

## MINUTES

### BOARD OF LIGHT AND POWER

REGULAR MEETING OF JANUARY 15, 2009

**Call TO Order and Roll Call:** The meeting was called to order by Board Chairman Canfield at 5:34 pm. Present were Beachum, Canfield, Hall, Johnston, and Valentine. Also present were General Manager Pierce, Administrative Manager Sawka, Administrative Assistant Simmons, Safety Director/ Generation Superintendent Russo, Mayor Hodge and training under Simmons, Kathy Kalm. Also in attendance was Peter Haefner from the firm Vredeveld Haefner LLC CPS's and consultants.

**Approval of the Agenda:** Beachum made a motion to approve the agenda as presented and the motion was seconded by Hall. The motion was passed by unanimous decision of the Board.

**Approval of December 4, 2008 Regular Board Meeting Minutes:** Hall made the motion to approve December 4 Board meeting minutes and it was seconded by Johnston. The motion passed by unanimous decision of the Board.

### **PUBLIC COMMENT**

Pierce Introduced Kathy Kalm as Simmons' replacement due to Simmons' upcoming retirement. . Each Board member introduced themselves to Kalm.

### **ACTION ITEMS**

**2008 Audited Financials:** Haefner explained the audit process and presented a slide show of graphs and reports to the Board. Haefner presented multiple years of information comparing revenues to expenses. He pointed out that in the last three years revenues have not been enough to offset the expenses resulting in a net loss this year of \$222,587. Haefner reminded the Board that all the expenses are the total responsibility of LLP as opposed to prior years when these were shared expenses with Cable. Haefner pointed out the purchase power was higher this year and also the administrative expenses were higher due somewhat to the severance package given to the previous general manager.

Hall asked what custodial credit risk was in the auditor's report. Haefner explained that this was having all customer deposits in one institution which may be over the FDIC insured amount. In order to alleviate this problem, businesses have been using more than one institution to secure deposits for the insured amount. Another option would be to have the institution collateralize the deposits, which means the bank would pool securities, primarily Federal Treasury securities, which are held on behalf of the Utility to guarantee the deposits. However, there are costs to deposits collateralized. It was Haefner's recommendation that the Board reviews the utility's investment policy and decide which path would be best for the utility, either collateralized or insured deposits.

Johnston asked Haefner for explanation of the material weakness mentioned in the auditor's report. Haefner explained the utility does not have procedures in place to prepare financial statements in

accordance with U.S. generally accepted accounting principles including procedures to present required financial statement disclosures. On the other hand, the utility has determined that any benefits derived from eliminating the above deficiency would not exceed or justify the costs to do so. Beachum noted that the previous Board was aware of this and it was their decision to continue to use an auditing firm to present required financial statement disclosures rather than burdening the utility's office staff with this requirement.

Haefner wanted to add that it was not included in their audit letter but he relayed that the utility's staff was very helpful and there were no significant issues.

The motion was made by Johnston to accept the 2008 audit report; it was seconded by Hall and unanimously accepted.

**OPEB Discussion:** Haefner explained that if the utility is going to continue to offer Other Post Employment Benefits, otherwise known as OPEB, then it is the responsibility of the utility to show this as a liability on the financials each year. Pierce explained that the utility joined with the City to have an actuarial evaluation of that liability done by Gabriel Roeder Smith and Company. As a small governmental unit, however, LLP does not have to use a certified actuarial to determine its OPEB liability. The law allows an in house or independent evaluation. The certified actuarial gave LLP a starting point, and LLP is free to use an independent agency to modify and set its liability on an ongoing basis. Vredeveld Haefner LLC has a model we can use to modify and update the utility's OPEB liability on a regular basis. It was Pierce's recommendation that LLP perform that update annually in house.

**Accounts Payable November 2008:** Beachum questioned the necessity of the Board to approve Accounts Payable that has already been paid. Pierce indicated that there should not be a reason for the Board to approve invoices that are under \$10,000. The Board briefly discussed the MERS expense, travel expenses, tree trimming, and preventative maintenance expense which Hall stated was very important to maintaining the facility. A motion was made by Valentine to approve the November 2008 Accounts Payable. It was seconded by Hall and passed by unanimous vote of the Board. It was further agreed by the Board that in future meetings it will not be necessary to approve the Accounts Payable. The Board, however, would still like the opportunity to review the Accounts Payable. The Accounts Payable in the future will appear in the manager's report rather than under action items.

**Transformer Purchase:** Pierce presented to the Board a request and purchase order for transformers. The transformers are for the ultimate decommissioning of the South substation. The General Manager has the authority to approve a maximum of \$10,000. However, because the purchase order is over the \$10,000 Pierce is presenting this purchase to the Board for their approval. Beachum made a motion to authorize the purchase of the transformers and it was seconded by Johnston. The motion passed by unanimous vote of the Board. Pierce wanted to bring an item of interest to the Board. He said the staff has cleaned the stored obsolete/unusable transformers out of the Chatham warehouse. They were able to sell them to a transformer salvage company for more than \$28,000.

