



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
May 14, 2024 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Sandra Zerkle, Committee Chairperson; Beth Graham; David Price; and Dale Schrader; Alternates: Semone James, Tracy Thomas; Non-Voting: J. R. Beauboeuf, Robert Worthy, Brian Pillar

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

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Approval of the Finance Committee Meeting Minutes of March 19, 2024**TAB 1**
- 2. March YTD Financial Summary**TAB 2**
- 3. Rate Strategy Update **INFORMATION ONLY**
- 4. FY 25 Operating Budget and FY25-30 Forecast Presentation**TAB 3**
 - a. FY2025-2030 Budget and Forecast Resolution**TAB 3a**
- 5. Retirement Plan Committee (RPC) Updates**TAB 4**
- 6. Drinking Water State Revolving Fund (DWSRF).....**TAB 5**
 - a. Project Plan Approval and Resolution.....**TAB 5a**
- 7. FY2024 Rules and Regulations Audit Results**TAB 6**
- 8. Internal Audit Status Report.....**TAB 7**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
March 19, 2024

Finance Committee: Sandra Zerkle, Committee Chairperson; Beth Graham; David Price; and Dale Schrader; Alternates: Semone Jame, Tracy Thomas; Non-Voting: Commissioners J. R. Beauboeuf, Brian Pillar, Robert Worthy.

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, March 19, 2024.

Finance Committee Chairperson Sandra Zerkle called the meeting to order at 6:40 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners David Price, Dale Schrader, and Sandra Zerkle; Alternate: Semone James

Absent: Commissioner Beth Graham

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner David Price, **Seconded** by Commissioner Schrader, to approve the Finance Committee Meeting minutes of January 16, 2024.

Action: Motion Carried.

Financial Summary YTD

CFO Heather Shawa presented the Financial Summary YTD. Days Cash on Hand is below target due to about \$7.7 million of unanticipated costs from the August storm and prepayment of some contracts in the clean energy program. As the BWL reimburses itself for the clean energy program costs, this will trend back up. CFO Shawa reported that the FY2024 budgeted net income was \$17.5 million but three items impacted the amount and an adjusted new projected net income was presented. The three variances were the August storm costs of \$7.7 million, bond issuance costs of \$2 million, and continued higher material costs as indicated in the O&M Budget YTD 11% difference.

Chairperson Zerkle asked if the day-to-day operations were being affected by the Days Cash on Hand. CFO Shawa responded that no operational spending has been cut as sufficient funding is available to continue planned operations. GM Peffley responded that FEMA denied the storm reimbursement claim.

Commissioner James inquired whether the storm area was considered a federal disaster area and the reason why there would be student loan forbearance and not storm reimbursement. CFO Shawa responded that mostly individual claims received support, but not public assistance entities. CFO Shawa added that a further meeting is being held with the city of Lansing and a maximum of \$1 million can be requested for reimbursement through local and state funds.

GM Peffley commented that the budget has not exceeded targets in 8 or 9 years and doesn't see the projected net income dropping any lower. The wholesale side of the O&M budget is being closely managed and if the warmer weather trend continues, some costs will be returned through sales.

Chairperson Zerkle inquired whether the Capital Budget amounts were due to some major projects that are just beginning to get started that were behind production. CFO Shawa responded affirmed.

CFO Shawa reported that the Debt to Total Assets is red due to Delta Energy Park, new debt issuance and clean energy program. Days Sales Outstanding is red due to increased accounts receivable.

Chairperson Zerkle inquired whether the bad debt decrease is attributed to PA 95. CFO Shawa affirmed. GM Peffley added that the report states that customers have collected more than \$1 million and there are less customers in the shut off cue. GM Peffley added that there is proposed bill to increase the PA95 amount from \$0.88 to \$2.50 and believes that is too much.

Capital Project Report

CFO Heather Shawa presented the Capital Project Report.

GM Peffley commented that exceedance requests are made for projects that are \$200,000 and/or 15% over the budgeted amount. GM Peffley added that prior to the current exceedance request procedure, capital project amounts were budgeted above projected costs and tied up resources.

Capital Project Exceedance Request – Dye Filter Controls Resolution

CFO Shawa requested approval of the Capital Project Request for the Dye Filter Controls project. The exceedance is for replacement of the outdated system at Dye Water Plant. The project includes replacing the control system hardware and software; integration of the filter operations to one system and integrate it with the rest of the plant's control system; elimination of a single point of failure; reduce repair and filter down time; increase safety; and reduce manual labor. The request is for a \$899,921 worst case scenario with an expected completion date of Fall 2024.

Chairperson Zerkle inquired whether the project was first approved in 2013. CFO Shawa responded that the project was approved in 2021 and the project exceedance policy was

approved in 2013. GM Peffley added that design issues contributed to the exceedance in the project.

Commissioner Schrader requested the original budget amount of the project. CFO Shawa responded that the original approved amount was \$2,165,755 and with the additions the amount is \$3,065,675.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader to forward the Resolution for the Capital Exceedance Request Dye Filter Controls to the full Board for consideration.

Action: Motion Carried.

Chairperson Zerkle inquired about the brown water complaint. GM Peffley responded that the Lansing Fire Department (LFD) was on the site putting out a fire in the customer's neighborhood. When LFD fills a fire truck, it stirs up the main. We contacted the customer and let him know to run the faucet for 20 minutes and the water cleared up. Water Operations Director Sanjeev Mungarwadi answered Commissioner Price's question on whether the color was from rust and added that the rust is in the older cast iron water mains and there is not at much in the new ductile iron water mains. Commissioner James commented that the incident was on the news and that the customer didn't appear happy.

Retirement Plan Committee (RPC) Updates

CFO Shawa presented the RPC Investment Activity and Administrative Activity updates. Transition from Lazard Int'l Equity Fund to Marathon EAFE Equity Fund for the DB and VEBA plans is expected to occur in the 3rd quarter; VEBA portfolio rebalancing of real assets is in process; total assets increased for the quarter in the DC plans; compliance assessment in the DB and VEBA plans is proceeding; a reimbursement of \$4,586,358.03 for benefits paid has been approved for the VEBA plan; the IBEW Local 352 Business Manager Ron Byrnes is retiring and a replacement will be made. GM Peffley responded that Water Station Operator Steve Perry will be the Interim Business Manager.

May 2024 BWL Budget Presentation Summary

CFO Shawa presented the FY 25-30 Budget and Forecast Process.

Commissioner Beauboeuf thanked CFO Shawa and Finance & Planning Accounting Director Scott Taylor for the Budget 101 Meeting that he and Commissioner Schrader attended.

Board of Commissioners Fiscal Year Budget Process Summary

Corporate Secretary LaVella Todd presented the Board of Commissioners Fiscal Year Budget Process Summary.

Board of Commissioners Quarterly Budget and Expense Report Process Summary

Corporate Secretary LaVella Todd presented the Board of Commissioners Quarterly Budget and Expense Report Process Summary. The process of the orientation process will be revamped to adjust to changes in the information to be provided.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the Internal Audit Status Report and provided the audit progress report; the remaining FY 2024 Audit Plan; Internal Auditor professional development information; and Internal Auditor Department items of: a request for proposal for internal audit software, acquiring a staff member to assist with audits, resolutions review for the Board of Commissioners Roles & Responsibilities Handbook, and a review and update of the Internal Audit Charter; and annual planning and risk assessment for the FY2025 Audit Plan. Ms. Franco will obtain input before it is presented to the Board of Commissioners in July 2024.

Commissioner James inquired whether the resolution review went back to 2007 and if an additional review would be made on resolutions prior to 2007. Ms. Franco responded that a review of resolutions prior to 2007 would be conducted as soon as the resolutions were made available by the Department of the Corporate Secretary.

Ms. Franco affirmed that an update of the internal audit charter is completed every two years in response to Chairperson Zerkle's question.

Other

Chairperson Zerkle stated that the Purchasing Card Reports for all three appointed employees have been received and reviewed by the two Commissioners as required by resolution and would be forwarded to the full Board for approval.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader for an excused absence for Commissioner Beth Graham.

Action: Motion Carried.

