



**BOARD OF WATER AND LIGHT  
REO Town Depot  
1201 S. Washington Ave., Lansing, Michigan  
January 28, 2020 - 5:30 p.m.  
BOARD MEETING AGENDA**

**1. Roll Call**

**2. Pledge of Allegiance**

**3. Approval of Minutes**

- a. Regular Board Meeting Minutes of November 19, 2019

**4. Public Comment**

*Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter **not** on the agenda may do so immediately prior to adjournment.*

**5. Communications**

- a. Electronic Mail from Steve Rall re: Energy and Climate Issues

**6. Committee Reports**

- a. Finance Committee Meeting (January 14, 2020) – David Price, Acting Chair

**7. Manager's Recommendations**

**8. Unfinished Business**

**9. New Business**

**10. Resolutions/Action Items**

**11. Manager's Remarks**

**12. Commissioners' Remarks**

**13. Motion of Excused Absence**

**14. Public Comment**

*Members of the public are welcome to speak to the Board on any Board of Water and Light subject.*

**15. Adjournment**



## MINUTES OF THE BOARD OF COMMISSIONERS MEETING

### LANSING BOARD OF WATER AND LIGHT

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**November 19, 2019**

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The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, November 13, 2018.

Chairperson David Price called the meeting to order at 6:23 p.m.

Present: Commissioners David Price, Beth Graham, Deshon Leek, David Lenz, Anthony Mullen, Ken Ross, Tracy Thomas and Sandra Zerkle. Non-Voting Commissioners present: Michael Froh (Meridian Township), Douglas Jester (East Lansing), Larry Merrill (Delta Township).

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Leek led the Pledge of Allegiance.

### APPROVAL OF MINUTES

**Motion** by Commissioner Ross, Seconded by Commissioner Thomas, to approve the Regular Board Meeting minutes of September 24, 2019.

**Action:** Motion Carried

### PUBLIC COMMENTS

None.

### COMMUNICATIONS

Electronic Mail received from or Re:

- a. Electronic Mail from Violet Polzin re: Smart Meter Program - *Referred to Management. Received and Placed on File*
- b. Electronic Mail from Cheryl Haskell re: BWL Service and Payment - *Referred to Management. Received and Placed on File*
- c. Electronic Mail from Wendy Larson re: Streetlights - *Referred to Management. Received and Placed on File*
- d. Electronic Mail from Steve Rall re: Natural Gas Plant - *Referred to Management. Received and Placed on File*

## COMMITTEE REPORTS

Commissioner Tracy Thomas presented the Human Resources Committee Report:

### HUMAN RESOURCES COMMITTEE Meeting Minutes November 5, 2019

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, November 5, 2019.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Tracy Thomas, Anthony Mullen, and Sandra Zerkle. Also present: Commissioners David Price and Ken Ross; and Non-Voting Commissioner Doug Jester (E. Lansing) (arrived 5:13 p.m.) and Larry Merrill (Delta Township) (arrived @5:02 p.m.)

Absent: Commissioner Beth Graham

#### **Public Comments**

None

#### **Approval of Minutes**

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of September 10, 2019.

**Action:** Motion Carried.

#### **Delegation of Authority: Retirement Plan Design and Administrative Decisions**

Mr. Michael Flowers, Executive Director of Human Resources, introduced Mr. Scott Taylor, Finance Manager, who explained the Delegation of Authority for the Administrative Decisions in the Retirement Plan Design. Mr. Taylor stated that there are investment board responsibilities and administrative board responsibilities in the retirement plan. Administrative decisions consist of determining plan qualifications for employees, making and authorizing benefit payments, handling enrollments, authorizing loans, hiring the plan administrator and monitoring performance, hiring the plan actuary, hiring the plan auditor and tax reporting. The proposed resolution is for official delegation for the authority to make the administrative decisions. The resolution also includes authority for benefit design changes and formally calls for any changes to be communicated to the board at the next available meeting. The resolution on the agenda for the lump sum payment for DB plan participants is considered a plan design change. Mr. Taylor noted that the resolution doesn't delegate authority to terminate or freeze the plan.

Commissioner Mullen inquired why the finance area was conducting the discussion about the administrative decisions. Mr. Taylor responded that the retirement plan committee, of which he is a spokesperson, advises on the decisions for the management.

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Proposed Resolution

**Delegation of Authority: Retirement Plan Design and Administrative Decisions**

WHEREAS, the Board of Water and Light is the "Sponsor" of the (a) Lansing Board of Water and Light Defined Contribution Plan and Trust 1; (b) Lansing Board of Water and Light Defined Contribution Plan and Trust 2; (c) Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust; (d) Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions; and (e) Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (collectively the "Plans"); and

WHEREAS, the Sponsor wishes to delegate certain administrative and plan design authority over the Plans to the General Manager who may further delegate to the Retirement Plan Committee or any successor of the Committee performing the same duties (the "Committee").

THEREFORE, it is:

RESOLVED, that the Sponsor expressly delegates to the General Manager, and at the discretion of the General Manager the Committee, authority to perform administrative functions such as the authority to appoint and remove the Plan Administrators; facilitate administration of the Plans and communications to participants and Plan Administrators; engage consultants and services; alter the Plans' design to address changes in business needs and industry practices and take all actions necessary to carry out the terms of the Plans. To the extent the General Manager or Committee has performed such functions prior to this express delegation, those actions are hereby approved. The Sponsor does not delegate to the General Manager or the Committee authority to freeze or terminate the Plans, and all Plan design changes or updates will be communicated to the Board at the next regularly scheduled meeting of the Board.

FURTHER RESOLVED, that the Sponsor indemnifies and holds harmless the General Manager and each member of the Committee from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the General Manager's or the Committee's discharge of its duties relating to the Plans; provided, however, that this indemnification shall not apply with regard to any proceeding in which the General Manager or a Committee member is found to have been grossly negligent or to have violated a law or committed a crime.

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**Motion** by Commissioner Zerkle, Seconded by Commissioner Mullen, to forward the proposed resolution for Delegation of Authority: Retirement Plan Design and Administrative Decisions to the full Board for consideration.

**Action:** Motion Carried.

**Payment for Eligible Defined Benefit Plan Participants**

Executive Director of Human Resources, Mr. Michael Flowers, presented the resolution for the payment for eligible defined benefit plan participants.

Commissioner Zerkle expressed appreciation for the extra pension that will be given to retirees from long ago with this resolution. General Manager Dick Peffley noted that the payment is less than 1% draw down on the fund.

Commissioner Mullen asked why there wasn't a standard cost of living adjustment as the pension amount for the long-ago retirees isn't that much. GM Peffley responded that the benefit plan is reviewed annually and the fund balances are taken into serious consideration.

Commissioner Ross provided some key facts regarding the fund balance: the fund balance is currently at 112% and the overall financial impact would be approximately \$485,000; the resolution will bring the fund balance to 111%; because there is a taxable issue the payout will be deferred to 2020; and the BWL is not obliged contractually to provide in any given year an extra benefit.

Commissioner Zerkle asked for confirmation that the money is being taken from the defined benefit fund which is currently 12% overfunded and GM Peffley affirmed.

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#### Proposed Resolution

#### **Payment for Eligible Defined Benefit Plan Participants**

RESOLVED, that a lump sum payment be made to Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions ("Defined Benefit Plan") participants eligible to receive plan payments as of November 19, 2019, equal to \$65 for each year retired prior to July 1, 2019, rounded up to the nearest whole year.

Staff Comments: This resolution is intended to exclude participants not currently receiving pension payments such as active participants and terminated vested participants.

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**Motion** by Commissioner Zerkle, Seconded by Commissioner Mullen, to forward the proposed resolution for Payment for Eligible Defined Benefit Plan Participants to the full Board for consideration.

**Action:** Motion Carried.

#### **Other**

**Motion** by Commissioner Mullen, **Seconded** by Commissioner Zerkle to excuse Commissioner Graham from tonight's meeting.

**Action:** Motion Carried

#### **Adjourn**

**Motion** by Commissioner Zerkle, Seconded by Commissioner Mullen, to adjourn the meeting.

**Action:** Motion Carried

Meeting adjourned at 5:16 p.m.

Respectfully Submitted,  
Tracy Thomas, Chair  
Human Resources Committee

Commissioner Anthony Mullen presented the Committee of the Whole Report:

**COMMITTEE OF THE WHOLE**  
**Meeting Minutes**  
**November 5, 2019**

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, November 5, 2019.

Committee of the Whole Chair Tony Mullen called the meeting to order at 5:30 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, David Lenz, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Douglas Jester (East Lansing), and Larry Merrill (Delta Township)

Absent: Commissioner Beth Graham

The Corporate Secretary declared a quorum.

**Public Comments**

Commissioner Price introduced Mr. Deshon Leek the new anticipated 3<sup>rd</sup> Ward.

**Approval of Minutes**

**Motion** by Commissioner Price, **Seconded** by Commissioner Thomas, to approve the Committee of the Whole meeting minutes of September 10, 2019.

**Action:** Motion Carried.

**Corporate Planning: Update on Approved 2016 Strategic Plan**

General Manager Peffley introduced Strategic Planning & Development Executive Director, Ms. Brandie Ekren who presented an update on the approved 2016 Strategic Plan.





Ms. Ekren's update included a refresher of the Strategic Plan's strategies, goals and objectives that were designed to address the changing utility industry. For each strategy and goal, Ms. Ekren provided a list of high-level progress bullets.

There was brief discussion around the accomplishment of an 86% approval rating, which was in response to the objective of soliciting feedback from our customers. Commissioner Zerkle asked if the 86% customer approval rating was based on the last survey taken and GM Peffley affirmed and another opportunity to capture a customer approval rating will be obtained in the upcoming Integrated Resource Plan survey.

Commissioner Jester asked who was formalizing the survey questions. GM Peffley stated that it was a team effort which included Ms. Ekren's division, Mr. Serkaian's division, and a 3<sup>rd</sup> party consultant/implementer, Mr. Bernie Porn from EPIC MRA. GM Peffley advised that a copy of the questions would be shared with the Commission, following Commissioner Jester's request to receive a copy.

There was brief discussion about the BWL's investment in an updated customer information system. Commissioner Jester asked for the schedule for the customer information system. Ms. Ekren and GM Peffley responded that it will be the second quarter in 2021.

In response to the request for more details on the Hometown Leaders Campaign and the Greenwise Program, Ms. Ekren noted that the Hometown Leaders Campaign was put together by Communications. It consists of billboards, advertisements, and social media. The Greenwise Program is an opportunity for customers to invest directly into renewable energy. The Greenwise Program came into existence in 2001 and has been updated to be more attractive and marketable to customers. GM Peffley stated that the Hometown Leaders Campaign is one of BWL's most successful campaigns.

