



MINUTES
Committee of the Whole
Monday, August 12, 2024 @ 6:00 p.m.
Tony Benavides Lansing City Council Chambers

CALL TO ORDER

Council Vice President Hussain called the meeting to order at 6:00 p.m.

PRESENT

Councilmember Peter Spadafore
Councilmember Adam Hussain
Councilmember Tamera Carter
Councilmember Trini Pehlivanoglu
Councilmember Jeffrey Brown
Councilmember Ryan Kost
Councilmember Jeremy Garza - excused
Councilmember Brian T. Jackson

OTHERS PRESENT

Sherrie Boak, Council Staff
Lisa Hagen-Lawrence, OCA
Greg Venker, OCA
Mark Lawrence, Mayor's Office
Calvin Jones, LBWL Dir. Of Finance and Planning
Scott Taylor, LBWL

Minutes

MOTION BY COUNCIL MEMBER SPADAFORE TO APPROVE THE MINUTES FROM JULY 22, 2024, AS PRESENTED. MOTION CARRIED 7-0.

Public Comment

No public comment at this time.

Presentations

Board of Water and Light proposed Electric, Water, Steam and Chilled Water Rate Changes
Council Member Hussain briefly summarized the items in the packet.

Mr. Taylor and Mr. Jones presented to the Committee. Mr. Taylor explained the process which began with the filing with the City Clerk on July 3rd; on July 16th there was a presentation provided to BWL, and on August 2nd they published the public hearing notice for the hearing schedule for August 20th. There will be a presentation at that time, then the BWL will meet on August 27th to make their decision. The effective date for the rate changes will be October 1st in 2024 and 2025.

Council Member Hussain asked for a breakdown for the proposed increase for all services and what the net would be.

Mr. Taylor stated the increases would be:

Electric 6.9% for 2024, 6% for 2025; generating \$20 million in 2024 and \$18.7 million in 2025.

Water 9.23% for 2024, 9.16% for 2025; generating \$5 million in 2024 and \$5.5 million in 2025.

Steam 9.75% in 2024, 9.75% for 2025; generate \$980,000 in 2024 and \$1.1 million in 2025.

Chilled Water 2% in 2024, 1.5 for 2025; generate \$90,000 in 2024 and \$70,000 in 2025.

Council Member Hussain asked if the steam and chilled was all commercial users, and Mr. Taylor confirmed chilled is all commercial and steam is majority commercial.

Council Member Jackson referred back to the statement made on when the notice was sent to the residents, but that the BWL Finance Committee did not meet until after that to discuss the rates. With that, he inquired into how the rates were determined. Mr. Taylor stated this comes from their budget forecast, and the BWL Committee and Commission knows they are not approving the rates at that time but knowing the need for rate increases. The determination for the need is done in May, and in July they start the process. Council Member Jackson asked who created the forecast for the budget. Mr. Taylor confirmed his team works to put that forth and discloses in the resolution they are not approving the rates. If they are ever needed to change, they can revisit the forecast and capital spending.

Council Member Brown asked if they could speak to how they are strategically doing everything they can to not increase the rates. Mr. Taylor said that typically they do a 6-year forecast and start with what they anticipated. He added they then go went through their budget process, normal business process including bidding, strategic planning meetings, business analysis throughout the year. The first thing they do is evaluate cost and spending, and last thing they do is determine rate.

Council Member Kost asked what the average increase would be for residents going forward starting October 1st. Mr. Taylor confirmed the average residential electric is \$96 and this would be a \$7 average increase, and the water is \$44 with an expected \$4 average increase. Council Member Kost asked if BWL continues to be cheaper than Consumers Energy and Mr. Taylor confirmed.

There were no additional questions on the topic.

Discussion/Action

RESOLUTION – Board of Water and Light Return on Equity (ROE) Agreement,

Amendment #7

Council Member Hussain briefly recapped that the ROE began in 1992 and has been amended 6 times. Before Committee and Council tonight is the newest amendment, which began July 1st, 2024, at 6% ending June 30, 2025. He then summarized the packet materials. Council Member Hussain asked the BWL representatives how they arrived at 6% and what this means to the city.

