

Marquette Board of Light and Power 1-27-16 MINUTES

2200 Wright St., Marquette, MI 49855 (906) 228-0311

A regular meeting of the Board of Light and Power was called and held on January 27, 2016. The meeting was called to order followed by the Pledge of Allegiance and roll call.

Present: Tom Tourville, Chair
Jerry Garceau, Vice Chair/Secretary
David Carlson
Jerry Irby
David Puskala

Absent: None.

J. Irby made a motion to approve agenda as presented, and with support from D. Carlson, the Board unanimously approved.

1. Approval of the January 12, 2016 Regular Meeting Minutes:
J. Garceau made a motion to accept January 12, 2016 regular meeting minutes as presented. Motion was supported by D. Carlson and the Board unanimously approved.
2. Approval of Bills Payable:
J. Irby made a motion to approve the Bills Payable, totaling \$1,007,176.61. J. Garceau supported the motion and after discussion, Board unanimously approved the Bills Payable as presented.
3. Time for Public Comment:
Jorma Lankinen of 8 Marquette Dr., Marquette said thank you to the Board and staff for all the work you do for the community.
4. 2015 Fiscal Year Audit Presentation – Paul Nardi of Makela, Toutant, Hill & Nardi PC:
Paul Nardi gave a presentation on the Audited Financial Statements for 2015. Mr. Nardi went over the Auditor's Report highlighting the Management's Responsibility and the Auditor's Responsibility of the MBLP financial statements. Mr. Nardi explained the changes and impact of the newly implemented Governmental Accounting Standards Board (GASB) Statement No. 68 requirements. One of the most significant changes to the financial statements using the GASB 68 requirements is that the pension liability is now part of the Liabilities Section on the statement and not just under the footnotes. Executive Director Paul Kitti commented on the Defined Benefit Pension Plans that have been closed to control the legacy costs and unfunded liability. He stated that the new pension plan requires retirement at the age of 60. The earlier plans allowed retirement at 50 or 55 years old. Those plans are now eliminated.

Mr. Nardi gave a review of the report and answered questions from the Board. He thanked Helen LaFayette, Controller and Tobias Smith, Accounting and Billing Supervisor for all their extra work studying and preparing for the GASB No. 68 requirements. Mr. Nardi stated that the report shows improvements and the net income and cash flow are both moving in the right

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direction. J. Irby made a motion to accept the Audited Financial Statements as presented. D. Puskala supported the motion and the Board unanimously approved.

5. Recommendation to Approve Payment for Annual Software Maintenance and Support Agreements:

D. Puskala made a motion to approve the payment of three invoices in the total amount of \$6,222.45 for our annual software maintenance and support agreements for our accounting software. Staff noted that there is no local vendor that can support this software and this service provider has been with us since installation. This is a budgeted expense for the 2015-2016 fiscal year. The motion was supported by D. Carlson and unanimously approved by the Board.

6. Recommendation to Award Professional Services to Develop the Community Solar Garden:

A motion was made by J. Irby and supported by D. Puskala to accept the proposal from Michigan Energy Options (MEO) to provide community solar services for the development of the first phase of the Marquette Community Solar Garden. Proposal received is for an amount not to exceed \$17,875.00. David Lynch, Assistant Director-Utility Operations stated that the actual number of the panels sold will drive the size and price of the project. He also clarified that this cost of service will be reimbursed when project is implemented. Board approved the proposal unanimously.

7. Recommendation of Investment Firm – Elhers and Associates:

Brian Reilly, CFA, CIPMA, Senior Financial Advisor/Principal from Elhers and Associates gave a presentation on the work that has been completed in regards to the Request for Proposals (RFP) received from underwriting firms. He stated that there were seven proposals received and three firms were selected as final candidates to be considered. Mr. Reilly explained the extensive qualitative comparison analysis that was completed on the final candidates. Also, he stated that there were telephone interviews done with staff and Elhers. He then presented his findings and gave the recommendation of Bank of America-Merrill Lynch as the underwriter for the Marquette Energy Center bond transaction.

During the presentation, there were many questions asked and answers given. Mr. Reilly stated that we received excellent proposals from very experienced firms. T. Tourville said that we have been very blessed with the proposals received. We have received nothing but positive responses to our revenue bond requests. This is excellent news. The numbers are lower than what was built into the forecast.

Mr. Reilly explained how the process will move forward and recommended the Board create and approve parameters, such as total bond amount, time length of bond, total inclusive cost, true interest cost, etc. Then the Board should designate a small financial committee who can make the decisions needed, as long as it falls within the Board appointed parameters, without scheduling a Board Meeting. He recommended that the Board do this as soon as possible because of the market rates and so this process can be completed before the next Wartsila payment is due. J. Irby made a motion to accept their recommendation to hire the Bank of America – Merrill Lynch team as the underwriter for the revenue bonds. D. Puskala supported the motion and the Board unanimously approved. Mr. Reilly thanked the Board and staff for their additional work and confidence in Elhers and Associates.

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8. Unit No. 2 Discussion:
J. Reynolds, Consultant-Technical and Engineering Support, gave a report to the Board in regards to the items that Unit No. 2 would need to be up graded in order to run it for long-term reliability. J. Reynolds stated that this unit is 45 years old and would need extensive upgrades. In January, 2017, according to new EPA laws being enacted, Unit No. 2 can become a 10% limited use unit. Discussion also followed on the high cost of running this unit as compared to the other units. No decision was made at this time.
9. Marquette BLP Energy Center Update – Sargent & Lundy Presentation:
Chuck Beitel, P.E.-Sargent and Lundy, Project Director, gave a presentation on recent engineering activities, activities that will need to be done in the near future and the current revised schedule for the project. Mr. Beitel gave a Procurement Summary Report, went over key issues that will need to be addressed and an outline of the engineering budget and cash flows. Board members asked questions and discussed the project.
10. Time for Public Comment:
John Prince, 3023 Island Beach Road Marquette, said that over the last few months, he has talked to many people out in the community and has received many positive comments. Some of the comments that he has received are, ‘Thank you for planning for our future’ and ‘Thank you for actually doing something.’ He stated that the position that the MBLP is in right now, is not an accident or because of luck, it is because of the dedicated, hardworking staff and Board that have been working hard to get this project off the ground. Thank you.

Jorma Lankinen, 8 Marquette Drive, Marquette stated that he has received an incredible wealth of information tonight. You are doing your due diligence. You have an incredible engineering staff, incredible bonding company that you chose this evening, along with an interest rate that is incredible. Hopefully, this information will get to the city commission to inform them of the due diligence that you are exercising. You, as group, are highly intelligent people and they need to know what you are doing for the community and the City of Marquette. Thank you.
11. Any Additional Business the Executive Director Wishes to Present:
Executive Director, Paul Kitti thanked the Board on the behalf of the staff for your diligence and your support of this project. Mr. Kitti also thanked Paul Nardi, Brian Reilly and Chuck Beitel for their presentations tonight and the staff for all their dedication, extensive hours committed to the project and loyalty to the community.
12. Any Additional Business the Board Members Wish to Present:
T. Tourville reminded staff and the Board of the Joint Work Session with the City Commission on Monday, February 8 at 5:30 p.m.
13. Adjournment:
The meeting adjourned at 8:15 p.m.



Jerry Garceau
Vice Chair/Secretary