

A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, January 13, 2015

At

5:15 p.m.

In The

COMMISSION CHAMBERS
(2nd floor, Governmental Center)
400 Boardman Avenue

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

Stephanie Tvardek
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686
(231) 922-4940

Posting Date: 01-09-15
4:00 p.m.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Consent Calendar

The purpose of the consent calendar is to expedite business by grouping non-controversial items together to be dealt with by one Board motion without discussion. Any member of the Board, staff or the public may ask that any item on the consent calendar be removed therefrom and placed elsewhere on the agenda for full discussion. Such requests will be automatically respected. If an item is not removed from the consent calendar, the action noted in parentheses on the agenda is approved by a single Board action adopting the consent calendar.

- a. Consideration of approving minutes of the Regular Meeting of December 9, 2014. (Approval recommended) (p. 4)
- b. Consideration of approving amended Board Policies:
 1. Computer, Internet and Email Policy. (Approval recommended) (Schroeder) (p. 8)
 2. Family Medical Leave Act Policy. (Approval recommended) (Schroeder) (p. 14)

Items Removed from the Consent Calendar

a.

3. Unfinished Business

None.

4. New Business

- a. Fiscal year 2013-14 Audit presentation. (Myers-Beman) (p. 20)

5. Appointments

None.

6. Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
 1. West Front Street Redevelopment Project presentation. (Arends/Nate Elkins) (p.

2. Presentation of Fiber Optic Fund 2015-16 operating budget. (Myers-Beman/Menhart) (p. 73)
3. *TCL&P news and correspondence. (General – No Official Report)* (p. 76)

c. From Board.

7. Public Comment

/st

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Regular Meeting
Held at 5:15 p.m., Commission Chambers, Governmental Center
Tuesday, December 9, 2014

Board Members -

Present: Jim Carruthers, Pat McGuire, Jeff Palisin, Jan Geht, John Taylor

Absent: Barbara Budros, Bob Spence

Ex Officio Member -

Present: Jered Ottenwess, City Manager

Others: Tim Arends, Karla Myers-Beman, Stephanie Tvardek

The meeting was called to order at 5:15 p.m. by Chairman Taylor.

Item 2 on the Agenda being Consent Calendar

None.

Item 3 on the Agenda being Unfinished Business

None.

Item 4 on the Agenda being New Business

- a. Consideration of approving minutes of the Regular Meeting of November 25, 2014.

Moved by McGuire, seconded by Geht, that the minutes of the Regular Meeting of November 25, 2014 be approved.

CARRIED unanimously. (Budros, Spence absent)

- b. Consideration of awarding bid for LED street lights.

The following individuals addressed the Board:

Tom Olney, Operations Manager
Tim Arends, Executive Director

Moved by Carruthers, seconded by Palisin, that the Board authorizes a purchase order to Resco for the purchase of 400 LED street light fixtures in the amount of \$112,200.

CARRIED unanimously. (Budros, Spence absent)

Item 5 on the Agenda being Appointments

None.

Item 6 on the Agenda being Reports and Communications

a. From Legal Counsel.

None.

b. From Staff.

1. Mark Beauchamp, Utility Financial Solutions, presented and discussed the Rate Study Board Goals.

The following individuals addressed the Board:

Tim Arends, Executive Director

c. From Board.

1. With the consensus of the Board, Chairman Taylor announced the December 23, 2014 Regular Board meeting is canceled.

Item 7 on the Agenda being Public Comment

No one from the public commented.

There being no objection, Chairman Taylor declared the meeting adjourned at 6:53 p.m.

/st

Tim Arends, Secretary
LIGHT AND POWER BOARD



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Kelli Schroeder, Manager of HR & Communications
Date: January 7, 2015
Subject: Amended Policies

Included in your packet for review are redlined copies of two existing policies that staff is proposing be amended.

The first is the Computer, Internet and Electronic Mail Policy that staff has identified needing additional clarifying language in certain areas as well as language regarding records retention. The amendments include adding a Definition and Ownership section along with an Electronic Communication Retention section that references the Records Retention Policy that was adopted by the Board on November 25, 2014.

The Family Medical Leave Act (FMLA) policy, which has not been amended since its adoption in 1993, has been revised to reflect changes in the Federal Regulations with respect to Military Caregiver Leave and Qualifying Exigency Leave. Staff also identified other changes that were needed to bring the policy current.

Staff recommends approval of the amended policies as presented. These items are appearing on the Consent Calendar as they are deemed by staff to be non-controversial items. Approval of the items on the Consent Calendar means you agree with staff's recommendation.

(RECOMMENDED MOTIONS ON NEXT PAGE)

FOR THE LIGHT & POWER BOARD MEETING OF JANUARY 13, 2015

If any member of the Board or the public wishes to discuss these matters, other than clarifying questions, the items, individually, should be placed on the "Items Removed from the Consent Calendar" portion of the agenda for full discussion. If after Board discussion you agree with staff's recommendation, the following motions would be appropriate:

1. COMPUTER, INTERNET AND ELECTRONIC MAIL POLICY:

MOVED BY _____, SECONDED BY _____,

THAT THE BOARD ADOPTS THE AMENDED COMPUTER, INTERNET AND ELECTRONIC MAIL POLICY AS PRESENTED WITH AN IMMEDIATE EFFECTIVE DATE.

2. FAMILY MEDICAL LEAVE ACT:

MOVED BY _____, SECONDED BY _____,

THAT THE BOARD ADOPTS THE AMENDED FAMILY MEDICAL LEAVE ACT (FMLA) POLICY AS PRESENTED WITH AN IMMEDIATE EFFECTIVE DATE.

Light and Power Department
City of Traverse City, MI
Adopted: January 9, 2001
Amended:

COMPUTER, INTERNET AND ELECTRONIC MAIL COMMUNICATIONS POLICY

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This policy establishes guidelines for the proper use of Traverse City Light and Power's (TCL&P) computers, Internet resources and ~~electronic communication~~ ~~electronic mail~~ resources. All employees have the responsibility to use these resources in a professional, ethical and lawful manner. *The information created through the use of these systems is the property of TCL&P, not the persons who create them. Federal and State laws may require the reproduction of this information for third parties.* Employees are notified that they are responsible for the material they review and download from the Internet.

DEFINITIONS

1. Computer Network – a system containing any combination of computers, computer terminals, printers, audio or visual display devices, or telephones interconnected by telecommunication equipment or cables; used to transmit or receive information.
2. Electronic Communication - is the exchanging of messages and documents using electronic means including but not limited to internal and external electronic mail (E-Mail), telephone voice mail, Internet and computer hardware and software. An electronic communication message includes the contents of the communication, the transaction information (dates and times that messages were sent, received, opened, deleted, etc.; as well as aliases and members of groups), and any attachments.
- 4.3. Public Record – is a writing prepared, owned, used, in the possession of or retained by a public body in the performance of an official function, from the time it is created.

OWNERSHIP:

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Computer hardware, application software systems, all components of the computer network including telephones purchased with TCL&P funds are the property of TCL&P, not of individuals, and may be subject to reallocation as the needs of TCL&P change. All TCL&P computers and networked equipment property ownership rights are vested in TCL&P and are subject to the controls, policies and procedures established by the Board and Executive Director. Upon termination of employment, retirement or at the request of the supervisor or Executive Director, all electronic devices shall be immediately turned over to TCL&P.

GENERAL COMPUTER POLICIES:

1. Only those persons currently employed or given special permission, are permitted to use any computer resources owned, rented or leased by ~~TCL&P~~ Traverse City Light and Power.
2. Use of ~~TCL&P's Light and Power~~ computer resources or Internet connection for gambling, obtaining or distributing pornographic materials or materials depicting nudity and all other illegal activity is strictly forbidden. The Executive Director may have incoming and outgoing Internet traffic monitored for this type of usage. ~~Light and Power may monitor incoming and outgoing Internet traffic for this type of usage.~~
3. Where copyright laws apply, ~~Light and Power~~ TCL&P forbids unlawful copying of any software or manuals.
4. Installation or downloading of software is prohibited unless approved by a supervisor.

INTERNET USE:

1. Access to the Internet is primarily for the exchange of information and research consistent with the vision, mission, goals and activities of ~~TCL&P~~ Light and Power.
2. Access to the Internet is provided both as a business tool for and a benefit to employees.
3. Employees are expected to use the Internet solely for job-related research and ~~Light and Power~~ TCL&P business communications during work hours. Acceptable job-related uses include, but are not limited to, the following:
 - a) Communication with professional associations, other utilities and/or governments, universities, businesses and/or individuals associated with the facilitating of ~~Light and Power~~ TCL&P business, research and education efforts.
 - b) Distribution of information to the general public, whereby such information is made available under ~~Light and Power~~ TCL&P guidelines and policies for the release of information and the Freedom of Information Act.
 - c) Incidental communication among ~~Light and Power~~ TCL&P employees in discussion of a work-related field of knowledge.
4. Employees may use the Internet on-site for personal research and communications outside of work hours, provided these activities do not result in additional expenses for ~~Light and Power~~ TCL&P and do not interfere with ~~Light and Power~~ TCL&P business. Incidental personal use is permissible under the following conditions:
 - a) Does not consume an ~~abusive-excessive~~ amount of time, resources or material that should be used for business purposes.

- b) Does not interfere with employee productivity.
 - c) Does not preempt or interfere with other employee's business activity.
 - d) Does not involve solicitation for business, selling products or otherwise engaging in commercial activities.
 - e) Does not involve locating, storing or transmitting data or information that has the potential to be considered harassing or offensive by nature.
5. Employees shall not use the Internet for inappropriate or unlawful purposes, including but not limited to, placing unauthorized information, computer viruses or harmful programs on or through the computer system in either public or private files or messages; using harassing, obscene or otherwise inappropriate language in communications; and obtaining, viewing or downloading information that is unlawful, obscene, indecent, vulgar, pornographic, depicts nudity or otherwise objectionable.
 6. Internet access records and records of downloaded files are not private and may be monitored as deemed necessary by the Executive Director, or their designee, without prior notice to the employee.

ELECTRONIC MAIL COMMUNICATIONS:

1. The above rules for the Internet also apply to the use of electronic mail-communications provided to Light and Power~~TCL&P~~ employees. E-mail~~Electronic communications~~ may constitute a public record under certain circumstances and may be accessible or obtainable by individuals, agencies and others outside Light and~~TCL&P Power~~ and subject to state archivist rules for retention/destruction.
2. All electronic communication e-mail originating from or received by TCL&P Light and Power ~~computer systems, including internal and external electronic mail (E-Mail), telephone voice mail, Internet and computer hardware and software~~ is TCL&P Light and Power property, and is not considered private information.
- 2.3. Electronic communications may be monitored as deemed necessary by the Executive Director or their designee without prior notice to the employee.
- 3.4. ~~No e-mail or other~~ No electronic communications may be sent which attempt to hide the identity of the sender, or represent the sender as someone else or from another utility unless related to the performance of a work-related investigation.
5. Any messages or information sent by an employee to one or more individuals via an electronic network, (e.g., bulletin board, on-line service, or Internet) are statements identifiable and attributable to Traverse City Light and Power~~TCL&P~~. While some users include personal

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“disclaimers” in electronic messages, it should be noted that there would still be a connection with ~~Light and Power~~TCL&P and the statement might still be legally imputed to ~~Light and Power~~TCL&P. All communication sent by employees via a network must comply with this and other ~~Light and Power~~TCL&P policies and may not disclose any confidential or proprietary information unless required for use in official job duties.

