



Board of Light, Gas and Water Commissioners

220 S. Main Street
Memphis, TN 38103
www.mlgw.com

Board Meeting

~ Minutes ~

Wednesday, October 4, 2017

1:00 PM

Board Room

CALL TO ORDER AND OPENING REMARKS:

Chairman Wishnia

The meeting was called to order at 1:03 p.m.

PLEDGE OF ALLEGIANCE:

Chairman Wishnia

The Pledge of Allegiance was recited.

ROLL CALL:

Dana Jeanes

| Attendee Name | Title | Status | Arrived |
|-------------------|---------------|---------|---------|
| Steven Wishnia | Chairman | Present | |
| Carlee McCullough | Vice Chairman | Present | |
| Mitch Graves | Board Member | Late | 1:14 PM |
| Leon Dickson | Board Member | Present | |
| Derwin Sisnett | Board Member | Absent | |

ROLL CALL - Advisory Board Members:

Kevin Young - Present

Dwain Kicklighter - Present

The following staff members were present: Jerry R. Collins, Jr., President and CEO; Dana Jeanes, Vice President, CFO and Secretary-Treasurer; Cheryl Patterson, Vice President and General Counsel; Nick Newman, Vice President, Construction and Maintenance; Christopher Bieber, Vice President, Customer Care; Alonzo Weaver, Vice President, Engineering and Operations; Von W. Goodloe, Vice President, Human Resources; and Lashell Vaughn, Vice President and Chief Technology Officer.

APPROVALS:

Motion To: Approve Minutes of the Meeting of September 20, 2017.

RESULT: ADOPTED [UNANIMOUS]
MOVER: Leon Dickson, Board Member
SECONDER: Carlee McCullough, Vice Chairman
AYES: Steven Wishnia, Carlee McCullough, Leon Dickson
ABSENT: Mitch Graves, Derwin Sisnett

CITY COUNCIL ACKNOWLEDGEMENTS & UPDATE:

Dana Jeanes

Receipt of Certified Copies of City Council Resolutions dated September 19, 2017, Items 7 and 28. (See Minute File No. 1418. Note, these will be filed in the vault with

Minute File No. 1418; however, they are not associated with previous MLGW Board Meeting Agendas.)

PRESENTATIONS:

(None)

GENERAL STATEMENTS FROM THE PUBLIC:

(None)

PRESIDENT'S BRIEFING:

President Collins recognized and welcomed two groups in attendance of the meeting. Junior Engineers to Professional Engineers (JEPE) and New Financial Professionals are in attendance of the meeting today to observe and learn how we operate.

1. Review of Consent Agenda - Jerry R. Collins, Jr.

(President's Briefing Continued on Page 97)

The original of the resolutions and documents relating to each item is filed in the vault on the fifth floor of the MLGW Administration Building, 220 South Main. The original documents shall control in the event of any conflict between the description and these minutes and the original documents.

CONSENT AGENDA

(Items 1 through 8)

| | |
|------------------|---|
| RESULT: | APPROVED [UNANIMOUS] |
| MOVER: | Leon Dickson, Board Member |
| SECONDER: | Carlee McCullough, Vice Chairman |
| AYES: | Steven Wishnia, Carlee McCullough, Leon Dickson |
| ABSENT: | Mitch Graves, Derwin Sisnett |

CONSTRUCTION & MAINTENANCE DIVISION

1. Resolution approving Change No. 4 to Contract No. 11601, Automated Call-Out System, with Arcos, Incorporated to renew the current contract in the funded amount of \$87,500.00. (This change is to renew the current contract for the third of four annual renewal terms for the period covering December 12, 2017 through December 11, 2018.) (Clifton Davis) (REQUIRES CITY COUNCIL APPROVAL)
2. Resolution awarding Contract No. 11976, Large Directional Drilling, to Alliance Utilities, Incorporated, in the funded amount of \$3,190,400.00. (Clifton Davis) (REQUIRES CITY COUNCIL APPROVAL)

CUSTOMER CARE DIVISION

(None)

ENGINEERING & OPERATIONS DIVISION

3. Resolution approving Change No. 1 to Contract No. 11861, Substation and Transmission Engineering Services, with Fisher & Arnold, Incorporated, in the funded amount, based on approved rates, not-to-exceed \$300,000.00. (This change is to ratify and renew the current contract for the first of four annual renewal terms covering the period October 5, 2017 through October 4, 2018 which reflects a 3% increase due to the firm's operating cost. In addition, this renewal reflects an increase in services due to anticipated projects during this renewal term in the amount of \$50,000.00 for a total funded amount of \$300,000.00.) (Clifton Davis) (REQUIRES CITY COUNCIL APPROVAL)

