



FINANCE COMMITTEE MEETING

AGENDA

May 16, 2017

**5:00 P.M. -1201 S. Washington Ave.
Lansing, MI – REO Town Depot
Board of Water & Light Headquarters**

Call to Order

Roll Call

Public Comments on Agenda Items

1. Finance Committee Meeting Minutes of March 14, 2017.....**TAB 1**
2. External Review of Internal Audits at BWL.....**INFO ONLY**
3. March YTD Financial Summary**TAB 2**
4. FY 18 Budget Presentation/Resolution.....**TAB 3**

Other

Adjourn

FINANCE COMMITTEE Meeting Minutes March 14, 2017

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, at 5:15 p.m. on Tuesday, March 14, 2017.

Finance Committee Chair Ken Ross called the meeting to order and requested a roll call.

Present: Commissioners Ken Ross, David Price, Dennis M. Louney and Anthony McCloud. Also present: Commissioners Tony Mullen, Tracy Thomas, Sandra Zerkle and Non-Voting Commissioners Stuart Goodrich (Departed at 5:25 p.m.), William Long and Robert Nelson.

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

None

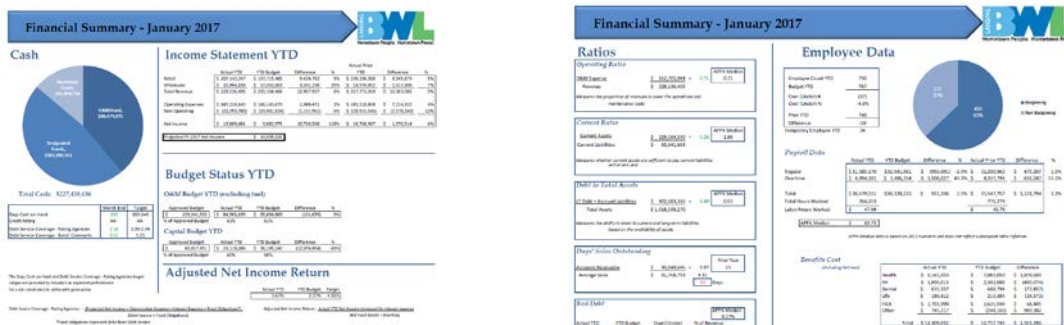
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner McCloud, to approve the Finance Committee meeting minutes of January 10, 2017.

Action: Motion Carried.

January YTD Financial Summary

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



CFO Heather Shawa presented the January Year-to-date Financial Summary which indicated that the Cash target is on track and there was an upward trend from the prior month as expected. The Year-to-date net income actual is \$10.7 million better than budget and the projected fiscal-year-end net income is approximately \$14.5 million; however, the projection


was prior to the recent wind storm and quarterly budget reviews, therefore, adjustments will be made.

Ms. Shawa indicated that though we are showing underspend in capital projects, there is expected to be an increase in capital spending over the remainder of the fiscal year. She also stated that the company is on track for exceeding the budgeted year-end adjusted net income rate of return. Ms. Shawa also mentioned that three out of five Ratios are being achieved, bad debt and uncollectable continue to be watched and Day sales are outstanding. She also informed the Committee that benefit cost is over budget due to the VEBA adjustment as part of the annual valuation.

Update on Management Responses to Internal Audits

CFO Heather Shawa presented management’s responses to audits as follows:

