



BOARD OF WATER AND LIGHT
REO Town Depot
1201 S. Washington Ave., Lansing, Michigan
September 25, 2018 - 5:30 p.m.
BOARD MEETING AGENDA

1. Roll Call

2. Pledge of Allegiance

3. Approval of Minutes

- a. Regular Board Meeting Minutes of July 24, 2018

4. Public Comment

*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

Electronic Mail: From Mike Harrington of Michigan Forge regarding Electricity Cost per kWh

Electronic Mail: Resignation Statement from BWL Commissioner Dennis M. Louney

Electronic Mail: From Ann Nieratko regarding Tree Trimming Concern

6. Committee Reports

- a. Human Resources Meeting (September 18, 2018)-Tracy Thomas, Chair
- b. Committee of the Whole Meeting (September 18, 2018)-Sandra Zerkle, Chair
- c. Finance Committee Meeting (September 18, 2018)-Ken Ross, Chair

7. Manager's Recommendations

8. Unfinished Business

9. New Business

10. Resolutions/Action Items

- a. PA 152 Health Care Premium Sharing
- b. Acceptance of the 2018 Audited Financial Statements
- c. Capital Project Budget Exceedance Approval: AE– Electric Annual Account

11. Manager's Remarks

12. Commissioners' Remarks

13. Motion of Excused Absence

14. Public Comment

Members of the public are welcome to speak to the Board on any Board of Water and Light subject. Is there anyone who would care to speak? If so, please step to the podium and state your name for the record?

15. Adjournment



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 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

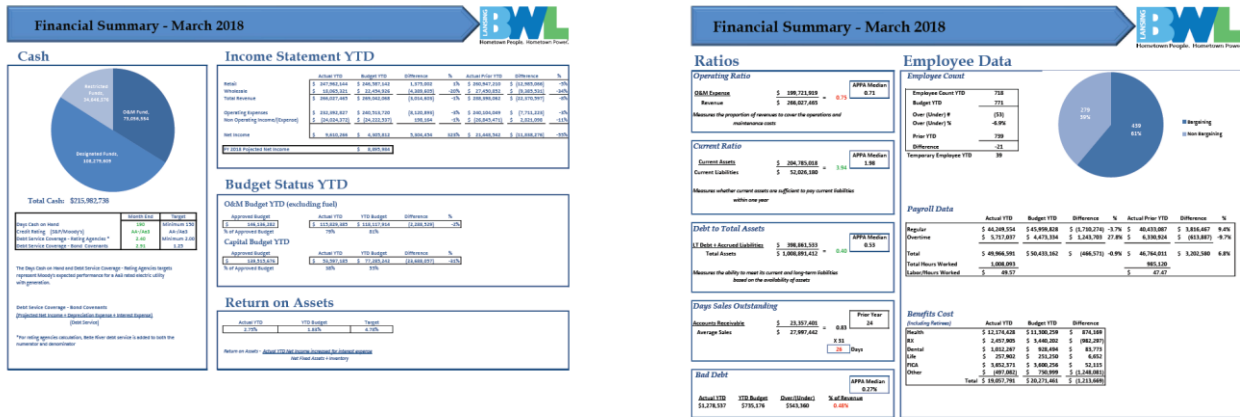
Approval of Minutes

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% 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

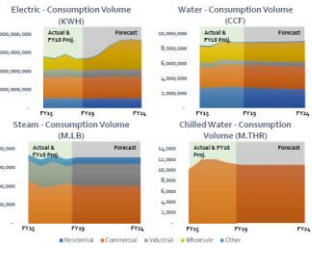
- Strategy 6: Financial Stability
- Target Metrics

- 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



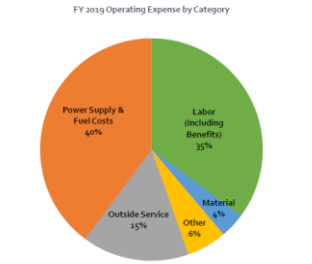
Operating Budget and Forecast

- FY 2019 Income Statement

	Electric	Water	Steam	Other	Other	Total
FY 2019 Income Statement	2,090,701	8,919,344	792,225	16,051		
Operating Revenues						
Commercial	\$ 6,656,451	\$ 11,113,280	\$ 15,186	\$ -	\$ -	\$ 21,200,237
Industrial	\$ 144,344,424	\$ 14,498,729	\$ 7,976,801	\$ 6,098,148	\$ -	\$ 171,918,104
Municipal	\$ 41,014,461	\$ 2,397,293	\$ 1,172,342	\$ -	\$ -	\$ 44,604,101
Wholesale	\$ 23,249,794	\$ 8,814,454	\$ -	\$ -	\$ -	\$ 32,064,248
Other	\$ 10,989,219	\$ 4,321,240	\$ 1,275,419	\$ -	\$ -	\$ 16,585,878
Total Operating Revenues	\$ 346,944,149	\$ 42,045,006	\$ 11,535,758	\$ 6,098,148	\$ -	\$ 366,623,061
Operating Expenses						
Plant and Equipment Expense	\$ (86,160,473)	\$ (2,817,940)	\$ (4,182,246)	\$ -	\$ -	\$ (93,160,660)
Personnel	\$ (25,185,783)	\$ (2,747,288)	\$ (3,646,715)	\$ (3,584,175)	\$ -	\$ (35,163,961)
Other Operating Expenses	\$ (123,883,107)	\$ (29,845,100)	\$ (1,054,589)	\$ (3,393,254)	\$ (26,713,162)	\$ (184,989,638)
Total Operating Expenses	\$ (315,229,363)	\$ (35,410,328)	\$ (8,283,550)	\$ (3,977,429)	\$ (26,713,162)	\$ (369,613,832)
Total Operating Income	\$ 48,714,786	\$ 6,634,678	\$ 3,252,208	\$ 2,120,719	\$ -	\$ 50,722,381
Non-Operating Income/Expense						
Interest Expense	\$ (19,584,402)	\$ (2,586,148)	\$ (807,498)	\$ (868,449)	\$ -	\$ (23,786,497)
Interest Expense	\$ (19,584,402)	\$ (2,586,148)	\$ (807,498)	\$ (868,449)	\$ -	\$ (23,786,497)
Other Non-Operating Income/Expense	\$ 374,212	\$ (81,243)	\$ (307,252)	\$ 379,382	\$ -	\$ (4,801)
Total Non-Operating Income/Expense	\$ (19,210,190)	\$ (2,667,391)	\$ (1,114,750)	\$ (489,067)	\$ -	\$ (23,471,398)
Total Income/Expense	\$ 29,504,596	\$ 3,967,287	\$ 2,137,458	\$ 1,631,652	\$ -	\$ 27,240,993
Operating Rate Income - Effective 04/01/2019	3.0%	3.5%	3.5%	4.0%		
Return on Assets	4.5%	0.7%	-0.6%	7.0%		3.2%
Capital Return on Equity	4.7%	4.7%	4.7%	4.7%		4.7%

