



**MINUTES OF THE BOARD OF COMMISSIONERS MEETING  
LANSING BOARD OF WATER AND LIGHT**

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**January 22, 2019**

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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 Tuesday, January 22, 2019.

Chairperson David Price called the meeting to order at 5:30 p.m.

Present: Commissioners David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Dion'trae Hayes (Lansing Charter Township), Douglas Jester (East Lansing), and William Long (Delta Township).

Absent: Commissioner Ken Ross

Acting Corporate Secretary Koutsoukos declared a quorum.

Commissioner Price recognized and welcomed new Commissioner, David Lenz, representing Lansing's 1<sup>st</sup> Ward, to his first Regular Board Meeting.

Commissioner David Lenz led the Pledge of Allegiance.

**APPROVAL OF MINUTES**

**Motion** by Commissioner Zerkle, Seconded by Commissioner McCloud, to approve the Regular Board Meeting minutes of November 13, 2018.

**Action:** Motion Carried

**PUBLIC COMMENTS**

None.

**COMMUNICATIONS**

Electronic Mail received From or Re:

- a. Dennis Muchmore regarding the RFP process - *Referred to Management. Received and Placed on File*
- b. Melinda Hollembaek regarding a street light situation - *Referred to Management. Received and Placed on File*
- c. Ahnalee Brincks regarding the placement of a light pole - *Referred to Management. Received and Placed on File*
- d. Thank you card from IBEW Business Manager Ron Byrnes - *Received and Placed on File*

Commissioner Zerkle presented the Committee of the Whole Report:

**COMMITTEE OF THE WHOLE**  
**Meeting Minutes**  
**January 8, 2019**

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, January 8, 2019.

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

Present: Commissioners Sandra Zerkle, Beth Graham, David Lenz, Tony Mullen, David Price, Ken Ross, and Non-Voting Members: Doug Jester (East Lansing) (@5:42pm), and William Long (Delta Township).

Absent: Commissioners Anthony McCloud, Tracy Thomas, and Non-Voting Member Dion'trae Hayes (Lansing Charter Township),

The Corporate Secretary declared a quorum.

**Public Comments**

None.

**Approval of Minutes**

**Motion** by Commissioner Price, **Seconded** by Commissioner Mullen, to approve the Committee of the Whole Meeting minutes of November 6, 2018.

**Action:** Motion Carried.

Committee of the Whole Chair Sandra Zerkle welcomed new 1<sup>st</sup> Ward Commissioner, David Lenz.

**New Plant Update**

General Manager Peffley provided the Committee of the Whole with an update on the Eckert plant. Mr. Peffley stated that as of January 1, 2019, the Eckert plant is being used for capacity only and will operate in this manner through January 31, 2020 at which time all operation will cease. Most of the 101 employees that were working at the Eckert plant have transitioned into new positions; only a handful of employees remain at the plant to operate in the event of an emergency.

Executive Director of Planning and Development, George Stojic provided an update on the new combined-cycle plant. Mr. Stojic acknowledged the employees and teams that have been working on the processes for the new plant: Rob Hodge, Director Delta Energy Park Project, Mark Williams, Advisor, Senior Special Projects, and Dan Flynn, Principal Engineer. Mr. Stojic's update included the plant and owner procurement process, acquiring air and wetland permits, selecting a construction manager as well as major equipment delivery.

**Integrated Resource Plan (IRP)**

George Stojic, Executive Director of Planning and Development, discussed the process that the BWL plans to follow for the 2019-2020 Integrated Resource Plan (IRP). Mr. Stojic's explained the planned process includes individual meetings with key stakeholders, public meetings to be held throughout the BWL's service territory, resource plans for data development and dynamic modeling, and a final report to the Board. Mr. Stojic also stated that there are plans to undertake an update of the Board's Strategic Plan following the IRP.

### **Board Self-Evaluation Review**

Board Chairperson, David Price, and BWL Executive Director of Human Resources, Michael Flowers, reviewed the results of the Board Self-Evaluation. Board Chair Price stated that he was pleased with the results of the 360 Survey.