STATUS OF MANAGEMENT RESPONSES TO AUDITS
MARCH 2017


In Accordance with Board Resolution #2014-67-65

Updates in red

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
Open Issues:					
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	Aug 2014	General Accounting	A General Accounting Procedure Manual is expected to be finalized by 3/31/17.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	IT has encrypted the laptops used by field personnel and established user guidelines. Guidelines instruct BWL users to encrypt sensitive data on their own mobile devices. Software with remote management capabilities has been procured and installed and will be fully deployed by 3/31/17.
29	Management of Mobile Devices	Internal Auditor recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Software with remote management capabilities for mobile devices has been procured and installed and will be fully deployed by 3/31/17.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	Modifications recommended as a result of a November 2016 stress test will be implemented by 3/31/17.
37	Hiring Process	Internal Auditor has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	Human Resources has drafted an additional Board policy, one which addresses BWL hiring standards in their entirety, and will seek Board approval of it by 3/31/17.
44	Bidding	To address safety concerns associated with high consumption residential customers, management is discussing possible revisions to existing Rules and Regulations and coordination of public safety initiatives with other public agencies.	Nov 2016	Planning & Development	The appropriate course of action will be determined by 11/30/17, in coordination with city ordinances and state law.
45	Performance Evaluation & Compensation <i>NZP</i>	Internal Auditor recommended additional standardization of performance evaluation procedures.	Jan 2017	Human Resources	Further development of the BWL performance management process for non- bargaining employees is underway, including additional participation throughout the year and goals and objectives in line with the new BWL Strategic Plan. The SMART concept already in use will be expanded upon (i.e. employee performance goals are SMART, which stands for Specific, Measurable, Action-oriented, Realistic, and Time bound). Estimated completion date is 7/1/18.
46	Performance Evaluation & Compensation <i>NZP</i>	Internal Auditor recommended job descriptions be updated.	Jan 2017	Human Resources	Human Resources will coordinate the updating of job descriptions, in collaboration with each area throughout the organization. This project will incorporate multiple phases, beginning with planning and identifying needed resources. Estimated project completion is 6/30/19.
47	Performance Evaluation & Compensation <i>NZP</i>	Internal Auditor recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	Decoupling of cost-of-living and merit increases is already underway, including budgeting of the two separate categories of increases for fiscal 2018 and development of corresponding instructional information. Project completion is expected by 7/1/18.
E-2	IT Assessment (by External Auditors)	It was noted that network and financial application password settings need strengthening, including establishing requirements that passwords be changed every 90 days, be a minimum length of 8 characters, and include special characters. In addition, 8 prior passwords should be remembered and user accounts should be locked after 3-5 failed login attempts.	Sept 2016	Information Technology	Enhancement of network, mainframe, and application password settings has been completed, with the exception of one application which will instead be replaced, at a date yet to be finalized.
E-3	IT Assessment (by External Auditors)	Management letter indicated that user account access should be reviewed annually by management for appropriateness, following the least privilege principle, with documentation of reviews retained.	Sept 2016	Information Technology	IT is currently reviewing user access to CIS and SAP with management, with completion expected by 3/31/17.
E-5	IT Assessment (by External Auditors)	Baker-Tilly noted that the Windows 2003 operating system on which the DP250 database runs needs upgrading.	Sept 2016	Information Technology	Needed funding to address this issue during the coming fiscal year is expected to be secured by 3/31/17.
Closed Issues (since December 2016 reports):					
E-1	IT Assessment (by External Auditors)	Baker-Tilly's management letter officially noted that all users of financial applications should have a unique ID and generic, shared, temporary and system accounts should be removed. If a system account cannot be removed, it should be disabled.	Sept 2016	Information Technology	Generic user IDs for financial applications have been disabled.
E-4	IT Assessment (by External Auditors)	Baker-Tilly recommended a cyberattack awareness program with surprise penetration testing.	Sept 2016	Emergency Management / Information Technology	Employees are participating in annual online cybersecurity awareness training and a new monthly live training program which includes a phishing component. In addition, DHS will conduct a phishing campaign as part of their annual assessment. A first round of surprise penetration testing took place on 2/15/17.

In response to Finance Chair Ross’ inquisition regarding a quick one year assessment of external auditors Baker Tilly, CFO Shawa indicated that Baker Tilly has value in different ways from previous external auditors and there has been discussion about additional services that they can provide due to their experience in the industry.

Commissioner Dennis M. Louney inquired about the completion date delay of the Outage Management System stress test (indicated as #33 on the report). In response CFO Shawa stated that the stress test had been completed but wanted the recommendations and the action plan for the recommendations completed before removing it from the report.

AT THE LIBERTY OF THE FINANCE CHAIR ROSS THE LAST TWO ITEMS WERE TAKEN OUT OF POSTED AGENDA ORDER

Internal Audit Status Report

Internal Auditor Phil Perkins presented the following status report:

Current Audit Progress Report

Engagements Completed in FY 17:

1. Surprise Cash Count #1.
2. Time Reporting Review #1 & 2.
3. Performance Evaluation/Compensation/Merit Pay Audit
4. Collections Audit

Engagements in Progress:

1. Follow-up Audit Training & Development—draft audit report stage.
2. IT -COBIT Compliance – in progress, about 75% complete. Anticipate completion in March 2017.
3. New Service Order Management – Water. Fieldwork in progress; anticipate completion in April 2017.
4. Payroll Management – just underway; anticipate completion in May 2017.