ELECTRONIC COMMUNICATION RETENTION:

EMPLOYEE RESPONSIBILITIES

PURPOSE: (1) to prescribe the maximum amount of time a particular electronic communication may remain on the Computer Network and (2) to ensure that electronic communications are retained as required by the state archivist rules for retention/destruction and TCL&P’s Records Retention Policy adopted November 25, 2014.

1. There are four types of electronic communications covered:
 - a. Public Record: Examples include work related correspondence and memoranda between employees that are not included in the definition of a Transitory Record, purchase orders, citizen complaints, requests for changes made to contracts or document human resource actions, etc.
 - b. Work-related Appointments, Tasks and Notes Record: Contains information such as a daily log, calendar, or other record evidencing an employees’ daily performance of work related tasks, or approval of a request to attend a training class.
 - c. Transitory Record: Has very little administrative value. Transitory records do not set policy, establish guidelines or procedures, document a transaction or become a receipt of an action. Such electronic communications include correspondence or memoranda reminding the employee of a meeting, requesting a document to be sent, faxed, etc.
 - d. Non Public Record: Not related to the performance of an official function or documents non-government business, such as a holiday or retirement party announcement or an electronic communication indicating congratulations on a new job, letting a spouse know you are running late, or to notify individuals a car in the parking lot has its lights on.
2. The retention period for each type of electronic communication is as follows:
 - a. Public Record. Refer to state archivist rules for retention/destruction.
 - b. Work-related Appointments, Tasks and Notes Record. Two years.
 - c. Transitory Record. Disposal after the purpose of the electronic communication has been fulfilled.
 - d. Non Public Record. Within 30 days or following the event or purpose to which the electronic communication relates, whichever is earlier.
3. All employees shall retain and dispose of electronic communications as required by this Policy. Electronic communications shall not be destroyed if they have been requested under FOIA, or if they are part of on-going litigation, even if their retention period has expired or this Policy would otherwise require disposal.

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4. Those originating the communication are generally considered to be the employee responsible for maintaining the electronic communication as required by this Policy. However, if recipients of the message take action as a result of the message, or if the communication was sent by an outside agency, a member of the public, or anyone outside of TCL&P, the recipient should retain it as required by this Policy.
5. It is recommended that employees retain only the final message in a communication string that documents the contents of all previous communications. This is preferable to retaining each individual message, containing duplicate content.
6. The employee responsible for retaining the electronic communication as required by this Policy shall evaluate the content and purpose of each communication message to determine the appropriate Retention Period.
7. All employees shall retain electronic communication that has not fulfilled its legally mandated retention period by following archival methods defined by the Manager of Telecommunications & Technology.
8. All retained electronic communications shall contain the transactional information with the communication (transactional information can include dates and times that messages were sent, received, opened, deleted, etc.; as well as aliases and names of members of groups).
9. All employees shall organize their electronic communications in a manner that they can be located and used. Communications may be organized by subject or by some other system. Electronic communications should be coordinated with any paper or other filing system already in place within the employee's department.
10. All employees shall provide their electronic communications to the designated FOIA Coordinator as documented in the FOIA policy, upon request.
11. Electronic communication sent and received using TCL&P's computer network is not private. Employees are encouraged to delete "Non Public Records" within 30 days or following the event or purpose to which the electronic communication relates, whichever is earlier.
12. Each Supervisor shall ensure that electronic communications (and other records) of former employees are retained in accordance with approved Retention and Disposal Schedules.
13. All employees shall notify the designated FOIA Coordinator, when a department becomes involved in litigation or receives a FOIA request pursuant to TCL&P's FOIA Policy.

FOIA AND LITIGATION COORDINATOR RESPONSIBILITIES ("FOIA COORDINATOR")

1. The FOIA coordinator shall follow the FOIA policy procedures in disclosing public records.
2. The FOIA coordinator is responsible for identifying the records requested by the public and to determine if they are in electronic form, even if the public does not specifically request such.

They are also responsible for ensuring that information technology staff is notified that a FOIA request involving electronic communications was received to prevent the destruction of relevant messages.

NETWORK SECURITY:

No employee shall use any data or other information on TCL&P's network file server or any TCL&P computer for personal gain, or for the advantage of any outside third party, or in any other way except in accordance with the policies of TCL&P.

No employee shall permit any unauthorized person to gain access to TCL&P's computer network system.

No employee shall furnish any information to any unauthorized person about the hardware or the software used by TCL&P, nor the method of accessing TCL&P's computer network system.

Violation of this policy will be considered cause for appropriate disciplinary action, up to and including discharge. Any questions with regard to interpretation of this policy should be discussed with the Supervisor.

- ~~1. No employee shall use any data or other information on Light and Power's network file server or any Light and Power personal computer for personal gain, or for the advantage of any outside third party, nor in any other way except in accordance with the policies of Light and Power.~~
- ~~2. No employee shall permit any unauthorized person to gain access to Light and Power's computer network system.~~
- ~~3. No employee shall furnish any information to any unauthorized person about the hardware or the software used by Light and Power, nor the method of accessing Light and Power's computer network system.~~

Timothy J. Arends
Executive Director and Secretary
Traverse City Light and Power Board

Light and Power Department
City of Traverse City, MI
Adopted: August 11, 1993
Amended:

FAMILY AND MEDICAL LEAVE ACT POLICY

A. General Provisions:

It is the policy of Traverse City Light and Power (TCL&P) to grant up to 12 weeks of family and medical leave for basic leave and military qualifying exigency leave and up to 26 weeks for military caregiver leave during any 12 month period to eligible employees, in accordance with the Family and Medical Leave Act of 1993 (FMLA) and as amended. The leave may be paid, unpaid, or a combination of paid and unpaid, depending on the circumstances and as specified in this policy.

~~The following provisions of the Act are effective for non-bargaining unit employees August 5, 1993, and for bargaining unit employees, February 5, 1994.~~

B. Eligibility:

In order to qualify to take family and medical leave under this policy, the employee must meet all of the following conditions:

1. The employee must have worked for the employer at least 12 months, or 52 weeks. The twelve months, or 52 weeks, need not have been consecutive. For eligibility purposes, an employee will be considered to have been employed for an entire week even if the employee was on the payroll for only part of a week or if the employee is on leave during the week.
2. The employee must have worked at least 1,250 hours during the twelve month period immediately before the date when the leave would begin.
3. The employee must work in an office or worksite where 50 or more employees are employed within 75 miles of that office or worksite.

C. Types of Leave Covered:

In order to qualify as FMLA leave under this policy, the employee must be taking the leave for one of the reasons listed below:

1. Basic Leave

- 1.a. The birth of a child and in order to care for that child;

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a.b. The placement with the employee of a child for adoption or foster care;

b.c. To care for ~~a the employee's~~ spouse, child, or parent with a *serious health condition*; or

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e.d. The *serious health condition* (~~described below~~) of the employee that makes the employee unable to perform one or more of the essential functions of his or her job.

~~An employee may take leave because of a serious health condition that makes the employee unable to perform the functions of the employee's position.~~

A serious health condition is defined as:

An illness, injury, impairment or physical or mental condition ~~condition~~ which requires inpatient care at a hospital, hospice, or residential medical care facility, or a condition which requires continuing care by a licensed health care provider.

~~This policy covers illnesses of a serious and long-term nature, resulting in recurring or lengthy absences. Generally, a chronic or long-term health condition which, if left untreated, would result in a period of incapacity of more than three days, would be considered a serious health condition.~~

Employees with questions about what illnesses are covered under ~~this the Family Medical Leave Act policy or under TCL&P's sick leave policy~~ are encouraged to ~~consult with the contact Personnel Office~~ TCL&P Human Resources.

TCL&P may require an employee to provide a ~~doctor's medical~~ certification of the *serious health condition*. The certification process is outlined in section H.

~~If an employee takes paid sick leave for a condition that progresses into a serious health condition and the employee requests unpaid leave as provided under this policy, TCL&P may designate all or some portion of related leave taken as leave under this policy, to the extent that the earlier leave meets the necessary qualifications.~~

An eligible employee can take up to 12 weeks of leave under this policy during any 12 month period. TCL&P will measure the 12 month period as a rolling 12 month period measured backward from the date an employee uses any leave under this policy (except that TCL&P will not measure back before August 5, 1993, for administrative employees and February 5, 1994, for bargaining unit employees). Each time an employee takes leave, TCL&P will compute the amount of leave the employee has taken under this policy and subtract it from the 12 weeks of available leave, and the balance remaining is the amount the employee is entitled to take at that time.

If a husband and wife both work for TCL&P, and each wishes to take leave for the birth of a

child, adoption or placement of a child in foster care; or ~~to the care of a seriously ill for a parent (but not a "parent-in-law") with a serious health condition,~~ the husband and wife are limited to a may only take a combined total of 12 weeks of leave.

2. Qualifying Exigency Leave

Eligible employees with a spouse, son, daughter or parent on active duty in a foreign country or who have been notified of an impending call or order to active duty in support of a contingency operation in a foreign country may use leave to address certain qualifying exigencies as defined by the FMLA (hereinafter referred to as "QEL").

An eligible employee can take up to twelve (12) weeks of QEL under this policy during any twelve (12) month period. TCL&P will measure the twelve month period as a rolling twelve (12) month period measured backward from the date an employee uses QEL under this policy. Each time an employee takes QEL, TCL&P will compute the amount of QEL the employee has taken under this policy and subtract it from the twelve (12) weeks of available QEL.

3. Military Caregiver Leave

Eligible employees may take FMLA leave to care for a spouse, son, daughter or parent or next of kin of 1) a covered service member who has a serious injury or illness as defined by FMLA that was incurred in the line of duty on active duty for which he or she is undergoing medical treatment, recuperation, or therapy; or otherwise in outpatient status; or otherwise on the temporary disability retired list; or 2) a covered veteran with a serious injury or illness as defined by FMLA that was incurred or aggravated in the line of duty on active duty and that manifested before or after the veteran left active duty for which he or she is undergoing medical treatment, recuperation, or therapy. A covered veteran is defined as having been discharged within the five-year period before the date on which the employee first takes FMLA military caregiver leave to care for the veteran, and that the veteran was not dishonorably discharged.

An eligible employee can take up to twenty-six (26) weeks of military caregiver leave under this policy during a single twelve (12) month period. During that twelve (12) month period, the maximum amount of combined leave allowed under C (1) - (3) is twenty-six (26) weeks. TCL&P will measure the twenty-six (26) weeks going forward from the date an employee first takes military caregiver leave to care for a covered service member or veteran.

D. Employee Status and Benefits During Leave:

While an employee is on leave, TCL&P will continue the employee's health benefits during the leave period at the same level and under the same conditions as if the employee had continued work.

If the employee chooses not to return to work for reasons other than a continued serious health

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condition, TCL&P will require the employee to reimburse TCL&P the amount it paid for the employee's health insurance premium during whatever portion of -the leave period the leave was unpaid.

Under current TCL&P policy, the employee pays a portion of the health care premium. While on paid leave, the employer will continue to make payroll deductions to collect the employee's share of the premium. While on unpaid leave, the employee must continue to make this payment, either in person or by mail. The payment must be received in the Treasurer's Department by the 15th day of each month. If the payment is more than 30 days late, the employee's health care coverage may be dropped for the duration of the leave.

Under the terms of this policy, the employee may continue to maintain other fringe benefits by paying the entire cost of such along with the health care payments. If the employee does not continue these payments, TCL&P shall discontinue coverage in accordance with current policy during the leave period.

E. Employee Status After Leave:

An employee who takes leave under this policy will be able to return to the same job or a job with equivalent ~~status~~, pay, benefits and other employment terms. The position will be the same or one which entails substantially equivalent skill, effort, responsibility and authority.

