



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

May 22, 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 May 22, 2018.

Vice Chairperson Anthony Mullen called the meeting to order at 5:30 p.m.

Present: Commissioners Beth Graham, Dennis Louney, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), William Long (Delta Township) and Brian Ross (DeWitt Township).

Absent: Commissioner David Price, Commissioner Anthony McCloud

The Corporate Secretary declared a quorum.

Commissioner Tracy Thomas led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Graham, Seconded by Commissioner Thomas, to approve the Regular Board Meeting minutes of March 27, 2018.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Electronic mail from Evelyn Fratzke re an increase in BWL service charge - *Referred to Management. Received and Placed on File*
- b. Electronic mail re power outages at Court One Medical Professional Building - *Referred to Management. Received and Placed on File*

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE

Meeting Minutes

May 15, 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, May 15, 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, Dennis M. Louney, Anthony McCloud, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Member: Doug Jester (East Lansing).

Absent: Commissioners Beth Graham, William Long (Delta Township) and Brian Ross (DeWitt Township).

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 January 9, 2018.

Action: Motion Carried.

FOIA Policy & Procedures & Resolution

General Counsel Brandie Ekren introduced Paralegal Elissa McDaniels who summarized proposed revisions to the BWL Freedom of Information Act (FOIA) Policy & Procedures. Ms. McDaniels stated that the BWL, as a board, generally address FOIA compliance in its Rules of Administrative Procedure Section 19.4, which is in alignment with City of Lansing, and in accordance with PA 442 of 1976.

After reviewing the current policy and consulting with the Lansing City Attorney and Lansing City Clerk, staff proposed a revised FOIA Policy. This Policy would remain in alignment with the City of Lansing but there would be some operational changes. A summary of changes is outlined below as well as some benefits to the BWL and its Customers.

City of Lansing Policy	BWL Policy
Section 1. FOIA Coordinator = Lansing City Attorney	Updated to reflect BWL General Counsel as FOIA Coordinator
Section 2. How to submit request	Modified to BWL contact information
Section 9. Appeal goes to the President of City Council	Appeal goes to Chair of the Board of Commissioners

I.FOIA Training	Updated to align with BWL training practices
II. Receipt/Intake of FOIA Request	Updated to align with current practice of Legal Analyst intake, logging into BWL electronic filing log system
III. Requesting record from applicable departments	Updated to align with actual BWL electronic filing system and provide notice to COL City Attorney in alignment with collaborative efforts with City
VI. Law Enforcement references (p. 15)	Struck law enforcement references as inapplicable to BWL (p. 15)
VIII. FOIA Payment Intake (p. 15-17) Follows COL's internal deposit slip procedure	Process to BWL Accounting and file copy in BWL electronic filing system under the FOIA log (p. 17)

Benefits to the BWL and Customers

- Increased clarity for requestors
- Streamlined process for FOIA processing
- Increased efficiency for Appeals process
- Compliance with FOIA timelines & other requirements

Commissioner Mullen and Zerke presented questions regarding the appeal process and the role of the FOIA Coordinator.

General Counsel Ekren clarified the intent was to follow the statute which denotes that FOIA appeals are directed to the head of the public body, which is the Chair of the Board. General Counsel Ekren further explained that the revised FOIA Policy clarifies that the FOIA Coordinator is the BWL General Counsel as opposed to the "BWL Attorney" as the BWL has several attorneys performing work for the BWL both internally and externally.

Commissioner Ross presented questions and requested clarification about the appeal rights when a fee waiver request was denied, and why we had non-profit discount fee language for one type of non-profit but not all non-profits. After some dialogue it was determined that, in both cases, it was due to the fact that the BWL has not had much experience with waving fees/consideration, staff would obtain background information from the City of Lansing, because the proposed language was taken from the City's template.

General Counsel Ekren concurred with Commissioner Ross' recommendation to modify Section 9 of the policy and procedure document entitled Appeal of an Excessive FOIA Processing Fee to include language that would allow a requestor to appeal the FOIA Coordinator's denial of a fee waiver, or discount request in the same manner they appeal the amount of a fee. The Board directed Legal Counsel to solicit input from the Lansing

City Attorney on this requested modification and proposed a subsequent adjustment to the policy and procedures after receipt of the City's data. General Counsel Ekren will also solicit background information from the City on how they consider fee waiver requests and the non-profit discount fee language. In conclusion, although the policy and procedures would be approved at May 22, 2018 Board meeting as presented, it could be amended later to incorporate the proposed modifications to Section 9.