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Remaining FY 2017 Audit Plan

Audits:

1. IT – Identity and Access Management
2. Follow-up – Hiring Process Audit

Other Engagements:

1. Vehicle Time Reporting Review
2. Surprise Cash Count#2



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Other Items

Internal Auditor Professional Development:

- On target to meet professional education requirements for certifications:
 - CPA
 - CIA
 - CISA
- Passed examination in November 2016 to attain Fundamentals of Cybersecurity certification.

Quality Assurance Improvement Program:

- An Internal Quality Review has been completed with good results, in preparation for the required 5-year External Peer Review.
- Anticipate the External Peer Review to occur in May 2017.



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Other Items, continued

Annual Planning & Risk Assessment for FY 2018 Audit Plan

- Meetings to be held with executive management and staffs to discuss current risk areas and potential audit topics for FY 2018.
- Draft audit plan for FY 2018 to be presented for Board approval not later than July 2017.



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Travel & Reimbursement Policy & Resolution

Finance Chair Ross relayed to the Committee that most of what is being presented in the proposed document is the result of the previous Committee of the Whole meeting in which there was extended review and discussion on the Board of Water and Light's four separate travel policies. Feedback was taken and a consolidation of the four policies was uniformly produced and that is what is being reviewed and ultimately approved.

Lori Pung, General Accounting Manager provided a high level review of the combined travel policy. During the review the Commissioners engaged in a discussion regarding their meal reimbursement and the allowable per diem amount per IRS Rules. Upon completion of the review and discussion it was determined to maintain the \$100.00 a day per diem with the understanding that the per diem rate will be taxed according to current IRS regulations through the issuance of a W-2. The proposed Resolution was presented with the following motion:

Motion by Commissioner Price, Seconded by Commissioner McCloud to repeal all existing travel policies and recommend that the proposed consolidated travel policy as amended (Under the Substantiation Section language should read as “Original Receipts *shall* be obtained”) be forwarded to the full Board for consideration

Action: Motion Carried

Chair Price and Finance Chair Ross thanked Lori Pung and her team for all of their hard work on the travel policy.

Other

None

Excused Absence

None

Adjourn

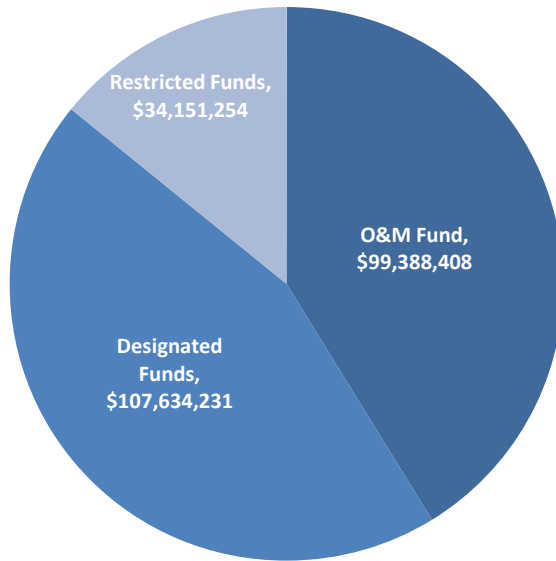
On Motion by Commissioner Price, Seconded by Commissioner Louney, the meeting adjourned at 6:10 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

Financial Summary - March 2017



Cash



Total Cash: \$241,173,894

	Month End	Target
Days Cash on Hand	218	150-249
Credit Rating	AA-	AA-
Debt Service Coverage - Rating Agencies	2.15	2.00-2.49
Debt Service Coverage - Bond Covenants	2.96	1.25

The Days Cash on Hand and Debt Service Coverage - Rating Agencies target ranges are provided by Moody's as expected performance for a AA- rated electric utility with generation.