Commissioner Jester asked Ms. Ekren to address organizational resilience. Ms. Ekren recommended that organizational resilience be presented as a future agenda topic given the depth of information



associated with the endeavor. However, work associated with this endeavor involves training, investing in infrastructure, change management, industry trend alignment and updating policies.

Commissioner Zerkle inquired about new technology training for the Erickson plant employees transitioning from the Erickson plant to the new plant. GM Peffley responded that the transition will be from the Eckert station and the operating staff are working at REO. At the beginning of the year, the staff will start formal training for the Delta Energy plant.

**Corporate Planning: BWL’s Clean Energy Journey**

Strategic Planning & Development Executive Director, Ms. Brandie Ekren presented BWL’s Clean Energy Journey. Ms. Ekren highlighted three critical points: sustaining the environment and natural resources is foundational to the BWL; the BWL Clean Energy Journey began before it was required by law; and the commitment to the planet and cleaner energy future will continue.



Commissioner Froh asked where BWL stood with the 2016 goals for 20% renewables by 2020. Ms. Ekren responded that BWL is on pace to meet that goal. GM Peffley responded that 20% renewable energy and 10% energy efficiency are the parts of the 30% clean energy goal. GM Peffley added that wind development energy in Tuscola County is expected by the end of the year.

Commissioner Ross asked for a definition of the terms future clean energy goals of 20% and 40%, renewable components and efficiency components. Ms. Ekren responded that clean energy is a combination of energy fuel source and the consumption of energy, energy efficiency and waste reduction. The goal for 2020 is 20% renewable and 10% energy efficiency. Commissioner Ross asked if 100 Mega Watt (MW) of power was generated what would 20% entail. GM Peffley responded that 20 MW would be renewable which would be a combination of wind, solar, natural gas and a small piece of hydro. Commissioner Ross asked whether the 20% of generation in the renewable portfolio would be from BWL or purchased. GM Peffley responded that purchase power agreements are made only when the 30% tax credits can't be captured. GM Peffley also responded that Renewable Energy Credits (REC) are not being used, at this time. Ms. Ekren responded that the energy efficiency annual goal is set at investing 1% in qualified programs. GM Peffley responded that 40% in renewable energy by 2030 is scheduled and it will be a mix of renewables and energy efficiency. Commissioner Ross also asked about informing the customers about future intentions and the rate strategy, obtaining feedback, and to see if the BWL is on target for 100% renewable energy. GM Peffley



responded that BWL is ahead of the target for 100% renewable energy and that goals are provided to the customers.

Commissioner Mullen asked if the BWL was considering insight from commercial customers during the IRP stakeholder engagement given that 80% of revenue is from commercial and residential customers. Ms. Ekren referred the commission to the May, July and September corporate planning updates, which included greater detail on the stakeholder engagement. She also reminded the commission that her team has been meeting with commercial industrial customers, as well as other categorical customers since March 2019. GM Peffley emphasized that the emphasis on commercial industrial customer opportunities are essential to maintaining reasonable residential rates.

Commissioner Lenz asked if the commercial industrial customers have the option to buy power from other utilities. GM Peffley responded that commercial industrial customers located within the city limits of Lansing and certain contiguous communities are limited to BWL electric service. Commissioner Lenz asked if complementary energy assessments were offered to non-low-income customers and GM Peffley affirmed and stated that the assessments were offered to landlords and informed them of the benefits of investing in the program. Ms. Ekren stated that the energy assessments provide the benefit low income customers by increasing energy efficiency and making utility cost more affordable.

Commissioner Zerkle asked if energy assessments were offered to larger or commercial industrial customers. GM Peffley responded that BWL had a full-time engineer at General Motors whose responsibility was to find energy savings for them. Commissioner Zerkle asked if small non-profits could request an energy assessment and GM Peffley responded in the affirmative.

Commissioner Jester asked about “on-bill” financing options. Ms. Ekren and CFO, Heather Shaw affirmed that programs such as these are being evaluated.

Commissioner Ross asked if installation energy efficient windows would qualify for “on-bill” finance arrangements. Ms. Ekren noted that while “on-bill” financing options are being evaluated, customers are eligible for certain rebates or incentives that is currently available through the BWL. Ms. Ekren explained that on-bill financing is designed to enable customers to invest in renewable generation easier.

Commissioner Jester stated that important strategies of “on- bill” financing programs are a split incentive for landlords and tenants, the credit enhancement for people who don’t have the credit for a personal loan and the guarantee of a net savings after the energy efficiency benefits.

Commissioner Zerkle commented that after the Smart meters are installed and customers are educated on how to review and evaluate the data, there will be increased benefits to customer driven energy management

Commissioner Ross asked how feedback would be captured during the open house format, given the change from the formal presentation format. Ms. Ekren responded that the open house format designed for customers that do not have an opportunity or are not as comfortable presenting in front of a large audience during public meetings. It also the utility company lecturing to the public prior to all analytical and stakeholder data has been consider. It provides insight into our process as well as

what we are consider. It also provides an opportunity to customer to engage in conversation. Each station will give instruction to they encounter to give feedback.

### **Regular Board Meeting Schedule for 2020**

Committee of the Whole Chair Mullen presented a proposed Resolution setting the BWL Board of Commissioners 2020 Regular Board Meeting Schedule as directed by Section 1.1.2 of the BWL's Rules of Procedure.

**Motion** by Commissioner Price, **Seconded** by Commissioner Lenz to forward the 2020 Regular Board Meeting Schedule Resolution to the full board for consideration.

**Action:** Motion Carried

### **Other**

**Motion** by Commissioner Price, **Seconded** by Commissioner Thomas to excuse Commissioner Graham from tonight's meeting.

**Action:** Motion Carried

### **Adjourn**

Commissioner Mullen adjourned the meeting at 6:36 p.m.

Respectfully Submitted  
Tony Mullen, Chair  
Committee of the Whole

Commissioner Ken Ross presented the Finance Committee Report:

### **FINANCE COMMITTEE Meeting Minutes November 5, 2019**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, November 5, 2019.

Finance Committee Chair Ken Ross called the meeting to order at 6:45 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, David Lenz, Tony Mullen, and David Price. Also present: Commissioner Tracy Thomas, and Non-Voting Commissioner Larry Merrill (Delta Township).

Absent: None

The Corporate Secretary declared a quorum.

### **Public Comments**

None.

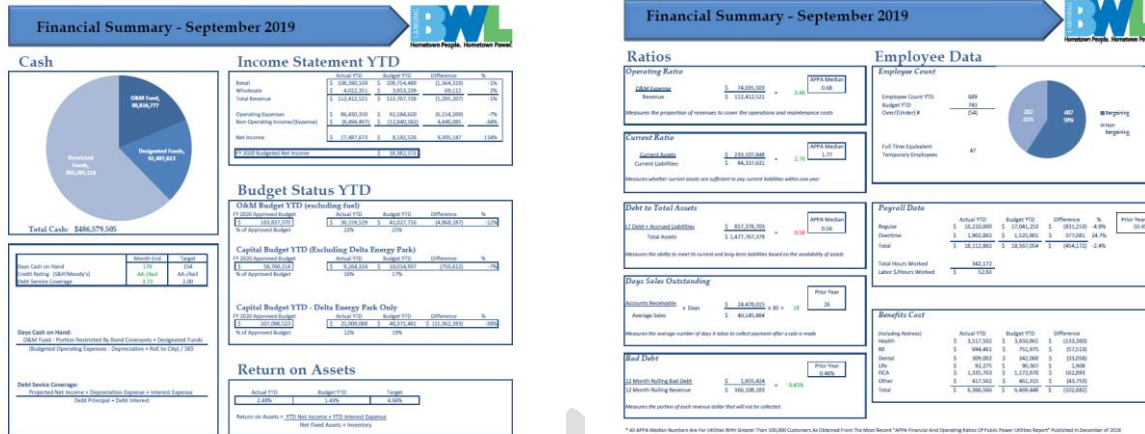
**Approval of Minutes**

**Motion** by Commissioner Price, **Seconded** by Commissioner Mullen, to approve the Finance Committee meeting minutes of September 10, 2019.

**Action:** Motion Carried.

**September YTD Financial Summary**

Chief Financial Officer (CFO), Heather Shawa presented the following:



Days Cash on hand for YTD is \$178 million which is well above the target in the budget, as is the Debt Service Coverage. The Income Statement Q1 results for Total Revenue are under budget \$1.3 million. The YTD budgeted Net Income is \$8 million and the current actual Net Income is well over that. The FY 2020 Budgeted Net Income of \$18.3 million is expected to be achieved or exceeded slightly. The Budget Status YTD for Capital Projects is on track and the Delta Energy Park spend is trending up toward budget. Major equipment will be arriving and will have major vendor payments and that spend will track to budget as well. Return on Assets for quarter one is well over budget as well, trending with Net Income. Ms. Shawa reported that four of the five ratios are on track and that Debt to Total Assets will level out throughout the year. Employee Data is consistent with prior months. Payroll Data and Benefits Cost is tracking in line with budget as well.

Commissioner Lenz asked from where the operating expenses savings are realized. Ms. Shawa responded that some of it is timing in budgeting an expense compared to when the expense is realized. Ms. Shawa responded that there was a positive VEBA adjustment that was reported for the last financial summary which has a cumulative effect that will be carried out for the rest of the fiscal year. Ms. Shawa also responded that the Non-Operating Expense/Income under budget is primarily unrealized gains.

Commissioner Lenz asked if temporary or full time equivalent employees are budgeted or projected out for the year. Ms. Shawa responded that there is a labor budget and additionally outside services for temporary labor is budgeted.

**First Supplemental Utility System Revenue Bond Resolution**

Ms. Shawa reported that due to historical market lows the BWL is in a very good position to refund the 2011a Series bonds for the REO plant. Ms. Shawa introduced bond counsel from Miller Canfield, Mr. Bill Danhof and Mr. Jeff Aronoff. Ms. Shawa turned over the floor to Finance Manager, Mr. Scott

Taylor, to go over the bond resolution authorizing the CFO to carry out refunding of the bonds. Mr. Taylor explained the bond issuance process as tax exempt revenue bonds that are 30 years from maturity and have a 10-year call feature. The 10-year call feature means the point at which the bond can be refinanced. Tax exempt means a favorable borrowing rate, and revenue bonds means payment is made by the revenues of our system. In 2011, \$250 million in bonds were issued to fund the REO plant and in 2021 these bonds will be 10 years old. Due to a 2017 tax law change, the ability to advance refinance the debt with tax exempt bonds can't be done as has been done in the past, but taxable money is able to be borrowed now and set aside to pay the debt when it is callable in 2021. Mr. Taylor noted that it is not always a good idea to do an advance refunding but the rates are very low right now. The tax savings would be for the remaining 20 years. The plan is for a December bond issuance unless market conditions change or otherwise, which would then lead to a January issuance. Mr. Taylor requested approval of the board of the bond resolution.

