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A working session of the Municipal Service Commission of the City of Wyandotte, Michigan, was held at the office of the Commission on Wednesday, September 24, 2014 at 4:00 P.M.

ROLL CALL: Present: Commissioner -Michael Sadowski  
Leslie G. Lupo  
Gerald P. Cole  
Robert K. Alderman  
Bryan Hughes

General Manager  
& Secretary -Rod Lesko

Also Present -Paul LaManes  
Steve Timcoe  
Charlene Hudson  
Mike Pente  
Cable TV Volunteer

ELECTRIC UTILITY OPERATING AND CAPITAL BUDGET FISCAL YEAR 2014/2015  
Paul LaManes, Assistant General Manager, giving overview on Electric  
Utility Operating and Capital Budget Fiscal Year 2014/2015.

REVENUE AND NON-DEPARTMENTAL COSTS

Electric Department rates and usage assumptions have remained constant and unchanged from FY2014 as currently budgeted for FY2015. WMS Management continues to work with outside rate consultants on cost of service studies, and the results, when completed, will be shared with the Commission.

STAFFING AND COMPENSATION

Wages are budgeted at a consistent increase for all non-represented Positions.

Budgeted wage increases do not guarantee actual wage increases for non-represented employees, actual raises will be based on merit and performance review.

Wage increases for represented employees are effective 01/01/2015 at the collectively bargained 2.25% increase. Represented employee wages for certain Departments reflect adjustments made to attract and retain employees due to market demand for certain positions.

Notable changes in staffing:

003 General Power Plant Department - Consolidation of responsibilities has resulted in the net elimination of one (1) position on the Administrative staff. Also, one-half of the wages and benefits for the Power Systems Supervising Engineer (PSSE) are now allocated to the Power Plant.

008 Meter Readers - Overall shared staffing across all three (3) WMS Funds has been reduced from five (5) positions to three (3) resulting in a decrease in the requested budget.

011 T & D - Consolidation of responsibilities has resulted in the net elimination on one (1) position on the Administrative staff. Wages and Benefits for the Energy Program Manager have been transferred to a new Department to improve measurement and tracking for that Department as a whole (Dept. 017-Energy Program Costs). In addition, the allocation for the PSSE position is now split with the Power Plant. Finally, Standby pay for Lineman and Line Crew Leaders has been separately budgeted from base wages in the FY2015 budget (Budgeted with base wages in prior years).

015 Customer Service -The requested budget reflects the addition of one (1) Customer Service #2 positions in the Electric Department due to need based on workload. The Department now

consists of one (1) C/S #1 and two (2) C/S #2's.

**017 Energy Program Costs** - This Department was created to improve measurement and tracking for Energy Program activity for Grants and as mandated, (Energy Optimization, Renewables, etc...). Prior year budgets reflected wages and benefits in Department 011 T&D. Wages and benefits for Department management are currently recouped as part of approved Grant reimbursements. The requested FY2015 budget also reflects temporary staffing needs which will not be recouped from applicable Grants.

**025 I/T Department** - Allocation of one (1) position has been increased to 75% for Electric. This position is no longer allocated to Cable. In addition, the budget reflects the I/T Tech position removed and budgeted as part of the services shared with the City.

**026 Customer Assistance** - Requested budget increase reflects the transfer of the Cable Converter Room responsibilities to Customer Assistance with the corresponding allocation of 60% to Electric. Overall staffing numbers remain the same as in the FY2014 budget when the two (2) Converter Room positions are consolidated into Customer Assistance and all positions are viewed as one Department over budget years FY2015 and FY2014. This move has allowed formerly segregated duties to be shared over a larger group of employees and increases availability of staff to address the needs of all customers.

#### **Benefits**

Healthcare/Medical benefits reflect the impact of successful collective bargaining concluded in December 2013 for plans with lower premiums, 20% employee cost share and a greater incentive for opting out for represented employees; now identical to the plans, cost share and opt outs offered to non-represented employees.

For all departments the employer contributions expressed as a percent of annual pay for traditional Defined Benefit pension contributions are noted historically as follows:

Beginning 10/01/2014 - 31.72% Beginning 10/01/12- 26.85%  
Beginning 10/01/2013 - 28.98% Beginning 10/01/11- 20.91%

#### **Other Expenditures**

The standard allocation of shared expenses across Funds remain as follows:

Electric - 60%  
Water - 10%  
Cable - 30%

**001 Fuels**, Chemicals and Commodities - The FY2015 fuel budget reflects the changing power supply for the Power Plant. Redundancy requirements for steam and equipment changes to Boiler #7 have allowed for a partial but still improving refinement

of forecasted Natural Gas needs based on improving efficiencies. As always, weather may be a factor for actual fuel requirements and costs.

003 General Power Plant Department - Purchased Power and the necessary transmission to deliver the power continues to increase for budget purposes as current market conditions dictate purchased power as the more economical source of energy.

017 Energy Program Costs - All direct Grant program and Energy Optimization activities are budgeted for costs equal to revenues. Wire II Grant expenditures are budgeted net of wages and expense expenditures for Program Management.

031 Administration - Requested overall budget increase reflects rent expense for the potential move to the 4<sup>th</sup> Floor of 3200 Biddle for final consolidation of all operations from 3005 Biddle. The City PILOT (Payment in Lieu of Taxes) is a forecast that offsets revenue for Street Lighting and the Payment for City Services reflects the costs of direct and shared services provided by the City. The requested budget for Credit Card fees has also increased due to the increase in online bill payments. Finally, the increased budget request for BCBS Claims assessments is due to the Affordable Care Act (ACA) fees implemented on 01/01/2014.