F. Use of Paid and Unpaid Leave:

~~An employee taking leave under this policy will be required to use all available short term leave (STL) while on FMLA. The employee will have the option of using personal leave days, accrued vacation leave or sick leave and/or take the remainder of the FMLA leave as unpaid. If the employee has accrued personal leave days and vacation leave the employee may use paid leave and take the remainder of the twelve weeks as unpaid leave.~~

~~An employee who is taking leave because of the employee's own *serious health condition* may use sick leave in accordance with the terms of the collective bargaining agreement or current procedure.~~

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~~An employee taking leave for the birth of a child may use sick leave in accordance with the terms of the collective bargaining agreement or current procedure for physical recovery following child birth. If a leave taken under Worker's Compensation or TCL&P's the City's temporary disability plan is for a health condition which also qualifies under FMLA is considered leave for purposes of FMLA substitution the leave will be treated concurrently as FMLA leave..~~

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~~An employee who is taking leave for the adoption or foster care of a child may use accrued personal leave days and vacation leave prior to unpaid leave.~~

G. Intermittent Leave or a Reduced Work Schedule:

The employee may take FMLA leave in ~~12~~ consecutive weeks or, when medically necessary, may use the leave intermittently, or under certain circumstances may use the leave to reduce the work week or work day, resulting in a reduced hours schedule. In all cases, the leave may not exceed a total of 12 weeks (26 weeks for military caregiver leave) over a 12 month period.

TCL&P may temporarily transfer an employee who is on intermittent or reduced-schedule leave caused by foreseeable medical treatment to an available alternative position with equivalent pay and benefits if the alternative position would better accommodate the intermittent or reduced schedule.

For the birth, adoption or foster care of a child, TCL&P and the employee must mutually agree to the schedule before the employee may take the leave intermittently or work a reduced hours schedule. Leave for birth, adoption, or foster care of a child must be taken within one year of the birth or placement of the child.

If the employee is taking leave for a serious health condition or because of the serious health condition of a family member, the employee should try to reach agreement with TCL&P before taking intermittent leave or working a reduced hours schedule. If this is not possible, then the employee must prove that the use of the leave is medically necessary. TCL&P may require certification of the medical necessity, discussed in section H.

H. Certification of the Serious Health Condition:

TCL&P may ask for a medical certification completed by a health care provider for leaves sought due to of the a serious health condition. The employee should try to respond to such a request within 15 days of the request, or provide a reasonable explanation for the delay. Failure to provide certification may result in ~~a delay or denial of continuation of leave; the employee's request for FMLA leave. The employee can obtain a form for mMedical cCertification from TCL&P Human Resources. may be provided by using the Medical Certification Form contained in Appendix A to this poliey.~~

Certification of the serious health condition shall include: the date when the condition began, its expected duration, diagnosis, and a brief statement of treatment. For medical leave for the employee's own medical condition, the certification must also include a statement that the employee is unable to perform work of any kind or a statement that the employee is unable to perform the essential functions of the employee's position. For a seriously ill family member, the certification must include a statement that the patient requires assistance and that the employee's presence would be beneficial or desirable.

If the employee ~~plans seeks~~ to take intermittent leave or work a reduced schedule, the certification must also include dates and the duration of treatment and a statement of medical necessity for taking intermittent leave or working a reduced schedule.

TCL&P has the right to ask for a second opinion if it has reason to doubt the certification. TCL&P will pay for the employee to get a certification from a second doctor, which TCL&P selects.

If necessary to resolve a conflict between the original certification and the second opinion, TCL&P will require the opinion of a third doctor. TCL&P and the employee will jointly select the third doctor, and TCL&P will pay for the opinion. This third opinion will be considered final.

If the employee has been on FMLA leave because of the employee's own serious health condition, before employee can return to work, employee may be required to provide a medical certification from the treating healthcare provider which states the employee is able to resume work. If the employee does not provide this medical certification, employee will not be permitted to return to work.

I. Procedure for Requesting Leave:

Except where leave is not foreseeable, ~~all-an~~ employees requesting leave under this policy must ~~provide notice of the need of FMLA leave to the employee's supervisor. submit the request in writing to their immediate supervisor with a copy to the~~ The supervisor will then notify TCL&P Human Resources of the request for leave and, Department, within five business days after the employee has provided this request, the Human Resources Department will complete and provide the employee with a Notice of Eligibility and Rights & Responsibilities.

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When an employee plans to take leave under this policy, the employee must give TCL&P 30 days' notice. If it is not possible to give 30 days' notice, the employee must give as much notice as is practicable. An employee undergoing planned medical treatment is required to make a reasonable effort to schedule the treatment to minimize disruptions to ~~the City's~~ TCL&P operations.

If an employee fails to provide 30 days notice for foreseeable leave with no reasonable excuse for the delay, the leave request may be denied until ~~at least~~ 30 days from the date the employer ~~received-receives~~ notice.

While on leave, employees are requested to report periodically to TCL&P regarding the status of the medical condition, and their intent to return to work.

Timothy J. Arends
Executive Director and Secretary
Traverse City Light and Power

FOR THE LIGHT & POWER BOARD MEETING OF JANUARY 13, 2015



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: December 22, 2014
Subject: Presentation of the 2013-2014 Financial Audit

The TCL&P Financial Audit for the fiscal year ended June 30, 2014 will be presented by the audit firm of Abraham & Gaffney, P.C. A copy of the audit is in your board packet. The public will be able to view the audit on-line once it is accepted by the Board at TCL&P's web page: www.tclp.org.

If after the Board's questions have been answered and it is satisfied with the report, the following motion would be appropriate:

MOVED BY _____, SECONDED BY _____,

**THAT THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30,
2014, BE ACCEPTED.**

Traverse City Light and Power

**(A Component Unit of the
City of Traverse City, Michigan)**

Financial Statements

**For the Fiscal Year Ended
June 30, 2014**

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Financial Statements for the Year Ended June 30, 2014	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-20
Supplementary Information (unaudited)	
Required Supplementary Information	
MERS Pension Plan Schedule of Funding Progress	21
Other Supplementary Information	
Schedule of Capital Assets and Depreciation	22-23
Schedule of Revenues and Expenses - Budget and Actual	24-29

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members of the
Traverse City Light and Power Board
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Traverse City Light and Power (the Department), a component unit of the City of Traverse City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Traverse City Light and Power, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and MERS Pension Plan Schedule of Funding Progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAVERSE CITY LIGHT AND POWER

Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Financial statements
2. Notes to the financial statements
3. Supplementary information

Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in two proprietary funds (Enterprise Funds). The Light and Power Fund and the Fiber Fund, both of which are considered major for reporting purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical and dark fiber services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Statement of Net Position* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and dark fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the Department's financial statements.

Supplementary information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which includes this management discussion and analysis and schedules following the notes to the financial statements.

The Department's Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$75,000,000 at the close of the most recent fiscal year, June 30, 2014.

The largest portion of net position for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment). The Department uses these capital assets to provide services to customers. The remaining Department net position is unrestricted and available for Department activity.

Traverse City Light and Power's Net Position

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Business-type Activities		
Current and other assets	\$ 29,089,992	\$ 28,526,978
Capital assets	<u>49,086,351</u>	<u>45,398,449</u>
Total assets	78,176,343	73,925,427
Long-term liabilities outstanding	163,859	216,923
Other liabilities	<u>3,104,564</u>	<u>2,863,014</u>
Total liabilities	<u>3,268,423</u>	<u>3,079,937</u>
Net position		
Invested in capital assets	49,086,351	45,398,449
Unrestricted	<u>25,821,569</u>	<u>25,447,041</u>
Total net position	<u>\$ 74,907,920</u>	<u>\$ 70,845,490</u>

Traverse City Light and Power's Changes in Net Position

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Business-type Activities		
Operating revenue	\$ 35,521,246	\$ 32,017,694
Operating expenses	(32,629,767)	(34,474,615)
Nonoperating revenue	<u>1,170,951</u>	<u>(54,239)</u>
Increase (decrease) in net position	4,062,430	(2,511,160)
Net position – beginning of year	<u>70,845,490</u>	<u>73,356,650</u>
Net position – end of year	<u>\$ 74,907,920</u>	<u>\$ 70,845,490</u>

Business-type activities

The overall financial position of the Department remained strong in 2013-2014. There are no outstanding debt obligations except for the commitments through the power supply contracts with Michigan Public Power Agency ("MPPA") to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Kalkaska Combustion Turbine generation plants.

Revenue

Overall revenues increased, specifically, operating revenues were higher because the Board lifted the power service cost recovery cap in October 2013. Reimbursements increased over prior year from funds received from Consumers Energy relating to the Parsons Road Transmission Line Capital Project.

Expenses

In fiscal year 2013-14, operating expenses decreased approximately \$1,850,000 from fiscal year 2012-13 due in large part to excess power supply sold into Midwest Independent System Operator ("MISO") market, positions not being filled in the current year and the \$1,000,000 contribution made to the City for the Clinch Park Revitalization Project in the prior year.

Capital asset and debt administration

Traverse City Light and Power Capital Assets (net of depreciation)

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 1,395,691	\$ 1,309,430
Construction in progress	1,785,733	4,521,877
Buildings and improvements	4,487,246	4,430,975
Equipment and distribution system	66,047,946	57,931,757
Accumulated depreciation	<u>(24,630,265)</u>	<u>(22,795,590)</u>
Total	<u>\$ 49,086,351</u>	<u>\$ 45,398,449</u>

Additional information about capital assets is provided in Note 3 to the financial statements.

Debt of the Department consists of amounts outstanding for accrued compensated absences. Additional information can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

An overall base rate increase of 1.5% was budgeted for fiscal year 2014-15 with planned small inflationary increases every other year. Power supply costs and renewable energy requirements will impact the Department's future overall rate increases.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to Karla Myers-Beman, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

FINANCIAL STATEMENTS

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION JUNE 30, 2014

ASSETS	Light and Power Fund	Fiber Fund	Total
Current assets			
Cash and cash equivalents	\$ 5,239,576	\$ 278,447	\$ 5,518,023
Investments	15,852,407	-	15,852,407
Receivables			
Customer, less allowances of \$279,103 for uncollectible accounts (Light and Power Fund)	3,728,260	4,230	3,732,490
Accrued interest	56,287	-	56,287
Taxes	2,156	-	2,156
Other	698,039	-	698,039
Inventories	1,990,709	-	1,990,709
Prepaid expenses	5,600	-	5,600
Total current assets	27,573,034	282,677	27,855,711
Non-current assets			
Other postemployment benefit asset	928,445	-	928,445
Long-term advances - due from primary government	305,836	-	305,836
Land and land improvements	1,395,691	-	1,395,691
Construction in progress	1,712,092	73,641	1,785,733
Capital assets being depreciated, net	44,643,067	1,261,860	45,904,927
Total non-current assets	48,985,131	1,335,501	50,320,632
Total assets	76,558,165	1,618,178	78,176,343

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION JUNE 30, 2014

LIABILITIES AND NET POSITION	<u>Light and Power Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
Current liabilities			
Accounts payable	\$ 1,987,395	\$ 150	\$ 1,987,545
Accrued expenses and other liabilities	749,019	-	749,019
Customer deposits	99,849	-	99,849
Unearned revenue	20,570	14,270	34,840
Compensated absences	5,996	-	5,996
Due to primary government	215,851	11,464	227,315
Total current liabilities	3,078,680	25,884	3,104,564
Long-term liabilities			
Compensated absences	162,633	1,226	163,859
Total liabilities	3,241,313	27,110	3,268,423
Net position			
Invested in capital assets	47,750,850	1,335,501	49,086,351
Unrestricted	25,566,002	255,567	25,821,569
Total net position	\$ 73,316,852	\$ 1,591,068	\$ 74,907,920

The accompanying notes are an integral part of these financial statements.