Commissioner Mullen asked why the BWL wouldn't wait until 2021 to refinance with the tax exempt status and a better interest rate since interest rates are trending down. Mr. Taylor responded that that was taken into consideration, but experts believe there is more room for the rates to go up than down, and there will be a major re-election before the tax exemption refunding would take place.

Commissioner Ross asked what the approximate differential basis points between taxable and nontaxable municipal bonds and what is being issued. Mr. Taylor responded that about 30 basis points was reported. Commissioner Ross also asked what the increase in cost would be to customers. Mr. Taylor responded that it will be a net savings to customers as it is to the BWL. Commissioner Ross asked what the difference would be of issuance on a tax-free basis as they used to be. Mr. Taylor responded that savings will be realized as proposed and another 10-year call action will be included which will allow converting to tax exempt debt again. Commissioner Ross noted that there is a trade for a slightly higher premium and the flexibility to choose when to refinance. Commissioner Ross asked what the refinancing bond issuance costs would be and what the return would be over the refinancing period. Mr. Taylor responded that the refinancing bond issuance costs would be approximately \$1.5 million and the return would be over \$2 million dollars a year in average cash flow savings.

Commissioner Mullen asked whether the resolution requires that an action be taken and Ms. Shawa responded that the resolution authorizes a transaction but does not obligate a transaction.

Commissioner Ross noted that recently a resolution was passed authorizing Phase Three funding and asked why it doesn't make sense to roll Phase Three into this resolution. Mr. Taylor responded that there were some efficiencies as costs overlapped when combining the resolutions, but one would have to be delayed or the other brought forward and the risk of market rate changes on the one delayed and the additional interest costs on the one brought forward would affect the savings realized.

**Motion** by Commissioner Price, **Seconded** by Commissioner Mullen, to forward the First Supplemental Utility System Revenue Bond Resolution to the full Board for consideration.

**Action:** Motion Carried.

## Internal Auditor Status Report

Internal Auditor, Mr. Wesley Lewis, presented the Internal Auditor Status Report.



### Internal Audit Status Report

Presented by:  
Wesley Lewis, Director of Internal Audit  
Finance Committee Meeting  
November 5, 2019

### Overview

- FY 2019 Audit Plan Progress Report
- Update on FY 2020 Audit Plan
- Other Items

### FY 2019 Audit Plan Progress Report

#### Engagement in Progress:

1. Procurement Audit – Final audit report to be issued soon.



Finance Committee Meeting  
11/5/2019

2



Finance Committee Meeting  
11/5/2019

3

### Update on FY 2020 Audit Plan

1. *Cash Management and Treasury Audit (First Time Audit)* – Kicked off on 9/30/2019 and is in progress.
2. *Fixed Assets (Last audited in May 2012)* – Kicked off on 10/21/2019 and in progress.
3. *Work Management (WMI) (First Time Audit)* – Scheduled kickoff is 1/20/2020.
4. *Customer Projects (Last Audited in March 2019 and to be executed at the same time as the WMI Audit)* – Scheduled kickoff is 1/20/2020.
5. *Energy Risk Management (Last Audited in June 2013)* – Scheduled kickoff is 4/6/2020.
6. *IT Vulnerability Assessments (First Time Audit)* – Scheduled kickoff is 3/25/2020.

\* As previously reported, this plan, along with all dates, are subject to change.

### Other Items

1. Current Technology Upgrades
  - Internal Audit Management Software System
  - Information Analytics Tool, with Artificial Intelligence
2. Staffing
3. ISO Certification for Internal Audit
4. CISA Exam Progress



Finance Committee Meeting  
11/5/2019

4



Finance Committee Meeting  
11/5/2019

5

Commissioner Ross asked for an explanation of the information analytics tool with artificial intelligence. Mr. Lewis responded that the information analytics tool is different from data analytics in that it includes artificial intelligence which will look at the data sets, conform to the structure of the data and look for red flags or anomalies. Commissioner Ross asked for a future presentation on the value and return on investment of the software.

Commissioner Price inquired when the onboarding date would be for the Internal Auditor Assistant and Mr. Lewis responded mid-December.

Commissioner Lenz asked if the technology upgrades for the software are industry standard and is there a change in the way data is being analyzed. Mr. Lewis responded that the software upgrade is enhancing analyzing the data and different companies utilize different tools.

Commissioner Thomas asked when and how often the CISA Exam is offered. Mr. Lewis responded that the exam is offered at any time.

### Other

None

### Adjourn

Motion by Commissioner Mullen to adjourn the meeting. Chair Ken Ross adjourned the meeting at 7:20 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

Commissioner David Price presented the Trustees Meeting Report:

**SUMMARY REPORT  
LANSING BOARD OF WATER & LIGHT  
PENSION FUND TRUSTEES MEETING MINUTES  
November 19, 2019**

The Pension Fund Trustees of the Lansing Board of Water & Light (BWL) met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 P.M. on Tuesday, November 19, 2019.

Board Chairperson David Price called the meeting to order at 5:01 p.m.

Chairperson Price provided some background information on how Commissioners serve as Trustees of the Pension Funds. Commissioner Price welcomed the new 3rd Ward Commissioner, Mr. Deshon Leek, and asked the Corporate Secretary to call the roll.

Present: Trustees Beth Graham, Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas (arrived at 5:08 p.m.), and Sandra Zerkle (arrived @ 5:15 p.m.)

Absent: None

The Corporate Secretary declared a quorum.

**Public Comments**

None.

**Approval of Minutes**

**Motion** by Trustee Mullen and Seconded by Trustee Ross to approve the minutes from the November 13, 2018 Pension Fund Trustees' Annual Meeting.

**Action:** Motion Carried

**Pension Fund**

Chief Financial Officer Shawa reviewed and provided detailed information from the following Memorandum and Dashboard:



MEMORANDUM

From: Heather Shawa, Chief Financial Officer
To: Board of Water and Light Pension Trustees
Date: November 14, 2019
Subject: Annual Pension Trustee Meeting - November 15, 2019

At the Annual Trustee Meeting to be held November 15, 2019, staff will give a brief overview of FY 2019 performance of the Defined Benefit Plan (DB), the Post-Compromised Benefit Plan (VEBA), and the Defined Contribution and Deferred Compensation Plans (DC). Representatives from Asset Consulting Group (ACG) and Benesist Retirement Consulting (Benesist) will be present concerning DB and VEBA, ICGM-PC and Plante Moran Financial Advisors (PMFA) representatives will also be in attendance concerning DC.

Audited financial reports for each of the plans are included in the meeting packet. Baker Tilly has provided each plan with an unmodified opinion, indicating the financial statements present fairly, in all material respects, the fiduciary position of each plan as of June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

DB AND VEBA UPDATES

Actuarial Report Overview

Included in the packet are the actuarial reports for DB and VEBA. These actuarial reports were prepared by Benesist using census data as of February 28, 2019 and financial data as of June 30, 2019. Benesist calculated the funding status and actuarially determined contribution (ADC) for each plan. Of note, the VEBA funding status increased significantly from FY 2018 to FY 2019. This is primarily due to a large decrease in assumed post-65 health care premiums. This will be covered in further detail during the meeting. A brief overview of the complete report for each plan is shown below.

Table with 4 columns: Plan Name, As of 6/30/2019, As of 6/30/2018, and ADC. Rows include Actuarially Determined Contribution, Total Pension Liability, Fiduciary Net Position, Funded Status, and Net Pension (Asset) Liability.

DISPLAYED VALUES MAY NOT TOTAL OR MATCH OTHER REPORTS DUE TO ROUNDING

Table with 3 columns: VEBA, As of 6/30/2019, and As of 6/30/2018. Rows include Actuarially Determined Contribution, TGA/ OPEB Liability, Fiduciary Net Position, Funded Status, and Net OPEB (Asset) Liability.

Asset Class Allocation

Investments for DB and VEBA are directed by the plan sponsor, BWL, under the guidance of the current Statement of Investment Policies, Procedures and Objectives (SIP) for each plan. The SIP for each plan is included in the Trustee packet. Listed below are the asset class allocations for both DB and VEBA. Each of these allocations fall within the allowable allocation range as dictated by the SIP for each plan.

Table with 3 columns: Asset Class, DB, and VEBA. Rows include US Large Cap Equity, US Small/Mid Cap Equity, Non US Equity, Fixed Income, Real Assets, and Cash & Cash Equivalents.

DISPLAYED VALUES MAY NOT TOTAL OR MATCH OTHER REPORTS DUE TO ROUNDING

Management Fees

The current SIP prescribes that consideration will be given to fees prior to retaining professionals. The following table lists all fees associated with DB and VEBA funds as of June 30, 2019.

Table with 4 columns: Manager Fee, Custodial Fee, ACG Fee, and Total Fee. Rows include US Large Cap Equity, US Small/Mid Cap Equity, Non US Equity, Fixed Income, and Real Assets.

\* ACG advisory fee is a flat dollar cost. For purposes of this report, this fee is shown as a weighted average of total assets under management.

Performance of Investment Managers

The charts on the following page show the DB and VEBA investment returns from inception through June 30, 2019 for the investment managers employed by the BWL, as of June 30, 2019. These returns are compared to the market index that most closely resembles each investment manager's style as listed in the current, respective DB and VEBA SIP. Note that due to differing individual portfolio start dates, and different investment sectors, the comparative market index will vary from manager to manager.

Table with 4 columns: Plan Name, Inception Date, Return, and Index. Rows include Loomis Sayles, Vanguard, Atlanta Capital, Harding Loevner Intl Equity, Lazard Intl Equity, JP Morgan, Fidelity Tactical Bond, BlackRock Strategic Income, and AEW Core Property Trust.

Table with 4 columns: Plan Name, Inception Date, Return, and Index. Rows include Loomis Sayles, Vanguard, Aristote, Harding Loevner Intl Equity, Lazard Intl Equity, JP Morgan, Fidelity Tactical Bond, BlackRock Strategic Income, and AEW Core Property Trust.