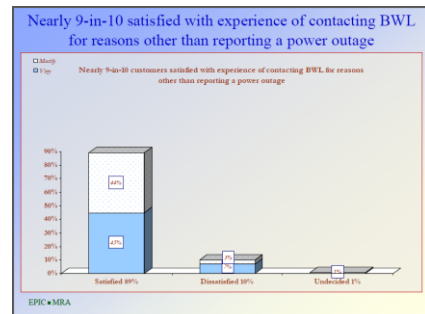
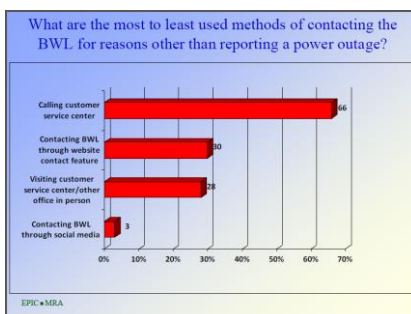
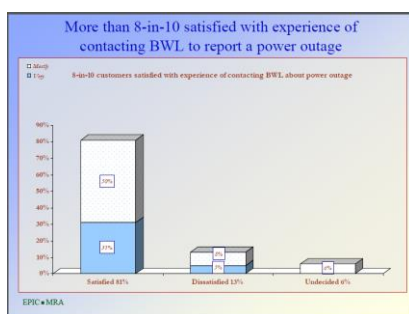
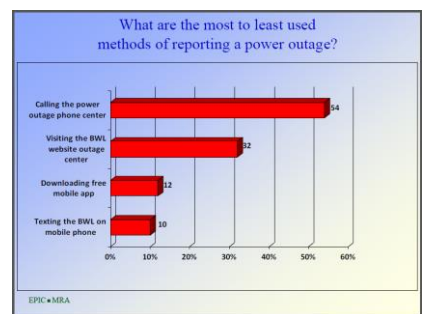
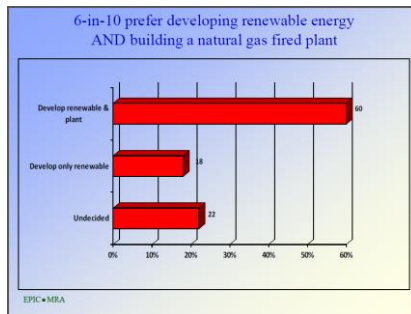
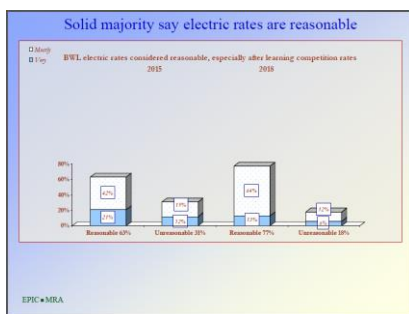
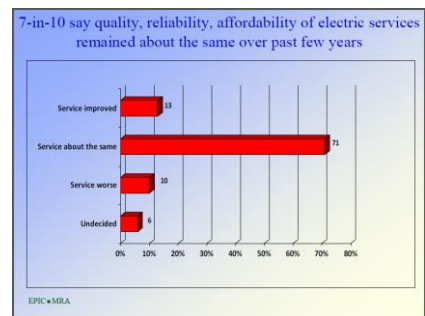
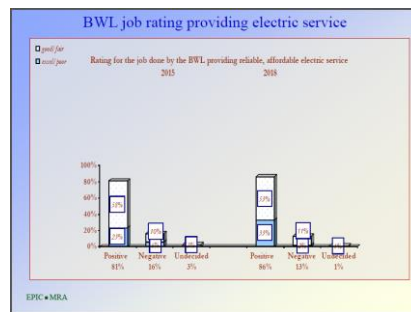
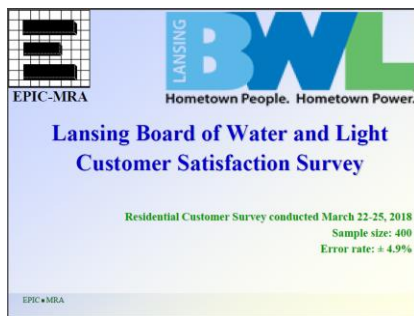
Motion by Commissioner Price, **Seconded** by Commissioner McCloud to forward the FOIA Policy Resolution to the Board for consideration.

