



**FINANCE COMMITTEE MEETING via WEBEX  
LANSING BOARD OF WATER AND LIGHT BOARD OF COMMISSIONERS**

**Tuesday, May 26, 2020 ♦ 4:00 P.M.**  
1201 S. Washington Ave., Lansing, MI 48910

**AGENDA**

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

Due to public safety concerns resulting from the COVID-19 Pandemic, this meeting will be conducted via WebEx Conferencing. Instructional options to be in attendance are as follows:

**1. Event address for Attendees:**

<https://lbwlevents.webex.com/lbwlevents/onstage/g.php?MTID=e2ccfba762a2625d5ce7908803c275e1c>

**Event number for Attendees:** 799 734 568

**Event Password:** WQhzPiiY788


**2. Audio conference:** United States Toll +1-408-418-9388 **Access code:** 799 734 568

**Call to Order**

**Roll Call**

**Public Comments on Agenda Items**

Options for Public Comment (PC) participation include:

- Raising your hand by clicking on the hand icon button  in the Participants panel
- Submitting written comments by email to [mdenise.griffin@lbwl.com](mailto:mdenise.griffin@lbwl.com) (By the End of PC)
- Submitting written comments to 1201 S. Washington Ave., Lansing, 48911

1. Finance Committee Meeting Minutes of January 14, 2020.....**TAB 1**
2. April YTD Financial Summary.....**INFO ONLY**
3. FY21 Operating Budget and Forecast Presentation – Resolution.....**TAB 2**  
(Update on the Financial Impact of COVID-19)

## Other

## Adjourn

Persons with disabilities who need an accommodation to fully participate in this meeting should contact the Office of the BWL Corporate Secretary at (517) 702-6033 or [mdenise.griffin@lbwl.com](mailto:mdenise.griffin@lbwl.com) or utilize TTY by dialing 7-1-1 (a statewide **telephone** relay number that connects deaf, deaf-blind, hard of hearing, and/or speech impaired people who use text telephones (**TTYs**) with standard (voice) **telephone** users). A 24-hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

STATE OF MICHIGAN EXECUTIVE ORDER #2020-4: Declaration of a statewide State of Emergency due to the spread of the novel coronavirus (COVID-19).

EXECUTIVE ORDER 2020-75 - Temporary authorization of remote participation in public meetings and hearings, public bodies subject to the Open Meetings Act, including boards, commissions, committees, subcommittees, authorities, councils and nonprofit boards, can use telephone- or video- conferencing methods to continue meeting and conducting business during the coronavirus (COVID-19) public health crisis, so long as they follow certain procedures to ensure meaningful access and participation by members of the public body and the general public. **(Rescission of Executive Order 2020-48)**

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Posted: 5-21-2020  
M. Denise Griffin  
BWL Corporate Secretary  
(517) 702-6033

**FINANCE COMMITTEE  
Meeting Minutes  
January 14, 2020**

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 14, 2020.

Chairperson David Price, standing in for Finance Committee Chair Ken Ross, called the meeting to order at 5:30 pm and asked Corporate Secretary Griffin for the roll call.

Present: Commissioners David Price, Beth Graham, David Lenz (arrived at 5:47pm), Tony Mullen, and Sandra Zerkle (Alternate Member). Also, present: Commissioners Tracy Thomas, and Non-Voting Commissioners Douglas Jester (East Lansing) (arrived at 5:32pm) and Mike Froh (Meridian Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

**Public Comments**

None.

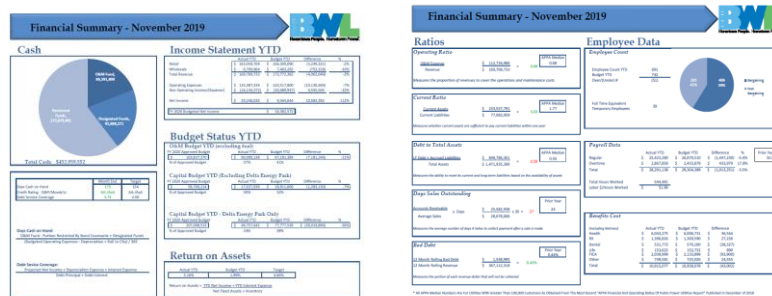
**Approval of Minutes**

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Finance Committee meeting minutes of November 5, 2019.

**Action:** Motion Carried.

**November YTD Financial Summary**

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



Total Cash decreased about \$1.1 million from the prior month. Out of the \$273 million of the restricted funds, \$230 million is restricted for the bond proceeds for Delta Energy Park. Days Cash on Hand was 173 and 165 is projected for December due to biannual return on equity payment to the city. Total revenue is \$169.7 million compared to a budget of \$173.7 but with the underspend on operating expenses there is a positive net income actual to budget of \$20.2 million compared to the budget of \$9.5 million. December revenue is short by \$2 million but continued underspend of operating expenses and non-operating expenses, and the \$1 million VEBA adjustment will cause the net income to be \$1.6 million better than budget.

Commissioner Price asked about the potential help that was brought in for the possible ice storm and what was the outcome. General Manager Peffley responded that about 200 people were involved and \$200-250,000 was spent for labor and lodging.

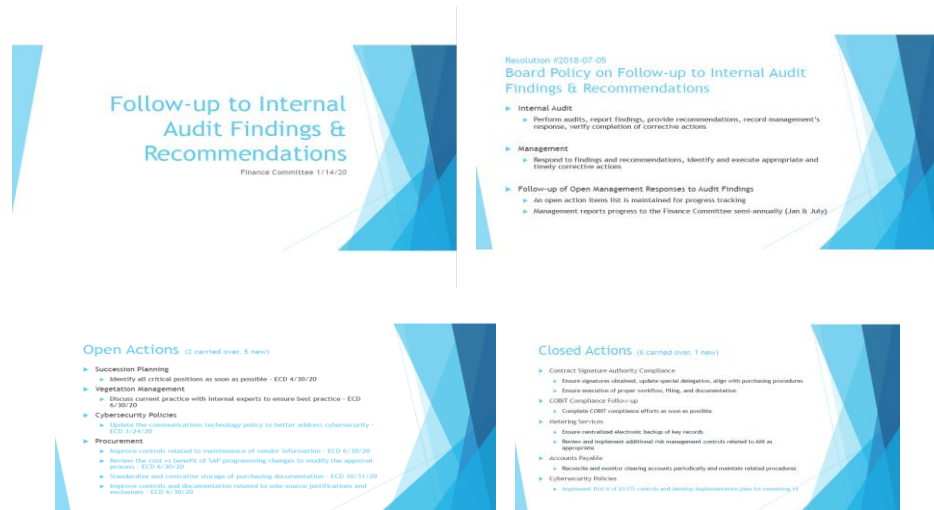
Commissioner Graham asked if the decrease in the income was because of the GM strike. CFO Shawa responded that about \$1 million was because of the GM strike.

CFO Shawa stated that Capital Budget YTD, excluding Delta Energy Park, was on budget. Delta Energy Park's difference from budget is from the timing of major bid packages that are being procured and budget will be caught up in the fiscal year. There are two of the five Debt ratios that are lagging due to the issuance of more debt and two holiday days at the end of the month. Employee data is under compared to budget and vacancies are being filled with contract temporaries and some overtime.

Commissioner Zerkle inquired when there is a drastic change does the staff investigate to find a logical reason or explanation. Ms. Shawa responded that the Finance and Accounting team determine the variances on a monthly basis and the finance team also conducts a midyear review.

### **Biannual Follow-up to Internal Audit Findings & Recommendations**

Chief Financial Officer Heather Shawa introduced Mr. Scott Taylor, Finance Manager who presented the follow-up to the internal audit findings and recommendations.



Mr. Taylor stated that there is a Board resolution that calls for a follow-up regarding progress made on corrective actions related to audits and reviewed the responsibilities of Internal Audit and Management areas, open actions, closed actions

Commissioner Zerkle asked if the answers are returned to the internal auditor when the managers fix or answer their open audit actions, and if an item is brought to the board if the internal auditor doesn't believe a satisfactory answer has been achieved. Mr. Taylor responded that after the internal auditor drafts the report, the finance department meets with the departments and develops responses to the actions. The responses are reviewed with the internal auditor to determine whether the findings were addressed and then the General Manager signs off on the responses.