DC UPDATES

During Q3 of Fiscal Year 2019, as recommended by PMFA, the BWL implemented various DC fund line-up and fee structure changes. The changes benefited participants in the following ways:

- Streamlined investment menu using best-in-class fund managers
Lowered cost version of each investment option
Increased access to passive investments
Consistent default age matrix for all plans
Increased transparency of plan costs
More equitable split of plan costs

DISPLAYED VALUES MAY NOT TOTAL OR MATCH OTHER REPORTS DUE TO ROUNDING

The investment options are continually monitored by PMFA. During the monitoring process, PMFA will recommend proposed changes to the Retirement Plan Committee as necessary. For reference below, Exhibit 1 shows the fund lineup, consisting of 40 funds, prior to the changes, and Exhibit 2 shows the fund lineup, consisting of 26 funds, after the changes.

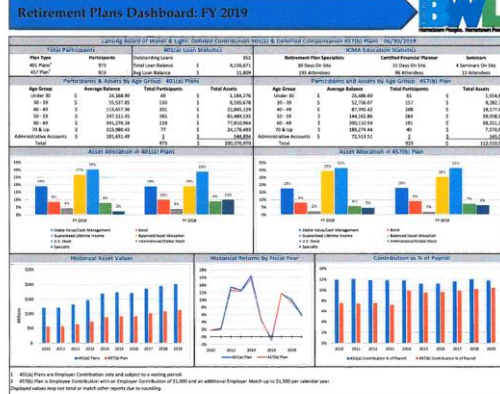
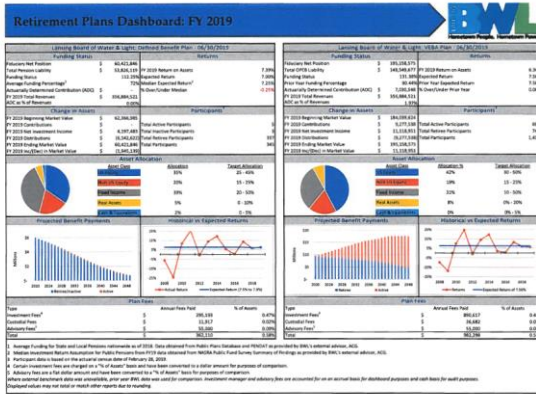
EXHIBIT 1

Table showing investment options categorized by asset class: US Large Cap Equity, US Small/Mid Cap Equity, Non US Equity, Fixed Income, Real Assets, and Cash & Cash Equivalents.

EXHIBIT 2

Table showing investment options categorized by asset class: US Large Cap Equity, US Small/Mid Cap Equity, Non US Equity, Fixed Income, Real Assets, and Cash & Cash Equivalents.

DISPLAYED VALUES MAY NOT TOTAL OR MATCH OTHER REPORTS DUE TO ROUNDING



Ms. Shawa stated that there were no policy or plan document changes this year. Ms. Shawa informed that the memorandum summarized key plan information and the fund line-up changes. The Dashboard consisted of information from the DB Plan and the VEBA Plan. The DB Plan ended FY2019 with \$60 million in assets and funded status held at 112%. The actual return was 7.39% which was slightly over the target of 7%; the expected return of 7% is just under the median return of 7.25% for other plans like this one. The primary reason the expected return is set lower at 7% is due to the plan



being closed with five active participants, the maturity and funded status of the plan, and it is appropriate to be conservative and maintain the plan assets. The VEBA Plan ended FY2019 with \$195 million in assets and the funded status increased from 90% last year to 131% this year. The actual return for the VEBA Plan was 6.36% which was slightly below the expected return of 7.5%.

Ms. Shawa also provided information on the Defined Contribution 401a Plan and Deferred Compensation 457 Plan. The 401a plan ended FY 2019 with \$200 million in assets, and the 457 Plan ended with \$112 million. Ms. Shawa noted that there were 304 loans outstanding totaling \$6.8 million with an average loan balance of \$22,514 included on the dashboard, but an error was found and corrected to 352 outstanding loans totaling \$4.1 million with an average loan balance of \$11,800.

Trustee Mullen asked how many participants are in the Defined Benefit Plan. Ms. Shawa responded that there are 345 participants of which 5 are active.

Trustee Ross requested confirmation that the Defined Benefit Plan is a traditional pension plan for any active employee pre-1997; that the Defined Contribution 401a Plan is funded by employees through an annual contribution post-1997 and that, generally, there is a 15% annual contribution for employees pre-1997 and a 9.5% annual contribution for employees post-1997; and that the 457b Plan is a voluntary employee contribution plan which is matched to a certain amount by the BWL. Ms. Shawa confirmed. Trustee Ross asked what the process was for selecting financial advisors, how frequently bidding processes are made, and how reasonable fee charges are set. Ms. Shawa responded that the Retirement Plan Committee (RPC), which consists of herself as Chair, Executive Director of Human Resources, Michael Flowers, and Finance Manager, Scott Taylor, was delegated responsibility for the investment plans. Ms. Shawa responded that the RPC works with BWL General Counsel, BWL Financial Analyst and outside financial advisors to fulfill fiduciary responsibilities.

Trustee Ross asked for information regarding the benchmarks and returns of the DB and VEBA Plans and how they are tied to asset indexes. Ms. Shawa responded that there are quarterly reviews and additional information will be provided by Plante Moran, LLC and Asset Consulting Group. Trustee Ross also asked about the 9.5% contributed by post 1997 employees and how additional voluntary contributions were encouraged. Ms. Shawa responded that the process is being reviewed but there is no formal recommendation at this time.

David Houser, BWL Finance Supervisor, introduced the financial advisory panel. The Panel provided financial information and engaged in a question and answer session. The Panel consisted of Information:

- 1) Nathan Burk, Vice President at Asset Consulting Group (ACG); ACG was selected by RFP in 2017 and they provide recommendations for the DB and VEBA Plans including developing, reviewing, and complying with investment policies and portfolios;
- 2) Mark Miller, Principal and Actuary at Benassist Retirement Consulting, LLC; Benassist was selected by RFP in 2018 and they provide actuarial services for the DB and VEBA Plans which includes employee benefit calculations and annual state filing requirements;
- 3) Steven Gibson, Relationship Manager and Consultant with Plante Moran Financial Advisors, LLC; Plante Moran Financial Advisors, LLC are co-fiduciaries and DC Plan advisors, which

includes plan analysis to ensure the highest benefits to participants, and the preparation and compliance with investment policies; and

- 4) Lisa Burks-Wilson, Director of Relationship Management from ICMA, the DC Plan administrator, which includes account access, participant communication and participant education.

Mr. Nathan Burk gave a market update for the past year. Mr. Burk stated that in the 4<sup>th</sup> quarter in 2018 the Federal Reserve was committed to raising interest rates resulting in equities being sold and an increase in investing in bonds. In 2019 the Federal Reserve cut interest rates and equities rebounded. Mr. Burk also gave an update on the results for FY 2019 for the DB and VEBA Plans. He stated that the biggest contributor to the lower return on the VEBA Plan was US large cap stocks within the portfolio. The plan had a strategic asset allocation that wasn't quite at full target for the fiscal year but the final funding brought the allocation to its strategic goal YTD. Mr. Burk stated that the DB Plan performed better as it had a more conservative rate of return with a larger bond allocation. Mr. Burk defined the difference between active and passive investment management and when each one should be implemented. Active management is paying an investment manager to actively try to outperform a benchmark after fees and passive management is paying a more modest fee to replicate a benchmark from a return and risk prospective. ACG analyzes 40,000 different products from 10,000 different firms globally in 3-, 5- and 7-year returns evaluating whether a fee should be paid to outperform a benchmark.

Trustee Ross asked whether Aristotle in the VEBA plan with an index of 16 basis points (bp) below was a passive investment. Mr. Burk responded that Vanguard was passive and Aristotle was an active manager. Trustee Ross also asked how Atlanta Capital in the DB Plan was able to achieve 1,000 bp more than the index. Mr. Burk responded that Atlanta Capital is a concentrated manager who looks for high quality securities in the marketplace and have an excellent track record of finding the right broad-based selection of stocks. Trustee Ross added that since the framework is geared toward maximizing available opportunity for profit for the system are there any filters imposed on the money managers as it relates to social conscionability in investing. Mr. Burk responded that the objective of a public pension is to maximize return per unit of risk without regard to ESG (Environmental, Social and Fair Governance) factors, although this is factored in by many investment managers, and quarterly RFI's are sent out asking how ESG's are incorporated into the investment processes. Trustee Ross asked whether the information collected was placed into an evaluation process. Mr. Burk responded that unless there is a specifically mandated filter request, the entire set is evaluated and socially unacceptable practices would not be considered.

Trustee Mullen asked what the cost would be for less agnostic and more socially active investments. Mr. Burk responded that there are socially active investment managers with a specific focus but it depends on whether that would be the direction wanted for the plan. Trustee Mullen asked what kind of return would be obtained in a socially active investment. Mr. Burk responded that it varies depending on the asset class; a long term socially responsible equity manager would be selected and a similar return would be expected. He added that the gaps that would have occurred in the past with the social investments are no longer realized.

Mark Miller from Benassist Retirement Consulting, LLC spoke about the significant increase in the VEBA funding status. Mr. Miller stated that the increase in VEBA funding from a low 90% to 130% in the evaluation was attributed to three things:

- 1) A decrease in the premiums charged by the post-65 insurance company; the plan changed from Hartford to the larger company Humana resulting in the medical premium decreasing from \$220 per month to \$98 per month per person and the prescription drug decreasing from \$305 per month to \$213 per month; it is estimated that there would be \$2 million in savings per year.
- 2) The healthcare trend assumption was adjusted down half a percent for each year starting at 9% as it was higher than what it is in industry and it is similar to what is required by Michigan uniform actuarial assumptions. This accounted for about 14% of the increase in funding.
- 3) Demographic experience due to the death of participants and spouses.

Steven Gibson with Plante Moran Financial Advisors, LLC spoke about the fund lineup changes from February and how it benefits participants. Mr. Gibson stated that Plante Moran reviewed the investments, decreased the number of funds from 40—as the best practice amount is 15-25, added passive investments, streamlined the fee structure, and removed the sector or specialty funds but allowed access through the self-directive brokerage option. As a result of the changes made, the average investment expense went down significantly from 51bp and 55bp to 36bp and 41bp representing a cost savings of more than \$400,000 per year. Cost savings in a pension plan means a reduced contribution to the BWL, but this cost savings is directly to the participants.

Trustee Ross asked for a comparison of plans between BWL and other plans. Mr. Gibson responded that from a contribution standpoint of 250 plans and \$6 billion in contribution assets, the company contribution of the BWL is in the top five, and the plan committee is very well designed.

Mr. Gibson continued that the next step is the plan design process, which will be determining the average participation rate for the plan, what the participants will receive, if there is a need and the process to meet the need. Automatic enrollment is efficient, but many committees will not force participants into the plan. The ICMA plan is cost efficient and there is a flat per participant fee as there is for Plante Moran. Plante Moran benchmarks fees on an annual basis using an independent third party that looks at other plans of similar size and they have implemented a couple socially responsible plans but the plans aren't as highly used.