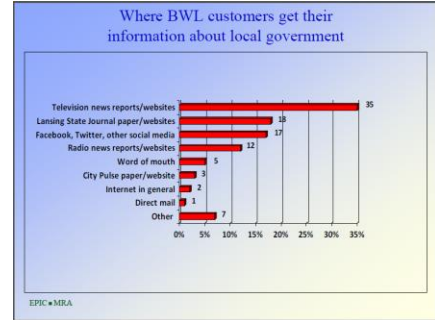
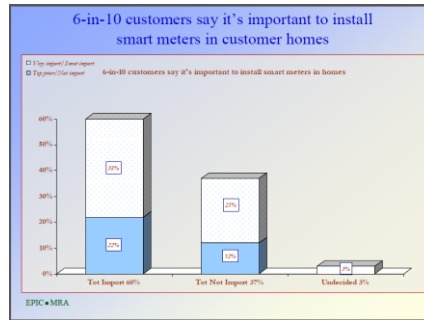
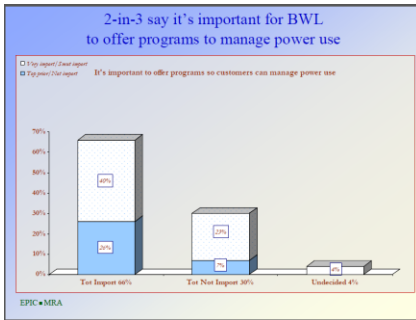
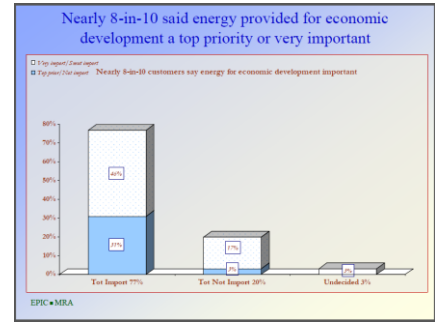
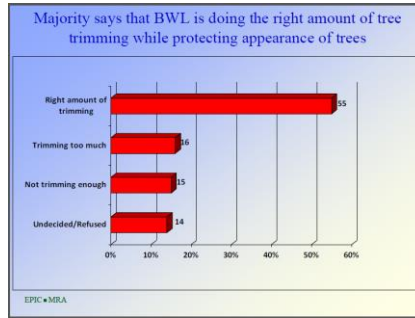
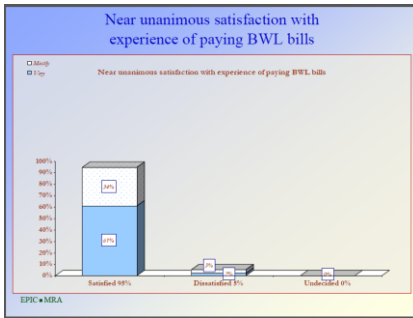
Commissioner Ross requested the right to reserve for amendment pending the outcome of General Counsel Ekren's findings to his questions.

Action: Motion Carried.

Customer Satisfaction Survey

General Manager Peffley introduced Bernie Porn, President of EPIC-MRA, who reviewed the results of the Customer Satisfaction Survey that was conducted in March 2018 and the comparisons to the some of the survey results from 2015.





Commissioner Zerkle asked if there was a method for reaching and informing customers of the benefits of smart meters. General Manager Peffley responded that since almost half of the housing in Lansing are rental properties and landlords aren't concerned with utility services, as they are not responsible for paying them, the BWL is working on initiatives to inform landlords of the benefits of new heating systems as it relates to tenants. Mr. Porn responded that energy use management programs will be helpful for customers also.

Commissioner Jester asked whether there were any other items that caused fluctuations besides geographic and demographic variations. Mr. Porn responded that family size and income were additional factors.

Commissioner Price inquired about the capital income differential between Delta Township, City of Lansing, and City of East Lansing. Mr. Porn responded that he believes there are significant differences in household income between those areas. General Manager Peffley stated that the survey includes this information.

Commissioner Ross asked if the Board conducts any type of internal customer surveys and if so, whether the numbers align with the results of the presented survey. General Manager Peffley responded that the BWL does not.

Commissioner Zerkle commented that adding a caveat to any published material regarding the survey stating that the BWL will reach out to its customers and provide information on assistance that may be of help to them. General Manager Peffley responded that even though customer approval rating is high, extra steps will be made to acquire higher approval of all customers.

Commissioner Jester congratulated the staff for earning the high customer rating. He commented on the costs for low income customers and requested a change to the way their rates are calculated.

Commissioner Ross asked if smart meters are the way to better ratings and to give the customer control. He also commented that the energy efficiency programs are mostly helpful to larger customers.

Commissioner Mullen asked that the discussion be tabled and held during a Finance Committee meeting. He also suggested that future rate strategies reflect smaller increases made every year according to inflation.

Tree Trimming Presentation

General Manager Peffley highlighted the benefits of the Vegetation Management trimming cycle. He noted that the entire service territory in East Lansing is trimmed according to BWL standards.

Vegetation Management

4th Year of 5 Year Trimming Cycle

Planning

- ▶ Mock planned blocks in quarter sections trimmed in FY14
- ▶ 4-5 blocks per quarter section
- ▶ Compared old planned work to create new work plan if this area were going to be trimmed FY18
- ▶ Currently in the 4th year of our cycle; there will be another year of growth.

