



FINANCE COMMITTEE MEETING

AGENDA

March 13, 2018

5:00 p.m.—1201 S. Washington Ave.

Lansing, MI — REO Town Depot

Board of Water & Light Headquarters

Call to Order

Roll Call

Public Comments on Agenda Items

1. Finance Committee Meeting Minutes of January 9, 2018.....**TAB 1**
2. Tax Reform Update**INFO ONLY**
3. FY 19 O&M Capital Budget Overview/Budget Timeline.....**INFO ONLY**
4. January YTD Financial Summary.....**TAB 2**
5. Revised Travel and Reimbursement Policy.....**TAB 3**
 - a. Summary of Revisions
 - b. Policy-Redlined
 - c. Policy-Clean
 - d. Proposed Resolution
6. Bond-Resolutions.....**TAB 4**
 - a. Executive Summary of Bond Resolutions
 - b. Fifteenth Supplemental Bond Resolution
 - c. Amended and Restated Utility System Bond Resolution
7. Internal Audit Status Report.....**TAB 5**

Other

Adjourn

FINANCE COMMITTEE Meeting Minutes January 9, 2018

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 9, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:05 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Beth Graham, Dennis Louney, and David Price. Also present: Commissioners Anthony McCloud, Anthony Mullen, Tracy Thomas, and Sandra Zerkle, and Non-Voting Commissioners Bill Long (Delta Township), and Douglas Jester (East Lansing).

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

Cathy Welch stated her concern regarding the tree trimming process that is taking place in her neighborhood, the city, and elsewhere. She stated that she has learned that no research was done regarding the impact on the environment, wildlife, or economically and requested that tree trimming come to a halt until research has been done on the mentioned areas.

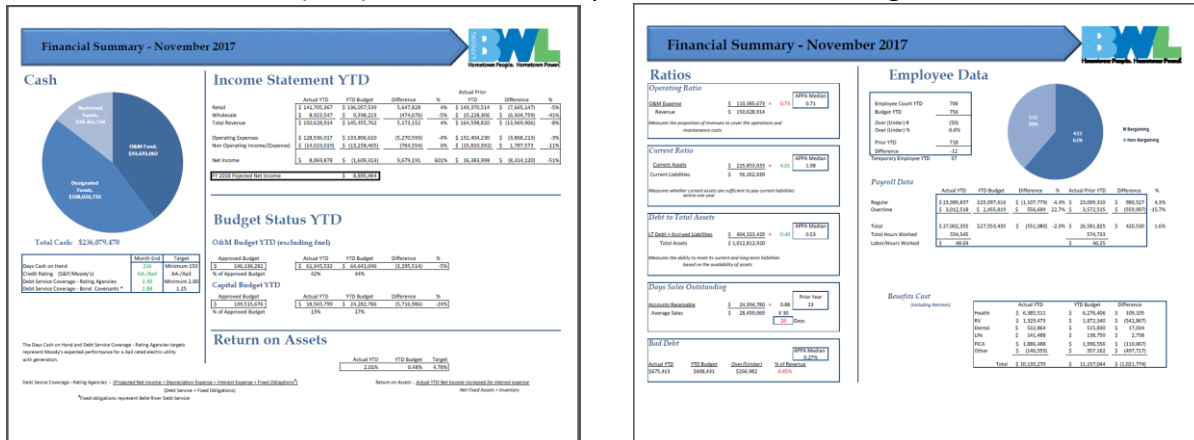
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of November 7, 2017.

Action: Motion Carried.

November YTD Financial Summary

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



Cash balance and metrics remain green and continue to be on track. The Income Statement indicates that the total revenue through November actual is just over \$150 million compared to budget of \$145 million. Through the first five months of the fiscal year, BWL is 5.1% over budget. Wholesale is slightly down primarily due to an extended outage at Belle River plant. Operating expenses continue to trend down and actual spend is about 2%. O & M spending will be tracking closer to budget in December and through the end of the year. Net income for the

fiscal year is anticipated to be just under \$9 million. Quarterly reviews are coming up and the mid-year review meetings, which are a good indicator of whether the projection needs to be adjusted, are scheduled to begin on January 29 with management. Any adjustments made in February will be noted in the March Finance Committee meeting. Capital spending is tracking slightly under budget based on cash flow but projections are to still spend the capital budget of around \$60 million. BWL has started the fiscal 2019 O& M and Capital budget and Finance will be working with management over the next several months.

Two of the five ratios are being met. The Operating ratio is slightly variant from the median because net income loss was projected but there was net income. Employee data hasn't changed from October. There are still vacancies to fill and temporary or contract employees are being utilized. Benefit costs are on track. About \$400,000 of the \$1 million under budget is due to a stop loss recovery that was received and credit was taken in the month the recovery was received.

There were inquiries from:

Commissioner Thomas inquired about the number of temporary and permanent employees.

Ms. Shawa responded that BWL has 37 temporary employees and that in the IT department there is a staff augmentation contract and those employees are not included in the count. If they are included, BWL is closer to or at budget. GM Peffley added that BWL is attempting to hold jobs open for employees at the Eckert plant and that HR continues working with Operations to attempt to find work for those employees when the plant closes.

Commissioner Zerkle inquired about the percentage of employees that will be retrained.

Ms. Shawa responded that a rough estimate is one-third of the employees. GM Peffley added that BWL is getting closer to the implementation of Smart meters and the positions of the employees that do the reads, turn ons and turn offs will be changing.

Commissioner Mullen inquired whether the implementation of the Smart meters (customer portal) would wait until they were all installed which would be in three to five years or would the portal be available as meters are installed.

Ms. Shawa responded that was correct, it would be available only upon full implementation.

Internal Audit Open Management Response Quarterly Report

Chief Financial Officer Heather Shawa stated that the report has not been updated due to the holidays, however Commissioner should be getting an update by email before the end of the week. Ms. Shawa stated that there was one new recommendation based on the internal audit which was completed: follow-up of the hiring audit performed last year. The recommendation was to establish a timing goal in filling open positions, tracking progress using the weekly record log which HR produces and then consideration to add a departmental metric such as a departmental scorecard. Human resources management is working on the recommendation and is looking to immediately working with the departments to better define the timing goal for each open position. HR will also consider adding a departmental metric by June 30, 2018.

Notice of Intent to Issue Revenue Bonds Resolution

Ms. Shawa presented the Notice of Intent to Issue Revenue Bonds resolution which is the first formal step in the bond issuance process. This resolution authorizes the BWL to publish the notice of intent for new money revenue bonds. This is not required for refunding, which is what was brought forth last winter. This resolution also establishes the intent to reimburse the BWL for project costs incurred prior to the issuance of the new bonds. For example, long lead items such as the gas turbines will need to be procured prior to issuance to secure them using cash on hand. Once the bonds are issued, BWL will reimburse itself with the bond proceed. After approval of this resolution and publication of the related notice, which is required to be up for 45 days, the next step will be approval of the bond authorizing resolution which will be in the March Finance agenda. Once the resolution is in place in March, BWL will secure initial funding structured as a bond anticipation note. This will provide the necessary funding to get the project started which is primarily the new plant. The next step will be to begin preparing for the revenue bond issuance which currently is planned to take place in November of 2018. This resolution also allows BWL to cover investment in the T&D buildout, part of our Lansing Energy Tomorrow initiative, with any excess proceeds. This will also allow BWL to maintain its strong cash metrics and not have to pull from designated capital funds.

Motion by Commissioner Price, Seconded by Commissioner Louney, to accept the Notice of Intent to Issue Revenue Bonds Resolution as presented.

Action: Motion Carried

Ms. Shawa introduced Bill Danhoff, BWL's bond counsel, to the Board. He and Brandie Ekren are assisting with the bond resolution.

Other

None

Adjourn

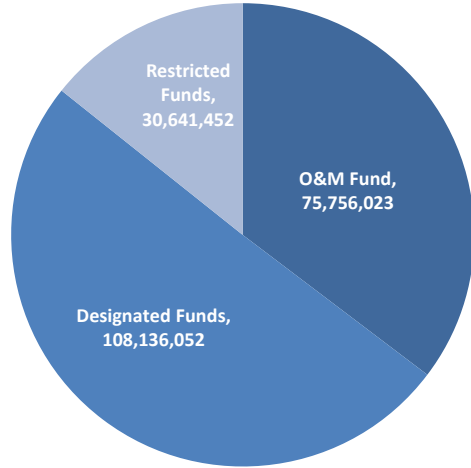
Commissioner Ross adjourned the meeting at 7:24 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

Financial Summary - January 2018



Cash



Total Cash: \$214,533,527

	Month End	Target
Days Cash on Hand	193	Minimum 150
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage - Rating Agencies	2.40	Minimum 2.00
Debt Service Coverage - Bond Covenants *	2.91	1.25

The Days Cash on Hand and Debt Service Coverage - Rating Agencies targets represent Moody's expected performance for a Aa3 rated electric utility with generation.

Debt Service Coverage - Rating Agencies

$(\text{Projected Net Income} + \text{Depreciation Expense} + \text{Interest Expense} + \text{Fixed Obligations}^{\#})$

(Debt Service + Fixed Obligations)

[#]Fixed obligations represent Belle River Debt Service

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%	Actual Prior YTD	Difference	%
Retail	\$ 194,767,098	\$ 190,199,355	4,567,743	2%	\$ 207,142,247	\$ (12,375,149)	-6%
Wholesale	\$ 13,827,856	\$ 16,132,348	(2,304,492)	-14%	\$ 20,994,158	\$ (7,166,302)	-34%
Total Revenue	\$ 208,594,954	\$ 206,331,704	2,263,251	1%	\$ 228,136,405	\$ (19,541,451)	-9%
Operating Expenses	\$ 181,213,553	\$ 187,756,228	(6,542,675)	-3%	\$ 187,233,140	\$ (6,019,588)	-3%
Non Operating Income/(Expense)	\$ (18,689,779)	\$ (18,678,322)	(11,457)	0%	\$ (21,093,785)	\$ 2,404,006	-11%
Net Income	\$ 8,691,623	\$ (102,846)	8,794,469	8551%	\$ 19,809,481	\$ (11,117,858)	-56%

FY 2018 Projected Net Income \$ 8,895,984

Budget Status YTD

O&M Budget YTD (excluding fuel)

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 146,136,282	\$ 87,115,138	\$ 90,699,659	(3,584,521)	-4%
% of Approved Budget	60%	62%		

Capital Budget YTD

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 139,515,676	\$ 35,990,024	\$ 45,239,450	(9,249,426)	-20%
% of Approved Budget	26%	32%		

Return on Assets

Actual YTD	YTD Budget	Target
2.39%	0.96%	4.78%

Return on Assets - $\frac{\text{Actual YTD Net Income increased for interest expense}}{\text{Net Fixed Assets} + \text{Inventory}}$

Financial Summary - January 2018



Ratios

Operating Ratio

O&M Expense	\$ 155,806,934	=	0.75	APPA Median 0.71
Revenue	\$ 208,594,954			

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

Current Assets	\$ 207,428,743	=	4.70	APPA Median 1.98
Current Liabilities	\$ 44,144,893			

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 391,898,943	=	0.39	APPA Median 0.53
Total Assets	\$ 1,001,010,179			

Measures the ability to meet its current and long-term liabilities based on the availability of assets

Days Sales Outstanding

Accounts Receivable	\$ 27,616,209	=	0.95	Prior Year 30
Average Sales	\$ 28,983,020			
			X 31	
			30	Days

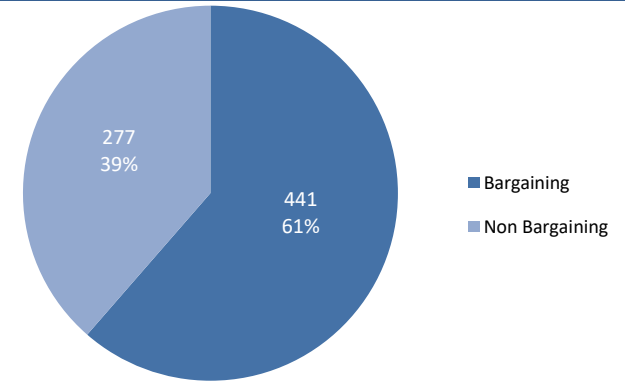
Bad Debt

				APPA Median 0.27%
Actual YTD	YTD Budget	Over/(Under)	% of Revenue	
\$961,994	\$571,804	\$390,190	0.46%	

Employee Data

Employee Count

Employee Count YTD	718
Budget YTD	756
Over (Under) #	(38)
Over (Under) %	-5.0%
Prior YTD	730
Difference	-12
Temporary Employee YTD	45