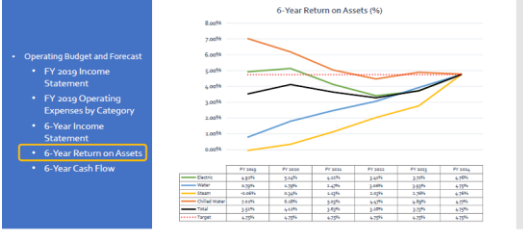
Operating Budget and Forecast

- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets Statement
- 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	\$ 24,617,192	\$ 26,098,890	\$ 28,222,178	\$ 30,761,748
Water	\$ 1,814,166	\$ 1,814,166	\$ 1,814,166	\$ 1,814,166	\$ 1,814,166	\$ 1,814,166
Gas	\$ 1,121,158	\$ 1,121,158	\$ 1,121,158	\$ 1,121,158	\$ 1,121,158	\$ 1,121,158
Other Revenue	\$ 2,800,125	\$ 2,800,125	\$ 2,800,125	\$ 2,800,125	\$ 2,800,125	\$ 2,800,125
Total Revenue	\$ 30,099,990	\$ 29,006,291	\$ 30,352,631	\$ 31,834,349	\$ 34,058,627	\$ 36,507,297
Expenses						
Personnel	\$ 17,448,880	\$ 17,173,448	\$ 17,248,880	\$ 17,324,312	\$ 17,400,744	\$ 17,477,176
Materials	\$ 4,210,000	\$ 4,210,000	\$ 4,210,000	\$ 4,210,000	\$ 4,210,000	\$ 4,210,000
Other Operating Expenses	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000
Total Operating Expenses	\$ 23,408,880	\$ 23,133,448	\$ 23,208,880	\$ 23,284,312	\$ 23,360,744	\$ 23,437,176
Operating Income	\$ 6,691,110	\$ 5,872,843	\$ 7,103,751	\$ 8,550,037	\$ 10,697,883	\$ 13,070,121
Other Non-Operating Income/Expense	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Total Non-Operating Income/Expense	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Total Income	\$ 8,099,990	\$ 7,281,723	\$ 8,512,631	\$ 9,958,917	\$ 12,106,763	\$ 14,478,999
Return on Assets	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Return on Equity	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Debt Service Coverage Ratio	1.00	1.00	1.00	1.00	1.00	1.00
Debt to Capitalization	100	100	100	100	100	100
Debt to Total Assets	100	100	100	100	100	100
Debt to Total Equity	100	100	100	100	100	100



- 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

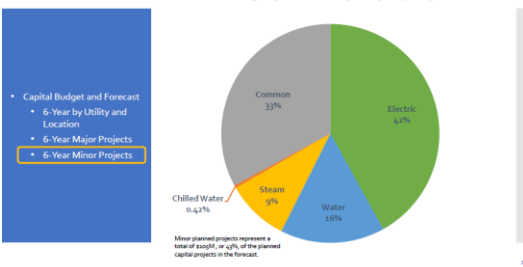
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Cash Flow						
Operating Cash Flow	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Capital Expenditures	\$ (1,408,880)	\$ (1,408,880)	\$ (1,408,880)	\$ (1,408,880)	\$ (1,408,880)	\$ (1,408,880)
Net Change in Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cash Balance	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880

- Capital Budget and Forecast Statement
- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Capital Expenditures						
Electricity	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Water	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Gas	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Total Capital Expenditures	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640

- Capital Budget and Forecast Statement
- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Capital Expenditures						
Electricity	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Water	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Gas	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880	\$ 1,408,880
Total Capital Expenditures	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640	\$ 4,226,640



- Next Steps
- Finance Committee to accept, as presented, the Operating and Capital Forecast for FY 2019 – 2024, and recommend for Board of Commissioners' approval on May 22, 2018.
- Board of Commissioners to approve, as presented, the FY 2019 annual budget and file with the City Clerk within 10 days of approval.
 - City Charter calls for budget adoption by June 1 and filing with the City Clerk within 30 days of adoption.
- Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2019 – 2024 and submit the Capital Forecast to the Mayor prior to October 1, 2018.
 - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1.

Commissioner Jester asked whether the wholesale electric revenue forecast was inclusive and whether it is a known bilateral arrangement, anticipated bilateral arrangement or an interchange. He explained that an interchange means that BWL will be buying and selling power to the MISO wholesale market which is a short term market and wanted to know the risks. George Stojic, Executive Director of Planning and Development, responded interchange.

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 <i>NEW</i>	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 <i>NEW</i>	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 <i>NEW</i>	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: 7-__-18

Official Minutes filed (electronically) with Lansing City Clerk __-__-__

Data from form "E-mail BWL Commissioners" was received on 8/2/2018 4:44:10 PM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	Sandra Zerkle
Name	Mike Harrington
Address	2807 S Martin Luther King Jr Blvd
email	michael@tenurgy.com
E-mail Subject	Michigan Forge Cost per kWh
Message	Hi Sandra, We could use your support as we look to make the Michigan Forge Lansing Plant competitive. The current LBWL cost per kWh is significantly higher than would be paid with other utilities in Michigan. The electric cost is also substantially higher than what is currently paid for electricity at the plants in IL. Based on current estimates, Michigan Forge is paying \$20,000 to \$25,000 more per month for electricity than would be paid with DTE Energy or Consumers Energy. There is a lower rate with BWL but the alternative Rate 3 is at the sole discretion of the BWL. Thank you!

Hello Clerk Swope,

Please see the Resignation statement from Dennis Louney (below) that was provided to Mayor Schor.