### **Internal Audit Status Report**

Internal Auditor, Mr. Wesley Lewis, presented the Internal Audit Status Report. The revised audit plan includes conducting three audits instead of six audits, due to the transition in the internal audit position and the addition of the Principal Auditor, Brian Schimke. The internal

audit management software system and information analytics tool technology upgrades are progressing with IT and the assigned vendor.



## Internal Audit Status Report

Presented by:  
Wesley Lewis, Director of Internal Audit  
Finance Committee Meeting  
January 14, 2020

## Overview

- Revised FY 2020 Audit Plan and Progress Report
- Other Items



Finance Committee Meeting  
1/14/2020

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## Revised FY 2020 Audit Plan and Progress Report

1. Cash Management and Treasury Audit (First Time Audit) – Kicked off on 9/30/2019 and is in progress.
2. Fixed Assets (Last audited in May 2012) – Kicked off on 10/21/2019 and in progress.
3. Energy Risk Management (Last Audited in June 2013) – Scheduled kickoff is 4/6/2020.

\* As previously reported, this plan, along with all dates, are subject to change.

## Other Items

1. Staffing Update - New Principal Auditor
2. Current Technology Upgrades
  - Internal Audit Management Software System
  - Information Analytics Tool, with Artificial Intelligence
3. ISO Certification for Internal Audit
4. CISA Exam Progress



Finance Committee Meeting  
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Finance Committee Meeting  
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Commissioner Thomas asked whether the three audits were created by Mr. Lewis and he affirmed.

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, for the Committee to accept the revised FY 2020 Audit Plan.

**Action:** Motion Carried.

## Other

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to excuse Commissioner Ross from tonight's meeting.

**Action:** Motion Carried.

Commissioner Thomas commended the BWL for the work done during the storm and the success of the vegetation program. GM Peffley responded that a lot of positive comments were received, including from the mayor of East Lansing and Delta Township council members.

## Adjourn

Commissioner Ross adjourned the meeting at 6:02 p.m.

Respectfully submitted  
David Price, Acting Chair  
Finance Committee

# Budget and Forecast

FY 2021 – 2026

Finance Committee Meeting

May 26, 2020

Board Meeting

May 26, 2020



# COVID-19 Disclaimer

- The COVID-19 pandemic has created significant uncertainty in economic forecasting. To the extent impacts were known and quantifiable during development of the FY21-26 Budget and Forecast, they have been included.
- As COVID impacts further develop, responsive action will be taken in order to maintain operational and financial targets.
- Included in this presentation is a scenario analysis related to COVID-19.

## Budget & Forecast Timeline Overview

### December 2019 – February 2020

- Budget Process Start
- Develop Financial Targets, Request Department Budgets, and Develop Revenue Forecast



### March – April 2020

- Compile Budget and Forecast
- Internal Review and Approval



### May 2020

- Presentation to Board of Commissioners

# Overview

- BWL Strategic Objectives – Year in Review
- 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

- Year in Review

- Past & Present Budget and Forecast Cycle Focus
- Strategy 6: Financial Stability
- Target Metrics
- Minimum Cash Reserve Requirement Policy

## FY 2020 Key Accomplishments:

- BSmart Technology Projects
  - AMI closing in on full deployment (96% electric & 67% water)
  - ADMS release 2 of 3 underway – 65% complete
  - GIS within release 2 & 3 of 4 underway - 67% complete
  - CIS implementation underway, targeting Q2 2021 go-live – 28% complete
  - CityWorks – 10% complete
- Implementing cost strategies to improve competitiveness in next rate strategy
- 55% completion of ISO Certification at REO Plant
- Delta Energy Park construction
- Completed 5-year tree trimming plan
- Implemented Diversity, Equity and Inclusion (DEI) Program
- Revised Capital Projects Process (CPT)
- Integrated Resource Plan

- **BWL Strategic Objectives**

- Year in Review
- **Past & Present Budget and Forecast Cycle Focus**
- Strategy 6: Financial Stability
- Target Metrics
- Minimum Cash Reserve Requirement Policy

FY19-24

3-yr Rate Strategy

- Electric cost of service
- Delta Energy Park
- Feb 2018, 2019 & 2020 rate changes

Setting ROA achievement date of FY24

FY20-25

3-yr Rate Strategy

Internal Cost Allocation Studies

Delta Energy Park

- Construction June 2019 – June 2021

FY21-26

IRP 2020

Rate Strategy 2021+

- Rate Competitiveness
- Cost of service (water, electric, steam, and chilled water)
- Time of use options
- Renewable energy and new technology rates
- Economic development program

FY22-27

Strategic Plan 2022+

- Climate response strategy
- Sustainable business model that balances financial, operational and social perspectives
- Grid modernization and resilience

- **BWL Strategic Objectives**

- Year in Review
- Past & Present Budget and Forecast Cycle Focus
- **Strategy 6: Financial Stability**
- Target Metrics
- Minimum Cash Reserve Requirement Policy

- **BWL's Strategic Plan, adopted in 2016, details the following goals and objectives:**

- 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
    - **FY20 included the 3<sup>rd</sup> year of a 3-year rate strategy that has provided sufficient liquidity to fund initiatives and to provide stability though COVID-19 impacts**
  - 2) Maintain an above average bond rating for municipal utilities
    - **Ratings reaffirmed during 2019B refunding of 2011A bonds**
  - 3) Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees
    - **100+ items received from workforce that are being vetted and implemented**
  - 4) Commit to reviewing and consistently achieving targeted rate of return
    - **Achievement of ROA targeted for FY24 with lower rate increases than projected last year**



- BWL Strategic Objectives
  - Year in Review
  - Past & Present Budget and Forecast Cycle Focus
  - Strategy 6: Financial Stability
  - Target Metrics
  - Minimum Cash Reserve Requirement Policy

- Maintain High Credit Rating
  - The BWL is currently rated AA- by S&P and Aa3 by Moody's
- Return on Assets
  - An adequate return on assets is essential to municipal utilities
  - It ensures that current rate payers are not 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 according to Resolution 2016-07-08
    - Return on Assets FY 2021-2026 Target: **4.14%**
      - **We are projecting to achieve this target return in FY 2024**
- Ensure Adequate Liquidity
  - The BWL should have the ability to meet near term obligations when due
    - Minimum Cash Reserve Requirement: **169 Days**
    - Debt Service Coverage Minimum Target: **2.00**

- BWL Strategic Objectives
  - Year in Review
  - Past & Present Budget and Forecast Cycle Focus
  - Strategy 6: Financial Stability
  - Target Metrics
  - Minimum Cash Reserve Requirement Policy

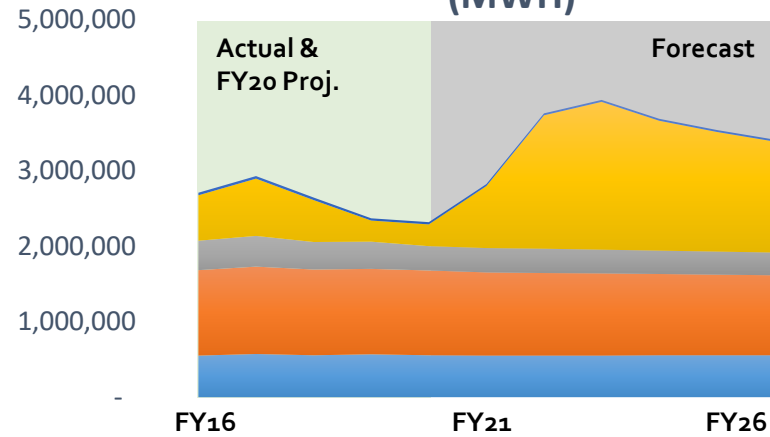
- **To ensure adequate liquidity, the Board of Commissioners adopted a Minimum Cash Reserve Requirement Policy in 2018 (Resolution #2018-05-02).**
- The policy bolsters financial strength, situational resilience, fiscal responsibility, and credit quality.
- The minimum cash reserve requirement is determined using a risk-based calculation of the following five key cash requirements:
  1. Net O&M Expense
  2. Return on Equity to the City
  3. Historical Plant in Service
  4. Debt Service
  5. Six-Year Net Capital Improvement Plan
- Each cash requirement is multiplied by its associated risk factor and summed to determine the minimum cash reserve requirement.
- The calculation is applied to each of the BWL's four utilities individually and then aggregated to determine the overall BWL minimum cash reserve requirement.
- In accordance with this policy, the Board will ensure that the proposed budget and forecast meets the minimum cash reserve requirements as defined in the policy.

