

MINUTES
BOARD OF LIGHT & POWER
REGULAR MEETING – FEBRUARY 7, 2008

Call to Order: Board Chairman Greg Canfield called the meeting to order at 5:35 pm with Board members Beachum, Hall, Valentine and Straub present. Also in attendance were General Manager Richards, Administrative Manager Sawka and Operations Manager Mullins. Mayor Shores also was in attendance.

Approval of Agenda: Richards asked to have added to the agenda a brief discussion of the Trees and Utilities National Conference. He has some additional information that he would like to provide to the Board. It was moved by Beachum and supported by Straub to approve the agenda with the addition of the Tree Conference under Item E, (Other Items). The motion passed with unanimous vote of the Board.

Approval of the Minutes: It was moved by Beachum and supported by Straub that the regular Board meeting of January 3rd be approved as presented. The motion passed with the unanimous vote of the Board.

It was moved by Beachum and supported by Straub that the Special Meeting of January 24th be approved as presented. The motion passed with the unanimous vote of the Board.

ACTION ITEMS

Account Payable, January 2008: Canfield questioned the drug testing in the accounts payable. Mullins explained that this is a DOT requirement and the utility uses the same testing company as the City. It was moved by Beachum and seconded by Hall that the Accounts Payable of January 2008 be approved as presented. The motion passed by unanimous vote of the Board.

Review/Revise Bank Authorization-Check Signing Approvals: Richards explained that currently the utility has three managers and three Board members authorized to sign checks. He said there needs to be a new resolution to the bank if there was any reason that the Board would want any changes or additions. After some discussion it was moved by Beachum and supported by Hall that the Huntington Bank resolution authorizing Managers Richards, Mullins, Sawka and all five Board members to sign checks and authorize transactions be adopted. The motion passed by unanimous vote of the Board.

Straub asked to backup a little because she had a couple of questions on the accounts payable. Her questions about specific items were answered by staff.

Review and Consideration of Proposed Governance Policies: Richards reviewed the proposed governance policies to define the expectations, limits and roles of the Board as

a whole, the individual Board members and the General Manager. He stressed the need for clarity as to what the responsibilities are for each. Beachum asked if the upcoming MMEA Governance Workshop would be covering any of these policies. Richards responded that there may be some discussion in the policies area but he didn't believe that it would be an area of focus for the workshop. Beachum suggested that perhaps the Board should wait until after the Governance Workshop before adopting any policies. Hall asked that items shown in bullet points be numbered. Hall also recommended a change to indicate that the proposed meeting agenda would be submitted six days in advance to all Board members, not just the Chair. He also suggested a change regarding a reference manual containing all adopted policies and related documents, which should be made "available for inspection". He would also like to see on-line availability in the wording so this type of document would be at the utility's website for the public to view. Hall also suggested a change for employee compensation and benefits to be "reviewed" rather than "updated" annually. After little more discussion there was a motion by Straub and second by Hall that to adopt the proposed Governance Policies with the modifications made by Hall. Ayes: Canfield, Hall, Valentine, Straub. Nays: None. Abstention: Beachum. The motion passed.

Purchasing Policy: Richards introduced the draft Procurement Policy he had presented to the Board. He noted that it is, by the very nature of the electric utility business, very different from the City's purchasing policy. Richards noted that the utility had 55 purchase orders last year in excess of City's limit of \$2,000. Many were in the \$4,000 to \$12,000 range; for transformers, wire, parts and components etc. He noted that the utility routinely considers competitive products and vendors and does comparative shopping. Richards felt if there was a requirement to bid those purchases that exceed a specific dollar amount, it may cause harmful and unacceptable delays of time sensitive projects. Beachum felt the utility should have a policy in effect. Canfield stated there should be a dollar threshold for requiring competitive bids. Valentine asked if there was a comparison with any other utilities regarding their purchasing policy. Richards said there was none that he was aware of. Richards reiterated that a fixed dollar limit could predictably cause some unanticipated difficulty to customers and operations. Canfield asked if perhaps the dollar limit possibly should be \$10,000. He also asked how the tree trimming was contracted or bid out. Richards stated that the utility took comparative bids for tree trimming firms in 2001 and that Medco gave responded with the lowest qualified bid. Richards advised the Board that the utility has not re-bid line clearance work out of concerns that new bidding would likely raise costs above the 2001 rate.

