

**BOARD OF WATER AND LIGHT**  
**REO Town Depot**  
**1201 S. Washington Ave. - Lansing, Michigan**  
**May 24<sup>th</sup> 2016 - 5:30 p.m.**  
**BOARD MEETING AGENDA**

- 1. Roll Call**
- 2. Pledge of Allegiance**
- 3. Approval of Minutes**
  - a. Regular Board Meeting – March 22, 2016
- 4. Public Comments**

*Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment.*
- 5. Communications**
  - a. Proposed Franchise Fee Resolution from the City of East Lansing
- 6. Committee Reports**
  - a. Committee of the Whole (May 10, 2016) – Dennis Louney, Chairperson
  - b. Finance Committee Meeting (May 10, 2016) – Ken Ross, Chairperson
- 7. Manager Recommendations**
- 8. Unfinished Business**
- 9. New Business**
- 10. Resolutions/Action Items**
  - a. Fiscal Year 2017 Operating and Capital Budget
    - 1.) FY 2017 Capital Budget Presentation
- 11. Manager's Remarks**
- 12. Commissioners' Remarks**
- 13. Motion of Excused Absence**
- 14. Public Comments**

*Members of the public are welcome to speak to the Board on any Board of Water and Light subject.*
- 15. Adjournment**



## MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

### LANSING BOARD OF WATER AND LIGHT

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March 22, 2016

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The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, March 22, 2016.

Chairperson David Price called the meeting to order at 5:00 p.m.

Present: Commissioners Mark Alley, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Ken Ross (arrived at 5:02 p.m.), Tracy Thomas and Sandra Zerkle. Non-Voting Commissioners present: Mike Froh (Meridian Township), Bob Nelson (East Lansing) and Bill Long (Delta Township).

Absent: None

The Corporate Secretary declared a quorum present.

Commissioner Tracy Thomas led the Pledge of Allegiance.

#### APPROVAL OF MINUTES

**Motion** by Commissioner McCloud, Seconded by Commissioner Mullen to approve the Regular Board Meeting minutes of January 26, 2016 with the amendment for the clarification mentioned above.

**Action:** Motion Carried

#### PUBLIC COMMENTS

MEMBERS OF THE PUBLIC ARE WELCOME TO SPEAK TO THE BOARD ON ANY AGENDA SUBJECT. ANYONE WISHING TO COMMENT ON ANY MATTER NOT ON THE AGENDA MAY DO SO IMMEDIATELY PRIOR TO ADJOURNMENT.

Speakers: None

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#### COMMUNICATIONS

- a. Electronic Communication from Angela Sorrells Jones, re: Water Concerns  
*Referred to Management/Received and Placed on File*
- b. Electronic Communication from Lisa Parker, re: Substation Location  
*Referred to Management/Received and Placed on File*
- c. Electronic Communication from Bruce Ardelean, re: Flooded Property  
*Referred to Management/Received and Placed on File*

- d. Electronic Communication from Sparrow Hospital Parking Security, re: Personal Use of a Company Vehicle *Referred to Management/Received and Placed on File*
- e. Letter from Jerry Duman, Sparrow Hospital Interim Security and Parking Director, re: Parking Complaint *Referred to Management/Received and Placed on File*

**COMMITTEE REPORTS**  
**COMMITTEE OF THE WHOLE**  
**March 8, 2016**

The Committee of the Whole of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, March 8, 2016.

Committee of the Whole Chair Dennis M. Louney called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Dennis M. Louney, Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross and Tracy Thomas, Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (East Lansing).

Absent: None

Corporate Secretary declared a quorum.

**Public Comments**

None

**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Thomas to approve the Committee of the Whole meeting minutes of January 12, 2016.

**Action:** Motion Carried

**Communication with Local Entities**

Committee Chair, Louney introduced the discussion regarding communication with local government entities within the BWL service territory.

There was an extensive discussion regarding potentially establishing one special meeting per year for local governments within BWL service territory to come to attend. In conclusion, it was decided that Committee Chair will come up with new language and bring it back to the Board for consideration.

**Records Retention Schedule Update**

General Manager Peffley introduced Heather Shawa-DeCook, Chief Financial Officer, who provided a brief background on the Records Retention Policy and its five year review process. Ms. Shawa De-Cook also introduced Jerry Flore, Manager of Enterprise and Content Management, who provided answers to specific questions.

In conclusion, Commissioner Ross requested that BWL Management provide a reference of policies that were removed and not replaced in the proposed Records Retention Policy.

**Motion** by Commissioner Price, Seconded by Commissioner McCloud to approve the Records Retention Schedule Update

and forward to the full Board for consideration.

**Action:** Motion Carried

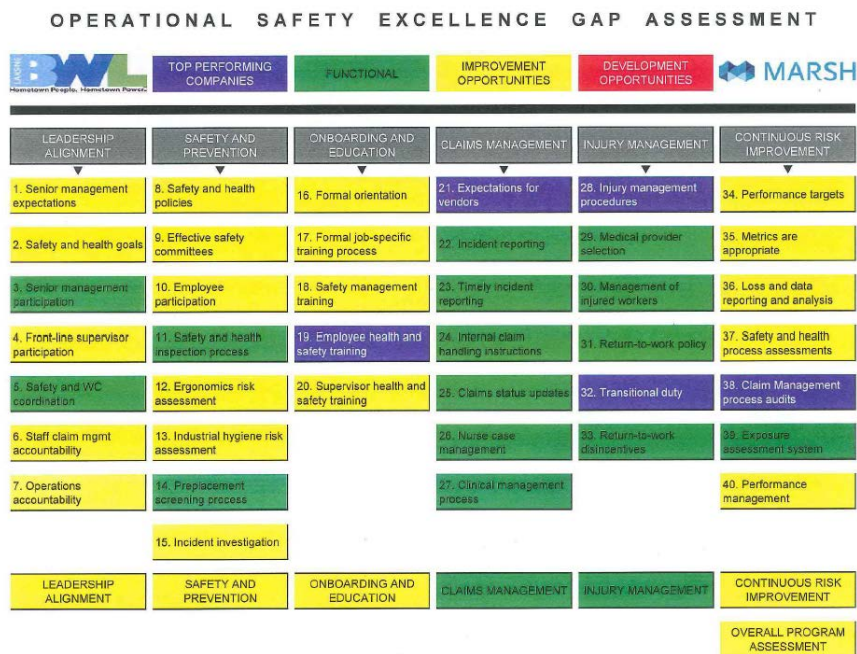
**Safety Presentation**

General Manager Peffley and Michael Flowers, Executive Director of Human Resources introduced Scott Bellack, Senior Vice President for Marsh, who walked the Board through the Safety Presentation and answered specific questions.

Mr. Bellack stated that Marsh was brought in as an outside third party to do a comprehensive review of BWL’s safety procedures and to evaluate the holes in the system that were contributing to losses or to unsafe physical environment, and offer recommendations on how we might close those gaps.

Mr. Bellack moreover stated that Marsh looked at six major categories and four Key Performance Indicators (KPIs), including how involved is senior leadership, how engaged are the employees, what types of programs there are, what’s the foundation of the safety programs that BWL has and, what happens if there’s a failure in that system.

Mr. Bellack stated that Marsh’s report can be interpreted through a color factor: *blue* means top performing; *green* means functional; *yellow* means improvement opportunities, and *red* means development opportunities. Mr. Bellack furthermore stated that throughout his career, he has performed hundreds of safety audits and has never come across one that does not have red categories, meaning BWL has a system in place, as it returned blue, green and yellow reports throughout all six major categories and four KPIs.



In conclusion, Commissioner Ross inquired whether specific steps exist that would take an organization from yellow to green category as a reference road map to get to the next level. Mr. Bellack stated that recommended steps are laid out in the comprehensive report.

**Flint Water Update**

General Manager Peffley provided a Flint Water Update and stated that BWL crews went to Flint to train a crew on lead service replacement, and a week later, assisted Flint with their first Lead Service Replacement.

The BWL will serve as advisors to Flint after the Flint crews have been trained. Additionally, BWL is tracking all time rendered on Flint matters and will be reimbursed at such time that Flint receives State funding so that BWL rate payers are not burdened by the costs of Flint matters.

### **Central Substation Update**

General Manager Peffley stated that Lansing Energy Tomorrow is BWL's \$101 million T&D project to modernize BWL's T&D system, and part of that is the Central Substation. The Central Substation is part of a plan to replace the Eckert substation prior to its closing in 2020. General Manager Peffley stated that the property on the corner of Malcolm X and Washington is one that is the least cost option. The BWL will put in \$4-5 million in developments such as a fishing platform, river walk extension, pathway from Capital Avenue connecting Cooley Gardens, relocating the Sunken Gardens to an area that is ADA compliant, new parking lot etc.

The BWL is working with Reo Town Association for the design and artwork for the wall around the substation, and also working with the Sunken Garden group.

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### **Security Update**

Committee of the Whole Chair Louney stated that the Administration has provided us with an Exempt Memorandum and discussion of such content is most appropriate in closed session. Is there a motion to go into closed session for the purpose of discussing the Exempt Memo as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(y)?"

**Motion** by Commissioner Alley, Seconded by Commissioner McCloud to go into closed session.

**Action:** Approved by Roll Call

**Yeas:** Commissioners Dennis M. Louney, Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross and Tracy Thomas, Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (East Lansing).

**Nays:** None.

The Committee of the Whole went into closed session at 7:10 p.m. Committee of the Whole reconvened to open session at 8:03 p.m.

### **Public Comment**

None

### **Other**

There was discussion regarding BWL's participation in Public Act 95 a low income energy assistance program. It was agreed after much discussion that this matter would be discussed in a Finance Committee meeting at a later date.

### **Excused Absence**

None

### **Adjourn**

**On Motion** by Commissioner McCloud, Seconded by Commissioner Price, the meeting adjourned at 8:15 p.m.

Respectfully Submitted  
Dennis. M. Louney, Chair  
Committee of the Whole

# FINANCE COMMITTEE

March 8, 2016

The Finance Committee of the Lansing Board of Water and Light met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 8:21 p.m. on Tuesday, March 8, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, Tracy Thomas, David Price. Also, present Commissioners Mark Alley, Tony Mullen, and Non-Voting Members Michael Froh (Meridian Township), Bill Long (Delta Township).

Absent: None The Corporate Secretary declared a quorum.