- Key Budget and Forecast Assumptions

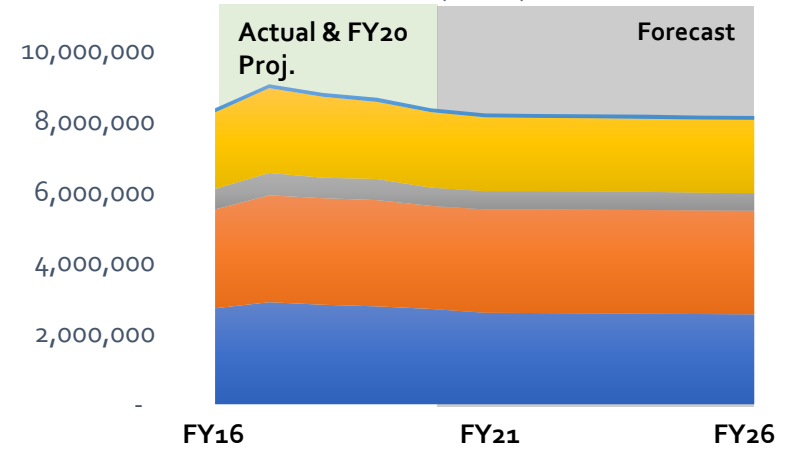
- The COVID-19 pandemic has created significant uncertainty in economic forecasting. To the extent impacts were known and quantifiable during development of the FY21-26 Budget and Forecast, they have been included.
- Expected operation of Delta Energy Park June 2021. 
- Eckert and Erickson are closed within the forecast period.
- Conservative Defined Benefit and Voluntary Post Employment Benefits (DB/VEBA) market returns. 
- Total employee count is budgeted at 727 for FY 2021 and declines in each succeeding year through FY 2026 (638) due to natural attrition.
- Return on Equity to the city based on proposed agreement brought to Finance Committee 4/28/2020.
- Major steam customer contract expires October 2022. Forecast assumes contract is renewed at current terms.

