



LANSING BOARD OF WATER AND LIGHT

FINANCE COMMITTEE MEETING AGENDA

Tuesday, July 12, 2016

5:30 p.m.

REO Town Depot

Board of Water & Light Headquarters

1201 S. Washington Ave.

Lansing, MI

Call to Order

Roll Call

1. Public Comments on Agenda Items
2. Finance Committee Meeting Minutes of May 10, 2016.....TAB 1
3. YTD Financial Overview.....TAB 2
4. Six Year Forecast Overview/Resolution.....TAB 3
5. Proposed Return on Assets Resolution.....TAB 4
6. Update on Management Responses to Internal Audits.....TAB 5
7. Internal Auditor FY17 Audit PlanTAB 6
8. Background Discussion: Franchise Agreements.....TAB 7

Public Comment

Other

Adjourn

FINANCE COMMITTEE

May 10, 2016

The Finance 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 7:20 p.m. on Tuesday, May 10, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, David Price. Also, present Commissioners Mark Alley, Tony Mullen, and Non-Voting Members Bill Long (Delta Township) and Bob Nelson (E. Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of March 8, 2016.

Action: Motion Carried

Public Comment

None

Internal Auditor Outside Auditing Services Update

Internal Auditor Perkins informed the Committee that the BWL has had an ongoing contract for augmented internal auditing services with the firm of Charles Moore & Associates. According to Board policy, contracts need to be re-bid every three years, in which the third year is up-coming. According to Board policy, the contract can be renewed for an additional year with the plan being to re-bid the contact next spring.

Update on Open Internal Audit Management Responses

Heather Shawa-DeCook, Chief Financial Officer (CFO) provided an update on the Management’s response to Internal Audits. Ms. Shawa-DeCook covered the following issues and provided an update for each:

STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS					
APRIL 2016					
Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
Open Issues:					
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule; namely, a portion of I-9 forms and some asbestos bills of lading.	March 2014	Human Resources	I-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/24/16, with the approval process expected to take approximately three months.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/24/16, with the approval process expected to take approximately three months.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 6/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	A successful stress test was performed 4/13/16. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 6/30/16.
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training and use of it is in the process of being rolled out, with completion expected by 6/30/16.

Issue #12 and #13 are concerning Retention Records items; the Record Retention updates have been approved and submitted to the State Administration Board for approval. The approval process is expected to take ninety days.

The completion of issue #17 closes the books of the general accounting procedure manual. This is scheduled to be completed by the end of the calendar year.

Issues, #27, #29 and #30 is concerning the management of mobile devices. This report needs revisiting and has an extension date of September 30th.

Issue #33, concerning outage management system is still in process and is currently on schedule for June 30th.

Closed Issues (since 12/31/15 report):

26	Management of Mobile Devices	The Internal Auditor noted that guidelines for mobile device management should be documented.	Sept 2015	Information Technology	Guidelines on the use of mobile devices have been completed.
28	Management of Mobile Devices	Internal Audit questioned whether contract terms and conditions covering data loss and manipulation are sufficient.	Sept 2015	General Counsel	Contract terms and conditions covering data loss and manipulation have been updated.
31	Outage Management System	The Internal Auditor found that procurement procedures regarding technical evaluation during the RFP process need clarification.	Oct 2015	Purchasing	Procurement procedures were updated effective 4/1/16.
35	Training & Development	Employee time which can be categorized as a form of training time was found to not always be identified as such.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including the proper procedures for reporting training time, was completed on 2/20/16.
36	Training & Development	End-of-course evaluations are not always completed by attendees and Organizational Training & Development does not always provide a written summary analysis of evaluations back to trainers, particularly if there are no suggested improvements to consider.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including review of expectations for course evaluation/feedback processes, was completed on 2/20/16.

Issue number #34, concerning Training & Development is on track and scheduled for a June 30th completion.

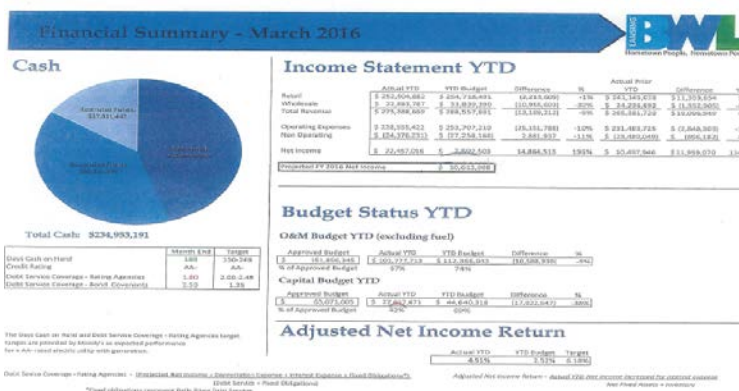
Issue #31, Outage Management System has updated procurement procedures based on audit recommendations and those are now in place.

Issues #35 and #36, concerning Training & Development is completed. Refresher training included the proper procedures for reporting training time.

Finance Chair Ross summarized the report as 8 outstanding issues, 5 closed issues and no new issues since the last review.

March YTD Financial Summary

Chief Financial Officer Heather Shawa-DeCook presented the March Year-to-Date Financial Summary.



Heather Shawa-DeCook continued by presenting the March Year-to-Date Financial Summary below:

Ratios

Operating Ratio			
O&M Expense	\$ 197,891,018	=	0.72
Revenue	\$ 275,388,659		
Measures the proportion of revenues to cover the operations and maintenance costs			
APPA Median 0.71			
Current Ratio			
Current Assets	\$ 218,234,925	=	4.38
Current Liabilities	\$ 49,815,752		
Measures whether current assets are sufficient to pay current liabilities within one year			
APPA Median 2.07			
Debt to Total Assets			
Total Debt + Accrued Liabilities	\$ 412,845,319	=	0.40
Total Assets	\$ 1,026,447,248		
Measures the ability to meet its current and long-term liabilities based on the solvability of assets			
APPA Median 0.61			
Days' Sales Outstanding			
Accounts Receivable	\$ 10,546,921	=	6.68
Average Sales	\$ 20,826,894		
Prior Year 26			
21 Days			
Bad Debt			
Actual YTD	YTD Budget	Over/Under	% of Balance
\$1,283,549	\$1,399,890	-\$116,341	0.45%
APPA Median 0.28%			

Scott Taylor, Manager of Finance, discussed and reviewed the Employee Data portion of the March Financial Summary:

Financial Summary - March 2016

Employee Data

Employee Count YTD	758
Budget YTD	758
Over (Under) #	(0)
Over (Under) %	-1.3%
Prior YTD	715
Difference	21
Temporary Employee YTD	20

Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 39,876,110	\$ 40,208,259	\$ (432,149)	-1.0%	\$ 38,112,040	\$ 1,764,070	4.6%
Overtime	\$ 5,455,470	\$ 4,565,238	\$ 890,232	25.0%	\$ 5,954,188	\$ (548,718)	-9.3%
Total	\$ 45,331,580	\$ 44,664,395	\$ 667,185	1.5%	\$ 44,106,228	\$ 1,224,958	2.8%
Total Hours Worked	2,092,236				907,293		
Labor/Hours Worked	\$ 44.28				\$ 44.55		
APPA Median	\$ 44.33						

APPA Median data is based on 2014 numbers and does not reflect subsequent labor inflation.