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TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	Light and Power Fund	Fiber Fund	Total
Operating revenues			
Charges for services	\$ 32,516,825	\$ 229,120	\$ 32,745,945
MISO income	2,600,847	-	2,600,847
Other	174,454	-	174,454
Total operating revenues	35,292,126	229,120	35,521,246
Operating expenses			
Generation	23,219,126	-	23,219,126
Distribution	3,355,752	-	3,355,752
Transmission	299,449	-	299,449
Customer accounting	479,851	-	479,851
Public service	440,260	-	440,260
General administration	753,148	-	753,148
Fiber	-	117,280	117,280
Other	59,502	791	60,293
City fee	1,775,851	11,464	1,787,315
Depreciation	2,027,184	90,109	2,117,293
Total operating expenses	32,410,123	219,644	32,629,767
Operating income	2,882,003	9,476	2,891,479
Nonoperating revenues			
Rental income	83,213	-	83,213
Reimbursements	616,140	21,628	637,768
Interest income	342,422	167	342,589
Change in fair value of investments	60,450	-	60,450
Gain on sale of assets	46,931	-	46,931
Total nonoperating revenue	1,149,156	21,795	1,170,951
Change in net position	4,031,159	31,271	4,062,430
Net position, beginning of year	69,285,693	1,559,797	70,845,490
Net position, end of year	\$ 73,316,852	\$ 1,591,068	\$ 74,907,920

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 34,410,730	\$ 225,960	\$ 34,636,690
Cash payments to employees	(4,088,286)	(96,369)	(4,184,655)
Cash payments to suppliers for goods and services	(24,839,350)	(20,611)	(24,859,961)
Cash payments of City fee	(1,719,866)	(10,402)	(1,730,268)
Net cash provided by operating activities	3,763,228	98,578	3,861,806
Cash flows from noncapital financing activities			
Cash payments from primary government	80,162	-	80,162
Customer deposits paid	(21,070)	-	(21,070)
Rental income received	83,213	-	83,213
Reimbursements received	616,140	21,628	637,768
Net cash provided by noncapital financing activities	758,445	21,628	780,073
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	55,568	-	55,568
Purchase of capital assets	(5,745,312)	(68,523)	(5,813,835)
Net cash (used in) capital and related financing activities	(5,689,744)	(68,523)	(5,758,267)
Cash flows from investing activities			
Purchase of investments	5,321,869	-	5,321,869
Interest and dividends	412,983	167	413,150
Net cash provided by investing activities	5,734,852	167	5,735,019
Net increase in cash and cash equivalents	4,566,781	51,850	4,618,631
Cash and cash equivalents, beginning of year	672,795	226,597	899,392
Cash and cash equivalents, end of year	\$ 5,239,576	\$ 278,447	\$ 5,518,023

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Operating income	\$ 2,882,003	\$ 9,476	\$ 2,891,479
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,027,184	90,109	2,117,293
Changes in operating assets and liabilities which provided (used) cash			
Receivables	(904,553)	(4,230)	(908,783)
Inventories	(241,837)	-	(241,837)
Prepaid expenses	2,867	-	2,867
Accounts payable	(120,451)	(135)	(120,586)
Due to other governments	55,985	1,062	57,047
Accrued expenses and other liabilities	311,949	-	311,949
Compensated absences	(61,720)	1,226	(60,494)
Unearned revenue	20,570	1,070	21,640
Other postemployment benefit asset	(208,769)	-	(208,769)
Net cash provided by operating activities	\$ 3,763,228	\$ 98,578	\$ 3,861,806

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of *Traverse City Light and Power* (the "Department"). The Board consists of seven members (two of which are City Commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund as a city fee. For fiscal 2014, the city fee was \$1,787,315.

Reporting Entity

The Department is a discretely presented component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements 39 and 61. Accordingly, the Department is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit includes significant operational or financial relationships with the Department.

Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Nonoperating revenues" section of the Statements of Revenues, Expenses and Changes in Net Position".

State statutes authorize the Department to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20, as amended.
- h. Long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the Department has the same authority to invest the assets as is authorized by Public Act 314, as amended.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories

Inventories consist of materials to be used in the electric system and are valued at cost (first-in, first-out) not in excess of market. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

Prepaid Expenses

The Department incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Department records an asset to reflect the investment in future services.

Capital assets

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Transmission and distribution plant	30-50
General plant	10-50

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned. Sick pay is frozen for employees but upon death or retirement 50% of accumulated sick leave shall be paid to a maximum of 120 days. Two choices for sick pay cash out are available to employees with more than 30 days of sick leave and 10 years of service. Employees can use sick leave as allowing under the Short-Term Leave Plan or cash out all amounts of sick leave in excess of 30 days up to 120 days at the rate of 50% of employee's current pay rate. Days in excess of 120 will be added to the 30 day bank. This choice must be made as a one-time selection at any time after the employee reaches 10 years of service.

Operating Revenue versus Nonoperating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services and "MISO" revenue. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, and investments at June 30, 2014 are composed of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Totals</u>
Deposits	\$ 5,518,023	\$ 1,985,115	\$ 7,503,138
Investments	-	<u>13,867,292</u>	<u>13,867,292</u>
Total	<u>\$ 5,518,023</u>	<u>\$15,852,407</u>	<u>\$21,370,430</u>

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City of Traverse City Treasurer. The insured and uninsured bank balances for the Department's deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2014, the Department's Michigan CLASS investment and the U.S. Treasury notes are rated by Standard & Poor's. The Department had the following investments:

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	09/30/2014	\$ 1,005,700	AA+
US Treasury note	12/31/2014	1,012,620	AA+
US Treasury note	12/05/2016	498,840	AA+
US Treasury note	12/31/2016	957,654	AA+
US Treasury note	10/30/2017	500,200	AA+
US Treasury note	06/30/2018	521,135	AA+
US Treasury note	04/30/2019	300,312	AA+
US Treasury note	02/15/2020	439,968	AA+
US Treasury note	02/06/2023	1,490,370	AA+
US Treasury note	03/13/2023	699,265	AA+
US Treasury note	03/20/2023	485,430	AA+
US Treasury note	03/21/2023	967,190	AA+
US Treasury note	08/27/2027	931,500	AA+
US Treasury note	10/29/2027	681,422	AA+
US Treasury note	01/25/2028	942,330	AA+
US Treasury note	02/14/2028	469,435	AA+
MPPA Investments Pool	Various	1,960,897	Unrated
Michigan CLASS	N/A	<u>3,024</u>	AAAm
		<u>\$ 13,867,292</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk—Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above \$13,867,292 of investments at June 30, 2014, the Department has a custodial credit risk exposure of \$11,903,371 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department's custodial credit risk exposure cannot be determined because the Department does not own specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department, excluding government obligations explicitly guaranteed by the U.S. government and mutual fund investments, exceed 5% of the Department's investments.

3. CAPITAL ASSETS

At June 30, 2014, capital assets consist of the following:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital assets not being depreciated				
Land and land improvements	\$ 1,309,430	\$ 86,261	\$ -	\$ 1,395,691
Construction in progress	<u>4,521,877</u>	<u>4,301,081</u>	<u>7,037,225</u>	<u>1,785,733</u>
Total capital assets not being depreciated	<u>5,831,307</u>	<u>4,387,342</u>	<u>7,037,225</u>	<u>3,181,424</u>
Capital assets being depreciated				
Buildings and improvements	4,430,975	56,271	-	4,487,246
Equipment and distribution system	56,226,038	8,343,911	291,258	64,278,691
Fiber system	<u>1,705,719</u>	<u>63,536</u>	<u>-</u>	<u>1,769,255</u>
Total capital assets being depreciated	<u>62,362,732</u>	<u>8,463,718</u>	<u>291,258</u>	<u>70,535,192</u>
Less accumulated depreciation for				
Buildings and improvements	1,235,109	133,817	-	1,368,926
Equipment and distribution system	21,143,195	1,893,367	282,618	22,753,944
Fiber system	<u>417,286</u>	<u>90,109</u>	<u>-</u>	<u>507,395</u>
Total accumulated depreciation	<u>22,795,590</u>	<u>2,117,293</u>	<u>282,618</u>	<u>24,630,265</u>
Total capital assets being depreciated, net	<u>39,567,142</u>	<u>6,346,425</u>	<u>8,640</u>	<u>45,904,927</u>
Total capital assets, net	<u>\$45,398,449</u>	<u>\$10,733,767</u>	<u>\$ 7,045,865</u>	<u>\$49,086,351</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES

Long-term debt at June 30, 2014, consists of the following:

	<u>Balance</u> <u>07/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Accrued compensated absences	\$ 230,349	\$ 208,098	\$ 268,592	\$ 169,855	\$ 5,996

5. POWER SUPPLY PURCHASE

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light ("LBWL") to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatts of electric energy up to a maximum of 45 megawatts to replace its deficient energy needs from the expired agreement with MPPA power pool. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department's agent with MISO. LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2014, the Department recognized expenses totaling \$6,079,198.

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interest in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 18.6% undivided interest in the Detroit Edison Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.6% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Grainger Electric of Michigan, LLC. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of TCL&P for firm priced energy supply during more volatile months.

For the year ended June 30, 2014, Traverse City Light and Power recognized expenses totaling \$14,045,658 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2013 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Operating</u> <u>Costs</u>
2015	\$ 7,876,795
2016	8,113,098
2017	5,245,694
2018	5,403,065
2019	2,993,291
2020-2024	16,368,542
2025-2027	<u>11,047,328</u>
	<u>\$ 57,047,813</u>

The estimated total annual debt payments (assuming no early calls or refinancing) are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,773,172	\$ 1,307,908	\$ 4,081,080
2016	2,871,939	1,166,712	4,038,651
2017	3,160,421	1,020,444	4,180,865
2018	3,300,335	880,189	4,180,524
2019	2,197,513	739,091	2,936,604
2020-2024	10,023,774	2,427,396	12,451,170
2025-2027	<u>4,967,655</u>	<u>504,925</u>	<u>5,472,580</u>
	<u>\$ 29,294,809</u>	<u>\$ 8,046,665</u>	<u>\$ 37,341,474</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was \$1,960,897 as of June 30, 2014.

In December 2010, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2014, the Department recognized expenses totaling \$2,890,566.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT PLAN

Municipal Employees Retirement System (MERS)

Plan Description

The Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Department participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

Funding Policy

The Department is required to contribute at an actuarially determined rate; the current rate ranges from 7.34% to 21.26% of annual covered payroll depending on the class of employee. Employees are not required to contribute to the Plan. The contribution requirements of the Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended June 30, 2014 the Department's annual pension cost of \$726,200 for MERS was equal to the Department's required and actual contributions.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$733,048	100%	\$ -
6/30/13	711,454	100%	-
6/30/14	726,200	100%	-

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 13.00% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is based on a ten year smoothed value of assets. The Department's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the last actuarial valuation, was 25 years.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Funded Status and Funding Progress

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Payroll ((b-a)/c)</u>
12/31/13	\$ 17,112,101	\$ 26,572,254	\$ 9,460,153	64%	\$ 2,664,788	355%

Additional required supplementary information regarding MERS pension plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

7. DEFERRED COMPENSATION

The Department participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the Traverse City Light and Power Board. In the current fiscal year, the Department contributed \$147,277 and employees contributed \$204,252.

8. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides post-retirement health insurance benefits in accordance with its personnel policies and union agreements. The benefit includes payment of the retirees' premiums until they reach the age of Medicare eligibility. The Department paid \$208,769 for 34 participants in fiscal year 2013-2014.

The Department participates in the City's MERS retiree health funding vehicle that covers substantially all employees. Annual contributions to the Plan are based on actuarial studies performed bi-annually. The Department's required contribution to the Plan for the fiscal year ended June 30, 2014, was \$264,231. The postemployment benefit asset for the current year is \$928,445. The required disclosures related to the Plan are provided in the City's financial statements.

9. COMMITMENTS

In September 1994, the Department purchased the distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers") for \$840,000. The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department's Board. The Department will take possession of these facilities in three stages, one remaining stage will occur in September 2014.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Property

During fiscal year 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

Contracts

During fiscal year 2013-14, the Board entered into an agreement with ABB Kuhlman for the purchase of two transformers for the South Substation Capital Project on LaFranier Road. The contract amount awarded was \$980,900. Additionally, the Board entered into contracts with CC Power for electrical cable and equipment installation, Kent Power for construction of the South Substation and Power Line Supply for the materials relating to the South Substation Capital Project. The costs of these contracts are \$383,545, \$1,304,760 and \$799,319, respectively. The contracts were not fulfilled until after fiscal year end.

During fiscal year 2013-14, the Board entered into an agreement with Aspen Wireless for the construction and operation of the WIFI system located within Traverse City's Downtown Development Authority area. The cost of the contracts are \$381,720 and \$9,600 per year, respectively. Additionally, the Board entered into an agreement with the Downtown Development Authority for the reimbursement of the capital expenditures and operational costs relating to the project. Construction of the WIFI system began after fiscal year end.

10. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. The outcome of these actions and claims is not expected to have a material effect on the financial position of the Department.

11. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three years.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

12. DESIGNATIONS OF NET POSITION

The following are designations of net position established by the Board and City Charter:

	<u>June 30, 2014</u>
Emergencies	\$ 100,056
Minimum Cash Reserve	<u>9,125,000</u>
Total	<u>\$ 9,225,056</u>

13. RELATED PARTY TRANSACTION

The Board entered into a contract with Spence Brothers, which is partially owned and operated by a member of the Board. The contract fee is \$39,600. As of fiscal year end the Department had remitted the full amount. The Board member abstained in all votes relating to the agreement between Spence Brothers and the Department.

14. SUBSEQUENT EVENT

On December 10, 2013, the Board approved to retire the wind turbine located on M-72. Subsequently, management issued request for proposals for purchase of the wind turbine. One bid was submitted from Heritage Sustainable Energy LLC. On August 12, 2014, the Board accepted a counterproposal offer from Heritage Sustainable Energy LLC to purchase the wind turbine in the amount of \$1,100 with two stages of contingencies to be accepted within 120 days of the acceptance offer. These stages were completed and transfer of the wind turbine occurred on December 3, 2014.

15. GASB PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Department is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

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SUPPLEMENTARY INFORMATION

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension Plan
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/2011	\$ 16,908,546	\$ 24,854,814	\$ 7,946,268	68.0%	\$ 2,938,989	270.0%
12/31/2012	16,940,927	25,730,036	8,789,109	65.8	2,937,971	299.0
12/31/2013	17,112,101	26,572,254	9,460,153	64.4	2,664,788	355.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2011 / 2012	\$ 733,048	100%
2012 / 2013	711,454	100
2013 / 2014	726,200	100

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.5-13%

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	Capital Assets - Cost			Balance at June 30, 2014
	Balance at June 30, 2013	Additions/ Transfers	Deletions/ Transfers	
Land and land improvements				
Land	\$ 979,304	\$ 86,261	\$ -	\$ 1,065,565
Land - coal dock	248,023	-	-	248,023
Land improvements	82,103	-	-	82,103
Total land and land improvements	1,309,430	86,261	-	1,395,691
Buildings and improvements				
Distribution plant	4,340,829	-	-	4,340,829
Office structures	40,878	56,271	-	97,149
Other buildings	49,268	-	-	49,268
Total buildings and improvements	4,430,975	56,271	-	4,487,246
Equipment and distribution system				
Union St. Dam	24,010	-	-	24,010
Keystone plant	390	-	-	390
Wind generation unit	785,616	-	-	785,616
Transmission and distribution	54,466,506	8,328,780	287,568	62,507,718
General	949,516	15,131	3,690	960,957
Total equipment and distribution system	56,226,038	8,343,911	291,258	64,278,691
Construction in progress	4,453,223	4,232,558	6,973,689	1,712,092
Total	\$ 66,419,666	\$ 12,719,001	\$ 7,264,947	\$ 71,873,720

Balance at June 30, 2013	Accumulated Depreciation		Balance at June 30, 2014	Capital Assets - Net
	Current Depreciation	Deletions		Balance at June 30, 2014
\$ -	\$ -	\$ -	\$ -	\$ 1,065,565
-	-	-	-	248,023
-	-	-	-	82,103
-	-	-	-	1,395,691
1,216,528	130,967	-	1,347,495	2,993,334
8,828	1,226	-	10,054	87,095
9,753	1,624	-	11,377	37,891
1,235,109	133,817	-	1,368,926	3,118,320
21,310	720	-	22,030	1,980
361	12	-	373	17
403,315	23,881	-	427,196	358,420
20,356,376	1,767,718	279,681	21,844,413	40,663,305
361,833	101,036	2,937	459,932	501,025
21,143,195	1,893,367	282,618	22,753,944	41,524,747
-	-	-	-	1,712,092
\$ 22,378,304	\$ 2,027,184	\$ 282,618	\$ 24,122,870	\$ 47,750,850

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)
FIBER FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Capital Assets - Cost			Balance at June 30, 2014
	Balance at June 30, 2013	Additions/ Transfers	Deletions/ Transfers	
Equipment and distribution system				
Overhead	\$ 1,016,646	\$ 32,460	\$ -	\$ 1,049,106
Underground	246,778	11,585	-	258,363
Termination boxes	346,392	19,491	-	365,883
Wireless equipment	51,725	-	-	51,725
Other property	44,178	-	-	44,178
Total equipment and distribution system	1,705,719	63,536	-	1,769,255
Construction in progress	68,654	68,523	63,536	73,641
Total	\$ 1,774,373	\$ 132,059	\$ 63,536	\$ 1,842,896

<u>Balance at June 30, 2013</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2014</u>	<u>Capital Assets - Net</u>
	<u>Current Depreciation</u>	<u>Deletions</u>		<u>Balance at June 30, 2014</u>
\$ 243,371	\$ 52,456	\$ -	\$ 295,827	\$ 753,279
55,896	12,356	-	68,252	190,111
85,079	18,294	-	103,373	262,510
12,930	2,586	-	15,516	36,209
20,010	4,417	-	24,427	19,751
417,286	90,109	-	507,395	1,261,860
-	-	-	-	73,641
<u>\$ 417,286</u>	<u>\$ 90,109</u>	<u>\$ -</u>	<u>\$ 507,395</u>	<u>\$ 1,335,501</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating revenues - sales			
Residential	\$ 5,675,000	\$ 6,382,044	\$ 707,044
Commercial	14,425,000	15,612,427	1,187,427
Industrial	9,325,000	9,950,825	625,825
Public authority	280,000	296,800	16,800
Street lighting	190,000	195,178	5,178
Yard lights	76,000	79,551	3,551
Total operating revenues - sales	<u>29,971,000</u>	<u>32,516,825</u>	<u>2,545,825</u>
Other operating revenues			
Forfeited discounts	58,000	57,695	(305)
Merchandise and jobbing	65,000	43,443	(21,557)
Sale of scrap	35,000	34,332	(668)
Recovery of bad debts	-	188	188
MISO income	2,500,000	2,600,847	100,847
Miscellaneous	46,000	38,796	(7,204)
Total other operating revenues	<u>2,704,000</u>	<u>2,775,301</u>	<u>71,301</u>
Nonoperating revenues			
Rental income	44,250	47,282	3,032
Pole rental income	35,800	35,931	131
Reimbursements	150,000	616,140	466,140
Interest income	200,000	342,422	142,422
Change in fair market value of investments	-	60,450	60,450
Gain on sale of assets	-	46,931	46,931
Total nonoperating revenues	<u>430,050</u>	<u>1,149,156</u>	<u>719,106</u>
Total revenues	<u>33,105,050</u>	<u>36,441,282</u>	<u>3,336,232</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Generation expense			
Wind generator - M-72 Traverse	\$ 25,000	\$ 16,148	\$ 8,852
Purchased power	22,688,000	23,015,422	(327,422)
Coal dock	11,800	8,075	3,725
Trap and transfer	250	74	176
Union street fish ladder	250	-	250
Professional and contractual	23,000	174,219	(151,219)
Professional development	2,300	1,311	989
Operation supplies	1,300	691	609
Communications	500	421	79
Safety	13,600	2,765	10,835
Total generation expenses	<u>22,766,000</u>	<u>23,219,126</u>	<u>(453,126)</u>

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	Amended Budget	Actual	Positive (Negative) Variance
Distribution expense			
Supervision and engineering	\$ 867,000	\$ 618,832	\$ 248,168
Substation	184,000	109,084	74,916
Overhead lines	459,000	418,792	40,208
Load and dispatching	408,000	455,550	(47,550)
Underground lines	184,000	229,128	(45,128)
Storm work	34,200	118,025	(83,825)
Customer installations	15,700	21,334	(5,634)
Electric meters	45,400	76,602	(31,202)
Street lighting	222,900	317,487	(94,587)
Traffic signals	197,900	122,135	75,765
Plant and structures	257,000	249,074	7,926
Shop labor	147,900	152,496	(4,596)
Professional services	37,400	37,048	352
Professional development	86,700	138,936	(52,236)
Operation supplies	83,400	62,320	21,080
Utilities	143,300	137,439	5,861
Safety	90,000	79,753	10,247
Miscellaneous	6,200	11,717	(5,517)
Total distribution expense	3,470,000	3,355,752	114,248
Transmission expense			
Supervision and engineering	193,000	109,335	83,665
Substation	42,000	8,646	33,354
Overhead lines	5,200	(1,007)	6,207
Load and dispatching	97,000	84,001	12,999
MISO	24,000	25,425	(1,425)
Miscellaneous	59,700	73,049	(13,349)
Total transmission expense	420,900	299,449	121,451

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Customer accounting expense			
Salaries	\$ 164,000	\$ 152,732	\$ 11,268
Meter reading	128,000	84,537	43,463
Payroll taxes and fringes	138,200	132,343	5,857
Office supplies	4,000	2,563	1,437
Postage	30,000	28,332	1,668
Stationary and printing	4,600	2,040	2,560
Equipment rental	9,200	6,904	2,296
Professional and contractual	36,500	10,805	25,695
Uncollectible accounts	17,350	29,816	(12,466)
Collection expense	1,500	595	905
Data processing	26,500	20,718	5,782
Professional development	2,500	610	1,890
Miscellaneous	11,050	7,856	3,194
Total customer accounting expense	<u>573,400</u>	<u>479,851</u>	<u>93,549</u>
Public service expense			
Public service information	<u>1,027,750</u>	<u>440,260</u>	<u>587,490</u>
Total public service expense	<u>1,027,750</u>	<u>440,260</u>	<u>587,490</u>

