



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

July 24, 2018

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on July 24, 2018.

Chairperson David Price called the meeting to order at 5:30 p.m. Chairperson Price welcomed new Commissioner, Dion'trae Hayes, Supervisor of Lansing Charter Township, representing Lansing Charter Township as the Advisory Commissioner.

The Corporate Secretary, M. Denise Griffin, called the roll.

Present: Commissioners David Price, Beth Graham, Dennis Louney, Anthony McCloud, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing) (arrived at 5:43 p.m.), William Long (Delta Township) and Dion'trae Hayes (Lansing Charter Township).

Absent: Commissioner Anthony Mullen

The Corporate Secretary declared a quorum.

Commissioner Anthony McCloud led the Pledge of Allegiance.

Chairperson Price Congratulated Commissioner McCloud on his recent marriage.

ELECTION OF OFFICERS FY 2017-2018

Nominating Committee Chairperson Anthony McCloud presented the June 28, 2018 Nominating Committee Report, from which the proposed slate of officers for Fiscal Year 2018-2019 is as such: Commissioner David Price serving as Chairperson; and Commissioner Sandra Zerkle serving as Vice Chairperson. There were no further nominations for the officers' positions.

Motion by Commissioner McCloud, Seconded by Commissioner Thomas to nominate Commissioner David Price to serve as the Chairperson and Commissioner Zerkle to serve as the Vice Chairperson of the Board of Commissioners for Fiscal Year 2018-2019.

Action: Carried Unanimously

Chair Price thanked everyone for their support and is looking forward to working with the Vice Chair Zerkle and the members of the Board in FY 2018-2019.

SPECIAL PRESENTATION: MICHIGAN MUNICIPAL ELECTRIC ASSOCIATION (MMEA) LIFETIME MEMBERSHIP AWARD

George Stojic, Executive Director of Planning and Development, stated that the BWL was the first utility in Michigan to adopt a renewable portfolio standard and the first utility to voluntarily commence a long term comprehensive energy efficiency program. Sue Warren, retired BWL Manager of Energy & Eco Strategies, planned and designed the programs and served as an ambassador to other utilities. Mr. Stojic introduced Jim Weeks, Executive Director of MMEA, who presented Sue Warren with an MMEA Lifetime Membership Award and plaque. Sue Warren thanked MMEA and BWL for the award.

APPROVAL OF MINUTES

Motion by Commissioner Thomas, Seconded by Commissioner Zerkle, to approve the Regular Board Meeting minutes of May 22, 2018.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Electronic mail from Amara Moody re Utility Financial Assistance - *Referred to Management. Received and Placed on File*

COMMITTEE REPORTS

Commissioner Tracy Thomas presented the Human Resources Committee Report:

HUMAN RESOURCES COMMITTEE

Meeting Minutes

June 28, 2018

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 4:30 p.m. on Thursday, June 28, 2018.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, and Sandra Zerkle (arrived at 4:49 p.m.) Also, present: Commissioners Beth Graham, Dennis Louney, and David Price.

Absent: None

Public Comments

None

Approval of Minutes

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Human Resources Committee meeting minutes of September 12, 2017.

Action: Motion Carried.

FY 2018 Board Appointee Performance Reviews

HR Committee Chair Thomas noted that the charter appointed employees' evaluations and statistical results were emailed to all Commissioners a week prior to today's committee meeting.

Corporate Secretary

Corporate Secretary M. Denise Griffin requested a closed session for the purpose of receiving her contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 4:37 p.m.

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 4:48 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing M. Denise Griffin to the Charter position of Corporate Secretary for FY19 to the full Board for consideration.

Action: Motion Carried.

Internal Auditor

Internal Auditor, Phil Perkins, requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of Internal Auditor, Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 4:51 p.m.

Motion by Commissioner Zerkle, Seconded by Commissioner McCloud, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 5:04 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing Phil Perkins to the Charter position of Internal Auditor for FY19 to the full Board for consideration.

Action: Motion Carried.

General Manager

General Manager Richard Peffley requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of General Manager, Richard Peffley.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:08 p.m.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 5:37 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing Richard (Dick) Peffley to the Charter position of General Manager for FY19 to the full Board for consideration.

Action: Motion Carried.

Subsequent Steps for Board Appointed Employees Contracts

HR Chair Thomas requested a motion for the HR Committee to charge the HR Chair and the Board Chair with the task of working with the appointed employees on their respective annual merit considerations on behalf of the Board of Commissioners.

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, to charge the HR Chair and the Board Chair with the task of working with the appointed employees on their respective annual merit considerations on behalf of the Board of Commissioners.

Action: Motion Carried.

Excused Absence

None

Other

HR Committee Chair Thomas thanked Commissioner Mullen for meeting with HR Chair Thomas and going through the transition process.

HR Committee Chair Thomas also thanked Smiljana for helping the Commissioners with the addressing of some issues.

Commissioner Price thanked HR Committee Chair Commissioner Tracy Thomas for his work as the HR Committee Chair.

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Thomas, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 5:41 p.m.