## Public Comments

None

## Approval of Minutes

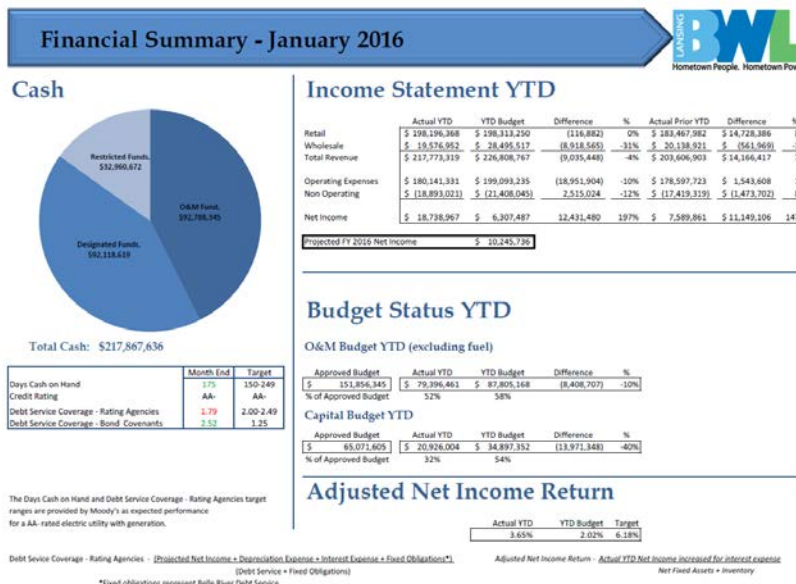
**Motion** by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of January 12, 2016.

**Action:** Motion Carried

## Financial Update

Heather Shawa-DeCook, Chief Financial Officer (CFO) discussed BWL's January 2016 YTD Financial Summary, covering the following:

- Cash
- Adjusted Net Income Return
- Income Statement YTD
- Ratios
- Budget Status YTD
- Employee Data



## Financial Summary - January 2016



### Ratios

#### Operating Ratio

O&M Expense	\$ 156,296,408	=	0.72	APFA Median	0.71
Revenue	\$ 217,773,319				

Measures the proportion of revenues to cover the operations and maintenance costs

#### Current Ratio

Current Assets	\$ 206,232,701	=	4.74	APFA Median	2.07
Current Liabilities	\$ 43,494,383				

Measures whether current assets are sufficient to pay current liabilities within one year

#### Debt to Total Assets

T Debt + Accrued Liabilities	\$ 407,062,020	=	0.40	APFA Median	0.61
Total Assets	\$ 1,016,945,901				

Measures the ability to meet its current and long-term liabilities based on the solvency of assets

#### Days' Sales Outstanding

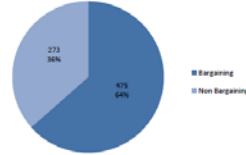
Accounts Receivable	\$ 24,382,174	=	0.80	Prior Year	25
Average Sales	\$ 30,425,353	X	31		Days

#### Bond Debt

Actual YTD	YTD Budget	Over (Under)	% of Revenue	APFA Median	0.28%
\$894,196	\$1,076,694	-\$182,498	0.41%		

### Employee Data

Employee Count YTD	748
Budget YTD	753
Over (Under) #	(5)
Over (Under) %	-0.7%
Prior YTD	720
Difference	28
Temporary Employee YTD	28



#### Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 31,209,963	\$ 31,728,026	\$ (518,063)	-1.6%	\$ 29,794,674	\$ 1,415,289	4.8%
Overtime	\$ 4,337,794	\$ 3,484,552	\$ 853,242	24.5%	\$ 4,606,076	\$ (268,282)	-5.8%
Total	\$ 35,547,757	\$ 35,212,578	\$ 335,179	1.0%	\$ 34,400,750	\$ 1,147,007	3.3%
Total Hours Worked	776,278				759,898		
Labor/Hours Worked	\$ 45.79				\$ 45.27		

APFA Median \$ 44.13

APFA Median data is based on 2014 numbers and does not reflect subsequent labor inflation.

#### Benefits Cost

(including Retirees)

	Actual YTD	YTD Budget	Difference
Health	\$ 2,643,330	\$ 8,021,492	\$ (5,378,162)
Pk	\$ 1,896,532	\$ 1,863,533	\$ 33,019
Dental	\$ 528,134	\$ 787,471	\$ (259,337)
Life	\$ 155,378	\$ 184,280	\$ (28,902)
FICA	\$ 2,635,594	\$ 2,646,083	\$ (10,489)
Other	\$ 1,644,080	\$ 2,090,667	\$ (446,587)
Total	\$ 14,303,048	\$ 15,583,506	\$ (1,280,457)

CFO Heather Shawa-DeCook stated per board policy 15-02 (Capital Project Approval), any approved capital project that is expected to exceed its total budgeted amount by both 15% and \$200,000 or more must have the exceedance approved by the Commissioners prior to completion of the project. Ms. Shawa-DeCook stated that there is a project expected to hit the criteria of the mentioned policy. The project is a video surveillance monitoring system and additional security for the Dye Water Complex. There is a request for supplemental money of \$240,000. The supplemental request would authorize a \$400,000 project be increased up to \$640,000 in order to complete the project this fiscal year. Ms. Shawa-DeCook stated that she would be requesting the Board of Commissioners' approval of a resolution pursuant to the policy and that a resolution would be presented at the upcoming Regular Board meeting on March 22, 2016.

**Motion** by Commissioner Price, Seconded by Commissioner Thomas to support a Resolution to approve a supplemental appropriation request from the Administration in the amount \$240,000 for the current fiscal year Capital Budget.

**Action:** Motion Carried

General Manager Peffley stated that he has encouraged his staff to review and provide honest estimates on capital project and as a result more exceedance reporting may be forth coming.

### Budget Process Update

CFO Heather Shawa-DeCook reported that the O&M and Capital budgets have been submitted and that department managers and executives will start reviewing those budgets next week with Finance. The management team and the directors have really taken a proactive step at meeting on their own and going through the overall capital budget and working amongst themselves to prioritize for this upcoming fiscal year.

### Financial Summary Section Overview

Scott Taylor, Manager of Finance, provided a detailed review of the Ratios section of the Financial Summary. Mr. Taylor stated that roughly 83% of the operations are attributable to electric service and that the Board of Water & Light (BWL) has found that the American Public Power Association (APPA) ratios provide the best measure for

a company-wide perspective. The APPA utilities have other utilities, which provides the BWL with the best picture from an overall view and that is what is seen in most of our comparisons. Mr. Taylor stated that additional meaningful comparisons and information may be available from the American Water Works Association (AWWA) and may be included in future reporting if appropriate.

## Ratios

Operating Ratio			
O&M Expense	\$ 156,296,408	=	0.72
Revenue	\$ 217,773,319		
APPA Median 0.71			
<i>Measures the proportion of revenues to cover the operations and maintenance costs</i>			

Current Ratio			
Current Assets	\$ 206,232,701	=	4.74
Current Liabilities	\$ 43,494,383		
APPA Median 2.07			
<i>Measures whether current assets are sufficient to pay current liabilities within one year</i>			

Debt to Total Assets			
LT Debt + Accrued Liabilities	\$ 407,062,020	=	0.40
Total Assets	\$ 1,016,945,901		
APPA Median 0.61			
<i>Measures the ability to meet its current and long-term liabilities based on the availability of assets</i>			

Days' Sales Outstanding			
Accounts Receivable	\$ 24,382,174	=	0.80
Average Sales	\$ 30,425,353	X 31	
Prior Year 25			
25 Days			

Bad Debt			
Actual YTD	YTD Budget	Over/(Under)	% of Revenue
\$894,196	\$1,076,694	-\$182,498	0.41%
APPA Median 0.28%			

There was discussion with Commissioners and the staff regarding the Bad Debt portion of the Ratio presentation and what components make up the bad debt.

### External Audit RFP and Staff Recommendations/Resolution

Heather Shawa-DeCook, Chief Financial Officer (CFO) presented the committee with a proposed resolution recommending Accounting and Advisory Firm of Baker Tilly as the new external auditors for fiscal years 2016-2020.

### PROPOSED RESOLUTION

#### Lansing Board of Water & Light External Auditor Recommendation

WHEREAS, Lansing City Charter Section 3-404.1 requires an independent audit of all accounts of the City government, including the Board of Water and Light (BWL), at the close of each fiscal year, and all such audits shall be made by a Certified Public Accountant designated by the City Council; and

WHEREAS, BWL staff engaged in its normal public procurement process for the purpose of soliciting and evaluating proposals from a variety of independent public accounting firms that have municipal utility audit experience to perform an audit of the BWL as required by Lansing City Charter Section 3-404 for fiscal years ending June 30 on the following respective years: 2016, 2017, 2018, 2019, and 2020; and

WHEREAS, based on the public procurement evaluation of the proposals received, the BWL staff recommends



the firm of Baker Tilly to perform these BWL audits; and

RESOLVED, that the Board of Commissioners support BWL staff's recommendation;

FURTHER RESOLVED, the Board of Commissioners recommends that Lansing City Council approve and designate Baker Tilly to perform the annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2016, 2017, 2018, 2019, and 2020 in accordance with Lansing City Charter 3-404.1; and

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to submit this resolution on behalf of the Board of Commissioners to City Council requesting their approval of Baker Tilly as recommended by the Board of Commissioners.

*Staff Comments: BWL staff has used their municipal utility industry knowledge and expertise to search for and evaluate qualified firms. Based on the results of this search, staff provides this recommendation for consideration of the Board and, if approved, the City Council.*

Finance Chair Ross for clarification purposes stated that if the Finance Committee recommended the approval to forward the proposed resolution to the full Board of Commissioner and then the full Board approves it, it would then be forwarded to the Lansing City Council for consideration and approval as well. To recap, we (the BWL) will be switching our independent auditors from Plante Moran, a local firm, to Baker Tilly, a national firm that specializes in the utility industry. We will pay a little more due to travel cost, but will be able to take advantage of their specialized professionals, who possess a much deeper utility focus and expertise.

**Motion** by Commissioner Louney, Seconded by Commissioner Price, to forward the proposed resolution for the External Auditor selection to the full Board for consideration.

**Action:** Motion Carried

CFO Heather Shawa-DeCook stated that the BWL has had the same External Auditors for 15 years and that with everything coming down the pipeline (IRP/T&D build-out), it would be very helpful with the utility practice expertise.