Debt Service Coverage - Rating Agencies - $(\text{Projected Net Income} + \text{Depreciation Expense} + \text{Interest Expense} + \text{Fixed Obligations}^*) / (\text{Debt Service} + \text{Fixed Obligations})$

*Fixed obligations represent Belle River Debt Service

Income Statement YTD

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Retail	\$ 260,947,210	\$ 254,693,611	6,253,599	2%	\$ 252,504,882	\$ 8,442,328	3%
Wholesale	\$ 27,450,852	\$ 23,642,890	3,807,962	16%	\$ 22,883,787	\$ 4,567,065	20%
Total Revenue	\$ 288,398,062	\$ 278,336,501	10,061,561	4%	\$ 275,388,669	\$ 13,009,393	5%
Operating Expenses	\$ 240,104,049	\$ 239,798,129	305,921	0%	\$ 228,525,875	\$ 11,578,174	5%
Non Operating	\$ (26,845,471)	\$ (25,745,600)	(1,099,870)	4%	\$ (24,405,779)	\$ (2,439,692)	10%
Net Income	\$ 21,448,542	\$ 12,792,772	8,655,770	68%	\$ 22,457,015	\$ (1,008,473)	-4%

Projected FY 2017 Net Income \$ 13,337,795

Budget Status YTD

O&M Budget YTD (excluding fuel)

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 139,241,533	\$ 109,025,149	\$ 108,424,479	600,670	1%
% of Approved Budget	78%	78%		

Capital Budget YTD

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 60,817,651	\$ 32,348,529	\$ 44,591,947	(12,243,418)	-27%
% of Approved Budget	53%	73%		

Adjusted Net Income Return

Actual YTD	YTD Budget	Target
4.26%	3.22%	4.81%

Adjusted Net Income Return - $\text{Actual YTD Net Income increased for interest expense} / \text{Net Fixed Assets} + \text{Inventory}$

Financial Summary - March 2017



Ratios

Operating Ratio

<u>O&M Expense</u>	\$ 208,539,603	=	0.72	APPA Median	0.71
Revenue	\$ 288,398,062				

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

Current Ratio

<u>Current Assets</u>	\$ 234,371,394	=	4.91	APPA Median	1.98
Current Liabilities	\$ 47,725,236				

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

Debt to Total Assets

<u>LT Debt + Accrued Liabilities</u>	\$ 405,679,285	=	0.40	APPA Median	0.53
Total Assets	\$ 1,023,218,301				

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

Days' Sales Outstanding

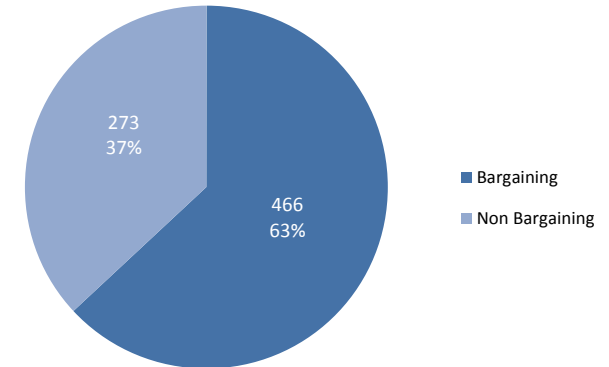
<u>Accounts Receivable</u>	\$ 23,372,881	=	0.74	Prior Year	21
Average Sales	\$ 31,632,471	X 31			
				24	Days

Bad Debt

				APPA Median	0.27%
<u>Actual YTD</u>	<u>YTD Budget</u>	<u>Over/(Under)</u>	<u>% of Revenue</u>		
\$1,050,574	\$912,124	\$138,450	0.36%		

Employee Data

Employee Count YTD	739
Budget YTD	766
Over (Under) #	(27)
Over (Under) %	-3.5%
Prior YTD	756
Difference	-17
Temporary Employee YTD	25



Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 40,433,087	\$ 41,364,446	\$ (931,359)	-2.3%	\$ 39,878,119	\$ 554,968	1.4%
Overtime	\$ 6,330,924	\$ 4,342,293	\$ 1,988,631	45.8%	\$ 5,455,470	\$ 875,454	16.0%
Total	\$ 46,764,011	\$ 45,706,739	\$ 1,057,272	2.3%	\$ 45,333,589	\$ 1,430,422	3.2%
Total Hours Worked	985,120				1,001,216		
Labor/Hours Worked	\$ 47.47				\$ 45.28		

APPA Median	\$ 40.73
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APPA Median data is based on 2015 numbers and does not reflect subsequent labor inflation.