NELG18

2014-2018
GENESEE AND GRACE AREA

NELG18 Work Sample

Number of Trees

Category	Number of Trees
2014 Work	162
2018 Inspection	75
Re-Trims 2018	49
New Add Trims 2018	26

Plans on NELG18

2014 Plans

- ▶ 44 addresses
- ▶ A few addresses refused removals

2018 Plans

- ▶ 26 addresses need trimming
- ▶ 6 addresses were added
- ▶ Cutting to larger branches would aid in slowing next cycles growth

Pictures of Re-Growth

Pictures of Re-Growth

Comparison

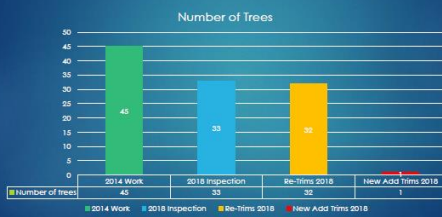
Conclusion of NELG18

- ▶ Of all the yards walked out, roughly 60% needed trimming on next cycle
- ▶ Of that 60%, most trees seemed to be Maple trees suckering back
- ▶ A few refusals could be removals next cycle
- ▶ Small amount were trimmed before the no-overhang policy
- ▶ Considerable grow back in the 4 years: will still require a fair amount of trimming next cycle.

SWLG21

2014-2018
MOORES RIVER PARK AREA

SWLG21 Work Sample



SWLG21

- ▶ Area along the Grand River near Moores River Park
- ▶ Area consists of many mature City trees
- ▶ City doesn't want removals so higher amount of sucker growth
 - ▶ May see increase in removals in rear lines due to re-trimming hard trimmed trees from last cycle
- ▶ Most common trees grown back are Maple or Zelkova that grow like weeds
 - ▶ These are the fastest growing species
- ▶ Most of trees needing trimming are bucket trees
- ▶ Some trees were recommend for removal, however, homeowners opted to keep the trees resulting in many topped trees that are now dead or sending new shoots towards the lines

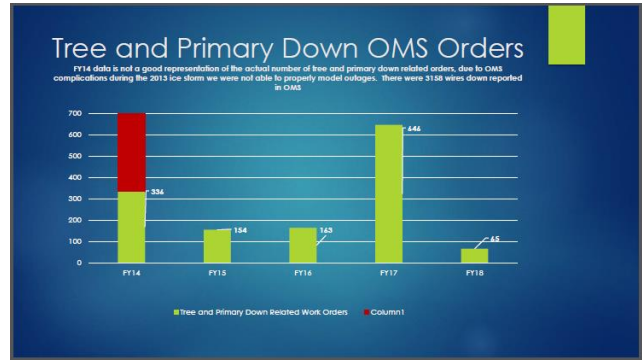
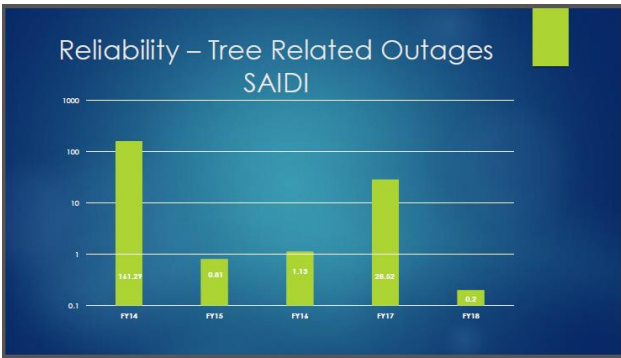


Before Trimming and Mowing



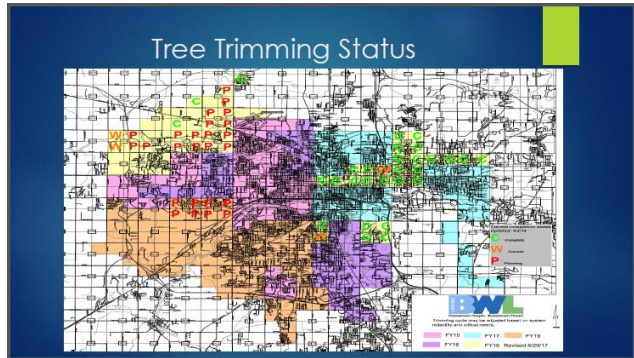
After Trimming and Mowing





Conclusion

- ▶ At least 40-50% of trees trimmed 5 years ago require trimming
- ▶ Mostly Maple trees are sprouting back
- ▶ Amount of trees is far less
- ▶ Workload will decrease after the first cycle is completed
- ▶ Sucker growth will compose the majority of tree trimming in the future cycles, however, some areas will still require extensive trimming.



John Rademacher, BWL Utility Forestry Supervisor assisted General Manager Peffley with providing information on the Tree Trimming agenda item. General Manager Peffley stated that new height appropriate trees are provided to customers as replacement for trees that are cut down. The “Right Tree in the Right Place” program currently in place was paused during budget constraints, resulting in large number of trees needing trimmed.