### **Internal Audit Status Report**

Phil Perkins, Internal Auditor, provided the Committee with an overview of the FY 2016 Audit Plan Progress Report and the FY 2017 Audit Planning and Risk Assessment. Mr. Perkins' discussion reflected the following:

#### **Engagements Completed:**

1. Training & Development Audit
2. Hiring Process Audit
3. Surprise Cash Count #1
4. Time Reporting Reviews #1 and #2
5. Vehicle Time Reporting Review #1

#### **Engagements Remaining:**

1. IT Security Policies
2. Surprise Cash Count #2
3. Vehicle Time Reporting Review #2

#### **Engagements in Progress:**

1. IT – Change Management Audit (90% complete)
2. Selected CRT/MPSC/BWL Recommendations (90% complete)
3. Billing Audit (just underway)

#### **Other:**

1. Annual Risk Assessment/Audit Planning for FY 2017
2. Other as needed 2016

## Approved FY2016 Audit Plan

Planned Audits:	Completion Status
Follow-up of Selected CRT/MPSC/BWL Recs.	90% complete
Billing	Started 3/16
IT – Information Security Policies	Est Start 4/16
Training & Development	Complete
Hiring Process (replaced Safety Mgt)	Complete
IT – Manage Changes	90% complete
<b>Other Engagements:</b>	
Surprise Cash Counts (2)	1 of 2 completed
Time Reporting Reviews (2)	2 of 2 completed
Central Maintenance & Fleet Vehicle Time Reporting	1 of 2 completed
Other Consulting (NERC/CIP Compliance, IRP/Strat Plan)	No engagements to date

### **FY 2017 Audit Planning & Risk Assessment**

1. Meeting with Executives and Staff to discuss risk and potential audit topics.
2. Risk assessment for each 100-plus auditable activities at the BWL.
3. Consideration of rotational audits, audit areas with risk/scoping assessment, first time audits etc.
4. Draft audit plan will be presented at May or July Finance Committee meeting for approval.

Board Chair David Price stated that the City Council has reached out to the BWL's Internal Auditor for advice on his job structure as they look to re-evaluate their Internal Auditors position. Board Chair Price thanked Internal Auditor Perkins for the standard that he has set and for the possibility of it being emulated by our city's government.

### **Public Comment**

None

### **Other**

None

### **Excused Absence**

None

### **Adjourn**

Meeting adjourned by Finance Chair Ross at 9:02 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

**HUMAN RESOURCES COMMITTEE**

**March 15, 2016**

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, March 15, 2016.

Human Resources (HR) Committee Chairperson Tony Mullen called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tony Mullen, Sandra Zerkle, Anthony McCloud. Also present: Commissioners Ken Ross and Non-Voting Commissioners Mike Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (E. Lansing).

Absent: Commissioner Mark Alley

## **Public Comments**

None

## **Approval of Minutes**

**Motion** by Commissioner McCloud, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of November 10, 2015.

**Action:** Motion Carried.

## **Cafeteria and Post Retirement Benefit Plan Update/Proposed Amendments Resolution**

General Manager Peffley introduced Brandie Ekren, General Counsel, who provided plan update and the proposed changes on the Cafeteria and Post Retirement Benefit Plan.

### Proposed Resolution

#### Adoption of the Amendments to the Cafeteria Plan and Post-Retirement Benefit Plan

WHEREAS, the Lansing Board of Water and Light (the "BWL") maintains the Lansing Board of Water and Light Cafeteria Plan (the "Cafeteria Plan") and the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "Post-Retirement Benefit Plan"), for the benefit of certain of its employees and retirees; and

WHEREAS, the BWL desires to amend the Cafeteria Plan (for certain technical regulatory changes) and the Post-Retirement Benefit Plan (for certain plan design changes for consistency with Plan operations and administration).

NOW THEREFORE, the BWL does hereby authorize, approve and adopt the following resolutions:

RESOLVED, that the Amendment and Restatement of the Cafeteria Plan (as of February 1, 2016, in the form attached hereto) is hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the Amendment and Restatement of the Post-Retirement Benefit Plan (as of February 1, 2016, in the form attached hereto) is hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the officers of the BWL, and their designee(s), are hereby authorized and directed to take such actions and to implement and execute such documents and instruments (including the amendments referenced above as well as ancillary documentation) as necessary or desirable to effectuate the intent of these resolutions.

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Commissioner Ross stated that he submitted some question concerning today's Agenda items. Legal Counsel Ekren advised that she would be immediately providing written responses to the submitted questions.

**Motion** by Commissioner McCloud, Seconded by Commissioner Zerkle, to forward the proposed resolution for Adoption of the Amendments to the Cafeteria Plan and Post-Retirement Benefit Plan to full Board for consideration.

**Action:** Motion Carried.

### **Defined Contribution Plan Update/Proposed Amendment Resolution**

Brandie Ekren, General Counsel, provided an update to the Defined Contribution Plan for the general employees and for board appointed employees. Ms. Ekren stated that the major proposed change to the plan is to allow individuals who are on military leave to accrue Defined Contribution payments, opposed to receiving pension contribution at the time of return from military leave.

The second change is concerning the board appointed plan, which removes the General Manager from the plan.

Proposed Resolution  
Restated and Amended Defined Contribution Plan  
With International City/County Management Association (ICMA) Plan

Resolved, that the Board of Commissioners hereby amends and restates the ICMA Retirement Corporation Governmental Money Plan & Trust and any associated amendments provided by the two Plan Adoption Agreements for the Lansing Board of Water & Light (BWL) 401a Defined Contributions for Plan # 106696 and Plan # 108824 respectively.

Further Resolved the Plan Adoption Agreements restate the same benefits as previously adopted, with a change to the Plans that for Active duty in the Military the BWL will continue plan contributions while on Active duty.

Further Resolved that the General Manager is removed from Plan # 108824.

Further Resolved, that the Chair is hereby authorized to execute the above referenced documents on behalf of the Board of Commissioners.

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**Motion** by Commissioner McCloud, Seconded by Commissioner Zerkle, to forward the proposed resolution for Restated and Amended Defined Contribution Plan With International City/County Management Association (ICMA) Plan to full Board for consideration.

**Action:** Motion Carried.

### **Other**

None

### **Excused Absence**

**Motion** by Commissioner Zerkle, Seconded by Commissioner McCloud, to excuse Commissioner Alley from tonight's meeting.

**Action:** Motion Carried

### **Public Comments**

None

### **Adjourn**

**Motion** by Commissioner McCloud, Seconded by Commissioner Zerkle, the meeting adjourned at 5:49 p.m.

**Action:** Motion Carried

Respectfully Submitted  
Tony Mullen, Chair  
Human Resources Committee

**MANAGER'S RECOMMENDATIONS**  
**RESOLUTION 2016-03-01**

Records Retention Policy and Records Retention and Disposal Schedule

WHEREAS, Michigan law (MCL 399.5 and 750.491) requires that all public records be listed on an approved Retention and Disposal Schedule that identifies the minimum amount of time that records must be kept to satisfy administrative, legal, fiscal and historical needs; and

WHEREAS, the Michigan Freedom of Information Act (FOIA) (MCL 15.231-15.246) defines public records as recorded information "prepared, owned, used, in the possession of, or retained by a public body in the performance of an official function, from the time it is created."

RESOLVED, the Board of Water and Light Policy 18-01 "Records, Retention" is hereby amended as follows:

The Board of Water and Light (BWL) shall only retain records during the period of their immediate use, unless a longer retention period is required by law or for internal or historical reference. A Records Retention and Disposal Schedule, as approved by this Board and the State of Michigan Records Management Services, the Archives of Michigan and the State of Michigan Administrative Board, shall specify the length of time records are to be retained. Where the BWL has knowledge that some records are or may become relevant to a legal action, such records shall not be destroyed except and until the legal issues have been resolved and with the approval of the General Counsel.

FURTHER RESOLVED, that the amended Retention and Disposal Schedule proposed by the General Manager be approved and forwarded to the State of Michigan's Records Management Services, the Archives of Michigan and the State of Michigan Administrative Board for their approval.

**Motion** by Commissioner Louney, Seconded by Commissioner Zerkle to approve the Resolution for the Records Retention Policy and Records Retention and Disposal Schedules.

**Action:** Motion Carried

**RESOLUTION 2016-03-02**

**Capital Project Budget Exceedance Approval:**

**Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex**

WHEREAS, Lansing Board of Water & Light's (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates the BWL Board of Commissioner's approval for specific capital projects that are expected to exceed their previously approved budget by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex was \$400,000; and

WHEREAS, the projected final total cost for Capital Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex is \$640,000, should the project be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex be completed despite the projected increased cost; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approved the Capital Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex to be completed as projected.

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project PW-10047 Video Surveillance/Monitoring and Additional Security for Dye Cedar Complex with a projected final total cost of \$640,000.

**Motion** by Commissioner Alley, Seconded by Commissioner Mullen to approve the Capital Project Budget Exceedance for the Dye Water Facility.

**Action:** Motion Carried

#### **RESOLUTION 2016-03-03**

##### **Adoption of the Amendments to the Cafeteria Plan and Post-Retirement Benefit Plan**

WHEREAS, the Lansing Board of Water and Light (the "BWL") maintains the Lansing Board of Water and Light Cafeteria Plan (the "Cafeteria Plan") and the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "Post-Retirement Benefit Plan"), for the benefit of certain of its employees and retirees; and

WHEREAS, the BWL desires to amend the Cafeteria Plan (for certain technical regulatory changes) and the Post-Retirement Benefit Plan (for certain plan design changes for consistency with Plan operations and administration).

NOW THEREFORE, the BWL does hereby authorize, approve and adopt the following resolutions:

RESOLVED, that the Amendment and Restatement of the Cafeteria Plan (as of February 1, 2016, in the form attached hereto) is hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the Amendment and Restatement of the Post-Retirement Benefit Plan (as of February 1, 2016, in the form attached hereto) is hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the officers of the BWL, and their designee(s), are hereby authorized and directed to take such actions and to implement and execute such documents and instruments (including the amendments referenced above as well as ancillary documentation) as necessary or desirable to effectuate the intent of these resolutions.

**Discussion:** There was a lengthy discussion regarding at what point the Board gets involved or have dialogue about BWL's pension/retirement plans. In conclusion it was stated that negotiations for the plans is primarily done by staff, but the Board can have discussions and review the overall benefits packages at it Human Resources, Finance Committee or Committee of the Whole meetings.

**Motion** by Commissioner Mullen, Second by Commissioner McCloud to call the question to end the debate, which is not debatable or amendable.