- Sales Volume History and Forecast by Utility, FY 16-26

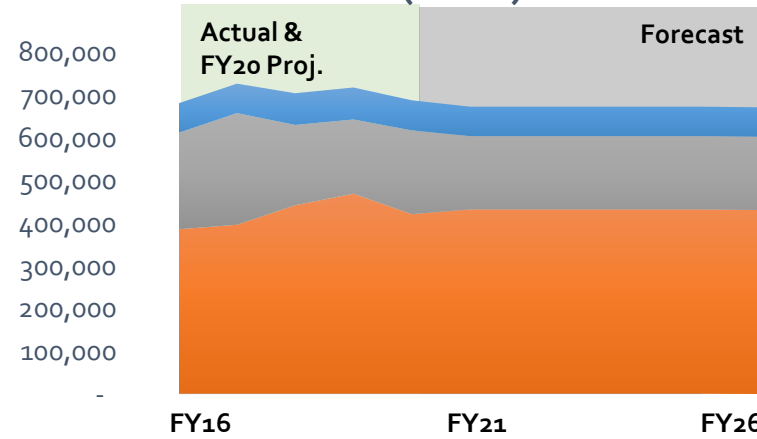
**Electric - Consumption Volume (MWH)**



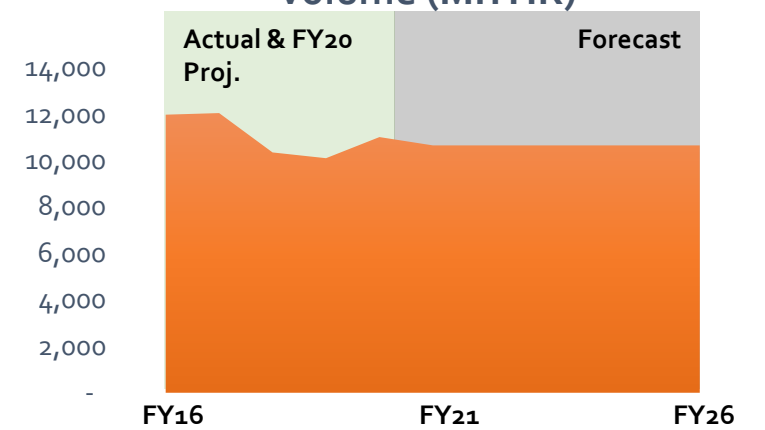
**Water - Consumption Volume (CCF)**



**Steam - Consumption Volume (M.LB)**



**Chilled Water - Consumption Volume (M.THR)**



■ Residential ■ Commercial ■ Industrial ■ Wholesale ■ Other

- Operating Budget and Forecast

- FY 2021 Income Statement

- FY 2021 Operating Expenses by Category

- 6-Year Income Statement

- 6-Year Return on Assets

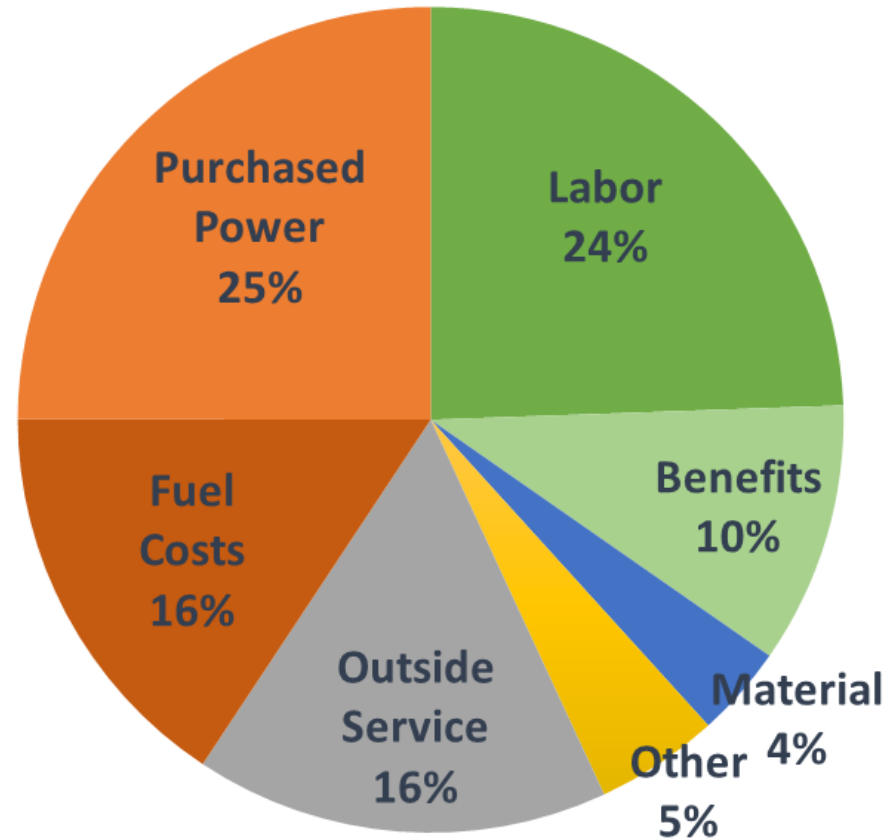
- 6-Year Cash Flow

<b>FY 2021 Income Statement</b>	<b>Electric</b>	<b>Water</b>	<b>Steam</b>	<b>Chilled Water</b>	<b>Total</b>
<b>Sales (MWh, ccf, Mlb, ton-hrs)</b>	2,823,199	8,234,219	673,500	10,645	
<b>Operating Revenue</b>					
Residential	\$ 90,873,202	\$ 18,530,033	\$ 17,927	\$ -	\$ 109,421,162
Commercial	\$ 145,076,172	\$ 15,907,513	\$ 8,517,577	\$ 6,286,925	\$ 175,788,186
Industrial	\$ 37,494,931	\$ 2,190,751	\$ 2,809,773	\$ -	\$ 42,495,455
Wholesale	\$ 30,734,317	\$ 3,802,089	\$ -	\$ -	\$ 34,536,406
Other	\$ 11,670,600	\$ 7,035,446	\$ 1,395,055	\$ -	\$ 20,101,101
<b>Total Operating Revenue</b>	<b>\$ 315,849,222</b>	<b>\$ 47,465,832</b>	<b>\$ 12,740,332</b>	<b>\$ 6,286,925</b>	<b>\$ 382,342,311</b>
<b>Operating Expenses</b>					
Fuel and Purchased Power	\$ (104,841,230)	\$ (5,378,266)	\$ (3,097,056)	\$ -	\$ (113,316,552)
Depreciation	\$ (46,374,075)	\$ (8,373,025)	\$ (3,103,004)	\$ (1,577,411)	\$ (59,427,516)
Other Operating Expenses	\$ (116,832,767)	\$ (31,240,541)	\$ (4,474,900)	\$ (4,125,773)	\$ (156,673,981)
<b>Total Operating Expenses</b>	<b>\$ (268,048,072)</b>	<b>\$ (44,991,832)</b>	<b>\$ (10,674,961)</b>	<b>\$ (5,703,184)</b>	<b>\$ (329,418,049)</b>
<b>Total Operating Income</b>	<b>\$ 47,801,150</b>	<b>\$ 2,474,000</b>	<b>\$ 2,065,371</b>	<b>\$ 583,741</b>	<b>\$ 52,924,262</b>
<b>Non Operating Income/(Expenses)</b>					
Return on Equity to City	\$ (20,675,402)	\$ (3,146,386)	\$ (754,748)	\$ (423,464)	\$ (25,000,000)
Interest Expense	\$ (23,508,720)	\$ (1,475,930)	\$ (1,817,392)	\$ (484,673)	\$ (27,286,716)
Other Non Operating Income/(Expenses)	\$ 12,791	\$ 852,417	\$ (52,623)	\$ 48,597	\$ 861,181
<b>Total Non Operating Income/(Expenses)</b>	<b>\$ (44,171,331)</b>	<b>\$ (3,769,899)</b>	<b>\$ (2,624,764)</b>	<b>\$ (859,541)</b>	<b>\$ (51,425,535)</b>
<b>Total Net Income/(Loss)</b>	<b>\$ 3,629,819</b>	<b>\$ (1,295,899)</b>	<b>\$ (559,392)</b>	<b>\$ (275,800)</b>	<b>\$ 1,498,728</b>
<b>Forecasted Rate Increase</b>	0.0%	0.0%	0.0%	0.0%	
<b>Return on Assets</b>	3.69%	-0.01%	1.80%	0.67%	2.66%
<b>Target Return on Assets</b>	4.14%	4.14%	4.14%	4.14%	4.14%



- Operating Budget and Forecast
  - FY 2021 Income Statement
  - **FY 2021 Operating Expenses by Category**
  - 6-Year Income Statement
  - 6-Year Return on Assets
  - 6-Year Cash Flow

**FY 2021 Operating Expense by Category**

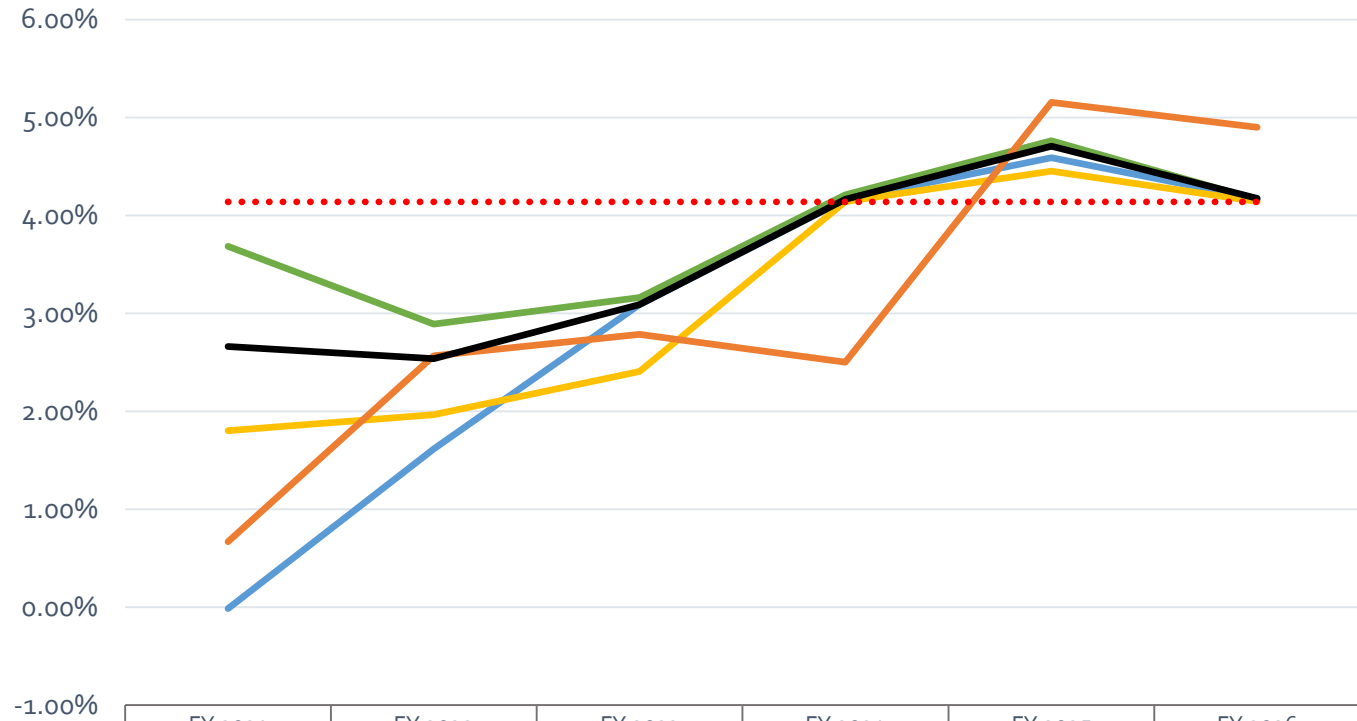


- Operating Budget and Forecast
  - FY 2021 Income Statement
  - FY 2021 Operating Expenses by Category
  - 6-Year Income Statement
  - 6-Year Return on Assets
  - 6-Year Cash Flow

6-Year Income Statement	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Operating Revenue</b>						
Electric	\$ 315,849,222	\$ 335,721,361	\$ 344,218,644	\$ 340,249,455	\$ 340,095,414	\$ 340,825,583
Water	\$ 47,465,832	\$ 49,777,751	\$ 53,468,690	\$ 57,421,482	\$ 59,140,309	\$ 59,611,655
Steam	\$ 12,740,332	\$ 13,488,415	\$ 14,008,693	\$ 14,832,259	\$ 15,134,783	\$ 15,460,492
Chilled Water	\$ 6,286,925	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657	\$ 6,326,657
<b>Total Operating Revenue</b>	\$ 382,342,311	\$ 405,314,183	\$ 418,022,683	\$ 418,829,853	\$ 420,697,162	\$ 422,224,387
<b>Operating Expenses</b>						
Fuel and Purchased Power	\$ (113,316,552)	\$ (130,331,798)	\$ (136,729,649)	\$ (128,709,052)	\$ (126,990,858)	\$ (127,407,968)
Depreciation	\$ (59,427,516)	\$ (68,865,269)	\$ (69,460,177)	\$ (64,745,338)	\$ (60,315,356)	\$ (61,148,703)
Other Operating Expenses	\$ (156,673,981)	\$ (154,513,914)	\$ (153,320,749)	\$ (153,407,930)	\$ (156,979,749)	\$ (162,621,062)
<b>Total Operating Expenses</b>	\$ (329,418,049)	\$ (353,710,981)	\$ (359,510,575)	\$ (346,862,321)	\$ (344,285,962)	\$ (351,177,732)
<b>Total Operating Income</b>	\$ 52,924,262	\$ 51,603,202	\$ 58,512,108	\$ 71,967,532	\$ 76,411,200	\$ 71,046,655
<b>Non Operating Income/(Expenses)</b>						
Return on Equity to City	\$ (25,000,000)	\$ (25,000,000)	\$ (26,374,962)	\$ (26,384,118)	\$ (26,567,477)	\$ (26,694,764)
Interest Expense	\$ (27,286,716)	\$ (27,340,058)	\$ (26,865,336)	\$ (26,369,131)	\$ (25,864,703)	\$ (25,165,288)
Other Non Operating Income/(Expenses)	\$ 861,181	\$ 1,358,160	\$ 1,416,585	\$ (274,260)	\$ 1,521,797	\$ 1,600,398
<b>Total Non Operating Income/(Expenses)</b>	\$ (51,425,535)	\$ (50,981,898)	\$ (51,823,714)	\$ (53,027,510)	\$ (50,910,383)	\$ (50,259,654)
<b>Total Net Income</b>	\$ 1,498,728	\$ 621,304	\$ 6,688,394	\$ 18,940,022	\$ 25,500,817	\$ 20,787,001
	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Return on Assets</b>	2.66%	2.54%	3.09%	4.16%	4.71%	4.17%
<b>Target Return on Assets</b>	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%
<b>Debt Service Coverage Ratio</b>	3.78	2.28	2.43	2.59	2.63	2.52
<b>Days Cash on Hand</b>	189	177	178	178	185	186
<b>Minimum Cash Reserve Requirement</b>	169	165	173	178	179	180
<b>Full Time Employees</b>	727	720	714	699	674	638
<b>Rate Increases</b>	Forecast					
Electric	0.00%	2.05%	2.05%	2.05%	1.00%	1.00%
Water	0.00%	7.25%	7.25%	7.25%	0.35%	0.35%
Steam	0.00%	7.35%	7.35%	7.35%	1.55%	1.55%
Chilled Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Operating Budget and Forecast
  - FY 2021 Income Statement
  - FY 2021 Operating Expenses by Category
  - 6-Year Income Statement
  - **6-Year Return on Assets**
  - 6-Year Cash Flow