Benefits Cost (Including Retiree)

	Actual YTD	YTD Budget	Difference
Health	\$ 9,328,038	\$ 10,401,435	\$ (1,073,397)
Ret	\$ 2,232,401	\$ 2,415,574	\$ (183,173)
Dental	\$ 763,989	\$ 1,051,066	\$ (287,077)
Life	\$ 211,882	\$ 228,477	\$ (16,595)
PCA	\$ 5,385,791	\$ 5,385,795	\$ (4)
Other	\$ 2,133,873	\$ 2,877,289	\$ (743,416)
Total	\$ 18,136,005	\$ 20,895,429	\$ (2,759,424)

CFO Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 FY 2017 Financial Plan as follows:

- Sales forecast —Operating expense assumptions —FY 2017 O&M Budget by Category
- FY 2017 Budgeted Net Income & Cash Flow —Comparative Financials (FY 2017 vs. FY 2016)

Sales Volume Forecast

Utility	FY 17 Budget	FY 16 Budget	'17 Budget to '16 Budget	FY 16 Updated Forecast
Electric-Retail (MAN)	2,137,145	2,141,490	-0.20%	2,091,543
Electric-Wholesale (VMAH)	767,770	1,004,306	-25.0%	749,546
Electric-Total (MAN)	2,904,915	3,165,796	-8.2%	2,841,089
Water (cwt)	8,534,134	9,008,538	-6.2%	8,446,952
Steam(mmbtu)	744,469	764,969	-2.7%	676,784
Chilled Water (mwhrs)	10,288,000	10,008,000	2%	11,430,000

Electric:

- Retail sales volumes by customer class are expected to decrease slightly compared to FY 2016 Budget. The slight decrease better reflects actual experience over the last five years.
- Wholesale sales volumes have declined as a result of a decline in expected future market prices. Generation is forecasted to be dispatched at lower levels due to the lower prices.

Water:

- Retail and wholesale water sales have been decreased to better reflect actual experience over the last five years.

Steam:

- Steam sales volumes have been decreased slightly to better reflect actual experience over the last five years.

Chilled Water:

- Chilled water sales volumes have been increased slightly to reflect increased customer usage.

Comparative Income Statement

Based on Initial Requests Prior to Strategic Alignment and Review

(\$ 000's)	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 346,415	\$ 376,675	(30%)
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,908	61,201	8%
LABOR TO CAPITAL	(6,541)	(6,303)	4%
NET LABOR	59,367	54,898	8%
MATERIAL	14,209	13,536	5%
OTHER - (including Benefits)	41,581	46,441	(-9%)
OUTSIDE SERVICE	40,086	30,037	33%
FUELS, WATER CHEMICALS & AMINE	143,222	149,220	(-4%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 299,409	\$ 294,623	2%
Depreciation Expense	43,132	43,222	0%
TOTAL OPERATING EXPENSE	\$ 342,542	\$ 337,846	1%
OPERATING INCOME	\$ 23,873	\$ 38,827	(-39%)
Return on Equity	(2,007)	(2,699)	3%
Other Non-Operating Income/(Expense)	(12,810)	(12,867)	(-0%)
NET INCOME	\$ (10,944)	\$ 2,261	(-58%)

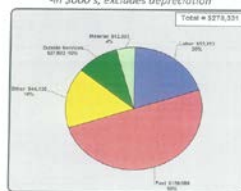
Comparative Income Statement

After Strategic Alignment and Review

In \$000's	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 366,615	\$ 376,673	-3%
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	62,507	61,301	2%
LABOR TO CAPITAL	(2,252)	(8,303)	15%
NET LABOR	60,255	54,998	9%
MATERIAL	13,357	13,516	-8%
OTHER - Including Benefits	44,131	46,441	-5%
OUTSIDE SERVICE	27,502	30,037	-8%
FUELS, WATER, CHEMICALS & AMINE	139,089	149,730	-7%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 278,331	\$ 294,823	-6%
Depreciation Expense	43,153	43,225	0%
TOTAL OPERATING EXPENSE	\$ 321,484	\$ 337,948	-5%
OPERATING INCOME	\$ 44,931	\$ 38,827	16%
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,897)	-2%
NET INCOME	\$ 10,113	\$ 2,261	347%

- Operating Expense Assumptions: Overall FY 2017 O&M decreased by 6% compared to FY 2016 Budget
- Budget assumes 754 FTE's – the same as the FY 16 budget.

FY 2017 O&M Budget by Category
 -In \$000's, excludes depreciation



FY 2017

Income Statement by Utility

\$000's	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (MWh, ccf, Mlb, ten-hr)	2,904,915	8,514,124	774,469	10,288,000	22,501,518
Actual	\$ 279,805	\$ 16,257	\$ 12,419	\$ 5,707	\$ 334,188
Wholesale	\$ 18,916	\$ 3,511	\$ -	\$ -	\$ 22,427
OPERATING REVENUE	\$ 366,721	\$ 19,768	\$ 12,419	\$ 5,707	\$ 386,415
Operation & Maintenance E	\$(242,027)	\$(25,860)	\$(8,019)	\$(2,322)	\$(278,331)
Depreciation Expense	\$(10,830)	\$(8,613)	\$(2,563)	\$(1,748)	\$(23,754)
OPERATING EXPENSE	\$(272,837)	\$(33,973)	\$(10,582)	\$(4,073)	\$(321,484)
OPERATING INCOME	\$ 35,864	\$ 5,595	\$ 1,837	\$ 1,634	\$ 44,930
Return on Equity	\$(3,538)	\$(2,884)	\$(747)	\$(48)	\$(7,217)
Other Non-Operating Income	\$ 20	\$ 782	\$(188)	\$ 39	\$ 679
Other Non-Operating Expn	\$(9,341)	\$(1,706)	\$(1,881)	\$(550)	\$(13,483)
NET INCOME/(LOSS)	\$ 8,015	\$ 2,287	\$(959)	\$ 770	\$ 10,113
RATE OF RETURN	8.9%	1.8%	1.5%	4.9%	3.1%