On Aug 14, 2018, at 11:48 AM, Dennis M. Louney wrote:

Andy,

Consider this my official notice of resignation from the Lansing Board of Water and Light.

Best wishes,

Dennis

Dennis M. Louney, M.P.A.

Thank you,

Marilyn D. Plummer

Community Outreach Coordinator

City of Lansing – Office of Mayor Andy Schor

124 W. Michigan Ave. | Lansing, MI 48933

O: 517-483-4164 | C: 517-648-7480 | Lansing, MI 48933 | E: Marilyn.Plummer@Lansingmi.gov



Andy Schor, Mayor

Dear Friends, Neighbors, Board of Water and Light officials, Mid-Michigan citizens, MSU Forestry, State Foresters and National Foresters and Arborists,

I am writing regarding my concerns about the proposed trimming and removal of trees in my lovely, old-growth neighborhood. The Board of Water and Light's relentless march of destruction is truly heartbreaking. All this in an effort - too little too late - to circumvent a possible power outage in the event of another 100 year ice storm. Decades passed without the required and sensible trimming that was needed, now we are slated to lose what makes our neighborhood truly unique. Since for the majority of us our homes represent the single largest purchase we will make in our lives, it should be well worth any time and effort we spend trying to preserve the beauty of our surroundings. But it appears we are up against an unyielding authority which has granted itself the right to take this extreme action.

The fact is that mother nature has already trimmed the weak branches out of our trees. Perhaps not in the most people-friendly way, but the ice storm itself knocked down what was going to come down.

It is foolish to assume that we will never lose power again. Weather happens! Straight line winds, tornadoes, lightning strikes, solar flares, floods, heavy snowfall and yes, ice. To combat all of these possibilities is an impossibility. Just like the damage from a devastating storm the Board's contractors are using power tools to fell living, healthy, viable trees!

Consider the wildlife. The birds. In the name of progress humankind certainly ignores the needs and well being of other living things.

Another concern is who will compensate us for the inevitable rise in our energy bills. Once we lose our trees we won't have the benefit of protective shade in the summer months or the wind break provided by branches in the winter. Perhaps we should consider the assessed value of our property - will this also be negatively affected? When will they replace the trees that are cut? Who will pay to reforest our neighborhoods?

As for the clean-up; it is my understanding that we will be financially and logistically responsible for the removal of everything that is too large to "chip" - in other words - the removal of the felled trees. They suggest a sign in our front yards inviting strangers to traipse through our yards and help themselves to our "free wood"!

I hope that I am not alone in wishing to prevent this from taking place - at least on the scale that has been proposed. I believe we are within our rights to contact the Board and question their plans - to request and expect a reasonable explanation. What possibly can **we** do to earn some respect - for ourselves, our property, our trees and for Mother Nature?

If this massive undertaking is due to the flack that the Board took following the ice storm related power outages, then SHAME ON US, SHAME on us for being incapable of withstanding a few days without power ONCE in our lifetimes! As for the Board's using the public's reaction to justify their

current unconscionable actions - SHAME ON THEM!! A directive was issued in 2014 by the Michigan Public Service Commission. Consumers Energy IS regulated by this entity - the BWL is not. For our locality the BWL's Board of Directors set and enacted the current plan based on a report from a Citizens Advisory Committee. A report basically stating that being prepared to REPAIR inevitable damage and restore power is essential and was sorely lacking post ice-storm. Nothing stated advised the course of action we are now seeing.

I have learned that the Board is not allowed to remove a tree in its entirety without the consent of the homeowner if that tree is not dead nor does it pose a hazard. Many of you may question the appearance of half a tree and its health following such a drastic measure. I have a half tree in my yard! When the dead limb was removed my knowledgeable and professional tree trimmer refused to take the whole tree down because it was not dead. 10 years and I still have my funny looking half tree that provides the front of my house with invaluable shade. Much appreciated during this very hot, dry summer.

In my research, one of the most interesting and disturbing things I learned was that the Board and its hires choose to utilize guidelines that differ from Consumers Power as well as Duke Energy, the largest provider of electrical energy in the country. The Board opts for trimming "ground to sky" whereas the other companies follow a more reasonable guideline of a 10' clearance above the limb - 15' for high voltage lines - with the removal of any dead or structurally weak overhanging branches. Too bad ConEd is not in charge! Many trees slated for total removal or scheduled to be literally chopped in half would be in large part spared. Can't the Board LEARN from these other professionals and trim less drastically?!

We (Yes WE! The Board of Water and Light is after all a public utility) are paying four separate companies to trim and remove. The primary company is from Iowa. The justification being that they are spending money on hotels and meals so it must be good for our Michigan economy. AND YET they do not pay city or state taxes in Michigan - they don't purchase homes, cars, furniture, clothing, appliances, household necessities etc., etc. in our state and consequently do not pay sales tax to Michigan on those items. And, of the utmost importance, they don't live here! They have nothing invested in our communities - in our lovely towns and neighborhoods.

Several communities throughout the country as well as in Michigan have filed class action suits to halt tree trimming and/or removing. Perhaps legal representation is something that should be considered by anyone and everyone who wishes to avoid this destruction on their property.

One final story to hopefully motivate resistance. The BWL owns property adjacent to Woldumar Nature center that runs from the road to the river. In the fall they cleared this strip of land. Without notice, question, mentioning, informing or asking permission they chipped the limbs and blew the wood debris onto Woldumar's property. Woldumar was unaware UNTIL they set out on their spring wild flower walk, only to discover that on vast sections there were no wild flowers. They had all been buried by the wood chips. BWL's response when confronted: 'Well . . . We didn't think you'd mind . . . it being a wooded area and all!' They just have no idea what being accountable for one's actions actually means!

Taking a stand against this destruction is the least I can do for my community and my own peace

of mind!

Sincerely,

Ann Nieratko

2620 W. Libbie Drive, Lansing 48917

P.S. Since this was written the sound of chainsaws has now reached my neighborhood. Would that we could find a way to avoid dealing with BWL forever. They have destroyed our beautiful city. Who would have imagined that one entity could accomplish such a thing?

I also saw Wright tree trimmers and said that I was going to write a letter of protest - the flippant and totally unprofessional response: "write all the letters you want, they are still coming down". And WE are PAYING these people! Disgusting isn't it?!