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2014

	Amended Budget	Actual	Positive (Negative) Variance
General administration expense			
Salaries	\$ 625,000	\$ 294,004	\$ 330,996
Payroll taxes and fringes	200,000	133,115	66,885
Professional development	20,000	15,232	4,768
Professional and contractual	150,000	141,522	8,478
Office supplies	8,750	11,177	(2,427)
Fees and per diems	59,850	76,040	(16,190)
Special services	5,000	9,129	(4,129)
Legal fees	74,300	53,312	20,988
Utilities	6,850	12,636	(5,786)
Printing and publishing	7,000	4,798	2,202
Miscellaneous	7,200	2,183	5,017
Total general administration expense	1,163,950	753,148	410,802
Other expenses			
Insurance - general	66,350	59,502	6,848
City fee	1,634,700	1,775,851	(141,151)
Depreciation	1,982,000	2,027,184	(45,184)
Total other expenses	3,683,050	3,862,537	(179,487)
Total expenses	33,105,050	32,410,123	(694,927)
Change in net position	\$ -	\$ 4,031,159	\$ 4,031,159

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) FIBER FUND FOR THE YEAR ENDED JUNE 30, 2014

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Other sales	\$ 229,000	\$ 229,120	\$ 120
Non-operating revenues			
Reimbursements	18,000	21,628	3,628
Interest income	-	167	167
Total non-operating revenues	18,000	21,795	3,795
Total revenues	247,000	250,915	3,915
Fiber expenses			
Supervision and engineering	43,000	66,987	(23,987)
Overhead	10,700	13,848	(3,148)
Underground	5,300	5,674	(374)
Termination boxes	16,500	23,834	(7,334)
Customer installations	6,500	2,187	4,313
Professional development	2,150	-	2,150
Miscellaneous	650	4,750	(4,100)
Total fiber expenses	84,800	117,280	(32,480)
Other expenses			
Insurance and bonds	1,000	791	209
City fee	10,100	11,464	(1,364)
Depreciation	87,600	90,109	(2,509)
Total other expenses	98,700	102,364	(3,664)
Total expenses	183,500	219,644	(36,144)
Change in net position	\$ 63,500	\$ 31,271	\$ (32,229)



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: December 30, 2014
Subject: West Front Street Reconstruction Project

In attendance at your meeting will be Nate Elkins of Influence Design Forum, LLC. Nate was contracted by the City of Traverse City to design the redevelopment of Front Street from the Front Street Bridge to Division Street. The project was extended to Division Street from its original end point of Oak Street in large part due to a \$1 million grant the city was awarded for the project. The City is requesting TCL&P's financial participation in the project as it relates to lighting needs. The project is currently scheduled to be undertaken in the 2015 construction season in coordination with the complete replacement of the Front Street Bridge.

From previous discussions with the Board regarding TCL&P's participation in lighting projects, the Board requested historical information regarding past involvement of the utility. Attached is a spreadsheet Karla prepared that explains well what the utility's contributions have been with past projects. The only other project that is not on the list is Silver Drive lighting which was entirely funded by TCL&P.

To summarize, the city and residents paid 100% of the neighborhood decorative lighting through 20 year interest free special assessments. TCL&P extended funds to the city for the projects and is being paid back on a monthly basis as those assessments are collected. The downtown streetscape projects were funded by special assessments of the property owner's, however, TCL&P paid 100% of the lighting and related circuits, with the city (DDA) paying for the added cost of the decorative lighting circuits. It is important to note that when TCL&P committed to financially participating in lighting projects in the past it invoiced the city the monthly rate per light as revenue to TCL&P. That rate not only paid for the energy used by the lights, but included an amount to pay for their eventual replacement. Today, TCL&P funds are used to pay these monthly fees; currently amounting to nearly \$184,000 per year for 1,799 street lights.

GRP Engineering has prepared two estimates included for your review related to the West Front Street Reconstruction Project (Attached). The first estimate is simply a baseline cost of what TCL&P has financially supported with past projects - \$442,000. The second estimate is the full preliminary design of the project the city would like to construct - \$652,000. A summary is below.

FOR THE LIGHT & POWER BOARD MEETING OF JANUARY 13, 2015

	<u>Base Design</u>	<u>Full Design</u>	<u>Difference</u>
High Level Lights	\$ 245,000.00	\$ 245,000.00	\$ -
Low Level Lights	177,000.00	262,000.00	85,000.00
Holiday Outlet Circuit	-	42,000.00	42,000.00
WiFi Conduits	-	10,000.00	10,000.00
Security Camera Conduits	-	10,000.00	10,000.00
Power Peds	-	63,000.00	63,000.00
Primary Service	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>
Total	<u>\$ 442,000.00</u>	<u>\$ 652,000.00</u>	<u>\$ 210,000.00</u>

Supplemental to the bids are some pictures submitted by Nate Elkins, Influence Design Forum, LLC to provide a pictorial view of the new West Front St corridor.

Also attached for your review is the Decorative Lighting Policy adopted in 1990, and the Street Lighting O&M Policy adopted in 2010 as a result of TCL&P taking over the annual costs of city street lights. Staff will be seeking direction from the Board on its financial support of the project, if any, to be incorporated into the TCL&P Six Year Capital Improvements Plan that will be on the Board's agenda January 27 for consideration of approval.

Special Improvement District 91-01

Description: Residential Pedestrian Lighting in all streets between the alley south of Front Street and alley north of Eighth Street from Boardman Avenue to Railroad Avenue.

Cost: \$ 100,635.00

Interest rate 0% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 20

Other notes: City charged \$112.67 per month for energy and bulb replacement for 54 fixtures. Total cost of the project was \$125,266.60, overspent relating to future inventory used to repair bulbs, globes and et cetera.

Special Improvement District 93-01

Description: Residential Pedestrian Lighting Oak Park Neighborhood

Cost: \$ 218,400.00

Interest rate 0% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 20

Other notes: LP Board approved request for Oak Park Lighting Project with a cost roughly of \$218,400 (80%) to be repaid in annual installments by property owners - \$174,720 through the SID process over twenty years at no interest. LP board approved the request for Oak Park Lighting Project with twenty percent of the cost by the City - \$43,680 over twenty years in equal annual installments with no interest.

Special Improvement District 94-01

Description: Streetscape project including new sidewalks and curbs with brick trim, pedestrian lighting, crosswalks, street overlay, and trees in and along the following named streets - Union Street from Front St south to Union St. bridge to south Cass St bridge, State St from Cass St then west 132 feet.

Cost: \$ 555,815.95

Interest rate 6% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 10

Other notes: Found letter of support for \$200,000 street lighting from 1989 board minutes. Approval was granted by the Light and Power Board on March 27, 1990 for a total cost of \$215,532. Contracted labor \$65,000, Material \$139,063, Internal Labor \$9,869 and Internal Equipment \$1,600 less DDA funding for outlets of \$16,000 for a remaining cost of \$199,532.

Special Improvement District 94-02

Description: Streetscape project including new sidewalks and curbs with brick trim, pedestrian lighting, crosswalks, street overlay, and trees in and along the following named streets - Union Street from south Union St Bridge to 9th St.

Cost: \$ 467,120.00

Interest rate 6% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 10

Other notes: LP approved on 4/12/94 providing decorative lighting for the Streetscape II approximate cost \$234,400 (Union and Cass St) project subject to the DDA paying \$48,000 for Xmas lighting circuits and the City paying \$1,191.36 per month lighting costs.

Special Improvement District 96-03

Description: Residential pedestrian lighting - Oak Heights Neighborhood - Lincoln Street, Boyd Avenue, Rose & Fern Streets in the area between the alley South of E 8th St and the railroad right of way and between the alley West of Garfield Ave to the alley West of Rose St.

Cost: \$ 60,915.00

Interest rate 0% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 20

Other notes: City cost \$12,183 and Owners Cost \$48,732

Special Improvement District 96-04

Description: Residential pedestrian lighting - Central Neighborhood - 5th, 6th, 7th, 8th St, Pine St, Wadsworth St, S Oak St and S Maple St in the area between the alley N of 5th St and the alley S of W 8th St and the area between Division St and Locust St except for 6th St east of Wadsworth

Cost: \$ 198,229.56

Interest rate 0% or at a rate not in excess of 1% of a rate of interest borne by bonds that may be issued for SID

Number of installments 20

Other notes: City cost \$39,646 and Owners Cost \$158,584

**TRAVERSE CITY LIGHT & POWER
WEST FRONT STREET LIGHTING - BRIDGE TO DIVISION STREET
FULL DESIGN (HI-LEVEL, LOW-LEVEL, PEDESTRIAN & DECORATIVE CIRCUITS)
CONSTRUCTION COST ESTIMATE**

ITEM	ITEM DESCRIPTION	UNITS	LABOR	MATERIAL	TOTAL	EXTENDED TOTAL
1	Trenching (Feet)	3300	\$8.00	\$2.00	\$10.00	\$33,000
2	Directional Boring (Feet)	300	\$14.00	\$4.00	\$18.00	\$5,400
3	1" PVC Conduit (Spare Wi-fi)	3300	\$1.00	\$1.00	\$2.00	\$6,600
4	1" PVC Conduit (Spare - Cameras)	3300	\$1.00	\$1.00	\$2.00	\$6,600
5	1-1/4" Conduit (Lights)	3980	\$1.00	\$1.15	\$2.15	\$8,557
6	2" Conduit (Lights/Receptacles)	3300	\$1.25	\$1.25	\$2.50	\$8,250
7	3" Conduit (Power Peds)	3300	\$1.50	\$1.50	\$3.00	\$9,900
8	4" Conduit (Primary)	0	\$2.00	\$2.00	\$4.00	\$0
9	Handholes	78	\$250.00	\$180.00	\$430.00	\$33,540
10	#250kCM AL Cable (Power Peds)	3300	\$1.70	\$9.75	\$11.45	\$37,785
11	#6 AL 600V Cable (Hi-Level Lts)	3795	\$2.00	\$0.56	\$2.56	\$9,715
12	#2 CU 600V RHW (Dec Lt's & Rec)	3795	\$2.50	\$2.25	\$4.75	\$18,026
13	#12 CU 600V RHW (Fixtures/Rec)	3340	\$1.50	\$1.75	\$3.25	\$10,855
14	#2 AL 15kV Cable (3Ø Circuit Feet)	300	\$6.00	\$4.50	\$10.50	\$3,150
15	3Ø Padmount Transformer	1	\$700.00	\$8,000.00	\$8,700.00	\$8,700
16	15kV Elbows, Terminations, & Arresters	6	\$125.00	\$75.00	\$200.00	\$1,200
17	Equipment Grounding	1	\$365.00	\$125.00	\$490.00	\$490
18	Street Light Controller	1	\$2,000.00	\$5,000.00	\$7,000.00	\$7,000
19	Street Light Foundation (Low-Level)	37	\$300.00	\$125.00	\$425.00	\$15,725
20	Street Light Foundation (High-Level)	31	\$650.00	\$200.00	\$850.00	\$26,350
21	Street Lights (Low-Level/Laminated)	37	\$250.00	\$3,328.00	\$3,578.00	\$132,386
22	Street Light (High-Level)	31	\$500.00	\$1,745.00	\$2,245.00	\$69,595
23	Secondary Connectors (Handholes)	312	\$85.00	\$20.00	\$105.00	\$32,760
24	Fused Connectors (Lt/Rec)	278	\$50.00	\$10.00	\$60.00	\$16,680
25	Mobilization, Insurance & Bonding	Lot	\$0.00	\$0.00	\$0.00	\$0

		Subtotal	\$502,000
High Level Lights	\$245,000	Contingency (15%)	\$75,000
Low Level Lights	\$262,000	Engineering Design (10%)	\$50,000
Holiday Outlet Circuit	\$42,000	Construction Inspection (5%)	\$25,000
Wi-Fi Conduits	\$10,000	Total Estimated Project Cost	\$652,000
Security Camera Conduits	\$10,000		
Power Peds	\$63,000		
Primary Service	\$20,000		

Notes:

1. All costs are estimated as 2015 construction costs.
2. Cost estimate based on proposed streetscape lighting & receptacle system including high-level, low-level, and pedestrian lights plus a decorative lighting circuit, power pedestals, and conduits for future wi-fi & cameras.
3. Estimate includes costs to remove existing high-level lights, resize & repaint, install new foundations, and reinstall retrofitted lights.