Respectfully Submitted,
Tracy Thomas, Chair
Human Resources Committee

Commissioner Anthony McCloud presented the Nominating Committee Report:

**NOMINATING COMMITTEE
Meeting Minutes
June 28, 2018**

The Nominating 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 5:46 p.m. on Thursday, June 28, 2018.

Nominating Committee Chair, Anthony McCloud, called the meeting to order and asked the Corporate Secretary to call the roll. The following committee members were present: Commissioners Anthony McCloud, Beth Graham, Anthony Mullen and Tracy Thomas.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Graham, Seconded by Commissioner McCloud to approve the Nominating Committee meeting minutes of June 29, 2017.

Action: Motion Carried.

Officer & Committee Survey Results & Officer & Committee Survey Memorandum

Nominating Committee Chair Anthony McCloud stated that the Officer Committee Survey Results Forms and Committee Survey Memorandum were included in the Nominating Committee meeting packet for review and asked if there were any questions regarding the documents. There were no questions.

Nomination of Board Officer Candidates for Fiscal Year 2018-2019

Chairperson and Vice Chairperson

Nominating Committee Chair McCloud noted that the survey results indicated only two Commissioners interested in the officer positions, Commissioner Price for the Board Chair position and Commissioner Zerkle for the Vice Chair position. Nominating Committee Chair McCloud requested a motion to nominate Commissioner David Price to serve as the Chairperson for the 2018-2019 fiscal year and Commissioner Zerkle as the Vice Chairperson for the 2018-2019 fiscal year.

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to nominate Commissioner David Price to serve as the Chairperson for the 2018-2019 fiscal year and Commissioner Zerkle as the Vice Chairperson for the 2018-2019 fiscal year.

Action: Motion Carried

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to present the slate of Officers for 2018-2019 to the full Board for consideration is as follows:

Chair:	David Price
Vice Chair:	Sandra Zerkle

Action: Carried Unanimously

Nominating Committee Chair McCloud stated that the recommended slate will be presented to the full Board for consideration and nominations will be taken from the floor at the July 24th Regular Board/Annual Organizational meeting.

Commissioner Thomas thanked Nominating Committee Chair McCloud for his work as chair of the committee.

Excused Absence

None

Adjourn

There being no further business, the meeting adjourned at 5:49 p.m.

Respectfully submitted,
Anthony McCloud, Chair
Nominating Committee

Chair David Price presented the Committee of the Whole Report for Committee of the Whole Chairperson Anthony Mullen:

**COMMITTEE OF THE WHOLE
Meeting Minutes
July 10, 2018**

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 5:30 p.m. on Tuesday, July 10, 2018.

Committee of the Whole Chair Tony Mullen called the meeting to order at 5:30 pm and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Beth Graham, Dennis M. Louney, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: Doug Jester (East Lansing), William Long (Delta Township) (arrived at 5:34 p.m.)

Absent: Commissioner Anthony McCloud

The 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 May 15, 2018.

Action: Motion Carried.

BWL Futures Trading Authorization Update

General Manager Richard Peffley introduced Bob Lalonde, Regulatory Compliance & Market Operations Manager, who presented an update to the policy that was passed last year. Permission had been asked to trade futures as part of the BWL hedging strategy. Mr. Lalonde explained that BWL wanted to trade futures to minimize the risk of future purchases and sales--especially in paying a consistent price on gas purchases, and provided examples. He also explained that the market is larger with futures trading.

Mr. Lalonde provided the following information after a question and answer session:

- Long term weather conditions, gas storage, market conditions, plus some political items are contributory variables to price fluctuation in gas prices.
- More crude production occurs when oil prices go up and since natural gas is a by-product of that production which results in a lower price for natural gas, the situation in Iraq won't cause the price of natural gas to increase.
- The prices on the side by side comparison of a purchase of gas and a call option include additional costs and fees such as delivery.
- Changes will occur with the addition of the new plant and future goals for the Futures Trading program include this addition.
- Efficiency analyses will be conducted to determine what would have occurred if futures weren't done and only purchases were made.
- External auditors have reviewed the futures transactions and an audit process is about to start.

2017 Annual Energy Waste Reduction and Renewable Energy Update

Rhonda Jones, Marketing & Business Strategy Manager, presented a PowerPoint presentation on energy waste reduction and renewable energy. She highlighted the low-income services in the energy optimization programs, the

goals of the programs, the energy waste reduction plan, the renewable energy results, and the renewable energy portfolio.

Aileen Gow, Customer Accounts Analyst, will follow up on Commissioner Jester's question about the average measure of life of the items—lights, thermostats, etc.—in the program.

Commissioner Mullen asked whether any items besides LED lights would be given to customers, such as the 0% loans that were mentioned or energy efficient appliances. Ms. Jones responded that more efficient refrigerators are currently given to low income residents and other means to obtaining savings are being looked into for the future.

Commissioner Price commented that the majority of low income customers are renters and the responsibility for appliances is the landlords'. GM Peffley responded that BWL is reaching out to educate the landlords on the benefits of energy efficient appliances. Commissioner Louney commented that a requirement is being discussed with the city that landlords need to have an energy audit performed before obtaining their renewal certification from the city.