**Approved by Roll Call Vote:**

YEAS: Commissioners Alley, Louney, McCloud, Mullen, Price, Ross, Thomas and Zerkle.

NAYS: None

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle to approve the Resolution for the Amendments to the Cafeteria and Post Retirement Benefit Plans.

**Action:** Motion Carried

**RESOLUTION 2016-03-05**

**RESTATED AND AMENDED DEFINED CONTRIBUTION PLAN**

**WITH INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION (ICMA) PLAN**

Resolved, that the Board of Commissioners hereby amends and restates the ICMA Retirement Corporation Governmental Money Plan & Trust and any associated amendments provided by the two Plan Adoption Agreements for the Lansing Board of Water & Light (BWL) 401a Defined Contributions for Plan # 106696 and Plan # 108824 respectively.

Further Resolved the Plan Adoption Agreements restate the same benefits as previously adopted, with a change to the Plans that for Active duty in the Military the BWL will continue plan contributions while on Active duty.

Further Resolved that the General Manager is removed from Plan # 108824.

Further Resolved, that the Chair is hereby authorized to execute the above referenced documents on behalf of the Board of Commissioners.

**Motion** by Commissioner Zerkle, Seconded by Commissioner Thomas to approve the Resolution for the Restated and Amended Defined Contribution (ICMA) Plan.

**Action:** Motion Carried

\*Resolutions numbered out of chronological sequence \*

**UNFINISHED BUSINESS**

There was no Unfinished Business

**NEW BUSINESS**

There was no New Business

**RESOLUTIONS**

**RESOLUTION 2016-03-04**

Lansing Board of Water & Light External Auditor Recommendation

WHEREAS, Lansing City Charter Section 3-404.1 requires an independent audit of all accounts of the City government, including the Board of Water and Light (BWL), at the close of each fiscal year, and all such audits shall be made by a Certified Public Accountant designated by the City Council; and

WHEREAS, BWL staff engaged in its normal public procurement process for the purpose of soliciting and evaluating proposals from a variety of independent public accounting firms that have municipal utility audit experience to perform an audit of the BWL as required by Lansing City Charter Section 3-404 for fiscal years ending June 30 on the following respective years: 2016, 2017, 2018, 2019, and 2020; and

WHEREAS, based on the public procurement evaluation of the proposals received, the BWL staff recommends

the firm of Baker Tilly to perform these BWL audits; and

RESOLVED, that the Board of Commissioners support BWL staff's recommendation;

FURTHER RESOLVED, the Board of Commissioners recommends that Lansing City Council approve and designate Baker Tilly to perform the annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2016, 2017, 2018, 2019, and 2020 in accordance with Lansing City Charter 3-404.1; and

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to submit this resolution on behalf of the Board of Commissioners to City Council requesting their approval of Baker Tilly as recommended by the Board of Commissioners.

**Motion** by Commissioner Ross, Seconded by Commissioner McCloud to approve the Resolution designating the firm Baker Tilly as the BWL's External Auditors.

**Action:** Motion Carried

#### **MANAGER'S REMARKS**

General Manager Peffley made the following remarks:

- The IRP Team met along with George Stojic, Executive Director of Strategic Planning and Development to work on finalizing recommendations that will be presented to the public at a meeting on April 27<sup>th</sup> at the Depot. Management will then review the recommendations and submit them to the Board.
- BWL employees doubled the amount of United Way contributions this year from last year; \$30,000 to \$60,000.

#### **COMMISSIONERS' REMARKS**

Commissioner Mullen thanked the BWL for the support of the Cancer Society Relay for Life; he also thanked General Counsel Brandie Ekren for stepping up to answer questions at tonight's meeting.

#### **PUBLIC COMMENTS**

Ron Byrnes, IBEW Business Manager, spoke about the Post-Retirement Plan. Mr. Byrnes stated that one of the issues is that the benefit cannot be isolated by itself. It is a total compensation issue that the Union has negotiated over a long history of time with the BWL. Some benefits that people may have in the public or private sector are non-existent at this utility, and some benefits may look rich when isolated, but when the benefits are looked at from a total compensation, they are not out of line. There is a long history regarding Retiree health care, and the IBEW would contend that there is an obligation, legal and contractual, to current Retirees with the health care benefits.

Joe (Dudak), Vice President of GRIDLIANCE & Blackstone Company, spoke about his company being interested in assisting the BWL with the electric power transmission portion of the Integrated Resource Planning (IRP).

#### **ADJOURNMENT**

On motion by Commissioner Thomas, Seconded by Commissioner Mullen the meeting adjourned at 5:32 p.m.

M. Denise Griffin, Corporate Secretary

**Preliminary Minutes** filed (electronically) with Lansing City Clerk: 3-31-16  
Official Minutes filed (electronically) with Lansing City Clerk:



CITY OF EAST LANSING  
EAST LANSING CITY COUNCIL

RESOLUTION

RESOLUTION IN SUPPORT OF THE LANSING BOARD OF WATER AND LIGHT'S ADOPTION OF A RESOLUTION TO ENTER INTO A FRANCHISE AGREEMENT WITH THE CITY OF EAST LANSING AND MAKE A PAYMENT IN LIEU OF A FRANCHISE FEE TO THE CITY OF EAST LANSING IN THE AMOUNT OF 5% OF ITS GROSS SALES WITHIN THE CITY

WHEREAS, the Lansing Board of Water and Light has been providing power to residential and commercial customers with the City of East Lansing and other jurisdictions for an extended period of time; and

WHEREAS, the City of East Lansing and the Lansing Board of Water and Light have a long term relationship with one another; and

WHEREAS, the Lansing Board of Water and Light has, since it started serving East Lansing, been using City of East Lansing streets and right-of-ways to carry power to its commercial and residential customers within the City of East Lansing; and

WHEREAS, the Board of Water and Light pays franchise fees or equity payments to the other jurisdictions that it provides power to; and

WHEREAS, the City of East Lansing desires to enter into a franchise agreement with the Lansing Board of Water and Light to specify the parties responsibilities and duties and to obtain a comparable payment the Lansing Board of Water and Light makes to the other jurisdictions it services;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the City of East Lansing urges and supports the Lansing Board of Water and light to adopt a resolution to enter

OFFICE OF THE  
CORPORATE SECRETARY  
MAY 09 2016

into a franchise agreement with the City of East Lansing and to make payments in lieu of a franchise fees to the City of East Lansing in the amount of 5% of its gross sales to the commercial and residential customers with the jurisdictional limits of the City of East Lansing.

Moved by Council member: Beier

Supported by Council member: Woods

ADOPTED: Yeas: 4  
Nays: 0  
Absent: 1



Mark Meadows, Mayor  
Adopted: May 9th, 2016

CLERKS CERTIFICATION: I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the East Lansing City Council at a public meeting held on Monday, May 9, 2016, the original of which is part of the Council's minutes.



Marie E. Wicks, City Clerk  
City of East Lansing  
Ingham and Clinton Counties, Michigan

Drafted by and approved as to form:



Thomas M. Yeadon (P38237)  
East Lansing City Attorney  
601 Abbot Road  
East Lansing, MI 48823

COMMITTEE OF THE WHOLE

**May 10, 2016**

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 10, 2016.

Committee of the Whole Chair, Dennis M. Louney, called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Dennis M. Louney, Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross, Tracy Thomas, Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (East Lansing).

Absent: None

Corporate Secretary declared a quorum.

Committee of the Whole Chair Louney deviated from the printed agenda momentarily to allow additional time for printing of the Integrated Resource Plan (IRP) packets.

Committee of the Whole Chair Louney, informed the Commissioners of an invitation that was provided to them at their seating areas regarding the upcoming 1<sup>st</sup> S.T.E.P. Award Ceremony that is being held on May 16, 2016.

**Approval of Minutes**

**Motion** by Commissioner Ross, Seconded by Commissioner Price, to approve the Committee of the Whole meeting minutes of March 8, 2016.

**Action:** Motion Carried

**Public Comments**

None

**Public Act (PA) 295**

**Annual Energy Optimization Update**

Sue Warren, Manager of the Energy and Eco Strategies Department, provided the Committee with the Annual Renewable Energy and Energy Optimization Plans/Report. This report is a Public Act requirement imposed by the State of Michigan's Public Service Commission (MPSC). Ms. Warren stated that according to Public Act 295, the BWL is required to provide the governing board with an update on last year's activities for each of those programs. The BWL

files an annual report with the MPSC and also provides notice to customers by way of BWL's *Connections* newsletter.

**Energy Optimization 2015 Programs**

- Services for Low Income Customers
- Residential Programs
  - High Efficiency Lighting
  - Appliance Turn-in & Recycling
  - Multi-Family Services
  - Energy Star Products/Equipment
- Business Prescriptive & Custom Incentives
- Energy Education Services
- Pilot programs

**Program Highlights**

- Education in the Community
  - Attended 31 local events with 7,300 attendees
  - Did 25 presentations to community
- Pilot Programs
  - Think! Energy (school program with Consumers Energy)
  - Michigan Saves Low Interest Financing

Ms. Warren reviewed the Million Kilowatt Hour Club status. The club was established to honor customers that participated in the BWL's efficiency programs and saved a million kilowatt hours. The goal of saving a million kilowatt hours can be accomplished by an accumulation of projects over several years.

**Million Kilowatt Hour Club**

New Members for 2015	
WMU Cooley	1,009,599
Sparrow Hospital	1,148,058
Ashley Capital & Peckham	1,197,029
General Motors	10,068,644
BWL	1,325,000

Previous Members	
State of Michigan DMB	Quality Dairy
Lansing School District	General Motors
Peckham Vocational Ind.	Ashley/Ryder
Demmer Properties LLC	

**Annual Renewable Energy Update**

Ms. Warren conveyed that the BWL Renewable Energy Program has met the Renewable Portfolio Standards (RPS) and due to the ability to carry forward Renewable Energy Credits (REC's), no additional renewable energy is needed until 2020.

Ms. Warren stated that the BWL will continue to work with Gro Solar for the utility scale project. Also underway is the development of community solar projects that will be located in East Lansing and Lansing.

BWL's current portfolio consists of the purchase of energy and Renewable Energy Credits for landfill gas from Granger, small amounts of hydro from Tower Clever, and wind from Exelon. In addition, the BWL owns a solar array on Cedar Street, a small array located on the roof of the BWL's Reo Headquarters facility and the BWL operates a hydro plant.