Payroll Data

	Actual YTD	Budget YTD	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 33,044,176	\$ 34,355,256	\$ (1,311,080)	-3.8%	\$ 31,685,170	\$ 1,359,006	4.3%
Overtime	\$ 4,350,754	\$ 3,425,132	\$ 925,622	27.0%	\$ 4,994,381	\$ (643,627)	-12.9%
Total	\$ 37,394,930	\$ 37,780,388	\$ (385,458)	-1.0%	\$ 36,679,551	\$ 715,379	2.0%
Total Hours Worked	739,309				764,253		
Labor/Hours Worked	\$ 50.58				\$ 47.99		

Benefits Cost

	Actual YTD	Budget YTD	Difference
Health	\$ 9,203,874	\$ 8,792,711	\$ 411,162
RX	\$ 1,925,686	\$ 2,663,506	\$ (737,820)
Dental	\$ 767,698	\$ 722,162	\$ 45,536
Life	\$ 201,005	\$ 194,750	\$ 6,255
FICA	\$ 2,696,734	\$ 2,808,615	\$ (111,881)
Other	\$ (286,603)	\$ 495,330	\$ (781,933)
Total	\$ 14,508,394	\$ 15,677,074	\$ (1,168,680)

SUMMARY OF REVISIONS TO BWL'S TRAVEL & REIMBURSEMENT POLICY

The following substantive revisions were made to sections of the Policy as follows:

General Guidelines

- Added clarification that the Policy covers overnight and/or out of state travel only.
- Removed language, "They are based on practices employed by many organizations of our size and take into consideration what is considered reasonable and customary. While this Policy does contain expense limits, we challenge all employees Traveler's to use professional judgment when incurring expenses on behalf of the Board of Water & Light ("BWL")."
- Revised language from, "Travelers who use personal funds to facilitate travel arrangements will be reimbursed after the trip occurs and when proper documentation is submitted. Should reimbursement be requested prior to traveling, the request must be submitted via BWL's Travel Form with proper approval" to, "For conference registration fees, lodging, airfare and transportation, it is recommended these expenses are scheduled in advance and prepaid using a BWL P-Card. A request for advance reimbursement prior to travel is not encouraged, however, these advance requests may be paid via a check request through the Request for Payment option included in BWL's Travel & Reimbursement Form ("Form"), along with submitting receipts electronically to the Accounts Payable Department. Should a traveler use personal funds to pay for travel related expenses incurred while traveling, the traveler may request reimbursement after the trip has occurred. Detailed supporting documentation must be submitted and approved by management along with submitting the Form. "
- Added language, "All travel records shall be maintained in accordance with the Board of Water and Light Records Retention and Disposal Schedule" due to removal of retention requirement from Substantiation section.

Scope

- Added language to clarify individuals not covered under this Policy
 - Commissioners: (excludes Non-Voting Advisory Commissioners)
 - Employees: (excludes independent contractors, contractors through employment agencies, temporary employees, interns and First Step Students)
- Added language to clarify Investment Fiduciary
 - Plan Trustees and Retirement Plan Committee

Approval

- Commissioner, Board Appointee, Investment Fiduciary
 - Revised language from, “Advance approval for all business travel is required by the Board Chair” to “Advance approval for all business travel is required by the Board Chair prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.”
- Employee
 - Revised language from, “Advance approval for all business travel is required by the Manager and Director” to “Advance approval for all business travel is required by the Manager and Director prior to incurring any expenses. Failure to obtain appropriate approvals may result in denial of payment or reimbursement.”

Transportation

- Commissioner, Board Appointee, Employee, Investment Fiduciary
 - Added, “Baggage fees”
 - Rental Car sub-section, added, “and associated fuel expenses”
 - Taxi, bus subway, etc. sub-section added, “including associated tip up to 20% will be reimbursed”
 - Removed language regarding mileage entry; it is not policy, but rather instructional.

Incidentals

- Commissioner, Board Appointee, Employee, Investment Fiduciary
 - Added new Incidentals section with a \$10/day limit. New language states “Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.”

Substantiation Requirements

- Commissioner, Board Appointee, Employee, Investment Fiduciary
 - Removed Miscellaneous Expenses sub-section altogether which included a \$50 limit. Added baggage fees, parking and tolls to Transportation section.
- Employee
 - Changed from, “All expenses must be summarized on BWL’s Travel Form with receipts and submitted for review and approval by next level of management above a supervisor” to, “All expenses must be summarized on the Form and submitted for review and approval by the Traveler’s Manager.”
- Commissioner, Board Appointee, Employee, Investment Fiduciary
 - Added, “Any request submitted beyond 60 days will not reimbursed.”



Travel & Reimbursement Policy

Commissioners, Board Appointees, Employees & Investment Fiduciaries

Effective May 1, 2018

Commented [SB1]: Propose effective date of May 1-2018 to allow for rollout including updating travel forms, instructions, FAQs and to conduct employee travel policy training (as suggested by IC review)

[Type a quote from the

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General Guidelines

This Travel and Reimbursement Policy ("Policy") of the BWL is designed to act as a guideline for business travel and related expense reimbursements. ~~They are based on practices employed by many organizations of our size and take into consideration what is considered reasonable and customary. While this Policy does contain expense limits, we challenge all employees to use professional judgment when incurring expenses on behalf of the Board of Water & Light ("BWL").~~ for all overnight and/or out of state travel only. For all other travel, travelers may submit reimbursement requests for out of pocket costs through the Petty Cash process.

Commented [SB2]: Removed - per IC comment "to not openly encourage all travelers to use their judgment even when it contradicts policy"

Commented [SB3]: Needed policy clarification per questions arising at manager's meeting. Legal confirmed that clarification was needed.

Abuse of this Policy, including falsifying expense reports to reflect costs not incurred, can be grounds for disciplinary action, including, but not limited to, termination of employment; for BWL Board of Commissioners ("Board") removal from service as an officer and or disqualification from service as an officer for the duration of their service on the Board.

~~Conference~~ For conference registration fees, lodging, airfare or other items which may be and transportation, it is recommended these expenses are scheduled in advance can be and prepaid with using a BWL P-Card or. A request for advance reimbursement prior to travel is not encouraged, however, these advance requests may be paid via a check request through the Request for Payment option included in BWL's Travel Form and Reimbursement Form ("Form"), along with submitting receipts electronically to the Accounts Payable Department.

Commented [SB4]: Updated to add clarity of advance payment.

Should a traveler use personal funds to pay for travel related expenses incurred while traveling, the traveler may request reimbursement after the trip has occurred. Detailed supporting documentation must be submitted and approved by management along with the appropriate advance approval.

Travelers submitting the Form. All travelers should review reimbursement guidelines as outlined in this Policy before spending personal funds for business travel to determine if such expenses are reimbursable. The BWL reserves the right to deny reimbursement of travel-related expenses for failure to comply with policies and procedures.

~~Travelers who use personal funds to facilitate travel arrangements will be reimbursed after the trip occurs and when proper documentation is submitted. Should reimbursement be requested prior to traveling, the request must be submitted via BWL's Travel Form with proper approval.~~

Commented [SB5]: Combined above paragraph since needed clarification

All travel records shall be maintained in accordance with the BWL Records Retention and Disposal Schedule.

Commented [SB6]: Added due to removing from substantiation table on pg. 7

ALL APPROVED EXPENSES INCURRED MUST BE IN ACCORDANCE WITH YOUR DEPARTMENT'S BUDGET. IF YOU ARE UNSURE OF YOUR AVAILABLE DEPARTMENT BUDGET, PLEASE CONTACT YOUR DEPARTMENT MANAGER PRIOR TO INCURRING ANY EXPENSES.

This Policy is designed to accomplish the following key points:

- Ensure all travelers have a clear and consistent understanding of policies and procedures for business travel and related expenses.

- Ensure travelers have a clear understanding of what a legitimate business travel expense is.
- Ensure travelers are reimbursed for legitimate business travel expenses when spending personal funds.
- Provide the appropriate level of accounting & business controls to ensure that expenses are reviewed & approved by the appropriate person.

Purpose

Due to the complex and changing environment, it is essential for Commissioners, Board Appointees, Employees and Investment Fiduciaries to be well informed on issues of importance to the utility industry. Commissioners, Board Appointees, Employees and Investment Fiduciaries are encouraged and occasionally required to attend seminars, meetings, or other programs that provide information impacting the operations of the BWL.

Scope

This Policy shall apply to the following:

- **Commissioners:** All 4 Year Term Commissioners (excludes Non-Voting Commissioners)
- **Board Appointees:** General Manager, Internal Auditor, and Corporate Secretary
- **Employees:** Active Employees (excludes independent contractors, contractors through employment agencies, temporary employees, interns and First Step Students)
- **Investment Fiduciaries:** Plan Trustees and Retirement Plan Committee

Commented [SB7]: Added for clarification purposes.

Commented [SB8]: A few requests have occurred during the year from contractors paid through temp agencies. These costs should be handled via the agency.

Commented [SB9]: Added for clarification purposes.

Approval

Commissioner	Board Appointee	Employee	Investment Fiduciary
Advance approval for all business travel is required by the Board Chair <u>prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.</u>	Advance approval for all business travel is required by the Board Chair <u>prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.</u>	Advance approval for all business travel is required by the Manager <u>and</u> Director <u>prior to incurring any expenses. Failure to obtain appropriate approvals may result in denial of payment or reimbursement.</u>	Advance approval for all business travel is required by the Board Chair <u>prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.</u>

Commented [SB10]: Per IC audit review, recommendation to clarify and enforce as too many requests did not have appropriate approvals.

Registration

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>

Lodging

Actual expenses for lodging will be reimbursed. In the event a Commissioner, Board Appointee, Employee or Investment Fiduciary is accompanied by a guest or family member(s), the BWL will only reimburse at the single room rate.

~~Many hotels offer discounts to non-profit and/or governmental agencies. When making lodging arrangements, this discount should be requested.~~

Commented [SB11]: No change - Moved below

Accommodations such as different room types, extra rooms, and other special amenities for personal guests should be arranged by the Commissioner, Board Appointee, Employee or Investment Fiduciary, and paid directly to the hotel via a personal credit card or other means of personal payment.

~~Many hotels offer discounts to non-profit and/or governmental agencies. When making lodging arrangements, this discount should be requested.~~

Commented [SB12]: No change moved from above

Allowance for lodging will be at the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate, based on availability at the time of registration, the upgrade shall be allowed.

Transportation

Commissioner	Board Appointee	Employee	Investment Fiduciary
Commercial airline* or rail travel, including baggage , will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage , will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage , will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage , will be reimbursed for Main Cabin seating. **
Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car must be submitted with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.
garage and airport Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20% , will be reimbursed.	garage and airport Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20% , will be reimbursed.	garage and airport Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20% , will be reimbursed.	garage and airport Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20% , will be reimbursed.

Commented [SB13]: Moved from "misc exp" in the Substantiation section

Commented [SB14]: Moved from "misc exp" in the Substantiation section

Commented [SB15]: Needed clarification as tips on transportation exceeding 20% were being reimbursed

(Transportation continued ~~OH~~ next page)

Transportation (Continued)

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Flat rate mileage will be paid for use of a private vehicle <u>in accordance with as per current Internal Revenue Service regulations.</u></p> <p>All mileage must be documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle <u>in accordance with as per current Internal Revenue Service regulations.</u></p> <p>Mileage shall be submitted through BWL's time entry system and documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle <u>in accordance with as per current Internal Revenue Service regulations.</u></p> <p>Mileage shall be submitted through BWL's time entry system and documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle <u>in accordance with as per current Internal Revenue Service regulations.</u></p> <p>Mileage shall be submitted through BWL's time entry (excluding Commissioners) and documented on BWL's Travel Form.</p>
<p>*Reservations: In order to <u>To</u> optimize cost savings for the Company, the traveler individuals should make every attempt to make travel arrangements 30 or more days in advance of in advance of travel.</p> <p>**Air Travel: Non-Refundable Main Cabin is the allowable booking class for all domestic flights. If a medical condition necessitates upgraded travel, you must obtain a physician's order and discuss with a BWL Human Resources Representative for approval prior to booking.</p>			
<p>A Commissioner, Board Appointee, Employee or Investment Fiduciary may elect for a more expensive travel option, such as first class airfare or driving a rental car rather than flying, but reimbursement will be limited to the amounts specified in this section. When more expensive transportation is selected, documentation of the comparative transportation cost, such as coach class airfare, must be provided and any difference must be covered by the traveler. Additional costs, such as lodging and meals, incurred due to an individual's decision to use a less time-efficient mode of transportation, will not be reimbursed.</p>			

Commented [SB16]: Removed because this is more of an instruction versus policy and will be included in the instructions for the Form.

Meals

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p><u>Reimbursement Payment</u> will be based on a per diem rate of \$100 per day.</p>	<p>Reimbursement will be based on actual cost incurred with <u>detailed</u> receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.</p>	<p>Reimbursement will be based on actual cost incurred not to exceed \$70 per day with <u>detailed</u> receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.</p>	<p><u>Reimbursement Payment</u> will be based on a per diem rate of \$100 per day.</p>

Commented [SB17]: Per diem does not require substantiation, therefore, is not reimbursed, but paid.