Shores questioned if a bid process could be used for the fire retardant clothing. She also asked if the utility had a supply of utility poles on hand. Mullins explained that the utility does have a supply of poles on hand that is sufficient for anticipated needs, but the supply is short of what might be needed in the case of severe storm damage. Mullins indicated that emergency purchases would be needed in events like that.

After more discussion regarding the 10,000 dollar bid threshold and a 10% limit on the premium paid to give preference to local vendors, the Board asked Richards to modify the wording in the policy and bring it back to the Board for further deliberation at the

March meeting. There was a motion by Beachum and support by Valentine to table this subject until Richards could incorporate the requested modifications into the policy. The motion passed with unanimous vote of the Board.

Compensation Considerations – General Manager: Canfield asked Richards if he wished to go into closed session to discuss this subject. Richards did not choose to request a closed session. Canfield refreshed the Board on the decision of the Board in November, when there were only three Board members, to put a freeze on the general manager's salary at his current wage. He said Richards drafted a letter asking the Board to reconsider their decision. Straub started the discussion saying she felt that if Richards had been achieving the goals and priorities set by the Board, why would the Board not follow the policy on his pay increase. Beachum responded that because he felt the manager's responsibility had cut by the sale of the cable company and that his compensation was partially paid through the cable TV company, he had pushed to have a cut in Richards' salary. He also pointed to data that showed that general managers for certain other municipals in the area were making considerably less than Richards. Richards responded that Lowell Light and Power's more independent structure made it difficult to fairly compare LL&P and the G.M.'s responsibilities to the other utilities with very different structures and levels of managerial responsibility. Hall interjected that he had considered reducing the salary but he felt that Richards was doing the job that is required of him. He said Richards' salary is higher than he would like to see. He also said that Richards did an excellent job of spearheading the sale of the cable and Hall was satisfied with his part in the sale. But he said he thought that leaving his salary as it is was justified. Straub brought up the fact that the Board instructed Richards to help accomplish the sale of the cable TV company and then came back and said they were going to cut or freeze his pay. Hall reminded her that it was a different Board that made the original instruction to sell the cable company. Valentine felt it was very dangerous to make the decision to not give a raise especially in light of Richards' positive job evaluation. He felt that taking away anything from employees is an absolute last course of action. Canfield said his perception was that there were some reductions in revenue when cable was sold and the utility has been operating at a loss for the last couple of years but he felt Richards does an excellent job and he felt the Board should not cut Richards pay but he was comfortable with the pay freeze.

Shores noted that other City employees have gotten very, very small raises in the last few years and the economy as it is today, she didn't feel that Richards going without a raise was unreasonable. She said the City Manager for two years in a row has not even got a cost of living raise which means he is going backwards. Straub reminded Shores that Richards also is not getting any raise and two years ago he did not any increase which means he has also gone backwards.

Richards reminded the Board that the Board adopted a policy and a process in 2000 that the utility's wages would remain competitive so they can attract and retain good talent. Richards reminded the Board that this decision will result in no increase at all for two of the last three years. He compared this to the national average of managers of comparable utilities, who have received an average increase of 15% over that time. Valentine said

that if the Board continued on this path, Lowell Light & Power will become an unattractive place to work. Beachum felt that the general manager should have a cost of living increase each year but he felt that this general manager's wage should have been but by 20% due to the sale of the cable system and the 20% cut in work by the general manager. He noted some other utilities of similar size and customer count and employee base and pointed out that those managers make less than Richards does. He felt that Richards' annual wage was at the top of the scale for the Michigan utilities surveyed. He felt that Richards got a \$20,000 raise by the Board's action not to cut his salary by 20%.

Richards responded that his work load was not cut by 20% but with the sale of the cable company it merely freed up more of his time for him to devote to new electric utility efforts and enhancements.

Canfield said he felt Richards does a great job and he supports him but he felt that with the economy the way it is and in light of the last two years losses he felt comfortable with the wage freeze. Straub also interjected that it was not just Richards' responsibility to generate revenue but also the Boards. She said that as a Board they should have been looking more closely at the losses and perhaps instituted a rate increase to cover these losses. Canfield reminded Straub that the current Board has raised the electric rate and they have moved forward and next year should be better.

Hall made a motion to leave the general manager's pay at its current level and review this subject in 9 or 10 months. There was a support by Canfield. Ayes: Hall, Beachum and Canfield. Nays: Valentine and Straub. The motion passed.

Sawka asked the Board if they wouldn't appreciate some assistance in understanding the utility's financial statements. She said if they know and understand all the various reports it would be a great help to them. She offered to provide some education on the financial reports if they would like. Hall suggested that the Board schedule a workshop and that Sawka explain the reports to the Board. Sawka will prepare the materials and get back to the Board as to when they can schedule the workshop.

