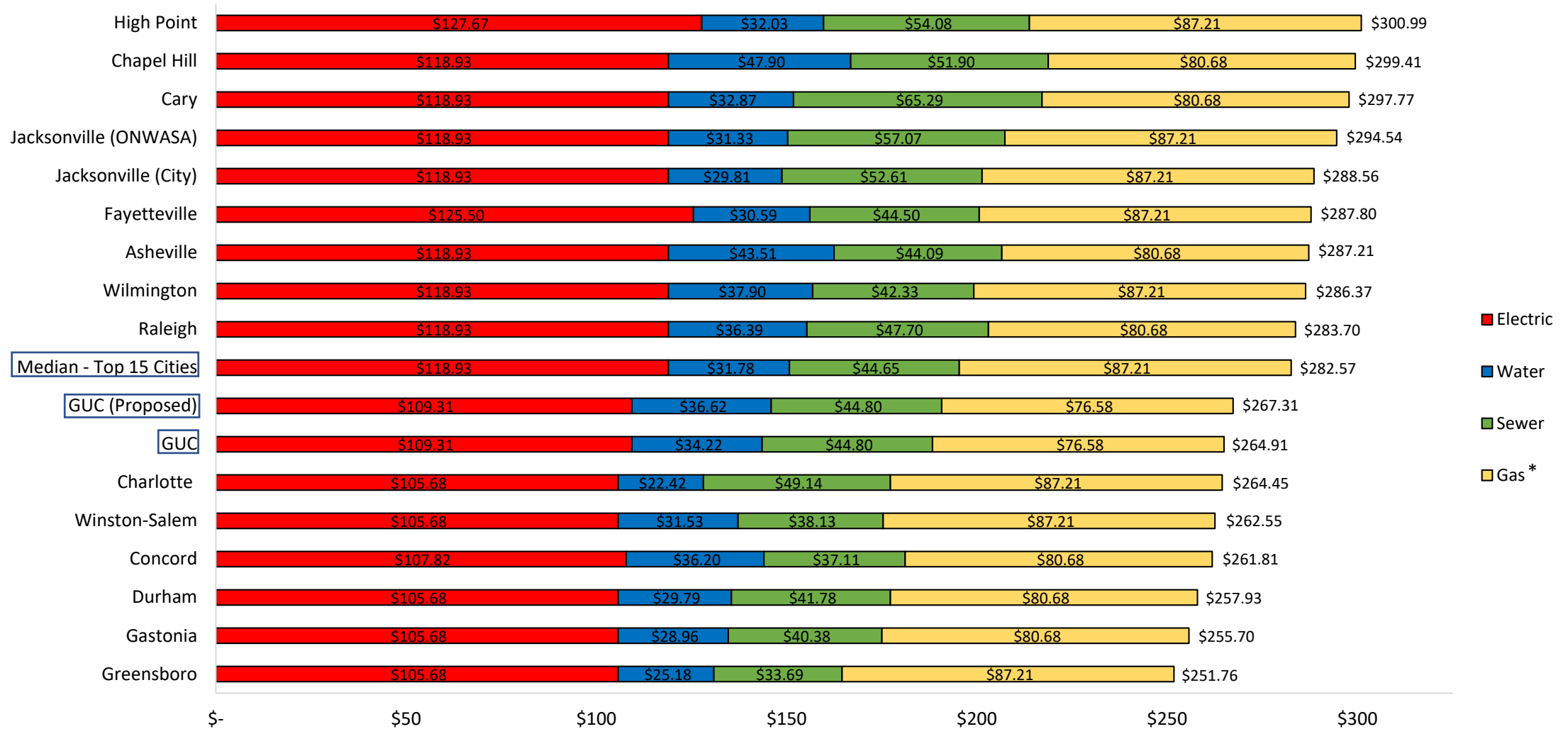
Monthly bill for residential customers based on an average of 1,000 kWh/month with Load Management