Commissioner Price questioned the necessity of the Board Self-Evaluation being conducted annually as stated in the Governance Policy and a discussion followed. Commissioner Ross asked that open-ended comments/questions be added to future Board Self-Evaluations to enable further discussion of the results.

**Motion** by Commissioner Price, **Seconded** by Commissioner Graham, to amend the Governance Policy to reflect the following change: **From** “each year the Board will conduct a self-evaluation” **To** “every two years the Board will conduct a self-evaluation.”

**Action:** Motion Carried

The amendment in the form of a Resolution will be brought forward for consideration by the Full Board at the January 22, 2019 Regular Board meeting.

### **Other**

COW Chairperson, Sandra Zerkle, welcomed the new 1<sup>st</sup> Ward Commissioner, David Lenz.

**Motion** by Commissioner Ross, **Seconded** by Commissioner Price to excuse Commissioners Haynes, McCloud and Thomas from tonight’s meeting.

**Action:** Motion Carried

### **Adjourn**

**Motion** by Commissioner Price to adjourn the meeting. The meeting was adjourned at 6:56 p.m.

Respectfully Submitted  
Sandra Zerkle, Chair  
Committee of the Whole

Board Chair David Price presented the Finance Committee Report on behalf of Finance Committee Chair Ken Ross:

### **FINANCE COMMITTEE Meeting Minutes January 8, 2019**

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, January 8, 2019.

Finance Committee Chair Ken Ross called the meeting to order at 7:02 pm and asked Corporate Secretary Griffin to take a roll call.

Present: Commissioners Ken Ross, Beth Graham and David Price. Also, present: Commissioners David Lenz and Sandra Zerkle and Non-Voting Douglas Jester (East Lansing) and Bill Long (Delta Township).

Absent: Commissioner Tony Mullen

The Corporate Secretary declared a quorum.

**Public Comments**

None.

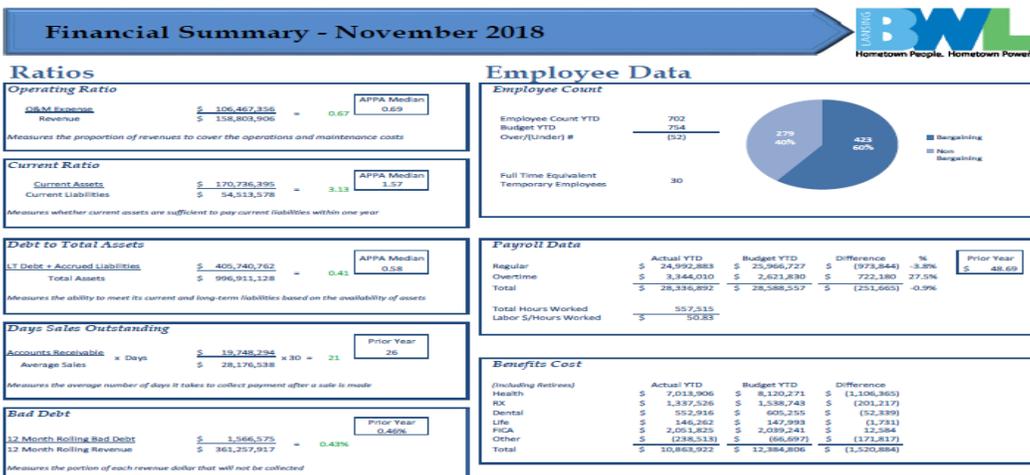
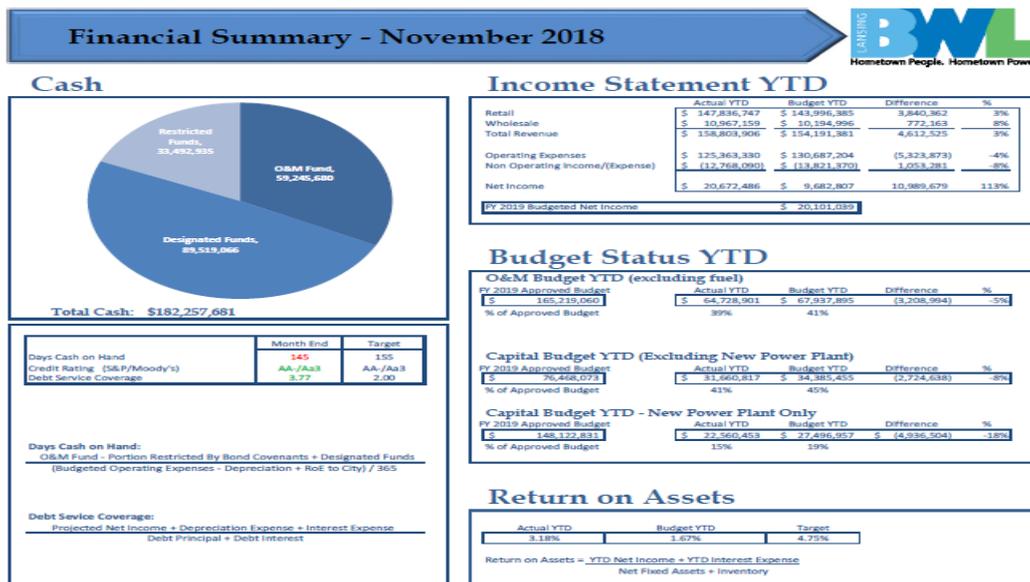
**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of November 6, 2018.