Adjourn

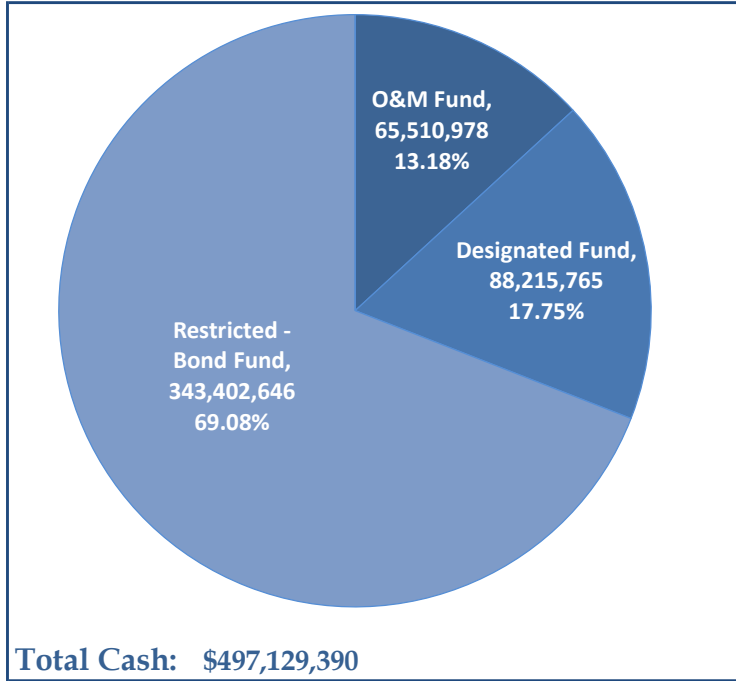
Chairperson Sandra Zerkle adjourned the meeting at 7:29 p.m.

Respectfully submitted,
Sandra Zerkle, Chairperson
Finance Committee

Financial Summary - March 2024 - FY24



Cash



Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 288,772,611	\$ 268,449,815	\$ 20,322,796	8%
Wholesale	\$ 20,501,656	\$ 68,569,629	\$ (48,067,974)	-70%
Total Revenue	\$ 309,274,267	\$ 337,019,445	\$ (27,745,178)	-8%
Operating Expenses	\$ 273,228,668	\$ 286,761,344	\$ (13,532,677)	-5%
Non Operating Income/(Exp)	\$ (32,381,221)	\$ (33,239,700)	\$ 858,479	-3%
Net Income	\$ 3,664,378	\$ 17,018,400	\$ (13,354,022)	-78%

FY 2024 Projected Net Income	\$ 2,331,073
FY 2024 Budgeted Net Income	\$ 17,570,533

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY 2024 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 180,495,706	\$ 143,913,078	\$ 134,045,914	\$ 9,867,164	7%
% of Approved Budget	80%	74%		

Capital Budget YTD

FY 2024 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 84,070,285	\$ 36,355,751	\$ 53,643,755	\$ (17,288,004)	-32%
% of Approved Budget	43%	64%		

	Month End	Target
Days Cash on Hand	128	157
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.22	2.00

Days Cash on Hand:

O&M Fund - Portion Restricted By Bond Covenants + Designated Funds
 (Budgeted Operating Expenses - Depreciation + RoE to City) / 365

Debt Service Coverage:

Projected Net Income + Depreciation Expense + Interest Expense
 Debt Principal + Debt Interest

Return on Assets

Actual YTD	Budget YTD	Target
1.39%	2.50%	4.65%

Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense}}{\text{Net Fixed Assets} + \text{Inventory}}$

Ratios

Operating Ratio

<u>O&M Expense</u>	\$ 225,433,969	=	0.73	APPA Median 0.76
Revenue	\$ 309,274,267			

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

Current Ratio

<u>Current Assets</u>	\$ 242,174,154	=	2.95	APPA Median 1.73
Current Liabilities	\$ 81,954,060			

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

Debt to Total Assets

<u>LT Debt + Accrued Liabilities</u>	\$ 1,292,461,507	=	0.64	APPA Median 0.56
Total Assets	\$ 2,009,079,650			

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

Days Sales Outstanding

Average Accounts Receivable	x Days	\$ 35,048,254	x 31 =	32	Prior Year 30
Sales		\$ 33,653,806			

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

<u>12 Month Rolling Bad Debt Exp</u>	\$ 2,339,905	=	0.56%	Prior Year 0.55%
12 Month Rolling Revenue	\$ 419,985,030			

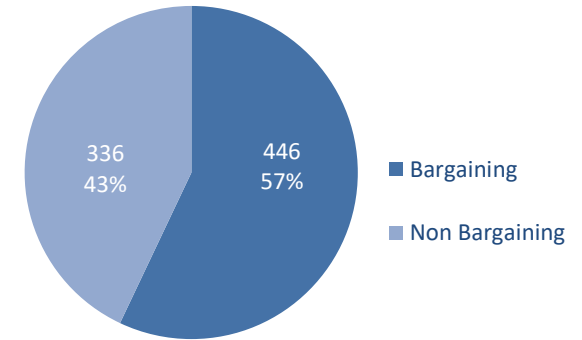
Measures the portion of each revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	782
Budget YTD	813
Over/(Under) #	(31)

Full Time Equivalent	29
Temporary Employees	



Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 60,358,094	\$ 60,819,298	\$ (461,204)	-0.8%	\$ 58.34
Overtime	\$ 6,861,241	\$ 5,877,890	\$ 983,351	16.7%	
Total	\$ 67,219,335	\$ 66,697,188	\$ 522,147	0.8%	
Total Hours Worked	1,111,557				
Labor \$/Hours Worked	\$ 60.47				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 12,052,964	\$ 13,273,686	\$ (1,220,722)
Rx	\$ 3,283,995	\$ 3,321,713	\$ (37,718)
Dental	\$ 1,069,825	\$ 1,009,599	\$ 60,226
Life	\$ 389,257	\$ 459,706	\$ (70,448)
FICA	\$ 4,991,611	\$ 4,817,837	\$ 173,774
Other	\$ 429,971	\$ 1,135,274	\$ (705,303)
Total	\$ 22,217,624	\$ 24,017,814	\$ (1,800,190)

Budget & Forecast

FY 2025 – 2030

Finance Committee Meeting
May 14, 2024

Board Meeting
May 21, 2024



Hometown People. Hometown Power.

Overview

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

FY 2024 Major Accomplishments

- Strategic Objectives

- **BWL Year in Review**
- Target Metrics
- Budget & Forecast Cycle Focus

Customer & Community

- Opt-In to PA 95 (P1:S2)
- PRSA Excellence for Communicating Rate Strategy, Rolling Blackouts, Sustainability Report and DEP Going Commercial Event(P1:S3,P1:S4,P1:S5)
- Continued Community Resource Fairs generating \$3M in customer support to date (P1:S3)

Workforce Engagement & Diversity

- REO - Facilities Best Practice Award for “Ladder Last” program (P2:S1, P4:S2)
- Capital Area United Way Marion Marshall Award (P1:S3, P2:S2)
- BWL Employees featured on Military Makeover episode of Montel Williams show (P1:S3)
- Positive trend in year over year minority and women employee representation (P2:S2)
- BWL was recognized as a champion for training model for our apprenticeship program (P2:S3)

Climate & Environment

- APPA awards for Smart Energy Provider, Platinum Public Power Provider & Communications for Sustainability Report (P3:S1, P3:S3, P3:S4, P3:S5)
- Announcement in Summer of 2023 to add over 650 megawatts (MW) of clean energy projects to support BWL's clean energy goals and meet future regional load growth
- Launch of new Electrification Rebate Programs to directly support customers interested in decarbonizing through purchase of electric lawn equipment, e-bikes, and other products
- Reduction of carbon intensity by over 50% from 2005 levels.