Lisa Burks-Wilson, Director of Relationship Management from ICMA, the DC Plan administrator, spoke about the new technology that ICMA has provided for participants and how that impacts education. Ms. Burks-Wilson stated that the technology is award winning and that there are two approaches, the human approach and the self-service tools approach—which is also available through smartphones and Alexa. Ms. Burks-Wilson reviewed the tool “Am I on Track” which provides employees with a personalized retirement readiness score, takes into consideration money in the DC plan, DB plan, social security, and spouse's money. The retirement readiness score is determined by reviewing 500 market scenarios and it helps determine the savings rate and the age to retire. Ms. Burks-Wilson also reviewed the Account Aggregation tool which allows participants a comprehensive view of all types of accounts they have, and allows them to budget and fund specific goals. Ms. Burks-Wilson introduced the people that provide the on-sight education for employees, April Rose

and Dan Stewart, retirement plan specialists who report to ICMA Regional Manager, Jason Ashline, and Nancy Lange, ICMA Financial Planner.

Ms. Shawa brought forward two additional items that the RPC will bring forward to the Commission. Updating the target return in the IPS, or discount rate, is being reviewed for both the DB and VEBA. A recommendation for a 7%-6.5% reduction for the DB plan which would be a 5% funded impact taking the 112% funded status to 107%. A recommendation for 7.5% -7% reduction for the VEBA plan which would be a 7% funded impact taking the 131% funded status to 124%. The two primary reasons for the update is that industry-wide the trend for plans like the BWL's is to lower returns and market experts are reducing expectations for long term investment returns.

Ms. Shawa added that a new funding policy recommendation will be worked on for the VEBA plan as there are different options available with the current funding status.

Trustee Lenz inquired what the average historical returns for the DB and VEBA types of funds are and if the historical average is higher than to what the expected returns for the future are being reduced, and what is the explanation for the reduction. Mr. Burk responded that it is a forward working analysis and that currently there are historical lows at 1.5% interest. Mr. Burk added that return expectations have come down for building block methods of looking into different asset classes- equity, fixed income, real assets; equity markets have rallied in 2019; valuations are expensive and forward returns are anticipated to be lower; bonds move inversely to rates and if the rates go higher the bond prices will go lower. Trustee Lenz asked if a low return is being protected why the ratio of funds allocated is being changed. Mr. Burk responded that will be reviewed with the committee and it is reasonable to achieve the rate of return with the current allocation.

Commissioner Zerkle commended Ms. Burks-Wilson and the BWL for having the ICMA at the BWL on a regular basis and asked how ICMA encouraged employees to put money aside, as it is their pension. Ms. Burks-Wilson responded that employees are instructed that a certain income placement ratio is needed to live on during retirement and that at least 10 years before retirement money should be set aside. Ms. Burkes-Wilson also informed that the plan includes a REA fund that can offer a guaranteed lifetime income.

Trustee Leek asked what security provisions were in place for smartphones and Alexa. Ms. Burks-Wilson responded that cyber security is at the forefront at all times and that additional provisions through Amazon are necessary to utilize Alexa and cyber security is comfortable with the vetted provisions.

**RESOLUTION #2019-11-05**

**ACCEPTANCE OF 2019 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN**

Resolved, that the Corporate Secretary receive and place on file the Defined Benefit, Defined Contribution, and Retiree Benefit Plan reports presented during the Pension Trustee Meeting.

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Staff comments: All three Plans received clean audit reports.

**Motion** by Trustee Ross, Seconded by Trustee Mullen, to accept the 2019 Audited Financial Statements for Defined Benefit Pension Plan, Defined Contribution Pension Plan, and Retiree Benefit Plan.

**Action:** Motion Carried

**Other**

None.

**Excused Absences**

None.

**Adjourn**

There being no further business, the Pension Fund Trustees meeting adjourned at 6:19 p.m.

**MANAGER'S RECOMMENDATIONS**

There were no Manager's Recommendations.

**UNFINISHED BUSINESS**

There was no Unfinished Business.

**NEW BUSINESS**

There was no New Business.

**RESOLUTIONS/ACTION ITEMS**

**RESOLUTION #2019-11-01**

**Delegation of Authority: Retirement Plan Design and Administrative Decisions**

WHEREAS, the Board of Water and Light is the "Sponsor" of the (a) Lansing Board of Water and Light Defined Contribution Plan and Trust 1; (b) Lansing Board of Water and Light Defined Contribution Plan and Trust 2; (c) Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust; (d) Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions; and (e) Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (collectively the "Plans"); and

WHEREAS, the Sponsor wishes to delegate certain administrative and plan design authority over the Plans to the General Manager who may further delegate to the Retirement Plan Committee or any successor of the Committee performing the same duties (the "Committee").

THEREFORE, it is:

RESOLVED, that the Sponsor expressly delegates to the General Manager, and at the discretion of the General Manager the Committee, authority to perform administrative functions such as the authority to appoint and remove the Plan Administrators; facilitate administration of the Plans and communications to participants and Plan Administrators; engage consultants and services; alter the

Plans' design to address changes in business needs and industry practices and take all actions necessary to carry out the terms of the Plans. To the extent the General Manager or Committee has performed such functions prior to this express delegation, those actions are hereby approved. The Sponsor does not delegate to the General Manager or the Committee authority to freeze or terminate the Plans, and all Plan design changes or updates will be communicated to the Board at the next regularly scheduled meeting of the Board.

FURTHER RESOLVED, that the Sponsor indemnifies and holds harmless the General Manager and each member of the Committee from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the General Manager's or the Committee's discharge of its duties relating to the Plans; provided, however, that this indemnification shall not apply with regard to any proceeding in which the General Manager or a Committee member is found to have been grossly negligent or to have violated a law or committed a crime.

**Motion** by Commissioner Thomas, Seconded by Commissioner Ross to approve the Resolution for delegation of Authority to the General Manager, and at the discretion of the General Manager the Committee; and Indemnification.

**Action:** Motion Carried.

#### **RESOLUTION #2019-11-02**

#### **Payment for Eligible Defined Benefit Plan Participants**

RESOLVED, that a lump sum payment be made to Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions ("Defined Benefit Plan") participants eligible to receive plan payments as of November 19, 2019, equal to \$65 for each year retired prior to July 1, 2019, rounded up to the nearest whole year.

Staff Comments: This resolution is intended to exclude participants not currently receiving pension payments such as active participants and terminated vested participants.

**Motion** by Commissioner Thomas, Seconded by Commissioner Zerkle to approve the Resolution for the Payment for Eligible Defined Benefit Plan Participants.

**Action:** Motion Carried.

#### **RESOLUTION #2019-11-03**

#### **2020 Regular Board Meeting Schedule**

In accordance with the Lansing Board of Water & Light's Rules of Administrative Procedure, a schedule of dates, places, and times for each regular meeting of the Board of Commissioners for the calendar year shall be adopted in November.

RESOLVED, that regular meetings of the Lansing Board of Water & Light's Board of Commissioners are hereby set for calendar year 2020 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

**2020**  
**Lansing Board of Water & Light Board of Commissioners**  
**Regular Board Meeting Schedule**

Tuesday	January 28
Tuesday	March 24
Tuesday	May 26
Tuesday	July 28
Tuesday	September 22
Tuesday	November 17

Meetings will be held in the Lansing Board of Water & Light REO Town Depot located at 1201 S. Washington Ave., Lansing, MI at 5:30 p.m.

RESOLVED FURTHER, that a notice of the meeting schedule shall be published in a newspaper of general circulation in Ingham County the week of January 1, 2020.

**Motion** by Commissioner Ross, **Seconded** by Commissioner Mullen to approve the 2020 Regular Board Meeting Schedule Resolution.

**Action:** Motion Carried.

**RESOLUTION #2019-11-04**  
**Lansing Board of Water and Light**  
**FIRST SUPPLEMENTAL UTILITY SYSTEM REVENUE BOND RESOLUTION**

A RESOLUTION TO AUTHORIZE:

- Net present value savings by refunding all or part of the Series 2011A Bonds through issuance of Refunding Bonds;
- Chief Financial Officer to sell Refunding Bonds without further resolution;
- Other matters relative to issuance, sale and delivery of the Refunding Bonds.

WHEREAS, the City of Lansing, acting by and through the Lansing Board of Water and Light, issues bonds payable from revenues of the water supply, steam, chilled water and electric utility system (the "System") under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and an Amended and Restated Utility System Revenue Bond Resolution adopted by the Board on March 27, 2018, as amended on March 26, 2019 (the "Bond Resolution"); and

WHEREAS, all terms not defined herein shall have the meanings set forth in the Bond Resolution; and

WHEREAS, currently the Board has outstanding the Utility System Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), the Utility System Revenue Refunding Bonds, Series 2013A,



the Utility System Revenue Refunding Bonds, Series 2017A, and the Utility System Revenue Bonds, Series 2019A; and

WHEREAS, the Board's municipal advisor, PFM Financial Advisors, LLC (the "Municipal Advisor"), has advised the Board that it may be able to accomplish a net savings of debt service costs by refunding all or a portion of the outstanding Series 2011A Bonds (the "Prior Bonds") through the issuance of one or more series of refunding bonds in an aggregate principal amount of not-to-exceed \$270,000,000 (the "Refunding Bonds"); and

WHEREAS, the Board's bond counsel, Miller, Canfield, Paddock and Stone, P.L.C., has advised that under existing law, as most recently amended by the Tax Cuts and Jobs Act signed into law on December 22, 2017 (the "2017 Tax Act"), interest on bonds issued to advance refund the Series 2011A Bonds will not be excludable from gross income for federal income tax purposes; and

WHEREAS, Section 24(b) of the Bond Resolution authorizes the issuance of Additional Bonds of equal standing and priority of lien with the Outstanding Bonds for the purposes of refunding a part of the Outstanding Bonds and paying costs of issuing such Additional Bonds, if after giving effect to the refunding the maximum amount of Aggregate Debt Service in each future fiscal year shall be less than the Aggregate Debt Service in each future fiscal year prior to giving effect to the refunding; and

WHEREAS, in order to take advantage of the most favorable market for sale of the Refunding Bonds and purchase of securities to be escrowed for payment of the Prior Bonds to be refunded, the Board wishes to authorize the Chief Financial Officer to sell the Refunding Bonds at negotiated sale without further resolution of the Board; and

WHEREAS, the conditions and requirements of the Bond Resolution for the issuance of refunding bonds as Additional Bonds of equal standing and priority of lien with Outstanding Bonds have been met for the issuance of the proposed Refunding Bonds.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Definitions. All terms not defined herein shall have the meanings set forth in the Bond Resolution, and whenever used in this Bond Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Additional Bonds" means any Additional Bonds issued pursuant to Section 24 of the Bond Resolution of equal standing with the outstanding Bonds.
- (b) "Bond Resolution" means the Amended and Restated Utility System Revenue Bond Resolution adopted by the Board on March 27, 2018, as amended on March 26, 2019, and supplemented by this First Supplemental Utility System Revenue Bond Resolution, and any other resolution which amends or supplements the Bond Resolution.
- (c) "Bonds" or "Senior Lien Bonds" means the outstanding portion of the Utility System Revenue Bonds, Series 2011A, the Utility System Revenue Refunding Bonds, Series 2013A, the Utility System Revenue Refunding Bonds, Series 2017A, and the Utility System Revenue Bonds, Series 2019A, the Refunding Bonds, and any Additional Bonds of equal standing hereafter issued.
- (d) "Chief Financial Officer" means the Board's Chief Financial Officer.
- (e) "Escrow Agreement" means, for purposes of this First Supplemental Utility System Revenue Bond Resolution, one or more escrow agreements described in this

Resolution to provide for payment of principal of and interest on the Prior Bonds being refunded.