6-Year Return on Assets (%)



	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Electric	3.69%	2.89%	3.16%	4.21%	4.76%	4.16%
Water	-0.01%	1.62%	3.09%	4.16%	4.59%	4.17%
Steam	1.80%	1.97%	2.41%	4.14%	4.45%	4.14%
Chilled Water	0.67%	2.57%	2.79%	2.50%	5.16%	4.90%
Total	2.66%	2.54%	3.09%	4.16%	4.71%	4.17%
Target	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%

- Operating Budget and Forecast
  - FY 2021 Income Statement
  - FY 2021 Operating Expenses by Category
  - 6-Year Income Statement
  - 6-Year Return on Assets
  - 6-Year Cash Flow

6-Year Cash Flow	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Beginning Cash (O&amp;M &amp; Receiving Fund)</b>	\$ 85,366,328	\$ 80,090,233	\$ 80,160,946	\$ 80,125,118	\$ 80,144,512	\$ 80,085,000
Net Income	\$ 1,498,728	\$ 621,304	\$ 6,688,394	\$ 18,940,022	\$ 25,500,817	\$ 20,787,001
Depreciation and Loss on Disposal of Assets	\$ 60,797,751	\$ 70,249,207	\$ 70,857,954	\$ 67,882,954	\$ 61,741,229	\$ 62,588,834
DB and VEBA	\$ (4,385,191)	\$ (3,691,565)	\$ (5,640,677)	\$ (6,165,648)	\$ (7,183,726)	\$ (5,667,230)
Borrowing	\$ 121,685,000	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawal from / (Deposit to) Reserve for Future Construction	\$ (2,300,000)	\$ 2,800,000	\$ (4,700,000)	\$ 3,900,000	\$ (6,500,000)	\$ (4,200,000)
Commodity Cost Adjustment	\$ (5,057,779)	\$ 2,802,379	\$ 996,843	\$ 579,615	\$ 151,406	\$ -
Withdrawal from Bond Construction	\$ 60,392,666	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -
Environmental	\$ 321,495	\$ (503,787)	\$ (442,426)	\$ (540,000)	\$ (515,000)	\$ (537,000)
Gas Pipeline Payments (Refundable) / Refunded	\$ -	\$ -	\$ 8,187,369	\$ 8,187,369	\$ 8,187,369	\$ 8,187,369
<b>Total Sources of Cash</b>	\$ 232,952,670	\$ 101,800,801	\$ 75,947,457	\$ 92,784,313	\$ 81,382,095	\$ 81,158,974
Principal Payments on Bonds	\$ (7,440,000)	\$ (12,950,000)	\$ (13,410,000)	\$ (13,900,000)	\$ (14,395,000)	\$ (14,930,000)
Principal Payments on Other Debt (CSO)	\$ (644,825)	\$ (676,276)	\$ (689,620)	\$ (699,256)	\$ (702,612)	\$ (658,825)
Capital Expenditures (Excluding Delta Energy Park)	\$ (71,299,118)	\$ (59,062,237)	\$ (61,494,797)	\$ (77,649,932)	\$ (65,609,456)	\$ (64,656,853)
Capital Expenditures for Delta Energy Park (Excluding Gas Pipeline)	\$ (121,834,403)	\$ (29,523,263)	\$ -	\$ -	\$ -	\$ -
Gas Pipeline Payments (Non-Refundable)	\$ (5,720,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REP/EWR	\$ 882,373	\$ 473,469	\$ (274,122)	\$ (274,720)	\$ (275,983)	\$ (297,259)
Bond Construction & Designated Fund Income & Deposit	\$ (32,172,792)	\$ 8,219	\$ (114,746)	\$ (241,011)	\$ (458,556)	\$ (698,106)
<b>Total Uses of Cash</b>	\$ (238,228,765)	\$ (101,730,088)	\$ (75,983,285)	\$ (92,764,919)	\$ (81,441,607)	\$ (81,241,043)
<b>Net Cash Increase (Decrease)</b>	\$ (5,276,095)	\$ 70,713	\$ (35,828)	\$ 19,394	\$ (59,512)	\$ (82,068)
<b>Ending Cash (O&amp;M &amp; Receiving Fund)</b>	\$ <b>80,090,233</b>	\$ <b>80,160,946</b>	\$ <b>80,125,118</b>	\$ <b>80,144,512</b>	\$ <b>80,085,000</b>	\$ <b>80,002,932</b>
<b>Days Cash on Hand</b>	189	177	178	178	185	186
<b>Minimum Cash Reserve Requirement</b>	169	165	173	178	179	180