FY 2024 Major Accomplishments

- Strategic Objectives

- BWL Year in Review
- Target Metrics
- Budget & Forecast Cycle Focus

Operational Resiliency & Continuous Improvement

- August Storm - Over 40,000 customers had power restored in 6 days (P4:S1)
- Executed gas prepay agreement expected to result in over \$2M annual savings (P5:S2)
- Procure to Pay process improvement expected to result in \$1.5M annual savings (P4:S3)
- Full implementation of ITD Project Management Office (PMO) (P4:S1)

Financial Stability

- Implemented Time-of-Use rate strategy for customers (P5:S1, P5:S3)
- Grant position and framework implemented, \$77.4M funding awarded to date, additional \$105M being requested (P5:S2)
- Successful bond issuance for clean energy program (P3:S2)
 - \$5m savings from 2013A and 2019B bond refinancing (P5:S2)
- Vendor negotiations resulting in \$1.4M in savings

- Strategic Objectives

- BWL Year in Review
- Target Metrics
- Budget & Forecast Cycle Focus

- Maintain high **credit rating**
 - BWL is currently rated AA- (S&P) and Aa3 (Moody's) with stable outlooks
- Generate adequate **return on assets (RoA)**
 - Adequate RoA is essential to municipal utilities
 - Ensures current rate payers are not deferring costs to future generations and infrastructure is invested in to maintain exceptional levels of service
 - An appropriate RoA recovers two main items:
 - Interest expense
 - Inflationary increase of infrastructure replacement costs
 - Regular calculations required by the Board of Commissioners (Resolution 2016-07-08)
 - Return on Assets FY 2025-2030 Target: 3.97%
 - **Forecasted to reach this target for all utilities by FY 2029**
- Ensure adequate **liquidity**
 - BWL must be able to pay current obligations
 - Minimum cash reserve requirement per policy: **149 days**
 - Debt service coverage minimum target: **2.00 x**

- Strategic Objectives

- BWL Year in Review

- Target Metrics

- Budget & Forecast Cycle Focus

FY2025 – FY2030

- **Operational Efficiencies**

- Continued Transmission & Distribution (T&D) automation (LET)
 - Plant control system standardization and integration
 - 8 miles of water main replacement by FY2029

- **Lansing Energy Tomorrow**

- These new T&D assets will decentralize load and reduce outage risk
 - Provide operational flexibility and growth potential

- **Clean Energy Projects Development to Achieve Carbon Neutrality by 2040 with up to 650MW additional capacity**

- **Continued Rate Structure Refinement**

- **Generative Safety Culture**

- Implementing safety training programs that are specifically designed for BWL Executives, Managers, and Front-Line leaders to sustain company-wide safety.

- **Workforce Engagement**

- Gallup employee engagement surveys and action plans

- **Implement Human Resource Information System (HRIS)**

- **Develop and Finalize FY26 Strategic Plan**

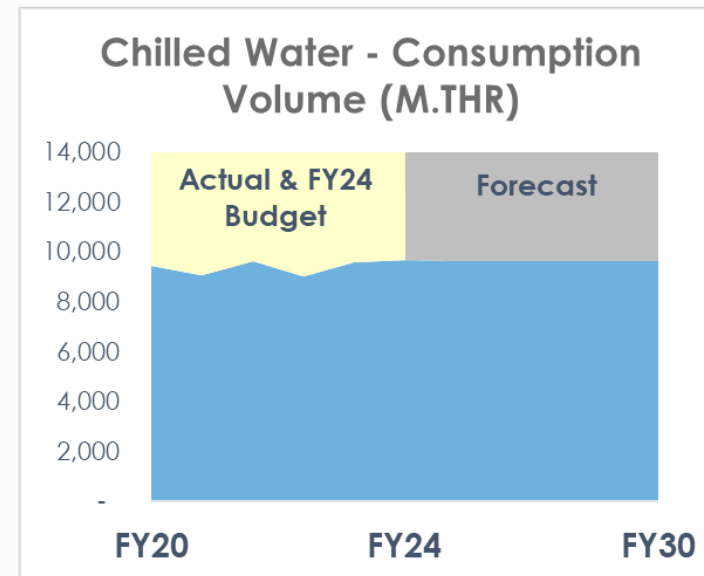
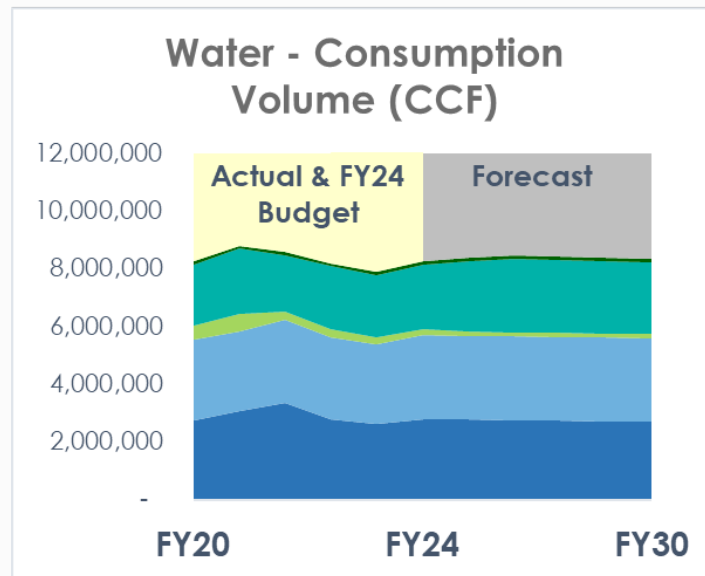
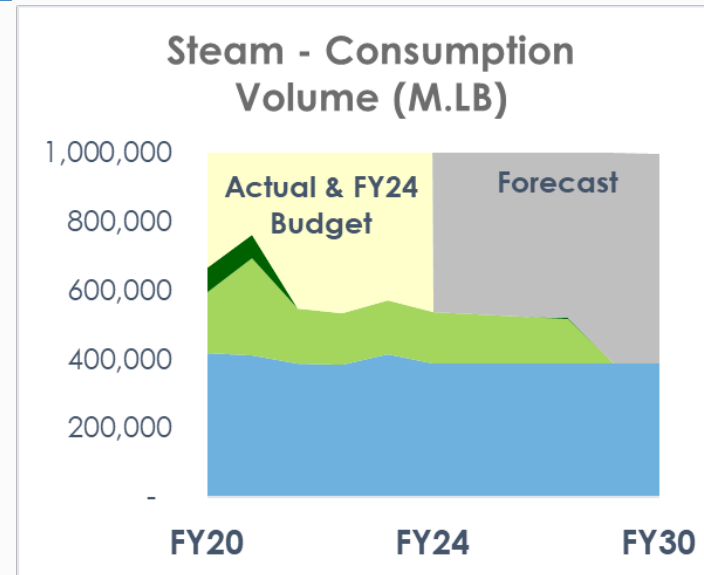
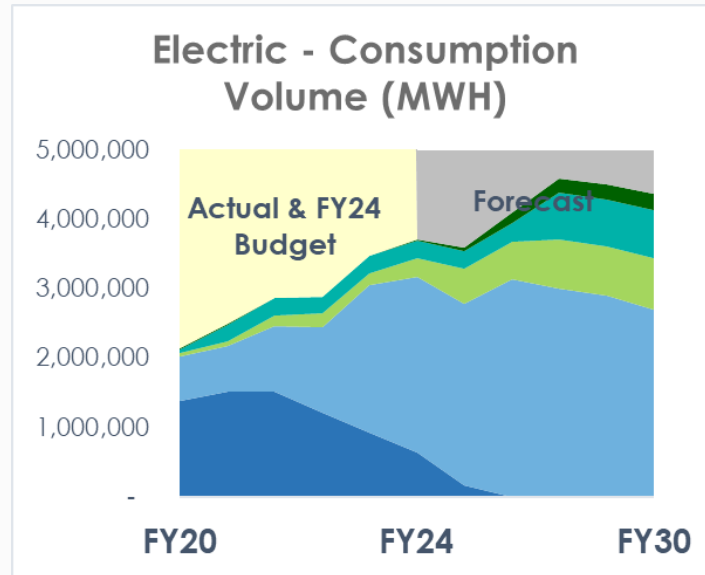
- **Pursue Infrastructure Grants**

- Partnerships with local organizations to seek infrastructure bill funding
 - Grant administration and compliance

Key Budget & Forecast Assumptions

- **Current Strategic Plan** is supported by this budget & forecast.
- Ultium ramps up to full capacity in FY2027.
- Includes Clean Energy Projects and expected commercial operation dates.
 - Additional FY2027 bond issuance planned
- Wholesale market price projections hold true.
- GM to leave Steam Utility in FY 2029
- Return on Equity assumes 6% of total operating revenue, less inter-utility sales.
- Belle River natural gas conversion completes by FY2027
- 2.7% inflation rate obtained from Federal Congressional Budget Office.
- Defined Benefit Plan and Post-Retirement Benefits Plan (DB & VEBA) achieve target investment return.
- Eckert/Erickson decommissioning costs not included.
- Does not include funding from pending grant applications.
- Water main replacements achieve 8 miles per year in FY2029.
- Forecast headcount total of 830.
- Bargaining unit wage increases not included due to contract negotiation year.