## INFORMATIONAL ITEMS

**Performance Data:** The Board reviewed the performance data, it was noted that commercial sales (kWh) was up 18.1% from the previous year. It was also noted that residential sales (kWh) was up 6.5% from the previous year. Canfield requested an outage report and reliability data and wondered if this would come under the category of performance data? Pierce says this has not been done previously but stated he will report these on a month to month basis in his manager's report.

**Income Statement:** Sawka presented an income statement showing net income for the year. Sawka stated, looking at the actual compared to YTD budget the Utility was doing very good. Beachum asked Sawka to explain why LLP was doing so good. It was explained that the sales revenue was up and Sawka felt that this was weather related. The service revenue was up, due in part, to a charge to the City/DDA for \$13,225 for the Museum Alley project. Miscellaneous revenues on line 32.8 MPPA Capital FMV, is the mini trust fund, and it had a gain of \$13,338.93. Line 33 which is the Utility's Paine Weber investment had a gain of \$6,749.80. The total revenues are up about \$170,000 as compared to budget. Expenses show under budget even though there were three payrolls in the reported period. LLP's accounting expenses are right on compared to budget. The total year to date compared to the actual is very close. Pierce felt that because of the gas prices going down, people have not tightened their belts as predicted especially businesses. This had an impact on LLP Commercial sales.

**Manager's Report:** Pierce presented to the Board:

- MPPA Update: MPPA met in December regarding reconfiguring the Power Pool. Pierce stated that the only remaining member of the current Power Pool is Traverse City. There was a general consensus to move forward utilizing Lansing as one of the primary power suppliers. Pierce is optimistic that a new contract can be developed that will work for all MPPA participants. Pierce also stated the LLP is interested in running the utility's generators or any other distributive generation that might be in Lowell to help shave peak demand and keep the cost of energy down. LLP must file a renewable energy and energy optimization plan by April 4, 2009 and must include public comment. Pierce explained that LLP is in line to benefit from the Granger purchase, which will take care of the renewable energy obligation until 2015. This project collects landfill gas and burns it for generating electricity. The more difficult plan is using 2% of LLP's revenue to help the utility's customers to become more energy efficient. To do this the utility will pick, cafeteria style, from Lansing's plan the items that would most benefit LLP customers. It was asked if we can participate in any of the stimulus dollars for energy efficiency programs. As a whole the MPPA is looking for ways to utilize other sources of energy like wind or coal that the utility can partner in. The utility hopes to become part of this search and use of other sources of energy. There is an expected increase in power costs, primarily due to the increased coal and transportation costs. The increase is expected to be approximately 5.5%.

- **LLP 2009 BENEFITS REVIEW:** The Board requested that Pierce and DeHaan meet with employees to discuss the health and dental package and the potential impact. A number of employees have had physicals and this will help employees meet the 90 day deadline. Compensated absences and the banking of days, will be evaluated and presented by Pierce at the February Board meeting.
- **FITNESS PLAN:** Pierce went over his research on the different costs to join a fitness facility. He further explained that to get this benefit the employee would have to agree to utilize the fitness center a minimum number of times a year or lose their opportunity. Pierce showed that Cascade or Snap Fitness was much more affordable and more in keeping with what the LLP had in mind. In order to utilize some more of the costly facilities like the YMCA or MVP there might be a like amount that is given to the employee to join the facility of choice. Beachum explained that he would like to do this; however, he feels that in today's economy this needs more thought and consideration. Johnston would like this to be in the action items to be voted next time it is up for discussion. Hall stated that the utility should wait until next year to do this.
- **COMPENSATION SURVEY:** This survey is ongoing. Survey results should be in by the 19<sup>th</sup> of January and a full report by the end of the month. The employee evaluations will be started in January. No additional compensation changes will be considered until the results of this survey are finalized.
- **RETIREMENTS:** The Board is aware that Chris Simmons is retiring after 26 years and Kathleen Kalm will be hired as Chris's replacement. Kathleen was hired through a temporary service on a 90 day trial basis after which the position could be offered full time if everything seems to be working out. Bryce also is retiring and a get together is scheduled for the 26<sup>th</sup> of January.
- **STRATEGIC PLANNING:** Pierce met with staff this month to identify objectives that will move us toward meeting the goals established by the Board. Once these are determined, they will be brought back to the Board for review, input, revision and adoption. This should be presented at the February Board meeting.
- **GOOD NEIGHBOR FUND:** The utility is working on a plan to implement utilizing other program policies so as not to reinvent the wheel. One of the key components will be to offer a budget billing to help customers smooth out the high and low billing months. Beachum asked if we could look at the Cable fund or the Lowell Community to try to get matching funds or a grant.
- **LOWELL AREA DISASTER ASSISTANCE PROGRAM:** A couple of months ago the Board inquired as to the status of a community wide disaster program. Pierce stated that he is now a member of this committee. Pierce stated that committee is reviewing the program. There was a draft document completed and he will report back on the progress.