Worth checking out: Alice Dreger wrote an excellent article for East Lansing Information. (eastlansinginfo.org/content/tree-trimming-differs-between-bwl-and-consumers-energy) Also a quick search on Wikipedia for the December 2013 North America Ice Storm will allow you to see an actual radar track of this incredible and vast weather phenomenon. (wikipedia.org/wiki/December_2013_North_America_Storm_Complex)

People to contact and numbers to know:

Lansing Board of Water and Light, (517) 702-6006, 1201 S. Washington Ave., Lansing MI 48910

CEO: Dick Peffley (517) 702-6312, Dick.Peffley@lbwl.com

Steve Serkaian, Executive Director of Public Affairs for LBWL

Vegetation and Electrical System Operations, Lynn McKinstry, (517) 702-6234, Lynn.McKinstry@lbwl.com

Customer Operations, Bob Perialas (517) 702-6828, Bob.Perialas@lbwl.com

Energy and Eco-Strategies, Rhonda Jones (517) 702-6497, Ronda.Jones@lbwl.com

General tree trimming questions (517) 702-6552 or 702-6082

City of Lansing

Mayor Andy Schor (517) 483-4141

City of Lansing Forestry 483-4218

County

Ingham Conservation District (517) 676-2290, 1031 W. Dexter Trail, Mason, MI 48854

State

Global ReLeaf of Michigan, 800-642-7353, 1100 N. Main St. #105, Ann Arbor, MI 48104

MI Forest Association, (517) 816-7879

MI Green Industry Assoc., (248) 646-4992, 30600 Telegraph Rd. #3360, Bingham Farms, MI 48025

MI Nursery and Landscape Assoc., 517-381-0437, 2149 Commons Parkway, Okemos, MI 48864

MSU Department of Forestry, 517-355-0090, 480 Wilson Rd., East Lansing, MI 48824

MI Urban and Community Forestry Council, 517-284-5900, PO Box 30452, Lansing, MI 48909-7952

National

American Society of Consulting Arborists, (301) 947-0483, 9707 Key W Ave. #100, Rockville, MD 20850

International Society of Arboriculture, (277) 355-9411, 2101 W. Park CT., Champaign, IL 61821

Treeline USA Division of National Arbor Day Foundation, 888-448-7337, The Arbor Day Foundation, 100 Arbor Ave., Nebraska City, NE 68401

USDA Forest Service Urban and Community Forestry, 800-832-1355, 1400 Independence Ave. SW, Washington, DC 20250-1111

LOCAL and very helpful: Kevin Sayers, Urban and Community Forester, MI DNR, Forest Resources Division, 525 W. Allegan St., Lansing, MI 48933, 517-284-5898 or 517-284-1837

HUMAN RESOURCES COMMITTEE

Meeting Minutes

September 18, 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 5:00 p.m. on Tuesday, September 18, 2018.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Tracy Thomas, Anthony McCloud and Sandra Zerkle. Also present: Commissioners Beth Graham, Anthony Mullen, David Price, and Ken Ross; and Non-Voting Commissioner William Long (Delta Township).

Absent: None

As the Chair of the HR Committee Commissioner Thomas took the liberty to remove items #3 regarding the High Deductible Health Plan from the agenda.

Public Comments

None

Approval of Minutes

Motion by Commissioner Zerkle, Seconded by Commissioner Graham, to approve the Human Resources Committee meeting minutes of June 28, 2018.

Action: Motion Carried.

PA152 Health Care Premium Sharing Resolution

Human Resource Committee Chairperson Tracy Thomas introduced Michael Flowers, Executive Director of Human Resources. Mr. Flowers reviewed and discussed BWL's options regarding Public Act 152's requirements associated with capping the amount a public employer may pay for health care insurance.



Public Act 152, 2011

- The BWL has three options:
 - Comply with PA 152 and limit expenditures on health care cost based on a schedule of dollars provided in the Act using the Hard Cap as updated annually; or
 - Limit expenditures on health care cost based on a 80/20 percentage split, requiring a majority vote; or
 - Exempt itself entirely from the Act & choose some other percentage of Premium sharing, requiring a 2/3 vote

In conclusion, the recommendation is that the Board select option 3 and exempt itself from the requirements of PA 152 of 2011 for all active employees’ medical benefits, effective January 1, 2019 with an increase from 16% to 18% in premium sharing contribution. The Administration presented a proposed Resolution and asked that the Committee forward the Resolution to the full Board for consideration.

Commissioner Zerkle inquired as to whether the hard cap of \$93.79 for the employee per pay period premium could be increased slightly every year and Mr. Flowers responded that it could.

PROPOSED RESOLUTION

To Amend Employee Contribution to Medical Benefit Plans

WHEREAS, Governor Rick Snyder, on September 27, 2011, signed legislation known as the “Public Funded Health Insurance Contribution Act”, Public Act 152 of 2011 limiting the amount public employers may pay for government employee medical benefits, and;

WHEREAS, Public Act 152 of 2011 took effect January 1, 2012 and applies to all public employers including the Lansing Board of Water & Light, and;

WHEREAS, Public Act 152 of 2011 created a “hard cap” for medical benefit plan years beginning January 1, 2012, such that a public employer may not pay more than the statutory caps for medical benefit plans, and;

WHEREAS, by a 2/3 vote of its governing body each year, a public employer may exempt itself from the requirements of Public Act 152 of 2011 prior to each benefit plan year, and;

WHEREAS, the Board of Commissioners have met each year and passed a resolution exempting the Lansing Board of Water & Light from the “hard cap” of Public 152 of 2011 and established premium sharing amounts for the applicable benefit plan years, as follows:

Date	Resolution No.	Premium Sharing	Effective Date
July 24, 2012	(#2012-07-01)	10% All Active Employees	January 1, 2013
July 23, 2013	(#2013-07-02)	12% All Active Employees	January 1, 2014
September 23, 2014	(#2014-09-03)	12% All Active Employees	January 1, 2015
July 28, 2015	(#2015-07-12)	12% All Active Employees	January 1, 2015
November 17, 2015	(#2015-11-02)	12% - Union Employees 14% - Non-Union Employees	January 1, 2016- 12% Union Effective July 1, 216 – 14% Non-Union
November 15, 2016	(#2016-11-06)	14% All Active Employees	January 1, 2017
September 26, 2017	(#2017-09-01)	16% All Active Employees	January 1, 2018

RESOLVE that the Board by at least 2/3 vote desires to exempt itself from the requirements of Public Act 152 of 2011 for the upcoming benefit plan year, effective January 1, 2019 through December 31, 2019.