Benefits Cost

(Including Retirees)

	Actual YTD	YTD Budget	Difference
Health	\$ 10,761,044	\$ 9,333,136	\$ 1,427,908
RX	\$ 2,446,710	\$ 3,061,398	\$ (614,688)
Dental	\$ 862,971	\$ 890,850	\$ (27,879)
Life	\$ 244,671	\$ 275,148	\$ (30,477)
FICA	\$ 3,476,038	\$ 3,388,621	\$ 87,417
Other	\$ 777,569	\$ (334,937)	\$ 1,112,506
Total	\$ 18,569,004	\$ 16,614,215	\$ 1,954,788

FY 2018 Financial Plan



Finance Committee Meeting May 16, 2017
Board Meeting May 23, 2017

FY 2018 Financial Plan

- FY 2018 Financial Plan
 - Sales Volume Forecast
 - Operating Expense Assumptions
 - FY 2018 O&M Budget by Category
 - FY 2018 Budgeted Net Income
 - Comparative Financials (FY 2018 vs FY 2017)
 - FY 2018 Budgeted Cash Flow
- FY 2018 Capital Budget
 - FY 2018 Capital Budget Summary
 - FY 2018 Capital Budget – Major Projects/Programs
- Next Steps

Sales Volume Forecast

Utility	FY 18 Budget	FY 17 Budget	FY 18 Budget to FY 17 Budget	FY 17 Projected
Electric-Retail (MWh)	2,131,850	2,137,145	(0.25%)	2,174,799
Electric-Wholesale (MWh)	715,840	767,770	(6.8%)	785,756
Electric-Total (MWh)	2,847,690	2,904,915	(2.0%)	2,960,556
Water (ccf)	8,794,943	8,534,134	3.1%	9,022,337
Steam (mlb)	734,136	744,469	(1.4%)	714,802
Chilled Water (tnhrs)	11,134,000	10,288,000	8%	11,952,000

Electric:

- Retail sales volume is relatively unchanged due to our underlying growth rate of approximately 1% being offset by our continued ability to generate 1% energy savings annually through our energy optimization programs.
- Wholesale sales volume is expected to decrease due to reductions in generation at our Eckert plant.

Water:

- Retail sales volume is expected to decline slightly due to continued water conservation efforts. This decrease is offset by increases in wholesale water sales. Delta Township, in particular, is anticipating increased demand in its service territory.

Steam:

- Steam sales volume expectations have been reduced slightly from the prior year to reflect recent, actual experience.

Chilled Water:

- Chilled water sales volume expectations have been increased to reflect recent, actual experience.