Aileen Gow, Customer Accounts Analyst, spoke about low income guidelines and the energy waste reduction plan, providing different behaviors customers can utilize to lower their energy use.

Commissioner Long commented that most low-income customers heated with natural gas rather than electricity and furnaces can't be provided through BWL. Ms. Gow responded that BWL does refer customers to agencies or companies that work with natural gas services.

Commissioner Louney commended the staff for their efforts and asked whether the BWL had an energy efficiency program incentive such as Consumers Energy has where churches get a small percentage for referring parishioners. Ms. Gow responded that churches and other businesses such as Cristo Rey, Peckham, and Habitat for Humanity provide energy kits and encourage people to sign up for the energy audit.

Commissioner Price inquired about the number of operating solar panels. George Stojic responded that approximately 1,000 panels have been scheduled and about 500 are operating.

Commissioner Zerkle inquired about the Hydro One repair and replacement. GM responded that it hasn't operated for a few years and the cost to repair it will be more than the payback and it probably will be decommissioned.

Commissioner Louney inquired about purchasing panels in the community solar program and if there would be an opportunity for financing and paying half the cost up front to bring more people in. GM responded that is a program that is being evaluated.

General Manager Peffley commented that available capacity and energy sales are the main parts of the energy portfolio. Under FERC regulations, capacity requirements for three years are being met by the BWL. Natural gas energy capacity, solar energy capacity, and wind energy capacity provide different challenges in meeting the requirements, with natural gas energy giving the largest return or output currently. More solar energy and wind energy modules have to be built to obtain the same amount of energy as obtained from natural gas modules.

Commissioner Ross inquired about the difference in energy credits for solar energy and wind energy and whether the solar and wind energy had to be obtained within the service territory. GM Peffley responded that it is preferred in order to rely on the grid. Commissioner Ross also asked whether the smaller solar arrays in various locations were a form of distributed generation that would make the BWL internal system more resilient. GM Peffley responded that the BLW is looking into smaller modules that the BWL can own, operate and service.

Return on Equity Request

General Manager Peffley provided information and some background on the Return on Equity (ROE) Request/Payment in Lieu of Taxes Agreement. Board Chair David Price stated that the City of Lansing requested for the Board to revisit the ROE percentage; after some dialogue General Manager Peffley recommended a two-year extension with the same ROE

percentage of 6.1%. The Resolution presented today is for approval of the stated to be forwarded to the full Board for consideration. General Manager Peffley stated that gross revenue is being built and the tax basis will be increased instead of raising the percentage rate of energy cost.

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle to approve the amended Return on Equity Request Resolution and forward to the full Board for consideration.

Action: Motion Carried.

Other

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham to excuse Commissioner McCloud from the meeting.

Commissioner Price spoke congratulations for Commissioner Anthony McCloud on his recent marriage.

Adjourn

Motion by Commissioner Zerkle to adjourn the meeting.

Meeting adjourned at 6:44 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

Commissioner Ken Ross presented the Finance Committee Report:

**FINANCE COMMITTEE
Meeting Minutes
May 15, 2018**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, May 15, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:31 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Dennis Louney, David Price, and Sandra Zerkle. Also present: Commissioner Anthony Mullen, and Non-Voting Commissioners Douglas Jester (East Lansing).

Absent: Commissioner Beth Graham, and Non-Voting Commissioners Brian Ross (DeWitt Township) and William Long (Delta Township)

The Corporate Secretary declared a quorum.

Public Comments

None

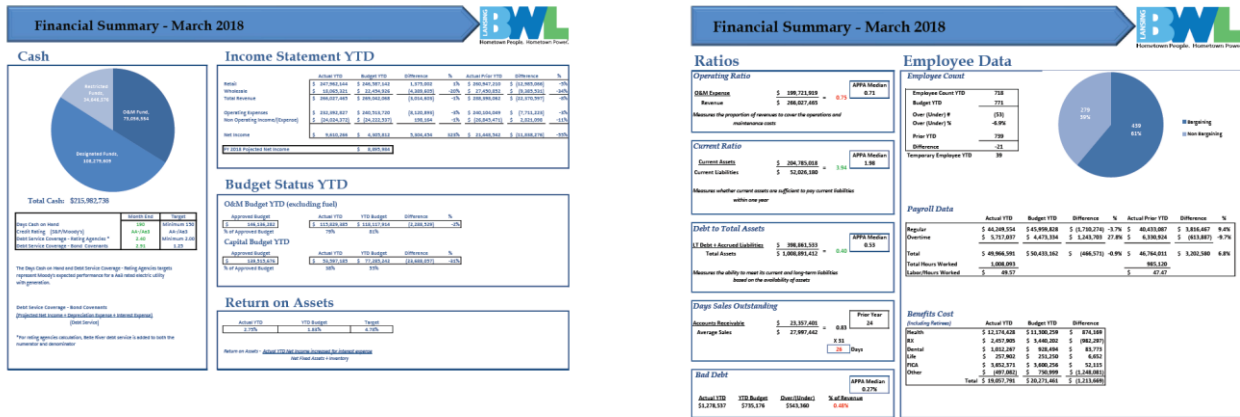
Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to approve the Finance Committee meeting minutes of March 13, 2018.