Compilation of rates January 2019

*Duke Energy Carolinas includes Charlotte, Durham, Greensboro, Winston-Salem

**Duke Energy Progress includes Asheville, Cary, Raleigh, Wilmington

Residential Bill Comparison - Top 15 North Carolina Cities



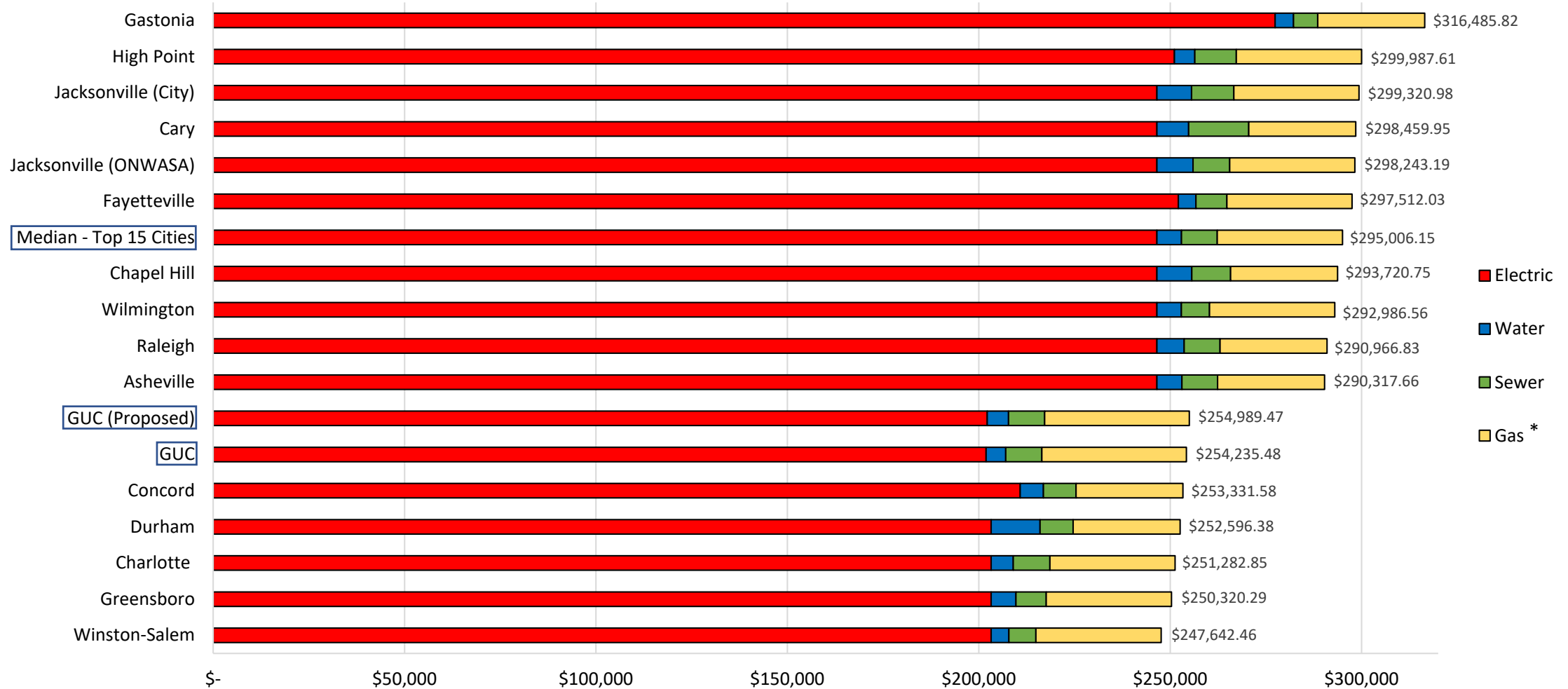
Monthly residential customer bill using typical consumption assumptions of 1,000 kWh/month with Load Management for Electric, 6,000 gallons/month for Water & Sewer, and 66 CCF/month for Gas