Incidentals

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p><u>Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.</u></p>	<p><u>Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.</u></p>	<p><u>Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.</u></p>	<p><u>Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.</u></p>

Commented [SB18]: Per FTG (www.gsa.gov), added the "Incidentals" section and definition as a result of moving miscellaneous expenses out of incidentals.

Substantiation Requirements

Commissioner	Board Appointee	Employee	Investment Fiduciary
Original <u>detailed receipts for all expenses, whether reimbursable or not</u> , shall be obtained and retained to substantiate the expense with the exception of meal receipts.	Original <u>detailed receipts for all expenses, whether reimbursable or not</u> , shall be obtained and retained to substantiate the expense.	Original <u>detailed receipts for all expenses, whether reimbursable or not</u> , shall be obtained and retained to substantiate the expense.	Original <u>detailed receipts for all expenses, whether reimbursable or not</u> , shall be obtained and retained to substantiate the expense <u>with exception of meal receipts</u> .
<u>Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.</u>	<u>Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.</u>	<u>Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.</u>	<u>Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.</u>
All expenses must be summarized on <u>BWL's Travel</u> the Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of <u>the</u> incurred date. <u>Any request submitted beyond 60 days will not be reimbursed.</u>	All expenses must be summarized on <u>BWL's Travel</u> the Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of <u>the</u> incurred date. <u>Any request submitted beyond 60 days will not be reimbursed.</u>	All expenses must be summarized on <u>BWL's Travel</u> the Form with receipts and submitted for review and approval by <u>next level of management above a supervisor</u> the <u>Traveler's Manager</u> . If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of <u>the</u> incurred date. <u>Any request submitted beyond 60 days will not be reimbursed.</u>	All expenses must be summarized on <u>BWL's Travel</u> the Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of <u>the</u> incurred date. <u>Any request submitted beyond 60 days will not be reimbursed.</u>
<u>Retention – Creation Date +7 Years</u>	<u>Retention – Creation Date +7 Years</u>	<u>Retention – Creation Date +7 Years</u>	<u>Retention – Creation Date +7 Years</u>

Commented [SB19]: Added for clarification purposes.

Commented [SB20]: Moved miscellaneous expenses to other sections and added a new "Incidental" section on pg. 8.

Commented [SB21]: Clarification needed since there has been requests beyond 60 days.

Commented [SB22]: Removed because there is a guiding document that should be followed. Reference added to page 3, "General Guidelines" section.

Cancellation Policy: If an individual traveler cancels travel for personal reasons and the BWL is unable to obtain a refund, the traveler individual may be held responsible for the expenses incurred for travel.

Missed Flights and No-Show Charges: If an individual the traveler misses or fails to show for a flight for personal reasons, they may be responsible for the nonrefundable costs.

Personal Upgrades: Personal miles or coupons can be used to upgrade to first class, or ~~an individual traveler~~ may opt to pay personally for the price difference between coach and first class. ~~Travelers~~ ~~Individuals~~ are responsible for paying the difference in price.

Non-Reimbursed Expenses

The BWL is a public entity and individuals representing the company are expected to act in the best interest of the BWL and its ratepayers. Examples of expenses which are not allowed and **WILL NOT** be reimbursed include, but are not limited to, the following:

Commissioner	Board Appointee	Employee	Investment Fiduciary
Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.
Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.
Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest Travel Expenses.	Guest Travel Expenses.
Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.
Traffic and parking violations.	Traffic and parking violations.	Traffic and parking violations.	Traffic and parking violations.
Travel Insurance.	Travel Insurance.	Travel Insurance.	Travel Insurance.

Commented [SB23]: Reimbursement for medications and other personal items have been requested due to argument that it would NOT have been otherwise incurred unless traveling on BWL business.

Waiver

Commissioner	Board Appointee	Employee	Investment Fiduciary
This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the General Manager when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.

Travel for Investment Fiduciary - Retirement System Education

The Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965, as amended. The Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.

The Board is vested with the general administration, management, and operation of BWL's Retirement System ("Retirement System"), which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA) and has fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries.

An Investment Fiduciary means a person other than a participant that exercises any discretionary authority or control in the investment of a system's assets which would include Trustees and the Retirement Planning Committee.

The Board recognizes that, consistent with its fiduciary duty and liability, it is necessary and appropriate for Investment Fiduciaries to attend Board meetings and educational seminars/conferences so that the Board and its appointed Trustees may be made aware of developments regarding Retirement System administration, and so that the Board may further become aware of how persons acting in a like capacity administer their respective retirement systems.

The BWL recognizes that in order for the participants and beneficiaries of the Retirement System to have the best representation, it is imperative for the Investment Fiduciaries to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments. Investment Fiduciaries are encouraged to attend all meetings of the Board, and attend one conference per year. Individuals wishing to attend additional conferences in a year must request prior Board approval and provide a post conference report to the Board on topics covered.

All persons who attend a seminar or conference must earn an attendance or participatory certificate if the seminar or conference sponsor offers such a certificate. The failure to earn such a certificate may result in the particular attendee becoming ineligible to attend any further educational seminars and/or conferences. In the event ~~that~~ a certificate is not offered, the Investment Fiduciary must provide seminar or conference materials to the Corporate Secretary on behalf of the Board.

Revision History

Date	Reason	Action
March 28, 2017	New Policy	Board of Commissioners Approved
<u>March 27, 2018</u>	<u>Policy revised; Effective 5/1/2018</u>	<u>Board of Commissioners Approved</u>



Travel & Reimbursement Policy

Commissioners, Board Appointees, Employees & Investment Fiduciaries

Effective May 1, 2018

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General Guidelines

This Travel and Reimbursement Policy (“Policy”) of the BWL is designed to act as a guideline for business travel and related expense reimbursements for all overnight and/or out of state travel only. For all other travel, travelers may submit reimbursement requests for out of pocket costs through the Petty Cash process.

Abuse of this Policy, including falsifying expense reports to reflect costs not incurred, can be grounds for disciplinary action, including, but not limited to, termination of employment; for the BWL Board of Commissioners (“Board”) removal from service as an officer and or disqualification from service as an officer for the duration of their service on the Board.

For conference registration fees, lodging, airfare and transportation, it is recommended these expenses are scheduled in advance and prepaid using a BWL P-Card. A request for advance reimbursement prior to travel is not encouraged, however, these advance requests may be paid via a check request through the Request for Payment option included in the BWL’s Travel & Reimbursement Form (“Form”), along with submitting receipts electronically to the Accounts Payable Department.

Should a traveler use personal funds to pay for travel related expenses incurred while traveling, the traveler may request reimbursement after the trip has occurred. Detailed supporting documentation must be submitted and approved by management along with submitting the Form. All travelers should review reimbursement guidelines as outlined in this Policy before spending personal funds for business travel to determine if such expenses are reimbursable. The BWL reserves the right to deny reimbursement of travel-related expenses for failure to comply with policies and procedures.

All travel records shall be maintained in accordance with the BWL Records Retention and Disposal Schedule.

ALL APPROVED EXPENSES INCURRED MUST BE IN ACCORDANCE WITH YOUR DEPARTMENT’S BUDGET. IF YOU ARE UNSURE OF YOUR AVAILABLE DEPARTMENT BUDGET, PLEASE CONTACT YOUR DEPARTMENT MANAGER PRIOR TO INCURRING ANY EXPENSES.

This Policy is designed to accomplish the following key points:

- Ensure all travelers have a clear and consistent understanding of policies and procedures for business travel and related expenses.
- Ensure travelers have a clear understanding of what a legitimate business travel expense is.
- Ensure travelers are reimbursed for legitimate business travel expenses when spending personal funds.
- Provide the appropriate level of accounting & business controls to ensure that expenses are reviewed & approved by the appropriate person.

Purpose

Due to the complex and changing environment, it is essential for Commissioners, Board Appointees, Employees and Investment Fiduciaries to be well informed on issues of importance to the utility industry. Commissioners, Board Appointees, Employees and Investment Fiduciaries are encouraged and occasionally required to attend seminars, meetings, or other programs that provide information impacting the operations of the BWL.

Scope

This Policy shall apply to the following:

- **Commissioners:** All 4 Year Term Commissioners (excludes Non-Voting Advisory Commissioners)
- **Board Appointees:** General Manager, Internal Auditor and Corporate Secretary
- **Employees:** Active Employees (excludes independent contractors, contractors through employment agencies, temporary employees, interns and First Step Students)
- **Investment Fiduciaries:** Plan Trustees and Retirement Plan Committee

Approval

Commissioner	Board Appointee	Employee	Investment Fiduciary
Advance approval for all business travel is required by the Board Chair prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.	Advance approval for all business travel is required by the Board Chair prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.	Advance approval for all business travel is required by the Manager <u>and</u> Director prior to incurring any expenses. Failure to obtain appropriate approvals may result in denial of payment or reimbursement.	Advance approval for all business travel is required by the Board Chair prior to incurring any expenses. Failure to obtain appropriate approval may result in denial of payment or reimbursement.

Registration

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>

Lodging

Actual expenses for lodging will be reimbursed. In the event a Commissioner, Board Appointee, Employee or Investment Fiduciary is accompanied by a guest or family member(s), the BWL will only reimburse at the single room rate. Accommodations such as different room types, extra rooms, and other special amenities for personal guests should be arranged by the Commissioner, Board Appointee, Employee or Investment Fiduciary, and paid directly to the hotel via a personal credit card or other means of personal payment.

Many hotels offer discounts to non-profit and/or governmental agencies. When making lodging arrangements, this discount should be requested.

Allowance for lodging will be at the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate, based on availability at the time of registration, the upgrade shall be allowed.

Transportation

Commissioner	Board Appointee	Employee	Investment Fiduciary
Commercial airline* or rail travel, including baggage, will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage, will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage, will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel, including baggage, will be reimbursed for Main Cabin seating. **
Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.	Rental car and associated fuel expenses will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should also be included with the Form.
Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20%, will be reimbursed.	Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20%, will be reimbursed.	Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20%, will be reimbursed.	Taxi, bus, subway, shuttle and parking costs, including associated tip up to 20%, will be reimbursed.

(Transportation continued next page)

Transportation (Continued)

Commissioner	Board Appointee	Employee	Investment Fiduciary
Flat rate mileage will be paid for use of a private vehicle in accordance with Internal Revenue Service regulations.	Flat rate mileage will be paid for use of a private vehicle in accordance with Internal Revenue Service regulations.	Flat rate mileage will be paid for use of a private vehicle in accordance with Internal Revenue Service regulations.	Flat rate mileage will be paid for use of a private vehicle in accordance with Internal Revenue Service regulations.
<p>*Reservations: To optimize cost savings for the Company, travelers should make every attempt to make arrangements 30 or more days in advance of travel.</p> <p>**Air Travel: Non-Refundable Main Cabin is the allowable booking class for all domestic flights. If a medical condition necessitates upgraded travel, you must obtain a physician's order and discuss with a BWL Human Resources Representative for approval prior to booking.</p>			
<p>A Commissioner, Board Appointee, Employee or Investment Fiduciary may elect for a more expensive travel option, such as first class airfare or driving a rental car rather than flying, but reimbursement will be limited to the amounts specified in this section. When more expensive transportation is selected, documentation of the comparative transportation cost, such as coach class airfare, must be provided and any difference must be covered by the traveler. Additional costs, such as lodging and meals, incurred due to an individual's decision to use a less time-efficient mode of transportation, will not be reimbursed.</p>			

Meals

Commissioner	Board Appointee	Employee	Investment Fiduciary
Payment will be based on a per diem rate of \$100 per day.	Reimbursement will be based on actual cost incurred with <u>detailed</u> receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.	Reimbursement will be based on actual cost incurred not to exceed \$70 per day with <u>detailed</u> receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.	Payment will be based on a per diem rate of \$100 per day.

Incidentals

Commissioner	Board Appointee	Employee	Investment Fiduciary
Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.	Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.	Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.	Incidental expenses or tips given to porters, baggage carriers and hotel staff considered to be reasonable will be reimbursed not to exceed \$10 per travel day with a detailed receipt. If a detailed receipt cannot be reasonably obtained, the expenditure must be documented including location, date and a description of the expenditure.

Substantiation Requirements

Commissioner	Board Appointee	Employee	Investment Fiduciary
Original <u>detailed</u> receipts for all expenses, whether reimbursable or not, shall be obtained and retained to substantiate the expense with exception of meal receipts.	Original <u>detailed</u> receipts for all expenses, whether reimbursable or not, shall be obtained and retained to substantiate the expense.	Original <u>detailed</u> receipts for all expenses, whether reimbursable or not, shall be obtained and retained to substantiate the expense.	Original <u>detailed</u> receipts for all expenses, whether reimbursable or not, shall be obtained and retained to substantiate the expense with exception of meal receipts.
All expenses must be summarized on the Form and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of the incurred date. Any request submitted beyond 60 days will not be reimbursed.	All expenses must be summarized on the Form and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of the incurred date. Any request submitted beyond 60 days will not be reimbursed.	All expenses must be summarized on the Form and submitted for review and approval by the Traveler's Manager. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of the incurred date. Any request submitted beyond 60 days will not be reimbursed.	All expenses must be summarized on the Form and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of the incurred date. Any request submitted beyond 60 days will not be reimbursed.