In conclusion, Ms. Warren stated that the BWL is continuing to look at renewable energy options. One of the things that the Citizens Advisory Committee (CAC) group is looking into

through the Integrated Resource Plan (IRP) process is determining how renewable energy fits in with the company's energy needs in the future.

Commissioner Ross inquired about being provided an energy optimization comparison in the future in order to determine how the BWL measures up against other municipal utilities.

### **Integrated Resource Plan (IRP) Presentation**

Steve Transeth, Co-Chair of the IRP Citizen Advisory Committee (CAC), presented the CAC's recommendation. Mr. Transeth began by describing the process followed by the CAC and thanked the Committee members for their work on the Integrated Resource Plan (IRP).

Mr. Transeth indicated that the Committee met eight times from October, 2015, to April, 2016, and that the first six meetings were open to the public. He described the public meetings as "grounding" meetings that covered BWL operations, projections of energy needs, modeling assumptions and data, and scenario development. Mr. Transeth stated that the final two meetings were closed meetings to allow for deliberations.

The final meetings focused on adopting guiding principles for developing recommendations and reviewing the results of modeling scenarios. He indicated that the Committee also considered the results of the EPIC/MRA survey of BWL customers. The survey and guiding principles indicated that important planning goals include affordability, reliability, clean energy, and economic development.

Mr. Transeth stated that the Committee first reviewed three resource portfolios developed by the BWL, but rejected the market based portfolio because of cost, volatility, and the preference of Lansing area customers for local generation. He noted that the Committee members requested the BWL to run five additional resource portfolios, including three with 85MW of wind energy entering service in 2018.

Mr. Transeth explained that the Committee considered a recommendation to increase the energy efficiency component of the plan beyond the 1% annual savings amount. However, the Committee did not adopt this recommendation because of the impact on low income customers. According to Mr. Transeth, as sales decline, rates increase. For customers who can take advantage of energy efficiency programs, their bill may be lower because of the energy savings. However, many low income customers rent and landlords are reluctant to invest in more expensive energy efficiency products. As a result, low income customers are required to pay higher rates without benefiting with lower bills. The cost of utility service increases the most for these low income customers.

In addition to the resource portfolio, Mr. Transeth stated that the Committee was making additional recommendations, which are: (1) review the IRP at four year intervals, (2) regularly review the cost of renewable energy technology, particularly energy storage, and (3) explore opportunities to expand the BWL's energy efficiency program.

After deliberations, the Committee arrived at a recommendation that includes 85MW of wind in 2018, 40MW of solar energy in 2020, 100MW of natural gas generation in 2020, an additional

140MW of solar energy between 2020 and 2030, an additional 300MW of natural gas generation in 2030, and a 1% energy savings each year. Although this is not the lowest cost plan, it is not significantly more expensive than the reference (lowest cost) plan and results in a balanced plan that best meets the goals of affordability and clean energy while maintaining electric reliability within the BWL's service territory. Mr. Transeth also indicated that planning flexibility is also important.

*By order of Committee of the Whole Chair Louney, the meeting recessed at 6:17 p.m. and reconvened at 6:34 p.m.*

### **Proposed Strategic Plan Update**

General Manager Peffley introduced Steve Brennan, Manager of Planning Business Development who presented the Committee of the Whole with the proposed Strategic Plan process.

Mr. Brennan stated that the purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

Mr. Brennan clarified the following regarding the process and outcome of the new/revised Strategic plan:

#### **Purpose**

The purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

#### **Values**

The values are enduring, passionate, and distinctive core beliefs. They are the guiding principles for the company. Our current values are reliability, environmental stewardship, affordability, community, and health and safety.

#### **Mission**

The mission statement clarifies the purpose of the organization and the values that guide it. It addresses both what the company seeks to accomplish and in which manner the organization will accomplish it.

#### **Goals**

The goals present a big picture of an ideal future condition as the utility desires it. They are a broad aim at what we want to accomplish. In our 2008 Strategic Plan, the goals were:

- Provide superior customer service
- Assure adequate energy supply
- Develop new management strategies
- Lead through community involvement.

#### **Objectives**

The objectives are specific measurable outcomes that are steps toward attaining a goal. In our 2008 Strategic Plan the objectives were:

- Developing a highly qualified, diverse, and effective work force
- Be recognized as a leader in community service
- Meet or exceed all environmental standards
- Be a good environmental steward

### **Strategies**

Strategies are action statements that define the steps the company will take to achieve its objectives.

Mr. Brennan indicated that the BWL would like to do this in three phases:

#### Implementation – Phase 1

1. Start review of industry trends
  - Identify the resources we will use
2. Present to the Executives– email of individually
  - The purpose of the Strategic Plan
  - Definition of the Core Values
  - Current Mission Statement
3. Executives will:
  - Determine if the current Mission Statement reflects the Values
  - Perform SWOC analysis
  - Identify Managers and Subject Matter Experts (SMEs) for phase 2
4. Strategic Plan Team will:
  - Identify Goals and logical Objectives
  - Present the identified Goals and Objectives to the Executives
  - Incorporate feedback on Goals, if necessary
5. Executives approve the Goals

#### Implementation – Phase 2

1. Present to Managers and SMEs
  - Purpose, values, mission
  - Overview of Executive SWOC
  - Goals and Objectives
  - Overview of Industry Trends
2. Feedback on “What we are missing”
3. Perform SWOC analysis
4. Create Objectives and Strategies
5. Strategic Planning Team will put together draft

#### Implementation – Phase 3

1. Present draft to Executives in June
  - Gather feedback
  - Incorporate feedback into draft
2. Present draft to Commissioners in July
  - Gather feedback
  - Incorporate feedback into draft
3. Board of Commissioners approve Final Report in September

Mr. Brennan answered questions regarding the Strategic Plan. In summary it was stated that the Strategic Plan is a living document and recommendations from the Board’s perspective will be incorporated into the plan.

### **Central Substation Project**

General Manager Peffley provided an update on the Central Substation project. Mr. Peffley informed the Committee that the staff attended the Parks Board hearing a few weeks ago where the Central Substation project received a 5-3 vote in support of the location. The next

step is to proceed to the Planning Board and then to the City Council for approval. If approved there is the possibility of construction, beginning in the fall.

**Other**

Human Resource (HR) Chair Tony Mullen provided each Commissioner with evaluation documents pertaining to its three appointed employees and indicated that he would also be emailing the documents to the Commissioners before the upcoming HR Committee meeting.

**Public Comment**

The following individuals stated their concerns regarding the IRP process:

Regina Strong, Sierra Club, Director of Beyond the Coal Campaign

Steve Raul, Lansing, MI

Dave Erickson, Lansing, MI

Lynn Stauff, Lansing, MI

Brad Van Guilder, National Sierra Club, in addition to stating his concerns regarding the IRP process, also provided a list of questions to the Commissioners and asked that they be addressed.

Jim Weeks, Executive Director of the Michigan Municipal Electric Association (MMEA) spoke in support of the IRP process.

**Excused Absence**

None

**Adjourn**

**On Motion** by Commissioner Price, Seconded by Commissioner McCloud, the meeting adjourned at 7:15 p.m.

Respectfully Submitted  
Dennis. M. Louney, Chair  
Committee of the Whole



## **FINANCE COMMITTEE**

**May 10, 2016**

The Finance Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 7:20 p.m. on Tuesday, May 10, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, David Price. Also, present Commissioners Mark Alley, Tony Mullen, and Non-Voting Members Bill Long (Delta Township) and Bob Nelson (E. Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

### **Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of March 8, 2016.

**Action:** Motion Carried

### **Public Comment**

None

### **Internal Auditor Outside Auditing Services Update**

Internal Auditor Perkins informed the Committee that the BWL has had an ongoing contract for augmented internal auditing services with the firm of Charles Moore & Associates. According to Board policy, contracts need to be re-bid every three years, in which the third year is up-coming. According to Board policy, the contract can be renewed for an additional year with the plan being to re-bid the contact next spring.

### **Update on Open Internal Audit Management Responses**

Heather Shawa-DeCook, Chief Financial Officer (CFO) provided an update on the Management's response to Internal Audits. Ms. Shawa-DeCook covered the following issues and provided an update for each:

STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS  
 APRIL 2016



In Accordance with Board Resolution #2014-07-05

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
<b>Open Issues:</b>					
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule; namely, a portion of 1-9 forms and some asbestos bills of lading.	March 2014	Human Resources	1-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/14/16, with the approval process expected to take approximately three months.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/14/16, with the approval process expected to take approximately three months.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 6/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost-beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	A successful stress test was performed April 13. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 6/30/16.
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training on it is in the process of being rolled out, with completion expected by 6/30/16.

Issue #12 and #13 are concerning Retention Records items; the Record Retention updates have been approved and submitted to the State Administration Board for approval. The approval process is expected to take ninety days.

The completion of issue #17 closes the books of the general accounting procedure manual. This is scheduled to be completed by the end of the calendar year.

Issues, #27, #29 and #30 is concerning the management of mobile devices. This report needs revisiting and has an extension date of September 30th.

Issue #33, concerning outage management system is still in process and is currently on schedule for June 30<sup>th</sup>.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
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Closed Issues (since 12/31/15 report):

26	Management of Mobile Devices	The Internal Auditor noted that guidelines for mobile device management should be documented.	Sept 2015	Information Technology	Guidelines on the use of mobile devices have been completed.
28	Management of Mobile Devices	Internal Audit questioned whether contract terms and conditions covering data loss and manipulation are sufficient.	Sept 2015	General Counsel	Contract terms and conditions covering data loss and manipulation have been updated.
31	Outage Management System	The Internal Auditor found that procurement procedures regarding technical evaluation during the RFP process need clarification.	Oct 2015	Purchasing	Procurement procedures have been updated as of 4/1/16.
35	Training & Development	Employee time which can be categorized as a form of training time is not always identified for inclusion in the Employee Development balanced scorecard measure.	Dec 2015	Organizational Training & Development	Refresher training totaling 40 hours, and including the proper procedures for reporting training time, was completed on 2/20/16.
36	Training & Development	End-of-course evaluations are not always completed by attendees and Organizational Training & Development does not always provide a written summary analysis of evaluations back to trainers, particularly if there are no suggested improvements to consider.	Dec 2015	Organizational Training & Development	Refresher training totaling 40 hours, and including review of expectations for course evaluation/feedback processes, was completed on 2/20/16.

Issue number #34, concerning Training & Development is on track and scheduled for a June 30<sup>th</sup> completion.