FY 2017 Cash Flow by Utility

\$000's	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
BEGINNING OPERATING CASH	61,533	13,699	5,703	5,938	86,873
Sources of Cash					
Net Income	\$ 8,015	\$ 2,288	\$(960)	\$ 770	\$ 10,113
Depreciation	\$ 30,200	\$ 40,018	\$ 2,563	\$ 1,748	\$ 74,529
Loss on Sale of Assets	\$ 634	\$ 322	\$ 225	\$ -	\$ 1,181
Withdrawal from Construction Reserve	\$ 4,881	\$ 1,087	\$ 482	\$ 313	\$ 6,763
Fuel Cost Undercollection	\$ 2,329	\$ (63)	\$ 43	\$ -	\$ 2,309
Net Environmental	\$ 4,558	\$ -	\$ 183	\$ -	\$ 4,741
Pipeline Refund	\$ 2,200	\$ -	\$ 455	\$ -	\$ 2,655
SOURCES OF CASH	\$ 58,017	\$ 13,666	\$ 2,960	\$ 2,830	\$ 77,673
Uses of Cash					
Debt Principal	\$(5,000)	\$(2,313)	\$(1)	\$(1,465)	\$(8,844)
Net Capital Expenditures	\$ 142,349	\$ 14,010	\$ 3,606	\$ 853	\$ 160,818
Renewable Energy & ED Plans	\$(1,153)	\$ -	\$ -	\$ -	\$(1,153)
Other Uses of Cash	\$(183)	\$(41)	\$(37)	\$(12)	\$(273)
USES OF CASH	\$ 142,349	\$ 14,010	\$ 3,606	\$ 853	\$ 160,818
Net Cash Increase/(Decrease)	\$ 4,888	\$ 4,699	\$(943)	\$ 300	\$ 4,944
ENDING OPERATING CASH	66,388	19,001	5,840	6,238	\$ 96,467

Ms. Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 Capital Budget and Next Steps as follows:

FY 2017 Capital Budget Summary

Dollars in (000's)

UTILITY	LOCATION	
ELECTRIC	ECKERT	\$ 3,280
WATER	ERICKSON	\$ 1,941
STEAM	RED PLANT	\$ 144
CHILLED WATER	TRD	\$ 36,462
COMMON	DYE/CEDAR	\$ 3,039
	CHILLER PLANT	\$ 42
	OTHER	\$ 15,910
TOTAL BUDGET		\$ 60,818

FY 2017 Capital Budget – Major Projects/Programs

Project Title	Project Total	FY 2017
Planned Projects		
• Erickson to Willow 238KV Line Extension	22,251,000	3,869,000
• CSR Implementation	5,763,144	3,715,700
• New Mainframe	3,086,500	3,086,500
• Gridstar Interconnect	3,525,000	2,796,000
• Moores Park Dam Gate Hoist and Phase 2 Dam Repair	4,943,000	2,610,200
• Smart Grid Implementation	30,850,000	2,500,000
• Burnham 410KV Sub Outage and Retirement	2,735,000	2,735,000
• Central Substation	25,800,000	2,000,000
• Lead Service Replacements	44,028,761	3,685,062
• ADMS	2,720,000	1,524,000
• Water Distribution Replacement - N Grand River	2,280,000	1,238,000
• Purkins 410KV Substation Retirement	4,337,000	2,208,000
• Cedar Pump #1	1,081,700	1,081,700
Annual Projects **		
• Services and Line Extensions	16,678,846	2,500,000
• ESD Annual/Rebuild T&D System	2,365,000	2,365,000
• Street, Building, and Outdoor Protective Lighting	16,793,250	2,236,000
• Annual Manhole Replacement	7,228,149	1,222,000
FY 17 Total Spending (Major Projects)		38,556,100

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

The Next Steps for the proposed Budget is:

- Request the Board to approve the FY 2017 Operating & Capital Budgets at the May 24th Regular Board meeting, in line with the Charter Rule of budget adoption by June 1st.
- File FY 2017 Operating Budget & Capital Budget with the City Clerk's office within in 10 days after approval.

Chief Financial Officer Heather Shawa-DeCook stated that she wanted the Commissioners to be aware of 3 reportable (projects) that are forthcoming. The projects are not scheduled to be completed until later part of this calendar year, however, at the time when the budget was reviewed it was noted that these projects were projected to be 15% over its previously approved budget, and will likely require reporting to the Commissioners.

PROPOSED RESOLUTION

Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 Capital Budget is hereby approved as presented; and

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

Staff Comments: In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$278.3 million and a capital budget of \$60.8 million for Fiscal Year 2017. The capital budget is to provide for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 24, 2016 Board meeting.

Motion by Commissioner Louney, Seconded by Commissioner Price to forward the proposed FY 17 Operating and Capital Budget Resolution to the full Board for consideration.

Action: Motion Carried

Other

Commissioner Nelson raised an issue concerning reporting requirements of PA95—whether Board action was required or whether a simple notice from the BWL would satisfy state law. At the request of Finance Chair Ross, General Manager Peffley assured that the proper filing for this Public Act would take place by July 1st.

Excused Absence

None.

Adjourn

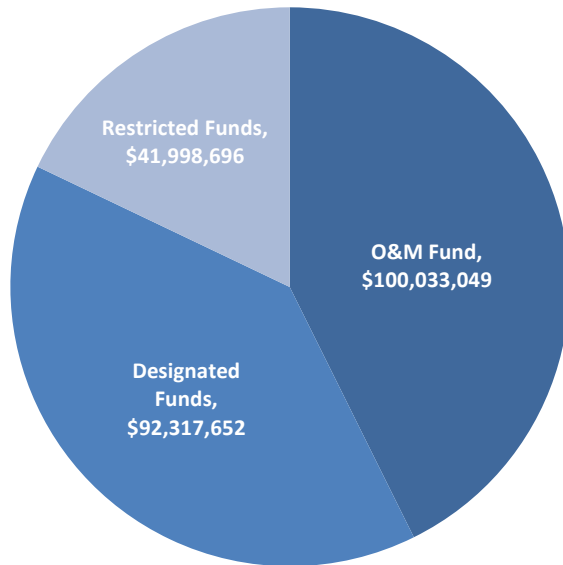
Meeting adjourned by Finance Chair Ross at 8:02 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

Financial Summary - May 2016



Cash



Total Cash: \$234,349,397

	Month End	Target
Days Cash on Hand	183	150-249
Credit Rating	AA-	AA-
Debt Service Coverage - Rating Agencies	1.92	2.00-2.49
Debt Service Coverage - Bond Covenants	2.79	1.25

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

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

*Fixed obligations represent Belle River Debt Service

Income Statement YTD

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Retail	\$ 304,309,271	\$ 305,459,655	(1,150,384)	0%	\$ 295,204,818	\$ 9,104,453	3%
Wholesale	\$ 25,537,876	\$ 40,107,338	(14,569,462)	-36%	\$ 28,562,386	\$ (3,024,510)	-11%
Total Revenue	\$ 329,847,148	\$ 345,566,994	(15,719,846)	-5%	\$ 323,767,204	\$ 6,079,943	2%
Operating Expenses	\$ 277,709,124	\$ 309,390,778	(31,681,654)	-10%	\$ 283,443,907	\$ (5,734,783)	-2%
Non Operating	\$ (30,033,370)	\$ (32,772,363)	2,738,993	-8%	\$ (28,677,848)	\$ (1,355,522)	5%
Net Income	\$ 22,104,654	\$ 3,403,853	18,700,801	549%	\$ 11,645,449	\$ 10,459,205	90%