**Action:** Motion Carried.

**November YTD Financial Summary**

Chief Financial Officer (CFO), Heather Shawa presented the following Year to Date Financial Review:



Total Cash is just over \$182 million, Days Cash on Hand is 145, and Debt Service Coverage Ratio is 3.77. O&M cash decreased, causing the Days Cash on Hand to be below the target of 155. Ms. Shawa reminded the Commissioners that this target represents the Fiscal Year End (FYE) Minimum Cash Reserve Requirement, and the interim FY decrease was based on a conscious decision to save on overall interest costs to the BWL by not

borrowing from our Bond Anticipation Note (BAN). Ms. Shawa stated that the Days Cash on Hand will likely drop again in December but is still on track to be above the Minimum Cash Reserve Requirement of 155 at FYE. Ms. Shawa also stated that revenue was about \$4.5M over budget and operating expenses were under budget, resulting in a net income of \$20.7M compared to a fiscal year to date of \$9.7M. Ms. Shawa mentioned that all five ratios are currently beating their relative benchmark and that we continue to see a positive claims experience related to our benefit cost.

Ms. Shawa updated the Commissioners on the O&M and Capital Budget and Forecast timeline. Ms. Shawa stated that both the FY20 O&M and Capital Budget and FY20-25 forecast processes have been underway since November. Ms. Shawa outlined a few of the main tasks that will lead to the May 14<sup>th</sup> Finance Committee and May 28<sup>th</sup> Board Meeting presentations.

Commissioner Zerkle requested that Ms. Shawa provide a budget process update in her monthly communications with the Commissioners and Ms. Shawa responded that she will provide this update in her future monthly communications.

### Internal Audit Open Management Responses Update

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

#### STATUS OF MANAGEMENT RESPONSES TO AUDITS DECEMBER 2018



In Accordance with Board Resolution #2014-07-05

*Updates in red*

Issue #	Audit Name	Audit Issue Description	Response Date	Responsible Area	Status of Management Response
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 by IT as complete, 10 on track, 3 overdue, and 1 ongoing. Internal Audit is in the process of verifying IT's reported status.
59	Succession Planning	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group has piloted a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 6/30/19. Implementation was previously estimated to occur by 12/31/18.
60	Succession Planning	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.
65	Physical Security <i>NEW</i>	Internal Audit supports a periodic review of all facility access.	Sept 2018	Industrial Health & Safety	Security will report facility access to managers on an annual basis, for review and response. Manager responses for this year, along with implementation of any corresponding changes to physical access indicated as being needed, are expected to be completed by 12/31/18.
66	Physical Security <i>NEW</i>	Internal Audit recommends controls over security personnel permitted to carry firearms on a concealed basis be enhanced.	Sept 2018	Industrial Health & Safety	Controls over security personnel authorized to carry firearms on a concealed basis will be enhanced by 12/31/18.
67	Contract Signature Authority Compliance <i>NEW</i>	Internal Audit noted the need for alignment with the updated organizational structure and Procurement Procedure, inclusion of MOUs, and consistently obtaining the Corporate Secretary's signature.	October 2018	Legal Services	Management will enhance training and communication to help ensure Corporate Secretary's countersignature is obtained as required; update Contract Signature Authority and Special Delegation documents to reflect current organizational structure and include MOUs; and revise policy and procedure to require General Counsel's consultation on purchase orders; all by 3/31/19.
68	Contract Signature Authority Compliance <i>NEW</i>	Internal Audit noted that proper approval and supporting documentation need to be on file.	October 2018	Legal Services	Management will develop policy establishing requirements for legal consultations and approvals, including documentation and approval requirements for direct payments involving agreements, as well as enhance training, communication, and document templates to help ensure proper approvals are obtained and documentation is on file, by 6/30/19.

