



**BOARD OF WATER AND LIGHT
REO Town Depot
1201 S. Washington Ave., Lansing, Michigan
July 24, 2018 - 5:30 p.m.
BOARD MEETING AGENDA**

- 1. Roll Call**
- 2. Pledge of Allegiance**
- 3. Election of Officers FY 2018-2019**
- 4. Special Presentation: Michigan Municipal Electric Association (MMEA) Lifetime Member Award**
- 5. Approval of Minutes**
 - a. Regular Board Meeting Minutes of May 22, 2018
- 6. Public Comment**

Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment.
- 7. Communications**
 - a. Electronic mail from Amara Moody re: Utility Financial Assistance
- 8. Committee Reports**
 - a. Human Resources Committee Meeting (June 28, 2018) – Tracy Thomas, Chairperson
 - b. Nominating Committee Meeting (June 28, 2018) – Anthony McCloud, Chairperson
 - c. Committee of the Whole Meeting (July 10, 2018) – Tony Mullen, Chairperson
 - d. Finance Committee Meeting (July 10, 2018) – Ken Ross, Chairperson
- 9. Manager’s Recommendations**
 - a. Return on Equity Agreement-Amendment #4
- 10. Unfinished Business**
- 11. New Business**
- 12. Resolutions/Action Items**
 - a. Corporate Secretary Reappointment Fiscal Year 2019
 - b. Internal Auditor Reappointment Fiscal Year 2019
 - c. General Manager Reappointment Fiscal Year 2019
 - d. Internal Audit Management Response Policy Amendment
 - e. Internal Auditor Fiscal Year 2019 Audit Plan
 - f. Internal Audit Charter Approval

13. Manager's Remarks

14. Commissioners' Remarks

15. Motion of Excused Absence

16. Public Comment

Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment.

17. Adjournment



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 Zerkle 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.

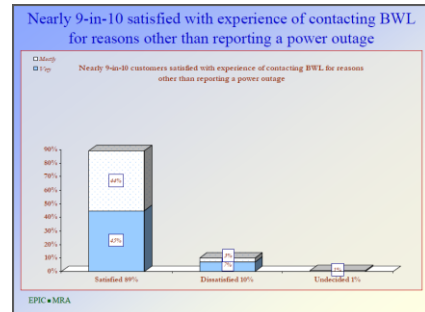
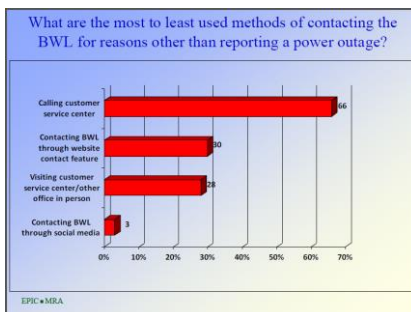
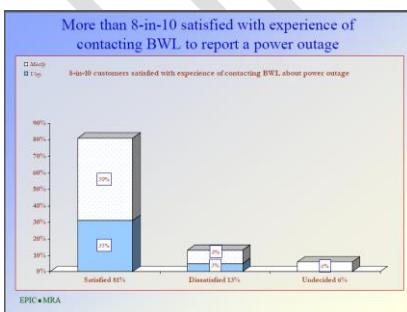
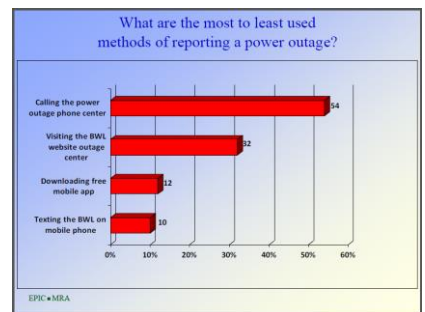
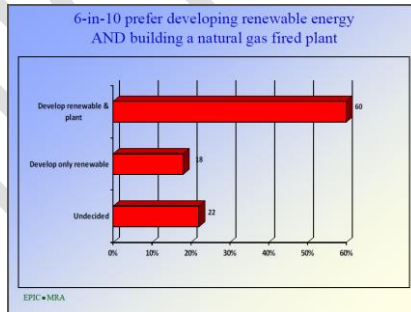
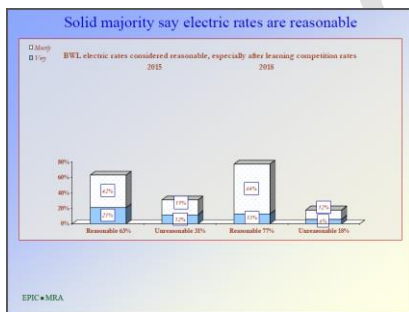
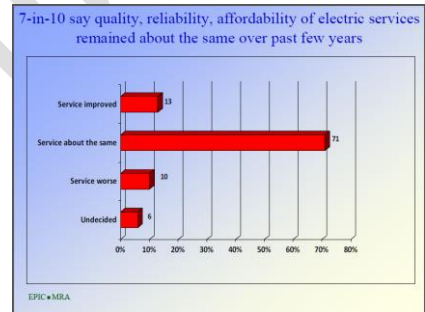
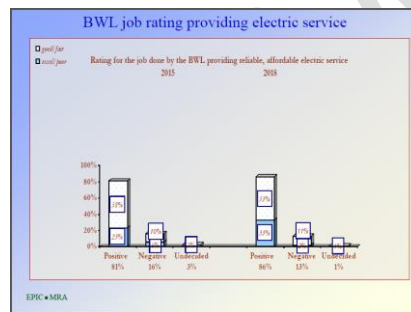
Motion by Commissioner Price, **Seconded** by Commissioner McCloud to forward the FOIA Policy Resolution to the Board for consideration.

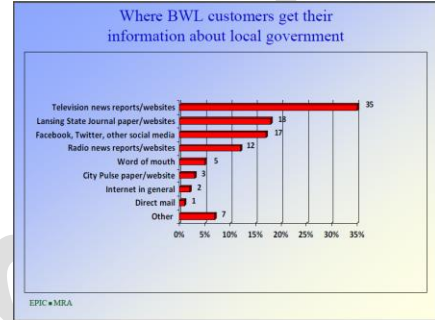
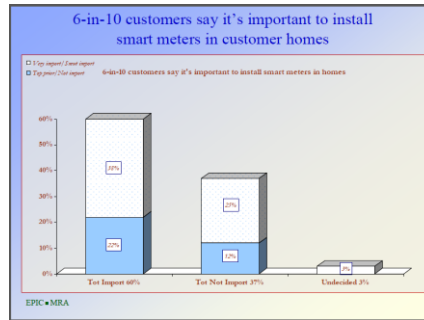
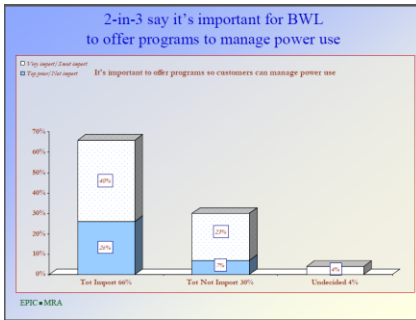
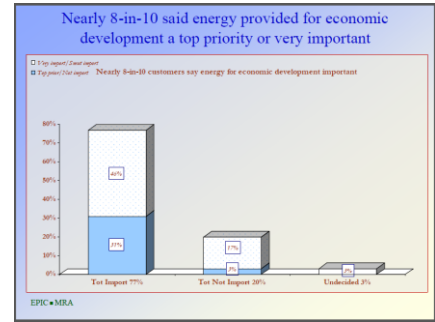
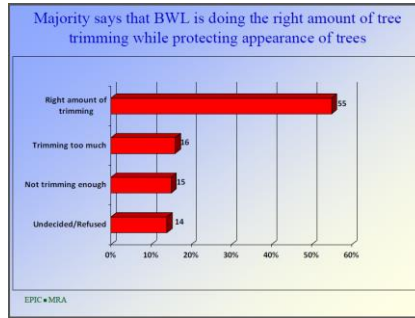
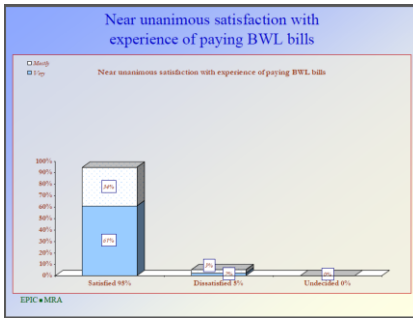
Commissioner Ross requested the right to reserve for amendment pending the outcome of General Counsel Ekren's findings to his questions.