- Capital Portfolio Budget and Forecast

- Capital Portfolio Spending by Utility and Location

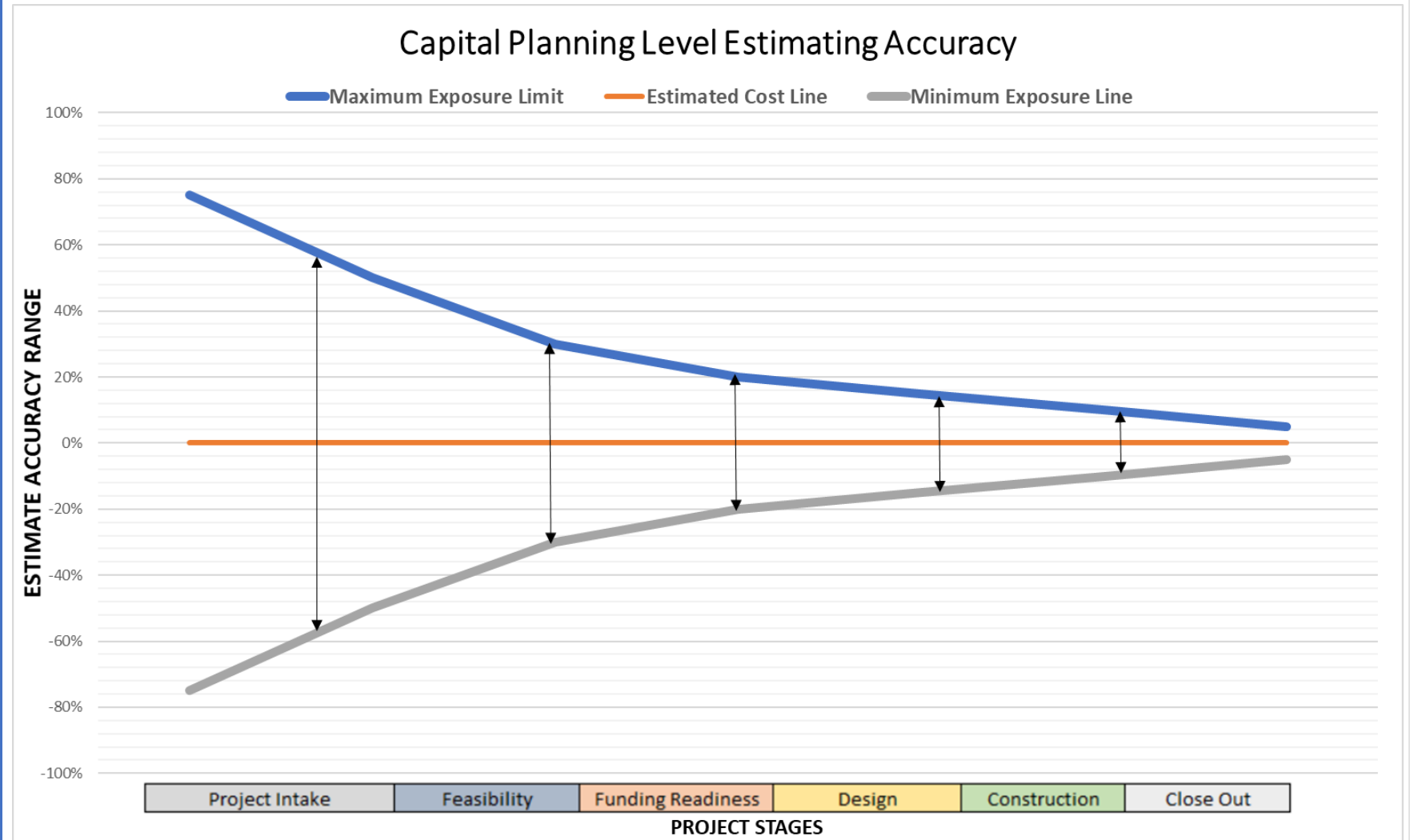
- Capital Portfolio Gates and Phases

- Capital Portfolio Spending by Project's Current Phase

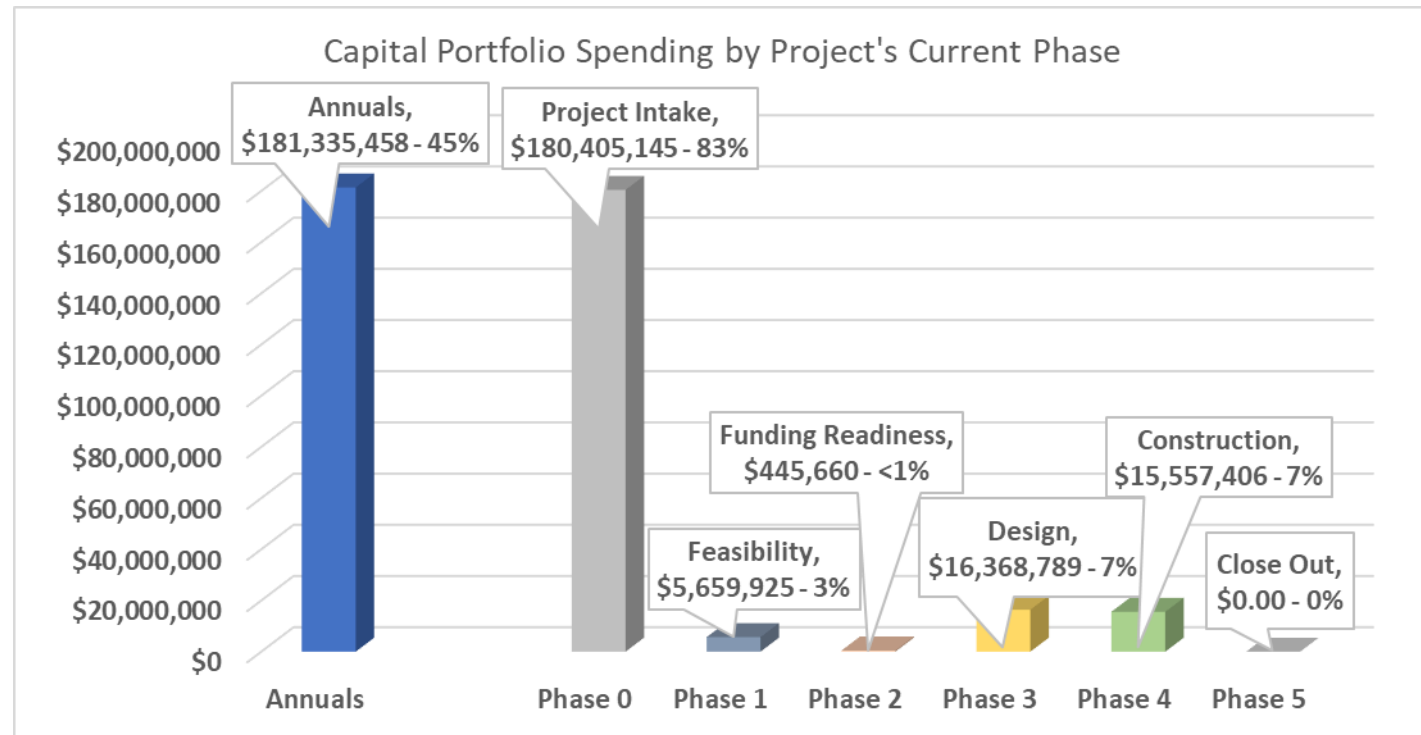
- Capital Portfolio Spending by Phase

6-Year Capital by Utility and Location	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Forecast Total
<b>Utility</b>							
Electric	\$ 34,716,580	\$ 38,135,867	\$ 41,113,392	\$ 58,237,000	\$ 43,782,021	\$ 42,129,000	\$ 258,113,860
Water	\$ 9,453,732	\$ 9,569,599	\$ 10,293,900	\$ 10,991,800	\$ 13,627,998	\$ 13,728,000	\$ 67,665,029
Steam	\$ 7,472,266	\$ 2,941,103	\$ 2,970,861	\$ 3,071,917	\$ 3,451,267	\$ 3,451,267	\$ 23,358,681
Chilled Water	\$ 350,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 410,683
Common	\$ 19,305,611	\$ 8,404,411	\$ 7,105,050	\$ 5,337,273	\$ 4,735,868	\$ 5,335,917	\$ 50,224,130
Capital Portfolio Excluding Delta Energy Par	\$ 71,299,116	\$ 59,062,235	\$ 61,494,796	\$ 77,649,931	\$ 65,609,453	\$ 64,656,852	\$ 399,772,383
Delta Energy Park	\$ 127,554,403	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -	\$ 157,077,666
<b>Total Capital Portfolio</b>	<b>\$ 198,853,519</b>	<b>\$ 88,585,498</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 556,850,049</b>
<b>Location</b>							
Eckert	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Erickson	\$ 4,322,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,322,396
REO Plant	\$ 4,420,500	\$ 2,104,500	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ 18,525,000
Delta Energy Park	\$ 127,554,403	\$ 29,523,263	\$ -	\$ -	\$ -	\$ -	\$ 157,077,666
T&D	\$ 35,466,606	\$ 42,733,457	\$ 44,538,746	\$ 62,840,658	\$ 58,422,185	\$ 56,114,935	\$ 300,116,587
Water Production	\$ 2,920,284	\$ 3,026,000	\$ 3,351,000	\$ 3,472,000	\$ 2,451,400	\$ 3,206,000	\$ 18,426,684
Chiller Plant	\$ 630,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,000
Other	\$ 23,489,330	\$ 11,198,278	\$ 7,605,050	\$ 5,337,273	\$ 4,735,868	\$ 5,335,917	\$ 57,701,716
<b>Total Capital Portfolio</b>	<b>\$ 198,853,519</b>	<b>\$ 88,585,498</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 556,850,049</b>

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  - Capital Portfolio Spending by Project's Current Phase
  - Capital Portfolio Spending by Phase