Projected FY 2016 Net Income \$ 1,836,317

Budget Status YTD

O&M Budget YTD (excluding fuel)

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 151,856,345	\$ 126,981,979	\$ 139,556,232	(12,574,253)	-9%
% of Approved Budget	84%	92%		

Capital Budget YTD

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 65,071,605	\$ 39,259,754	\$ 55,562,300	(16,302,546)	-29%
% of Approved Budget	60%	85%		

Adjusted Net Income Return

Actual YTD	YTD Budget	Target
4.78%	2.23%	6.18%

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

Financial Summary -May 2016



Ratios

Operating Ratio

O&M Expense	\$ 240,204,303	=	0.73	APPA Median	0.71
Revenue	\$ 329,847,148				

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

Current Ratio

Current Assets	\$ 227,152,661	=	3.79	APPA Median	2.07
Current Liabilities	\$ 59,961,840				

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 425,044,905	=	0.41	APPA Median	0.61
Total Assets	\$ 1,038,294,473				

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

Days' Sales Outstanding

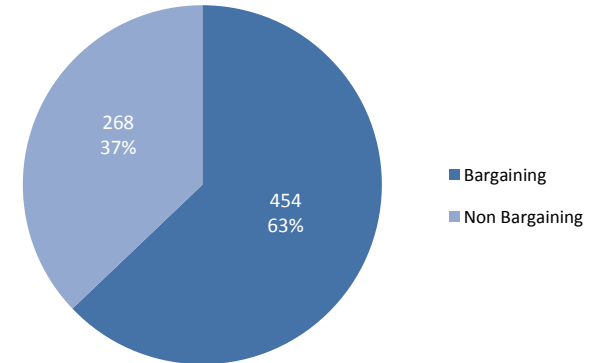
Accounts Receivable	\$ 29,506,092	=	1.08	Prior Year	20
Average Sales	\$ 27,229,240		X 31		
				34	Days

Bad Debt

Actual YTD	YTD Budget	Over/(Under)	% of Revenue	APPA Median	0.28%
\$1,700,633	\$1,710,006	-\$9,373	0.52%		

Employee Data

Employee Count YTD	722
Budget YTD	754
Over (Under) #	(32)
Over (Under) %	-4.2%
Prior YTD	724
Difference	-2
Temporary Employee YTD	19



Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 50,422,171	\$ 51,013,648	\$ (591,477)	-1.2%	\$ 48,959,522	\$ 1,462,649	3.0%
Overtime	\$ 6,965,922	\$ 5,469,556	\$ 1,496,366	27.4%	\$ 7,522,182	\$ (556,260)	-7.4%
Total	\$ 57,388,093	\$ 56,483,204	\$ 904,889	1.6%	\$ 56,481,704	\$ 906,389	1.6%
Total Hours Worked	1,277,814				1,259,142		
Labor/Hours Worked	\$ 44.91				\$ 44.86		

APPA Median	\$ 44.13
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APPA Median data is based on 2014 numbers and does not reflect subsequent labor inflation.

Benefits Cost

(Including Retirees)

	Actual YTD	YTD Budget	Difference
Health	\$ 11,384,803	\$ 12,730,793	\$ (1,345,990)
RX	\$ 3,091,174	\$ 2,959,634	\$ 131,540
Dental	\$ 963,994	\$ 1,250,662	\$ (286,668)
Life	\$ 266,498	\$ 292,674	\$ (26,176)
FICA	\$ 4,289,821	\$ 4,233,732	\$ 56,089
Other	\$ 2,578,888	\$ 3,140,575	\$ (561,687)
Total	\$ 22,575,178	\$ 24,608,070	\$ (2,032,892)

PROPOSED RESOLUTION
Fiscal Year 2018-2022 Capital Forecast

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2018-2022 is hereby accepted as presented.

Staff Comments: Capital expenditures for Fiscal year 2017-2022 are estimated to be \$372 million. The 2017 Capital budget was previously adopted by the Board of Commissioners. Staff recommends the remaining years of the forecast be accepted as presented.

FY 2017-2022 Financial Plan



Finance Committee Meeting July 12, 2016
Board Meeting July 26, 2016

FY 2017-2022 Financial Plan

- Six-Year Operating Forecast
 - Financial Goals
 - Financial Assumptions
 - Rate of Return
- Six-Year Capital Forecast
- Already Completed and Next Steps

Six-Year Operating Forecast

FY 2017 – FY 2022

Financial Goals

- Maintain credit quality
 - BWL is currently a AA- Rated Utility

- Ensure adequate liquidity
 - Ability to meet near term obligations when due
 - Target Days Cash on Hand Range 150-249*
 - Target Debt Service Coverage 2.00-2.49*

- Maintain rate competitiveness

- 4.81% Rate of Return

Financial Assumptions

- Projected sales levels
 - Electric – Slight increase in retail sales and decline in wholesale sales reflecting lower wholesale market prices and the 2020 removal of generation provided by Eckert.
 - Water – Retail sales held constant for forecast period. Slight increase in wholesale.
 - Steam – Held constant.
 - Chilled Water – Held constant.
- Operating expenses are forecast to increase from FY 2017 through FY 2022 at an annual 2.4% inflationary rate.*
- Any potential impact related to Eckert replacement generation has not been included in this forecast.
- Upcoming labor contract negotiations has not been included.

* Source - The Budget and Economic Outlook:2016 to 2026 – Congress of the United States Congressional Budget Office