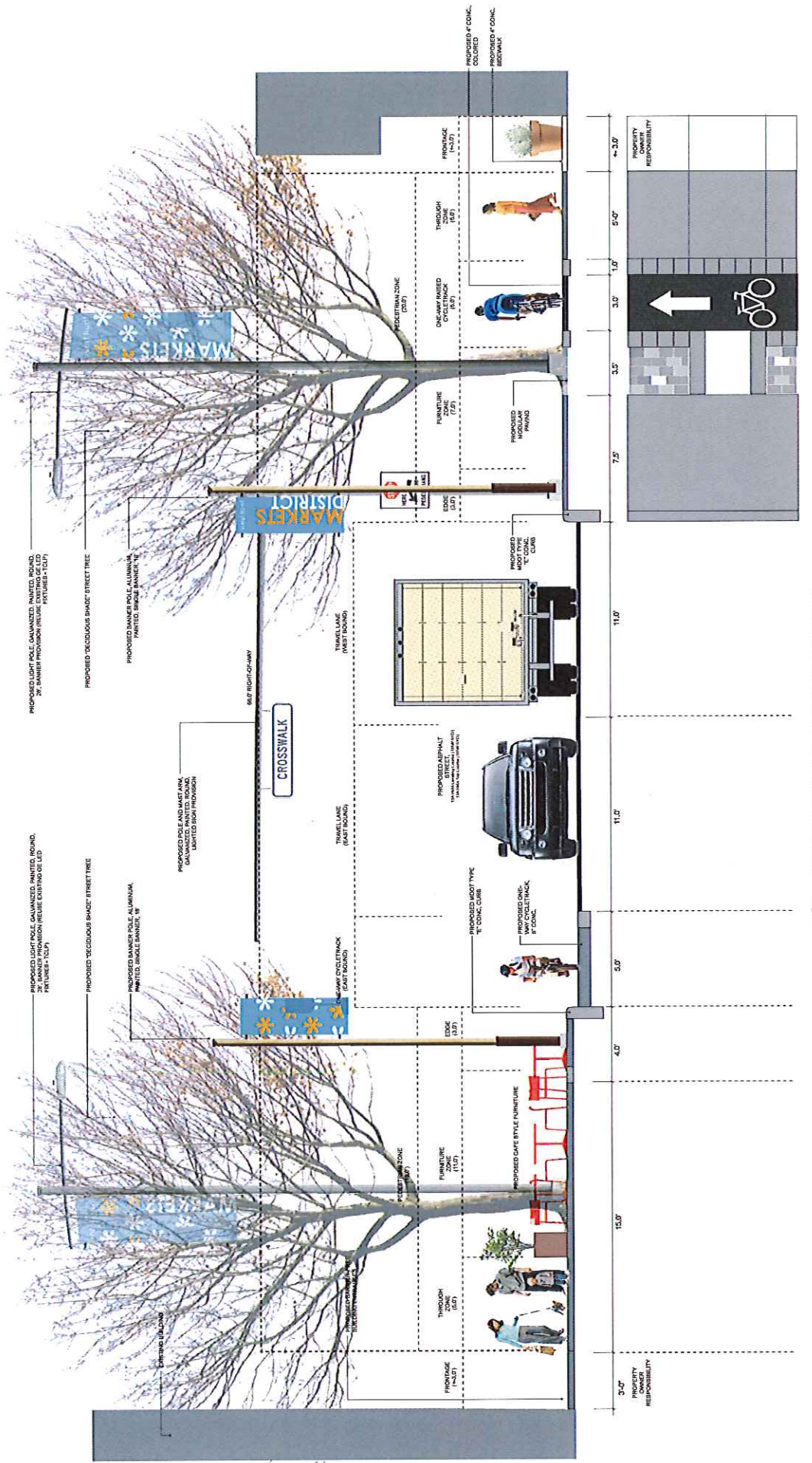
**TRAVERSE CITY LIGHT & POWER
WEST FRONT STREET LIGHTING - BRIDGE TO DIVISION STREET
BASE DESIGN (HI-LEVEL, LOW-LEVEL, & DECORATIVE CIRCUITS)
CONSTRUCTION COST ESTIMATE**

ITEM	ITEM DESCRIPTION	UNITS	LABOR	MATERIAL	TOTAL	EXTENDED TOTAL
1	Trenching (Feet)	3300	\$8.00	\$2.00	\$10.00	\$33,000
2	Directional Boring (Feet)	300	\$14.00	\$4.00	\$18.00	\$5,400
3	1" PVC Conduit (Spare Wi-fi)	0	\$1.00	\$1.00	\$2.00	\$0
4	1" PVC Conduit (Spare - Cameras)	0	\$1.00	\$1.00	\$2.00	\$0
5	1-1/4" Conduit (Lights)	3980	\$1.00	\$1.15	\$2.15	\$8,557
6	2" Conduit (Lights/Receptacles)	3300	\$1.25	\$1.25	\$2.50	\$8,250
7	3" Conduit (Power Peds)	0	\$1.50	\$1.50	\$3.00	\$0
8	4" Conduit (Primary)	0	\$2.00	\$2.00	\$4.00	\$0
9	Handholes	73	\$250.00	\$180.00	\$430.00	\$31,390
10	#250kCM AL Cable (Power Peds)	0	\$1.70	\$9.75	\$11.45	\$0
11	#6 AL 600V Cable (Hi-Level Lts)	3795	\$2.00	\$0.56	\$2.56	\$9,715
12	#2 CU 600V RHW (Dec Lt's & Rec)	3795	\$1.25	\$1.15	\$2.40	\$9,108
13	#12 CU 600V RHW (Fixtures/Rec)	3340	\$1.50	\$1.75	\$3.25	\$10,855
14	#2 AL 15kV Cable (3Ø Circuit Feet)	300	\$6.00	\$4.50	\$10.50	\$3,150
15	3Ø Padmount Transformer	1	\$700.00	\$8,000.00	\$8,700.00	\$8,700
16	15kV Elbows, Terminations, & Arresters	6	\$125.00	\$75.00	\$200.00	\$1,200
17	Equipment Grounding	1	\$365.00	\$125.00	\$490.00	\$490
18	Street Light Controller	1	\$2,000.00	\$5,000.00	\$7,000.00	\$7,000
19	Street Light Foundation (Low-Level)	37	\$300.00	\$125.00	\$425.00	\$15,725
20	Street Light Foundation (High-Level)	31	\$650.00	\$200.00	\$850.00	\$26,350
21	Street Lights (Low-Level, Hook)	37	\$250.00	\$1,200.00	\$1,450.00	\$53,650
22	Street Light (High-Level)	31	\$350.00	\$1,745.00	\$2,095.00	\$64,945
23	Secondary Connectors (Handholes)	292	\$85.00	\$20.00	\$105.00	\$30,660
24	Fused Connectors (Lt/Rec)	204	\$50.00	\$10.00	\$60.00	\$12,240
25	Mobilization, Insurance & Bonding	Lot	\$0.00	\$0.00	\$0.00	\$0

		Subtotal	\$340,000
High Level Lights	\$245,000	Contingency (15%)	\$51,000
Low Level Lights	\$177,000	Engineering Design (10%)	\$34,000
Primary Service	\$20,000	Construction Inspection (5%)	\$17,000
		Total Estimated Project Cost	\$442,000

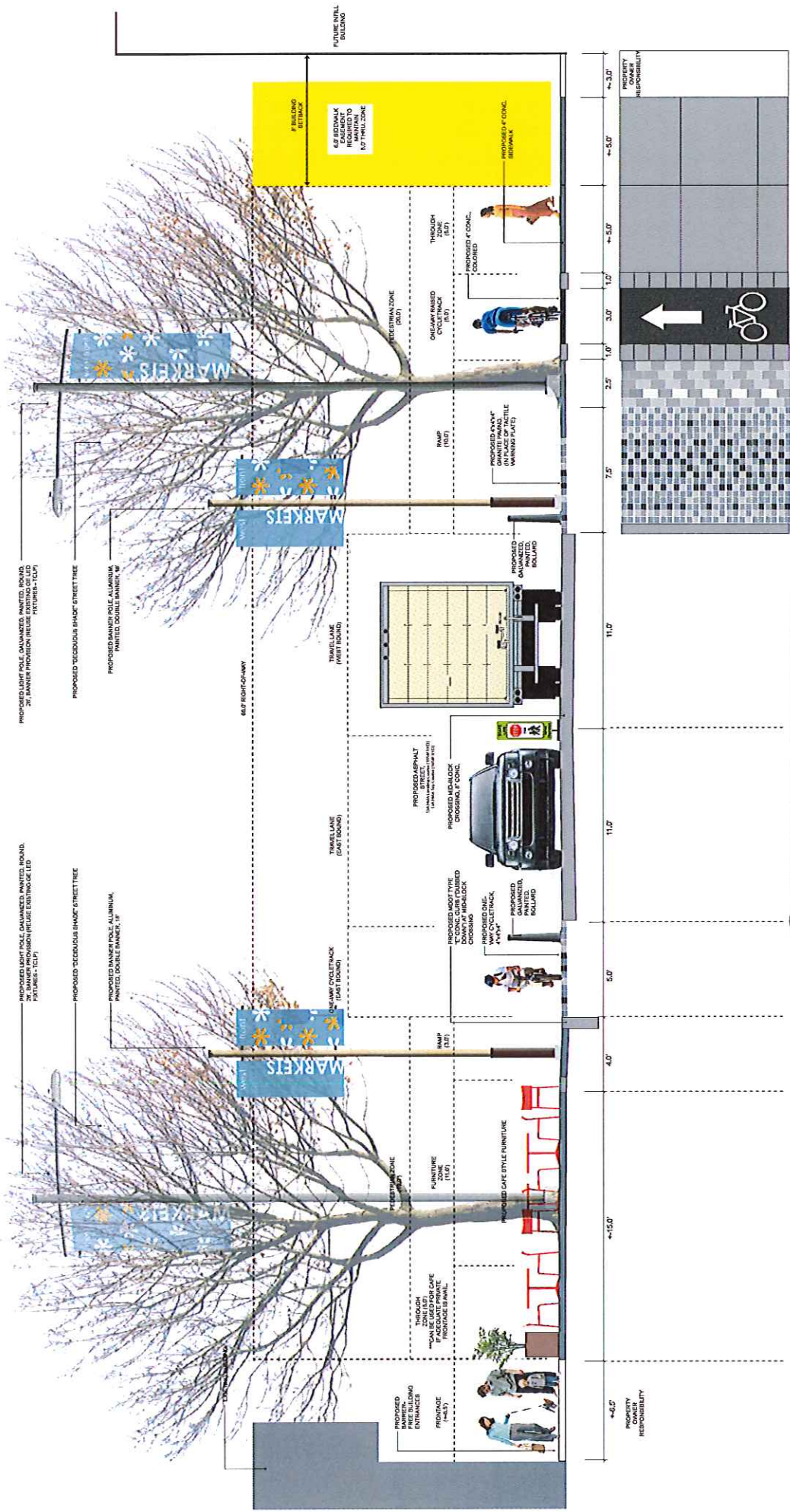
Notes:

1. All costs are estimated as 2015 construction costs.
2. Cost estimate based on high-level lighting only. No decorative lighting or receptacle circuits included.
3. Estimate includes all new light fixtures, foundations, conduit, handholes, conductors & connections.