Commissioner Zerkle commented that customers have the liberty to have arborists complete tree trimming to their specifications, therefore, the BWL would essentially not have significant trimming to perform. She proposed a consideration that the presentation and information at hand be provided to City Council. General Manager Peffley responded that the information is available for them and has offered to make the presentation at the next BWL and City Council joint meeting. Commissioner Zerkle also asked if additional BWL tree trimming teams will be instated, opposed to keeping tree trimming contractors after the current tree trimming program is completed. General Manager Peffley responded that opportunities are being explored.

Commissioner Price asked whether tree trimming practice is done on the drop from the pole to the house and Mr. Rademacher responded that one to two feet are trimmed so that there is a minimal and adequate opening for the power lines.

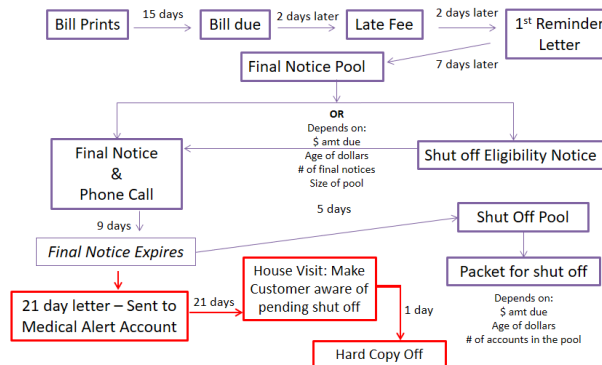
Commissioner Jester inquired about System Average Interruptible Duration Index (SAIDI) and restoration time. General Manager Peffley responded that SAIDI indicates the total customer outage minutes and the advantages of tree trimming. He also stated that the restoration time is a lot quicker when there is only a recently fallen branch or tree to remove.

Collection Practices & Procedures

Commissioner Mullen stated that this item was placed on the agenda to answer some questions that the Mayor's office is receiving regarding the BWL's policies and procedures regarding bills and shutoffs when customers get behind on their bills.

Bob Perialas, Customer Service Manager, reviewed the collection cycle as well as the BWL's practices and procedures. Additionally, Mr. Perialas reviewed items that are done proactively to help customers, such as payment arrangements and energy efficiency recommendations. Mr. Perialas stated that helpful pamphlet, brochures and kits are available for the public.

Collection Cycle



General Manager's Update

General Manager Peffley spoke about the following items:

1. Sex Trafficking Awareness: news story done by Channel 6
2. Adopt-a-River: 25th year anniversary
3. Building Trades Article
4. WJR Radio Interview on May 17, 2018: How Lansing is innovative on solving the infrastructure problem in Michigan
5. BWL Employee Scott Hamelink spoke on lead service replacement at the Creating Healthy Communities: Get the Lead Out Conference
6. BWL employee Randy Roost will be speaking on lead service line replacement at the Engaging Local Government Leaders Conference in Denver.
7. The 1st S.T.E.P. Graduation is Wednesday, May 16th at 4 pm at the Depot

Other

Commissioner Price commented on the placard that is being provided to Commissioners to place in their vehicles during meetings held at the BWL. He also spoke about the follow-up email that was sent to the Commissioners from the Community Service Commission that oversees the AmeriCorp program in Michigan.

The BWL was selected for a Governor's Service Award for corporate community leadership. The event will be held at the Wharton Center on June 5th and Commissioner Price encouraged attendance. Commissioner Price also said he participated in the Adopt a River event on May 12th and helped with the hand out of trees.

An email was sent to all Commissioners from Internal Auditor Phil Perkins regarding a meeting he had with Commissioner Louney who provided suggestions for potential candidates for apprenticeships and other

bargaining positions. Commissioner Price requested that this topic be presented for discussion. Commissioner Mullen responded that the General Manager and his staff are working on filling these positions. Commissioner Louney provided some background on the process and suggested that regular reviews be put in place. Commissioner Zerkle concurred that follow-through is necessary and succession planning needs to be further designed. General Manager Peffley responded to Commissioner Price's comment that part of the BWL's strategic plan is to ensure that the employees currently at the Eckert station have positions at the BWL once Eckert closes, as such, some positions have been held open for that reason.

Adjourn

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

Meeting adjourned at 7:27 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

Commissioner Ken Ross presented the Finance Committee Report:

FINANCE COMMITTEE Meeting Minutes May 15, 2018

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

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

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

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

The Corporate Secretary declared a quorum.