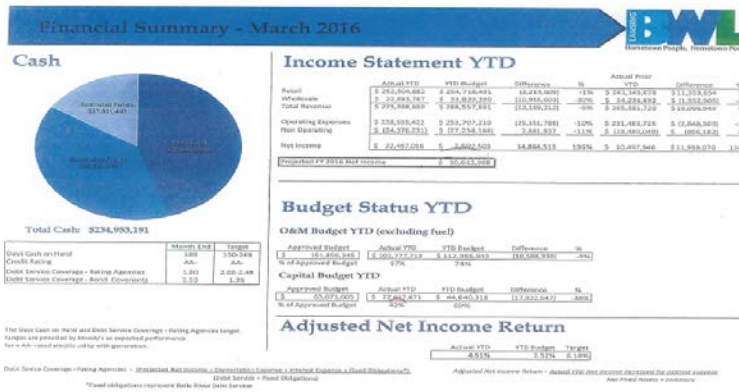
Issue #31, Outage Management System has updated procurement procedures based on audit recommendations and those are now in place.

Issues #35 and #36, concerning Training & Development is completed. Refresher training included the proper procedures for reporting training time.

Finance Chair Ross summarized the report as 8 outstanding issues, 5 closed issues and no new issues since the last review.

**March YTD Financial Summary**

Chief Financial Officer Heather Shawa-DeCook presented the March Year-to-Date Financial Summary.



Heather Shawa-DeCook continued by presenting the March Year-to-Date Financial Summary below:

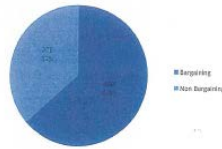


Scott Taylor, Manager of Finance, discussed and reviewed the Employee Data portion of the March Financial Summary:

Financial Summary - March 2016 

Employee Data

Employee Count YTD	756
Budget YTD	756
Over (Under) %	-1.3%
Prior YTD	775
Difference	-19
Temporary Employees YTD	20



Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 38,876,110	\$ 40,198,559	\$ (420,449)	-1.0%	\$ 38,114,443	\$ 1,763,676	4.6%
Overtime	\$ 5,415,470	\$ 4,355,818	\$ 1,059,652	24.0%	\$ 5,694,188	\$ (5,378,718)	-93%
<b>Total</b>	<b>\$ 45,313,580</b>	<b>\$ 44,664,385</b>	<b>\$ 649,194</b>	<b>1.4%</b>	<b>\$ 44,108,631</b>	<b>\$ 1,224,958</b>	<b>2.8%</b>
Total Hours Worked	2,001,216				917,193		
Lazy/Hours Worked	\$ 48,28				\$ 64,88		
APPA Median	\$ 64,13						

APPA (Median data is based on 2014 numbers and does not reflect subsequent labor inflation.

Benefits Cost

(Including Retiree)

	Actual YTD	YTD Budget	Difference
Health	\$ 9,328,038	\$ 10,401,455	\$ (1,073,417)
IR	\$ 2,322,401	\$ 2,411,574	\$ (89,173)
Pension	\$ 765,395	\$ 1,253,866	\$ (488,471)
Life	\$ 215,382	\$ 238,477	\$ (23,095)
PICA	\$ 3,345,791	\$ 3,851,795	\$ (506,004)
Other	\$ 2,132,873	\$ 2,677,189	\$ (544,316)
<b>Total</b>	<b>\$ 18,119,890</b>	<b>\$ 19,999,422</b>	<b>\$ (1,879,532)</b>

CFO Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 FY 2017 Financial Plan as follows:

- Sales forecast —Operating expense assumptions —FY 2017 O&M Budget by Category
- FY 2017 Budgeted Net Income & Cash Flow —Comparative Financials (FY 2017 vs. FY 2016)

Sales Volume Forecast

Utility	FY 17 Budget	FY 16 Budget	'17 Budget to '16 Budget	FY 16 Updated Forecast
Electric-Retail (MMWh)	2,137,145	2,141,490	-0.20%	2,001,543
Electric-Wholesale (MMWh)	767,770	1,004,306	-25.0%	749,546
Electric-Total (MMWh)	2,904,915	3,165,796	-8.2%	2,841,089
Water (ccf)	8,534,134	9,098,538	-6.2%	8,446,952
Steam (mmBtu)	744,469	764,969	-2.7%	676,784
Chilled Water (trillion)	10,388,000	10,098,000	2%	11,430,000

**Electric:**

- Retail sales volumes by customer class are expected to decrease slightly compared to FY 2016 Budget. The slight decrease better reflects actual experience over the last five years.
- Wholesale sales volumes have declined as a result of a decline in expected future market prices. Generation is forecasted to be dispatched at lower levels due to the lower prices.

**Water:**

- Retail and wholesale water sales have been decreased to better reflect actual experience over the last five years.

**Steam:**

- Steam sales volumes have been decreased slightly to better reflect actual experience over the last five years.

**Chilled Water:**

- Chilled water sales volumes have been increased slightly to reflect increased customer usage.

Comparative Income Statement

Based on Initial Requests Prior to Strategic Alignment and Review

	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
<b>OPERATING REVENUE</b>	<b>\$ 346,415</b>	<b>\$ 376,675</b>	<b>(-3%)</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,908	61,201	8%
LABOR TO CAPITAL	(6,541)	(6,303)	4%
NET LABOR	59,367	54,898	8%
MATERIAL	14,209	14,516	(2%)
OTHER - Including Benefits	61,381	66,441	(-8%)
OUTSIDE SERVICE	40,990	30,697	33%
FUELS, WATER CHEMICALS & AMINE	145,202	149,720	(-4%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 299,409	\$ 294,623	2%
Depreciation Expense	43,153	43,225	0%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 342,562</b>	<b>\$ 337,848</b>	<b>1%</b>
<b>OPERATING INCOME</b>	<b>\$ 23,853</b>	<b>\$ 38,827</b>	<b>(-39%)</b>
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-8%
<b>NET INCOME</b>	<b>\$ (10,964)</b>	<b>\$ 2,261</b>	<b>(-585%)</b>

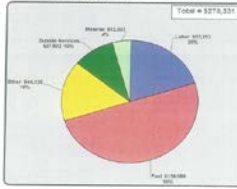
Comparative Income Statement

After Strategic Alignment and Review

	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
<b>OPERATING REVENUE</b>	<b>\$ 366,415</b>	<b>\$ 376,675</b>	<b>(-3%)</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	62,507	61,201	2%
LABOR TO CAPITAL	(7,255)	(6,303)	15%
NET LABOR	55,252	54,898	1%
MATERIAL	12,357	14,516	(-16%)
OTHER - Including Benefits	44,131	66,441	(-33%)
OUTSIDE SERVICE	27,502	30,697	(-10%)
FUELS, WATER CHEMICALS & AMINE	139,089	149,720	(-7%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 278,331	\$ 294,623	(-6%)
Depreciation Expense	43,153	43,225	0%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 321,484</b>	<b>\$ 337,848</b>	<b>(5%)</b>
<b>OPERATING INCOME</b>	<b>\$ 44,931</b>	<b>\$ 38,827</b>	<b>16%</b>
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-8%
<b>NET INCOME</b>	<b>\$ 38,114</b>	<b>\$ 3,261</b>	<b>947%</b>

- Operating Expense Assumptions: Overall FY 2017 O&M decreased by 6% compared to FY 2016 Budget
- Budget assumes 754 FTE's – the same as the FY 16 budget.

FY 2017 O&M Budget by Category  
 -in \$000's, excludes depreciation



FY 2017  
 Income Statement by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (MWLs, ccf, MBo, ton-hr)	2,094,913	8,574,124	779,469	10,288,000	22,501,212
Retail	\$ 279,805	\$ 36,257	\$ 12,419	\$ 5,707	\$ 334,188
Wholesale	\$ 28,916	\$ 3,311	\$ -	\$ -	\$ 32,227
<b>OPERATING REVENUE</b>	<b>\$ 308,721</b>	<b>\$ 39,568</b>	<b>\$ 12,419</b>	<b>\$ 5,707</b>	<b>\$ 366,415</b>
Operation & Maintenance E	\$ (242,027)	\$ (25,960)	\$ (8,019)	\$ (2,322)	\$ (278,328)
Depreciation Expense	\$ (10,820)	\$ -	\$ (7,561)	\$ (1,748)	\$ (19,131)
<b>OPERATING EXPENSES</b>	<b>\$ (252,857)</b>	<b>\$ (13,973)</b>	<b>\$ (10,582)</b>	<b>\$ (4,073)</b>	<b>\$ (321,485)</b>
<b>OPERATING INCOME</b>	<b>\$ 15,864</b>	<b>\$ 5,595</b>	<b>\$ 1,837</b>	<b>\$ 1,634</b>	<b>\$ 44,930</b>
Return on Equity	\$ (18,528)	\$ (2,884)	\$ (747)	\$ (548)	\$ (22,007)
Other Non-Operating Income	\$ 20	\$ 782	\$ (168)	\$ 39	\$ 673
Other Non-Operating Expenses	\$ (9,341)	\$ (1,706)	\$ (1,881)	\$ (552)	\$ (13,480)
<b>NET INCOME (LOSS)</b>	<b>\$ 8,015</b>	<b>\$ 2,287</b>	<b>\$ (959)</b>	<b>\$ 770</b>	<b>\$ 10,113</b>
<b>RATE OF RETURN</b>	<b>3.9%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>4.9%</b>	<b>3.3%</b>