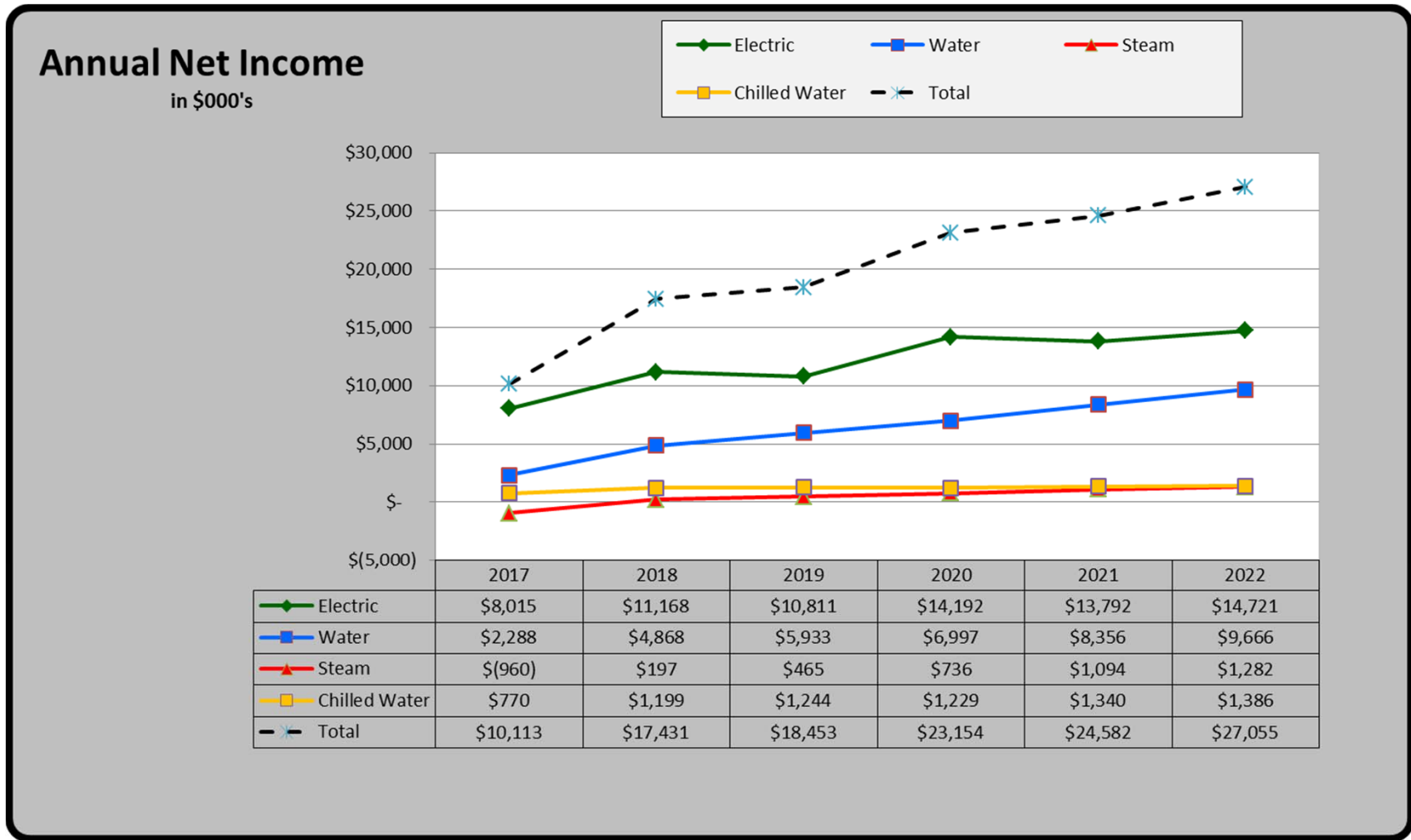
Rate of Return

- In August 2008, the Board approved a target rate of return of 6.18%
- The rate of return was determined using a methodology provided by Utility Financial Solutions and used by municipal utilities where the Board also indicated that the approach should allow for flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances.
- Under this methodology, a rate of return is calculated that blends the utilities borrowing rate with double the inflation rate
- This return allows the utility to pay for interest costs and also provides for the replacement of aging infrastructure as it is removed from service
- The target return in dollars is calculated by multiplying the rate of return by the utility's rate base which includes net fixed assets and inventory
- The rate of return achieved is calculated with the following formula:
 - $(\text{Net Income} - \text{Interest Income} + \text{Interest Expense}) / (\text{Net Fixed Assets} + \text{Inventory})$
- The rate of return has been recalculated using current inflation, debt rate, and rate base information. With the updated information, the needed return is calculated at 4.81%.
- The forecast presented is based on the updated return calculation of 4.81%.

FY 2017 - FY 2022 Six Year Forecast

<i>In \$000's</i>	2017	2018	2019	2020	2021	2022
Rate Increase:						
Electric	0.0%	2.4%	2.4%	2.4%	2.4%	2.4%
Water	0.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Steam	0.0%	5.4%	5.4%	5.4%	5.4%	5.4%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):						
Electric	\$ 8,015	\$ 11,168	\$ 10,811	\$ 14,192	\$ 13,792	\$ 14,721
Water	\$ 2,288	\$ 4,868	\$ 5,933	\$ 6,997	\$ 8,356	\$ 9,666
Steam	\$ (960)	\$ 197	\$ 465	\$ 736	\$ 1,094	\$ 1,282
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386
Total Net Income	\$ 10,113	\$ 17,431	\$ 18,453	\$ 23,154	\$ 24,582	\$ 27,055
Return on Rate Base						
Electric	3.9%	4.2%	4.0%	4.5%	4.5%	4.8%
Water	1.8%	2.9%	3.2%	3.6%	4.2%	4.8%
Steam	1.5%	3.5%	3.8%	4.0%	4.5%	4.8%
Chilled Water	4.9%	6.5%	6.8%	6.8%	7.3%	7.6%
Total	3.1%	3.8%	3.8%	4.3%	4.5%	4.9%
Unrestricted Cash Balance	\$ 137,301	\$ 102,237	\$ 88,018	\$ 91,828	\$ 108,907	\$ 117,473
Days Cash on Hand	167	123	111	116	136	138
Debt Service Coverage	1.94	2.16	2.51	2.63	2.58	2.70