FURTHER RESOLVE that the Board desires to increase premium sharing from 16% to 18% for all active employees for medical benefits effective January 1, 2019.

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to forward the proposed resolution for PA 152 Health Care Premium Sharing to full Board for consideration.

Action: Motion Carried.

High Deductible Health Plan-PULLED FROM AGENDA

Other

None

Adjourn

Motion by Commissioner Graham, Seconded by Commissioner Zerkle, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 5:10 p.m.

Respectfully Submitted,
Tracy Thomas, Chair
Human Resources Committee

COMMITTEE OF THE WHOLE
Meeting Minutes
September 18, 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, September 18, 2018.

Committee of the Whole Chair Sandra Zerkle called the meeting to order at 5:30 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Sandra Zerkle, Beth Graham, Anthony McCloud, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Non-Voting Member: William Long (Delta Township)

Absent: Commissioners Dion'trae Hayes (Lansing Township) and Douglas Jester (East Lansing)

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner McCloud, to approve the Committee of the Whole meeting minutes of July 10, 2018.

Action: Motion Carried.

Safety Report Update

General Manager Dick Peffley reported that an OSHA investigation was conducted at the Eckert station and a clean bill of health was received. Also, a MIOSHA investigation was conducted at the Erickson station and GM Peffley introduced Oscar Rodriguez-Franco, Industrial Health and Safety Manager, who provided information from the Safety Report Update. Mr. Rodriguez-Franco stated that an award was received for best practices in natural gas leak testing at the combined cycle co-generation plant due to the leadership in Electric Production, Director Roberto Hodge. Mr. Rodriguez-Franco also stated that BWL has been working with Marsh Risk Consulting to improve safety and with MIOSHA to improve compliance. Several items were found where improvement was needed. Mr. Rodriguez-Franco recognized Erickson station leadership Manager, Lucinda Lehmkuhle; Operating Supervisor, Scott Mills; and Station Shift Supervisor, Dave Klemish for stepping forward and working as a team to address the safety items.

Commissioner Zerkle commended Oscar Rodriguez-Franco on his dedication to safety and employees.

GM Peffley stated that even though the plant is closing employees are still making the necessary corrections to comply with safety.

Strategic Plan Update 2018

General Manager Dick Peffley introduced George Stojic, Executive Director of Planning and Development, who reviewed the updates to the 2018 Strategic Plan which was adopted in September

2016. Mr. Stojic introduced an updated spreadsheet and explained the color coding that was designed to show changes and additions in the Plan’s milestones. Mr. Stojic stated that there were no strategy changes to the seven Strategic Plan strategies: Customer Experience, Community Involvement, Effectively Acquire and Manage Resources, Implement New Technologies, Workforce, Financial Stability, and BWL Leadership.

Commissioner Long inquired whether the SmartMeters that are being installed would all be activated at the same time. GM Peffley responded that SmartMeters are currently being installed and tested and would all be activated at the same time in 2021.

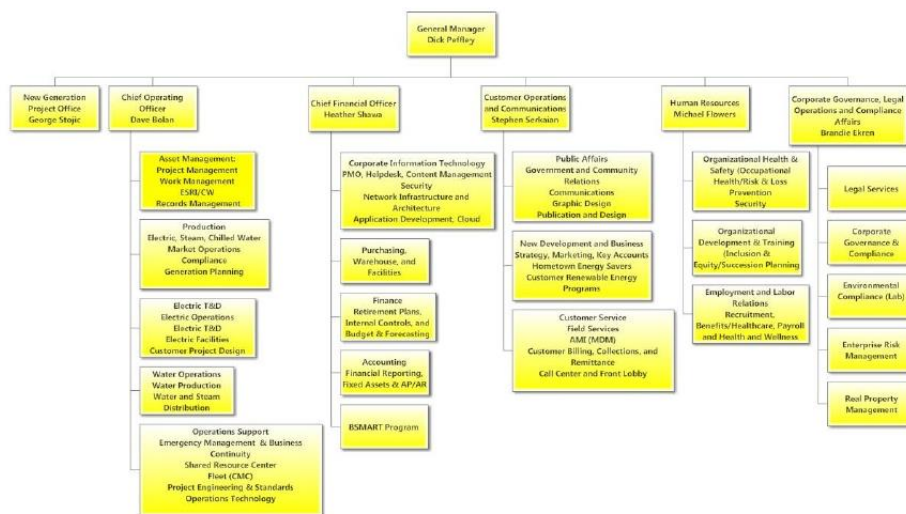
Mr. Stojic stated that the BWL is on track to successfully implement the Plan and gave the Board a high-level overview of the Staff’s progress with the Plan’s Objectives and tasks.

Commissioner Long asked where the responsibility lies organizationally with emergency planning. Mr. Stojic responded that question would be answered in the next presentation.

Commissioner Zerkle asked if there was an incentive package for new business customers. GM Peffley responded that there a couple different levels for smaller and larger customers. Commissioner Zerkle also stated that she appreciated the updates to the strategic plan.

Organizational Structure Update

Mr. George Stojic reported that the BWL had undertaken six major initiatives including: closing Eckert Power Plant, buildout of the Transmission and Distribution System, the transition of the workforce, the Strategic Plan, adopting five new technology projects, and an asset management plan. To help ensure success implementing the initiatives, BWL staff hired a consulting firm to review the BWL’s process and organizational structure for alignment with the initiatives. The consulting firm, UMS Group, made several business process recommendations and recommended changes to the BWL’s organizational structure. The BWL staff made a few modifications to the UMS proposal and is in the process of implementing the new organizational structure (shown below).



Commissioner Long commented on the lack of departments under Executive Director George Stojic and GM Peffley responded that Mr. Stojic is transitioning into retirement. Commissioner Long also restated his earlier question regarding emergency planning. GM Peffley responded that there is an Emergency Manager that reports to Chief Operating Officer, Dave Bolan, plus new policies and procedures were put into place. Commissioner Long stated the Mayor was decreed as the authority during emergencies and GM Peffley stated that BWL has worked with the city administration on recent emergencies.