Action: Motion Carried.

March YTD Financial Summary

Chief Financial Officer (CFO), Heather Shawa presented the following:



Cash metrics, net income, and return on assets remain on track. Capital budget spending is consistent with YTD. Spending on capital is underspent with the primary driver of the new plant. The cost for long lead procurement items hasn't started yet so capital spend is 8% under rather than 31%. Ratios are consistent with the last few months. For Employee Data there is an FTE of 39 temporary employees. The budgeted headcount is 754 and it is higher this month because of 1st S.T.E.P. students. There are 700 active employees and 40 positions posted.

Cash Reserve Policy & Resolution

Scott Taylor, Finance Manager, presented the proposed Cash Reserve Policy Resolution. Currently, BWL operates under an informal policy. Mr. Taylor stated that it is a best policy practice to have a formal policy, which expresses a commitment to maintaining adequate reserves and remain financially sound, and rating agencies look favorably on such a commitment. Clearly defining the requirement and commitment to it, with a resulting slight increase in the target of days cash on hand, are the goals in the proposed policy. For each year of the six-year forecast the new policy includes a minimum cash reserve amount based on the following five risk factors:

- Operating expenditures
- Return on equity to the city
- Historical plans and service
- Debt service
- Capital improvements

Mr. Taylor reported that the policy is intended to be self-correcting and self-regulating by requiring that each budgeted forecast meet the minimum requirements. If the cash reserves were to fall below the minimum, the board would require necessary corrections in the next budget and forecast.

Commissioner Ross asked that since a goal of the policy wasn't to increase the target of days cash on hand but there may be a slight increase, what would happen under the current conditions if the policy was in place today. Mr. Taylor responded that the minimum cash days on hand would range between 153 and 159 days over the forecast period.

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to forward the Cash Reserve Policy Resolution to the full Board for consideration.

Action: Motion Carried

FY 2019-2024 Budget & Forecast Presentation & Resolution

CFO, Ms. Shawa presented the FY 2019-2024 Budget & Forecast and Resolution.

Budget and Forecast

FY 2019 – 2024

Finance Committee Meeting
May 15, 2018

Board Meeting
May 21, 2018

Overview

- BWL Strategic Objectives
- Key Budget and Forecast Assumptions
- Sales Volume History and Forecast by Utility
- Operating Budget and Forecast
- Capital Budget and Forecast
- Next Steps

BWL Strategic Objectives

- Strategy 6: Financial Stability
- Target Metrics

- Strategy 6 Goal: Maintain the financial stability of the BWL.
 - All of the BWL's ongoing efforts and strategic initiatives require funding. The balance between providing this funding and its impact on rates requires a comprehensive financial plan and rate strategy.
- Strategy 6, Objective 1: Practice good financial stewardship
 - 1) Develop a Financial Plan that includes a rate strategy that provides financing for the BWL's capital program and replacement generation needs while maintaining competitive rates.
 - 2) Maintain an above average bond rating for municipal utilities.
 - 3) Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees.
 - 4) Commit to reviewing and consistently achieving targeted rate of return.

BWL Strategic Objectives

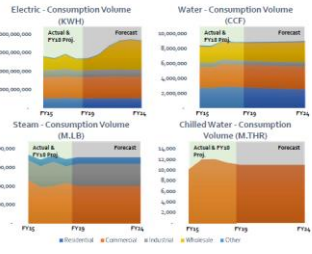
- Strategy 6: Financial Stability
- Target Metrics

- Maintain High Credit Rating
 - The BWL is currently rated AA- by S&P and Aa3 by Moody's
- Ensure Adequate Liquidity
 - The BWL should have the ability to meet near term obligations when due
 - Minimum Cash Reserve Requirement: 155 Days
 - Debt Service Coverage Minimum Target: 2.00
- Return on Assets
 - An adequate return on assets is essential to municipal utilities
 - It ensures that current rate payers are not "kicking the can down the road" or deferring cost recovery to future generations
 - An appropriate return on assets recovers two main items:
 - Interest expense
 - Inflationary increase of infrastructure replacement costs
 - Board of Commissioners approved ROA target calculation
 - Return on Assets FY 2019 Target: 4.75%
- Maintain Rate Competitiveness

Key Budget and Forecast Assumptions

- All forecast O&M expense increases, excluding fuel, were capped at 2% of the previous fiscal year.
- Eckert transitions from baseload operation to a seasonal capacity resource effective January 2019.
- Total employee count is budgeted at 751 for FY 2019 and declines in each succeeding year.
- Return on Equity to the city remains at 6.1%.
- The new plant is operational in early calendar year 2021.
- Bond interest is capitalized during the plant construction period.
- Major steam customer contract expires October 2022. Forecast assumes contract is renewed.