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	28

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

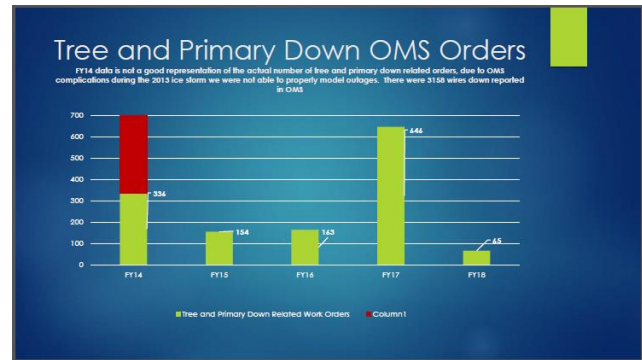
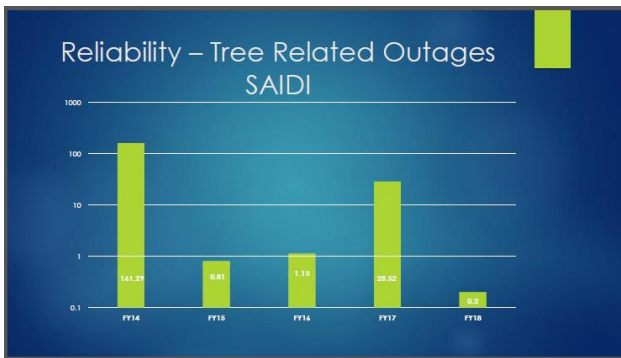


Before Trimming and Mowing



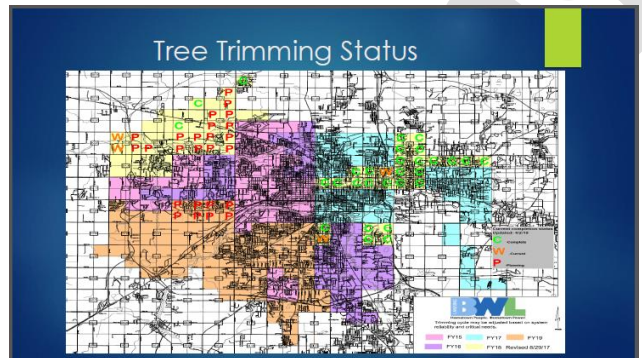
After Trimming and Mowing





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.

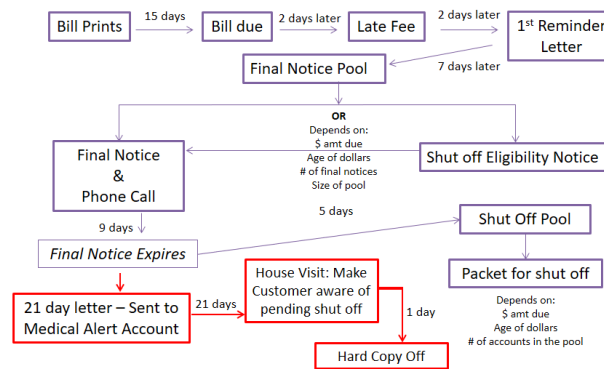
Commissioner Jester inquired about System Average Interruptible Duration Index (SAIDI) and restoration time. General Manager Peffley responded that SAIDI indicates the total customer outage minutes and the advantages of tree trimming. He also stated that the restoration time is a lot quicker when there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

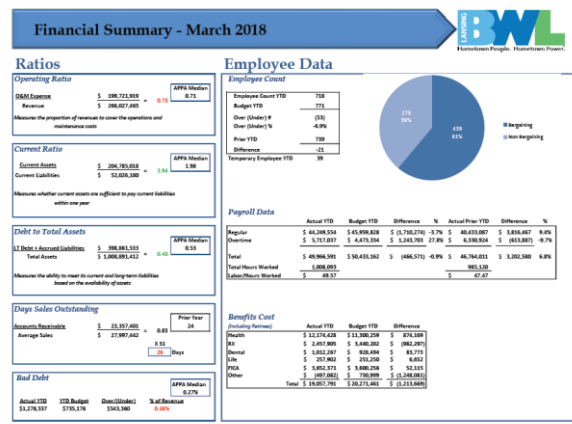
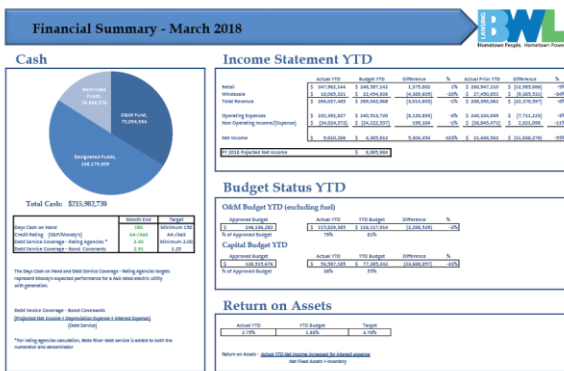
Approval of Minutes

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
 - 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
 - Maintain an above average bond rating for municipal utilities
 - Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees
 - 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

FY 2019 Income Statement

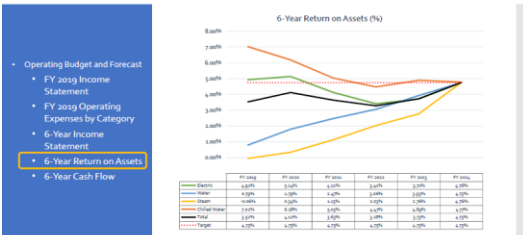
	Electric	Water	Steam	Chilled Water	Total
FY 2019 Income Statement					
Total Revenue (of \$B, less tax)	2,495,791,023	8,895,844	708,258	82,961	2,495,791,023
Operating Revenue					
Residential	\$ 84,956,561	\$ 17,116,286	\$ 75,188	\$ -	\$ 102,207,027
Commercial	\$ 144,344,824	\$ 34,889,528	\$ 7,276,801	\$ 6,008,148	\$ 171,428,504
Municipal	\$ 41,053,482	\$ 2,077,251	\$ 1,773,442	\$ -	\$ 44,404,175
Industrial	\$ 23,249,794	\$ 2,816,854	\$ -	\$ -	\$ 26,066,648
Other	\$ 33,929,023	\$ 3,823,262	\$ 1,775,029	\$ -	\$ 39,527,314
Total Operating Revenue	\$ 308,549,884	\$ 43,963,181	\$ 11,325,369	\$ 6,008,148	\$ 369,846,582
Operating Expenses					
Fuel and Purchased Power	\$ (28,489,478)	\$ (6,817,588)	\$ (8,782,246)	\$ -	\$ (44,089,312)
Depreciation	\$ (88,198,789)	\$ (2,747,380)	\$ (3,946,791)	\$ (1,838,178)	\$ (96,730,938)
Other Operating Expenses	\$ (172,382,257)	\$ (28,340,737)	\$ (1,058,239)	\$ (3,335,252)	\$ (205,116,525)
Total Operating Expenses	\$ (389,070,524)	\$ (48,905,705)	\$ (13,787,286)	\$ (5,173,528)	\$ (456,937,043)
Total Operating Income (Expense)	\$ (80,520,640)	\$ 5,057,496	\$ (2,461,917)	\$ 834,620	\$ (77,089,451)
Non-Operating Income (Expense)					
Interest Expense on City	\$ (18,854,452)	\$ (1,766,156)	\$ (887,888)	\$ (268,489)	\$ (21,776,985)
Interest Expense	\$ (178,322,741)	\$ (2,207,096)	\$ (2,188,275)	\$ (8,424,715)	\$ (183,942,827)
Other Non-Operating Income (Expense)	\$ 274,242,615	\$ (81,242,615)	\$ (227,250)	\$ (20,250)	\$ (18,477,510)
Total Non-Operating Income (Expense)	\$ (172,934,578)	\$ (2,054,567)	\$ (2,913,313)	\$ (8,613,454)	\$ (183,515,812)
Prepared Rate Income	\$ 26,153,941	\$ 465,715	\$ (1,884,428)	\$ 1,548,839	\$ 26,153,941
Prepared Rate Income - Effective 08/01/2019	3.06%	7.0%	7.0%	6.0%	6.1%
Return on Assets	4.52%	6.79%	6.56%	7.02%	5.25%
Debt Service on Bonds	4.75%	4.75%	4.75%	4.75%	4.75%