033 Property - Liability and other insurance costs - Budget based on actual rates supplied by the provider plus forecasted increases to those cost for FY15. Additional coverage was added for hazardous pollutants and spills as recommended by the provider.

040 Retirees - For budget and reporting purposes Retiree costs have now been isolated into their own department. The OPEB budgeted expenditure continues to reflect the annual allocation of the increase in the OPEB liability for retiree healthcare as determined by an independent Actuary, net of current year premiums paid. In addition, an increase in the number of actual retirees during the past year, coupled with rate increases has resulted in an increased budget request for Retiree Healthcare premiums incurred currently.

#### CAPITAL

A Number of capital projects for Electric were not completed during FY2014 due to the prioritization of operating matters at the Power Plant. Many of these projects have now become part of the pending Revenue Bond issue and therefore do not need to be financed through operating revenue. Non-Bond related T&D projects (Substation and T&D Construction) and I/T projects not completed have been carried forward from FY2014 as funding for those projects would have been financed through operations in FY2014 and prior years.

TELECOMMUNICATIONS OPERATING AND CAPITAL BUDGET 2014/2015

Paul LaManes, Assistant to the General Manager, giving  
Overview on Telecommunications Operating and Capital Budget  
2014/2015.

Revenue

Cable TV revenues continue to decline primarily due to the continued Decline in subscribers. Budgeted subscribers for FY2015 are 6,648 compared to 7,112 for FY2014. Premium Cable services have also been forecasted to decline for FY2015 based on the overall decline in subscriber base.

Significant increases in programming royalties occurred during FY2014 that led to multi-year agreements with annual increases across multiple programming providers. In order to maintain the financial health of the Telecommunications Fund, rate adjustments are forecasted for four (4) service levels to offset increasing programming royalty costs and have been forecasted as part of the FY2015 budget.

Internet subscribers continue to remain stable and revenue has been budgeted for a slight increase for FY2015. VoIP subscribers are forecasted to decline by approximately 100 subscribers based on trending from September 2013 levels and the budgeted revenue has been adjusted accordingly.

Other budgeted revenues such as Commercial Insertion have increased due to the new agreement with Comcast on the split of those Revenues from 25% to 45 % and also due to the State of Michigan Elections in November 2014. In Addition, Installation Services is budgeted for a slight increase due to subscribers utilizing the outstanding value added service from Wyandotte Cable and the forecasted increase in opportunities due to the "Fast Forward to Digital" project.

Staffing and Compensation

Wages are budgeted at a consistent increase for all non-represented positions.

Budgeted wage increases do not guarantee actual wage increases for non-represented employees, actual raises will be based on merit and performance reviews.

Wage increases for represented employees are effective 01/01/2015 At the collectively bargained 2.25% increase.

Notable changes in staffing:

006 Cable TV Headend - Two (2) Converter Room positions were eliminated during FY2014 with the responsibilities consolidated into the Customer Assistance Department and is reflected as such in the FY2015 budget.

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007 Cable TV Studio - An error in budgeted hours was made with the FY2014 budget for the Playback Operator position and has been corrected in the FY2015 budget resulting in a decrease in the overall department budget.

011 T&D - A Department Helper position was added to the FY2015 Budget along with a separate breakout of the Standby pay for the Cable TV Maintenance Technicians.

025 I/T Department- One (1) position has been increased in allocation for 25% for Water and is no longer allocated to Cable. Also eliminated from the budget was the I/T Technician who has been hired as a City employee.

026 Customer Assistance - Requested budget increase reflects the transfer of Cable Converter Room responsibilities to Customer Assistance with the corresponding allocation of 30% to Cable.

Benefits Same as Electric & Water Budget.

#### Other Expenditures

016 Cable TV Programming Royalties - Although royalty costs are variable based on subscribers, programmers continue to seek ever increasing royalties as payment for the program content that they offer which is reflected in the increased budget for overall programming royalties. All Cable TV providers are not immune and as such are also left to adjust rates to subscribers.

018 - Pass-Thru Fee - Similar to programming, local television channels have increased the fees for the right to retransmit their signals. All Cable TV providers are also not immune to these fees. These fees are directly passed through to subscribers at the rate charged by the local television channels.

031 Administration - Requested overall budget increase reflects rent expense for possible move to the 4<sup>th</sup> Floor of 3200 Biddle for final consolidation of all operations from 3005 Biddle. In addition, requested budget increases are made for anticipated cost increases for internet T-1 lines and shared costs for online bill payment. Banking fees are forecasted to decrease due to adjustments made in the average daily balances.

033- Property, Liability and other insurance costs - Budget based on actual rates supplied by the provider plus forecasted increases to those costs for FY15.

040- Retirees same as Electric and Water.

#### CAPITAL:

Requested capital for FY2015 includes Phase II of the "Fast Forward to Digital", Homes per Node and Studio projects. Phase I of the "Fast Forward to Digital" and Homes per Node project was only partially completed during FY2014

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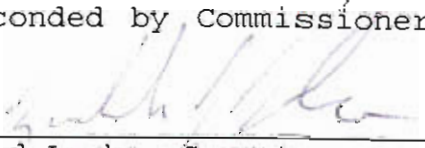
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and therefore significant carryover capital project expenditures will be made in FY2015. The carryover expenditures for those projects will be funded from the applicable carryover fund balance from FY2014.

A requested budget for Consulting Fees pursuant to the move of the Headend location to 3200 Biddle has been made for \$145,000. No request has been made for the funding for the actual costs of the move.

Significant caution must be exercised for each requested capital project both at the budgetary and execution levels so that the financial health improvements experienced over the last few fiscal years are maintained and improved moving forward for the Telecommunications Fund.

MOTION by Commissioner Lupo and seconded by Commissioner Cole to adjourn. 5:01 p.m.

  
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Rod Lesko, Secretary