2 WEST FRONT STREET - DESIGN DEVELOPMENT

S3 CROSS-SECTION
NO SCALE



4 WEST FRONT STREET - DESIGN DEVELOPMENT

S3 CROSS-SECTION
NO SCALE

Light and Power Department
City of Traverse City, MI
Adopted: November 13, 1990

DECORATIVE STREET LIGHTING POLICY

In order to facilitate the development of Decorative Street Lighting projects in Traverse City, the Light and Power Board will participate financially in such projects under the following criteria:

The Light and Power Board would consider installing Decorative Street Lighting, at Light and Power expense, in areas that would benefit the Traverse City community in general. The Light and Power Board retains the right to deny or delay participation in any project.

All other Decorative Street Lighting projects will be paid for by others, either through the establishment of a Special Assessment District (S.A.D.) by the local unit of government or the inclusion of the Capital Costs in the rates for the specific style of lighting fixture installed.

The Operation and Maintenance Costs (O & M) of all Decorative Street Lights shall be included in the billing to the local unit of government.

The City must approve any installation, or upgrade, of lighting installed on public right-of-way.

All lighting projects are subject to the availability of funding through the Light and Power budget process and Light and Power Board approval.

Charles R. Fricke

Charles R. Fricke
Executive Director and Secretary
Traverse City Light and Power Board

Light and Power Department
City of Traverse City, MI
Adopted: June 22, 2010

**CITY OF TRAVERSE CITY AND TRAVERSE CITY LIGHT & POWER
STREET LIGHTING OPERATIONS AND MAINTENANCE POLICY**

JOINT RESOLUTION ESTABLISHING A WRITTEN POLICY REGARDING THE
OPERATIONS AND MAINTENANCE OF THE STREET LIGHTING SYSTEM WITHIN
THE JURISDICTIONAL BOUNDARIES OF THE CITY OF TRAVERSE CITY

WHEREAS Traverse City Light & Power ("TCL&P") is a component unit of the City of Traverse City and under Section 175 of the Charter for the City of Traverse City is responsible for the development, production, purchase and distribution of lighting services within the City of Traverse City as referenced in the City's Attorney opinion; and

WHEREAS pursuant to its responsibility under Section 175 of the City Charter TCL&P shall manage all aspects of the street lighting system within the City of Traverse City's jurisdictional boundaries (the "System"), including all costs of operation and maintenance. The City shall reimburse TCL&P annually an amount equal to 5% of the street lighting revenues recorded on TCL&P's financial statements; and

WHEREAS, TCL&P has the knowledge, expertise, and ability to manage and operate the System;

NOW THEREFORE BE IT RESOLVED THAT, the TCL&P Board and the City of Traverse City adopt the following written policy regarding the operations and maintenance of the System as follows:

1. Street Lighting Defined. A lighting system consisting of one or more luminaries with the intended use for public roadway lighting that is open to the State of Michigan or any political subdivision or agency having jurisdiction over public streets or roadways. No private property applications would be considered part of the System.
2. Engineering & Design. TCL&P shall be responsible for the engineering and design of the System including any new additions. When appropriate, TCL&P shall coordinate installation/replacement of any new or existing street lighting services with the appropriate city department(s).
3. Charges for Service. The charges for street lighting services shall be charged to the appropriate local unit of government in accordance with the tariff rates established by TCL&P. For street lights within the System TCL&P is the appropriate local unit of government.

4. Addition of Street Lights. Any additions to the System shall be at the sole discretion of TCL&P. In the event that the City requests an addition to the System, such request shall be made by the City Manager or his or her designee and the City will agree to pay a one-time fee per light as agreed to by the parties. In all cases TCL&P retains the right to self fund lighting projects it deems in the best interests of the community or the Light & Power Department.
5. Decorative Street Lighting. Public decorative street lighting shall be available along public streets including neighborhoods and business districts; the process for obtaining approval of a new decorative lighting project shall be governed by the TCL&P Decorative Street Lighting Policy.
6. Security Lighting. From time to time citizens may request that lighting be installed in a public right of way, such as an alley, for security reasons. These private party requests shall be directed to the City Police Department who may recommend to the City Manager that lighting be installed. This type of lighting shall be subject to the Private Area Lighting Rate or "Security Lighting" offered by TCL&P. Monthly fees for this service shall be billed to the appropriate unit of government, or to the requesting party as directed by the City Manager, through the utility billing system. TCL&P shall not be considered the appropriate unit of government for this type of lighting.
7. Removal. The removal of street lights shall be the responsibility of TCL&P. Any City request to remove street lights shall be made in writing by the City Manager. Any liability that may arise as a result of the removal of street lighting as requested by the City shall be the responsibility of the City.

Edward E. Rice

Edward E. Rice
Executive Director and Secretary
Traverse City Light and Power Board

I hereby certify that the above Resolution was adopted at the June 21, 2010, Regular Meeting of the City Commission held in the Commission Chambers, Governmental Center, 400 Boardman Avenue, Traverse City, MI 49684.

Debra A. Curtiss

Debra A. Curtiss, City Clerk



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: January 5, 2015
Subject: Presentation of the Fiber Fund 2015-16 Budget

Enclosed is the Fiber Fund and related cash flow for the fiscal year end June 30, 2016. The six year capital plan has been moved to be discussed at the January 27, 2015 Board meeting.

BUDGET

This year the budget is relatively status quo to last year's presented budget with a few exceptions. Under operating revenue overall fiber revenues increase even with the loss of two sites, one with the Grand Traverse County contract and the other with the Munson Medical Center contract. The overall increase in fiber revenue was a result of the six fiber connections utilized to operate the WIFI system and two additional connections with City.

Under operating expenses most line items increase by inflationary amounts except for the addition of the WIFI operation and maintenance, which primarily consists of the MERIT network and Aspen Enterprises contractual expenses. Additionally, staff removed the accounts overhead and underground lines, customer installations, termination boxes and tools as they are no longer deemed necessary for financial reporting. More detailed information on the operations of the Fiber System can be provided anytime to the Board through downloads of the workorder system. Depreciation expense increased to reflect the addition of the WIFI System to the capital asset system.

Under non-operating revenues and expenses, reimbursements increased under projected for the reimbursements of construction costs to attach the South Substation into the fiber network along with City's water/sewer maintenance building and the City's water plant. Additionally, it includes the first payment from the Downtown Development Authority (DDA) for the WIFI System per the contractual agreement. The amount recorded, \$255,200, is less the fiber revenue to connect the nodes to the fiber system for half of a year ($\$275,000 - \$19,800 = \$255,200$) and the following budget year 2015-16 the amount recorded will be \$25,400 to be reimbursed by the DDA less the fiber connections ($\$65,000 - \$39,600 = \$25,400$). Additionally, the TCAPS maintenance reimbursement of ten percent of certain costs per the fiber agreement is included in this line item.

CASH FLOW

The projected six year cash flow represents inflationary increases in fiber revenue and related expenses. As shown it shows relatively stable cash position in three years which may allow staff to start repaying the Electric Fund for the initial investment into the Fiber Fund.

Traverse City Light & Power
Fiber Optics Fund
2015-16 Budgeted Revenues and Expenses

	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Budgeted	FY 14/15 Projected	FY 15/16 Requested
Operating revenues:					
Charges for services	\$ 208,030	\$ 229,120	\$ 243,200	\$ 256,900	\$ 288,200
Operating expenses:					
Salaries and wages	-	-	30,960	40,000	31,000
Fringe benefits	-	-	20,930	27,000	21,000
Office & operation supplies	-	-	1,000	1,000	12,000
Supervision & maintenance	13,858	66,987	-	-	-
Overhead & Underground lines	8,926	19,522	4,000	4,000	-
Customer installations	1,762	2,187	500	500	-
Termination boxes	5,096	23,834	2,000	2,000	-
Tools	-	-	1,000	1,000	-
WIFI operations and maintenance	-	-	-	30,725	37,400
Professional services	-	-	4,000	4,000	4,200
Legal services	-	-	2,000	2,000	2,200
City fee	10,402	11,464	12,160	12,849	14,435
Professional development	2,238	-	2,000	2,000	2,100
Insurance	925	791	1,100	1,100	1,200
Repair and maintenance	35	-	-	-	-
Vehicle rental	-	-	4,400	4,400	4,500
Miscellaneous	-	4,750	-	-	-
Depreciation expense	87,222	90,109	90,000	113,200	138,400
Total operating expenses	130,464	219,644	176,050	245,774	268,435
Operating income	77,566	9,476	67,150	11,126	19,765
Non-operating revenues:					
Reimbursements	6,431	21,628	5,000	290,200	30,400
Interest revenue	-	167	-	-	500
Total non operating revenues	6,431	21,795	5,000	290,200	30,900
Net income	\$ 83,997	\$ 31,271	\$ 72,150	\$ 301,326	\$ 50,665

Traverse City Light & Power - Fiber Fund

Fiscal Year:	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2018/19
Receipts							
Charges for services - Fiber	229,120	256,900	288,200	295,405	302,790	310,360	318,119
Non Operating Revenues - Reimbursements	21,628	290,200	30,400	31,160	31,939	32,737	33,556
Non Operating Revenues - Other	167	-	500	1,000	1,500	2,000	2,500
Total Receipts	250,915	547,100	319,100	327,565	336,229	345,097	354,175
Payments							
Fiber Expense	129,535	100,859	90,655	92,921	95,244	97,626	100,066
WIFI Expense	-	31,715	39,380	40,365	41,374	42,408	43,468
Capital Investments	68,523	429,600	35,000	-	-	-	-
Total Payments	198,058	562,174	165,035	133,286	136,618	140,033	143,534
Cashflow Surplus/Deficit (-)	52,857	(15,074)	154,065	194,279	199,611	205,064	210,640
Opening Cash & Investments Balance	226,597	279,454	264,380	418,445	612,724	812,335	1,017,399
Closing Cash & Investments Balance	279,454	264,380	418,445	612,724	812,335	1,017,399	1,228,040

Note: Assumes 2.5% inflationary increase after 2015/16.

Communication

From the Office of the Fire Chief

The City of Traverse City
Fire Department



Station 01, 500 West Front Street, Traverse City MI 49684

(231) 922-4930 Ext. 2

Tim Arends – Executive Director
Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686

December 08, 2014

Dear Tim,

On behalf of the Traverse City Fire Department, I would like to pass on my thanks and appreciation for the provision of the annual electrical safety training by your department, and to recognize Corey and Jim for the presentations they provided to all 3 Suppression shifts over here at the TCFD.

Both Corey and Jim are very knowledgeable and professional in how they provide information and training regarding electrical system safety, particularly in the area of emergency operations. Their teaching and training style meshed very well with the expectations of my personnel, and all that attended commented very positively on their program.

Please pass on my thanks to Corey and Jim. It is very helpful and beneficially to have such knowledgeable and capable staff ready to respond in the event of an emergency. They are part of the safety net for the TCFD personnel, and they and the rest of the TCL&P staff are much appreciated.

Best Regards,

A handwritten signature in blue ink that reads "Chief Tuller".

Chief Tuller,
T.C.F.D.