FY 2019 Operating Expense by Category

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						
Electric	\$ 24,364,742	\$ 23,246,742	\$ 24,671,902	\$ 26,096,986	\$ 28,223,178	\$ 30,791,748
Water	\$ 1,914,186	\$ 1,914,186	\$ 1,914,186	\$ 1,914,186	\$ 1,914,186	\$ 1,914,186
Chilled Water	\$ 1,121,198	\$ 1,121,198	\$ 1,121,198	\$ 1,121,198	\$ 1,121,198	\$ 1,121,198
Other Revenue	\$ 2,800,782	\$ 2,800,782	\$ 2,800,782	\$ 2,800,782	\$ 2,800,782	\$ 2,800,782
Total Revenue	\$ 29,200,908	\$ 28,092,914	\$ 30,508,768	\$ 32,943,152	\$ 36,060,044	\$ 39,638,914
Operating Expenses						
Fixed Operating Expenses	\$ 17,048,880	\$ 17,048,880	\$ 17,048,880	\$ 17,048,880	\$ 17,048,880	\$ 17,048,880
Variable Operating Expenses	\$ 12,152,028	\$ 11,047,934	\$ 13,459,888	\$ 15,894,272	\$ 18,911,164	\$ 22,589,834
Total Operating Expenses	\$ 29,200,908	\$ 28,096,814	\$ 30,508,768	\$ 32,943,152	\$ 36,060,044	\$ 39,638,914
Operating Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Return on Assets by City						
Electric	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Water	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Chilled Water	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Other	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Total	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%



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
Operating Cash (G&B) & Investing Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Net Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Depreciation and Gain on Disposal of Assets	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Operating Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Capital Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Other Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Expenditures Excluding from Net Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Expenditures from Net Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Change in Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Free Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Operating Cash (G&B) & Investing Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Net Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Operating Cash (G&B) & Investing Cash	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028

Capital Budget and Forecast

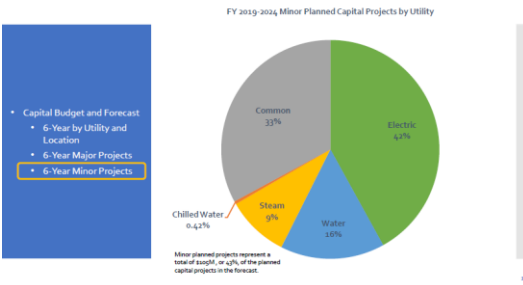
- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Capital Budget	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Electric	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Water	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Chilled Water	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Other	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028

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 Budget	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028
Electric	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Water	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Chilled Water	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Other	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028	\$ 1,151,028



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 10 days of adoption.
- Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2019 – 2024 and submit the Capital Forecast to the Mayor prior to October 1, 2018.
 - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1.

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

Commissioner Zerkle asked about the change in Net Income in FY 2022. Ms. Shawa responded that the financing of the new plant begins in FY 2019 and in the second half of FY 2021 the new plant will come online and there will be a half year depreciation with interest capitalized only for that half year. Ms. Zerkle also inquired about the 6-year capital by utility and location and whether there were funds set aside for repairs for Eckert and GM Peffley responded that there was through O&M.

Commissioner Jester asked for what the \$148,00 was designated at Eckert. GM Peffley responded it is designated for costs for closing the plant.

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to forward the proposed FY 2019-2024 Budget & Forecast Resolution to the full Board for consideration.

Action: Motion Carried

Capital Exceedance Resolution

CFO Heather Shawa introduced the Capital Project Exceedance resolution by briefly explaining that the budget for the project described in the resolution exceeds the amount originally budgeted and requested approval for the projected final cost of \$3,900,000.

Commissioner Ross commented that the six-year process doesn't appear to be giving the intended result with respect to the capital project exceedance. Commissioner Ross asked whether the process is as efficient and transparent as possible.

Commissioner Zerkle commented that the information is helpful for ranking priorities but not for approval six years out.

Commissioner Mullen commented that the capital project exceedance goals were set specifically due to an incident where a considerably larger amount of money was to be spent. He stated that goals within one to three years required explanation or resolution but questioned whether six year goals were required to be adhered to.

GM Peffley responded that a presentation on how finances are estimated, budgeted, and the percent of accuracy over each phase of projects would be beneficial for the Board. Ms. Shawa added that labor, materials, and other costs may change over time.

Commissioner Zerkle commented that it would be helpful to provide reports given at prior meetings to compare with current reports being provided.

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to forward the Capital Exceedance Resolution to the full Board for consideration.

Action: Motion Carried

Internal Audit Open Management Response Quarterly Report

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

STATUS OF MANAGEMENT RESPONSES TO AUDITS
APRIL 30, 2018

In Accordance with Board Resolution #2014-07-05

Updates in red

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Updating of job descriptions is well underway, with estimated project completion by 6/30/19.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	A plan for decoupling base and merit increases is nearing completion. The plan and corresponding instructional information, applicable to the fiscal year 2019 performance management cycle, will be finalized and communicated to management by 7/1/18.
52	COBIT Compliance	Internal Audit noted that actions should continue on as expedited a schedule as possible to reach full compliance with the adopted IT governance framework.	June 2017	Information Technology	Of 56 items involved, 42 are being reported as complete, 10 on track, 3 overdue, and 1 ongoing.
58	Succession Planning <i>NEW</i>	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	Annual updates to Succession Planning procedures will be drafted and submitted for executive management approval by 6/30/18.
59	Succession Planning <i>NEW</i>	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group is currently piloting a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 12/31/18.
60	Succession Planning <i>NEW</i>	Internal Audit supports training and development of succession candidates.	March 2018	Human Resources	Candidate assessment and development are underway, as part of the BWL Leadership Academy, and will continue through June 2019.

Closed Issues (since March 2018 report):

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

Revised Investment Policy Statements & Resolution

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

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

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

Action: Motion Carried

Other

None.

Excused Absence

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

Action: Motion Carried

Adjourn

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

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

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. Mayor Andy Schor will also attend.
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: _ _ _ _

Data from form "E-mail BWL Commissioners" was received on 7/14/2018 1:58:55 AM.

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

Field	Value
To	All Commissioners
Name	Amara Moody
Address	540 W. Willow st apt c21 lansing mi 48910
email	amara.moody21@gmail.com
E-mail Subject	Single mother in need
Message	<p>Hello, as you see my name is Amara Moody. I am writing you all in hopes of a solution that im sure many others before me have had. When i moved to my new residence back in dec of 2017 i had paid my bill to BWL in full. The first bill i received in my new apartment was around \$20 i believe. The next bill i got said \$600 something. When i called and spoke with a customer service representative she informed me that unfortunately they couldnt get an accurate read on my meter so they had to wait until the next billing cycle. She said if i thought my bill was low then i should have called you. This is the very first time ive lived in an apartment building. Before hand my utilities have been included. I was overjoyed with my first bill thinking it would be so much cheaper living here. However because of old inaccurate meters i am facing a shut off. I was on a payment plan. But paying \$110 on top of my bill isnt something thats feasible. Im not sure of what any of you could do or if it even matters to you all, but its very disheartening when you're trying your hardest to stay on top of things to get penalised for something you had no control over. If i would have gotten 3 smaller bills i could have handled each one. But instead of sending another person out to read my meter they waited. And waited. And now on monday my account is due for shut off if i cant come up with \$343.00. I just dont understand how your company can punish someone who has kept her account current. I have extra fees and so much stress because your company couldnt get an accurate read. Now im being punished....like i prevented your employee from reading my meter,when really your equipment is just outdated. Ive been told your working on installing more precise meters. And i only can hope that this happens swiftly for every one of your customers. Struggling like this, being stressed like this, i wouldn't wish it on my worst enemy. Even if my shut off could be pushed back 2 weeks would relieve so much. I appreciate your time. Even if theres nothing any of you can do...i would appreciate prayer. Thank you all. Feel free to contact me by email or call (517) 528 6521. Have a blessed weekend.</p>

HUMAN RESOURCES COMMITTEE
Meeting Minutes
June 28, 2018

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 4:30 p.m. on Thursday, June 28, 2018.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, and Sandra Zerkle (arrived at 4:49 p.m.) Also present: Commissioners Beth Graham, Dennis Louney, and David Price.