Sales Volume History and Forecast



Electric Key: ■ Coal ■ Gas ■ Solar ■ Wind ■ Other
Steam, Water, & CW Key: ■ Residential ■ Commercial ■ Industrial ■ Wholesale ■ Other

- Operating Budget & Forecast

- FY 2025 Income Statement

- FY 2025 Operating Expenses by Category

- 6-Year Income Statement

- 6-Year KPIs

- 6-Year Return on Assets

- 6-Year Cash Flow

- 6-Year Bonded Debt Service

FY 2025 Income Statement	Electric	Water	Steam	Chilled Water	Total
Sales (MWh, CCF, MLB, MTHR)	3,705,161	8,278,622	538,859	9,697	
Operating Revenue					
Residential	\$ 99,387,498	\$ 25,072,627	\$ 18,110	\$ -	\$ 124,478,235
Commercial	\$ 147,055,800	\$ 21,914,349	\$ 10,792,404	\$ 6,480,543	\$ 186,243,096
Industrial	\$ 55,985,614	\$ 1,406,836	\$ 2,650,174	\$ -	\$ 60,042,624
Wholesale	\$ 67,785,651	\$ 4,997,912	\$ -	\$ -	\$ 72,783,563
Other	\$ 26,335,484	\$ 5,172,497	\$ 63,506	\$ -	\$ 31,571,487
Total Operating Revenue	\$ 396,550,046	\$ 58,564,221	\$ 13,524,195	\$ 6,480,543	\$ 475,119,006
Operating Expenses					
Fuel & Purchased Power	\$ (147,493,991)	\$ (5,751,691)	\$ (2,924,355)	\$ (2,104,741)	\$ (158,274,778)
Depreciation	\$ (52,211,211)	\$ (8,974,033)	\$ (2,957,317)	\$ (1,119,012)	\$ (65,261,573)
Other Operating Expenses	\$ (135,010,717)	\$ (38,503,938)	\$ (5,013,519)	\$ (1,687,103)	\$ (180,215,276)
Total Operating Expenses	\$ (334,715,918)	\$ (53,229,662)	\$ (10,895,192)	\$ (4,910,856)	\$ (403,751,627)
Total Operating Income	\$ 61,834,128	\$ 5,334,560	\$ 2,629,003	\$ 1,569,688	\$ 71,367,378
Non Operating Income/(Expenses)					
Return on Equity to City	\$ (23,417,418)	\$ (3,458,385)	\$ (798,642)	\$ (382,695)	\$ (28,057,140)
Interest Expense	\$ (38,812,325)	\$ (1,564,095)	\$ (1,720,547)	\$ (83,227)	\$ (42,180,194)
Other Non Operating Income/(Expenses)	\$ 9,267,364	\$ 1,709,355	\$ 563,126	\$ (110,211)	\$ 11,429,634
Total Non Operating Income/(Expenses)	\$ (52,962,379)	\$ (3,313,125)	\$ (1,956,063)	\$ (576,133)	\$ (58,807,700)
Total Net Income	\$ 8,871,749	\$ 2,021,435	\$ 672,940	\$ 993,555	\$ 12,559,678
Proposed Rate Increase	7.00%	9.50%	9.75%	2.00%	
Return on Assets	3.47%	0.96%	2.02%	4.90%	2.90%
Target Return on Assets	3.97%	3.97%	3.97%	3.97%	3.97%

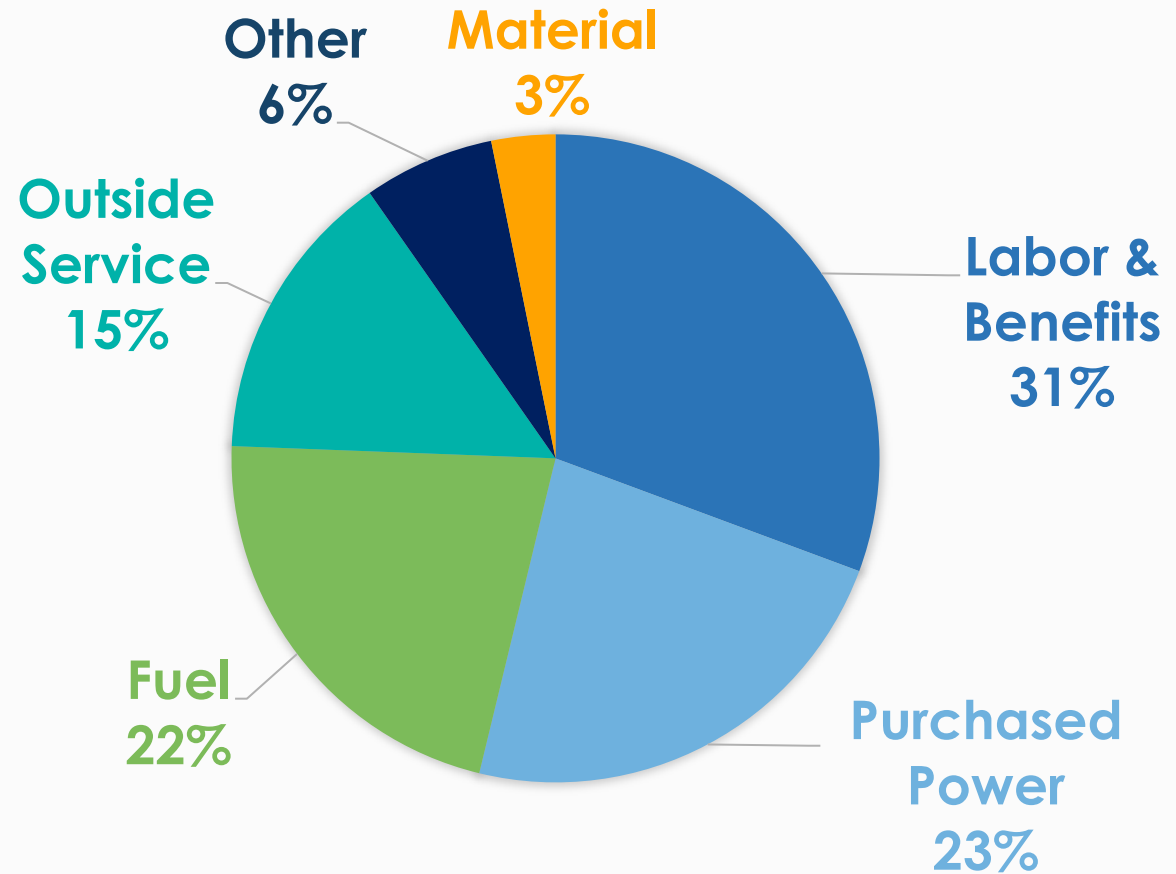
- Operating Budget & Forecast

- FY 2025 Income Statement

- FY 2025 Operating Expenses by Category

- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- 6-Year Cash Flow
- 6-Year Bonded Debt Service

FY 2025 Operating Expenses by Category



- Operating Budget & Forecast

- FY 2025 Income Statement
- FY 2025 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- 6-Year Cash Flow
- 6-Year Bonded Debt Service