- (f) "Escrow Fund" means, for purposes of this First Supplemental Utility System Revenue Bond Resolution, one or more escrow funds established pursuant to the Escrow Agreement to hold the cash and investments necessary provide for payment of principal of and interest on the Prior Bonds being refunded.
- (g) "Prior Bonds" means, for purposes of this First Supplemental Utility System Revenue Bond Resolution, the Series 2011A Bonds.
- (h) "Refunding Bonds" means, for purposes of this First Supplemental Utility System Revenue Bond Resolution, all or any series of refunding bonds issued pursuant to this First Supplemental Utility System Revenue Bond Resolution.
- (i) "System" means the complete facilities of the Board for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, and all additions, extensions and improvements thereto existing or hereafter acquired by the Board.

Section 2. Conditions Permitting Issuance of Additional Bonds. Pursuant to Section 24(b) of the Bond Resolution, the Board hereby determines that the Refunding Bonds shall be issued as Additional Bonds for the purpose of refunding all or a portion of the Prior Bonds and paying costs of issuance of the Refunding Bonds, only if, after giving effect to the refunding, the maximum amount of Aggregate Debt Service in each future fiscal year shall be less than the Aggregate Debt Service in each future fiscal year prior to giving effect to the refunding.

The Board hereby determines that the Board is not in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

Section 3. Refunding of Prior Bonds; Refunding Bonds Authorized; Applicable Law. If refunding all or a portion of the Prior Bonds will accomplish debt service savings, then the City, acting by and through the Board, shall borrow the sum of not-to-exceed Two Hundred Seventy Million Dollars (\$270,000,000) as finally determined upon the sale thereof, and issue the Refunding Bonds therefor in one or more series for the purpose of paying costs of refunding all or a portion of the Prior Bonds, including the payment of the costs of legal, financial, bond insurance (if any), underwriter's discount, and other expenses incident thereto and incident to the issuance and sale of the Refunding Bonds. The Refunding Bonds shall be payable solely out of the Net Revenues of the System. City Council shall not be requested to pledge the full faith and credit of the City for payment of the Refunding Bonds. The Refunding Bonds shall be sold and the proceeds applied in accordance with the provisions of Act 94.

Section 4. Refunding Bond Details. The Refunding Bonds shall be designated as the "UTILITY SYSTEM REVENUE REFUNDING BONDS" with any additional or revised designations for each series as determined at the time of sale by the Chief Financial Officer to reflect the date of sale or delivery of the Refunding Bonds, to show that the Refunding Bonds are federally taxable bonds, as applicable, and/or to otherwise distinguish the Refunding Bonds from other series of Bonds issued by the Board. The Refunding Bonds shall be issued as fully registered bonds registered in the

denomination of \$5,000 or integral multiples thereof and shall be numbered in consecutive order of registration or authentication from 1 upwards. The Refunding Bonds shall be dated as of the date of delivery thereof or such other date as determined at the time of sale of the Refunding Bonds, and shall mature as serial bonds or term bonds on such dates as shall be determined at the time of sale of the Refunding Bonds.

The Refunding Bonds shall be subject to optional and mandatory redemption prior to maturity at the times and prices finally determined at the time of sale of the Refunding Bonds, as finally determined at the time of sale of the Refunding Bonds.

The Refunding Bonds shall bear interest at a rate or rates to be determined on sale thereof, payable on July 1, 2020, or such other date as provided at the time of sale of the Refunding Bonds, and semi-annually thereafter on January 1st and July 1st of each year.

The Refunding Bonds shall be executed by the manual or facsimile signature of the Chairperson and the Corporate Secretary of the Board. No Refunding Bond shall be valid until authenticated by an authorized representative of the Transfer Agent. The Refunding Bonds shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the purchaser in accordance with instructions from the Chief Financial Officer upon payment of the purchase price for the Refunding Bonds.

Section 5. Registration and Transfer. U.S. Bank National Association, Lansing, Michigan is hereby appointed to act as bond registrar, paying agent and transfer agent (the "Transfer Agent") for the Refunding Bonds. The Chief Financial Officer is hereby authorized to execute one or more agreements with the Transfer Agent on behalf of the Board. The Board reserves the right to replace the Transfer Agent at any time, provided written notice of such replacement is given to the registered owners of record of bonds not less than sixty (60) days prior to an interest payment date. Principal of and interest on the Refunding Bonds shall be payable by check or draft mailed by the Transfer Agent to the registered owner at the registered address as shown on the registration books of the Board maintained by the Transfer Agent. Interest shall be payable to the person or entity who or which is the registered owner of record as of the fifteenth (15th) day of the month prior to the payment date for each interest payment. The date of determination of the registered owner for purposes of payment of interest as provided in this paragraph may be changed by the Board to conform to market practice in the future.

The Refunding Bonds may be issued in book-entry-only form through The Depository Trust Company in New York, New York ("DTC"), and the Chief Financial Officer is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Refunding Bonds in book-entry-only form and to make such changes in the form of the Refunding Bonds within the parameters of this resolution as may be required to accomplish the foregoing. Notwithstanding the foregoing, if the Refunding Bonds are held in book-entry-only form by DTC, payment of principal of and interest on the Refunding Bonds shall be made in the manner prescribed by DTC.

The Refunding Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this section by the person or entity in whose name it is registered, in person or by the registered owner's duly authorized attorney, upon surrender of the bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any bond shall be surrendered for transfer, the Board shall execute and

the Transfer Agent shall authenticate and deliver a new bond of the same series in like aggregate principal amount, maturity and interest rate. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. Notwithstanding the foregoing, if Bonds are held by DTC in book-entry-only form, the transfer of Bonds shall be made in the manner prescribed by DTC.

Section 6. Refunding Bond Proceeds. From the proceeds of sale of the Refunding Bonds there first shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest and premium, if any, received on delivery of the Refunding Bonds, and the Board may take credit for the amount so deposited against the amount required to be deposited in the Redemption Fund for payment of the next maturing interest on the Refunding Bonds. Notwithstanding the foregoing, at the discretion of the Chief Financial Officer, all or a portion of any premium received upon delivery of the Refunding Bonds may be deposited in the Bond Reserve Account or the Escrow Fund in consultation with Bond Counsel.

There shall next be deposited in the Bond Reserve Account an amount, if any, designated by the Chief Financial Officer at the time of sale.

There shall next be deposited in the Escrow Fund from the proceeds of sale of the Refunding Bonds cash and investments in Government Obligations or Municipal Obligations not redeemable at the option of the issuer. U.S. Bank National Association, Lansing, Michigan, is hereby appointed to act as escrow trustee (the "Escrow Trustee") under the Escrow Agreement. The Escrow Trustee shall hold the Escrow Fund in trust pursuant to the Escrow Agreement which shall irrevocably direct the Escrow Trustee to take all necessary steps to call the Prior Bonds being refunded for redemption as specified in the Escrow Agreement. The Chief Financial Officer is hereby authorized to execute and deliver the Escrow Agreement, to transfer any moneys as she may deem necessary from the Redemption Fund, or other fund or account of the Board, to the Escrow Fund, and to purchase, or cause to be purchased, escrow securities consisting of Government Obligations, including, but not limited to, United States Treasury Obligations – State and Local Government Series (SLGS), or Municipal Obligations, for deposit in the Escrow Fund. The Chief Financial Officer is directed to deposit to the Escrow Fund, from Refunding Bond proceeds and other moneys as necessary, an amount which, together with investment proceeds to be received thereon, will be sufficient, without reinvestment, to pay the principal of and interest on the Prior Bonds being refunded as they become due or upon call for redemption.

The remaining proceeds of the Refunding Bonds shall be deposited in a fund which may be established in the Escrow Agreement to pay costs of issuance of the Refunding Bonds and the costs of refunding the Prior Bonds. Any moneys remaining after payment of costs of issuance and costs of refunding the Prior Bonds being refunded shall be transferred to the Redemption Fund and used to pay interest on the Refunding Bonds.

Section 7. Bond Form. The Refunding Bonds shall be in substantially the following form with such revisions, additions and deletions as the Board may deem advisable or necessary to comply with the final terms of the Refunding Bonds established upon sale thereof:

BOND No.

R-

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTIES OF INGHAM AND EATON

CITY OF LANSING  
LANSING BOARD OF WATER AND LIGHT  
UTILITY SYSTEM REVENUE REFUNDING BOND, [SERIES]  
[FEDERALLY TAXABLE]

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
----------------------	-------------------------	-------------------------------	--------------

Registered Owner: Cede & Co.

Principal Amount:

The City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City"), acting through the governing body of the Lansing Board of Water and Light (the "Issuer"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, only from the Net Revenues of the System as hereinafter provided, the Principal Amount specified above, in lawful money of the United States of America, on the Date of Maturity specified above, [unless prepaid prior thereto as hereinafter provided,] with interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on [interest payment date] and semiannually thereafter. Principal of this bond is payable at the designated corporate trust office of [transfer agent], or such other transfer agent as the Issuer may hereafter designate by notice mailed to the registered owner of record not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who or which is as of the fifteenth (15th) day of the month prior to each interest payment date, the registered owner of record at the registered address.