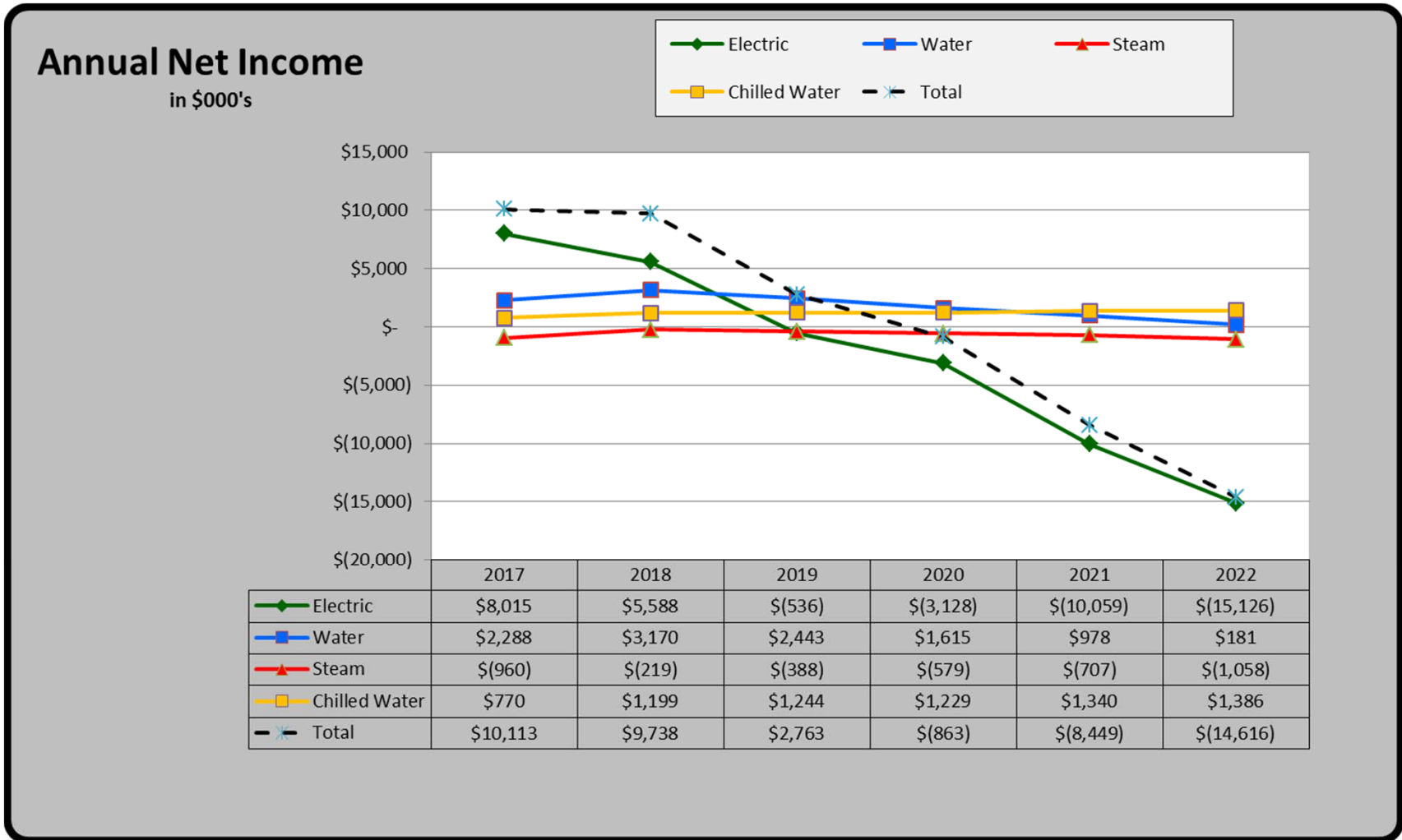
Annual Net Income by Utility



Without Forecast Rate Increases

FY 2017 - FY 2022 Six Year Forecast						
<i>In \$000's</i>	2017	2018	2019	2020	2021	2022
Rate Increase:						
Electric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Steam	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):						
Electric	\$ 8,015	\$ 5,588	\$ (536)	\$ (3,128)	\$ (10,059)	\$ (15,126)
Water	\$ 2,288	\$ 3,170	\$ 2,443	\$ 1,615	\$ 978	\$ 181
Steam	\$ (960)	\$ (219)	\$ (388)	\$ (579)	\$ (707)	\$ (1,058)
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386
Total Net Income	\$ 10,113	\$ 9,738	\$ 2,763	\$ (863)	\$ (8,449)	\$ (14,616)
Return on Rate Base						
Electric	3.9%	3.0%	1.7%	1.0%	-0.3%	-1.1%
Water	1.8%	2.1%	1.7%	1.3%	1.0%	0.6%
Steam	1.5%	2.8%	2.4%	1.9%	1.7%	1.1%
Chilled Water	4.9%	6.5%	5.8%	6.8%	7.3%	7.6%
Total	3.1%	2.9%	1.9%	1.3%	0.4%	-0.2%
Unrestricted Cash Balance	\$ 137,301	\$ 94,544	\$ 64,635	\$ 44,448	\$ 28,497	\$ (4,608)
Days Cash on Hand	167	114	82	57	36	-5
Debt Service Coverage	1.94	1.98	2.08	1.99	1.72	1.61

Annual Net Income by Utility Without Forecast Rate Increases



FY2017 – FY2022 Six-Year Capital Forecast



Finance Committee Meeting July 12, 2015
Board Meeting July 26, 2015

**CAPITAL PROJECTS SUMMARY
SIX YEAR FORECAST FY 2017 - FY 2022
BOARD OF WATER & LIGHT**

Dollars in (000's)

UTILITY	2017	2018	2019	2020	2021	2022	Six-Year
							Total
ELECTRIC	36,807	69,869	49,103	37,353	29,042	41,283	263,457
WATER	9,843	11,139	11,040	7,824	5,739	5,922	51,506
STEAM	2,901	3,132	5,592	6,039	3,002	3,011	23,678
CHILLED WATER	180	494	158	162	166	166	1,324
COMMON	11,087	3,886	4,848	3,985	4,077	3,953	31,837
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802

LOCATION	2017	2018	2019	2020	2021	2022	Six-Year
							Total
ECKERT	3,280	187	208	110	113	113	4,011
ERICKSON	1,941	3,543	19,917	13,008	155	-	38,562
REO PLANT	144	35	2,500	3,025	-	-	5,704
T&D	41,643	75,762	40,102	33,857	36,985	49,854	278,202
DYE/CEDAR	3,039	4,805	2,917	1,128	445	165	12,499
CHILLER PLANT	42	340	-	-	-	-	382
OTHER	10,729	3,849	5,098	4,235	4,327	4,203	32,443
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802