Absent: None

Public Comments

None

Approval of Minutes

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Human Resources Committee meeting minutes of September 12, 2017.

Action: Motion Carried.

FY 2018 Board Appointee Performance Reviews

HR Committee Chair Thomas noted that the charter appointed employees' evaluations and statistical results were emailed to all Commissioners a week prior to today's committee meeting.

Corporate Secretary

Corporate Secretary M. Denise Griffin requested a closed session for the purpose of receiving her contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 4:37 p.m.

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 4:48 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing M. Denise Griffin to the Charter position of Corporate Secretary for FY19 to the full Board for consideration.

Action: Motion Carried.

Internal Auditor

Internal Auditor, Phil Perkins, requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of Internal Auditor, Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 4:51 p.m.

Motion by Commissioner Zerkle, Seconded by Commissioner McCloud, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 5:04 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing Phil Perkins to the Charter position of Internal Auditor for FY19 to the full Board for consideration.

Action: Motion Carried.

General Manager

General Manager Richard Peffley requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a) and requested that the BWL HR Executive Director, Michael Flowers, attend.

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to enter into closed session to discuss the contractual year-end performance evaluation of General Manager, Richard Peffley.

Roll Call Vote:

Yeas: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:08 p.m.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen, to reconvene into open session.

Action: Motion Carried.

The Human Resources Committee reconvened to open session at 5:37 p.m.

Upon conclusion of the Closed Session, the following motion was offered:

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to forward a resolution reappointing Richard (Dick) Peffley to the Charter position of General Manager for FY19 to the full Board for consideration.

Action: Motion Carried.

Subsequent Steps for Board Appointed Employees Contracts

HR Chair Thomas requested a motion for the HR Committee to charge the HR Chair and the Board Chair with the task of working with the appointed employees on their respective annual merit considerations on behalf of the Board of Commissioners.

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, to charge the HR Chair and the Board Chair with the task of working with the appointed employees on their respective annual merit considerations on behalf of the Board of Commissioners.

Action: Motion Carried.

Excused Absence

None

Other

HR Committee Chair Thomas thanked Commissioner Mullen for meeting with HR Chair Thomas and going through the transition process.

HR Committee Chair Thomas also thanked Smiljana for helping the Commissioners with the addressing of some issues.

Commissioner Price thanked HR Committee Chair Commissioner Tracy Thomas for his work as the HR Committee Chair.

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Thomas, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 5:41 p.m.

Respectfully Submitted,
Tracy Thomas, Chair
Human Resources Committee

NOMINATING COMMITTEE MINUTES

June 28, 2018

The Nominating Committee of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:46 p.m. on Thursday, June 28, 2018.

Nominating Committee Chair, Anthony McCloud, called the meeting to order and asked the Corporate Secretary to call the roll. The following committee members were present: Commissioners Anthony McCloud, Beth Graham, Anthony Mullen and Tracy Thomas.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Graham, Seconded by Commissioner McCloud to approve the Nominating Committee meeting minutes of June 29, 2017.

Action: Motion Carried

Officer & Committee Survey Results & Officer & Committee Survey Memorandum

Nominating Committee Chair Anthony McCloud stated that the Officer Committee Survey Results Forms and Committee Survey Memorandum were included in the Nominating Committee meeting packet for review and asked if there were any questions regarding the documents. There were no questions.

Nomination of Board Officer Candidates for Fiscal Year 2018-2019

Chairperson and Vice Chairperson

Nominating Committee Chair McCloud noted that the survey results indicated only two Commissioners interested in the officer positions, Commissioner Price for the Board Chair position and Commissioner Zerkle for the Vice Chair position. Nominating Committee Chair McCloud requested a motion to nominate Commissioner David Price to serve as the Chairperson for the 2018-2019 fiscal year and Commissioner Zerkle as the Vice Chairperson for the 2018-2019 fiscal year.

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to nominate Commissioner David Price to serve as the Chairperson for the 2018-2019 fiscal year and Commissioner Zerkle as the Vice Chairperson for the 2018-2019 fiscal year.

Action: Motion Carried

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to present the slate of Officers for 2018-2019 to the full Board for consideration is as follows:

Chair:	David Price
Vice Chair:	Sandra Zerkle

Action: Carried Unanimously

Nominating Committee Chair McCloud stated that the recommended slate will be presented to the full Board for consideration and nominations will be taken from the floor at the July 24th Regular Board/Annual Organizational meeting.

Commissioner Thomas thanked Nominating Committee Chair McCloud for his work as chair of the committee.

Excused Absence

None

Adjourn

There being no further business, the meeting adjourned at 5:49 p.m.

Respectfully submitted,
Anthony McCloud, Chair
Nominating Committee

COMMITTEE OF THE WHOLE
Meeting Minutes
July 10, 2018

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, July 10, 2018.

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

Present: Commissioners Tony Mullen, Beth Graham, Dennis M. Louney, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: Doug Jester (East Lansing), William Long (Delta Township) (arrived at 5:34 p.m.)

Absent: Commissioner Anthony McCloud

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner Thomas, to approve the Committee of the Whole meeting minutes of May 15, 2018.

Action: Motion Carried.

BWL Futures Trading Authorization Update

General Manager Richard Peffley introduced Bob Lalonde, Regulatory Compliance & Market Operations Manager, who presented an update to the policy that was passed last year. Permission had been asked to trade futures as part of the BWL hedging strategy. Mr. Lalonde explained that BWL wanted to trade futures to minimize the risk of future purchases and sales--especially in paying a consistent price on gas purchases, and provided examples. He also explained that the market is larger with futures trading.

Mr. Lalonde provided the following information after a question and answer session:

- Long term weather conditions, gas storage, market conditions, plus some political items are contributory variables to price fluctuation in gas prices.
- More crude production occurs when oil prices go up and since natural gas is a by-product of that production which results in a lower price for natural gas, the situation in Iraq won't cause the price of natural gas to increase.
- The prices on the side by side comparison of a purchase of gas and a call option include additional costs and fees such as delivery.
- Changes will occur with the addition of the new plant and future goals for the Futures Trading program include this addition.

- Efficiency analyses will be conducted to determine what would have occurred if futures weren't done and only purchases were made.
- External auditors have reviewed the futures transactions and an audit process is about to start.

2017 Annual Energy Waste Reduction and Renewable Energy Update

Rhonda Jones, Marketing & Business Strategy Manager, presented a PowerPoint presentation on energy waste reduction and renewable energy. She highlighted the low-income services in the energy optimization programs, the goals of the programs, the energy waste reduction plan, the renewable energy results, and the renewable energy portfolio.

Aileen Gow, Customer Accounts Analyst, will follow up on Commissioner Jester's question about the average measure of life of the items—lights, thermostats, etc.—in the program.

Commissioner Mullen asked whether any items besides LED lights would be given to customers, such as the 0% loans that were mentioned or energy efficient appliances. Ms. Jones responded that more efficient refrigerators are currently given to low income residents and other means to obtaining savings are being looked into for the future.