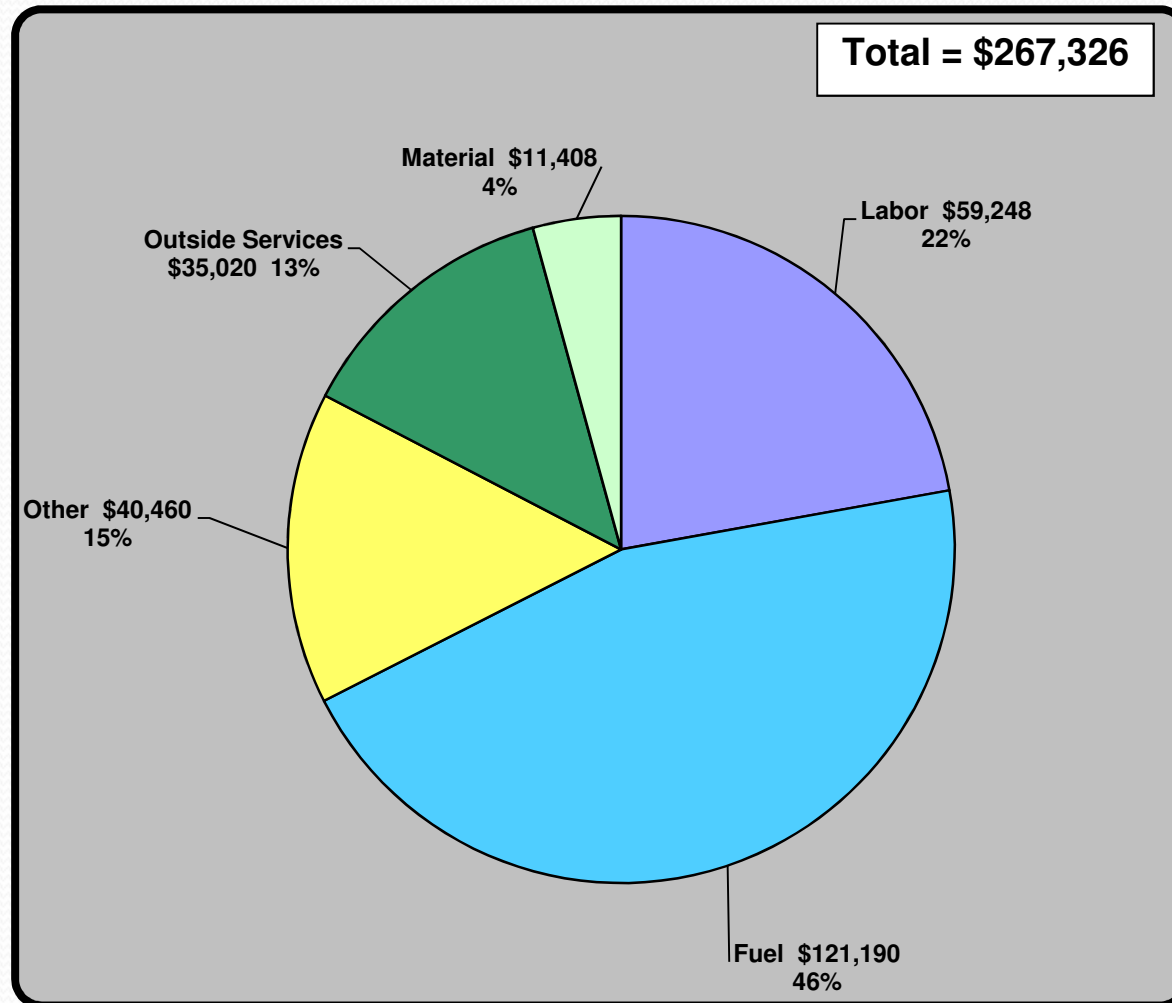
Operating Expense Assumptions

- FY 2018 O&M expenses (excluding fuel) increased by 5% compared to FY 2017 budgeted O&M expenses.
 - Total FY 2018 O&M expenses decreased by 4% when including an \$18 million decrease in fuel cost.
- Forecasted CPI Index – 2.4% Inflation*
- FY 2018 budget assumes 756 employees – an increase of 2 from FY 2017 budgeted employees.
- FY 2018 budget assumes 18 temporary employees.

* The Budget and Economic Outlook:2017 to 2027 – Congress of the United States Congressional Budget Office

FY 2018 O&M Budget by Category

-in \$000's, excludes depreciation



FY 2018 Income Statement by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (MWh, ccf, Mlb, ton-hrs)	2,847,690	8,794,943	734,136	11,134,000	
Retail	\$ 269,569	\$ 36,669	\$ 12,159	\$ 6,037	\$ 324,434
Wholesale	\$ 26,977	\$ 4,033	\$ -	\$ -	\$ 31,010
OPERATING REVENUE	\$ 296,546	\$ 40,702	\$ 12,159	\$ 6,037	\$ 355,444
Operation & Maintenance Expense	\$ (228,749)	\$ (28,737)	\$ (7,120)	\$ (2,720)	\$ (267,326)
Depreciation Expense	\$ (34,224)	\$ (7,340)	\$ (2,826)	\$ (1,489)	\$ (45,879)
OPERATING EXPENSE	\$ (262,973)	\$ (36,077)	\$ (9,946)	\$ (4,209)	\$ (313,205)
OPERATING INCOME	\$ 33,573	\$ 4,625	\$ 2,213	\$ 1,828	\$ 42,239
Return on Equity	\$ (17,498)	\$ (2,376)	\$ (729)	\$ (364)	\$ (20,967)
Other Non-Operating Income	\$ 1,746	\$ 1,219	\$ 76	\$ 51	\$ 3,092
Other Non-Operating Expense	\$ (10,839)	\$ (2,157)	\$ (1,886)	\$ (586)	\$ (15,468)
NET INCOME (LOSS)	\$ 6,982	\$ 1,311	\$ (326)	\$ 929	\$ 8,896
RATE OF RETURN	3.03%	1.38%	2.25%	5.73%	2.60%
BUDGETED RATE INCREASE EFFECTIVE 2/1/18	3.00%	5.50%	5.50%	0.00%	