6-Year Income Statement	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Operating Revenue						
Electric	\$ 396,550,046	\$ 429,576,869	\$ 474,734,680	\$ 523,637,509	\$ 544,674,549	\$ 563,951,411
Water	\$ 58,564,221	\$ 64,160,496	\$ 70,268,274	\$ 76,686,834	\$ 82,862,782	\$ 85,894,543
Steam	\$ 13,524,195	\$ 14,790,628	\$ 16,469,667	\$ 17,401,794	\$ 15,683,192	\$ 17,146,834
Chilled Water	\$ 6,480,543	\$ 6,647,675	\$ 6,802,259	\$ 6,955,548	\$ 7,116,515	\$ 7,212,352
Total Operating Revenue	\$ 475,119,006	\$ 515,175,668	\$ 568,274,881	\$ 624,681,684	\$ 650,337,039	\$ 674,205,141
Operating Expenses						
Fuel & Purchased Power	\$ (158,274,778)	\$ (170,057,296)	\$ (198,578,261)	\$ (233,969,395)	\$ (239,731,095)	\$ (243,599,649)
Depreciation	\$ (65,261,573)	\$ (70,961,282)	\$ (74,703,812)	\$ (74,495,851)	\$ (72,314,313)	\$ (73,819,078)
Other Operating Expenses	\$ (180,215,276)	\$ (200,254,862)	\$ (203,232,033)	\$ (215,594,179)	\$ (230,889,015)	\$ (247,644,239)
Total Operating Expenses	\$ (403,751,627)	\$ (441,273,441)	\$ (476,514,106)	\$ (524,059,425)	\$ (542,934,424)	\$ (565,062,965)
Total Operating Income	\$ 71,367,378	\$ 73,902,227	\$ 91,760,775	\$ 100,622,259	\$ 107,402,615	\$ 109,142,176
Non Operating Income/(Expenses)						
Return on Equity to City	\$ (28,057,140)	\$ (30,460,540)	\$ (33,646,493)	\$ (37,030,901)	\$ (38,570,222)	\$ (40,002,308)
Interest Expense	\$ (42,180,194)	\$ (43,195,278)	\$ (44,734,625)	\$ (44,031,813)	\$ (43,194,894)	\$ (42,293,917)
Other Non Operating Income/(Expenses)	\$ 11,429,634	\$ 5,931,518	\$ 3,663,777	\$ 3,690,084	\$ 3,578,943	\$ 3,631,783
Total Non Operating Income/(Expenses)	\$ (58,807,700)	\$ (67,724,300)	\$ (74,717,341)	\$ (77,372,630)	\$ (78,186,173)	\$ (78,664,442)
Total Net Income	\$ 12,559,678	\$ 6,177,926	\$ 17,043,435	\$ 23,249,630	\$ 29,216,442	\$ 30,477,733

- Operating Budget & Forecast

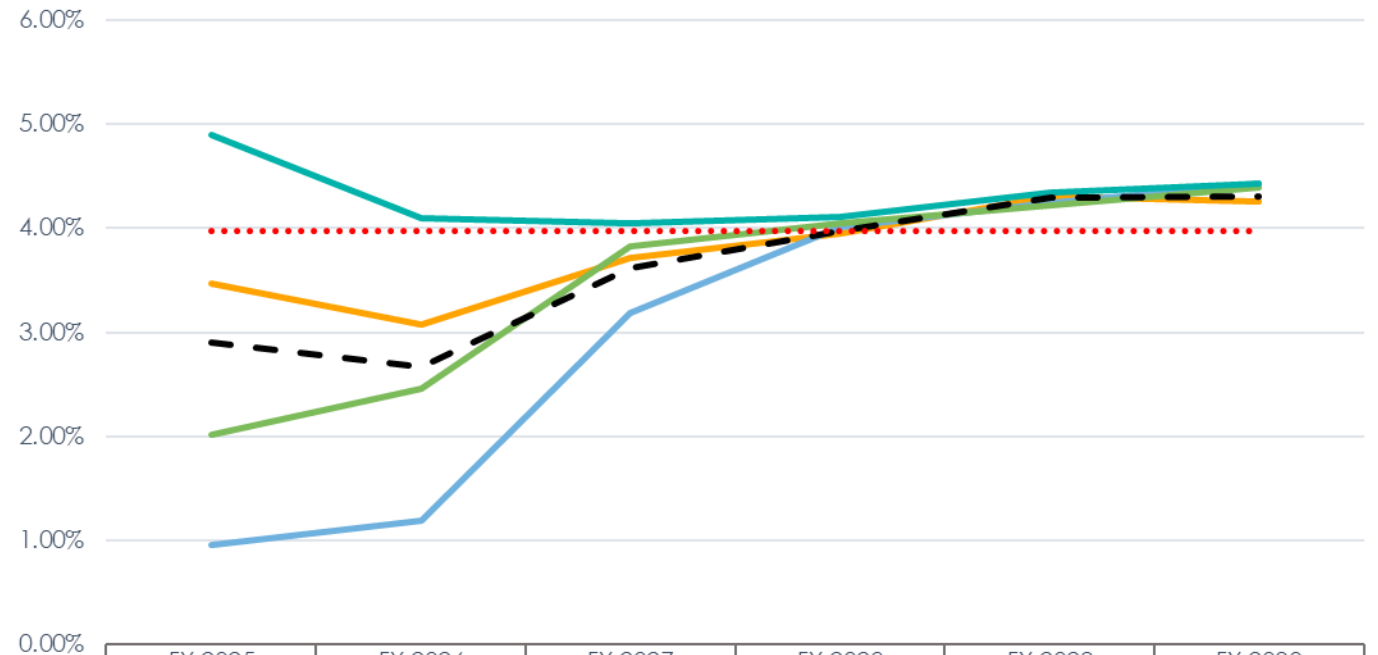
- FY 2025 Income Statement
- FY 2025 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- 6-Year Cash Flow
- 6-Year Bonded Debt Service

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Return on Assets	2.90%	2.67%	3.62%	3.97%	4.29%	4.31%
Target Return on Assets	3.97%	3.97%	3.97%	3.97%	3.97%	3.97%
Debt Service Coverage Ratio	2.16	2.10	2.12	2.20	2.25	2.28
Days Cash on Hand	160	163	156	151	150	150
Minimum Cash Reserve Requirement	149	144	138	129	126	124
Full Time Employees	830	830	830	830	830	830
Rate Increases	Forecast					
Electric	7.00%	6.00%	5.00%	4.00%	4.00%	4.00%
Water	9.50%	9.50%	9.50%	9.50%	8.00%	2.50%
Steam	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Chilled Water	2.00%	1.50%	1.50%	1.50%	1.50%	0.00%

- Operating Budget & Forecast

- FY 2025 Income Statement
- FY 2025 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- 6-Year Cash Flow
- 6-Year Bonded Debt Service

6-Year Return on Assets (%)



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Electric	3.47%	3.08%	3.72%	3.95%	4.31%	4.26%
Water	0.96%	1.20%	3.18%	4.01%	4.24%	4.42%
Steam	2.02%	2.45%	3.82%	4.05%	4.22%	4.40%
Chilled Water	4.90%	4.10%	4.05%	4.11%	4.34%	4.43%
Total	2.90%	2.67%	3.62%	3.97%	4.29%	4.31%
Target	3.97%	3.97%	3.97%	3.97%	3.97%	3.97%

• Operating Budget & Forecast

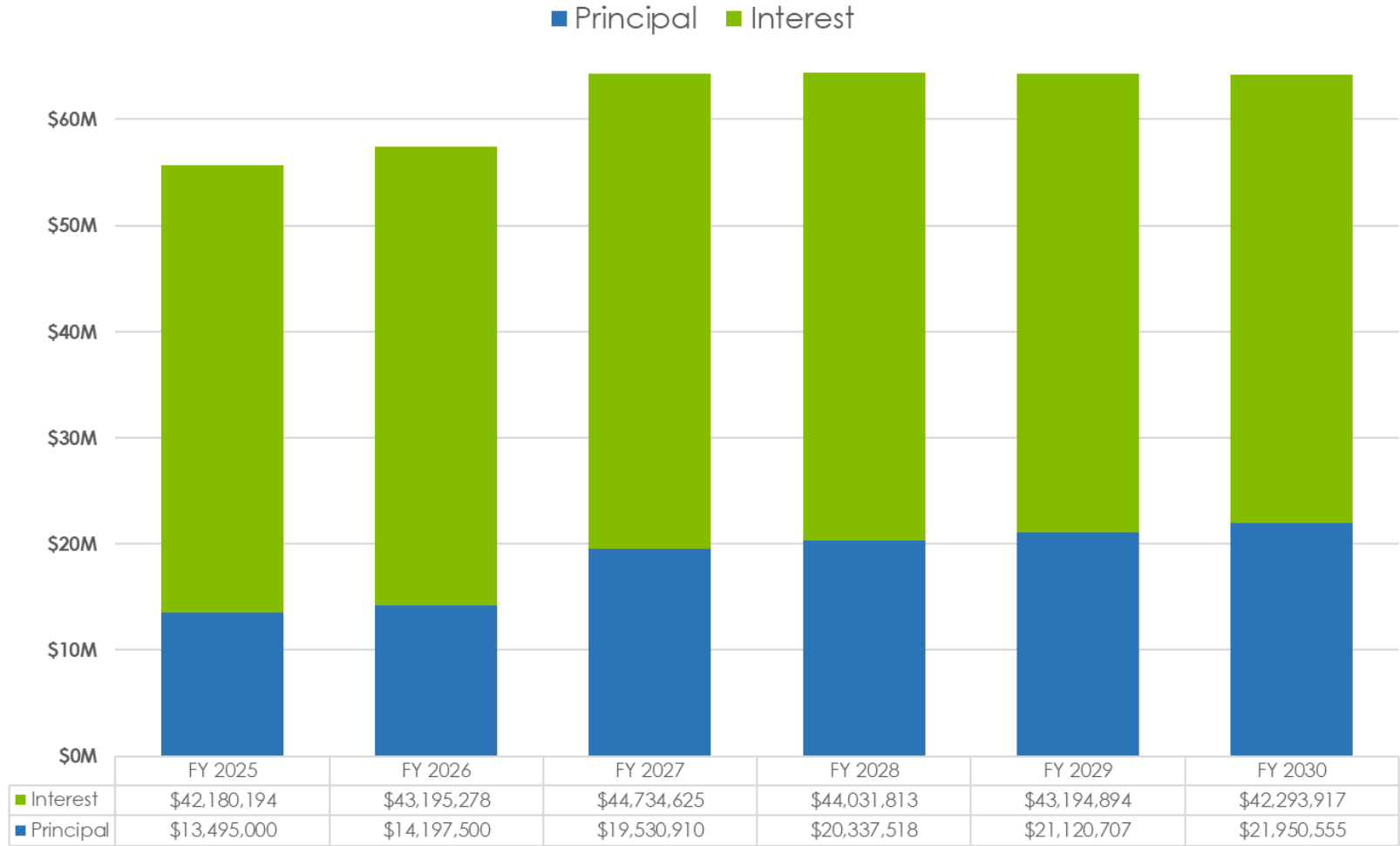
- FY 2025 Income Statement
- FY 2025 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- **6-Year Cash Flow**
- 6-Year Bonded Debt Service