Commissioner Price commented that the majority of low income customers are renters and the responsibility for appliances is the landlords'. GM Peffley responded that BWL is reaching out to educate the landlords on the benefits of energy efficient appliances. Commissioner Louney commented that a requirement is being discussed with the city that landlords need to have an energy audit performed before obtaining their renewal certification from the city.

Aileen Gow, Customer Accounts Analyst, spoke about low income guidelines and the energy waste reduction plan, providing different behaviors customers can utilize to lower their energy use.

Commissioner Long commented that most low-income customers heated with natural gas rather than electricity and furnaces can't be provided through BWL. Ms. Gow responded that BWL does refer customers to agencies or companies that work with natural gas services.

Commissioner Louney commended the staff for their efforts and asked whether the BWL had an energy efficiency program incentive such as Consumers Energy has where churches get a small percentage for referring parishioners. Ms. Gow responded that churches and other businesses such as Cristo Rey, Peckham, and Habitat for Humanity provide energy kits and encourage people to sign up for the energy audit.

Commissioner Price inquired about the number of operating solar panels. George Stojic responded that approximately 1,000 panels have been scheduled and about 500 are operating.

Commissioner Zerkle inquired about the Hydro One repair and replacement. GM responded that it hasn't operated for a few years and the cost to repair it will be more than the payback and it probably will be decommissioned.

Commissioner Louney inquired about purchasing panels in the community solar program and if there would be an opportunity for financing and paying half the cost up front to bring more people in. GM responded that is a program that is being evaluated.

General Manager Peffley commented that available capacity and energy sales are the main parts of the energy portfolio. Under FERC regulations, capacity requirements for three years are being met by the BWL. Natural gas energy capacity, solar energy capacity, and wind energy capacity provide different challenges in meeting the requirements, with natural gas energy giving the largest return or output currently. More solar energy and wind energy modules have to be built to obtain the same amount of energy as obtained from natural gas modules.

Commissioner Ross inquired about the difference in energy credits for solar energy and wind energy and whether the solar and wind energy had to be obtained within the service territory. GM Peffley responded that it is preferred in order to rely on the grid. Commissioner Ross also asked whether the smaller solar arrays in various locations were a form of distributed generation that would make the BWL internal system more resilient. GM Peffley responded that the BLW is looking into smaller modules that the BWL can own, operate and service.

Return on Equity Request

General Manager Peffley provided information and some background on the Return on Equity (ROE) Request/Payment in Lieu of Taxes Agreement. Board Chair David Price stated that the City of Lansing requested for the Board to revisit the ROE percentage; after some dialogue General Manager Peffley recommended a two-year extension with the same ROE percentage of 6.1%. The Resolution presented today is for approval of the stated to be forwarded to the full Board for consideration. General Manager Peffley stated that gross revenue is being built and the tax basis will be increased instead of raising the percentage rate of energy cost.

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle to approve the amended Return on Equity Request Resolution and forward to the full Board for consideration.

Action: Motion Carried.

Other

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham to excuse Commissioner McCloud from the meeting.

Commissioner Price spoke congratulations for Commissioner Anthony McCloud on his recent marriage.

Adjourn

Motion by Commissioner Zerkle to adjourn the meeting.

Meeting adjourned at 6:44 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

FINANCE COMMITTEE Meeting Minutes July 10, 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, July 10, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 6:50 p.m. and asked that roll be taken.

Present: Commissioners Ken Ross, Beth Graham, Dennis Louney, and David Price. Also present: Non-Voting Commissioners Douglas Jester (East Lansing) and William Long (Delta Township).

Absent: None.

The Corporate Secretary declared a quorum.

Public Comments

None

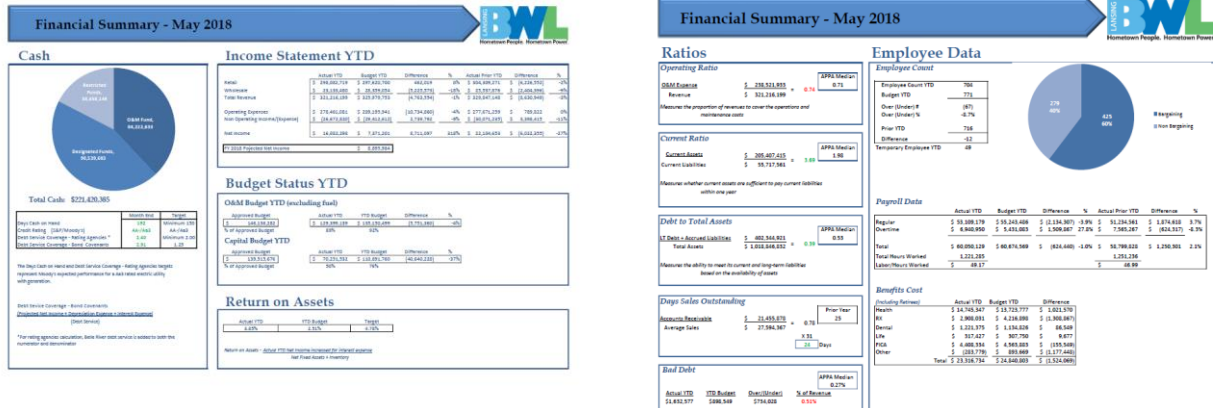
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of May 15, 2018.

Action: Motion Carried.

May YTD Financial Summary

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



Cash targets are exceeding targets. Cash increased by \$3.5 million due to a \$2 million settlement received from CIBER SAP program from a couple years ago. Revenue tracking is comparable to last year, operating expenses are under budget, and \$9 million is projected for fiscal year end. O & M is 4% under budget YTD. Capital budget spend is expected to come in as projected at year end. Three out of five ratios are tracking above benchmarks. For Employee Data there is an increase from last month due to 10 temporary intern employees. Payroll data and benefit costs are tracking as they have for the year.

Bonding Update

CFO Shawa announced that Phase I of the Bond was executed on June 27, 2018 and J.P. Morgan was selected with whom BWL entered into a \$100 million 18-month bond anticipation note. The first withdrawal of \$50,000 was made. The cost on the undrawn amount was .2% or 20 basis points. The cost on the drawn amount was 2.28%. Some of the larger equipment purchases are starting to be secured and the next withdrawal is expected to be \$5-7 million.

Commissioner Louney inquired about previous approval of funding for upgraded cyber security measures. CFO Shawa responded that the primary corporate data center will be located at REO and the infrastructure plans are on track to be completed by September 2018. The co-location at the DewPoint Data Center offsite is scheduled for January 2019.

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 JUNE 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 by 7/31/18.
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 (pending legal review), and 1 ongoing. Verification of this information is underway.
58	Succession Planning	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	Updated Succession Planning procedures have been drafted and will be submitted for executive management approval by 7/31/18.
59	Succession Planning	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	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 April 2018 report):

61	Cash Receipts <i>NEW</i>	Internal Audit discovered that the report of employees posting to their own account had not been able to be generated since the cybersecurity incident.	May 2018	Customer Service	In addition to the report being recreated and retroactively reviewed, management is periodically verifying that its review is a continuing effort.
62	Cash Receipts <i>NEW</i>	Access from lobby to cashiering area needed further restriction.	May 2018	Customer Service	Access was accordingly restricted.

Proposed Amended Resolution for Internal Audit Management Response

CFO Shawa noted that the key change to the Resolution for Internal Audit Management Response is the status of reporting out in the finance committee from a minimum of quarterly to a minimum of biannually. It is proposed that the January and July meetings would be the official finance agenda items on the Finance Committee Meeting agendas. Internal tracking will still be updated monthly.

Motion by Commissioner Price, Seconded by Commissioner Graham, to forward the proposed Amended Resolution for Internal Audit Management Response as presented to the full Board for consideration.

Action: Motion Carried

Internal Auditor Status Report

Internal Auditor Phil Perkins presented the Internal Audit Status Report.