FY 2017-2022 Capital Budget – Major Projects/Programs

Project Title	Project Total	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Forecast Total
Planned Projects								
Smart Grid Implementation	30,950,000	2,500,000	8,150,000	7,050,000	7,050,000	5,700,000	-	30,450,000
* Central Substation	25,800,000	2,000,000	17,839,000	5,961,000	-	-	-	25,800,000
Erickson - Dry Sorbent Injection	21,023,000	-	-	10,511,500	10,511,500	-	-	21,023,000
* Erickson to Willow 138kV Line Extension	22,251,000	3,869,000	15,338,000	-	-	-	-	19,207,000
23228 Wise Substation double Ending	13,378,000	-	-	-	500,000	4,000,000	8,878,000	13,378,000
Turbine Overhaul Outage	10,000,000	-	2,000,000	8,000,000	-	-	-	10,000,000
High Pressure Steam Parallel Supply	6,094,000	915,000	2,589,500	2,589,500	-	-	-	6,094,000
ESRI Implementation	5,763,144	3,715,720	1,023,123	541,806	-	-	-	5,280,649
Distribution Automation Project	6,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
REO CTG Hot Section replacement	5,000,000	-	-	2,500,000	2,500,000	-	-	5,000,000
Willow Yard Expansion	4,305,000	840,000	3,350,000	-	-	-	-	4,190,000
Eckert Overhead 4160V Cutover and Retirement	3,841,000	-	-	-	-	-	3,841,000	3,841,000
Cedar Overhead 4160V Sub Cutover and Retirement	4,825,080	-	-	-	1,206,270	1,206,270	1,206,270	3,618,810
138kV Line Relay Upgrade Program	3,590,000	-	-	-	718,000	718,000	718,000	3,590,000
Erickson Yard Expansion	3,216,000	722,000	2,375,000	-	-	-	-	3,097,000
New Mainframe	3,086,500	3,086,500	-	-	-	-	-	3,086,500
Wise Bus 2 Distribution	3,075,000	-	-	-	-	1,000,000	2,075,000	3,075,000
GroSolar Interconnect	3,535,000	2,736,000	-	-	-	-	-	2,736,000
Erickson 138kV Capacitor Bank	2,798,675	473,400	2,257,425	-	-	-	-	2,730,825
Moores Park Dam Gate Hoist and Phase 2 Dam Repair	4,943,000	2,610,200	-	-	-	-	-	2,610,200
ADMS	2,720,093	1,635,062	800,031	-	-	-	-	2,435,093
24443 Replace 18" HP from MH910 to MH930	2,346,352	-	-	-	181,000	1,146,700	1,018,652	2,346,352
* Burcham 4160V Sub Cutover and Retirement	2,235,000	2,235,000	-	-	-	-	-	2,235,000
Lead Service Replacement	44,028,761	2,000,000	-	-	-	-	-	2,000,000
* Forbes 4160V Substation Retirement	4,327,000	1,208,000	-	-	-	-	-	1,208,000
Wide Area Fiber Loop Completion	1,623,000	117,000	-	-	-	-	-	117,000
Annual Projects **								
Services and Line Extensions	16,227,844	2,500,000	2,600,000	2,610,000	2,722,750	2,838,318	2,956,776	16,227,844
ESI Annual Rebuild T&D System	18,525,883	2,395,000	3,068,850	3,145,571	3,224,210	3,304,816	3,387,436	18,525,883
Street, Building, and Outdoor Protective Lighting	16,234,250	2,236,000	2,660,000	2,726,500	2,800,000	2,870,000	2,941,750	16,234,250
Annual Manhole Replacement	7,228,149	1,222,008	-	185,204	1,335,321	392,446	-	3,134,979
CSO Ineligible	8,550,001	-	700,000	1,700,000	2,050,000	2,050,000	2,050,000	8,550,000
CSO Required Water Reconstruction - SSRF Eligible	3,400,001	-	240,000	700,000	820,000	820,000	820,000	3,400,000
FY 17 - FY 22 Total Spending (Major Projects)		39,015,890	65,990,929	49,221,081	36,619,051	27,046,550	30,892,884	250,222,385

* These projects support the retirement of Eckert
 ** Annual projects have some level of spending each year.
 The forecast total represents 6 year spending.



Already Completed and Next Steps

- FY 2017 Operating & Capital Budgets
 - Approved at May 24th Board meeting
 - Filed with the City Clerk within 10 days (June 3rd) after adoption in compliance with City Charter
- Accept as presented the Capital Forecast for FY 2017-2021 and submit to the Mayor prior to October 1
 - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1

Proposed Resolution 2016-7-?

Return on Assets

Whereas, the Board of Commissioners adopted the use of a modified Utility Financial Solutions (USF) approach as a standard to calculate the Overall Rate of Return target for the Lansing Board of Water and Light on August 12, 2008; and

Whereas, the Staff recommends the continuation of the use of the modified USF approach where the overall rate of return is applied to net fixed assets plus materials and supplies; and

Whereas, the Staff recommends the overall rate of return should be reviewed each year as part of the budgeting process; and

Whereas, the Staff recommends that the modified UFS approach should include the flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances as needed.

RESOLVED, that the Board of Commissioners adopt the modified UFS approach for determining an appropriate rate of return target for the Lansing Board of Water and Light, the return should be reviewed each year as part of the budgeting process, and should be flexible to allow for upward adjustments to accommodate large construction projects and other unusual circumstances as needed.

Staff Comments:

This resolution is to clarify that the intent of the Board is to establish a methodology for determining an appropriate target rate of return and to indicate that it is management's responsibility to apply this methodology, at least annually, to determine the applicable target rate of return.

Resolution 2008-8-4
Return on Assets

Whereas, the Board of Commissioners requested that the Staff conduct research and prepare a recommendation for the Board's consideration regarding the setting of an appropriate rate of return target for the Lansing Board of Water and Light; and

Whereas, the Staff completed its research and presented its study to the Finance Committee meeting on August 4, 2008; and

Whereas, the Staff recommends that a modified Utility Financial Solutions (USF) approach be adopted by the Board as a standard to calculate the Overall Rate of Return; and

Whereas, in recognition of the large coal inventory carried by the BWL, the Staff recommends the overall rate of return be applied to net fixed assets plus materials and supplies; and

Whereas, the Staff recommends the overall rate of return should be subject to review each year as part of the budgeting process; and

Whereas, the Staff recommends that the Board directive for return on fixed assets should be changed to accommodate the UFS approach and should include the flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances as needed and as approved by the Board.

RESOLVED, that the Board of Commissioners adopt the modified UFS approach for determining an appropriate rate of return target for the Lansing Board of Water and Light, the return should be subject to review each year as part of the budgeting process, and should be flexible to allow for upward adjustment to accommodate large construction projects and other unusual circumstances as needed and as approved by the Board; and

FURTHER RESOLVED, that the Overall Rate of Return target for Fiscal Year 2009 will be 6.18% including a Return on Equity of 6.31%:

Motion by Commissioner Rodocker, seconded by Commissioner Cochran to approve the resolution regarding the Return on Assets Target using Utility Financial Solutions' Approach.

Discussion: Commissioner James was pleased to see the Return on Assets Policy before the Board of Commissioners and had questions regarding the return on equity table and whether or not other Michigan utilities were using the Wisconsin method.

Chief Financial Officer Susan Devon explained the return on equity table. She further noted that staff recommended using the Utility Financial Solutions (UFS) method, as modified to include materials and supplies, which is appropriate due to the large coal inventory. Most other utilities do not carry large coal inventories similar to that of the BWL. The BWL would also have opportunity to adjust the approach in the future to calculate a different rate of return should a large construction project take place.

Commissioner James also inquired as to why staff was not recommending the Wisconsin method as it yields a higher rate of return.

Ms. Devon advised that they recommended the USF method but any of the approaches would work.

Commissioner James thanked Ms. Devon for the information and noted that she may contact her in the future.

Action: Carried unanimously.

Adopted by the Board of Commissioners at a Special Board meeting held August 12, 2008.

**STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS
AS OF 6/30/16**



In Accordance with Board Resolution #2014-07-05

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
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Open Issues:

12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule; namely, a portion of I-9 forms and some asbestos bills of lading.	March 2014	Human Resources	I-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/14/16. Currently in process is a response to the State's second round of questioning.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/14/16. Currently in process is a response to the State's second round of questioning.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 9/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost-beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	A successful stress test was performed April 13. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 7/29/16.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training on it is in the process of being rolled out, at a slower pace than originally anticipated, with completion now expected by 9/2/16.
37	Hiring Process <i>NEW</i>	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	An additional Board policy, one which addresses BWL hiring standards in their entirety, will be drafted by 12/31/16.
38	Hiring Process <i>NEW</i>	Internal Audit recommended updating a hiring checklist, documenting rationale for selected hires, and storing job files in electronic form.	May 2016	Human Resources	Management will update the hiring checklist, document rationale for selected hires, and store job files electronically by 12/31/16.
39	IT Change Management <i>NEW</i>	Internal Audit recommended IT change management policy and procedures be documented.	May 2016	Information Technology	The IT change management process has been refined and a standard form and workflow developed. A Change Advisory Board is following ITIL guidelines. Further development of written guidelines will be complete by 9/1/16.
41	IT Change Management <i>NEW</i>	Internal Audit recommended specifically addressing emergency IT changes in the IT change management process.	May 2016	Information Technology	IT has defined an emergency change and documented a process flow. IT is also developing a training plan and written guidelines, expected to be complete 9/1/16.
42	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended annual updates to the Emergency Operations Plan.	May 2016	Emergency Management	Annual updates to the Emergency Operations Plan will be performed, effective immediately.
43	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended formally tracking the corrective actions resulting from restoration exercises as such.	May 2016	Emergency Management	Corrective actions will be formally tracked, effective immediately.

Closed Issues (since April 2016 report):

40	IT Change Management <i>NEW</i>	Internal Audit recommended a separate database or listing of IT changes.	May 2016	Information Technology	Additional information identified as being needed is now being captured in the existing IT ticketing system used to track changes.
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Internal Audit Status Report

Presented by:
Phil Perkins, Director of Internal Audit
Finance Committee Meeting
July 2016

Overview

- FY 2016 Audit Plan Final Progress Report
- Proposed FY 2017 Audit Plan
- Other Items

FY 2016 Audit Plan Progress Report

Engagements Completed:

1. Training & Development Audit
2. Selected CRT/MPSC/BWL Recommendations Audit
3. Hiring Process Audit
4. IT Change Management Audit
5. NERC-CIP Cybersecurity Compliance Audit
6. Surprise Cash Counts (2)
7. Employee Time Reporting Reviews (2)
8. Vehicle Time Reporting Reviews (2)

Engagement in Progress: Billing Audit (anticipate completion in August 2016)

Proposed FY 2017 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 over 20 potential audits to perform in FY 2017 and beyond.

Proposed FY2017 Audit Plan - Background

Top 12 audits for FY 2017 (as discussed with senior management):

- 1. Performance Evaluation/Compensation/Merit Increases.**
- 2. Collections**
- 3. Post-Cyber Incident Review**
- 4. IT - Help/Service Desk**
- 5. New Service Order Mgt – Water**
- 6. Payroll**
- 7. Hiring Process Follow-up**
- 8. Training Follow-up**

- 9. Planned Projects**
- 10. IT – ID & Access Mgt- New and Terminated Employees**
- 11. Metering Services**
- 12. IT Security Policy – Data Classification & Controls**

Proposed FY 2017 Audit Plan

Planned Audits:	Estimated Hours
Performance Evaluation/Compensation	300
Collections	400
Post-Cyber Incident Review	300
IT Help/Service Desk Management	400
New Service Order Management - Water	300
Payroll Management	400
Follow-up – Hiring Process	100
Follow-up – Training & Development	100
Other Engagements:	
Surprise Cash Counts (2)	50
Time Reporting Reviews (2)	100
Vehicle Time Reporting	50
Other Consulting as Needed	100
Total Estimated Hours	<u>2,600</u>

Proposed FY 2017 Audit Plan, Cont'd

Available Resources:

Resource	Position	Available Hours
Phil Perkins	Director of Internal Audit	1,500
C. L. Moore & Associates	Augmented IA Services	900
Internal or External IT Audit Assistance	IT Audit Services	200
Total Hours		<u>2,600</u>

Proposed FY 2017 Audit Plan, Cont'd

- Questions & Discussion of FY 2017 Audit Plan
- Approval of FY 2017 Audit Plan

Other Items

1. Continuous Quality Improvements:

- FY 2016 – Updated Internal Audit Procedures to better reflect current processes.
- FY 2017:
 - Attain certification for Cybersecurity Fundamentals from ISACA.
 - External Peer Review (mandated every 5 years).

2. Internal Audit Charter – Annual Renewal needs approval (no proposed changes to current version approved last year)

CITY OF EAST LANSING
EAST LANSING CITY COUNCIL

RESOLUTION

RESOLUTION IN SUPPORT OF THE LANSING BOARD OF WATER AND LIGHT'S ADOPTION OF A RESOLUTION TO ENTER INTO A FRANCHISE AGREEMENT WITH THE CITY OF EAST LANSING AND MAKE A PAYMENT IN LIEU OF A FRANCHISE FEE TO THE CITY OF EAST LANSING IN THE AMOUNT OF 5% OF ITS GROSS SALES WITHIN THE CITY

WHEREAS, the Lansing Board of Water and Light has been providing power to residential and commercial customers with the City of East Lansing and other jurisdictions for an extended period of time; and

WHEREAS, the City of East Lansing and the Lansing Board of Water and Light have a long term relationship with one another; and

WHEREAS, the Lansing Board of Water and Light has, since it started serving East Lansing, been using City of East Lansing streets and right-of-ways to carry power to its commercial and residential customers within the City of East Lansing; and

WHEREAS, the Board of Water and Light pays franchise fees or equity payments to the other jurisdictions that it provides power to; and

WHEREAS, the City of East Lansing desires to enter into a franchise agreement with the Lansing Board of Water and Light to specify the parties responsibilities and duties and to obtain a comparable payment the Lansing Board of Water and Light makes to the other jurisdictions it services;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the City of East Lansing urges and supports the Lansing Board of Water and light to adopt a resolution to enter

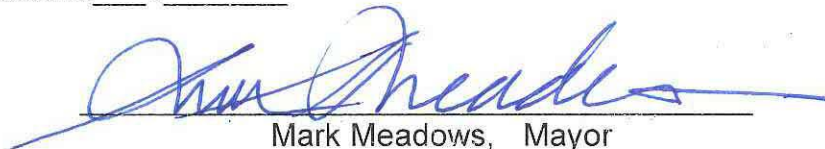
OFFICE OF THE
CORPORATE SECRETARY
MAY 09 2016

into a franchise agreement with the City of East Lansing and to make payments in lieu of a franchise fees to the City of East Lansing in the amount of 5% of its gross sales to the commercial and residential customers with the jurisdictional limits of the City of East Lansing.

Moved by Council member: Beier

Supported by Council member: Woods

ADOPTED: Yeas: 4
Nays: 0
Absent: 1



Mark Meadows, Mayor
Adopted: May 9th, 2016

CLERKS CERTIFICATION: I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the East Lansing City Council at a public meeting held on Monday, May 9, 2016, the original of which is part of the Council's minutes.



Marie E. Wicks, City Clerk
City of East Lansing
Ingham and Clinton Counties, Michigan

Drafted by and approved as to form:



Thomas M. Yeadon (P38237)
East Lansing City Attorney
601 Abbot Road
East Lansing, MI 48823