6-Year Cash Flow	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Cash (O&M & Receiving Fund)	\$ 57,734,652	\$ 107,054,258	\$ 129,217,146	\$ 141,010,482	\$ 160,070,857	\$ 169,467,114
Net Income	\$ 12,559,678	\$ 6,177,926	\$ 17,043,435	\$ 23,249,630	\$ 29,216,442	\$ 30,477,733
Depreciation	\$ 65,261,573	\$ 70,961,282	\$ 74,703,812	\$ 74,495,851	\$ 72,314,313	\$ 73,819,078
Loss on Disposal of Assets	\$ 4,108,717	\$ 4,308,872	\$ 2,840,091	\$ 2,916,234	\$ 2,994,418	\$ 3,074,698
DB and VEBA	\$ (4,252,599)	\$ 8,343,143	\$ 580,094	\$ 2,111,481	\$ 1,882,692	\$ 2,158,950
Borrowing	\$ 131,576,459	\$ 124,425,999	\$ 42,000,000	\$ -	\$ -	\$ -
Commodity Cost Adjustment	\$ 22,365,612	\$ (44,108)	\$ -	\$ -	\$ -	\$ -
Gas Pipeline Payment Refunds	\$ 6,769,540	\$ 6,769,540	\$ 11,421,554	\$ -	\$ -	\$ -
Grants / Tax Credits	\$ 13,076,211	\$ 8,085,911	\$ 15,848,936	\$ 18,193,754	\$ -	\$ -
Total Sources of Cash	\$ 251,465,192	\$ 229,028,565	\$ 164,437,922	\$ 120,966,950	\$ 106,407,865	\$ 109,530,459
Principal Payments on Bonds	\$ (13,495,000)	\$ (14,197,500)	\$ (19,530,910)	\$ (20,337,518)	\$ (21,120,707)	\$ (21,950,555)
Environmental Projects	\$ (4,120,966)	\$ (2,574,533)	\$ (1,774,533)	\$ (1,724,533)	\$ (1,719,533)	\$ (1,704,533)
Capital Expenditures	\$ (184,642,012)	\$ (189,516,925)	\$ (131,885,630)	\$ (80,440,625)	\$ (74,306,198)	\$ (74,716,548)
Other	\$ 112,392	\$ (576,718)	\$ 546,488	\$ 596,102	\$ 134,830	\$ 108,022
Total Uses of Cash	\$ (202,145,586)	\$ (206,865,677)	\$ (152,644,585)	\$ (101,906,574)	\$ (97,011,608)	\$ (98,263,614)
Net Cash Increase (Decrease)	\$ 49,319,606	\$ 22,162,888	\$ 11,793,336	\$ 19,060,375	\$ 9,396,257	\$ 11,266,846
Ending Cash (O&M & Receiving Fund)	\$ 107,054,258	\$ 129,217,146	\$ 141,010,482	\$ 160,070,857	\$ 169,467,114	\$ 180,733,960
Days Cash on Hand	160	163	156	151	150	150
Minimum Cash Reserve Requirement	149	144	138	129	126	124

- Operating Budget & Forecast

- FY 2025 Income Statement
- FY 2025 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year KPIs
- 6-Year Return on Assets
- 6-Year Cash Flow
- 6-Year Bonded Debt Service

6-Year Bonded Debt Service



- Capital Portfolio Budget & Forecast

- Clean Energy Spending

- Capital Portfolio Spending by Utility and Location

- Capital Portfolio Major Projects and Annuals

- Capital Portfolio Designed Budget Amounts

Clean Energy Projects						
Project	FY 2025	FY 2026	FY 2027	FY 2028	Forecast Total	Current Project Budget
Dynamic RICE	\$ 43,565,000	\$ 71,000,000	\$ 43,000,000	\$ 12,000,000	\$ 169,565,000	\$ 171,200,000
Dynamic Storage	\$ 21,526,899	\$ 6,757,596	\$ -	\$ -	\$ 28,284,496	\$ 34,000,000
Dynamic Solar	\$ 7,759,258	\$ 7,759,258	\$ 3,316,683	\$ -	\$ 18,835,199	\$ 24,682,640
Comfort Landfill Solar	\$ 4,498,328	\$ -	\$ -	\$ -	\$ 4,498,328	\$ 8,922,650
North Lansing Landfill Solar	\$ 5,693,064	\$ 1,571,294	\$ -	\$ -	\$ 7,264,357	\$ 14,589,726
NorthEast Solar	\$ 10,822,666	\$ 10,822,666	\$ 5,426,833	\$ -	\$ 27,072,165	\$ 32,440,000
NorthWest Solar Larsen	\$ 2,559,215	\$ 5,001,421	\$ -	\$ -	\$ 7,560,636	\$ 11,893,000
NorthWest Solar Franchino	\$ 3,340,107	\$ 6,605,211	\$ -	\$ -	\$ 9,945,317	\$ 15,667,500
Total	\$ 99,764,537	\$ 109,517,446	\$ 51,743,516	\$ 12,000,000	\$ 273,025,498	\$ 313,395,516

*Gross capital spend, not including any Contribution in Aid of Construction (CIAC) or tax credits

- Capital Portfolio Budget & Forecast

- Clean Energy Spending

- Capital Portfolio Spending by Utility and Location

- Capital Portfolio Major Projects and Annuals

- Capital Portfolio Designed Budget Amounts

6-Year Capital by Utility and Location							
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Forecast Total
Utility							
Electric	\$ 49,292,501	\$ 44,482,948	\$ 50,989,545	\$ 30,277,777	\$ 39,847,857	\$ 31,700,000	\$ 246,590,628
Water	\$ 21,056,156	\$ 21,228,761	\$ 17,412,501	\$ 18,913,157	\$ 24,900,457	\$ 25,723,098	\$ 129,234,130
Steam	\$ 4,123,722	\$ 2,957,277	\$ 2,641,546	\$ 2,686,292	\$ 3,650,561	\$ 368,000	\$ 16,427,398
Chilled Water	\$ 2,225,609	\$ 50,574	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 2,490,448
Common	\$ 11,093,530	\$ 8,938,266	\$ 9,793,090	\$ 12,769,453	\$ 8,739,648	\$ 16,126,600	\$ 67,460,587
Total Capital Portfolio	\$ 87,791,518	\$ 77,657,826	\$ 80,888,690	\$ 64,699,748	\$ 77,193,117	\$ 73,972,292	\$ 462,203,191
Location							
REO Plant	\$ 750,000			\$ 6,000,000			\$ 6,750,000
Delta Energy Park	\$ 450,000		\$ 2,000,000			\$ 10,000,000	\$ 12,450,000
Water Production	\$ 6,163,353	\$ 4,698,773	\$ 3,356,454	\$ 2,790,325	\$ 2,802,491	\$ 2,815,016	\$ 22,626,412
Electric T&D	\$ 47,493,341	\$ 44,482,948	\$ 48,989,545	\$ 24,277,777	\$ 39,847,857	\$ 21,700,000	\$ 226,791,468
Water T&D	\$ 14,892,803	\$ 16,529,988	\$ 14,056,047	\$ 16,122,832	\$ 22,097,966	\$ 22,908,082	\$ 106,607,718
Steam T&D	\$ 4,123,722	\$ 2,957,277	\$ 2,641,546	\$ 2,686,292	\$ 3,650,561	\$ 368,000	\$ 16,427,398
Chilled Water T&D		\$ 50,574	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 264,839
Other	\$ 13,918,299	\$ 8,938,266	\$ 9,793,090	\$ 12,769,453	\$ 8,739,648	\$ 16,126,600	\$ 70,285,356
Total Capital Portfolio	\$ 87,791,518	\$ 77,657,826	\$ 80,888,690	\$ 64,699,748	\$ 77,193,117	\$ 73,972,292	\$ 462,203,191
* Total Capital Expenditures are shown net of any grant funding							