INFORMATIONAL ITEMS

Performance Data: Richards went over the performance data with the Board. There was no change in the residential customer count. Commercial sales were down by 10% from last year. He noted that the 'investments and cash total' shows the current amount in cash and investments but did not include almost \$400,000 the utility has invested in the MPPA competitive trust as well as about \$50,000 in the working capital investment with in the MPPA Power Pool.

Income Statement: Richards reviewed the income statement and explanatory summary with the Board. There was little discussion and no questions from the Board. The Board said the background information provided by Richards was very helpful. Richards also shared an analysis report illustrating the significant variances in revenues from electric usage by the system's largest commercial (business) customers.

Annual Review of Labor Expenses – Volunteer Fire Calls: Richards explained that the Board previously had elected not to dock the pay when the utility has a volunteer firefighter on staff who is allowed to respond to emergency calls during his shift. Richards provided an accounting of the financial impact (wages paid) in 2007 as a result of that policy. Beachum questioned the report total. Mullins provided clarification. Straub felt that this community service is a very good thing for the utility to do. She asked if there were funds set aside for community projects. Richards responded that the Board has a Benevolence Policy fund which has an annual \$5,000 limit for help with selected community projects. He cited some projects that came out of that fund. It was the consensus of the Board to make no changes to the current time off allowance for the volunteer fire fighters.

Revision to the October Meeting Schedule: After some discussion there was a motion by Beachum to change the regular Board meeting back to the original date of October 2nd. It was supported by Hall. The motion passed by unanimous vote of the Board.

Other Items: Richards gave a brief update of the items the utility is currently working on. Valentine asked about the emergency response coordination. Richards responded there has only been one meeting to date and Valentine asked if he could attend the next meeting. Richards will inform Valentine when the next meeting is scheduled. If her schedule allows it Straub would also like to attend the next meeting.

- Valentine questioned the renewable portfolio standards legislation. Richards explained that the House committee has put forward a bill that would then go to debate on the House floor and then if it gets passed it by the House it would then go to the Senate. Richards felt that it was very likely that the State would soon require a minimum amount of energy from ‘renewable’ sources from all utilities. Richards felt that initially 5% to 7% would be the requirement within the next few years. He also stated that municipalities will most likely not be exempt from the obligation to offer the same as the regulated utilities.
- Richards asked the Board if they all were going to attend the Utility Governance Workshop on March 7th and 8th. All the members stated they will be attending.
- Richards also asked which Board members planned on attending the APPA National Conference in June. Hall and Straub indicated their plan to attend. Canfield said he was uncertain.
- Richards referred to a notice he had provided regarding the Arbor Day Foundation’s Trees and Utilities national conference in April. He recommended the opportunity to learn about practices and solutions being used in other communities. Hall and Straub indicated that they planned on attending the conference.

- Beachum stated he liked receiving the utility vegetation management report. He questioned the ten areas were shown on a map at the January 24th meeting and asked why the new list shows 25 trees to be trimmed. Straub reminded him that the map showed 10 locations not 10 trees. Valentine stated that his name is on that tree trimming list, also. Richards stated that unless other problems were found, this list was the conclusion of the current round of tree trimming. Beachum asked when the next round would be done. Richards stated that more trimming would be done when it was needed. He said there will be tree additional trimming within a year but that it should be minor in comparison to the ‘catch-up’ period of the last couple of years. But he emphasized that line clearance must be seen as an ongoing requirement that needs to be done regularly and consistently.

Schedule of Meetings: Richards went over the schedule of meetings. Valentine stated that he has a final test on May 1st. He asked if the Board would consider changing the date of the regularly scheduled meeting to accommodate his inflexible test date. After some discussion Beachum made a motion to change the regular Board meeting date of Thursday May 1st to Wednesday April 30th. It was supported by Straub. The motion passed with the unanimous vote of the Board.

Complaint Register: The list noted only the high consumption complaint of the Ericksons of 517 Avery street (from the January 3 Board meeting).

Date for Next Meeting: The next regular meeting date will be March 6, 2008.

PUBLIC COMMENT

There were no public comments.

ADJOURNMENT

There was a motion by Beachum and support by Hall to adjourn the meeting. The motion passed by unanimous vote of the Board. The meeting adjourned at 7:54 am.

Approved:

Greg Canfield – Chairman

March 6, 2008