Cancellation Policy: If a traveler cancels for personal reasons and the BWL is unable to obtain a refund, the traveler may be held responsible for the expenses incurred.

Missed Flights and No-Show Charges: If the traveler misses or fails to show for a flight for personal reasons, they may be responsible for the nonrefundable costs.

Personal Upgrades: Personal miles or coupons can be used to upgrade to first class, or a traveler may opt to pay personally for the price difference between coach and first class. Travelers are responsible for paying the difference in price.

Non-Reimbursed Expenses

The BWL is a public entity and individuals representing the Company are expected to act in the best interest of the BWL and its ratepayers. Examples of expenses which are not allowed and **WILL NOT** be reimbursed include, but are not limited to, the following:

Commissioner	Board Appointee	Employee	Investment Fiduciary
Personal expenses.	Personal expenses.	Personal expenses.	Personal expenses.
Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.
Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest Travel Expenses.	Guest Travel Expenses.
Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.
Traffic and parking violations.	Traffic and parking violations.	Traffic and parking violations.	Traffic and parking violations.
Travel Insurance.	Travel Insurance.	Travel Insurance.	Travel Insurance.

Waiver

Commissioner	Board Appointee	Employee	Investment Fiduciary
This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the General Manager when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.

Travel for Investment Fiduciary - Retirement System Education

The Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965, as amended. The Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.

The Board is vested with the general administration, management, and operation of BWL's Retirement System ("Retirement System"), which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA) and has fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries.

An Investment Fiduciary means a person other than a participant that exercises any discretionary authority or control in the investment of a system's assets which would include Trustees and the Retirement Planning Committee.

The Board recognizes that, consistent with its fiduciary duty and liability, it is necessary and appropriate for Investment Fiduciaries to attend Board meetings and educational seminars/conferences so that the Board and its appointed Trustees may be made aware of developments regarding Retirement System administration, and so that the Board may further become aware of how persons acting in a like capacity administer their respective retirement systems.

The BWL recognizes that in order for the participants and beneficiaries of the Retirement System to have the best representation, it is imperative for the Investment Fiduciaries to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments. Investment Fiduciaries are encouraged to attend all meetings of the Board, and attend one conference per year. Individuals wishing to attend additional conferences in a year must request prior Board approval and provide a post conference report to the Board on topics covered.

All persons who attend a seminar or conference must earn an attendance or participatory certificate if the seminar or conference sponsor offers such a certificate. The failure to earn such a certificate may result in the particular attendee becoming ineligible to attend any further educational seminars and/or conferences. In the event a certificate is not offered, the Investment Fiduciary must provide seminar or conference materials to the Corporate Secretary on behalf of the Board.

Revision History

Date	Reason	Action
March 28, 2017	New Policy	Board of Commissioners Approved
March 27, 2018	Policy revised; Effective 5/1/2018	Board of Commissioners Approved

RESOLUTION 2018-_____

Revised BWL Travel & Reimbursement Policy

WHEREAS, the Board of Commissioners approved a BWL Travel & Reimbursement Policy (“Policy”) on March 28, 2017 which served to combine and replace three existing policies and two previous resolutions; and

WHEREAS, that Policy has been in effect for nearly one year; and

WHEREAS, during the initial one-year period of implementation, BWL staff has solicited and received feedback regarding application of the Policy and its guidelines; and

WHEREAS, the BWL staff has conducted a review of compliance with the Policy and determined additional clarifying language would enhance compliance; and

WHEREAS, it has been determined based on the feedback and review that revising the Policy to provide additional guidance and clarity would improve understanding of the Policy, improve compliance with the Policy, and reduce the time associated with administering the Policy;

THEREFORE, it is:

RESOLVED, that, based on the recommendation from BWL staff, the attached revised BWL Travel & Reimbursement Policy which provides clearer guidance is approved and effective May 1, 2018.

This Resolution supersedes Resolution #2017-03-03, which was also accepted by the Board of Trustees on November 14, 2017.

Lansing Board of Water and Light
Executive Summary of Bond Resolutions

BACKGROUND INFORMATION:

- BWL issues bonds under the Bond Resolution adopted October 24, 1989, and the Revenue Bond Act (Act 94 P.A. 1933).
- Supplemental Resolutions are adopted to authorize each series of bonds.
- Most amendments to the Bond Resolution require the consent of bondholders who own at least 51% of the principal amount of all outstanding bonds (per Act 94). Alternatively, BWL can approve an amendment which takes effect after all prior bonds are paid off.
- After the July 1, 2018 debt service payment, BWL will have \$295,380,000 of bonds outstanding. Since BWL will issue over \$300,000,000 of bonds for the proposed power plant and system improvements, issuance of the new bonds gives BWL the opportunity to replace the 1989 Resolution: the purchasers of the new bonds will hold over 51% of the principal amount of BWL bonds.

FIFTEENTH SUPPLEMENTAL RESOLUTION:

- Authorizes up to \$100,000,000 of Bond Anticipation Notes to finance costs of the power plant and system improvements.
- Notes can be sold either with a junior lien on the system revenues, or payable only from proceeds of the bonds.

AMENDED AND RESTATED UTILITY SYSTEM REVENUE BOND RESOLUTION:

- Authorizes up to \$500,000,000 of new bonds to finance costs of the Power Plant and System Improvements described in the Notice of Intent Resolution adopted on January 23, 2018.
- Upon delivery of the new bonds (if at least \$300,000,000 is issued), the purchasers of the new bonds will hold over 51% of the principal amount of BWL Bonds, and the new resolution can replace the 1989 Resolution and the 15 Supplements.
- The following provisions for the bond reserve account approved in November 2016 would take immediate effect (instead of after all BWL bonds issued prior to 2016 are paid);
 - Permit separate bond reserve accounts (with different requirements) for each series of bonds;
 - Permit purchase of a surety bond with a rating equal to or higher than the BWL bond rating (the 1989 resolution requires a AAA rating).
- The following are new provisions:
 - Update the “Aggregate Debt Service” provision to remove the very onerous requirement to assume that variable rate bonds bear interest at a 10% interest rate or higher. This is useful because BWL must compare Aggregate Debt Service with system revenues before issuing new bonds.
 - The resolution could be amended without consent of bondholders if the rating agencies confirm that the amendments would not result in the reduction or withdrawal of any rating.

RESOLUTION #2018-__-__

Lansing Board of Water and Light

FIFTEENTH SUPPLEMENTAL REVENUE BOND RESOLUTION

A RESOLUTION TO AUTHORIZE:

- Issuance of Bond Anticipation Notes;
- Chief Financial Officer to sell Notes without further Board Approval.

PREAMBLE

WHEREAS, the City of Lansing acting through the governing body of the Lansing Board of Water and Light, has previously issued its utility system revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility System under the provisions of Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), and a Bond Resolution amended and restated on October 24, 1989 and further amended and supplemented from time to time; and

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

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City and the users of the System to acquire and construct (a) a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (collectively, the “Power Plant Project”), and (b) System Improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (collectively, the “System Improvements Project”); and

WHEREAS, on Saturday, January 27, 2018, the Board published in the *Lansing State Journal* a Notice of Intent to Issue Revenue Bonds and Right to Petition for Referendum describing utility system revenue bonds to be issued in an amount not-to-exceed Five Hundred Million Dollars (\$500,000,000) to finance costs of the Power Plant and System Improvements Project, and no petitions requesting referendum as described in the Notice were filed with the City Clerk during the referendum period provided by Act 94; and

WHEREAS, under the provisions of Section 413 of the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2001, as amended (“Act 34”), the Board may issue bond anticipation notes in anticipation of the proceeds of long-term municipal bonds it proposes to issue; and

WHEREAS, in order to finance costs of the Power Plant and System Improvements Project, the Board now desires to authorize the issuance of bond anticipation notes pursuant to the provisions of Section 413 of Act 34;

NOW, therefore, be it resolved:

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) “Bond Resolution” means the Bond Resolution adopted by the Board on September 26, 1989, as amended and restated on October 24, 1989, and supplemented on October 26, 1993, January 11, 1994, September 2, 1999, October 26, 1999 and amended on August 12, 2008 and June 9, 2009, April 24, 2001, July 23, 2002, August 12, 2003, July 26, 2005, January 29, 2008, May 10, 2011, January 24, 2012, January 22, 2013, November 15, 2016, and as supplemented by this Fifteenth Supplemental Revenue Bond Resolution and any other resolution which amends or supplements the Bond Resolution.
- (b) “Bonds” means the Water Supply, Steam, Chilled Water and Electric Utility System Revenue Bonds, Series 2008A, the Utility System Revenue Bonds, Series 2011A, the Utility System Revenue Refunding Bonds, Series 2012A, the Utility System Revenue Refunding Bonds, Series 2013A, the 2017A Bonds, the Series 2019 Bonds, and any Additional Bonds of equal standing hereafter issued.
- (c) “Chief Financial Officer” means the Board’s Chief Financial Officer.
- (d) “Junior Lien Bonds” means bonds or other obligations which may be issued or incurred by the Board to provide funds for any lawful purpose of the System which are of junior standing and priority of lien with respect to the Net Revenues to the claim of the Bonds.
- (e) “Notes” means the Utility System Revenue Bond Anticipation Notes, Series 2018 issued pursuant to this Fifteenth Supplemental Revenue Bond Resolution for the purpose of paying costs of the Series 2019 Project which need to be paid before the Board issues the Series 2019 Bonds.
- (f) “Series 2018 Notes Construction Fund” shall mean the Series 2018 Notes Construction Fund established pursuant to this Fifteenth Supplemental Revenue Bond Resolution.
- (g) “Series 2019 Bonds” means the Utility System Revenue Bonds to be issued to pay costs of the Series 2019 Project.
- (h) “Series 2019 Project” means the project described in the Notice of Intent published in the Lansing State Journal on January 27, 2018, comprised of (a) the acquisition and construction of a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments

thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (the “Power Plant Project”), and (b) construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (the “System Improvements Project”).

- (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. Necessity and Statement of Purpose. It is hereby determined to be a necessary public purpose of the Board to acquire and construct the Series 2019 Project.

Section 3. Costs; Useful Life. The total cost of the Series 2019 Project is estimated to be not-to-exceed \$500,000,000 including the payment of capitalized interest and all legal, engineering, financial and other expenses incident thereto, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Series 2019 Project is estimated to be not less than thirty (30) years.

Section 4. Bond Anticipation Notes Authorized; Note Data; Proceeds of the Notes. In order to pay costs of the Series 2019 Project which need to be paid before the Board issues the Series 2019 Bonds, the Board shall issue the Notes pursuant to the provisions of Section 413 of Act 34 in the aggregate principal amount of not-to-exceed One Hundred Million Dollars (\$100,000,000) as finally determined by the Chief Financial Officer at the time of sale. The Notes may be issued as draw down notes with principal advanced to the Board by the Noteholder in installments. Costs of the Series 2019 Project paid with proceeds of the Notes shall include payment of legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Notes.

The Notes shall be designated as the UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTES, SERIES 2018. At the time of sale of the Notes the Chief Financial Officer is authorized to approve additional series designations for the Notes, including designation of the notes as taxable or tax-exempt.

The Board designates the Notes as junior lien obligations under the Resolution unless at the time of sale of the Notes the Chief Financial Officer determines that the conditions to authorize issuance of the Notes on a junior lien basis have not been satisfied. If issued as junior lien obligations, then the Notes are obligations issued by the Board to provide funds for any lawful purpose of the System which are of junior standing and priority of lien with respect to the

Net Revenues. If the Notes are not issued as junior lien obligations, then they shall be payable solely out of the proceeds of the Series 2019 Bonds.

The Board reserves the right to issue additional notes in anticipation of the proposed Series 2019 Bonds, provided that the aggregate principal amount of notes shall not exceed 50% of the principal amount of the proposed Series 2019 Bonds in compliance with the provisions of Section 413 of Act 34.

The Notes shall be payable in the principal amounts, at the times and in the manner determined by the Chief Financial Officer at the time of sale of the Notes, provided that the Notes shall mature not more than the earlier of 3 years from the date of issuance or 60 days after the expected date of issuance of the Series 2019 Bonds as required by the provisions of Section 413 of Act 34.