Comparative Income Statement

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

<i>In \$000's</i>	FY 2018 Budget	FY 2017 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 355,444	\$ 366,415	(3%)
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	67,387	62,507	8%
LABOR TO CAPITAL	(6,006)	(7,255)	(17%)
NET LABOR	<u>61,381</u>	<u>55,252</u>	11%
MATERIAL	11,445	12,357	(7%)
OTHER - Including Benefits	38,430	44,131	(13%)
OUTSIDE SERVICE	39,226	27,502	43%
FUELS, WATER CHEMICALS & AMINE	<u>121,190</u>	<u>139,089</u>	(13%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 271,672	\$ 278,331	(2%)
Depreciation Expense	<u>45,879</u>	<u>43,153</u>	6%
TOTAL OPERATING EXPENSE	\$ 317,551	\$ 321,484	(1%)
OPERATING INCOME	\$ 37,893	\$ 44,931	(16%)
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
NET INCOME	\$ 4,550	\$ 10,113	(55%)

Comparative Income Statement

After Strategic Alignment and Review

<i>In \$000's</i>			
	FY 2018 Budget	FY 2017 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 355,444	\$ 366,415	(3%)
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,750	62,507	5%
LABOR TO CAPITAL	(6,502)	(7,255)	(10%)
NET LABOR	59,248	55,252	7%
MATERIAL	11,408	12,357	(8%)
OTHER - Including Benefits	40,460	44,131	(8%)
OUTSIDE SERVICE	35,020	27,502	27%
FUELS, WATER CHEMICALS & AMINE	121,190	139,089	(13%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 267,326	\$ 278,331	(4%)
Depreciation Expense	45,879	43,153	6%
TOTAL OPERATING EXPENSE	\$ 313,205	\$ 321,484	(3%)
OPERATING INCOME	\$ 42,239	\$ 44,931	(6%)
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
NET INCOME	\$ 8,896	\$ 10,113	(12%)

FY 2018 Cash Flow by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
BEGINNING OPERATING CASH	58,671	13,061	5,438	3,756	80,926
Sources of Cash					
Net Income	\$ 6,983	\$ 1,311	\$ (326)	\$ 928	\$ 8,896
Depreciation	\$ 34,224	\$ 7,340	\$ 2,826	\$ 1,489	\$ 45,879
Loss on Sale of Assets	\$ 1,547	\$ 266	\$ 101	\$ -	\$ 1,914
Borrowing	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Withdrawal from Construction Reserve	\$ 24,652	\$ 5,490	\$ 2,283	\$ 1,575	\$ 34,000
Fuel Cost Undercollection	\$ 2,663	\$ (141)	\$ (464)	\$ -	\$ 2,058
Net Environmental	\$ 4,444	\$ -	\$ 166	\$ -	\$ 4,610
Pipeline Refund	\$ 2,390	\$ -	\$ 455	\$ -	\$ 2,845
SOURCES OF CASH	\$ 126,903	\$ 14,266	\$ 5,041	\$ 3,992	\$ 150,202
Uses of Cash					
Debt Principal	\$ (5,069)	\$ (2,510)	\$ (1)	\$ (1,525)	\$ (9,105)
Net Capital Expenditures	\$(115,633)	\$ (12,987)	\$ (9,484)	\$ (1,415)	\$ (139,519)
Renewable Energy & EO Plans	\$ (834)	\$ -	\$ -	\$ -	\$ (834)
Other Uses of Cash	\$ (184)	\$ (41)	\$ (17)	\$ (11)	\$ (253)
USES OF CASH	\$(121,720)	\$ (15,538)	\$ (9,502)	\$ (2,951)	\$ (149,711)
Net Cash Increase/(Decrease)	\$ 5,183	\$ (1,272)	\$ (4,461)	\$ 1,041	\$ 491
ENDING OPERATING CASH	63,854	11,789	977	4,797	81,417

FY 2018 Capital Budget



FY 2018 Capital Budget Summary

Dollars in (000's)