FY 2017 Cash Flow by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
<b>BEGINNING OPERATING CASH</b>	<b>61,533</b>	<b>13,699</b>	<b>5,708</b>	<b>5,938</b>	<b>86,878</b>
Sources of Cash					
Net Income	\$ 8,015	\$ 2,288	\$ (960)	\$ 770	\$ 10,113
Depreciation	\$ 30,820	\$ 4,013	\$ 2,569	\$ 1,748	\$ 41,150
Loss on Sale of Assets	\$ 824	\$ 322	\$ 225	\$ -	\$ 1,371
Withdrawal from Construction Reserve	\$ 4,863	\$ 3,087	\$ 492	\$ 312	\$ 8,754
Fuel Cost Undercollection	\$ 2,329	\$ (43)	\$ 43	\$ -	\$ 2,329
Net Environmental	\$ 4,558	\$ -	\$ 183	\$ -	\$ 4,741
Pipeline Refund	\$ 2,390	\$ -	\$ 455	\$ -	\$ 2,845
<b>SOURCES OF CASH</b>	<b>\$ 53,637</b>	<b>\$ 13,668</b>	<b>\$ 2,960</b>	<b>\$ 2,830</b>	<b>\$ 73,095</b>
Uses of Cash					
Debt Principal	\$ (5,000)	\$ (2,213)	\$ (1)	\$ (1,465)	\$ (8,680)
Net Capital Expenditures	\$ (42,349)	\$ (14,020)	\$ (3,906)	\$ (952)	\$ (60,227)
Renewable Energy & ED Plans	\$ (1,193)	\$ -	\$ -	\$ -	\$ (1,193)
Other Uses of Cash	\$ (1,823)	\$ (41)	\$ (17)	\$ (12)	\$ (1,953)
<b>USES OF CASH</b>	<b>\$ (44,765)</b>	<b>\$ (14,064)</b>	<b>\$ (3,924)</b>	<b>\$ (1,477)</b>	<b>\$ (64,230)</b>
<b>Net Cash Increase/(Decrease)</b>	<b>\$ 8,872</b>	<b>\$ (4,396)</b>	<b>\$ (964)</b>	<b>\$ 353</b>	<b>\$ 1,865</b>
<b>ENDING OPERATING CASH</b>	<b>68,288</b>	<b>9,293</b>	<b>5,840</b>	<b>4,485</b>	<b>87,906</b>

Ms. Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 Capital Budget and Next Steps as follows:

**FY 2017 Capital Budget Summary**

Dollars in (000's)

UTILITY	LOCATION	
ELECTRIC	ECKERT	\$ 3,260
WATER	ERICKSON	\$ 1,941
STEAM	REG PLANT	\$ 144
CHILLED WATER	T&D	\$ 36,462
COMMON	DYE/CEDAR	\$ 3,039
	CHILLER PLANT	\$ 42
	OTHER	\$ 15,910
<b>TOTAL BUDGET</b>		<b>\$ 60,818</b>

FY 2017 Capital Budget – Major Projects/Programs

Project Title	Project Total	FY 2017
<b>Planned Projects</b>		
• Erickson to Willow 138KV Line Extension	22,251,000	3,869,000
• EDR Implementation	5,785,144	3,715,720
• New Mainframe	9,096,500	3,068,500
• GridStar Interconnect	3,535,000	2,748,000
• Moores Park Dam Gate Holst and Phase 2 Dam Repair	4,943,000	2,610,200
• Smart Grid Implementation	30,950,000	2,500,000
• Burdham 410KV Sub Outover and Reconnect	2,235,000	2,235,000
• Central Substation	25,800,000	2,000,000
• Lead Service Replacement	44,028,763	2,000,000
• ADMS	2,720,000	1,645,000
• Water Distribution Replacement - N Grand River	2,200,000	1,524,000
• Forbes 4160V Substation Retirement	4,327,000	1,208,000
• Cedar Pump-RI	1,083,700	1,083,700
<b>Annual Projects</b>		
• Services and Line Extensions	16,678,844	2,500,000
• ESI Annual Rebuild T&D System	10,124,888	2,395,000
• Street, Building, and Outdoor Protective Lighting	16,793,250	2,236,000
• Annual Manhole Replacement	7,236,149	1,222,000
<b>FY 17 Total Spending (Major Projects)</b>		<b>38,556,190</b>

The Next Steps for the proposed Budget is:

- Request the Board to approve the FY 2017 Operating & Capital Budgets at the May 24th Regular Board meeting, in line with the Charter Rule of budget adoption by June 1<sup>st</sup>.
- File FY 2017 Operating Budget & Capital Budget with the City Clerk's office within in 10 days after approval.

Chief Financial Officer Heather Shawa-DeCook stated that she wanted the Commissioners to be aware of 3 reportable (projects) that are forthcoming. The projects are not scheduled to be completed until later part of this calendar year, however, at the time when the budget was reviewed it was noted that these projects were projected to be 15% over its previously approved budget, and will likely require reporting to the Commissioners.

**PROPOSED RESOLUTION**

**Fiscal Year 2017 Operating and Capital Budget**

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 Capital Budget is hereby approved as presented; and

RESOLVED FURTHER, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office in accordance with the Lansing City Charter regarding the above actions.

---

*Staff Comments:* In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$278.3 million and a capital budget of \$60.8 million for Fiscal Year 2017. The capital budget is to provide for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 24, 2016 Board meeting.

**Motion** by Commissioner Louney, Seconded by Commissioner Price to forward the proposed FY 17 Operating and Capital Budget Resolution to the full Board for consideration.

**Action:** Motion Carried

**Other**

Commissioner Nelson raised an issue concerning reporting requirements of PA95—whether Board action was required or whether simply a notice from the BWL would satisfy state law. At the request of Finance Chair Ross, General Manager Peffley assured that the proper filing for this Public Act would take place by July 1<sup>st</sup>.

**Excused Absence**

None.

**Adjourn**

Meeting adjourned by Finance Chair Ross at 8:02 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

## PROPOSED RESOLUTION

### Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 Capital Budget is hereby approved as presented; and

RESOLVED FURTHER, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office in accordance with the Lansing City Charter regarding the above actions.

---

*Staff Comments:* In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$278.3 million and a capital budget of \$60.8 million for Fiscal Year 2017. The capital budget is to provide for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 24, 2016 Board meeting.

# FY 2017 Financial Plan



Finance Committee Meeting May 10, 2016  
Board Meeting May 24, 2016



# FY 2017 Financial Plan

- FY 2017 Financial Plan
  - Sales forecast
  - Operating expense assumptions
  - FY 2017 O&M Budget by Category
  - FY 2017 Budgeted Net Income & Cash Flow
  - Comparative Financials (FY 2017 vs FY 2016)
- FY 2017 Capital Budget
- Next Steps

# Sales Volume Forecast

Utility	FY 17 Budget	FY 16 Budget	'17 Budget to '16 Budget	FY 16 Updated Forecast
Electric-Retail (MMh)	2,137,145	2,141,490	-0.20%	2,091,543
Electric-Wholesale (MMh)	767,770	1,024,306	-25.0%	749,546
Electric-Total (MMh)	2,904,915	3,165,796	-8.2%	2,841,089
Water (ccf)	8,534,134	9,098,538	-6.2%	8,446,952
Steam(mlb)	744,469	764,969	-2.7%	676,784
Chilled Water (tnhrs)	10,288,000	10,098,000	2%	11,430,000

**Electric:**

- Retail sales volumes by customer class are expected to decrease slightly compared to FY 2016 Budget. The slight decrease better reflects actual experience over the last five years.
- Wholesale sales volumes have declined as a result of a decline in expected future market prices. Generation is forecasted to be dispatched at lower levels due to the lower prices.

**Water:**

- Retail and wholesale water sales have been decreased to better reflect actual experience over the last five years.

**Steam:**

- Steam sales volumes have been decreased slightly to better reflect actual experience over the last five years.

**Chilled Water:**

- Chilled water sales volumes have been increased slightly to reflect increased customer usage.

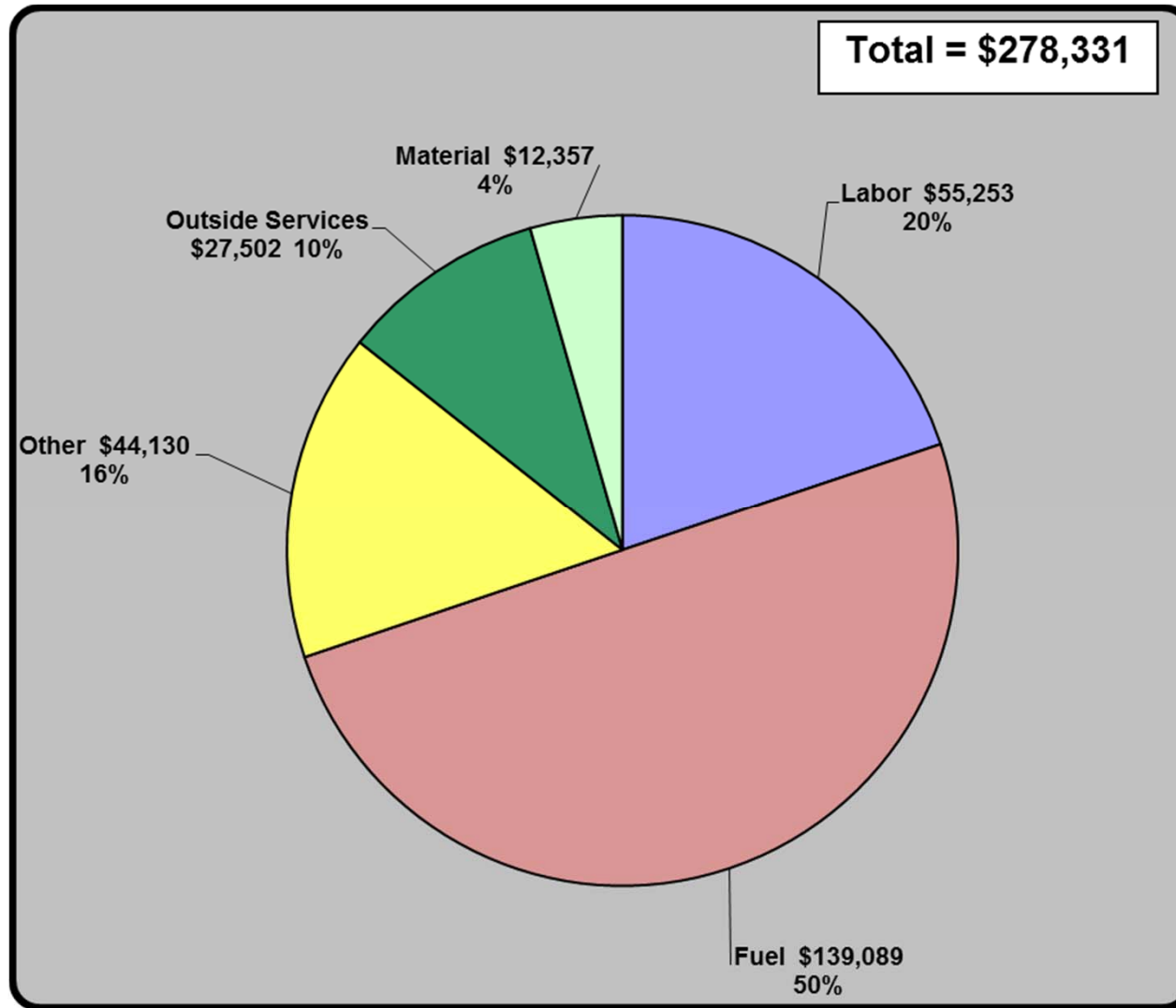
# Operating Expense Assumptions

- Overall FY 2017 O&M decreased by 6% compared to FY 2016 Budget.
- Budget assumes 754 FTEs – the same as the FY 16 budget.