Based on rates effective 1-1-2019

*GUC gas bills use proposed April 2019 PGA

Median is the sum of the four utilities' medians, not the median of the combined totals

Pharmaceutical/Manufacturing Companies - Bill Comparison - Top 15 North Carolina Cities



Monthly customer bill for pharmaceutical and manufacturing companies using average actual consumption assumptions of 3,049,508 kWh/month with 65% Load Factor for Electric (LGS-CP rates excluding Generator Credits & Excess Facilities Charges), 1,508.4 kGallons/month for Water & Sewer (4" Meter In-City rates), and 48,355.6 CCF/month for Gas (Industrial rates)

Based on rates effective 1-1-2019

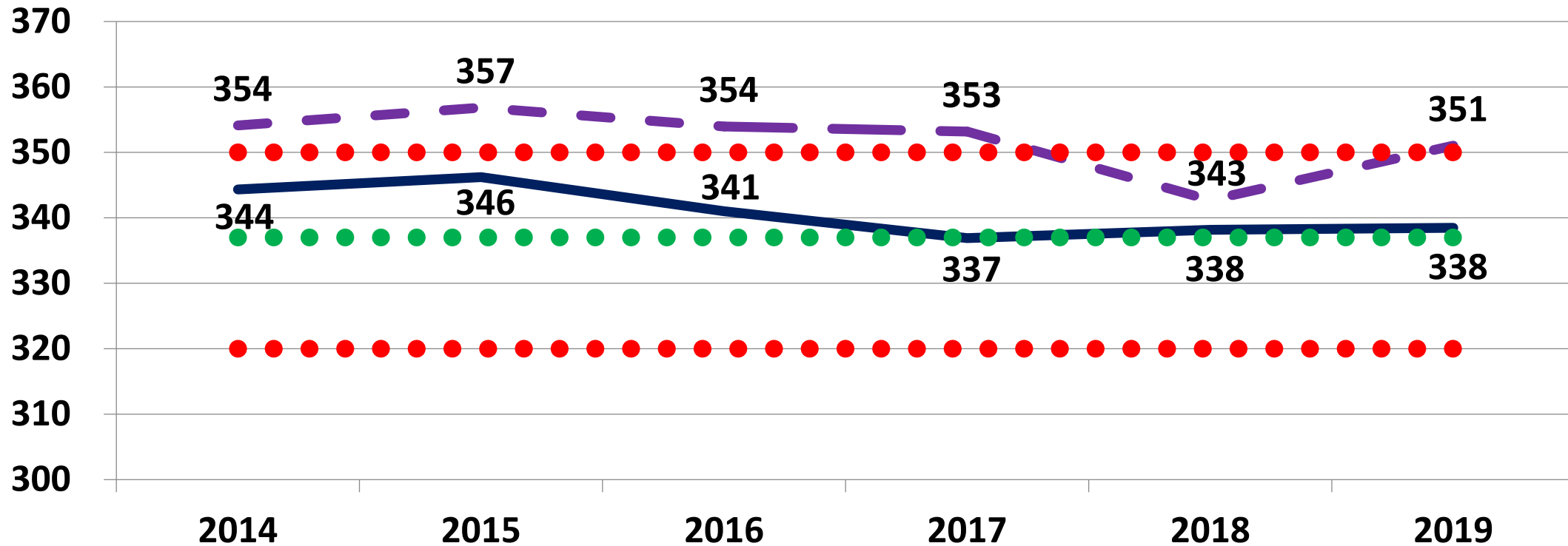
*GUC gas bills use proposed April 2019 PGA

Analysis based on FY 2018 usage data for four large Pitt County pharmaceutical/manufacturing companies

Median is the sum of the four utilities' medians, not the median of the combined totals

Connections Per Employee

- Connections/Employee for Allocated Positions
- Connections/Employee for Actual FTEs
- Upper Limit: 350
- Target: 337
- Lower Limit: 320