UTILITY

ELECTRIC	\$ 54,331
WATER	\$ 7,547
STEAM	\$ 8,730
CHILLED WATER	\$ 450
COMMON	\$ 18,457
*INTERNALLY FUNDED CAPITAL BUDGET	\$ 89,516
NEW NGCC PLANT	\$ 50,000
TOTAL CAPITAL BUDGET	\$ 139,516

LOCATION

ECKERT	\$ 185
ERICKSON	\$ 199
REO PLANT	\$ 3,000
T&D	\$ 64,583
DYE/CEDAR	\$ 2,327
CHILLER PLANT	\$ 440
MOORE'S PARK	\$ 463
NEW NGCC PLANT	\$ 50,000
OTHER	\$ 18,319
TOTAL CAPITAL BUDGET	\$ 139,516

* This total DOES NOT include the New NGCC (Natural Gas Combined Cycle) Plant

FY 2018 Capital Budget – Major Projects/Programs

<u>Project Title</u>	<u>Project Total</u>	<u>FY 2018</u>
<u>Planned Projects</u>		
* New NGCC Plant	TBD	50,000,000
** Smart Grid Implementation (AMI/MDM)	30,950,000	9,400,000
* Central Substation	25,800,000	14,339,000
* Erickson to Willow 138kV Line Extension	22,683,676	18,286,810
High Pressure Steam Parallel Supply	5,179,000	5,179,000
* REO - Rental Standby Steam Boilers	5,040,000	3,000,000
** ESRI Implementation	5,904,000	1,106,711
Willow Yard Expansion	4,471,000	3,713,058
Erickson Yard Expansion	3,707,000	2,759,598
GroSolar Interconnection Project	3,596,675	1,783,365
** ADMS	3,353,000	868,000
* Burcham 4160V Sub Cutover and Retirement	2,235,000	1,500,000
* Central Sub - Distribution	1,600,000	50,000
Infrastructure Deep Dive Execution	1,500,000	1,500,000
Asset Mgmt - CityWorks Implementation	1,500,000	250,000
Calciner Bldg. Unit Sub. Replacement	1,606,800	1,306,800
MP - Tainter Gate Trunnion Pin Replacement	1,098,000	163,300
IT - Enterprise Service Bus	1,055,000	1,055,000
IT - Mainframe Migration and Transition	1,000,000	500,000
Capital Spending - Major Planned Projects		116,760,642
% of \$139.5M Requested Capital Budget		84%
<u>Annual Projects ***</u>		
Electric - Services & Line Extensions	12,711,528	2,000,000
Electric - T & D Systems	16,327,958	2,569,000
Electric - Street, Building & Outdoor Protective Lighting	11,662,827	1,835,000
Water - System Improvement	13,099,000	2,364,000
Common - Fleet Vehicles & Equipment	10,188,289	1,603,000
Water - Street Reconstruction	6,370,000	922,628
Capital Spending - Annual Projects		11,293,628
% of \$139.5M Requested Capital Budget		8%
FY 2018 Capital Spending - Major Projects		128,054,270
% of \$139.5M Requested Capital Budget		92%

- * These projects support the retirement of Eckert.
- ** These represent the major ETT projects.
- *** Annual projects have some level of spending each year.
The project total represents 6 year spending.



Next Steps

- Request the Board approve the FY 2018 Operating & Capital Budgets
 - *Request approval at May 23rd Board meeting*
 - *City Charter calls for budget adoption by June 1, 2017*
- File FY 2018 Operating Budget & Capital Budget with the City Clerk within 10 days after approval

PROPOSED RESOLUTION

Fiscal Year 2018 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2018 is hereby approved as presented; and

RESOLVED, that the annual Operating Budget has been presented with a potential and estimated rate increase. The potential and estimated rate increase is a projection and has not been approved through a public rate hearing process. The potential and estimated rate increase will be reviewed and adjusted as necessary during a formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL authority to set just and reasonable rates and defines the public hearing process; and

RESOLVED, that the Fiscal Year 2018 Capital Budget is hereby approved as presented; and

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

Staff Comments: In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$267.3 million and a capital budget of \$139.5 million for Fiscal Year 2018. The capital budget includes \$50 million exclusively attributable to the new natural gas plant and the remainder provides for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 23, 2017 board meeting.