The Notes shall bear interest at a fixed or variable rate or rates as determined by the Chief Financial Officer at the time of sale of the Notes. If the Notes bear interest at a variable rate or rates, the Chief Financial Officer is further authorized to determine, in accordance with law, a means by which interest on the Notes may be set, reset or calculated prior to maturity, provided that such rate or rates shall be at no time in excess of the maximum interest rate permitted by applicable law. Such rates may be established by a formula that is determined with respect to an index or indices of municipal obligations, reported prices or yields on obligations of the United States, the prime rate or rates of a bank or banks selected by the Chief Financial Officer or by any other method recommended by the Municipal Advisor.

The Notes shall be issued as fully registered notes to be dated the date of delivery thereof or such other date as may be determined by the Chief Financial Officer at the time of sale of the Notes. The Notes shall be subject to optional or mandatory redemption prior to maturity at the option of the Board or the noteholder as determined by the Chief Financial Officer at the time of sale of the Notes. Unless waived by any registered owner of Notes to be redeemed, official notice of redemption shall be given by the Note Transfer Agent (defined below) on behalf of the Board and shall conform to the requirements set forth in the Note being redeemed.

Either the Board or a financial institution designated by the Chief Financial Officer shall act as registrar or transfer agent for the Notes (the "Note Transfer Agent"). Interest shall be payable by check or draft drawn on the Note Transfer Agent mailed to the registered owner at the registered address, as shown on the registration books of the Board maintained by the Note Transfer Agent, or, at the option of the Registered Owner, by wire transfer to the bank account number on record with the Transfer Agent. Principal of and interest on this bond is payable to the Registered Owner of record as of the fifteenth (15th) day of the month preceding the interest payment date as shown on the registration books kept by the Transfer Agent. The principal of the Notes shall be payable upon presentation and surrender of such Notes to the Note Transfer Agent. The Note Transfer Agent shall keep the books of registration for this issue on behalf of the Board. The Notes may be issued in book-entry-only form through 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 Notes in book-entry-only form and to make such changes in the note form within the parameters of this Resolution as may be required to accomplish the foregoing. If the Notes are held in book-entry form by DTC, payment shall be

made in the manner prescribed by DTC. Notwithstanding the foregoing, if the entire outstanding amount of the Notes are held by a financial institution, then all payments of principal of and interest on the Notes may be made directly to the Registered Owner by wire transfer or other means satisfactory to the Registered Owner.

The Notes shall be signed by the manual or facsimile signatures of the Chairperson and the Corporate Secretary of the Board. If the Notes shall be signed by the facsimile signature of both the Chairperson and the Corporate Secretary of the Board, then the Notes shall not be valid until authenticated by an authorized officer of the Note Transfer Agent. The Notes shall be delivered to the purchaser in accordance with instructions from the Chief Financial Officer upon payment of the purchase price for the Notes in accordance with the purchase contract for the Notes.

Section 5. Note Form. The Notes shall be in substantially the following form with such revisions, additions and deletions as may be advisable or necessary to comply with the final terms of the Notes established upon sale thereof.

NOTE 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 BOND ANTICIPATION NOTE, SERIES 2018

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Date of Original Issue</u>
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Registered Owner:

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 “Board”), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, only from the proceeds of bonds or from Net Revenues of the System as hereinafter provided, the Principal Amount specified above, [or such portion thereof as shall have been advanced to the Board by the Registered Owner,] 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.

[During the time the Principal Amount is being drawn down by the Board under this note, the Registered Owner will periodically provide to the Board a statement showing the amount of principal that has been advanced and the date of each advance].

Principal of this note is payable at the designated corporate trust office of [transfer agent], or such other transfer agent as the Board 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 note 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.

[Notwithstanding anything in this note or in the Bond Resolution (defined below) to the contrary, for so long as [Registered Owner] is the Registered Owner of this note, the Registered Owner shall not be required to present this note to the Transfer Agent for any mandatory redemption payment or at maturity, and all payments of principal of and interest on this note shall be made directly to the Registered Owner by wire transfer or other means satisfactory to the Registered Owner.]

This note is issued in anticipation of the issuance of Utility System Revenue Bonds for the purposes of paying costs to acquire and construct a natural gas combined cycle facility to produce electricity, and system improvements. This note is issued pursuant to a Bond Resolution adopted by the Board on October 24, 1989, as amended and supplemented from time to time, including by a Fifteenth Supplemental Revenue Bond Resolution adopted by the Board on [date of resolution] (collectively, the “Bond Resolution”), and 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”) and the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2001, as amended.

This note, including the interest thereon, is payable from the proceeds of bonds to be issued by the Board to pay the costs of the Project and to redeem this note. [In addition, for the prompt payment of principal and interest on this note, the revenues received by the Board from the operations of the Board’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 lien thereon has been created to secure the payment of the principal of and interest on this note when due after provision has been made for payment of the Water Supply, Steam, Chilled Water and Electric Utility System Revenue Bonds, Series 2008A, Utility System Revenue Bonds, Series 2011A, Utility System Revenue Refunding Bonds, Series 2012A, Utility System Revenue Refunding Bonds, Series 2013A, and Utility System Revenue Refunding Bonds, Series 2017A.]

The Board reserves the right to issue additional notes in anticipation of the proposed bonds, provided that the aggregate principal amount of notes shall not exceed 50% of the principal amount of the proposed bonds in compliance with the provisions of Section 413 of Act 34.

For a complete statement of the revenues from which and the conditions under which this note is payable and the general covenants and provisions pursuant to which this note is issued, reference is made to the Bond Resolution. Copies of the Bond Resolution are on file at the office of the Board, and reference is 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 note, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the note with respect thereto and the terms and conditions upon which the note is issued and may be issued thereunder.

[Provisions for redemption prior to maturity and transfer of note to be inserted]

THIS NOTE IS A SELF-LIQUIDATING NOTE 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 PROPOSED BONDS OR FROM NET REVENUES OF THE SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE BOND RESOLUTION.

THE PRINCIPAL OF AND INTEREST ON THIS NOTE ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

[The Board 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 this note and any 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 note have been done and performed in regular and due time and form as required by law.

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

IN WITNESS WHEREOF, the City, acting through the Lansing Board of Water and Light, has caused this note to be signed in its name with the facsimile signatures of the Chairperson and Corporate Secretary of the Board, all as of the Date of Original Issue.

LANSING BOARD OF WATER AND LIGHT

By [definitive note to be signed at delivery]
Chairperson

Countersigned:

By [definitive note to be signed at delivery]
Corporate Secretary

[STANDARD FORMS OF CERTIFICATE
OF AUTHENTICATION AND ASSIGNMENT TO BE INSERTED
PRIOR TO DELIVERY OF NOTE]

Section 6. Junior Lien Bond and Interest Redemption Fund; Payment of Notes. If the Notes are issued as junior lien obligations, then in order to provide for payment of principal of and interest on the Notes, the Board shall establish and maintain the JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND created under Section 11C of the Bond Resolution. A portion of the proceeds of the Series 2019 Bonds shall be deposited to the Junior Lien Redemption Fund in an amount sufficient to pay principal of and interest on the Notes when due, unless the proceeds are deposited to a defeasance escrow fund for the Notes, or paid directly to the Note Transfer Agent or registered owner of the Notes. If the Board determines that it will not issue the Series 2019 Bonds, or if the Series 2019 Bonds are not issued prior to maturity of the Notes, then the Board shall deposit Revenues in the Junior Lien Redemption Fund in an amount sufficient to pay principal of and interest on the Notes when due. Monies deposited to the Junior Lien Redemption Fund shall be used solely for the purpose of paying the principal of and interest on the Notes. After payment in full of the Notes and any obligations under a credit facility authorized under Section 10 of this Resolution, any balance then remaining in the Junior Lien Redemption Fund shall be transferred to the Construction Fund established for the proceeds of the Series 2019 Bonds, or used for any other purpose permitted by law.

Section 7. Creation of Series 2018 Notes Construction Fund. There shall be established and maintained a separate depository fund designated as the SERIES 2018 NOTES CONSTRUCTION FUND which shall be established by the Chief Financial Officer in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94. At the discretion of the Chief Financial Officer, separate accounts may be established within the Series 2018 Notes Construction Fund for proceeds of the Notes issued to pay the costs of the Power Plant and the costs of the System Improvements Project. Proceeds of sale of the Notes shall be deposited in the Series 2018 Notes Construction Fund and shall be applied solely in payment of the cost of the Series 2019 Project and any costs of engineering, legal, issuance and other expenses incident thereto. Any unexpended balance remaining in the Series 2018 Notes Construction Fund after completion of the Series 2019 Project may, in the discretion of the Board, be used for meeting requirements, if any, of the Bond Reserve Account, or for further improvements, enlargements and extension to the System. Any balance remaining after such expenditure shall be paid into the Redemption Fund.

Section 8. Tax Covenant. The Board shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Notes pursuant to the Internal Revenue Code of 1986, as amended, in such a manner as to cause the Notes 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 the Notes 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 or note proceeds and moneys deemed to be bond or note proceeds, all as more fully set forth in the Non-Arbitrage and Tax Compliance Certificates to be delivered by the Board on the date of delivery of the Notes.

Section 9. Negotiated Sale of Notes. Based upon the advice of PFM Financial Advisors LLC (the “Municipal Advisor”), in order to enable the Board to select and adjust terms for the Notes, and to achieve sale efficiencies so as to reduce the cost of issuance and interest

expense, it is determined in the best interests of the Board to negotiate the sale of the Notes. The Board hereby determines to sell the Notes at a negotiated sale instead of a competitive sale.

Section 10. Preparation for Sale of Notes. The Chief Financial Officer is authorized, based upon the advice of the Municipal Advisor, to circulate a request for quotations, sales memorandum, or other document describing the Board, the System, the Notes and security for payment of the Notes to potential purchasers of the Notes.

The Chief Financial Officer is hereby authorized to apply for credit ratings for the Notes from such rating agencies as deemed appropriate, in consultation with the Municipal Advisor.

If the Municipal Advisor recommends that the Board consider purchase or execution of a "Credit Facility" to assure timely payment of the Notes, such as an insurance contract, agreement for line of credit, letter of credit, commitment to purchase obligations, remarketing agreement, reimbursement agreement, tender agreement, or other transaction to provide security, then the Chief Financial Officer is hereby authorized to negotiate with potential providers of the Credit Facility, and, in consultation with the Municipal Advisor, to purchase or execute the Credit Facility, and the Chief Financial Officer is hereby authorized to execute an agreement with the provider of the Credit Facility.

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

Section 11. Sale of Notes. The Chief Financial Officer is authorized to award sale of the Notes to a financial institution or other purchaser based upon the recommendations and advice of the Municipal Advisor without further action of this Board. This authorization includes, but is not limited to, determination of original principal amount of the Notes; the prices at which the Notes are sold; the date of the Notes; the provisions for early redemption, if any; the interest rates and payment dates of the Notes, and whether the Notes are to be sold on a taxable or tax-exempt basis. The Chief Financial Officer is authorized to sign a purchase agreement, certificate of award of sale, acknowledgement of offer to purchase the Notes, or other document agreeing to sell the Notes on behalf of the Board.

The maximum interest rate of the Notes shall not exceed 5.00% per annum. The purchase price for the Notes, exclusive of any original issue discount or premium, shall not be less than 95.00% of the principal amount of the Notes, plus accrued interest, if any. In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Municipal Advisor.

The Chief Financial Officer is authorized on behalf of the Board to make any covenants with the purchaser of the Notes as may be deemed advisable and approved by bond counsel and the Municipal Advisor.

If a written continuing disclosure undertaking is necessary in order to enable the purchaser of the Notes to comply with the requirements of Securities and Exchange Commission Rule 15c2-12, then the Chief Financial Officer is authorized to execute and deliver a continuing disclosure undertaking in substantially the form which she shall, in consultation with bond counsel, determine to be appropriate.

Section 12. 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 such actions. 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 Notes within the parameters of this resolution, 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, credit facility fees, insurance premiums, transfer agent fees, municipal advisor fees, bond counsel fees, and any other costs necessary to accomplish sale and delivery of the Notes.

Section 13. 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 Notes issued pursuant to provisions of this resolution, such provisions of the Bond Resolution being made applicable to the Notes herein authorized.

Section 14. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

Section 15. 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 16 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 but in any event prior to circulation of a Preliminary Official Statement or other marketing document for the Series 2018 Notes, 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 17. 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, March 27, 2018, 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 _____ and that the following Commissioners were absent: _____.

We further certify that Commissioner _____ moved adoption of said resolution, and that said motion was supported by Commissioner _____.

We further certify that the following Commissioners voted for adoption of said resolution _____ and that the following Commissioners voted against adoption of said resolution: _____.

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.

Chairperson

Corporate Secretary

RESOLUTION #2018-__-__

Lansing Board of Water and Light

**AMENDED AND RESTATED
UTILITY SYSTEM REVENUE BOND RESOLUTION**

A RESOLUTION TO AUTHORIZE:

- Utility System Revenue Bonds for a natural gas combined cycle facility and system improvements;
- Replacement of 1989 Resolution and Supplemental Resolutions by this Resolution;
- Chief Financial Officer to sell Bonds without further Board approval.