Overview

Internal Audit Status Report

Presented by:
Phil Perkins, Director of Internal Audit
Finance Committee Meeting
July 2018

- FY 2018 Audit Plan Progress Report
- Proposed FY 2019 Audit Plan
- Other Items



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FY 2018 Audit Plan Progress Report

Engagements Completed:

1. Follow-up Hiring Process Audit (FY17 carryover)
2. Payroll Management Audit (FY17 carryover)
3. Identity and Access Management Audit (FY17 carryover)
4. Water Production Data Management Audit
5. Succession Planning Audit
6. Cash Receipts Audit
7. Consulting – Payroll and Billing Controls
8. Surprise Cash Counts (2)
9. Employee Time Reporting Reviews (2)



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FY 2018 Audit Plan Progress Report, cont'd

Engagements in Progress:

1. Customer Arrangements/Third Party Payments Audit (almost complete, final report to be issued shortly)
2. Physical Security Audit (draft report out shortly)
3. Contract Signature Authority Compliance Audit (75% complete)



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Proposed FY 2019 Audit Plan - Background

Basis for plan:

1. Meetings with Executives and Staff to discuss risks and potential audit topics.
2. Risk assessments for each of 100-plus auditable activities at BWL.
3. Consideration of rotational audits, audit areas with risk/scoping assessments, first-time audits, etc.
4. Identified at least 26 potential audits to perform in FY 2019 and beyond.



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Proposed FY2019 Audit Plan - Background

Top 10 Engagements for FY 2019 (as discussed and agreed with senior management):

1. *Follow-up – IT Change Management*
2. *IT – Cybersecurity (software security or vulnerability management)*
3. *Power Purchase Agreements*
4. *Accounts Payable*
5. *BSMART – Organization Change Management (consulting)*
6. *Asset Management (consulting)*
7. *Metering Services*
8. *Vegetation Management*
9. *Procurement*
10. *Project Engineering – Planned Projects*



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Proposed FY 2019 Audit Plan

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



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Proposed FY 2018 Audit Plan, Cont'd

Available Resources:

Resource	Position	Available Hours
Phil Perkins	Director of Internal Audit	1,500
Charles Randall	Senior Internal Auditor	1,700
Total Hours		3,200



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Proposed FY 2019 Audit Plan, Cont'd

- Questions?
- Recommend Approval of FY 2019 Audit Plan



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Other Items

1. Internal Auditor Continuing Professional Education/Certification Status:
 - On target to complete all CPE requirements for CPA, CIA and CISA designations this year.
 - CPE will be reported to proper authorities so that certifications (and in the case of CPA, licensure) will be maintained through 2018 and beyond.
2. Internal Audit Charter – Annual Renewal
 - Proposed revisions are to better recognize:
 - The analysis of risks relating to the achievement of strategic objectives when developing audit plans.
 - The Core Principles for the Professional Practice of Internal Auditing* as part of mandatory guidance for the internal auditing profession.



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Other Items, cont'd

*Core Principles for the Professional Practice of Internal Auditing:

1. Demonstrates Integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence.
4. Aligns with strategies, objectives and risks of the organization.
5. Appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive and future-focused.
10. Promotes organizational improvement.



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Commissioner Jester asked if the IT Department used a particular capability maturity model to define best practices. Mr. Perkins responded that the department uses the COBIT model, the control objectives for IT that is promulgated by the ISACA organization. CFO Shawa responded that the internal audit was on the COBIT and 52 recommendations were made and are being addressed.

Motion by Commissioner Louney, **Seconded** by Commissioner Graham to approve the Internal Audit Status Report as presented and accept the FY 19 Audit Plan and forward to the full Board for acceptance.

Action: Motion Carried.

Proposed Revised Internal Audit Charter Resolution

Internal Auditor Phil Perkins requested approval for the Revised Internal Audit Charter Resolution. Mr. Perkins noted that the analysis of risk is fine-tuned and core principles for professional practice of internal auditing have been added.

Motion by Commissioner Price, **Seconded** by Commissioner Graham to adopt the Revised Internal Audit Charter by Resolution as amended and forward to the full Board for consideration.

Action: Motion Carried.

Other

None.

Adjourn

Motion by Commissioner Louney to adjourn the meeting. Commissioner Ross adjourned the meeting at 7:19 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

Proposed Resolution
Return on Equity/Payment in Lieu of Taxes

WHEREAS, the City of Lansing has expressed a desire to continue the Agreement dated June 30, 1992, which has been subsequently extended thereafter for payment in lieu of taxes arrangement;

WHEREAS, the Board of Commissioners Committee of the Whole (COW) considered the City of Lansing's request on July 10, 2018;

WHEREAS, the General Manger recommended the Agreement be extended by two (2) years at a rate of six-point one percent (6.1%), which would be memorialized as Amendment No. 4;

WHEREAS, the COW agreed with the General Manager's recommendation and approved the same to be forwarded to the Board of Commissioners' July meeting for approval; and

WHEREAS, the COW further directed the General Manager to finalize Amendment No. 4 in light of his July 10, 2018's recommendation and execute on behalf of the Board of Commissioners.

RESOLVED, That the Board of Commissioners hereby approve Amendment No. 4 as recommended by the General Manager.

FURTHER RESOLVED, the General Manager and Corporate Secretary shall execute Amendment No. 4 on behalf of the Board of Commissioners.

**AMENDMENT NO. 4 TO AGREEMENT
BETWEEN THE CITY OF LANSING AND
THE BOARD OF WATER AND LIGHT**

This Amendment No. 4 (“Amendment No. 4”) is entered into as of this ____ day of _____, 2018 by and between the City of Lansing, 124 W. Michigan Ave., Lansing, MI 48933, hereinafter referred to as “City”, and the Board of Water and Light, 1232 Haco Drive, Lansing, Michigan 48912, hereinafter referred to as “Board”.

STATEMENT OF PURPOSE

- A. The Parties entered into an original agreement, dated June 30, 1992, a copy of which is attached as **Exhibit A**.
- B. The Parties extended the original agreement by Amendment No. 1, dated December 17th, 2002, which expired June 30, 2012; by Amendment No. 2, dated June 30, 2012, which expired June 30, 2017; and by Amendment No. 3, dated December 23, 2013, which is set to expire June 30, 2018. A copy of Amendment No. 3 is attached as **Exhibit B**.
- C. As modified by this Amendment No. 4, the Parties desire to extend the terms and provisions of the original agreement, as extended and modified by Amendments No. 1, No. 2, and No. 3, by this Amendment No. 4 (collectively “this Agreement”) through June 30, 2020 to and continue the annual 6.1% Payment to the City for the remainder of this term.
- D. The Parties acknowledge that ownership of a utility entitles the City to receive certain benefits associated with that ownership, and that it is generally acceptable practice in

the municipal utility industry for municipal utilities, being exempt from taxes, to make payments to the state or local government.

AGREEMENT

The Parties, therefore, in acknowledgement and reliance on the Statement of Purpose and in consideration of the mutual covenants herein contained, agree as follows:

- 1) The term of Amendment No. 3, which is currently set to expire June 30, 2018, is extended to June 30, 2020.
- 2) The Board shall extend its payments to the City, under this Agreement, commencing on July 1, 2018 through June 30, 2020, in the continued amount equal to six point one (6.1%) percent of its revenue from retail and wholesale sales of chilled water, electric, steam heat, and water utilities for the proceeding 12 month period ending May 31st of each year (the "Payment").
- 3) Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the Board's various bond covenants, the Payment shall be payable to the City in semi-annual installments due no later than thirty (30) days following each one/half (1/2) year that this Agreement is in effect as follows:

First ½ year – June 1 to December 1 of each Payment year – to be an estimated payment;

Second ½ year – December 2 to May 31 of each Payment year – to include reconciliation payment for entire fiscal year.

The May 31 payment date calculation shall constitute the difference between the estimated payment for the first one-half (1/2) year and the actual calculated amount for the entire fiscal year.

- 4) This Agreement shall automatically terminate on June 30, 2020, unless extended in writing by the Commissioners of the Board and the City Council of the City of Lansing.
- 5) This Agreement contains the entire agreement and any terms, conditions or provisions not contained in this Agreement are not binding on either party.
- 6) This Agreement shall inure the benefit of the Parties. This Agreement, or any of its terms or provisions, shall not be waived, modified or otherwise altered unless in writing and executed by both parties to this Agreement.
- 7) Except as modified in this Amendment No. 4, the original agreement and Amendments No. 1, No. 2 and No. 3 shall remain in full force and effect. Nothing herein releases the Board from any payments it is obligated to make pursuant to the previously entered original agreement and Amendments No. 1, No. 2 and No. 3.