Public Comments

None

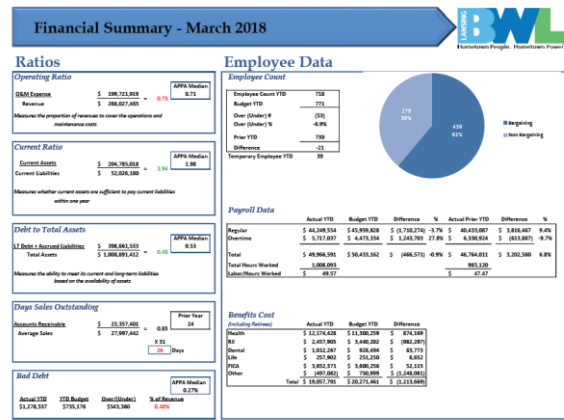
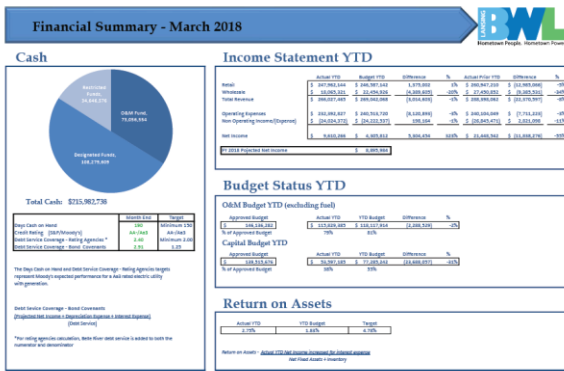
Approval of Minutes

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

Action: Motion Carried.

March YTD Financial Summary

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



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

Cash Reserve Policy & Resolution

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

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

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

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

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

Action: Motion Carried

FY 2019-2024 Budget & Forecast Presentation & Resolution

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

Budget and Forecast

FY 2019 – 2024

Finance Committee Meeting
May 15, 2018

Board Meeting
May 21, 2018

Overview

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

BWL Strategic Objectives

- Strategy 6: Financial Stability
- Target Metrics

- Strategy 6 Goal: Maintain the financial stability of the BWL.
 - All of the BWL's ongoing efforts and strategic initiatives require funding. The balance between providing this funding and its impact on rates requires a comprehensive financial plan and rate strategy.
- Strategy 6, Objective 1: Practice good financial stewardship.
 - a) 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.
 - b) Maintain an above average bond rating for municipal utilities.
 - c) Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees.
 - d) 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
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	Electric	Water	Steam	Chilled Water	Total
FY 2019 Income Statement					
Other (2019) of (2018) Inc. (Exp)	2,495,791,023	\$,895,544	705,256	\$,000	\$,000
Operating Revenues					
Residential	\$ 84,945,561	\$ 17,116,286	\$ 75,186	\$ -	\$ 102,207,033
Commercial	\$ 144,344,824	\$ 34,889,528	\$ 7,276,801	\$ 6,008,148	\$ 192,520,304
Municipal	\$ 41,053,485	\$ 2,077,253	\$ 1,773,442	\$ -	\$ 44,904,180
Miscellaneous	\$ 23,249,794	\$ 2,614,854	\$ -	\$ -	\$ 25,864,648
Other	\$ 33,929,023	\$ 3,321,262	\$ 1,775,029	\$ -	\$ 39,025,314
Total Operating Revenues	\$ 308,549,687	\$ 60,021,123	\$ 11,326,369	\$ 6,008,148	\$ 385,913,327
Operating Expenses					
Fuel and Purchased Power	\$ (89,489,478)	\$ (6,817,588)	\$ (8,782,246)	\$ -	\$ (105,089,312)
Depreciation	\$ (88,198,789)	\$ (2,747,380)	\$ (3,946,793)	\$ (1,838,178)	\$ (96,731,040)
Other Operating Expenses	\$ (172,382,252)	\$ (28,240,702)	\$ (1,024,239)	\$ (3,335,252)	\$ (204,782,475)
Total Operating Expenses	\$ (269,870,519)	\$ (47,805,670)	\$ (13,749,278)	\$ (5,173,528)	\$ (336,609,035)
Total Operating Income (Expense)	\$ 38,679,168	\$ 12,215,453	\$ (2,422,909)	\$ 1,834,620	\$ 49,296,332
Non-Operating Income (Expense)					
Return on Equity to City	\$ (18,854,452)	\$ (1,766,156)	\$ (887,888)	\$ (268,480)	\$ (21,776,976)
Interest Expense	\$ (176,322,741)	\$ (2,297,096)	\$ (2,188,275)	\$ (8,142,575)	\$ (181,950,729)
Other Non-Operating Income (Expense)	\$ 274,242,615	\$ (81,242,615)	\$ (277,250)	\$ (20,250)	\$ (187,500,000)
Total Non-Operating Income (Expense)	\$ (66,834,578)	\$ (83,865,867)	\$ (2,465,333)	\$ (28,870,405)	\$ (184,036,183)
Pre-tax Income (Loss)	\$ 28,113,595	\$ 4,143,530	\$ (2,888,242)	\$ (1,438,805)	\$ 28,113,595
Adjusted Rate Income - Effective 05/01/2019	3.0%	2.0%	2.0%	0.0%	0.0%
Return on Assets	4.5%	6.7%	-0.5%	7.0%	3.2%
Debt Service on Bonds	4.7%	4.7%	4.7%	4.7%	4.7%