Mr. Taylor acknowledged that the current one did expire June 30, 2024, and the primary intent of this amendment is to renew the agreement. The key aspects are that it does maintain the 6% based on budgeted revenues instead of actual revenue. That meaning it would not be based on fluctuations of revenue. It extends for 1 year; in addition, it will amend the FY 2024 to align with their budgeted. Council Member Hussain asked what that means for the City and Mr. Taylor stated that means \$1.9 million for FY 2024.

Council Member Spadafore asked why just a one-year renewal. Mr. Taylor stated that primarily these are revenue driven, and there are a lot of load driven projects right now, so with all projects underway and expected changes they wanted only one year. Council Member Spadafore asked if their current fiscal year budget anticipated the rate increase and that was confirmed.

Council Member Jackson noted that the city goes over operating and makes amendments, and asked if BWL goes over on their operating and there is more than their operating budget do they have a historical trend for addressing this. Mr. Taylor confirmed there has been an averaged of going over the budget, but this past year was different.

Council Member Spadafore asked what the estimated total is at 6% for 2024 and 2025. Mr. Brower responded by stating \$26 million plus adjustments for 2024 and for 2025 just above \$28 million.

Council Member Brown asked if BWL is anticipating more in their budget than the 6% budgeted. Mr. Taylor stated no, and for forecasting and planning this is more predictable. Mr. Brower added that this is taking the risk away from the city and also gives BWL a boost in the following year. Council Member Brown asked if they have a budget for \$20 million at 6%, but they make \$40 million, would the city not get any additional and Mr. Brower confirmed that was true and if that does occur, they would be happy for BWL. Council Member Brown asked what it has been in the past, and Mr. Brower went through the past 6 amendments in the packet. Council Member Brown asked if in the past it was fixed, what the reason for connecting to the budget now. Mr. Brower stated this a stable projection through a period of uncertainty. With it being tied to the budget, the city can predict what will get this year.

Council Member Kost asked for confirmation this would not include internal sales, and Mr. Taylor confirmed noting that those sales are where BWL sells to themselves.

Council Member Hussain noted that in 2013 the ROE agreement was for 5 years at 6.1% for wholesale and resale, noting that if the Board did better the return on equity to the city was better. He noted that from the BWL meeting minutes from BWL, it appears BWL administration believes they will, and the mayor initially proposed 8%, and BWL countered back with 6% gross and it was the Mayor that countered back at 6% tied to the budget. Mr. Taylor stated the "gross" was intended to be "actual" and he was not involved in all discussions. In the discussions he was involved in with the city that it was determined it was preferable to use budget figures because of realization of BWL on retail sales. Due to exposure, that is why a premium was put on and the amendment is with "budget" instead of "actual". Council Member Hussain explained that when Council looks at revenues and provide services, Council struggles to provide revenues to bolster growth, job growth, state revenue sharing, etc. As BWL is growing and customer base is growing, Council should be able to assure the city is getting what they should. He referred to the BWL minutes in the packet again, and it appears with the counter offers, it appears the city did not get the best option, noting in the past the City got ROE on retail and wholesale and now not getting both since 2022. Council Member Hussain then asked OCA why Council is just getting this amendment when the last amendment #6 expired June 30, 2024. Mr. Venker stated he could not speak to why Council is just getting this, but the amendment is retroactive to July 1st, amends 2024 and delivery today does not affect anything. Council Member Hussain again noted the 6th amendment expired June 30th. Mr. Brower stated there was awkward timing with meetings in July because BWL did not approve yet.

MOTION BY COUNCIL MEMBER SPADAFORÉ TO APPROVE THE RESOLUTION FOR THE CITY AND BOARD OF WATER AND LIGHT RETURN ON EQUITY AGREEMENT, AMENDMENT #7. MOTION CARRIED 6-1.

OTHER

No other topics at this time.

Adjourn

The meeting adjourned at 6:30 pm

Respectfully Submitted by,

Sherrie Boak Recording Secretary,

Lansing City Council

Approved by the Committee August 26, 2024