Sales Volume History and Forecast by Utility, FY 15-24



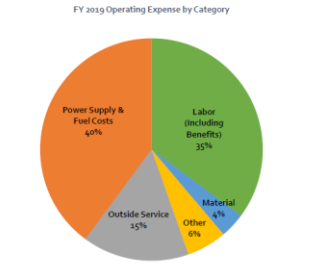
Operating Budget and Forecast

- FY 2019 Income Statement

	Electric	Water	Steam	Other	Global Market	Total
FY 2019 Income Statement	2,049,701	2,819,344	792,225	16,951	-	5,678,221
Operating Revenue	\$ 64,665,451	\$ 71,116,380	\$ 15,186,115	\$ -	\$ -	\$ 90,967,946
Commercial	\$ 144,344,424	\$ 14,489,528	\$ 7,976,801	\$ 6,088,148	\$ -	\$ 172,908,901
Industrial	\$ 41,914,451	\$ 2,397,203	\$ 1,772,341	\$ -	\$ -	\$ 46,104,005
Wholesale	\$ 23,349,746	\$ 8,814,454	\$ 1,791,179	\$ -	\$ -	\$ 33,955,379
Other	\$ 15,886,230	\$ 4,521,200	\$ 1,642,800	\$ -	\$ -	\$ 22,049,230
Total Operating Revenue	\$ 344,944,891	\$ 48,963,246	\$ 11,375,799	\$ 6,088,148	\$ -	\$ 361,472,084
Operating Expenses	\$ (86,493,473)	\$ (2,817,846)	\$ (4,182,246)	\$ -	\$ -	\$ (93,493,565)
Fuel and Purchased Power	\$ (81,186,789)	\$ (2,747,388)	\$ (3,646,715)	\$ (1,584,719)	\$ -	\$ (89,165,611)
Depreciation	\$ (12,188,100)	\$ (29,445,700)	\$ (1,544,530)	\$ (1,393,246)	\$ (16,773,102)	\$ (53,344,685)
Other Operating Expenses	\$ (2,118,584)	\$ (48,012,652)	\$ (1,991,001)	\$ (1,609,620)	\$ (11,815,182)	\$ (68,547,049)
Total Operating Expenses	\$ (95,493,457)	\$ (77,305,786)	\$ (10,717,752)	\$ (3,607,585)	\$ (18,588,284)	\$ (197,712,904)
Total Operating Income	\$ 249,451,434	\$ 31,657,460	\$ 665,547	\$ 6,088,148	\$ -	\$ 287,802,589
Non-Operating Income/Expense	\$ (19,584,402)	\$ (1,586,148)	\$ (887,499)	\$ (888,489)	\$ (21,799,874)	\$ (24,746,412)
Interest Expense	\$ (19,302,741)	\$ (2,287,096)	\$ (2,788,270)	\$ (8,543,013)	\$ (28,996,728)	\$ (53,997,828)
Other Non-Operating Income/Expense	\$ 3,718,239	\$ (1,017,040)	\$ (1,090,771)	\$ (703,382)	\$ (1,000,000)	\$ (4,129,430)
Total Non-Operating Income/Expense	\$ (15,866,162)	\$ (3,304,136)	\$ (3,879,049)	\$ (9,246,401)	\$ (29,996,728)	\$ (52,292,476)
Pre-tax Income/Expense	\$ 233,585,272	\$ 28,353,324	\$ (1,212,202)	\$ (3,518,357)	\$ (29,996,728)	\$ 200,018,117
Income Tax Expense - Effective 40.00%	\$ 93,434,109	\$ 11,341,330	\$ 484,881	\$ 1,421,141	\$ (11,998,711)	\$ 93,434,109
Return on Assets	4.5%	6.7%	0.0%	7.0%	3.0%	3.0%
Debt Ratio on Assets	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%

Operating Budget and Forecast

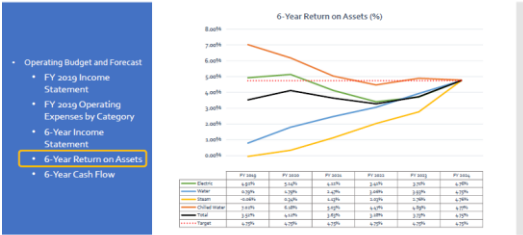
- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow



Operating Budget and Forecast Statement

- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue						
Electricity	\$ 24,364,541	\$ 23,246,742	\$ 24,671,912	\$ 26,000,000	\$ 28,223,178	\$ 30,751,748
Water	\$ 1,914,916	\$ 2,048,819	\$ 2,199,000	\$ 2,364,000	\$ 2,544,000	\$ 2,738,000
Gas	\$ 11,211,198	\$ 12,021,198	\$ 12,938,264	\$ 13,970,000	\$ 15,124,000	\$ 16,414,000
Other Revenue	\$ 2,800,125	\$ 2,922,228	\$ 3,049,000	\$ 3,177,000	\$ 3,307,000	\$ 3,439,000
Total Revenue	\$ 40,290,880	\$ 38,248,987	\$ 42,858,176	\$ 46,511,000	\$ 50,164,178	\$ 54,342,748
Operating Expenses						
Personnel	\$ 17,048,880	\$ 17,173,448	\$ 17,308,880	\$ 17,444,000	\$ 17,579,600	\$ 17,715,200
Materials	\$ 4,242,880	\$ 4,387,520	\$ 4,532,160	\$ 4,676,800	\$ 4,821,440	\$ 4,966,080
Other Operating Expenses	\$ 10,789,120	\$ 11,681,120	\$ 12,573,120	\$ 13,465,120	\$ 14,357,120	\$ 15,249,120
Total Operating Expenses	\$ 32,080,880	\$ 33,242,088	\$ 34,414,160	\$ 35,585,800	\$ 36,758,160	\$ 37,929,400
Operating Income	\$ 8,209,999	\$ 4,996,899	\$ 8,443,996	\$ 10,925,200	\$ 13,406,018	\$ 16,413,348
Return on Assets by City						
City of Madison	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Janesville	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Watertown	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Dodgeville	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Port Washington	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Cross Plains	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Friesland	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Hartsville	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Mount Pleasant	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Verona	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Waubesa	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Wisconsin Dells	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Yorkville	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Dodge County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Grant County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Iowa County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Jefferson County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Lincoln County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Oneida County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Outagamie County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Winnebago County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Walworth County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Racine County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Rock County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Vernon County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Waushara County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Winona County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of York County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Adams County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Boone County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Calhoun County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Carroll County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Crawford County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of DeKalb County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Franklin County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Hancock County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Harrison County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Howard County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Jasper County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Johnson County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Jones County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Linn County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Madison County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Mahoning County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Marion County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Mitchell County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Monroe County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Montgomery County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Morgan County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Newton County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Norman County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of O'Brien County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Osage County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Osceola County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Ottumwa County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Pottawattamie County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Pottawami County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Putnam County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Ringgold County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sac County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Saline County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sanborn County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Shelby County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sherman County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sioux County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Story County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Taylor County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Tama County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Taylor County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Union County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Van Buren County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Warren County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Washington County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Wayne County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Wood County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Worth County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Adams County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Boone County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Calhoun County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Carroll County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Crawford County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of DeKalb County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Franklin County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Hancock County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Harrison County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Howard County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Jasper County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Johnson County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Jones County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Linn County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Madison County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Mahoning County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Marion County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Mitchell County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Monroe County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Montgomery County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Morgan County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Newton County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Norman County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of O'Brien County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Osage County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Osceola County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Ottumwa County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Pottawattamie County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Pottawami County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Putnam County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Ringgold County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sac County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Saline County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sanborn County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Shelby County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sherman County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Sioux County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Story County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Taylor County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Tama County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Taylor County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Union County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Van Buren County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Warren County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Washington County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Wayne County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Wood County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
City of Worth County	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%



6-Year Cash Flow

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Cash Flow	\$ 8,209,999	\$ 4,996,899	\$ 8,443,996	\$ 10,925,200	\$ 13,406,018	\$ 16,413,348
Capital Expenditures	\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)
Debt Service	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)
Other Cash Flows	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)
Total Cash Flow	\$ (8,790,001)	\$ (12,003,101)	\$ (8,556,004)	\$ (6,074,800)	\$ (3,594,000)	\$ (1,586,652)

Capital Budget and Forecast

- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

	FY 2019
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Commissioner Zerkle asked about the change in Net Income in FY 2022. Ms. Shawa responded that the financing of the new plant begins in FY 2019 and in the second half of FY 2021 the new plant will come online and there will be a half year depreciation with interest capitalized only for that half year. Ms. Zerkle also inquired about the 6-year capital by utility and location and whether there were funds set aside for repairs for Eckert and GM Peffley responded that there was through O&M.

Commissioner Jester asked for what the \$148,00 was designated at Eckert. GM Peffley responded it is designated for costs for closing the plant.

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to forward the proposed FY 2019-2024 Budget & Forecast Resolution to the full Board for consideration.

Action: Motion Carried

Capital Exceedance Resolution

CFO Heather Shawa introduced the Capital Project Exceedance resolution by briefly explaining that the budget for the project described in the resolution exceeds the amount originally budgeted and requested approval for the projected final cost of \$3,900,000.

Commissioner Ross commented that the six-year process doesn't appear to be giving the intended result with respect to the capital project exceedance. Commissioner Ross asked whether the process is as efficient and transparent as possible.

Commissioner Zerkle commented that the information is helpful for ranking priorities but not for approval six years out.

Commissioner Mullen commented that the capital project exceedance goals were set specifically due to an incident where a considerably larger amount of money was to be spent. He stated that goals within one to three years required explanation or resolution but questioned whether six year goals were required to be adhered to.

GM Peffley responded that a presentation on how finances are estimated, budgeted, and the percent of accuracy over each phase of projects would be beneficial for the Board. Ms. Shawa added that labor, materials, and other costs may change over time.

Commissioner Zerkle commented that it would be helpful to provide reports given at prior meetings to compare with current reports being provided.

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to forward the Capital Exceedance Resolution to the full Board for consideration.