Capital Project Update

GM Peffley reported that approximately 100 Capital Projects are now in progress and that the following 10 projects make up 60% of the budget:

1. The new plant has a budget of \$500 million. Combustion turbines have been ordered at a good price, an owner's representative and a design engineering company have been hired, and construction bids were due this week. Ground breaking will be in the spring of 2019 and the plant will go online first quarter 2021.
2. Westside reinforcement project has a budget of \$33 million and was completed this summer on time and under budget.
3. Central substation has a budget of \$28 million. Some equipment is being powered up and circuits are being pulled in. The project is overbudget right now but is being evaluated.
4. AMI, Smartmeters, has a budget of \$31 million. One third of the electric meters have been installed and the project will be completed in June of 2020.
5. CIS has a placeholder budget of \$14 million. This project is in the procurement stages and is scheduled to be completed in December 2021. There are no schedule or budget issues at this time.
6. Wise Road substation upgrade has a budget of \$13 million. Engineering is just beginning and the project in within budget and schedule.
7. Lansing Grand River substation for GM has a budget of \$12.5 million. It will go live in 2022. There are no schedule or budget issues at this time.
8. Electric distribution automation has a budget of \$7 million. If there are faults on a line, outages will be located quicker and restored faster. The first phase is scheduled for summer of 2019.
9. REO hot section rebuild has a budget of \$5 million. Two turbines costing \$2.5 million each will be rebuilt. The first turbine was completed this week. The second turbine will be rebuilt in April 2019. The turbines have approximately a five-year life.
10. Erickson turbine rebuild has a budget of \$4 million. This will be the last rebuild for the station.

Customer Payment Audit Follow-Up

GM Peffley introduced Customer Service Manager, Bob Perialas, who spoke about the customer payment arrangements and third-party payments. The audit found that in general arrangements are successful and are positively impacting customers; and although there is a 60% success rate, this average could be higher. Reaching out to counterparts to find out what payment arrangements are available and what analytics are available is being used to determine what that average should be. Secondly, the audit found that the appropriate approval for a special arrangement didn't make a difference for the success of payment arrangements.

Commissioner Price asked if there was a commonality among the customers that were successful in making payments. Mr. Perialas responded that there are a number of customers and a review hasn't been done to determine if there is any commonality.

Commissioner Zerkle asked if there were any community dynamics that affected whether customers had difficulty meeting the payment arrangements. Mr. Perialas responded that there are a number of customers and they wouldn't want to not offer a customer an arrangement based on geographic location.

Commissioner Long asked if there was any pattern to how quickly a response is given to a customer. GM Peffley responded that up until a couple of years ago shutoffs were done without working with customers. Now customers need to minimize use of power to keep their bill down. BWL is looking toward a system that will keep track of the criteria in customer payments.

Commissioner Zerkle asked if it was correct that once the Smartmeters were in use it would be easier to keep track of the criteria needed to determine the successfulness of meeting payment arrangements and Mr. Perialas responded that it would be.

Other

Commissioner Price congratulated the BWL Team that received the gold medal in the Capital City Dragon Boat Race.

Commissioner McCloud inquired whether emergency services were being provided for hurricane Florence communities. GM Peffley responded that BWL has not been asked to provide service yet but teams are on call and ready to go if needed.

Committee of the Whole Chair Zerkle congratulated Corporate Secretary Denise Griffin on a milestone of 10 years worked at BWL and presented Ms. Griffin with a certificate of appreciation.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to excuse Commissioners Dion'trae Hayes and Douglas Jester from tonight's meeting.

Action: Motion Carried

Adjourn

Motion by Commissioner McCloud , **Seconded** by Commissioner Mullen to adjourn the meeting.

Meeting adjourned at 6:47 p.m.

Respectfully Submitted
Sandra Zerkle, Chair
Committee of the Whole

**FINANCE COMMITTEE
Meeting Minutes
September 18, 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, September 18, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:14 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Beth Graham, David Price, and Tony Mullen. Also present: Anthony McCloud, Tracy Thomas, and Sandra Zerkle; Non-Voting Commissioner William Long (East Lansing).

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

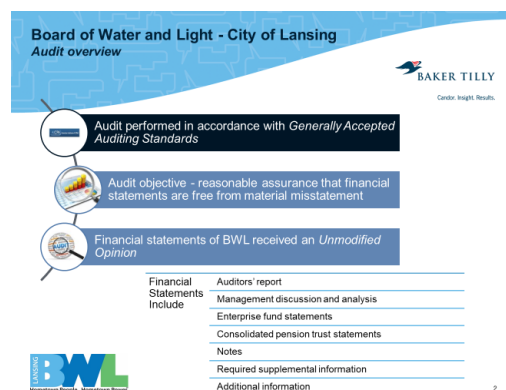
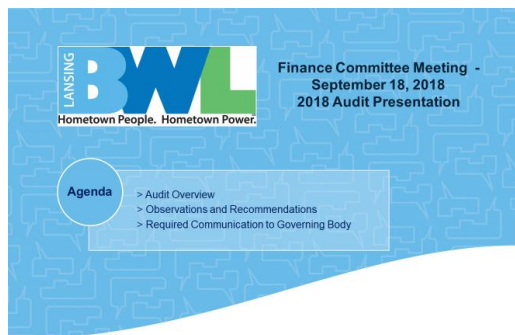
Motion by Commissioner Price, **Seconded** by Commissioner Mullen, to approve the Finance Committee meeting minutes of July 10, 2018.

Action: Motion Carried.

Baker Tilly External Audit Report and Resolution

Committee Chair Ross introduced external auditor Jodi Dobson, Partner at Baker Tilly Virchow Krause, LLP. Ms. Dobson presented and highlighted the external audit report which included an audit overview, observations and recommendations, and required government communications. BWL received an unmodified or clean opinion which is the highest level of assurance provided.

Ms. Dobson’s presentation was as follows:



Board of Water and Light - City of Lansing Audit overview

BAKER TILLY
Candor. Insight. Results.

Audit assesses internal controls

"...a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources"

Controls must meet the goal and objectives of Operations, Reporting and Compliance

Board of Water and Light - City of Lansing Audit overview

BAKER TILLY
Candor. Insight. Results.