FINANCE DIVISION

4. Resolution requesting approval of Courage Credit Opportunities Fund IV, a distressed debt manager, to manage approximately \$15,000,000 for the benefit of the MLGW OPEB Trust Fund, as part of a reallocation. (Dana Jeanes) (REQUIRES CITY COUNCIL APPROVAL)
5. Resolution requesting approval of Courage Credit Opportunities Fund IV, a distressed debt manager, to manage approximately \$35,000,000 for the benefit of the MLGW Retirement and Pension Fund, as part of a reallocation. (Dana Jeanes) (REQUIRES CITY COUNCIL APPROVAL)

GENERAL COUNSEL DIVISION

(None)

HUMAN RESOURCES DIVISION

6. Resolution approving Position No. 06717 - Asset Management Engineer 3. (Jerry R. Collins, Jr./Von Goodloe)

INFORMATION SERVICES DIVISION

7. Resolution approving Change No. 5 to Contract No. 9882, Dump Formatter and Analyzer Software Package, with Compuware Corporation, in the funded amount of \$22,998.00. (This change is to renew the current contract for annual software maintenance, license, and support services for the Abend-Aid product covering the period February 1, 2018 through January 31, 2019. The renewal reflects a 6% increase from the previous renewal based on Compuware's standard practice regarding increases. MLGW is requesting continuous maintenance of the acquired system, which can only be performed by Compuware Corporation.) (Clifton Davis) (REQUIRES CITY COUNCIL APPROVAL)
8. Resolution approving Change No. 7 to Contract No. 9626, Data Processing/License Agreement, with Innovation Data Processing, Incorporated, in the funded amount of \$7,884.00. (This change is to renew the current contract for annual software maintenance, license, and support services covering the period February 1, 2018 through January 31, 2019. This change reflects a 3.6% increase from the previous year due to an increase in annual maintenance costs for the FDR and FASTCPK products.

MLGW is requesting continuous maintenance of the acquired system, which can only be performed by Innovation Data Processing, Incorporated.) (Clifton Davis)
(REQUIRES CITY COUNCIL APPROVAL)

PRESIDENT'S DIVISION

(None)

PRESIDENT'S BRIEFING (Continued):

2. 2018 Preliminary Budget - Jerry R. Collins, Jr. reviewed the anticipated budget schedule. He noted that MLGW is an industry leader and in a strong financial condition, but also in a weakening position due to an unbalanced budget, negative change in net position, declining levels of cash and cash as days of operating expense, recent rating agency downgrade, declining sales, projected debt issuances with need to fund a portion with current revenues, and financial indicators/metrics below targets.

He pointed out that MLGW received very strong credit ratings from the rating agencies and noted the water division received the highest possible credit rating. He added that MLGW continues to hold the lowest combined electric, gas, water and sewer rates in the country for the fifth consecutive year; as well as the second lowest water rate in the country with the best quality water supply. He emphasized the decrease in average residential utility bills has declined by 13% since 2014 and 17% since 2008. He also noted that the last year, in which the average bill was lower than the 2017 projected bill, was in 2004.

He discussed key budget drivers, positions, and the fact that the infrastructure and assets of MLGW are in good shape as they are all less than 50% depreciated. He stated that MLGW has well-funded Pension and OPEB trust funds. He explained the role that the new GASB 75 has on the "appearance" of the calculations of the OPEB funding; however, in reality the figure is "not real money".

Graphs were included in the power point presentation which demonstrated total operating expenses for all divisions. The 2018 budget summary spreadsheet included a breakdown of various line items such as total operating revenue, O&M expense, purchased power and gas, depreciating and amortization expense, PILOT and other taxes, total operating expense, total capital expenditures, and total operating and capital budgets. The plan is to bring three options for rate actions that will vary in magnitude and timing of implementation to the Board Meeting in the form of a resolution on October 25, 2017. The City Council will be asked to select an option during the budget process and the Board will then ratify the selected option and budget after City Council approval.

3. Other - Jerry R. Collins, Jr.

President Collins welcomed Dwain Kicklighter and Kevin Young as the two new Advisory Board Members.

Chairman Wishnia recognized Gale Carson for receiving the "Super Woman" award and Renise Holliday for being elected to serve on the National Contract Compliance Board of Directors for the American Contract Compliance Association.

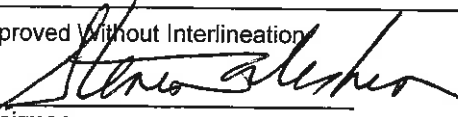
COMMITTEE REPORTS:

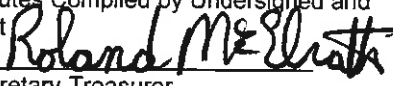
(None)

ADJOURNMENT:

There being no further business, the meeting was adjourned at 1:45 p.m.

(See Minute File No. 1418.)

Approved Without Interlineation

Chairman

These Minutes Compiled by Undersigned and
are Correct 
Acting Secretary-Treasurer