IN WITNESS WHEREOF the parties have signed this Agreement on the date first above written.

CITY OF LANSING

By: _____
Andy Schor, Mayor

By: _____
Chris Swope, City Clerk

Approved as to form only:

James D. Smiertka, City Attorney

I hereby certify that funds are available
Acct. No. _____

Randy Endsley, Accounting Manager

BOARD OF WATER AND LIGHT

By: _____
Richard R. Peffley, General Manager

By: _____
M. Denise Griffin, Board Secretary

Approved as to form only:

Brandie F. Ekren
Board of Water and Light Legal Counsel

Lawrence

EXHIBIT A

AGREEMENT
BETWEEN THE CITY OF LANSING AND
THE BOARD OF WATER & LIGHT

AGREEMENT dated the 30th day of June, 1992, by and between the City of Lansing, hereinafter referred to as "City", and the Board of Water & Light, 123 West Ottawa, Lansing, Michigan 48933, hereinafter referred to as "Board".

WITNESSETH:

WHEREAS, pursuant to the 1978 City Charter, the Board and the City are encouraged to cooperate with each other; and

WHEREAS, Michigan law, specifically, Act 94, Public Acts of 1933, as amended, and various revenue bond covenants contained in revenue bonds issued by the Board provide that the Board shall not offer or furnish free utility service to any entity including the City; and

WHEREAS, pursuant to the 1978 City Charter the City provides to the Board, among other things, use of its streets, alleys, bridges and other public places of the City without compensation and the Board, as an agency of the City, is exempt from property taxation; and

WHEREAS, since 1972 the Board has contributed to the City an annual amount as a return on equity and City Council has now requested the Board to increase the amount it contributes to the City; and

WHEREAS, the Commissioners of the Board of Water & Light have agreed that the payment of a return on equity to the City is in the best interest of its ratepayers; and

WHEREAS, the Commissioners of the Board of Water & Light have offered to the City a proposal to modify the percentage used to calculate the Board's return on equity to the City and has requested the City to deed to the Board the parcel located at 123 W. Ottawa Street in a manner consistent with the City Charter; and

WHEREAS, the Mayor and his staff have reviewed the Board's proposal and recommend that the City Council approve of the Board's proposal;

NOW, THEREFORE, IT IS AGREED:

1. The Board's annual payment of a return on equity to the City for the next ten (10) years commencing on July 1, 1992 shall be 4.0 percent of net billed retail sales from its water, steam heat, and electric utilities for the preceding 12 month period ending May 31 of each year. Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the Board's various bond covenants this amount shall be payable to the City no later than June 30th of each year.
2. In addition to any sums mentioned in paragraphs 1 and 2 of this Agreement the Board shall pay to the City the total sum of \$1,850,000.00 as consideration for a quitclaim deed from the City for the parcel at 123 West Ottawa Street. The quitclaim deed shall be in a form consistent with the 1978 City Charter and the parcel shall be held by the Board for its purposes. The sum of \$1,850,000.00 shall be payable as follows:
 - a. \$1,600,000 shall be paid to the City by the Board no later than June 30, 1992; and
 - b. \$250,000 shall be payable to the City by the Board no later than July 15, 1992.

3. The initial payment of 4.0 percent of the net billed retail sales from the Board's water, steam heat and electric utilities shall be made to the City no later than June 30, 1993, and this initial payment shall be in addition to the sum of \$250,000 which shall be paid to the City no later than July 15, 1992.
4. The City shall convey to the Board by quitclaim deed the parcel at 123 West Ottawa Street no later than June 30, 1992 in a manner consistent with the 1978 City Charter and the parcel shall be held by the Board for its purposes.
5. This Agreement shall automatically terminate on June 30, 2002, unless extended in writing by the Commissioners of the Board and the City Council of the City of Lansing.
6. This Agreement contains the entire Agreement and any terms, conditions or provisions not contained in this Agreement are not binding on either party.
7. This Agreement, or any of its terms or provisions, shall not be waived, modified or otherwise altered unless in writing and executed by both parties to this Agreement.

IN WITNESS WHEREOF the parties have signed this Agreement on the date first above written.

WITNESS:

Rosemarie Kazenko
Cedryn Hartouff

CITY OF LANSING

By: *Terry J. McKane*
Terry J. McKane, Mayor

By: *Marilyn Slade*
for James D. Blair, City Clerk

WITNESS:

Reverend A. Bishop
Rosemary Sullivan

Approved as to form only:

Alvan P. Knot
Alvan P. Knot
City Attorney

BOARD OF WATER & LIGHT

By: Joseph Pandy, Jr.
Joseph Pandy, Jr.,
Director & General Manager

By: Mary E. Sova
Mary E. Sova,
Corporate Secretary

I hereby certify as to the availability of funds in Account
none required.

Stephen W. Duarte
for STEPHEN W. DUARTE
City Controller

APPROVED AS TO FORM
Lawrence H. Wilhite
BOARD OF WATER & LIGHT
LEGAL COUNSEL

Resolution No. 92-8-2

ADMINISTRATIVE

WHEREAS, at the regular meeting of June 16, 1992, the Board adopted a resolution authorizing the General Manager and Corporate Secretary to enter into a Return on Equity Agreement with the City of Lansing subject to confirmation by a majority vote of the Board of Commissioners at the next regularly scheduled Board meeting, be it

RESOLVED, That the Agreement between the City of Lansing and the Board of Water and Light, dated June 30, 1992, governing the transfer of a parcel located at 123 W. Ottawa Street and a Return on Equity payment is hereby ratified, confirmed, and approved.

Recommended by Mary E. Sova 8/6/92
Mary E. Sova, Secretary Date

Approved by: Joe Pandy 8/11/92
Joseph Pandy, Jr., General Manager Date

Date Resolved by Board Action: August 25, 1992

EXHIBIT B

AMENDMENT NO. 3 TO AGREEMENT BETWEEN THE CITY OF LANSING AND THE BOARD OF WATER AND LIGHT

This Amendment No. 3 ("Amendment #3") is entered into as of this 23rd day of December, 2013, by and between the City of Lansing, 124 W. Michigan Ave., Lansing, MI 48933, hereinafter referred to as "City", and the Board of Water and Light, 1232 Haco Drive, Lansing, Michigan 48912, hereinafter referred to as "Board".

STATEMENT OF PURPOSE

The Parties have entered into an agreement dated June 30, 1992, a copy of which is attached as **Exhibit A**; and

The Parties entered into Amendment No. 1 to the original agreement on December 17th, 2002, which was set to expire June 30, 2012, a copy of which is attached as **Exhibit B** ("Amendment #1"); and

The Parties entered into Amendment No. 2 to the original agreement on June 30, 2012, which was set to expire June 30, 2017, a copy of which is attached as **Exhibit C** ("Amendment #2"); and

Except as modified by this Amendment No. 3, the parties desire to extend the terms and provisions of the Agreement (this Amendment No. 3, Amendment No. 2, Amendment No. 1 and the original agreement are hereinafter referred to collectively as the "Agreement") by an additional year and increase the annual payment to the City for the remainder of the term; and

The parties acknowledge that ownership of a utility entitles the City to receive certain benefits associated with that ownership; and

The Parties acknowledge that it is generally accepted practice in the municipal utility industry for municipal utilities, being exempt from taxes, to make payments to the state or local government.

AGREEMENT

The Parties therefore agree as follows:

- 1) The term of Amendment No. 2, which is currently set to expire June 30, 2017, is extended to June 30, 2018.
- 2) The Board shall make payments to the City for the remaining five (5) years commencing on July 1, 2013, in the amount of six point one (6.1%) percent of its revenue from retail and wholesale sales of chilled water, electric, steam heat, and water utilities for the preceding 12 month period ending May 31st of each year (the "Payment").
- 3) Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the Board's various bond covenants, the Payment shall be payable to the City in semi-annual installments due no later than thirty (30) days following each one-half (1/2) year this Agreement is in effect:

December 1 (estimated)
June 30 – to include reconciliation for entire fiscal year

The June 1 payment shall constitute the difference between the estimated payment for the first one-half (1/2) year and the actual calculated amount for the entire fiscal year.
- 4) This Agreement shall automatically terminate on June 30, 2018, unless extended in writing by the Commissioners of the Board and the City Council of the City of Lansing.