Regular CIP projects. Does not include Clean energy projects

- Capital Portfolio Budget & Forecast

- Clean Energy Spending
- Capital Portfolio Spending by Utility and Location
- Capital Portfolio Major Projects and Annuals**
- Capital Portfolio Designed Budget Amounts

6-Year Major Capital Projects and Annuals

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Forecast Total
Planned Projects							
South Reinforcement - Transmission Line (LET)	\$ 18,000,000	\$ 18,668,446	\$ -	\$ -	\$ -	\$ -	\$ 36,668,446
Stanley Substation - Construct a New 138kV Sub (LET)	\$ 414,903	\$ 3,435,097	\$ 4,725,000	\$ 3,957,143	\$ 22,817,857	\$ 750,000	\$ 36,100,000
Rundle Substation - Construct a New 138kV Sub (LET)	\$ 5,524,057	\$ 1,850,000	\$ 15,355,000	\$ 480,000	\$ -	\$ -	\$ 23,209,057
LGR Substation (LET)	\$ 3,100,000	\$ 3,545,455	\$ 12,464,545	\$ -	\$ -	\$ -	\$ 19,110,000
DEP - CTG "B" Inspection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000
Elevated Water Storage Tank	\$ 4,942,194	\$ 1,698,595	\$ -	\$ -	\$ -	\$ -	\$ 6,640,789
REO - CTG Hot Section	-	-	-	\$ 6,000,000	-	-	\$ 6,000,000
SAP Replacement	-	-	-	-	-	\$ 5,743,934	\$ 5,743,934
Utility Network Implementation	-	-	\$ 1,227,324	\$ 3,238,175	\$ 65,554	\$ -	\$ 4,531,053
Canal Substation - Transformer #1 Installation	\$ 940,970	\$ 209,217	\$ 65,000	\$ 2,222,765	\$ -	\$ -	\$ 3,437,952
Total Major Planned Projects	\$ 32,922,124	\$ 29,406,810	\$ 33,836,869	\$ 15,898,083	\$ 22,883,411	\$ 16,493,934	\$ 151,441,231
Annual Projects ¹							
Electric	\$ 14,638,000	\$ 15,588,000	\$ 15,880,000	\$ 15,980,000	\$ 15,830,000	\$ 19,950,000	\$ 97,866,000
Water	\$ 14,380,662	\$ 18,672,847	\$ 16,211,406	\$ 18,913,157	\$ 24,900,457	\$ 25,723,098	\$ 118,801,627
Steam	\$ 4,123,722	\$ 2,957,277	\$ 2,641,546	\$ 2,686,292	\$ 3,650,561	\$ 368,000	\$ 16,427,398
Chilled Water	\$ -	\$ 50,574	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 264,839
Common	\$ 6,632,830	\$ 6,152,716	\$ 6,375,631	\$ 7,609,433	\$ 6,522,715	\$ 8,231,287	\$ 41,524,612
Total Annual Projects	\$ 39,775,214	\$ 43,421,414	\$ 41,160,591	\$ 45,241,951	\$ 50,958,327	\$ 54,326,979	\$ 274,884,476

(LET) - Projects support the Lansing Energy Tomorrow initiative

¹ Annual projects have some level of spending each year

10 Largest Planned Projects make up 89% of Total Planned Capital

Regular CIP projects. Does not include Clean energy projects

- Capital Portfolio Budget & Forecast

- Clean Energy Spending
- Capital Portfolio Spending by Utility and Location
- Capital Portfolio Major Projects and Annuals

• Capital Portfolio Designed Budget Amounts

Designed Budget Amounts & Latest Estimates			
Project Name	Designed Budget	Latest Estimate ¹	Current Phase
Ultium	\$ 34,186,068	\$ 34,670,369	Construction
Wise Substation - Rebuild	\$ 31,520,194	\$ 31,170,058	Construction
Customer Information System	\$ 17,425,255	\$ 14,797,771	Construction
WP Elevated Storage	\$ 16,063,520	\$ 13,261,603	Construction
Dye-Cedar Dry Chemical Handling	\$ 13,707,307	\$ 4,933,306	Construction
ADMS-Advanced Distribution Management System	\$ 6,315,943	\$ 5,950,702	Construction
Magnolia Ave. - 4160V Sub Cutover and Retirement	\$ 4,262,000	\$ 4,145,198	Construction
Ammonia System Replacement	\$ 2,896,995	\$ 2,760,286	Construction
Dye Filter Controls Upgrade ²	\$ 2,165,755	\$ 3,074,619	Construction
Eckert 13 & 15 Cutover (John Bean) ²	\$ 1,882,818	\$ 2,180,972	Construction
PMIS	\$ 1,519,157	\$ 1,507,811	Construction
HACO Roof Restoration	\$ 1,369,355	\$ 1,361,018	Construction
Allen Street Microgrid	\$ 1,055,809	\$ 1,044,152	Construction
LabHVAC	\$ 803,257	\$ 862,229	Construction
Cedar Street - 4160V Sub Cutover Circuit 24	\$ 702,495	\$ 698,000	Construction
ESRI Release 4	\$ 696,365	\$ 696,365	Construction
S. Creyts Line Relay Upgrade	\$ 618,470	\$ 742,255	Construction
Wise Sludge Tank Roof	\$ 596,579	\$ 626,424	Construction
HACO Customer Parking Improvements	\$ 450,326	\$ 464,002	Construction
DavisSubstationHydrogenSensor	\$ 98,538	\$ 76,984	Construction

¹ Latest Estimates are gross spend and do not include any CIAC

² Eckert Cutover exceedance approved Jan-24; Dye Filter Control exceedance approved March-24

Next Steps



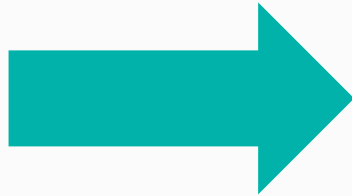
November 2023 – February 2024

- Budget Process Start
- Set Financial Targets
- Prepare Capital Budget
- Request Department Budgets
- Revenue Projections



March 2024 – April 2024

- Compile Budget & Forecast
- Internal Review and Approval



May 2024

- Finance Committee to approve the Operating and Capital Budget & Forecast for FY 2025 – 2030 and recommend it for the Board of Commissioners' approval on May 21, 2024.
- Board of Commissioners to approve, Corporate Secretary to file FY25-30 budget with the City Clerk within 10 days of approval and submit the Capital Improvement Plans for FY 2025 – 2030 to the Mayor prior to October 1, 2024.

RESOLUTION 2024-XX-XX
Fiscal Year 2025-2030 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2025 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2026-2030 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 \$403.8M and a capital budget of \$187.6M for Fiscal Year 2025.

The Operating and Capital Budget and Forecast for Fiscal Years 2025-2030 includes forecasted rate increases. The forecast rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 21, 2024 board meeting.