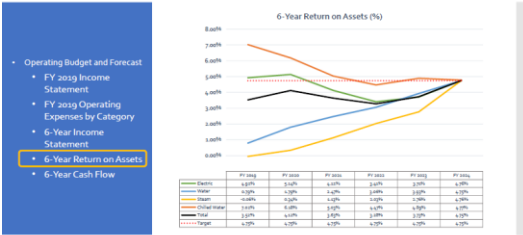
Operating Budget and Forecast

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

Operating Budget and Forecast Statement

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

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue						
Electricity	\$ 24,364,500	\$ 23,246,742	\$ 24,671,902	\$ 26,000,000	\$ 26,222,178	\$ 26,761,748
Water	\$ 1,914,500	\$ 1,914,500	\$ 1,914,500	\$ 1,914,500	\$ 1,914,500	\$ 1,914,500
Gas	\$ 1,121,100	\$ 1,121,100	\$ 1,121,100	\$ 1,121,100	\$ 1,121,100	\$ 1,121,100
Other Revenue	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000	\$ 2,800,000
Total Revenue	\$ 30,200,100	\$ 29,082,342	\$ 30,507,502	\$ 31,836,600	\$ 32,057,778	\$ 32,597,348
Operating Expenses						
Personnel	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000
Materials	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Utilities	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Travel	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Other Operating Expenses	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000
Total Operating Expenses	\$ 19,800,000	\$ 19,800,000	\$ 19,800,000	\$ 19,800,000	\$ 19,800,000	\$ 19,800,000
Operating Income	\$ 10,400,100	\$ 9,282,342	\$ 10,707,502	\$ 12,036,600	\$ 12,257,778	\$ 12,797,348



6-Year Cash Flow

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Cash Flow	\$ 10,400,100	\$ 9,282,342	\$ 10,707,502	\$ 12,036,600	\$ 12,257,778	\$ 12,797,348
Investing Cash Flow	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)
Financing Cash Flow	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ (500,000)
Total Cash Flow	\$ 8,900,100	\$ 7,782,342	\$ 9,207,502	\$ 10,536,600	\$ 10,757,778	\$ 11,297,348

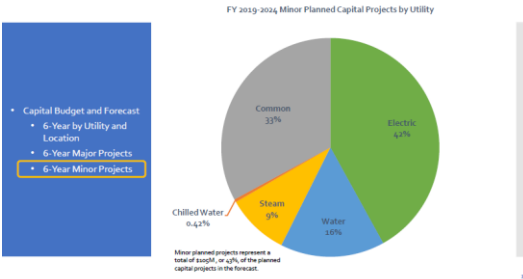
Capital Budget and Forecast

- 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	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Electricity	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Water	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Gas	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Other	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

6-Year Major Projects

Project Name	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Project A	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Project B	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Project C	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Project D	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Project E	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000



- 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 NEW	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	Annual updates to Succession Planning procedures will be drafted and submitted for executive management approval by 6/30/18.
59	Succession Planning NEW	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group is currently piloting a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 12/31/18.
60	Succession Planning NEW	Internal Audit supports training and development of succession candidates.	March 2018	Human Resources	Candidate assessment and development are underway, as part of the BWL Leadership Academy, and will continue through June 2019.

Closed Issues (since March 2018 report):

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

Revised Investment Policy Statements & Resolution

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

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

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

Action: Motion Carried

Other

None.

Excused Absence

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

Action: Motion Carried

Adjourn

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

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

There were no Manager Recommendations.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION #2018-05-01

Board of Water and Light Freedom of Information Act (FOIA) Policy

RESOLVED, pursuant to the authority of MCL 15.240, PA 442 of 1976, and Section 19.4 of the BWL's Administrative Rules of Procedure, the BWL approves the FOIA Policy as recommended.

BE IT RESOLVED, the FOIA Policy is effective upon approval.

Motion by Commissioner Ken Ross, Seconded by Commissioner Beth Graham, to approve the BWL Freedom of Information Act (FOIA) Policy Resolution.

Action: Motion Carried.

RESOLUTION #2018-05-02

Minimum Cash Reserve Requirement Policy

WHEREAS, the Board of Commissioners ("Board") is committed to maintaining a financially stable and resilient utility; and

WHEREAS, the Board recognizes that a key element of preserving financial stability over extended periods of time and through varying economic conditions is maintaining adequate cash reserves.

BE IT RESOLVED, that after its review, and based on the recommendation from management, the Board approves the Minimum Cash Reserve Requirement Policy, which clearly defines a risk based methodology for establishing the Board of Water and Light's minimum cash reserve requirements on an annual basis for each year of the succeeding six-year forecast period.

Motion by Commissioner Sandra Zerkle, Seconded by Commissioner Tracy Thomas, to approve the Minimum Cash Reserve Requirement Policy Resolution.

Action: Motion Carried.

RESOLUTION #2018-05-03
Fiscal Year 2019-2024 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2019 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2020-2024 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.