- 5) This Agreement contains the entire Agreement and any terms, conditions or provisions not contained in this Agreement are not binding on either party.
- 6) This Agreement shall inure to the benefit of the Parties.

This Agreement, or any of its terms or provisions, shall not be waived, modified or otherwise altered unless in writing and executed by both parties to this agreement.

- 7) Except as modified in this Amendment No. 3, the original agreement and amendments shall remain in full force and effect. Nothing herein releases the Board from any payments it is obligated to make pursuant to the previously entered agreement and amendments.

IN WITNESS WHEREOF the parties have signed this Agreement on the date first above written.

CITY OF LANSING

By: 
Virg Bernero, Mayor

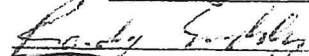
By: 
Chris Swope, City Clerk

Approved as to form only:


City Attorney

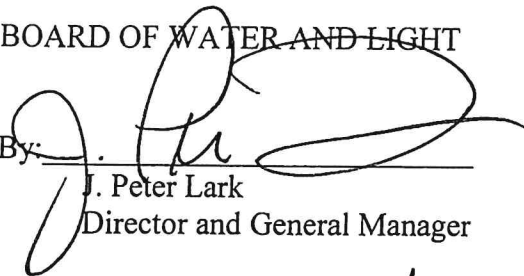
I hereby certify that funds are available

Acct. No. 101 674100


Tom Kerkoske Accounting Manager

BOARD OF WATER AND LIGHT

By:


J. Peter Lark

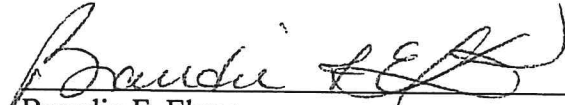
Director and General Manager

By:


M. Denise Griffin

Board Secretary

Approved as to form only:


Brandie F. Ekren

Board of Water and Light Legal Counsel

Proposed Resolution

Appointment of the Charter Position of Corporate Secretary

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Corporate Secretary fiscal year 2018-2019 or until a successor is appointed, whichever last occurs:

M. Denise Griffin, Corporate Secretary

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Proposed Resolution

Appointment of the Charter Position of Internal Auditor

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Internal Auditor for fiscal year 2018-2019 or until a successor is appointed, whichever last occurs.

Philip Perkins, Internal Auditor

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Proposed Resolution

Appointment of the Charter Position of Director and General Manager

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Director and General Manager for fiscal year 2018-2019 or until a successor is appointed, whichever last occurs:

Richard R. Peffley, Director and General Manager

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2018's performance.

Proposed
RESOLUTION

Board Policy on Follow-up to Internal Audit Findings &
Recommendations

General Responsibilities:

Internal Audit. The Internal Auditor is responsible for performing the annual Internal Audit Plan approved by the Finance Committee of the Board. This includes but is not limited to:

1. Informing management of any potential issues during audit engagements and briefing the results of audits including any findings prior to releasing a draft audit report to management.
2. Formally presenting the results of each audit engagement in writing. Reports of audit will include any reportable findings, recommendations, and management's responses to the findings and recommendations.
3. Following up on previous audit findings and management responses to ensure that the corrective action(s) noted in the responses were in fact taken, and that those actions corrected the problem(s) identified.

Management. Management is to respond with actionable responses to each reported finding and recommendation in the internal auditor's report within an agreed-upon timeframe. Each management response should contain the following:

1. Acknowledgement of agreement (or disagreement if applicable) with the audit finding and recommendation.
2. A specific action or actions being taken (or completed) to address the problem(s) noted in the finding and recommendation.
3. A statement that either affirms that the stated corrective action(s) has/have already been completed or, if not, an estimated date when management believes the corrective action(s) will be completed. The estimated completion date should be management's best estimate, based on available resources, priorities and schedules as to when the corrective action(s) can reasonably be expected to be completed.

Follow-Up of Open Management Responses to Audit Findings:

1. Schedule of Open Actions. For each management response for which the corrective action is to be completed by an estimated future date, a schedule will be developed to track, on at least a biannual basis, the status of such corrective action(s) until they are completed.
 - a. There should be a notation biannually regarding progress toward completion of the corrective action. If other priorities precluded further progress during a biannual period, this should be so stated.
 - b. The Internal Auditor will receive an updated schedule biannually and keep the Finance Chair apprised of action completion and status.
2. Schedule Usage.
 - a. Management. Management will use the schedule as a tool for reporting progress on open corrective actions to the Finance Committee biannually.
 - b. Internal Auditor. The Internal Auditor will use the schedule to help in future planning efforts and to ensure that management's corrective actions are being implemented as stated in the management responses to audit reports.

(This Resolution supersedes RESOLUTION #2014-07-05 adopted on July 22, 2014.)

Proposed Resolution
Internal Audit Plan for FY 2019

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Plan for FY 2019.

Proposed Resolution

Internal Audit Charter Approval

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Charter as amended to which conforms to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors.

Lansing Board of Water and Light

Internal Audit Charter - 2018 Version

Mission:

The mission of internal audit is to provide independent, objective auditing and consulting services to the Board of Commissioners, enabling the Board to better serve customers, employees, and the community.

Purpose:

Internal audit's purpose is to add value and improve operations. It helps BWL accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Independence:

The Internal Auditor is appointed annually by the Board of Commissioners, and reports to them through the Chair of the Finance Committee. For administrative purposes, the Internal Auditor also reports to the General Manager. To ensure independence, the internal audit function shall have no direct responsibility or any authority over any of the activities or operations of the BWL.

Authority:

Internal Audit shall have unrestricted access to all activities, records, properties, and personnel. All processes, activities, and responsibility areas are subject to audit.

Responsibility and Scope:

Management is responsible for establishing and maintaining risk management, control, and governance processes. Internal Audit is responsible to determine whether management's processes are adequate and functioning in a manner to ensure:

- Risks relating to the achievement of strategic objectives are appropriately identified and managed.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Resources are acquired economically, used efficiently, and adequately accounted for and protected.
- Management, employee and contractor actions are in compliance with policies, procedures, standards, laws, regulations and contracts.
- The results of operations or programs are consistent with established goals and objectives, and such operations and programs are carried out effectively and efficiently.

Lansing Board of Water and Light

Internal Audit Charter - 2018 Version

Regarding the scope of requested consulting activities, Internal Audit shall perform consulting and advisory services related to governance, risk management and control as appropriate for the organization.

Standards:

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing; Definition of Internal Auditing (as shown in the purpose statement above); the Code of Ethics; and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The Director of Internal Audit will report periodically to senior management and the Board regarding the internal audit department's conformance to the Code of Ethics and the Standards.

As supplemental guidance for the performance of audits, the Internal Auditor shall consider and, where appropriate, comply with Generally Accepted Government Auditing Standards promulgated by the Government Accountability Office.

Internal Audit Plan:

At least annually, the Director of Internal Audit will submit to the General Manager and the Board an internal audit plan for review and Board approval. The internal audit plan will be developed using a risk-based methodology, including input of the General Manager and the Board. Any significant deviation from the approved internal audit plan will be communicated to the General Manager and the Board through periodic activity reports.

Periodic Assessment:

The Director of Internal Audit will communicate annually to the General Manager and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

RESOLUTION 2015-07-09

INTERNAL AUDITOR CHARTER APPROVAL

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Charter, appended to which conforms to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors.

Motion by Commissioner Louney, Seconded by Commissioner Bossenbery to approve the resolution for the Internal Audit Charter.

Action: Carried Unanimously

Excerpted from the Minutes of the July 28, 2015 meeting of the BWL Board of Commissioners.