Motion by Commissioner _____, Seconded by Commissioner _____, to approve the Resolution for the Fiscal Year 2025-2030 Budget and Forecast at a Board meeting held on _____, 2024



RETIREMENT PLAN COMMITTEE (RPC)

Investment Activity Updates for Finance Committee: 5/14/2024

Investment Activity Update

- Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration Plan (VEBA)
 - DB & VEBA – International Equity Fund Manager Change
 - Lazard Int'l Equity Fund replacement with Marathon EAFE Equity Fund has been completed.
 - VEBA - Portfolio Rebalancing – Real Assets (ongoing)
 - Market value changes have brought the real assets back within the target range however due to the extended time requirements from liquidity constraints associated with rebalancing real assets, RPC will continue forward with the rebalancing until the target value of 15% has been reached.

Investment Activity Update

- Defined Contribution 401(a) & Deferred Compensation 457(b) Plans
 - Total assets increased for the quarter ended March 31, 2024, due to positive market performance in most asset classes.
 - Calendar year-to-date through March 31, 2024, investment returns have been positive across most asset classes.



RETIREMENT PLAN COMMITTEE (RPC)

Administrative Activity Updates for Finance Committee: 5/14/2024

Administrative Activity Update

- Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration Plan (VEBA)
 - DB & VEBA – The compliance assessment has been completed.
 - The RPC is currently reviewing and evaluating the results.
 - The RPC Charter document is expected to be ready for Board review and approval in July 2024.
 - VEBA – Eligibility verification is being conducted by Part D Advisors as part of a routine due diligence effort.

Administrative Activity Update

- Defined Contribution & Deferred Compensation Plans
 - No significant activity.

Glossary

- **DB** Defined Benefit Plan - The plan is a noncontributory single-employer defined benefit pension plan for employees of the BWL. The Defined Benefit Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan.
- **VEBA** Voluntary Employee Benefit Administration - The Post-Retirement Benefit Plan is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL.
- **DC 401(a)** Defined Contribution Plan - The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997. The Defined Contribution Plan operates as a money purchase pension plan and meets the requirements of Sections 401(a) and 501(a) of the IRC of 1986, as amended from time to time. For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all nonbargaining employees. No participant contributions are required.
- **DC 457(b)** Deferred Compensation Plan - The Deferred Compensation Plan covers substantially all full-time employees. The BWL contributes \$1,000 on behalf of each participant as of the first pay period of each year. Additionally, the BWL will provide a 100% match for each participant's contributions annually, up to \$1,500.
- **ASA** Administrative Services Agreement – The administrative services agreement is an agreement between the BWL and the VEBA trust regarding the payment of VEBA plan benefits. The agreement calls for the BWL to handle the processing of benefit payments and allows for the reimbursement for payment from the VEBA trust if certain conditions are satisfied. These conditions include both funding status and investment performance measures.

RESOLUTION 2024–XX-XX

**A Resolution Adopting a Final Project Plan for Water System Improvements
and Designating an Authorized Project Representative**

WHEREAS, the Lansing Board of Water & Light (“BWL”) is seeking low interest funding to assist in its efforts to improve reliability of existing raw water supply, water treatment and distribution systems through the State of Michigan, Department of Environmental Quality’s (“EGLE”) Drinking Water State Revolving Fund (“DWSRF”); and

WHEREAS, as a requirement of the DWSRF Loan Program, municipalities applying for DWSRF loans are required to submit to EGLE an adopted Project Plan (“Project Plan”) describing the proposed improvement to existing water treatment and distribution systems program projects; and

WHEREAS, the purpose of the Project Plan is for raw water supply, water treatment plant and distribution system improvement projects located within the City of Lansing. The projects have several benefits, which include reducing potential safety hazards, as well as improvements to reliability, water quality, and flow efficiencies to ultimately increase public health protection; and

WHEREAS, the Project Plan consists of water main replacement projects that will be completed in partnership with the City of Lansing’s Combined Sewer Overflow project and street rehabilitation projects, in addition to other areas within the BWL service territory that are in need of replacement. Raw water supply and water treatment projects will also be done on BWL property; and

WHEREAS, the BWL authorized OHM Advisors to prepare a Project Plan, which recommends the construction of the following:

Water Treatment Plant Upgrades

- Dye WCP –replacement of sludge processing pumps, filter press service piping, high service pump, and filter media in addition to reservoir repairs and basin improvements
- Wise Rd WCP – replacement of ammonia system, filter media and an optimization project.

Water Distribution Improvements

- Multiple locations of water main replacement and looping projects throughout BWL service territory.

Operational System Improvements

- Elevated storage tank – constructing a 2nd elevated water storage tank near the southern pressure zone.
- Well drilling to replace aging wells.
- Replace radio network for wells.

WHEREAS, the estimated total project cost of the projects listed above is \$171.5 Million; and

WHEREAS, a Public Hearing to receive public comment on the proposed Project Plan was held on April 29, 2024; and

NOW THEREFORE BE IT RESOLVED that the Lansing Board of Water & Light formally adopts the selected alternative within the Project Plan.

BE IT FURTHER RESOLVED, that the Water Distribution Principal Engineer, a position currently held by Michael Lehtonen, P.E., is designated as the authorized representative for all activities associated with the projects referenced above, including the submittal of said Project Plan as the first step in applying to the State of Michigan for a Drinking Water State Revolving Fund Loan to assist in the implementation of the selected alternative.

Motion by Commissioner _____, **Seconded** by Commissioner _____ to approve the Resolution for Adopting a Final Project Plan for Water System Improvements and Designating an Authorized Project Representative.

Yeas (names of Members voting Yes): _____

Nays (names of Members voting No): _____

I certify that the above Resolution was adopted by Board of Water & Light Board of Commissioners (the governing body of the applicant) on _____.

BY:

Name (please print or type)

Title

Signature

Date

FY 2024 Rules and Regulations Audit Results

Presented by:

Elisha Franco, Director Internal Audit



HOMETOWN PEOPLE. HOMETOWN POWER.

Audit Scope & Methodology

- The audit scope included a review of the FY 2024 Rules and Regulations, with a primary emphasis on the calculation and billing processes of deposits, reconnection, and disconnection fees for electric and water utility services.
- The audit was carried out in compliance with the ***International Standards for the Professional Practice of Internal Auditing***.
- Audit procedures were executed from July 1, 2023, to March 31, 2024, encompassing a review of documents dated from January 2022 to March 31, 2024.

Audit Objectives

Determine whether:

1. The FY 2024 Rules and Regulations fee and charge calculations are reasonable.
2. The processes and procedures surrounding updating the Rules and Regulations are sufficient.
3. Billing for fees and charges comply with the FY 2024 Rules and Regulations.
4. Fees and charges included in the FY 2024 Rules and Regulations follow best practices and standards within the utility industry.

Overview of Audit Findings

- Three findings relate to the establishment and execution of formal processes and procedures.
- A finding highlighting the necessity of a SOC report or control review for BWL vendors with access to personally identifiable information (PII).
- A finding concerning incorporating residential security deposit calculations into the Rules and Regulations fees and charges chart.

Overview of Audit Recommendations

- Establish and execute formal processes and procedures and align the Rules and Regulations updates with the rate strategy to enhance operational efficiency and effectiveness.
- Three recommendations regarding residential customer security deposits.
- Incorporate the electric residential security deposit calculation into the Rules and Regulations chart of fees and charges for clarity and accessibility.

Internal Audit Status Report

Finance Committee Meeting
May 2024



HOMETOWN PEOPLE. HOMETOWN POWER.

Overview

- Audit Progress Report
- Remaining FY 2024 Audit Plan
- Other Items

Audit Updates

- Issued FY 2024 Rules & Regulations Audit Report
- Commenced FY 2024 Follow-up PA95 Audit on April 29th

Remaining FY 2024 Audit Plan



Payroll Management (Tentative)

- The examination moved to the FY 2025 Internal Audit Work Plan

Other Items

Internal Auditor Professional Development

- On track to fulfill the professional education requirements for CIA certification
- Expect to complete first CIA Part 1 test in May 2024

Departmental Items

- AuditBoard awarded winner for Internal Audit Software
- Candidate chosen for audit assistant role
- Review and update of Internal Audit Charter in June 2024

Other Items

FY 2025 Audit Plan

- Present FY 2025 audit plan to the Board for approval in July 2024

Internal Auditing Standards

- The Institute of Internal Auditors (IIA) released new standards for internal audit functions
 - Global Internal Audit Standards went into effect on January 9, 2024, and replaced the previous version of the International Standards for the Professional Practice of Internal Auditing
 - Internal audit functions may start adopting the standards now and will officially become effective on January 9, 2025