Action: Motion Carried

Internal Audit Open Management Response Quarterly Report

Chief Financial Officer Heather Shawa presented management's responses to audits as follows:

STATUS OF MANAGEMENT RESPONSES TO AUDITS
APRIL 30, 2018

 In Accordance with Board Resolution #2014-07-05

Updates in red

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Updating of job descriptions is well underway, with estimated project completion by 6/30/19.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	A plan for decoupling base and merit increases is nearing completion. The plan and corresponding instructional information, applicable to the fiscal year 2019 performance management cycle, will be finalized and communicated to management by 7/1/18.
52	COBIT Compliance	Internal Audit noted that actions should continue on as expedited a schedule as possible to reach full compliance with the adopted IT governance framework.	June 2017	Information Technology	Of 56 items involved, 42 are being reported as complete, 10 on track, 3 overdue, and 1 ongoing.
58	Succession Planning NEW	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	Annual updates to Succession Planning procedures will be drafted and submitted for executive management approval by 6/30/18.
59	Succession Planning NEW	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group is currently piloting a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 12/31/18.
60	Succession Planning NEW	Internal Audit supports training and development of succession candidates.	March 2018	Human Resources	Candidate assessment and development are underway, as part of the BWL Leadership Academy, and will continue through June 2019.

Closed Issues (since March 2018 report):

57	Identity and Access Management	Internal Audit recommends actions continue on as expedited a schedule as possible to fully implement an effective IAM program.	Feb 2018	Information Technology	The following actions have been completed: (1) drafting of IAM operation policy, processes, and procedures; (2) removal of all instances of global server accounts; (3) implementation of an automated system for managing privileged accounts; and (4) deployment of a threat identification system on servers.
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Commissioner Ross inquired about the overdue items. Ms. Shawa responded that she would follow up and provide the information to the Commissioners after the meeting.

Revised Investment Policy Statements & Resolution

Scott Taylor, Finance Manager presented two revised investment policy plans, the Defined Benefit (DB) Plan which is the traditional pension plan, and the VEBA Plan which covers the investments associated with providing health care benefits. Refinement in the policy index which will more accurately reflect real asset allocation in both the DB and VEBA plans and changing the discount rate from 7 ½ % to 7% in the DB plan, which relates to the maturation of the plan, are the main changes for which approval was requested.

Commissioner Ross noted that there was an amendment on page 13 of the DB plan changing the total return of the Policy index for BloomBar US Aggregate from 35-40% to 40-45%.

Motion by Commissioner Price, Seconded by Commissioner Louney, to forward the proposed Revised DB and VEBA Investment Policy Statements Resolution as presented to the full Board for consideration.

Action: Motion Carried

Other

None.

Excused Absence

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to excuse Commissioner Graham from today's meeting.

Action: Motion Carried

Adjourn

Motion by Commissioner Price, Seconded by Commissioner Louney, to adjourn the meeting. Commissioner Ross adjourned the meeting at 8:45 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

General Manager Dick Peffley presented the recommendation for the Return on Equity Agreement with Amendment #4 with a request for approval from the Board. The Return on Equity Agreement is a request by the City of Lansing to extend the Return on Equity payment for two years at the current rate.

RESOLUTION #2018-07-01

Return on Equity/Payment in Lieu of Taxes

WHEREAS, the City of Lansing has expressed a desire to continue the Agreement dated June 30, 1992, which has been subsequently extended thereafter for payment in lieu of taxes arrangement;

WHEREAS, the Board of Commissioners Committee of the Whole (COW) considered the City of Lansing's request on July 10, 2018;

WHEREAS, the General Manger recommended the Agreement be extended by two (2) years at a rate of six-point one percent (6.1%), which would be memorialized as Amendment No. 4;

WHEREAS, the COW agreed with the General Manager's recommendation and approved the same to be forwarded to the Board of Commissioners' July meeting for approval; and

WHEREAS, the COW further directed the General Manager to finalize Amendment No. 4 in light of his July 10, 2018's recommendation and execute on behalf of the Board of Commissioners.

RESOLVED, That the Board of Commissioners hereby approve Amendment No. 4 as recommended by the General Manager.

FURTHER RESOLVED, the General Manager and Corporate Secretary shall execute Amendment No. 4 on behalf of the Board of Commissioners.

Motion by Commissioner Ross, Seconded by Commissioner Thomas, to amend and approve the resolution for the Return on Equity Agreement with Amendment #4.

Action: Motion Carried.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION #2018-07-02

Appointment of the Charter Position of Corporate Secretary

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Corporate Secretary fiscal year 2018-2019 or until a successor is appointed, whichever last occurs:

M. Denise Griffin, Corporate Secretary

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Motion by Commissioner Louney, Seconded by Commissioner McCloud, to approve the reappointment of the Corporate Secretary for Fiscal Year 2018-2019.

Action: Motion Carried.

RESOLUTION #2018-07-03

Appointment of the Charter Position of Internal Auditor

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Internal Auditor for fiscal year 2018-2019 or until a successor is appointed, whichever last occurs.

Philip Perkins, Internal Auditor

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Motion by Commissioner Thomas, Seconded by Commissioner Zerkle, to approve the reappointment of the Internal Auditor for Fiscal Year 2018-2019.

Action: Motion Carried.