PREAMBLE

WHEREAS, the City of Lansing acting through the governing body of the Lansing Board of Water and Light, from time to time issues its utility system revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility system under the provisions of Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”); and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City and the users of the System to acquire and construct (a) a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (collectively, the “Power Plant Project”), and (b) System Improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (collectively, the “System Improvements Project”); and

WHEREAS, on Saturday, January 27, 2018, the Board published in the *Lansing State Journal* a Notice of Intent to Issue Revenue Bonds and Right to Petition for Referendum describing utility system revenue bonds to be issued in an amount not-to-exceed Five Hundred Million Dollars (\$500,000,000) to finance costs of the Power Plant and System Improvements Project, and no petitions requesting referendum as described in the Notice were filed with the City Clerk during the referendum period provided by Act 94; and

WHEREAS, in order to finance costs of the Power Plant and System Improvements Project, the Board now desires to authorize the issuance of the UTILITY SYSTEM REVENUE BONDS, SERIES 2019 (the “Series 2019 Bonds”) pursuant to the provisions of Act 94; and

WHEREAS, the Board issues its utility system revenue bonds pursuant to the provisions of an Amended and Restated Bond Resolution adopted on October 24, 1989, which has been amended or supplemented by fifteen supplemental resolutions, and the Board would like to approve a replacement Amended and Restated Bond Resolution; and

WHEREAS, upon delivery of the Series 2019 Bonds in an amount sufficient to cause the Registered Owners of the Series 2019 Bonds to equal not less than fifty one percent (51%) in principal amount of the total Utility System Revenue Bonds then outstanding, this resolution would replace the Amended and Restated Bond Resolution adopted on October 24, 1989.

NOW, therefore, be it resolved:

DEFINITIONS

Section 1. Definitions. Whenever used in this Bond Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Act 94" means Act 94, Public Acts of Michigan 1933, as amended.
- (b) "Additional Bonds" means any additional bonds of equal standing with the Bonds issued pursuant to Section 24 of this Bond Resolution.
- (c) "Aggregate Debt Service" for any period means, as of any date of calculation by the Board, the sum of the amounts of the debt service for such period with respect to all Outstanding Bonds. In the event that any of the Outstanding Bonds bear interest at a variable rate, such Bonds shall, for purposes of calculating Aggregate Debt Service, be assumed by the Board to bear interest at a fixed rate of interest equal to the greater of the actual rate of interest then borne by such variable rate Bonds or the Certified Interest Rate applicable thereto.
- (d) "Aggregate Debt Service Requirement" means for any period, and as of any date of calculation, Aggregate Debt Service for such period, less any capitalized interest to be paid from the proceeds of the Bonds.
- (e) "Board" means the Board of Water and Light established pursuant to Section 5-201 of Chapter 2 of the City Charter of the City.
- (f) "Bond Reserve Account" means the Bond Reserve Account established pursuant to Section 18(B) of this Bond Resolution.
- (g) "Bond Resolution" means this Amended and Restated Bond Resolution and any other resolution amendatory to or supplemental to this Amended and Restated Bond Resolution.
- (h) "Bonds" or "Senior Lien Bonds" means the Outstanding portion of the Water Supply, Steam, Chilled Water and Electric Utility System Revenue Bonds, Series 2008A, the Utility System Revenue Bonds, Series 2011A, the Utility System Revenue Refunding Bonds, Series 2012A, the Utility System Revenue

Refunding Bonds, Series 2013A, the 2017A Bonds, and the Series 2019 Bonds, and any Additional Bonds of equal standing hereafter issued.

- (i) “Certified Interest Rate” shall mean the interest rate determined by a certificate of the Chief Financial Officer executed on or prior to the date of the delivery of variable rate Bonds as the rate of interest the variable rate Bonds would bear if they were issued at a fixed interest rate based on the Bond Buyer Revenue Bond Index and assuming the same maturity date, terms and provisions (other than interest rate) as the variable rate Bonds, and on the basis of the Board’s credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party). Determination of the Certified Interest Rate as described in the prior sentence shall be conclusive.
- (j) “Chief Financial Officer” means the Board’s Chief Financial Officer.
- (k) “City” means the City of Lansing, Michigan.
- (l) “Consulting Engineer” means the engineer or engineering firm or firms appointed from time to time, and having a favorable reputation for skill and experience in the design and operation of municipal utility systems, at the time retained by the Board to perform the acts and carry out the duties provided for such Consulting Engineer in the Bond Resolution.
- (m) “Event of Default” means an Event of Default specified in Section 25 of this Bond Resolution.
- (n) “Government Obligations” means (i) direct obligations of (including obligations issued or held in book entry form on the books of) the United States of America, (ii) obligations the payment on which is guaranteed by the United States of America including, but not limited to, stripped interest components of obligations issued by the Resolution Funding Corporation (REFCORP) and non-callable, non-prepayable debt obligations of the United States Agency for International Development (US AID), which pay principal and interest at least three (3) business days prior to any respective escrow requirement dates, or (iii) non-callable, senior debt obligations of any government-sponsored enterprise or federal agency, corporation, or instrumentality of the United States of America created by an act of congress including, but not limited to, the Federal Home Loan Banks, Freddie Mac, Federal Farm Credit Banks Funding Corporation, and Fannie Mae.
- (o) “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.
- (p) “Investment Obligations” means, to the extent authorized by law, (i) United States government obligations; (ii) obligations the principal and interest on which is guaranteed by the United States; (iii) repurchase agreements that are secured by United States government obligations or obligations fully guaranteed by the United States and that are held by an independent third party; (iv) certificates of deposit or other accounts of, or bankers acceptances of, 1 or more of the

following: (a) banks that are members of the federal deposit insurance corporation; (b) savings and loan associations that are members of the federal savings and loan insurance corporation; (c) credit unions whose accounts are insured by the national credit union share insurance fund; (v) commercial paper that is rated in the highest category by a nationally recognized rating agency; (vi) obligations of a state of the United States or of a political subdivision of a state of the United States that are rated in 1 of the 3 highest categories by a nationally recognized rating agency; (vii) a collective investment fund that invests solely in 1 or more of the securities described above; and (viii) Government Obligations.

- (q) “Junior Lien Bonds” and “Junior Lien Notes” means bonds, bond anticipation notes issued under Act 34, Public Acts of Michigan, 2001, as amended, or other obligations which may be issued or incurred by the Board to provide funds for any lawful purpose of the System which are of junior standing and priority of lien with respect to the Net Revenues to the claim of the Bonds.
- (r) Municipal Obligation” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice, and (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (iii) which fund is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition of Municipal Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this definition of Municipal Obligation, as appropriate, and (iv) which are rated, based on the escrow, in the highest rating category of either two of the following three ratings agencies: Standard & Poor’s Corporation, Fitch Ratings, and Moody’s Investors Service, Inc. or any successors thereto.
- (s) “Net Revenues” means the Revenues remaining after deducting the reasonable expenses of administration, operation, and maintenance of the System.
- (t) “Operation and Maintenance Fund” means the Operation and Maintenance Fund established pursuant to Section 18(A) of this Bond Resolution.
- (u) “Outstanding Bonds” means Bonds issued under this Bond Resolution except:
 - (i) Bonds cancelled by the Transfer Agent at or prior to such date;

- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys or Government Obligations, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Bond Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in this Bond Resolution or provision satisfactory to the Transfer Agent shall have been made for the giving of such notice;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered hereunder; and
- (iv) Bonds no longer deemed to be Outstanding Bonds as provided in Section 12 of this Bond Resolution.
- (v) “Rebate Fund” means the Rebate Fund established pursuant to Section 19 of this Bond Resolution.
- (w) “Receiving Fund” means the Receiving Fund established pursuant to Section 18 of this Bond Resolution.
- (x) “Redemption Fund” means the Bond and Interest Redemption Fund established pursuant to Section 18(B) of this Bond Resolution.
- (y) “Registered Owner” means the owner of a Bond as shown by the registration records kept by the Transfer Agent.
- (z) “Reserve Requirement” shall mean the lesser of (i) the maximum annual debt service requirements on the Outstanding Bonds, (ii) 125% of the average annual debt service requirements on the Outstanding Bonds, or (iii) the total of 10% of the original aggregate face amount of each series of the Outstanding Bonds, reduced by the net original issue discount, if any; provided, however, that the Reserve Requirement shall not at any time exceed the amount allowed to be invested at an unrestricted yield pursuant to Treas. Reg. Section 1.148-2(f)(2) or any successor provision thereto as applicable to the Bonds.
- (aa) “Revenues” means the income derived from the rates charged for the services, facilities, and commodities furnished by the System, earnings on investment of funds and accounts of the System required to be deposited in the Receiving Fund pursuant to this Bond Resolution and other revenues derived from or pledged to the operation of the System.
- (bb) “Senior Lien Bonds” means the Bonds and does not include the Junior Lien Bonds and Junior Lien Notes.

- (cc) “Series 2018 Notes” means the Utility System Revenue Bond Anticipation Notes, Series 2018.
- (dd) “Series 2019 Bonds” means the Utility System Revenue Bonds, Series 2019 issued pursuant to this Amended and Restated Utility System Revenue Bond Resolution.
- (ee) “Series 2019 Construction Fund” means the Series 2019 Construction Fund established pursuant to this Bond Resolution.
- (ff) “Series 2019 Project” means the project described in the Notice of Intent published in the Lansing State Journal on January 27, 2018, comprised of (a) the acquisition and construction of a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (the “Power Plant Project”), and (b) construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (the “System Improvements Project”).
- (gg) “Sufficient” means with respect to (i) cash or (ii) Government Obligations or (iii) Municipal Obligations, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment of the interest, come due at such times and in such amounts, as to be fully sufficient to pay the interest as it comes due on the Bonds or any portion thereof and the principal and redemption premium, if any, on the Bonds or any portion thereof as they come due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations or cash shall be placed in trust with a bank or trust company, and if any of the Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds for redemption shall be given to the Transfer Agent.
- (hh) “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.
- (ii) “Transfer Agent” means U.S. Bank National Association, or such other bank selected by the Board for payment of the Bonds.

ISSUANCE OF SERIES 2019 BONDS

Section 2. Necessity and Statement of Purpose. It is hereby determined to be a necessary public purpose of the Board to acquire and construct the Series 2019 Project.

Section 3. Costs; Useful Life. The total cost of the Series 2019 Project is estimated to be not-to-exceed \$500,000,000 including the payment of capitalized interest and all legal, engineering, financial and other expenses incident thereto, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Series 2019 Project is estimated to be not less than thirty (30) years.

Section 4. Conditions Permitting Issuance of Additional Bonds. The Bond Resolution establishes requirements for the issuance of Additional Bonds of equal standing and priority of lien with the Outstanding Bonds. The Series 2019 Bonds can be issued as Additional Bonds pursuant to the requirements of the Bond Resolution if the Board determines that the actual or augmented Net Revenues of the System for the fiscal year of the System ending not more than 15 months prior to the sale of Additional Bonds shall be equal to at least one hundred twenty-five (125%) percent of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Series 2019 Bonds.

The Board hereby determines that the Series 2019 Bonds shall be issued only if the Chief Financial Officer determines (a) that the Board is not in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund, and (b) that the actual or augmented Net Revenues of the System for the fiscal year of the System ending not more than 15 months prior to the sale of Additional Bonds shall be equal to at least one hundred twenty-five (125%) percent of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Series 2019 Bonds. It is anticipated that at the time the Series 2019 Bonds are issued, the Outstanding Bonds will be the Utility System Revenue Bonds, Series 2011A, Utility System Revenue Refunding Bonds, Series 2013A, and Utility System Revenue Refunding Bonds, Series 2017A.

Section 5. Series 2019 Bonds Authorized. To pay part of the cost of acquiring and constructing all or a portion of the Series 2019 Project, including payment of all legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2019 Bonds and capitalized interest in the amount to be determined at the time of sale of the Series 2019 Bonds, the City, acting by and through the Board, shall borrow the sum of not-to-exceed Five Hundred Million Dollars (\$500,000,000) and shall issue the Series 2019 Bonds therefor pursuant to the provisions of Act 94. The remaining cost of the Series 2019 Project in excess of \$500,000,000, if any, shall be defrayed from funds on hand and legally available for such use or from an additional series of Bonds to be issued upon approval of a future resolution. The Series 2019 Bonds shall be sold and the proceeds applied in accordance with the provisions of Act 94. The Series 2019 Bonds shall be payable solely out of the Net Revenues of the System and City Council shall not be requested to pledge the full faith and credit of the City for payment of the Series 2019 Bonds.