Issue #	Audit Name	Audit Issue Description	Response Date	Responsible Area	Status of Management Response
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*Closed Issues (since June 2018 report):*

46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	January 2017	Human Resources	Job descriptions have been updated.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	January 2017	Human Resources	The plan for decoupling of base and merit increases has been completed.
58	Succession Planning	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	An updated Succession Planning procedure has been approved by executive management.
63	Customer Arrangements & 3rd Party Payments <i>NEW</i>	Internal Audit recommends setting a target success rate and monitoring for the degree of achievement of it, for Regular Arrangements, along with considering the possibility of a new payback period guideline.	July 2018	Customer Service	Customer Service has researched target success rates for customer payment arrangements in use by other utilities and confirmed the appropriateness of the standard length of time for payback in use with BWL customers. The Customer Service Business Analyst is conducting monitoring on a monthly basis.
64	Customer Arrangements & 3rd Party Payments <i>NEW</i>	Internal Audit recommends setting a target success rate and monitoring for the degree of achievement of it, for Special Arrangements, along with considering the possibility of a new supervisory approval guideline.	July 2018	Customer Service	Customer Service is tracking success rates for both Standard and Special Arrangements on their department scorecard and has confirmed that established review/approval requirements remain appropriate.

### Other

**Motion** by Commissioner Price, Seconded by Commissioner Graham, to excuse Commissioner Mullen from tonight's meeting.

**Action:** Motion Carried

**Adjourn**

Commissioner Ross adjourned the meeting at 7:33 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

**MANAGER'S RECOMMENDATIONS**

There were no Manager's Recommendations.

**UNFINISHED BUSINESS**

There was no Unfinished Business.

**NEW BUSINESS**

There was no New Business.

**RESOLUTIONS/ACTION ITEMS**

**RESOLUTION 2019-01-01**

**Board of Commissioners Governance Policy Amendment**

**WHEREAS**, The Lansing Board of Water & Light (BWL) is a municipally owned utility company organized under the Lansing City Charter as permitted by the Home Rule Cities Act, MCL 117.4(f)(c), and governed by the Board of Commissioners ("Board"). The Board, per the Lansing City Charter, is delegated administrative, executive and policy-making authority over the operation of the BWL, which includes the full and exclusive management of water, heat, steam and electric services and such additional services of the City of Lansing as may be agreed upon by the Board and City Council.

**WHEREAS**, per the Lansing City Charter, the Board has appointed three individuals, Director (also known as the General Manager), Internal Auditor (also known as the Director of Internal Audit) and Secretary (also known as the Corporate Secretary), who report directly to the Board and serve at the Board's pleasure. The General Manager is also responsible to the Board for carrying out the duties assigned by the Board, which includes but is not limited to the operation and management of the BWL.

**WHEREAS**, the Board's role as the governing body for the BWL includes certain fiduciary duties such as acting in the BWL's best interest, protecting and enhancing the BWL as owned by its rate payers, exercising reasonable care, loyalty and good faith in actions and decisions, meeting legal and regulatory requirements, and assuring the General Manager, Director of Internal Audit and Corporate Secretary are effective with adequate support and resources.

**WHEREAS**, while the Administrative Rules of Procedure as approved by Lansing City Council in accordance with Section 5-105 identifies how the Board will conduct business and is organized for fulfilling its policymaking responsibilities necessary for the operation of the BWL, it desires to better define the understanding between individual Board members on day to day dealings.