RESOLUTION #2018-07-04

Appointment of the Charter Position of Director and General Manager

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Director and General Manager for fiscal year 2018-2019 or until a successor is appointed, whichever last occurs:

Richard R. Peffley, Director and General Manager

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Motion by Commissioner Thomas, Seconded by Commissioner Louney, to approve the reappointment of the Director and General Manager for Fiscal Year 2018-2019.

Action: Motion Carried.

RESOLUTION #2018-07-05

Board Policy on Follow-up to Internal Audit Findings & Recommendations

General Responsibilities:

Internal Audit. The Internal Auditor is responsible for performing the annual Internal Audit Plan approved by the Finance Committee of the Board. This includes but is not limited to:

1. Informing management of any potential issues during audit engagements and briefing the results of audits including any findings prior to releasing a draft audit report to management.
2. Formally presenting the results of each audit engagement in writing. Reports of audit will include any reportable findings, recommendations, and management's responses to the findings and recommendations.
3. Following up on previous audit findings and management responses to ensure that the corrective action(s) noted in the responses were in fact taken, and that those actions corrected the problem(s) identified.

Management. Management is to respond with actionable responses to each reported finding and recommendation in the internal auditor's report within an agreed-upon timeframe. Each management response should contain the following:

1. Acknowledgement of agreement (or disagreement if applicable) with the audit finding and recommendation.
2. A specific action or actions being taken (or completed) to address the problem(s) noted in the finding and recommendation.
3. A statement that either affirms that the stated corrective action(s) has/have already been completed or, if not, an estimated date when management believes the corrective action(s) will be completed. The estimated completion date should be management's best estimate, based on available resources, priorities and schedules as to when the corrective action(s) can reasonably be expected to be completed.

Follow-Up of Open Management Responses to Audit Findings:

1. Schedule of Open Actions. For each management response for which the corrective action is to be completed by an estimated future date, a schedule will be developed to track, on at least a biannual basis, the status of such corrective action(s) until they are completed.
 - a. There should be a notation biannually regarding progress toward completion of the corrective action. If other priorities precluded further progress during a biannual period, this should be so stated.

- b. The Internal Auditor will receive an updated schedule biannually and keep the Finance Chair apprised of action completion and status.

2. Schedule Usage.

- a. Management. Management will use the schedule as a tool for reporting progress on open corrective actions to the Finance Committee biannually.
- b. Internal Auditor. The Internal Auditor will use the schedule to help in future planning efforts and to ensure that management's corrective actions are being implemented as stated in the management responses to audit reports.

(This Resolution supersedes RESOLUTION #2014-07-05 adopted on July 22, 2014.)

Motion by Commissioner Ross, Seconded by Commissioner McCloud, to approve the Internal Audit Management Response Policy Amendment.

Action: Motion Carried.

RESOLUTION #2018-07-06
Internal Audit Plan for FY 2019

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Plan for FY 2019.

Motion by Commissioner Ross, Seconded by Commissioner McCloud, to approve the Internal Audit Plan for FY 2019.

Action: Motion Carried.

RESOLUTION #2018-07-07
Internal Audit Charter Approval

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Charter as amended to which conforms to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors.

Motion by Commissioner McCloud, Seconded by Commissioner Ross, to approve the amended Internal Audit Charter.

Action: Motion Carried.

MANAGER'S REMARKS

General Manager Peffley commented on a well written article in the Lansing State Journal *Why Not 100% Renewable Energy*, written by Theresa Lark, the Executive Director of MidMEAC, which referenced several things the BWL is doing regarding renewable energy.

COMMISSIONERS' REMARKS

Commissioner Sandra Zerkle thanked the Board for support in the election and congratulated GM Peffley on the State of the BWL meeting.

Commissioner Tracy Thomas congratulated Commissioner McCloud on his marriage and Sue Warren on the Lifetime MMEA award. He also thanked the Commissioners for timely responses to the HR evaluations, and support received from Commissioner Mullen, HR Executive Director Michael Flowers, and Executive Assistant Smiljana Lazic.

Chair David Price thanked the Commissioners for the work done in the past year. Chair Price also noted that the City Council reappointed Commissioner David Price and Commissioner Beth Graham to four-year terms. He stated that he will appointing Committee Chairs over the next couple of weeks. Chair Price appointed the Executive Committee: Commissioner David Price, Commissioner Sandra Zerkle, Commissioner Anthony Mullen, Commissioner Anthony McCloud.

Motion by Commissioner Price, Seconded by Commissioner Ross, to approve the Commissioners appointed to the Executive Committee.

Action: Motion Carried.

MOTION OF EXCUSED ABSENCE

Motion by Commissioner Ross, Seconded by Commissioner Graham to excuse Commissioner Anthony Mullen from this meeting.

Action: Motion Carried.

PUBLIC COMMENTS

Randy Dykhuis, Lansing, encouraged the BWL to set a date certain for BWL to be 100% fossil fuel free before 2040.

Carol Rall, Lansing, congratulated Sue Warren on the MMEA award, and spoke about reliable energy.

ADJOURNMENT

Motion by Commissioner McCloud, Seconded by Commissioner Thomas to adjourn the meeting.

Chair Price adjourned the meeting at 6:04 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: 8-2-18

Official Minutes filed (electronically) with Lansing City Clerk 9-27-18