The capitalized interest, if any, to be paid from proceeds of the Series 2019 Bonds shall not exceed the amount necessary to pay interest for three years, as finally determined at the time of sale of the Series 2019 Bonds by the Chief Financial Officer.

Section 6. Series 2019 Bond Details. The Series 2019 Bonds shall be designated as the “UTILITY SYSTEM REVENUE BONDS, SERIES 2019” or such other series designation as determined at the time of sale by the Chief Financial Officer to reflect the sequence and the year of sale or delivery of the Series 2019 Bonds.

The Series 2019 Bonds shall be issued as fully registered bonds registered in the denomination of \$1,000 or integral multiples thereof and shall be numbered in consecutive order of registration or authentication from 1 upwards. The Series 2019 Bonds shall be dated as of the date of delivery thereof or such other date as determined at the time of sale of the Series 2019 Bonds, shall mature as serial bonds or term bonds on such dates as shall be determined at the time of sale of the Series 2019 Bonds but not-to-exceed thirty (30) annual maturities.

The Series 2019 Bonds shall be subject to optional or mandatory redemption prior to maturity at the times and prices finally determined at the time of sale of the Series 2019 Bonds.

The Series 2019 Bonds shall bear interest at a rate or rates to be determined on sale thereof, payable semi-annually on January 1st and July 1st of each year beginning on such date as determined at the time of sale of the Series 2019 Bonds provided that the first interest payment date shall be not later than ten months following the delivery date of the Series 2019 Bonds.

The Series 2019 Bonds shall be executed by the manual or facsimile signature of the Chairperson and the Corporate Secretary of the Board. No Series 2019 Bond shall be valid until authenticated by an authorized representative of the Transfer Agent. The Series 2019 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 Series 2019 Bonds.

Section 7. Registration and Transfer. The Board hereby requests that U.S. Bank National Association continue to serve the Board as transfer agent for the Series 2019 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 Series 2019 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 Series 2019 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 Series 2019 Bonds in book-entry-only form and to make such changes in the form of the Series 2019 Bonds within the parameters of this resolution as may be required to accomplish the foregoing. Notwithstanding the foregoing, if the Series 2019 Bonds are held in book-entry-only form by DTC, payment of principal of and interest on the Series 2019 Bonds shall be made in the manner prescribed by DTC.

The Series 2019 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 8. Creation of Series 2019 Bonds Construction Fund. There shall be established and maintained a separate depository fund designated as the SERIES 2019 BONDS CONSTRUCTION FUND which shall be established by the Chief Financial Officer in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94. At the discretion of the Chief Financial Officer, separate accounts may be established within the Series 2019 Bonds Construction Fund for proceeds of the Series 2019 Bonds issued to pay the costs of the Power Plant and costs of the System Improvements Project. Monies deposited in the Series 2019 Bonds Construction Fund shall be applied solely in payment of the cost of the Series 2019 Project and any costs of engineering, legal, issuance and other expenses incident thereto. Any unexpended balance remaining in the Series 2019 Bonds Construction Fund after completion of the Series 2019 Project may, in the discretion of the Board, be used for meeting requirements, if any, of the Bond Reserve Account, or for further improvements, enlargements and extension to the System. Any balance remaining after such expenditure shall be paid into the Redemption Fund.

Section 9. Series 2019 Bond Proceeds. From the proceeds of sale of the Series 2019 Bonds there first shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest, if any, received on delivery of the Series 2019 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. All or a portion of any premium received upon delivery of the Series 2019 Bonds may be deposited in either the Redemption Fund or the Construction Fund, as determined by the Chief Financial Officer.

The capitalized interest shall next be deposited in the Redemption Fund, 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 interest on the Series 2019 Bonds.

Next the Board shall provide for payment or defeasance of principal of and interest on the Series 2018 Notes, either by calling the Series 2018 Notes for redemption on the date of delivery of the Series 2018 Bonds and paying off the Series 2018 Notes upon receipt of bond proceeds, or by defeasing the Series 2018 Notes through deposit to an escrow fund.

There shall next be deposited from the proceeds of sale of the Series 2019 Bonds to the Bond Reserve Account an amount, if any, designated by the Chief Financial Officer at the time of sale as necessary to meet the requirements of the bond purchasers.

The remaining proceeds of sale of the Series 2019 Bonds shall be deposited to the Construction Fund.

There shall next be deposited in the Bond Reserve Account an amount, if any, designated at the time of sale of the Series 2019 Bonds as necessary to cause the amount on deposit in the Bond Reserve Account to be equal to the Reserve Requirement.

Section 10. Covenants Regarding Series 2019 Bonds. The Board covenants and agrees as follows with the holders of the Series 2019 Bonds as long as any of the Series 2019 Bonds remain outstanding and unpaid as to either principal or interest:

- (a) The Board will cause the portion of the Series 2019 Project being financed with proceeds of the Series 2019 Bonds to be acquired and constructed promptly and in accordance with the plans and specification therefor.
- (b) The Board covenants and agrees with the Registered Owners of the Series 2019 Bonds that as long as any of the Series 2019 Bonds remain outstanding and unpaid as to either principal or interest, the Board shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2019 Bonds pursuant to the Internal Revenue Code in such a manner as to cause the Series 2019 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 exemption of interest on the Series 2019 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 Tax Compliance Certificate to be delivered by the Board with the Series 2019 Bonds.

Section 11. Series 2019 Bond Form. The Series 2019 Bonds shall be in substantially the form shown on the following pages, with such revisions, additions and deletions as the Board may deem advisable or necessary to comply with the final terms of the Series 2019 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 BOND, SERIES 2019

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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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, Utility System Revenue Refunding Bonds, Series 2013A, and Utility System Revenue Refunding Bonds, Series 2017A.

This Bond is one of a series of bonds of even Date of Original Issue, aggregating the principal sum of \$[principal amount], issued pursuant to an Amended and Restated Bond

Resolution adopted by the Issuer on [date of resolution] (the “Bond Resolution”), and 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 the purpose of financing costs of improvements to the System, [making a deposit to a bond reserve account,] and paying the costs of issuing the bonds.

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 written 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 on or prior to [date] are not subject to redemption prior to maturity.

Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after [date] shall be subject to redemption prior to maturity without a premium, at the option of the Issuer, in such order of maturity as the Issuer shall determine and within any maturity by lot, on any date on or after [date], at par plus accrued interest to the date fixed for redemption.

[Mandatory redemption provisions to
be inserted if term bonds are issued]

In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent upon presentation of the bond called in part for redemption shall register, authenticate and deliver to the registered owner a new bond of the same maturity and in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to each registered owner of bonds or portions thereof to be redeemed by mailing such notice not less than thirty (30) days prior to the date fixed for redemption to the registered owner at the address of the registered owner as shown on the registration books of the Issuer. Bonds shall be called for redemption in multiples of \$5,000, and bonds of denominations of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bonds by \$5,000, and such bonds may be redeemed in part. The notice of redemption for bonds redeemed in part shall state that, upon surrender of the bond to be redeemed, a new bond or bonds in the same aggregate principal amount equal to the unredeemed portion of the bonds surrendered shall be issued to the registered owner thereof with the same interest rate and maturity. No further interest on bonds or

portions of bonds called for redemption shall accrue after the date fixed for redemption, whether the bonds have been presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem the bonds or portion thereof.

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 Issuer, 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

Countersigned:

By definitive bond to be signed at delivery]
Corporate Secretary

[INSERT STANDARD FORMS OF CERTIFICATE
OF AUTHENTICATION AND ASSIGNMENT]

PROVISIONS WHICH APPLY TO ALL SENIOR LIEN BONDS

Section 12. Payment of Bonds; Defeasance. The Bonds and the interest thereon shall be payable solely from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues. Pursuant to provisions of Act 94, the City, by and through its Board, hereby pledges to the repayment of principal of, redemption premium, if any, and interest on the Bonds, the funds and accounts established by this Bond Resolution, and a statutory lien is hereby created on such funds and accounts. The liens and pledge provided by this Bond Resolution shall continue until payment in full of the principal of and interest on all Bonds payable from Net Revenues, or, until Sufficient cash, Sufficient Government Obligations, Sufficient Municipal Obligations or any combination thereof shall have been deposited in trust for payment in full of the principal of and the interest on all Bonds to be paid to their maturity, or, if called or if irrevocable instructions have been given to call Bonds for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. Upon deposit of Sufficient cash, Sufficient Government Obligations, Sufficient Municipal Obligations or any combination thereof, the statutory lien created by this Bond Resolution shall be terminated with respect to the Bonds to be paid from the cash, Government Obligations or Municipal Obligations, or combination thereof, the Registered Owners of such Bonds shall have no further rights under this Bond Resolution except for payment from the deposited funds and for the rights of replacement, registration and transfer provided by this Bond Resolution, and such Bonds shall no longer be considered to be Outstanding Bonds under this Bond Resolution.

Section 13. Management. The operation, repair and management of the System shall be under the supervision and control of the Board.

Section 14. Charges. The rates to be charged for service furnished by the System and the methods of collection and enforcement of the collection of the rates shall be those permitted by law and established by the Board and in effect on the date of adoption of this Bond Resolution and thereafter as established by the Board.

Section 15. No Free Service. No free service shall be furnished by the System to any person, firm or corporation public or private, or to any public agency or instrumentality.

Section 16. Rate Covenant. The Board will at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the System which, together with other income, are reasonably expected to yield Net Revenues equal to at least 125% of the Aggregate Debt Service Requirement for the forthcoming twelve month period plus such amount as is necessary to comply with all covenants in the Bond Resolution and to pay all charges and liens whatsoever payable out of Net Revenues in such period.

Section 17. Operating Year. The System shall continue to be operated on the basis of an operating year commencing on July 1st and ending on the 30th day of the following June. For purposes of determining the annual Aggregate Debt Service Requirement on the Bonds for any operating year, payments of principal and interest due on July 1st shall be considered to be part of the Aggregate Debt Service Requirement for the preceding operating year.

Section 18. Funds and Accounts: Flow of Funds. All Revenues of the System shall be set aside as collected and credited to a fund to be designated UTILITY SYSTEM RECEIVING FUND. The Revenues so credited are pledged for the purpose of the following funds and shall be transferred from the Receiving Fund periodically in the manner and at the times hereinafter specified:

A. OPERATION AND MAINTENANCE FUND: Periodically, out of the Revenues credited to the Receiving Fund there shall be first set aside in, or credited to, a fund designated OPERATION AND MAINTENANCE FUND, a sum sufficient to provide for the payment during the succeeding period of the next month's expenses of administration and operation of the System, including such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

B. BOND AND INTEREST REDEMPTION FUND: There shall be established and maintained a fund designated BOND AND INTEREST REDEMPTION FUND, the moneys on deposit therein from time to time to be used solely, except for required deposits to the Rebate Fund, for the purpose of paying the principal of, redemption premium, if any, and interest on the Bonds.

Out of the Revenues remaining in the Receiving Fund, after provision for the credit or deposit to the Operation and Maintenance Fund, there shall next be set aside, monthly, in the Redemption Fund a sum proportionately sufficient to provide for the payment of the principal of, mandatory redemption requirements, if any, and interest on the Bonds as and when the same become due and payable, subject to any credit therefor as provided in this Section 18(B). If there is any deficiency in the amount previously set aside, that deficiency shall be added to the requirements for the next succeeding month.

There shall be established a separate account in the Redemption Fund to be known as the BOND RESERVE ACCOUNT. On the date of delivery of any Additional Bonds issued pursuant to Section 24(a) or (c) of this Bond Resolution, the Board shall transfer to the Bond Reserve Account from the proceeds of the Additional Bonds or any other available source the lesser of (a) 10% of the proceeds of the Additional Bonds and (b) the maximum Aggregate Debt Service Requirement on the Additional Bonds for the then current and any subsequent operating year and commencing on the 1st day of the month following delivery of the Additional Bonds and on the 1st day of each month thereafter until the amount in the Bond Reserve Account equals the Reserve Requirement, 1/12 of the difference between the amount deposited on the delivery of the Additional Bonds and the Reserve Requirement.

Except as otherwise provided in this Bond Resolution, the moneys credited to the Bond Reserve Account shall be used solely for the payment of the principal of, redemption premium, if any, and interest on Bonds as to which there would otherwise be a default. If at any time it shall be necessary to use moneys credited to the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required for expenses of administration, operation and maintenance of the system or for current principal and interest requirements on any of the Bonds.

The Board may satisfy the Reserve Requirement by a letter of credit, a surety bond, or an insurance policy if the provider or issuer thereof shall be rated by any nationally recognized bond rating agency as high or higher than the Bonds at the time of purchase of the letter of credit, a surety bond, or an insurance policy.

If at any time the amount in the Bond Reserve Account exceeds the Reserve Requirement, the excess may be transferred to such fund or account as the Board may direct.