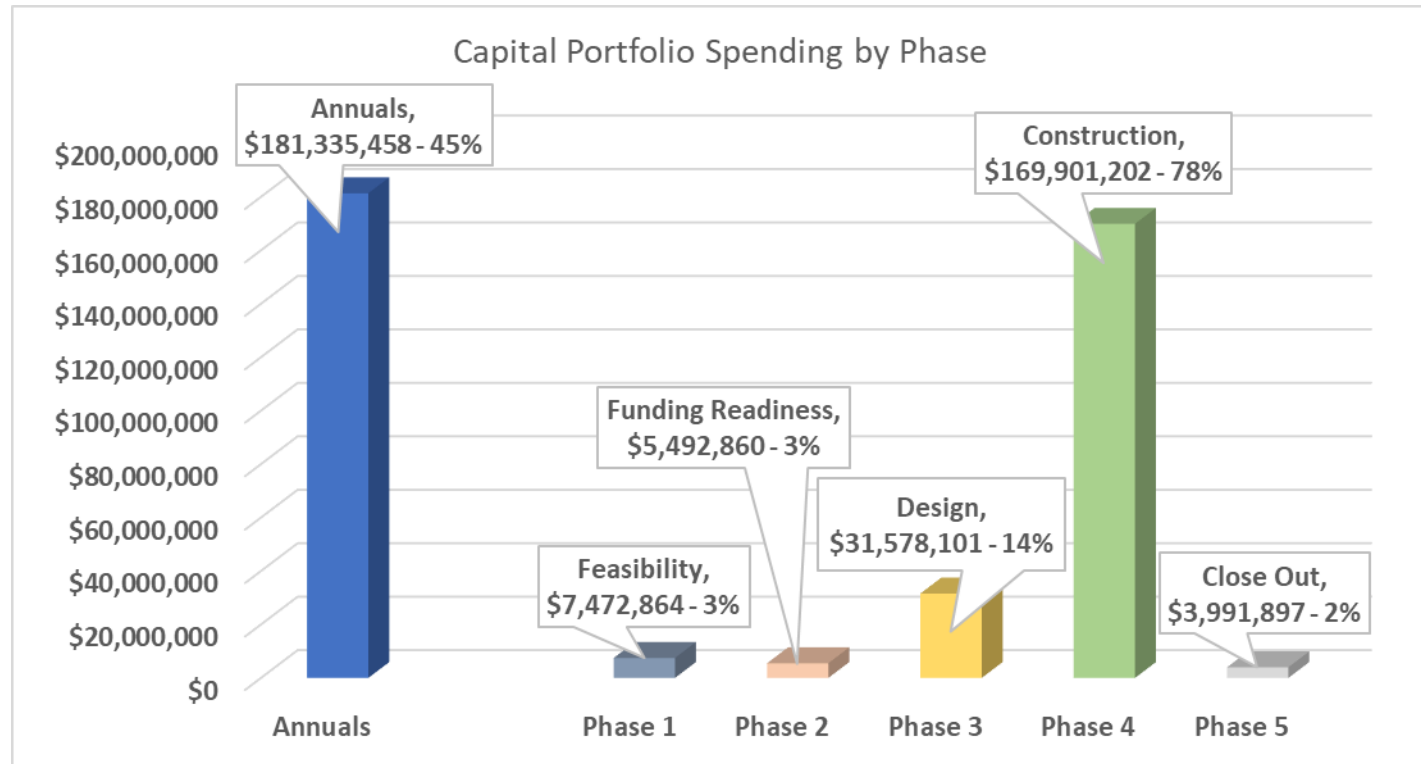
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Capital Portfolio Spending by Project's Current Phase							
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Forecast Total
<b>Annual Projects <sup>1</sup></b>	\$ 29,477,016	\$ 28,246,755	\$ 30,846,823	\$ 30,830,980	\$ 31,041,032	\$ 30,892,852	\$ 181,335,458
Phase 0 - Project Intake	\$ 14,942,224	\$ 23,289,500	\$ 27,586,000	\$ 46,255,000	\$ 34,568,421	\$ 33,764,000	\$ 180,405,145
Phase 1 - Feasibility	\$ 2,659,925	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 5,659,925
Phase 2 - Funding Readiness	\$ 445,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,660
Phase 3 - Design	\$ 14,643,025	\$ 1,725,764	\$ -	\$ -	\$ -	\$ -	\$ 16,368,789
Phase 4 - Construction	\$ 9,131,266	\$ 2,800,216	\$ 3,061,973	\$ 563,951	\$ -	\$ -	\$ 15,557,406
Phase 5 - Close Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Planned Projects</b>	\$ 41,822,100	\$ 30,815,480	\$ 30,647,973	\$ 46,818,951	\$ 34,568,421	\$ 33,764,000	\$ 218,436,925
<b>Total Capital Portfolio</b>	<b>\$ 71,299,116</b>	<b>\$ 59,062,235</b>	<b>\$ 61,494,796</b>	<b>\$ 77,649,931</b>	<b>\$ 65,609,453</b>	<b>\$ 64,656,852</b>	<b>\$ 399,772,383</b>

<sup>1</sup> Annual projects reoccur every year and require a relatively short period of time to complete.

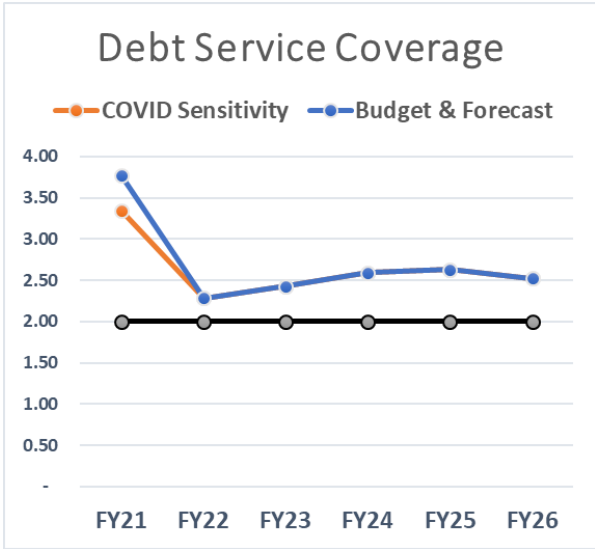
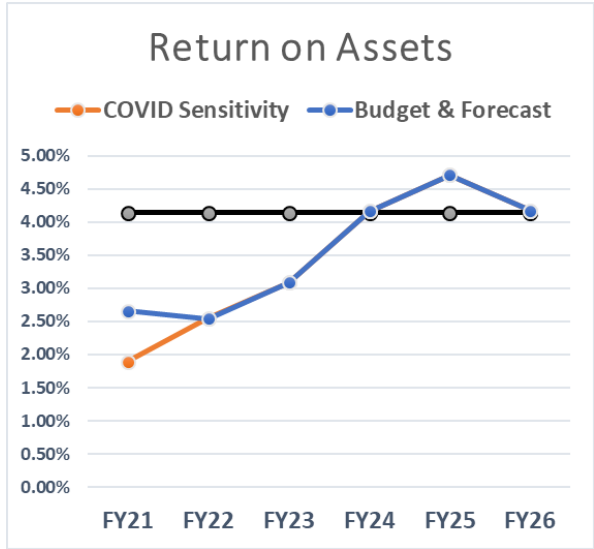
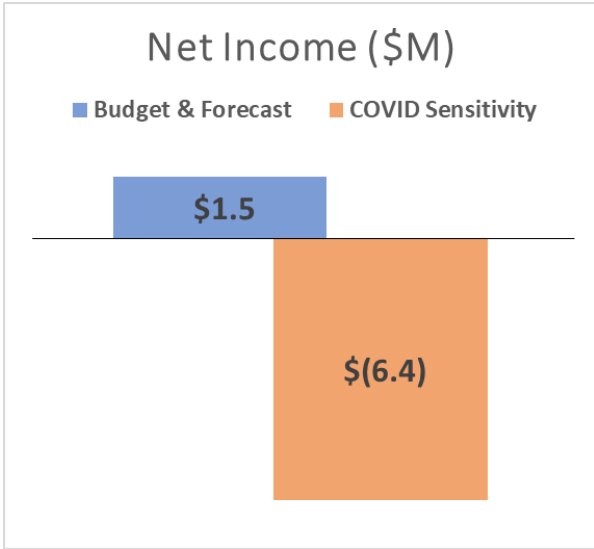
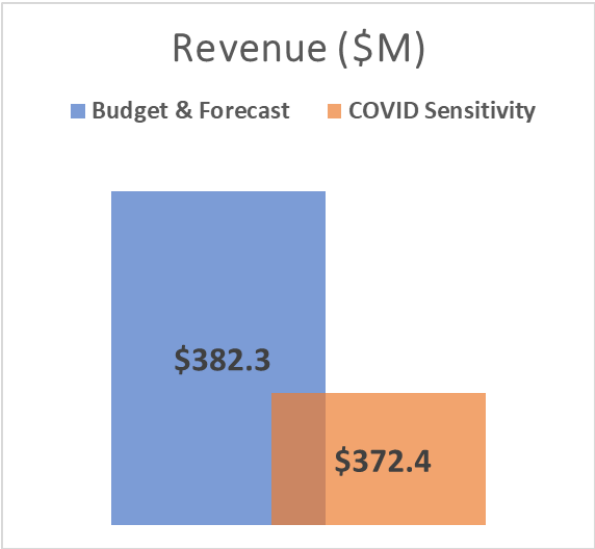
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Capital Portfolio Spending by Phase							
	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Forecast Total
<b>Annual Projects <sup>1</sup></b>	\$ 29,477,016	\$ 28,246,755	\$ 30,846,823	\$ 30,830,980	\$ 31,041,032	\$ 30,892,852	\$ 181,335,458
Phase 1 - Feasibility	\$ 3,709,040	\$ 434,258	\$ 1,562,000	\$ 387,170	\$ 951,000	\$ 65,000	\$ 7,108,468
Phase 2 - Funding Readiness	\$ 2,153,167	\$ 1,865,742	\$ 421,758	\$ 240,780	\$ 627,000	\$ 40,000	\$ 5,348,447
Phase 3 - Design	\$ 8,920,773	\$ 7,205,775	\$ 3,685,500	\$ 5,382,460	\$ 4,518,000	\$ 541,001	\$ 30,253,509
Phase 4 - Construction	\$ 26,804,266	\$ 20,935,705	\$ 24,782,715	\$ 39,959,799	\$ 27,597,430	\$ 31,597,829	\$ 171,677,744
Phase 5 - Close Out	\$ 234,855	\$ 374,000	\$ 196,000	\$ 848,742	\$ 874,991	\$ 1,520,170	\$ 4,048,757
<b>Total Planned Projects</b>	\$ 41,822,100	\$ 30,815,480	\$ 30,647,973	\$ 46,818,951	\$ 34,568,421	\$ 33,764,000	\$ 218,436,925
<b>Total Capital Portfolio</b>	\$ 71,299,116	\$ 59,062,235	\$ 61,494,796	\$ 77,649,931	\$ 65,609,453	\$ 64,656,852	\$ 399,772,383