- **TREE LINE USA UTILITY:** Jon Francis has volunteered to be the designated utility employee and the utility is trying to determine the best approach for him to obtain certification. Books and tapes are currently being considered for certification training.
- **RELIABILITY DATA:** Pierce stated that Mullins would be tracking this data and going back to find the data to make necessary calculations. The data has not been tracked in the past. LLP will then submit this data to APPA to become part of their annual program on utility reliability. The Utility will then have comparisons with other utilities in the country with respect to reliability statistics.
- **BOARD MEMBER COMPENSATION:** Pierce stated that he talked with Dave about the possibility of using the compensation review committee. The Board would need to make a formal request of the City Council to review the Board's compensation. Hall made a motion for Pierce to have the City look into the compensation allowed for the Board. This item was seconded by Beachum.
- **EMPLOYEE TRAINING:** Pierce mentioned there are a number of training opportunities this spring offered by the APPA. The Lineman's Rodeo was highly recommended by Pierce. The Lineman's Rodeo offers an opportunity for LLP to network with other linemen across the US. The focus is on lineman reliability and safety, also overhead and underground systems design and maintenance. Pierce believes that this has not been done in the past. Pierce strongly encouraged that this year the utility would send four to six people for training. Hall mentioned how valuable he felt training was for the staff and was in favor of appropriate training. Johnston mentioned that professional development was essential and stated we can always learn more. Johnston also mentioned that we should have something in writing to describe the seminar and the interest of the person attending. Beachum felt that this should be approved by the Board because this was not budgeted. Hall made a motion to allow the General Manager of LLP to approve employee training at his discretion this year and to provide training in the budget next year. After much discussion there was support and unanimously approved.
- **GM CONTRACT/BONUS:** Will be discussed in a closed session after the final Public Comments section.

#### **BOARD COMMENT**

Hall requested an explanation of the billing he printed on the back of the bill. However, the cost is prohibitive at \$1,000. Hall suggested that we get the explanation put on the Web site. Sawka believes this is on the web site and will check on this. Hall proposed that the utility set an item in the budget for providing power and lights for a new Christmas tree. This will be needed as the City is redoing the bridge downtown. This would allow for an opportunity to have the lights left on for the entire Christmas season. Beachum inquired as to how the LED street light project was going and where were the funds coming from. Mayor Hodges explained that there were three different types of lights,

yellow, orange, bluish set up in three different locations and the public was being asked which typed they liked. The funds were believed to be in the City’s budget. Valentine thanked Simmons for her many years with LLP and Cable and said how much they appreciated her work. Valentine also felt that it was not necessary to have an additional compensation for Board meetings. Valentine and Beachum discussed the possibility of a get together later this spring for a potluck for city council, city employees, LLP and the Board. Johnston felt that action items should be discussed in the action items not in the manager’s report. Johnston also congratulated Simmons on her retirement. Beachum commented on the Board’s compensation, he wants this researched by the council and the recommendation should be taken seriously and their suggestions approved. Beachum also stated that a lot of time goes into researching this by the Compensation Board and we need to respect their decision. Beachum would like to have more input into the budget process and wants this deadline to provide the Board time to have input. Beachum says that he hopes the employees appreciate everything the Board is trying to do for them in these hard financial times, especially with regard to the insurance and 2% increase. Beachum also asked about the study on the cost of service and Pierce said this is being completed. Beachum also mentioned the “safe walks to schools” and asked that LLP communicate with the city or the school about the process so that we cover any needs that must be done in order to make this process go smoothly. Beachum mentioned that when holidays fall on a Thursday or Tuesday, the utility might want to give off the Friday or Monday offering the employees a long weekend. Beachum also congratulated Simmons on her retirement. Canfield also wished Simmons congratulations and also congratulated Pierce on the real sense of pride by the employees in the last six months.

**PUBLIC COMMENT**

Sawka thanked Simmons for all her hard work and the excellent work on the audits.

**CLOSED SESSION**

Beachum moved that the Board go to closed session at 8:00 pm; it was seconded by Hall and passed by unanimous vote. The Board returned from closed session at 8:15 pm.

**ADJOURNMENT**

There was a motion by Hall and a second by Valentine to adjourn. The meeting was adjourned at 8:15 pm.

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Chairman, Greg Canfield

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Date