- Controls reviewed in key transaction areas
- Disbursements
- Payroll
- Billings
- Cash and investments
- Capital assets
- Information technology
- Financial reporting

Board of Water and Light - City of Lansing Observations and recommendations Enterprise Fund

BAKER TILLY
Candor. Insight. Results.

- > Reported net income of \$14,116,000
- > Bond coverage was met in 2018
- > There were no material weaknesses reported
- > Restated 2017 due to the implementation of GASB 75

Board of Water and Light - City of Lansing Observations and recommendations Enterprise Fund

BAKER TILLY
Candor. Insight. Results.

Operating Revenues – Four-year Comparison (in thousands)

	2015	2016	2017	2018
Water	\$ 31,510	\$ 38,711	\$ 40,798	\$ 41,524
Electric	795,048	803,296	333,325	701,301
Steam	14,559	12,683	11,404	12,072
Chilled Water	5,168	6,275	5,363	6,135
Operating Revenue	\$ 846,285	\$ 960,965	\$ 791,890	\$ 861,032

Board of Water and Light - City of Lansing Observations and recommendations Enterprise Fund

BAKER TILLY
Candor. Insight. Results.

Operating Expenses – Four-year Comparison (in thousands)

	2015	2016	Restated 2017	2018
Production	\$ 187,752	\$ 178,908	\$ 180,513	\$ 199,154
Transmission and Distribution	26,800	21,093	35,960	23,913
Administrative and General	61,298	64,807	71,418	71,609
Return on equity	26,845	21,084	21,862	26,162
Depreciation	39,104	41,542	42,598	44,252
Operating Expenses	\$ 320,864	\$ 327,134	\$ 342,351	\$ 325,128

Board of Water and Light - City of Lansing Observations and recommendations Enterprise Fund

BAKER TILLY
Candor. Insight. Results.

Operating Income – Four-year Comparison (in thousands)

	2015	2016	Restated 2017	2018
Water	\$ 2,388	\$ 4,099	\$ 4,608	\$ 2,321
Electric	15,883	25,385	21,150	21,295
Steam	3,352	2,047	1,386	1,479
Chilled Water	2,018	2,271	3,005	2,465
Operating Income	\$ 23,621	\$ 31,802	\$ 29,058	\$ 27,560

Board of Water and Light - City of Lansing Observations and recommendations Enterprise Fund

BAKER TILLY
Candor. Insight. Results.

Future Debt Service Requirements (in thousands)

	2019	2020	2021	2022	2023
Principal	\$ 9,410	\$ 7,609	\$ 7,942	\$ 8,247	\$ 8,624
Interest	15,598	15,183	14,848	14,496	14,094

Debt service after 2023 includes remaining principal payments of \$273,000,000 and interest payments of \$161,284,000.

Board of Water and Light - City of Lansing Observations and recommendations Pension Plans

BAKER TILLY
Candor. Insight. Results.

- > Separate financial statements issued for each pension plan
- > All three plans received unmodified audit opinions

Future accounting standards

- > GASB Statement No. 83, *Certain Asset Retirement Obligations* – effective for fiscal year 2019
- > GASB Statement No. 87, *Leases* – effective for fiscal year 2021
- > GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct borrowings and Direct Placements* – effective for fiscal year 2019
- > GASB Statement No. 89, *Accounting for Interest Cost during the Period of Construction* – effective for fiscal year 2021

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Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Disagreements with Management	Consultations with Other Independent Accountants
Management Representations	Auditor Independence



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Contact Info



Jodi Dobson, Partner
 D: 608 240 2469
Jodi.Dobson@bakertilly.com

Bethany Ryers, Senior Manager
 D: 608 240 2382
Bethany.Ryers@bakertilly.com

David DeBano, Senior Accountant
 D: 608 240 2664
David.DeBano@bakertilly.com

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Commissioner Long inquired about the sewerage collection fees and receivables. General Accounting Manager Lori Pung responded that these fees are charged to the City of Lansing to provide the collection services for them and the receivables are what is received from the customers.

Commissioner Ross asked if the BWL was responsible for the uncollectables and Ms. Pung responded that BWL is not. Commissioner Ross commended the accounting department for the work they did with Baker Tilly.

Motion by Commissioner Price, **Seconded** by Commissioner Mullen, to forward to the Board Meeting the Acceptance of the Resolution for the 2018 Audited Financial Statements.

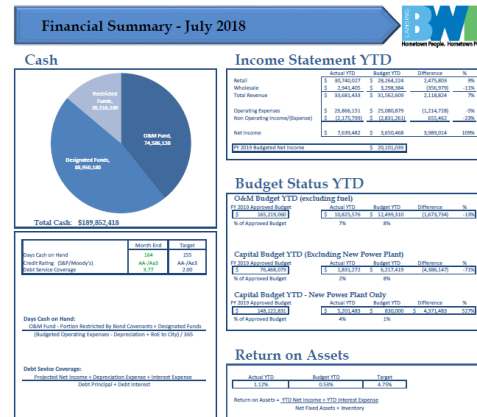
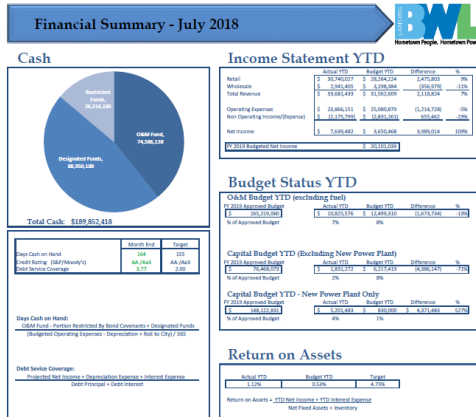
Action: Motion Carried.

Chief Financial Officer (CFO), Heather Shawa, introduced Ms. Lori Pung who spoke about the external audit. Ms. Pung stated that the audit was started in April which included prep work and onsite work by Baker Tilly. Ms. Pung thanked the Executive Staff and the accounting staff, including Josh Irving Scott Taylor, and Paul Eory, for their work and extra hours. Ms. Pung also noted that there were some challenges due to GASB 75 but they got through it.

Commissioner Price requested that a brief overview of the Baker Tilly audit be presented at the joint City of Lansing/BWL meeting in October 2018.