For the prompt payment of principal and interest on this bond, the revenues received by the Issuer from the operations of the Issuer's facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the "System") after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the "Net Revenues"), are irrevocably pledged and a statutory first lien thereon has been created to secure the payment of the principal of and interest on this bond, when due; however, the pledge of Net Revenues and the statutory lien are on a parity with the pledge of Net Revenues and statutory lien in favor of [the Utility System Revenue Bonds, Series 2011A], the Utility System Revenue Refunding Bonds, Series 2013A, the Utility System Revenue Refunding Bonds, Series 2017A, and the Utility System Revenue Bonds, Series 2019A.

This bond is one of a series of bonds of even Date of Original Issue aggregating the principal sum of \$[principal amount]. This bond is issued for the purpose of refunding certain outstanding bonds pursuant to an Amended and Restated Utility System Revenue Bond Resolution adopted by the

Issuer on March 27, 2018, as amended and supplemented from time to time, including by a First Supplemental Utility System Revenue Bond Resolution adopted by the Issuer on [date of resolution] (collectively, the "Bond Resolution"). This bond is issued under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended ("Act 94").

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Bond Resolution. Reference is hereby made to the Bond Resolution and any and all supplements thereto and modifications and amendments thereof, if any, and to Act 94, for a more complete description of the pledges and covenants securing the bonds of this issue, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the bonds of this issue with respect thereto and the terms and conditions upon which the bonds of this issue are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Bond Resolution, the provisions of the Bond Resolution or any resolution or agreement amendatory thereof or supplemental thereto, may be modified or amended by the Issuer, except in specified cases, only with the consent of the registered owners of at least fifty-one percent (51%) of the principal amount of the bonds of the System then outstanding.

Bonds of this issue [maturing in the years [date], inclusive,] shall not be subject to redemption prior to maturity.

[Insert optional and mandatory redemption provisions if applicable]

This bond is transferable only upon the books of the Issuer kept for that purpose at the office of the Transfer Agent by the registered owner hereof in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly authorized in writing and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Bond Resolution, and upon the payment of the charges, if any, therein prescribed. [The Transfer Agent shall not be required (i) to issue, register the transfer of, or exchange any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of bonds selected for redemption under the Bond Resolution and ending at the close of business on the date of that mailing, or (ii) to register the transfer of or exchange any bond so selected for redemption in whole or in part, except the unredeemed portion of bonds being redeemed in part.]

THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION, AND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY FROM THE NET REVENUES OF THE SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE BOND RESOLUTION. THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

The Issuer has covenanted and agreed, and covenants and agrees, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the principal of

and interest on the bonds of this issue and any other bonds payable from the Net Revenues as and when the same shall become due and payable, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Bond Resolution.

It is hereby certified and recited that all acts, conditions and things required by law to be done precedent to and in the issuance of this bond and the series of bonds of which this is one have been done and performed in regular and due time and form as required by law.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City, acting through the Lansing Board of Water and Light, has caused this bond to be signed in its name with the facsimile signatures of the Chairperson and Corporate Secretary of the Lansing Board of Water and Light, and a facsimile of the City's corporate seal to be printed hereon, all as of the Date of Original Issue.

LANSING BOARD OF WATER AND LIGHT

By [definitive Bond to be signed at delivery]  
Chairperson

(City Seal)

Countersigned:

By [definitive Bond to be signed at delivery]

Its: Corporate Secretary

[STANDARD FORMS OF CERTIFICATE OF AUTHENTICATION  
AND ASSIGNMENT TO BE INSERTED ON BOND]



Section 8. Municipal Advisor. The Board hereby requests that PFM Financial Advisors, LLC continue to serve the Board as Municipal Advisor for the Refunding Bonds.

Section 9. Bond Counsel. The Board hereby requests that Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan, continue to serve the Board as bond counsel for the Refunding Bonds. The Board acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has represented from time to time, and currently represents, various underwriters, financial institutions, and other potential participants in the bond financing process, in matters not related to the issuance and sale of the Refunding Bonds.

Section 10. Taxable or Tax-Exempt Bonds; Tax Covenant. The Board anticipates advance refunding all or a portion of the Prior Bonds and therefore issuing the Refunding Bonds on a federally taxable basis in accordance with the current provisions of the 2017 Tax Act. If, due to market conditions and/or changes in law, the issuance of any series of Refunding Bonds on a tax-exempt basis will provide greater net present value savings than the issuance of Refunding Bonds on a federally taxable basis, the Chief Financial Officer is authorized to effectuate the sale and issuance of such series of Refunding Bonds on a tax-exempt basis.

In the event that any series of Refunding Bonds is issued on a tax-exempt basis, the Board shall not invest, reinvest or accumulate any moneys deemed to be proceeds of such tax-exempt Refunding Bonds pursuant to the Internal Revenue Code of 1986, as amended, in such a manner as to cause such tax-exempt Refunding Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code. The Board hereby covenants that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of interest on such tax-exempt Refunding Bonds from gross income for federal income tax purposes, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of bond proceeds and moneys deemed to be bond proceeds, all as more fully set forth in the non-arbitrage and tax compliance certificate to be delivered by the Board on the date of delivery of such tax-exempt Refunding Bonds.

Section 11. Negotiated Sale of Bonds; Appointment of Senior Managing Underwriter. Based on the advice of the Municipal Advisor, it is hereby determined to be in the best interest of the Board to sell the Refunding Bonds by negotiated sale in order to enable the Board to select and adjust terms for the Refunding Bonds, to enter the market on short notice at a point in time which appears to be most advantageous, and thereby possibly obtain a lower rate of interest on the Refunding Bonds, to achieve sale efficiencies so as to reduce the cost of issuance and interest expense, and to take advantage of the most favorable market for purchase of securities to be escrowed for payment of the Prior Bonds to be refunded.

The Chief Financial Officer is hereby authorized to select a managing underwriter and to name additional co-managers and/or to develop a selling group in consultation with the Municipal Advisor. By adoption of this resolution the Board assumes no obligations or liability to the underwriter for any loss or damage that may result to the underwriter from the adoption of this resolution, and all costs and expenses incurred by the underwriter in preparing for sale of the Refunding Bonds shall be paid from the proceeds of the Refunding Bonds, if issued, except as may be otherwise provided in the Bond Purchase Agreement for Refunding Bonds.

Section 12. Bond Ratings and Bond Insurance. The Chief Financial Officer is hereby authorized to apply for bond ratings from such municipal bond rating agencies as deemed

appropriate, in consultation with the Municipal Advisor. If the Municipal Advisor recommends that the Board consider purchase of municipal bond insurance, then the Chief Financial Officer is hereby authorized to negotiate with insurers regarding acquisition of municipal bond insurance, and, in consultation with the Municipal Advisor, to select an insurer and determine which bonds, if any, shall be insured, and the Chief Financial Officer is hereby authorized to execute an agreement with the insurer relating to procedures for paying debt service on the insured bonds and notifying the insurer of any need to draw on the insurance and other matters.

Section 13. Official Statement. The Chief Financial Officer is authorized to approve circulation of a Preliminary Official Statement describing the Refunding Bonds and, after sale of the Refunding Bonds, to prepare, execute and deliver a final Official Statement.

Section 14. Continuing Disclosure. The Chief Financial Officer is hereby authorized to execute and deliver, prior to delivery of the Refunding Bonds, a written continuing disclosure undertaking as necessary in order to enable the underwriter or bond purchaser to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The continuing disclosure undertaking shall be in substantially the form which she shall, in consultation with bond counsel, determine to be appropriate.

Section 15. Sale of Refunding Bonds. The Chief Financial Officer is authorized, in consultation with the Municipal Advisor, to accept an offer to purchase the Refunding Bonds without further resolution of this Board, if, after giving effect to the refunding, the maximum amount of Aggregate Debt Service in each future fiscal year shall be less than the Aggregate Debt Service in each future fiscal year prior to giving effect to the refunding. This authorization includes, but is not limited to, determination of original principal amount of the Refunding Bonds; the prices at which the Refunding Bonds are sold; the date of the Refunding Bonds; the schedule of principal maturities and whether the Refunding Bonds shall mature serially or as term bonds; provisions for early redemption, if any, including mandatory redemption of term bonds, if any; the interest rates and payment dates of the Refunding Bonds; application of the proceeds of the Refunding Bonds, and, if necessary to meet the requirements of the bond underwriters or purchasers, deposit to the Bond Reserve Account from funds on hand or proceeds of the Refunding Bonds. Approval of the matters delegated to the Chief Financial Officer under this resolution may be evidenced by her execution of the Bond Purchase Agreement for the Refunding Bonds or other offer to purchase the Refunding Bonds, or a certificate of award of sale, or the Official Statement.

The Refunding Bonds shall not be sold unless there shall be net present value savings equaling not less than 10% of the Prior Bonds being refunded after payment of costs of issuance of the Refunding Bonds and costs of refunding the Prior Bonds being refunded. The maximum true interest cost of the Refunding Bonds shall not exceed 5.0%. The first maturity of principal on the Refunding Bonds shall occur no earlier than July 1, 2020, and the final date of maturity shall occur no later than July 1, 2041. In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Municipal Advisor.

Section 16. Verification Agent. The Chief Financial Officer is hereby authorized, at her discretion, to select an independent certified public accountant to serve as verification agent to verify that the securities and cash to be deposited to the Escrow Fund will be sufficient to provide, at the times and in the amounts required, sufficient moneys to pay the principal of and interest on the Prior Bonds being refunded as they become due or upon call for redemption.

Section 17. Other Actions. In the event that the Chief Financial Officer is not available at the time that it becomes necessary to take actions directed or authorized under this resolution, then a person designated by the Chief Financial Officer is authorized to take the actions delegated to the Chief Financial Officer by this resolution. The officers, administrators, agents and attorneys of the Board are authorized and directed to take all other actions necessary and convenient to facilitate issuance, sale and delivery of the Refunding Bonds, and to execute and deliver all other agreements, documents and certificates and to take all other actions necessary or convenient in accordance with this resolution, and to pay costs of issuance including but not limited to rating agency fees, bond insurance premiums, transfer agent fees, Escrow Trustee fees, verification agent fees, Municipal Advisor fees, bond counsel fees, costs of printing the preliminary and final official statements, and any other costs necessary to accomplish sale and delivery of the Refunding Bonds.

Section 18. Applicability of the Outstanding Bond Resolutions. Except to the extent supplemented or otherwise provided in this resolution, all of the provisions and covenants provided in the Bond Resolution shall apply to the Refunding Bonds issued pursuant to provisions of this resolution, such provisions of the Bond Resolution being made applicable to the Refunding Bonds.

Section 19. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

Section 20. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 21. Publication and Recordation. In accordance with the provisions of Section 6 of Act 94, this resolution shall be published once in full in the *Lansing State Journal*, a newspaper of general circulation in the City qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the minutes of the Board and such recording authenticated by the signatures of the Chairperson and Corporate Secretary of the Board.

