

**MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
December 18, 2023**

A special meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (DBA Sioux Valley Energy) was held on December 18, 2023 commencing at 8:30 a.m. in the Colman boardroom.

The meeting was called to order by President Gary Fish who presided and Don DeGreef, Secretary, acted as Secretary.

Roll call showed the following members present:

Rodney DeMent	Dan Leuthold	Gary Fish
Don DeGreef	Dr. Leslie Heinemann	Dave Daniel
Ann Vostad	Lucas Roskamp	Mark Rogen
Allan Weinacht	Gregg Johnson	

Also present were Attorney Mike Nadolski, General Manager Tim McCarthy, management staff members Jason Maxwell, Justin Moose, Carrie Vugteveen, Ted Smith, and Kimberlee Hansen along with Executive Assistant Brenda Schelhaas. Guests in attendance were Molly Burmeister, Chris Graff, and Ben Pierson.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. A motion to approve the agenda was made by Mr. Daniel, seconded by Mr. Johnson. The motion carried.

REVIEW AND CONSIDERATION OF 2024 WORK PLAN AND BUDGET

Manager McCarthy reviewed the introductory portion of the proposed Work Plan and Budget including key highlights for 2024. Manager McCarthy stated that existing rate levels are not sufficient to meet our financial requirements at the budgeted expense levels and a rate increase will be necessary next year. Estimated revenues are approximately \$6.7 million short. We are estimating to have about \$3.1 million in deferred revenue at the end of 2023. We are proposing to use \$2.5 million of the deferred revenue in 2024 along with a rate increase of \$4.2 million which would result in margins being what is needed to meet loan requirements. This could be an opportunity to set up another deferred revenue plan at the end of 2024 to help with future rate increases.

Manager McCarthy (assisted by Kimberlee Hansen, Ted Smith, Jason Maxwell, Justin Moose, and Carrie Vugteveen) reviewed the proposed Work Plan and Budget and responded to questions from the Board. The key performance areas of Financial Condition, Electric Service, Productivity, Beneficial Electrification and Renewable Energy, Employee Training and Development, Member and Community Service, and Management and Leadership were reviewed. Key highlights reviewed included the following:

- Wholesale power purchases for 2024 are projected at 987,884 MWh, a 2.4% increase over the 2023 purchases budget. Purchases are distributed 85% from East River, 13% from L&O, and 2% from SMEC.
- Revenue from energy sales is budgeted at \$104.0 million. Sales are forecasted at 951,134 MWh, an increase of 2.4% over the 2023 budget.
- Total margins, including \$3.1 million in deferred revenue, are budgeted at \$6.6 million for 2024. This would result in a Times Interest Earned Ratio (TIER) of 1.96 and Modified Debt Service Coverage (MDSC) ratio of 1.37.
- Our equity level is projected to be 33.5%. Using our current retirement policy, we have budgeted to retire \$2.841 million in capital credits.
- The proposed capital budget for distribution plant additions and replacements totals \$20.463 million compared to \$18.803 million in 2023. The top five categories for expenditures are system improvements (\$7.1 million); conductor replacements (\$5.44 million); transformers and metering (\$3.3 million); new extensions (\$1.43 million), and sectionalizing equipment (\$1.6 million).
- A net cost of approximately \$1.43 million has been budgeted for 451 new services, compared to 547 budgeted in 2023. Members are projected to contribute \$0.60 million toward new service line extension costs.
- General plant additions and replacements proposed for 2024 are budgeted at \$8,693,596 compared to a budget of \$8,760,100 in 2023. Included in the budget is \$7.2 million for the addition to the Brandon Service Center, \$200,000 for the Colman Service Center, \$22,000 for the Pipestone Service Center, and \$4,000 for office furniture and equipment.
- We have budgeted to sell 500 water heaters in 2024 - 470 Marathon/30 HTP.
- We have budgeted \$144,300 for electric heat/cooling programs in 2024.
- We have budgeted to add five fulltime employees in 2024: Director of Operations, Staking Engineer, Environmental Specialist, Manager of IT, and a Digital Specialist. Potentially, four temporary line helpers will also be added.
- We have budgeted \$30,000 for leadership training. We plan to continue to hold regular Coaches Circle meetings where we will focus on training and development sessions.
- We have budgeted \$27,000 for the LEAD (Leadership, Empowerment, and Development) program.
- \$52,000 has been budgeted for EmPOWER program in 2024.
- We continue to incorporate opportunities for key account engagement. We have budgeted \$6,500 for key account activities.
- We have budgeted \$7,500 for Touchstone Energy related activities.

- We have budgeted \$92,000 for the annual meeting and \$179,000 for district meetings.
- We have budgeted \$127,480 for community investment. We plan to continue with contributions to targeted economic development organizations and local Chambers of Commerce. We will also provide contributions to local foundations and associations that promote area economic development.
- We have budgeted \$107,817 for donations in 2024.
- We have budgeted \$206,650 for member communications and public relations. Some of our communication efforts will include information regarding safety, energy services, new member communications, the monthly newsletter, the annual report, and bylaws.
- We have budgeted \$65,500 for community events and activities. Some of these events include tailgating, summer fairs, booster club sponsorships, etc.
- We plan to continue the Emergency Assistance Fund program that was started in 2005. We have budgeted \$7,500 in 2024 to assist members who demonstrate an urgent need.
- We have budgeted \$40,000 for the monthly member satisfaction survey and the annual ACSI survey in 2024.
- Director expenses are budgeted at \$295,730 for 2024. This budget includes \$61,100 for retainers, \$212,300 for meetings and training, and \$22,330 for DOM insurance.
- Association membership dues for 2024 are budgeted at \$255,702. Dues are \$36,000 for MREA, \$179,202 for SDREA and \$40,500 for NRECA.

REVIEW AND CONSIDERATION OF RATE SCENARIOS

Mr. Weinacht made a motion to approve rate scenario #3 as presented, seconded by Mr. Roskamp. This rate scenario will use \$2.5 million in deferred revenue in 2024 along with a rate increase of \$4.2 million. The motion carried.

REVIEW AND CONSIDERATION OF 2024 WORK PLAN AND BUDGET

Mr. Weinacht made a motion to approve the 2024 Work Plan and Budget, seconded by Mr. Johnson. The motion carried.

ADJOURNMENT

Mr. Weinacht made a motion to adjourn the Work Plan and Budget meeting at 12:55 p.m., seconded by Mr. Roskamp. The motion carried.

Donald DeGreef, Secretary

Date Approved: _____