July YTD Financial Summary

CFO Heather Shawa presented the July 2018 Year-to-date Financial Summary which indicated that the total Cash is over \$189M, Days Cash on hand is 164, and debt service coverage ratio is 3.77. Restricted funds decreased slightly due to annual debt service payment. Ms. Shawa stated that revenue was \$2 million over budget and the operating expenses were under budget, which resulted in net income of \$7.6 million compared to \$3.6 million budget. Ms. Shawa mentioned that four out of the five ratios are being met. Under employee data a full time equivalent factor has been added for contractors.



Commissioner Zerkle asked whether new tree trimmers would be added in 2018 or 2019. GM Peffley responded that one of two teams would be added as soon as they can be onboarded.

Capital Project Exceedance Electric Annual Account – Resolution

CFO Shawa presented the following information on the Capital Project Exceedance Electric Annual Account and requested approval of the resolution.

- The projected final budget is \$2 million more than the approved budget.
- There was an increase in the cable fault replacements for system restoration.
- Other areas in need include five additional projects and outdoor city LED lighting

GM Peffley commented that there are 200 miles of service cable in the city and there is an increase in blue sky outages. Apprentices will be trained and the cable replacements will be a 30-year project. A plan is being constructed and it will be an annual project.

Commissioner Long asked whether the cable that needed repaired was underground and GM Peffley responded that 1800 miles of cable were underground, 600 miles of which is called URBS direct variable and is located in townships.

Commissioner Price inquired about the rate at which the cable will be replaced and GM Peffley responded that 100 feet of cable will be replaced per week and cable would be replaced first where there are the most faults.

Commissioner Long asked whether other municipalities in the city had projects and which projects had priority. GM Peffley responded that the projects are evaluated for priority in conjunction with the city and are completed accordingly.

Motion by Commissioner Price, **Seconded** by Commissioner Mullen, to accept as presented the Capital Project Exceedance Electric Annual Account Resolution and to forward to the Board Meeting for consideration.

Action: Motion Carried.

Internal Auditor’s Revised Audit Plan for FY 2019

Finance Committee Chair Ken Ross presented the revised audit plan for FY 2019 on behalf of Internal Auditor Phil Perkins who was not in attendance this evening. Finance Chair Ross ask the Committee to approve the revised Audit Plan by motion. The revised audit plan was requested by the CFO as a follow up to the 2017 COBIT audit.

Proposed FY 2019 Audit Plan – Revised Sep 2018

Planned Audits:	Estimated Hours
Follow-up – IT Change Management (incl OT)	300
IT Cybersecurity	300
COBIT Compliance Follow-up	200
Asset Management Program	300
Metering Services	300
Accounts Payable	300
Vegetation Management	300
Procurement	300
Project Engineering – Planned Projects	300
Other Engagements:	
Consulting – BSMART & Other Org Change Mgt	200
Consulting – Other (TBD)	200
Surprise Cash Count (2)/Time Rpt Rev (2)	200
Total Required Hours	3,200



Motion by Commissioner Price, **Seconded** by Commissioner Mullen, that the Committee approve the Revised Audit Plan for FY 2019.

Action: Motion Carried.

Other

None.

Adjourn

Chair Ken Ross adjourned the meeting at 7:35 p.m.

Respectfully submitted
 Ken Ross, Chair
 Finance Committee

PROPOSED RESOLUTION 2018__ - __

To Amend Employee Contribution to Medical Benefit Plans

WHEREAS, Governor Rick Snyder, on September 27, 2011, signed legislation known as the “Public Funded Health Insurance Contribution Act”, Public Act 152 of 2011 limiting the amount public employers may pay for government employee medical benefits, and;

WHEREAS, Public Act 152 of 2011 took effect January 1, 2012 and applies to all public employers including the Lansing Board of Water & Light, and;

WHEREAS, Public Act 152 of 2011 created a “hard cap” for medical benefit plan years beginning January 1, 2012, such that a public employer may not pay more than the statutory caps for medical benefit plans, and;

WHEREAS, by a 2/3 vote of its governing body each year, a public employer may exempt itself from the requirements of Public Act 152 of 2011 prior to each benefit plan year, and;

WHEREAS, the Board of Commissioners have met each year and passed a resolution exempting the Lansing Board of Water & Light from the “hard cap” of Public 152 of 2011 and established premium sharing amounts for the applicable benefit plan years, as follows:

Date	Resolution No.	Premium Sharing	Effective Date
July 24, 2012	(#2012-07-01)	10% All Active Employees	January 1, 2013
July 23, 2013	(#2013-07-02)	12% All Active Employees	January 1, 2014
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July 28, 2015	(#2015-07-12)	12% All Active Employees	January 1, 2015
November 17, 2015	(#2015-11-02)	12% - Union Employees 14% - Non-Union Employees	January 1, 2016- 12% Union Effective July 1, 2016 - 14% Non-Union
November 15, 2016	(#2016-11-06)	14% All Active Employees	January 1, 2017
September 26, 2017	(#2017-09-01)	16% All Active Employees	January 1, 2018

RESOLVE that the Board by at least 2/3 vote desires to exempt itself from the requirements of Public Act 152 of 2011 for the upcoming benefit plan year, effective January 1, 2019 through December 31, 2019.

FURTHER RESOLVE that the Board desires to increase premium sharing from 16% to 18% for all active employees for medical benefits effective January 1, 2019.

PROPOSED RESOLUTION

Fiscal Year 2018 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2018 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2018 Audited Financial Statements of the Board of Water and Light and the report on auditing procedures with the State Treasurer as required by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended) no later than December 31, 2018.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2018 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than October 15, 2018.

PROPOSED RESOLUTION

Capital Project Budget Exceedance Approval: AE – Electric Annual Account

WHEREAS, Lansing Board of Water & Light's (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates BWL Board of Commission approval for aggregate total budget amounts for electric, water, steam and chilled water "annual" 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 AE - Electric Annual Account was \$8,448,400; and

WHEREAS, the projected final total cost for Capital Project AE - Electric Annual Account is \$10,402,004, should the projects 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 AE – Electric Annual Account be completed despite the projected increased cost; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approve the Capital Project AE – Electric Annual Account to be completed as projected.

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project AE – Electric Annual Account with a projected final total cost of \$10,402,004.