Section 22. Effective Date. This resolution is hereby determined to be immediately necessary for the preservation of the public peace, property, health and safety of the City and the users of the System. In accordance with the provisions of Section 6 of Act 94, this resolution shall become effective immediately upon its adoption.


We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Regular meeting held on Tuesday, November 19, 2019, at 5:30 p.m., Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that the following Commissioners were present at said meeting Commissioners David Price, Beth Graham, Deshon Leek, David Lenz, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that the following Commissioners were absent none.

We further certify that Commissioner Ken Ross moved adoption of said resolution, and that said motion was supported by Commissioner Tracy Thomas.

We further certify that the following Commissioners voted for adoption of said resolution Commissioners David Price, Beth Graham, Deshon Leek, David Lenz, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that the following Commissioners voted against adoption of said resolution None.

We further certify that said resolution has been recorded in the Resolution Book and that such recording has been authenticated by the signature of the Chairperson and Corporate Secretary.

  
Digitally signed by David J. Price  
Date: 2019.11.20 13:28:23 -05'00'  
Adobe Acrobat version: 2017.011.30150

Chairperson

M. Denise Griffin

Digitally signed by M. Denise Griffin  
DN: cn=M. Denise Griffin, o=Lansing Board of Water and Light, ou, email=MDenise.Griffin@lwl.com, c=US  
Date: 2019.11.20 13:22:54 -05'00'

Corporate Secretary

34389098.5\050796-00065

#### MANAGER'S REMARKS

None.

#### COMMISSIONERS' REMARKS

There were no Commissioners' Remarks.

#### EXCUSED ABSENCE

None.

#### PUBLIC COMMENTS

Anna Fischer from Lansing Environmental Action Team spoke about the acceleration of climate change and the need of the BWL to transfer to renewable energy well before 2050.

**ADJOURNMENT**

Chair Price adjourned the meeting at 7:00 p.m.

M. Denise Griffin, Corporate Secretary  
Preliminary Minutes filed (electronically) with Lansing City Clerk: 12-9-19  
Official Minutes filed (electronically) with Lansing City Clerk: \_\_-\_\_-\_\_

UNOFFICIAL

**Sent:** Thursday, December 12, 2019 10:33 AM

**Subject:** Webform submission from: Email BWL Commissioners > Body Content

**Select a Commissioner:**  
All Commissioners  
**PLEASE SEE EMAIL BELOW**

**Name**

Rall Steve

**Street Address**

1608 W. Shiawassee St.  
Lansing, Michigan. 48915

**Email Address**

[steverall@sbcglobal.net](mailto:steverall@sbcglobal.net)

**Message**

Dear Commissioner:

Here is a link to a recent National Press Club presentation (The Seven Challenges Report) by the Rocky Mountain Institute, a leading research entity working on energy and climate issues. Their website also provides many resources for those who work in and oversee utility companies across the country.

<https://rmi.org/seven-challenges-report>

I would appreciate any questions or comments in response to the comments I submitted to you soon after the open houses you hosted.

Thank you for your efforts at the BWL as we experience the beginning effects of the existential climate crisis.

Steve Rall  
517-721-9140

**FINANCE COMMITTEE**  
**Meeting Minutes**  
**January 14, 2020**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, January 14, 2020.

Chairperson David Price, standing in for Finance Committee Chair Ken Ross, called the meeting to order at 5:30 pm and asked Corporate Secretary Griffin for the roll call.

Present: Commissioners David Price, Beth Graham, David Lenz (arrived at 5:47pm), Tony Mullen, and Sandra Zerkle (Alternate Member). Also, present: Commissioners Tracy Thomas, and Non-Voting Commissioners Douglas Jester (East Lansing) (arrived at 5:32pm) and Mike Froh (Meridian Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

**Public Comments**

None.

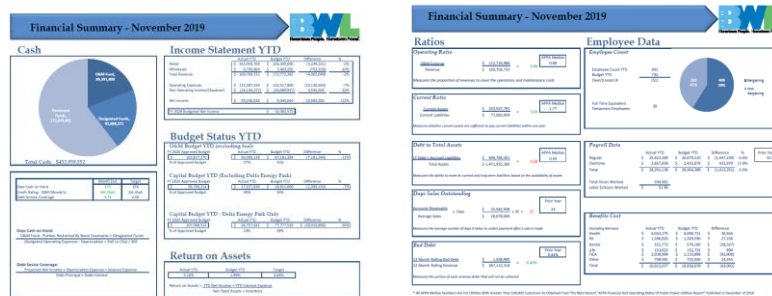
**Approval of Minutes**

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Finance Committee meeting minutes of November 5, 2019.

**Action:** Motion Carried.

**November YTD Financial Summary**

Chief Financial Officer (CFO), Heather Shawa presented the following Year to Date Financial Review:



Total Cash decreased about \$1.1 million from the prior month. Out of the \$273 million of the restricted funds, \$230 million is restricted for the bond proceeds for Delta Energy Park. Days Cash on Hand was 173 and 165 is projected for December due to biannual return on equity payment to the city. Total revenue is \$169.7 million compared to a budget of \$173.7 but with the underspend on operating expenses there is a positive net income actual to budget of \$20.2 million compared to the budget of \$9.5 million. December revenue is short by \$2 million but continued underspend of operating expenses and non-operating expenses, and the \$1 million VEBA adjustment will cause the net income to be \$1.6 million better than budget.

Commissioner Price asked about the potential help that was brought in for the possible ice storm and what was the outcome. General Manager Peffley responded that about 200 people were involved and \$200-250,000 was spent for labor and lodging.

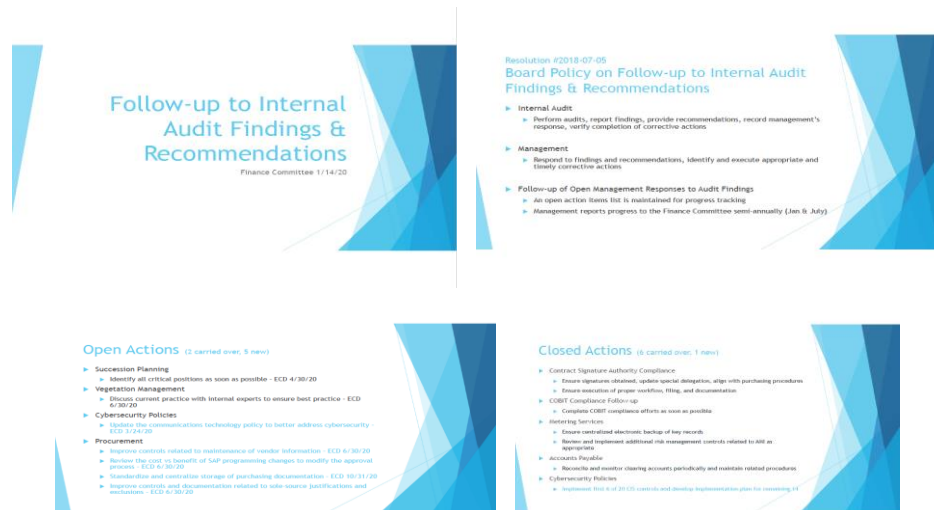
Commissioner Graham asked if the decrease in the income was because of the GM strike. CFO Shawa responded that about \$1 million was because of the GM strike.

CFO Shawa stated that Capital Budget YTD, excluding Delta Energy Park, was on budget. Delta Energy Park's difference from budget is from the timing of major bid packages that are being procured and budget will be caught up in the fiscal year. There are two of the five Debt ratios that are lagging due to the issuance of more debt and two holiday days at the end of the month. Employee data is under compared to budget and vacancies are being filled with contract temporaries and some overtime.

Commissioner Zerkle inquired when there is a drastic change does the staff investigate to find a logical reason or explanation. Ms. Shawa responded that the Finance and Accounting team determine the variances on a monthly basis and the finance team also conducts a midyear review.

### **Biannual Follow-up to Internal Audit Findings & Recommendations**

Chief Financial Officer Heather Shawa introduced Mr. Scott Taylor, Finance Manager who presented the follow-up to the internal audit findings and recommendations.



Mr. Taylor stated that there is a Board resolution that calls for a follow-up regarding progress made on corrective actions related to audits and reviewed the responsibilities of Internal Audit and Management areas, open actions, closed actions

Commissioner Zerkle asked if the answers are returned to the internal auditor when the managers fix or answer their open audit actions, and if an item is brought to the board if the internal auditor doesn't believe a satisfactory answer has been achieved. Mr. Taylor responded that after the internal auditor drafts the report, the finance department meets with the departments and develops responses to the actions. The responses are reviewed with the internal auditor to determine whether the findings were addressed and then the General Manager signs off on the responses.

### **Internal Audit Status Report**

Internal Auditor, Mr. Wesley Lewis, presented the Internal Audit Status Report. The revised audit plan includes conducting three audits instead of six audits, due to the transition in the internal audit position and the addition of the Principal Auditor, Brian Schimke. The internal



audit management software system and information analytics tool technology upgrades are progressing with IT and the assigned vendor.



## Internal Audit Status Report

Presented by:  
Wesley Lewis, Director of Internal Audit  
Finance Committee Meeting  
January 14, 2020

## Overview

- Revised FY 2020 Audit Plan and Progress Report
- Other Items



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## Revised FY 2020 Audit Plan and Progress Report

1. Cash Management and Treasury Audit (First Time Audit) – Kicked off on 9/30/2019 and is in progress.
2. Fixed Assets (Last audited in May 2012) – Kicked off on 10/21/2019 and in progress.
3. Energy Risk Management (Last Audited in June 2013) – Scheduled kickoff is 4/6/2020.

\* As previously reported, this plan, along with all dates, are subject to change.

## Other Items

1. Staffing Update - New Principal Auditor
2. Current Technology Upgrades
  - Internal Audit Management Software System
  - Information Analytics Tool, with Artificial Intelligence
3. ISO Certification for Internal Audit
4. CISA Exam Progress



Finance Committee Meeting  
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Commissioner Thomas asked whether the three audits were created by Mr. Lewis and he affirmed.

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, for the Committee to accept the revised FY 2020 Audit Plan.

**Action:** Motion Carried.

## Other

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to excuse Commissioner Ross from tonight's meeting.

**Action:** Motion Carried.

Commissioner Thomas commended the BWL for the work done during the storm and the success of the vegetation program. GM Peffley responded that a lot of positive comments were received, including from the mayor of East Lansing and Delta Township council members.

## Adjourn

Commissioner Ross adjourned the meeting at 6:02 p.m.

Respectfully submitted  
David Price, Acting Chair  
Finance Committee