Staff Comments:

Staff recommends an operating and maintenance budget of \$313.7M and a capital budget of \$189.6M for Fiscal Year 2019.

The Operating and Capital Forecast for Fiscal Years 2020-2024 includes potential rate increases in Fiscal Year's 2021-2024. 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 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 22, 2018 board meeting.

Motion by Commissioner Dennis Louney, Seconded by Commissioner Beth Graham, to approve the FY 2019-2024 Budget and Forecast Resolution.

Action: Motion Carried.

RESOLUTION #2018-05-04
Capital Project Budget Exceedance Approval:
Project PG-40045 Corporate IT-Infrastructure Redesign

WHEREAS, Lansing Board of Water & Light's (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates BWL Board of Commission approval for specific 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 budget for FY 2018 approved by the Commission for Capital Project PG-40045 IT-Infrastructure Redesign was \$1,500,000; and

WHEREAS, upon project review it was determined that the entire project cost of \$3,900,000 should be captured as capital expenditures versus \$2,500,000 of the total budgeted amount was initially accounted for in the FY 2018 operating and maintenance budget; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approved the Capital Project PG-40045 IT-Infrastructure Redesign to be completed as projected.

BE IT RESOLVED, that the BWL Board of Commissioners approve completion of Capital Project PG-40045 IT-Infrastructure Redesign with a projected final total cost of \$3,900,000.

Staff Comments:

BWL staff and management reviewed the project cost and scope in detail, which includes but is not limited to the rationale and circumstances for the increased capital budget projection however the total overall project estimate remains unchanged.

Motion by Commissioner Sandra Zerkle, Seconded by Commissioner Dennis Louney, to approve the Capital Project Budget Exceedance for Project PG-40045 Corporate IT-Infrastructure Redesign Resolution.

Action: Motion Carried.

RESOLUTION #2018-05-05

Revised DB and VEBA Investment Policy Statements

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan") and the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "Retiree Medical Benefit Plan"); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the Defined Benefit Plan be reduced from 7.5% to 7.0%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statements, formally known as the Statements of Investment Policies, Procedures and Objectives, for each plan and, as the result of its most recent review, recommends revising the policy index of each plan to more precisely represent the respective target asset allocations of each plan; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached (i) Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached (i) Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves: (i) the attached Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) the attached Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives.

Motion by Commissioner Beth Graham, Seconded by Commissioner Ken Ross, to approve the Revised DB and VEBA Investment Policy Statements Resolution.

Action: Motion Carried.

Commissioner Sandra Zerkle commented that, although the Resolutions in this meeting were voted on quickly, the Board spent time going over the items in detail in committee meetings.

MANAGER'S REMARKS

General Manager Peffley informed of the following:

1. George Stojic, Executive Director of Planning and Development; Brandie Ekren, General Counsel; Stephen Serkaian, Executive Director of Public Affairs; and General Manager Dick Peffley will be attending the Lansing Reception at the Mackinaw Policy Conference May 29 – June 1, 2018. GM Peffley will speak about how BWL is becoming the utility of the future
2. GroSolar solar array will start generating electricity Friday, June 1, 2018. The plant will come on in 2 MW stages as testing is performed. It will take a month to bring it on to full load which is over 20 MW.

COMMISSIONERS' REMARKS

Commissioner Sandra Zerkle gave congratulations to the 1st S.T.E.P. graduates who each received \$2,000. Commissioner Thomas had 12 students graduate from the program.

MOTION OF EXCUSED ABSENCE

Motion by Commissioner Beth Graham, Seconded by Commissioner Dennis Louney, to excuse Commissioners David Price and Anthony McCloud from this meeting.

PUBLIC COMMENTS

Carol Rall, Lansing, expressed disappointment at the Board's lack of response to citizen input on viable options from several meetings regarding the BWL's decision to build the new plant.

Randy Dykhuis, Lansing, expressed disappointment at the BWL Board's and management's refusal to acknowledge that there are other ways to replace Erickson and Eckert than with a gas fired plant. He stated that other companies are aggressively seeking out other forms of energy. He asked for a definite date for BWL to be fossil free and to generate all electricity from clean energy. He asked that the date be set before 2050.

Jay Samek, Lansing resident and climate change research scientist at MSU, applauded the BWL for closing coal plants and investing in solar arrays but spoke against the building of the natural gas power plant.

Rebecca Payne, Lansing spoke against the building of the natural gas plant as renewable energies are getting cheaper.

Steve Rall, Lansing, spoke about the technologies and price declines in renewable energy that are contributing to coal plant retirements.

Andrew Sarpolis, Sierra Club, spoke about the BWL moving toward renewable energy and efficiency but there was room for growth.

ADJOURNMENT

Vice Chair Mullen adjourned the meeting at 5:58 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: 5-29-18

Official Minutes filed (electronically) with Lansing City Clerk 7-31-18