**WHEREAS**, the Board recognizes the need for a self-evaluation but deems that an evaluation conducted every year is unnecessary and that conducting an evaluation every two years is sufficient in determining the ways in which efficiency and effectiveness can be improved

**RESOLVED**, the Board amends the Governance policy relating to the period of time that the Board will conduct a self-evaluation from each year to every two years; with the next evaluation to be conducted in 2020.

**Motion** by Commissioner McCloud, Seconded by Commissioner Graham, to amend the Board of Commissioners Governance Policy from conducting a self-evaluation each year to every two years.

**Action:** Motion Carried.

### **MANAGER'S REMARKS**

General Manager Dick Peffley recognized Lansing City Attorney, Jim Smiertka. Mr. Smiertka stated that he will be attending future Regular Board meetings in order to fulfill Lansing City Charter responsibilities as the chief legal officer for all boards and authorities.

GM Peffley provided an Organizational Update to be effective February 2019. Mr. Peffley stated that due to the retirement of George Stojic, Executive Director of Planning and Development, General Counsel Brandie Ekren is being promoted to the Executive Director of Strategic Planning and Development. As part of Ms. Ekren's new position, a Marketing Department will be created. General Manager Peffley also stated that he is recommending Mark Matus, the current Deputy General Counsel, to be promoted to General Counsel.

GM Peffley recognized George Stojic for his 42 years of public service—30 years at the Public Service Commission and 12 years at the BWL. GM Peffley listed some of the career accomplishments provided to the BWL by Mr. Stojic: long term planning, environmental compliance, engineering efficiency, renewable energy programs, major customer projects, project engineering, market operations, plus budget and planning at the REO plant and the Delta Energy Park.

Mr. Stojic stated that it was a privilege to work at the BWL and commended the BWL for its great leadership. Mr. Stojic thanked GM Peffley for allowing him to pursue projects that he thought would make BWL a better utility for the future. Mr. Stojic thanked the BWL and the citizens in the community for exercising informed and competent judgments on complex tasks in ways that preserved public welfare, that promoted economic growth, and that are getting Lansing ready for the future.

### **COMMISSIONERS' REMARKS**

Board Chair David Price thanked George Stojic for his years of service.

Commissioner Zerkle congratulated Ms. Ekren on her new position as well as Mr. Stojic for his service and for always being well informed. Commissioner Zerkle recognized GM Peffley for the lifetime service award he received at the Martin Luther King Jr. luncheon on January 21, 2019. GM Peffley responded that the BWL employees are the ones deserving of the award as they went to Flint to help the citizens and gave them a glimmer of hope for clean drinking water.

Commissioner Thomas echoed the compliments of Commissioner Zerkle for the Keeper of the Dream Award given to GM Peffley and noted it was the first time it has been awarded. Commissioner Thomas commended Michael Flowers, BWL Executive Director of Human Resources, for his participation on the commission that

produced the Martin Luther King Jr. luncheon and program. Commissioner Thomas also congratulated Ms. Ekren on her new position and Mr. Stojic on his retirement and for his years of service.

Commissioner Long also recognized Mr. Stojic and commended him for his knowledge both on the Public Service Commission and at the BWL.

Commissioner Price commented that some cities are claiming that city buildings are going to be 100% renewable in terms of their energy by a certain date and asked if the BWL could offer that service to the city of Lansing. GM Peffley responded that BWL can offer that to the city of Lansing for city buildings with the addition of 1.3 cents per kW added to their bill.

### **MOTION OF EXCUSED ABSENCE**

#### **Excused Absence**

**Motion** by Commissioner Thomas, Seconded by Commissioner Graham, to excuse Commissioner Ken Ross from tonight's meeting.

**Action:** Motion Carried

### **PUBLIC COMMENTS**

None.

### **ADJOURNMENT**

Chair Price adjourned the meeting at 5:58 p.m.

M. Denise Griffin, Corporate Secretary  
Preliminary Minutes filed (electronically) with Lansing City Clerk: 02-01-19  
Official Minutes filed (electronically) with Lansing City Clerk 03-29-19