

Risk Management/Finance Committee Report

Meeting November 16, 2017, Red Lodge BEC office. Meeting convened at noon. Committee and Board attending: Frank Willett, Bill Pascoe, David Peterson, Julie Lindgren, Dan Dutton, Dick Nolan, Roxie Melton, Arleen Boyd. BEC Member Lee Boyer. Attorney Larry Martin attended via telephone.

Budget Overview -- Manager Kevin Owens described the purpose of the budget process, narrative and financial outline. The process provides ample time for input and discussion before the full spreadsheet presentation is given to the board and members on December 14. The forecast plan, which provides an ongoing process for annual budgeting and long-term forecast review and verification, will be updated after the budget is approved (January 9 board meeting).

The zero-based budget narrative was reviewed with operating statement, cash budget, summary balance sheet, and capital budget outlines. Manager and Brad Prophet gave detailed explanation of the proposed capital budget outline. Committee appreciated explanations of transformers, sectionalizing equipment, OCRs and other replacements. The explanation that minimal investment in pole replacements in 2018 and 2019 will be followed by a much larger scale plan for pole replacement and related investments addressed a major concern of several board and committee members. Committee members noted that a preview of expected content of that plan would be helpful. Facility upgrades were discussed after explanation of the necessity to install HVAC and discussion of the plans for a new server-based computer system.

Cyber Risk -- BEC Attorney Larry Martin reported on his firm's recent experience with clients experiencing cyber threats and his work with other boards that have been attacked. He described actions to address cyber risks:

- Determine vulnerability
- Verify insurance level including ransom coverage
- Contact organizations that can assess BEC potential risks

Kevin distributed a report on a recent scam attempt at BEC and the follow-up to address it. He will distribute the report at the board meeting along with a proposed insurance increase. Larry also advised looking at the website to ensure that it meets Americans with Disabilities Act requirements for website accessibility, which is a current ADA focus.

The committee did not have time for the remaining two agenda items: Advanced meter technology and policy and bylaw provisions relating to the risk management committee. Manager will walk through the meter alternatives and descriptions at the November 28 board meeting. The policies to review at the December 14 risk management meeting are: Trustee Policy 202 – Functions of Board of Trustees;

Trustee Policy 211 – Committees of Board of Trustees; Financial Policy 309, Section 5 – Transmission and Generation – requirement for risk management committee.

Follow-up -- Manager will post the new versions of the narrative and numbers with clear *DRAFT* designation. Brad Prophet will add the calculations for debt service coverage to the current financial outline that shows only TIER. Arleen will compile comments and questions from committee and board members to be submitted to Kevin by November 24.

Next Meeting -- The December 14 Risk Management/Finance Committees will review the full budget proposal developed following management review of input from the committee and board members and from members at large.