Forecasted CPI Index shows 2.4% inflation. (The Budget and Economic Outlook:2016 to 2026 – Congress of the United States Congressional Budget Office)

# FY 2017 O&M Budget by Category

*-in \$000's, excludes depreciation*



# FY 2017

## Income Statement by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
<b>SALES (MWh, ccf, Mlb, ton-hr</b>	2,904,915	8,534,134	774,469	10,288,000	22,501,518
Retail	\$ 279,805	\$ 36,257	\$ 12,419	\$ 5,707	\$ 334,188
Wholesale	\$ 28,916	\$ 3,311	\$ -	\$ -	\$ 32,227
<b>OPERATING REVENUE</b>	<b>\$ 308,721</b>	<b>\$ 39,568</b>	<b>\$ 12,419</b>	<b>\$ 5,707</b>	<b>\$ 366,415</b>
Operation & Maintenance Expense	\$ (242,027)	\$ (25,960)	\$ (8,019)	\$ (2,325)	\$ (278,331)
Depreciation Expense	\$ (30,830)	\$ (8,013)	\$ (2,563)	\$ (1,748)	\$ (43,154)
<b>OPERATING EXPENSE</b>	<b>\$ (272,857)</b>	<b>\$ (33,973)</b>	<b>\$ (10,582)</b>	<b>\$ (4,073)</b>	<b>\$ (321,485)</b>
<b>OPERATING INCOME</b>	<b>\$ 35,864</b>	<b>\$ 5,595</b>	<b>\$ 1,837</b>	<b>\$ 1,634</b>	<b>\$ 44,930</b>
Return on Equity	\$ (18,528)	\$ (2,384)	\$ (747)	\$ (348)	\$ (22,007)
Other Non-Operating Income	\$ 20	\$ 782	\$ (168)	\$ 39	\$ 673
Other Non-Operating Expenses	\$ (9,341)	\$ (1,706)	\$ (1,881)	\$ (555)	\$ (13,483)
<b>NET INCOME (LOSS)</b>	<b>\$ 8,015</b>	<b>\$ 2,287</b>	<b>\$ (959)</b>	<b>\$ 770</b>	<b>\$ 10,113</b>
<b>RATE OF RETURN</b>	<b>3.9%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>4.9%</b>	<b>3.1%</b>

# Comparative Income Statement

*Based on Initial Requests Prior  
to Strategic Alignment and Review*

<i>In \$000's</i>	<b>FY 2017 Budget</b>	<b>FY 2016 Budget</b>	<b>Increase/ (Decrease)</b>
<b>OPERATING REVENUE</b>	<b>\$ 366,415</b>	<b>\$ 376,675</b>	<b>-3%</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,908	61,201	8%
LABOR TO CAPITAL	<u>(6,541)</u>	<u>(6,303)</u>	4%
NET LABOR	59,367	54,898	8%
MATERIAL	14,209	13,516	5%
OTHER - Including Benefits	42,581	46,441	-8%
OUTSIDE SERVICE	40,050	30,037	33%
FUELS, WATER CHEMICALS & AMINE	<u>143,202</u>	<u>149,730</u>	-4%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 299,409	\$ 294,623	2%
Depreciation Expense	<u>43,153</u>	<u>43,225</u>	0%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 342,562</b>	<b>\$ 337,848</b>	<b>1%</b>
<b>OPERATING INCOME</b>	<b>\$ 23,853</b>	<b>\$ 38,827</b>	<b>-39%</b>
Return on Equity	(22,007)	(22,699)	-3%
Other Non-Operating Income/(Expense)	(12,810)	(13,867)	-8%
<b>NET INCOME</b>	<b>\$ (10,964)</b>	<b>\$ 2,261</b>	<b>-585%</b>

# Comparative Income Statement

## After Strategic Alignment and Review

<i>In \$000's</i>	<b>FY 2017 Budget</b>	<b>FY 2016 Budget</b>	<b>Increase/ (Decrease)</b>
<b>OPERATING REVENUE</b>	<b>\$ 366,415</b>	<b>\$ 376,675</b>	<b>-3%</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	62,507	61,201	2%
LABOR TO CAPITAL	<u>(7,255)</u>	<u>(6,303)</u>	15%
NET LABOR	55,252	54,898	1%
MATERIAL	12,357	13,516	-9%
OTHER - Including Benefits	44,131	46,441	-5%
OUTSIDE SERVICE	27,502	30,037	-8%
FUELS, WATER CHEMICALS & AMINE	<u>139,089</u>	<u>149,730</u>	-7%
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<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 321,484</b>	<b>\$ 337,848</b>	<b>-5%</b>
<b>OPERATING INCOME</b>	<b>\$ 44,931</b>	<b>\$ 38,827</b>	<b>16%</b>
Return on Equity	(22,007)	(22,699)	-3%
Other Non-Operating Income/(Expense)	(12,810)	(13,867)	-8%
<b>NET INCOME</b>	<b>\$ 10,113</b>	<b>\$ 2,261</b>	<b>347%</b>

# FY 2017 Cash Flow by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
<b>BEGINNING OPERATING CASH</b>	<b>61,533</b>	<b>13,699</b>	<b>5,703</b>	<b>3,938</b>	<b>84,873</b>
Sources of Cash					
Net Income	\$ 8,015	\$ 2,288	\$ (960)	\$ 770	\$ 10,113
Depreciation	\$ 30,830	\$ 8,013	\$ 2,563	\$ 1,748	\$ 43,153
Loss on Sale of Assets	\$ 614	\$ 321	\$ 225	\$ -	\$ 1,160
Withdrawal from Construction Reserve	\$ 4,881	\$ 1,087	\$ 452	\$ 312	\$ 6,732
Fuel Cost Undercollection	\$ 2,329	\$ (43)	\$ 43	\$ -	\$ 2,329
Net Environmental	\$ 4,558	\$ -	\$ 183	\$ -	\$ 4,741
Pipeline Refund	\$ 2,390	\$ -	\$ 455	\$ -	\$ 2,845
<b>SOURCES OF CASH</b>	<b>\$ 53,617</b>	<b>\$ 11,666</b>	<b>\$ 2,960</b>	<b>\$ 2,830</b>	<b>\$ 71,073</b>
Uses of Cash					
Debt Principal	\$ (5,069)	\$ (2,313)	\$ (1)	\$ (1,465)	\$ (8,848)
Net Capital Expenditures	\$ (42,349)	\$ (14,010)	\$ (3,606)	\$ (853)	\$ (60,818)
Renewable Energy & EO Plans	\$ (1,151)	\$ -	\$ -	\$ -	\$ (1,151)
Other Uses of Cash	\$ (183)	\$ (41)	\$ (17)	\$ (12)	\$ (253)
<b>USES OF CASH</b>	<b>\$ (48,753)</b>	<b>\$ (16,364)</b>	<b>\$ (3,624)</b>	<b>\$ (2,330)</b>	<b>\$ (71,070)</b>
<b>Net Cash Increase/(Decrease)</b>	<b>\$ 4,865</b>	<b>\$ (4,698)</b>	<b>\$ (663)</b>	<b>\$ 500</b>	<b>\$ 3</b>
<b>ENDING OPERATING CASH</b>	<b>66,398</b>	<b>9,001</b>	<b>5,040</b>	<b>4,438</b>	<b>84,876</b>



*Beginning Operating Cash includes O & M Fund and Receiving Fund only, Designated funds and Restricted Bond Funds not included, (\$92.4 and \$37.5 million respectively as of March 31, 2016) The March 31, 2016 Designated funds includes \$64.9 million of Construction Reserve funds.*



# FY2017 Capital Budget



# FY 2017 Capital Budget Summary

Dollars in (000's)

## UTILITY

ELECTRIC	\$	36,986
WATER	\$	9,867
STEAM	\$	2,901
CHILLED WATER	\$	180
COMMON	\$	10,884
TOTAL BUDGET	\$	<u>60,818</u>

## LOCATION

ECKERT	\$	3,280
ERICKSON	\$	1,941
REO PLANT	\$	144
T&D	\$	36,462
DYE/CEDAR	\$	3,039
CHILLER PLANT	\$	42
OTHER	\$	<u>15,910</u>
	\$	<u>60,818</u>

# FY 2017 Capital Budget – Major Projects/Programs

<u>Project Title</u>	<u>Project Total</u>	<u>FY 2017</u>
<b><u>Planned Projects</u></b>		
* Erickson to Willow 138kV Line Extension	22,251,000	3,869,000
ESRI Implementation	5,763,144	3,715,720
New Mainframe	3,086,500	3,086,500
GroSolar Interconnect	3,535,000	2,736,000
Moores Park Dam Gate Hoist and Phase 2 Dam Repair	4,943,000	2,610,200
Smart Grid Implementation	30,950,000	2,500,000
* Burcham 4160V Sub Cutover and Retirement	2,235,000	2,235,000
* Central Substation	25,800,000	2,000,000
Lead Service Replacement	44,028,761	2,000,000
ADMS	2,720,093	1,635,062
Water Distribution Replacement - N Grand River	2,280,000	1,524,000
* Forbes 4160V Substation Retirement	4,327,000	1,208,000
Cedar Pump #1	1,083,700	1,083,700
<b><u>Annual Projects **</u></b>		
Services and Line Extensions	16,673,844	2,500,000
ESI Annual Rebuild T&D System	19,124,883	2,395,000
Street, Building, and Outdoor Protective Lighting	16,793,250	2,236,000
Annual Manhole Replacement	7,228,149	1,222,008
<b>FY 17 Total Spending (Major Projects)</b>		<b>38,556,190</b>

\* These projects support the retirement of Eckert

\*\* Annual projects have some level of spending each year.  
The project total represents 6 year spending.



# Next Steps

- Request the Board approve the FY 2017 Operating & Capital Budgets
  - *Requested approval at May 24<sup>th</sup> Board meeting*
  - *City Charter calls for budget adoption by June 1, 2016*
- File FY 2017 Operating Budget & Capital Budget with the City Clerk within 10 days after approval