<sup>1</sup> Annual projects reoccur every year and require a relatively short period of time to complete.





# COVID-19 Scenario

To understand the potential impact of COVID-19, a scenario was developed for the FY21-26 budget & forecast.

**Scenario Includes:**

- Reduced retail electric kWh (16%) and water sales CCF (10%) for commercial & industrial customers.
  - kWh and CCF sales slowly return to pre-COVID, projected levels July 2021.
  - Created revised revenue projection.
- Reduce fuel & purchased power expense for reduced sales to retail customers.
- Increase bad debt expense.
- Reduce delayed payment charge revenue from waived DPCs.

## Actions Underway

Temporarily shut down Erickson

Suspend non-essential travel and training

Adjust fleet/vehicle practices

Detailed cost tracking for future reimbursement

## Options Available

Adjust capital budget by project

Negotiate payment terms with vendors

Evaluate VEBA funding policy

Mandatory O&M reductions by departments

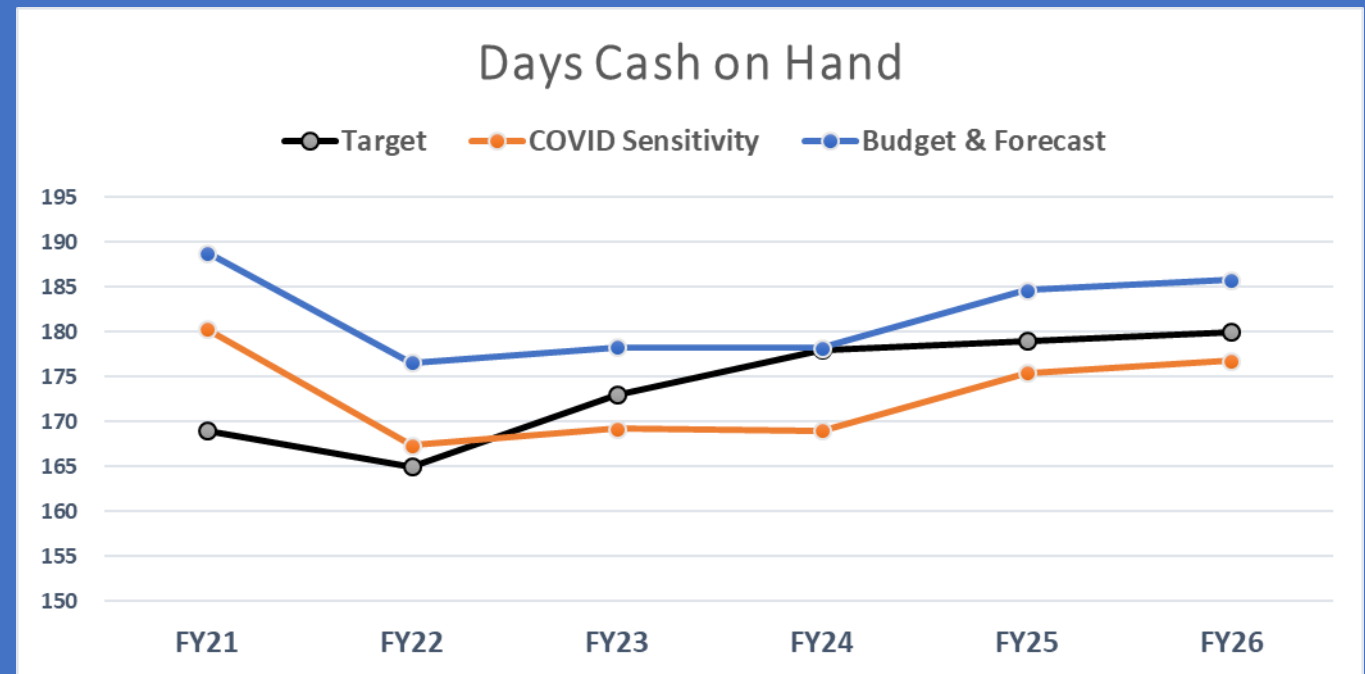
## Upside Potential

Industrial customers return sooner than planned & residential increases due to work from home

Conservative DB/VEBA market forecast

# COVID-19 Sensitivity

Financial & Operational Levers & Upside to Support Days Cash on Hand



# COVID-19 Impact & Response

## Economic Impact

- Auto industry production stoppage from March through May
- Reduced revenue as many businesses close – some may never come back
- Increased bad debt and waiving delayed payment charges

## Employee Protection

- No BWL employee has tested positive for COVID-19
- No layoffs, furloughs or pay cuts
- Continued employee benefits and retirement contributions
- Accommodating remote work and flexible schedules for employees to care for family

## Customer Protection

- Suspended water and electric shut-offs
- Suspended charging delayed payment charges (late fees)
- Extended payment plans
- Pennies for Power – Employee Campaign

## Employee Contribution

- Suspension of all out of state travel, conference and training
- All non-bargaining salary increases frozen for FY21

## • Next Steps

- Finance Committee to accept, as presented, the Operating and Capital Forecast for FY 2021 – 2026 and recommend for Board of Commissioners' approval on May 26, 2020.
- Board of Commissioners to approve, as presented, the FY 2021 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 10 days of adoption.
- Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2021 – 2026 and submit the Capital Forecast to the Mayor prior to October 1, 2020.
  - City Charter calls for submission of the six-year capital improvements plan to the Mayor prior to October 1.

PROPOSED RESOLUTION  
Fiscal Year 2021-2026 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2021 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2022-2026 is hereby accepted as presented; and

FURTHER RESOLVED, 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.

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Staff Comments:

Staff recommends an operating and maintenance budget of \$329.4M and a capital budget of \$198.9M for Fiscal Year 2021.

The Operating and Capital Forecast for Fiscal Years 2022-2026 includes potential rate increases in Fiscal Years 2022-2026. The potential rate increases are for forecast purposes only and have not been approved through a public rate hearing process. The forecast rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 26, 2020 board meeting.