Combined Funds - Long-term Financial Forecast

	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
Budgeted Revenue	\$ 254,672,596	\$ 262,520,134	\$ 266,358,462	\$ 267,909,801	\$ 270,140,153
Transfer from Capital Projects	2,745,539	382,185	-	-	-
Transfer from Rate Stabilization	2,600,000	2,950,000	3,600,000	3,800,000	4,800,000
Bond Proceeds	-	-	-	467,255	-
Budgeted Expenditures	(229,733,740)	(235,794,709)	(237,165,150)	(239,128,298)	(241,109,379)
Debt Service	(12,916,475)	(15,021,806)	(15,458,391)	(15,950,693)	(15,475,791)
City Turnover	(6,639,369)	(6,772,157)	(6,907,599)	(7,045,751)	(7,186,666)
Transfer to Rate Stabilization	(250,000)	-	-	-	-
Transfer to Capital Projects	(7,950,000)	(7,400,000)	(9,300,000)	(8,600,000)	(9,575,000)
Transfer to Designated Reserve	-	-	-	-	-
Projected Surplus (Deficit)	\$ 2,528,551	\$ 863,647	\$ 1,127,322	\$ 1,452,314	\$ 1,593,317
Proposed Debt Issuance	\$ 81,360,000	\$ -	\$ 37,850,000	\$ -	\$ -
Projected Debt Coverage Ratio	2.81x	2.59x	2.7x	2.69x	2.71x
Projected Fund Balance	22.9%	22.2%	22.2%	22.6%	22.9%
Projected Days Cash on Hand	136	135	136	137	139
Projected Equity/Capitalization	78%	71%	70%	71%	67%
Projected Typical Residential Bill ⁽¹⁾	\$267.31	\$274.33	\$280.74	\$282.28	\$284.52

⁽¹⁾ With electric, water, sewer and gas service; does not include purchased gas adjustments

Electric Residential Five-Year Plan

- Increase Base Facilities Charge by \$2 in FY20 with offsetting decrease in Energy Charge
- Rate increase in FY21 to pay for increases in Purchased Power Expenses

Description	Existing Rates	Proposed Rates				
	2019	2020	2021	2022	2023	2024
Base Facilities Charge	\$19.00	\$21.00	\$21.00	\$21.00	\$21.00	\$21.00
Energy Charge (¢/kWh)						
All kWh	9.614	9.414	9.864	9.864	9.864	9.864
Average Bill @ 1,000 kWh	\$109.31	\$109.31	\$113.81	\$113.81	\$113.81	\$113.81
Typical Bill % Increase		0.0%	4.1%	0.0%	0.0%	0.0%
* Includes Load Management Credit						

Gas Rate Plan

- Reduce PGA in March & April of 2019
- Increase Customer Charges by \$2 for all customer classes in FY20 & FY21
- Net zero impact for base rates (not including PGA) on typical bill volumes for FY20 & FY21

Example: Year-Round Residential Gas Customer

Description	Existing Rates	Proposed Rates				
		2020	2021	2022	2023	2024
Customer Charge	\$11.00	\$13.00	\$15.00	\$15.98	\$16.37	\$16.37
Base Volumetric Rates (\$/ccf)						
Block 1 (First 20 ccf)	0.3699	0.3396	0.3093	0.3294	0.3376	0.3376
Block 2 (Over 20 ccf)	0.3699	0.3396	0.3093	0.3294	0.3376	0.3376
Average Bill @ 66 ccf *	\$76.58	\$76.58	\$76.58	\$78.89	\$79.82	\$79.82
Typical Bill % Increase **		0.0%	0%	3.0%	1.2%	0.0%

* Assumes PGA of \$0.6238/ccf

** Increases to Base Rates planned for FY22 & FY23

Summary Strategic Planning and KPI's



Strategic Planning & Financial Benchmarking

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