The Supplemental Resolution authorizing Additional Bonds may either (i) provide that the Additional Bonds are equally and ratably secured by the Bond Reserve Account funded according to the Reserve Requirement, or (ii) provide for the creation of a separate bond reserve account securing that series of Additional Bonds and a different reserve requirement, or state that no bond reserve account is required.

C. JUNIOR LIEN REDEMPTION FUND: If the Board shall ever issue Junior Lien Bonds or Junior Lien Notes, there shall be established and maintained a separable depository fund for the purpose of paying the principal of, redemption premium, if any, and interest on such Junior Lien Bonds or Junior Lien Notes as they come due (the "Junior Lien Redemption Fund"). Revenues remaining in the Receiving Fund, after provision has been made for the requirements of the Operation and Maintenance Fund and of the Redemption Fund, shall be set aside, but not more often than monthly, in a fund for the Junior Lien Bonds or Junior Lien Notes in accordance with the resolution authorizing the issuance thereof. A separate account may also be established within such fund as a bond reserve account to be funded on a junior lien basis in accordance with the resolution authorizing the issuance of the Junior Lien Bonds or Junior Lien Notes. The detail of the establishment and maintenance of such fund shall be provided in the resolution of the Board authorizing the issuance thereof.

D. SURPLUS MONEYS: Any Revenues in the Receiving Fund after satisfying all requirements of the Operation and Maintenance Fund, the Redemption Fund, the Rebate Fund and the Junior Lien Redemption Fund shall be deemed to be surplus moneys and may be used for such purposes as the Board deems to be for the best interests of the City.

If there should be any deficit in the Operation and Maintenance Fund, Redemption Fund or the Rebate Fund on account of defaults in setting aside required amounts therein, then transfers shall be made from the moneys remaining in the Receiving Fund at the end of any operating year to those funds in the priority and order specified herein, to the extent of any deficit, before any other disposition is made of the monies in the Receiving Fund at the end of any operating year.

Section 19. Rebate Fund. There shall be established and maintained a fund designated the REBATE FUND. Moneys representing investment earnings or profits shall be transferred annually from all funds and accounts established under this Bond Resolution and deposited in the Rebate Fund in an amount sufficient to enable the City to rebate investment earnings to the federal government, if necessary, in accordance with the requirements of the Internal Revenue Code. Funds on deposit in the Rebate Fund are not pledged as security for the Bonds. Monies shall be deposited in the Rebate Fund and shall be rebated to the federal government unless the City has received an opinion of nationally recognized bond counsel that failure to take such

actions will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on such Bonds.

Section 20. Priority of Funds. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund or the Redemption Fund or the Rebate Fund or the Junior Lien Redemption Fund, any moneys or securities in other funds of the System, except the proceeds of sale of the Bonds, shall be credited or transferred, first, to the Operation and Maintenance Fund, second, to the Redemption Fund, to the extent of any deficit therein, third, to the Rebate Fund and fourth, to the Junior Lien Redemption Fund.

Section 21. Investments. Moneys in the funds and account established herein, and moneys derived from the proceeds of sale of the Bonds, may be invested by the Board on behalf of the City in Investment Obligations. Investment of moneys in the Redemption Fund being accumulated for payment of the next maturing principal or interest on the Bonds shall be limited to Government Obligations bearing maturity dates prior to the date of the next maturing principal or interest payment respectively on the Bonds. Investment of moneys in any other funds or account, including moneys derived from the proceeds of sale of the Bonds, shall be limited to obligations bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than the time estimated by the City when the moneys from such investments will be required. Any securities representing investments shall be kept on deposit with the bank or trust company having on deposit the fund or funds or account from which such purchase was made. Earnings or profits on any investment of funds in any fund or account established in this Bond Resolution shall be deposited in or credited to the Rebate Fund to the extent necessary as required by Section 19 of this Bond Resolution and any earnings or profits remaining in the Receiving Fund, Operation and Maintenance Fund and Redemption Fund, shall be deposited in or credited to the Receiving Fund. Investments of moneys in the Bond Reserve Account shall be valued at amortized cost, including any amount paid as accrued interest at the time of purchase until the payment of such interest or the next interest payment date.

Section 22. Applicable Law. The Bonds shall be sold and the proceeds applied in accordance with the provisions of Act 94.

Section 23. Covenants. The City and the Board covenants and agrees with the Registered Owners of the Bonds that so long as any of the Bonds remain as Outstanding Bonds and unpaid as to either principal or interest:

(a) The Board will maintain the System in good repair and working order and will operate the same efficiently and will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Michigan and this Bond Resolution.

(b) The City and the Board will not sell, lease, mortgage or otherwise dispose of any part of the System, except for sales or exchanges of property or facilities (1) which are not useful in the operation of the System, or (2) for which the proceeds received are, or the fair market value of the subject property is, less than 1% of the Revenues for the

preceding fiscal year, or (3) which will not impair the ability of the Board to comply with the rate covenant described in Section 16 of this Bond Resolution.

(c) The City and the Board will not grant any franchise or other rights to any person, firm or corporation to operate an electric system that will compete with the System unless required or authorized by law and the City and the Board will not operate a system that will compete with the System.

(d) The Board will use their best efforts to enforce any contracts to which they are a party regarding providing of electrical service.

(e) The Board will not issue additional bonds of prior standing to the Bonds.

The Chief Financial Officer is authorized on behalf of the Board to make any additional covenants with the purchaser of a series of Bonds as may be deemed advisable and approved by bond counsel and the municipal advisor.

Section 24. Additional Bonds. The right is reserved, in accordance with the provisions of Act 94, to issue additional bonds payable from the Net Revenues of the System which shall be of equal standing and priority of lien on the Net Revenues of the System with the Bonds, but only for the following purposes and under the following terms and conditions:

(a) For repairs, extensions, enlargements and improvements to the System or for the purpose of refunding a part of any Outstanding Bonds (unless such partial refunding is done in compliance with (b) below) and paying costs of issuing such Additional Bonds, including deposits which may be required to be made to a bond reserve account. Bonds for such purposes shall not be issued pursuant to this subparagraph (a) unless the actual or augmented Net Revenues of the System for the fiscal year of the System ending not more than 15 months prior to the sale of Additional Bonds shall be equal to at least one hundred twenty-five (125%) percent of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Additional Bonds then being issued. If the Additional Bonds are to be issued in whole or in part for refunding Outstanding Bonds, the maximum Aggregate Debt Service shall be determined by deducting from the principal and interest requirements for each operating year the annual Aggregate Debt Service Requirement of any Bonds to be refunded from the proceeds of the Additional Bonds.

Net Revenues may be augmented as follows for the purposes of this subsection (a):

- (1) If the System rates, fees or charges shall be increased at or prior to the time of authorizing the Additional Bonds, the Net Revenues may be augmented by an amount which in the opinion of the Board's financial advisor will reflect the effect of the increase had the System's billings during such time been at the increased rates.
- (2) The actual Net Revenues may be augmented by the estimated increase in Net Revenues which in the opinion of the Board's financial advisor will accrue as a result of new customers which have not been serviced during the fiscal year described in paragraph (a) above or as a result of the acquisition of the repairs,

extensions, enlargements and improvements to the System which have been made during or subsequent to the fiscal year described in paragraph (a) above or which will be acquired in whole or in part from the proceeds of the Additional Bonds to be issued.

No Additional Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in subparagraphs (a) or (c) if the City shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

(b) For refunding all of the Outstanding Bonds and paying costs of issuing such Additional Bonds. For 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.

(c) Additional Bonds may be issued without meeting any of the conditions and tests set forth in subsection (a) above for any one or more of the following purposes: (1) to pay the cost of acquisition and construction of any repairs, replacements, betterments, improvements, major renewals or corrections of any damage or loss to the System necessary, in the opinion of the Consulting Engineer, to keep the System in good operating condition or to prevent a loss of Revenues therefrom or (ii) to pay the cost of decommissioning, disposal or termination of the System.

Determination by the Board as to existence of conditions permitting the issuance of Additional Bonds shall be conclusive.

Notwithstanding the foregoing requirements of Section 24, the Board reserves the right to issue Junior Lien Bonds and Junior Lien Notes payable as provided herein.

Section 25. Events of Default. Each of the following events, with respect to an issue of Bonds, is hereby declared an "Event of Default":

(a) default in the payment of the principal of, or interest, or redemption premium, if any, on any Bond after the same shall become due, whether at maturity or upon call for redemption; or

(b) default by the City or the Board in the performance or observance of any other of the covenants, agreements or conditions on their part in this Bond Resolution, or contained in the Bonds; provided no default shall constitute an Event of Default until written notice thereof shall have been given by the Registered Owners of not less than twenty percent (20%) in principal amount of the Outstanding Bonds to the City and the City shall have had sixty (60) days after receipt of such notice to correct such default or cause the same to be corrected and shall not have corrected such default or caused the same to be corrected within such period; and provided, further, that if the default be such that it cannot be corrected within such period, it shall not constitute an Event of Default if action to correct the same is instituted within such period and diligently pursued until the default is corrected.

Section 26. Appointment of Receiver and Statutory Rights. The Registered Owners of Bonds representing in the aggregate principal amount not less than twenty percent (20%) of all Outstanding Bonds, may protect and enforce the statutory lien and pledge of the funds and accounts and Net Revenues created by Act 94, and enforce and compel the performance of all

duties of the officials of the City and the Board, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of Revenues, and the proper application of Revenues. In addition to the rights conferred to Registered Owners by the Resolution, the Registered Owners shall have all the rights conferred by Act 94. The statutory lien upon the Net Revenues, however, shall not be construed to compel the sale of the System or any part thereof.

Section 27. Effect of Waiver and Other Circumstances. No delay or omission of any Registered Owner to exercise any right or power arising upon the happening or an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein and every power and remedy given by this Bond Resolution to the Registered Owners may be exercised from time to time and as often as may be deemed expedient by the Registered Owners.

Section 28. Amendments: Consent of Registered Owners.

(a) *Amendments Without Consent of Registered Owners.* The City, from time to time and at any time, subject to the conditions and restrictions in this Bond Resolution, may by and through its Board, adopt one or more supplemental or amendatory resolutions which thereafter shall form a part hereof, for any one or more or all of the following purposes:

(i) To issue Additional Bonds or Junior Lien Bonds or Junior Lien Notes;

(ii) To add to the covenants and agreements of the City contained in this Bond Resolution, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City and the Board (including but not limited to the right to issue Additional Bonds);

(iii) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in this Bond Resolution, or in regard to matters or questions arising under this Bond Resolution, as the City may deem necessary or desirable and not inconsistent with this Bond Resolution and which shall not have a material, adverse effect on the interests of the Registered Owners of the Bonds;

(iv) To increase the size or scope of the System; and

(v) To make such modifications in the provisions hereof as may be deemed advisable by the City provided that the Board has confirmed in writing with each rating agency rating Outstanding Bonds to which the provision will apply that the adoption of such provision will not result in the reduction or withdrawal of any rating on such Bonds.

Any amendment or supplemental resolution or resolution authorized by the provisions of this Section 28(a) may be adopted by the City, by and through its Board, without the consent of or notice to the Registered Owners of any of the Outstanding Bonds, notwithstanding any of the provisions of Section 28(b) below.

(b) *Amendments Requiring Consent of Registered Owners.* With the consent of the Registered Owners of not less than fifty one percent (51%) in principal amount of the Bonds then outstanding the City, by and through its Board, may from time to time and at any time adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Bond Resolution or of any supplemental resolution; provided, however, that no such supplemental

resolution shall (i) extend the fixed maturity of any Bond, change a mandatory redemption requirement for any series of Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Registered Owners of the Bonds required to approve any such supplemental resolution, or (iii) deprive the Registered Owners of the Bonds, except as aforesaid, of the right to payment of the Bonds from the Net Revenues, without the consent of the Registered Owners of all the Outstanding Bonds or, (iv) cause any modification or reduction of the lien on or pledge of the Net Revenues or the funds or accounts established hereunder. No amendment may be made under this Section 28(b) which affects the rights or duties of the insurer of any of the Bonds without its consent.

It shall not be necessary for the consent of the Registered Owners under this Section 28(b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the adoption by the City of any supplemental resolution pursuant to the provisions of this Section 28(b), the City shall cause the Transfer Agent to mail a notice by registered or certified mail to the Registered Owners of all Outstanding Bonds at their addresses shown on the bond register or at such other address as is furnished in writing by such Registered Owner to the Transfer Agent setting forth in general terms the substance of such supplemental resolution.

SALE OF SERIES 2019 BONDS

Section 29. Negotiated Sale of Bonds; Appointment of Senior Managing Underwriter. Based on the advice of PFM Financial Advisors LLC (the “Municipal Advisor”), it is hereby determined to be in the best interest of the Board to sell the Series 2019 Bonds by negotiated sale in order to enable the Board to select and adjust terms for the Series 2019 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 Series 2019 Bonds, and to achieve sale efficiencies so as to reduce the cost of issuance and interest expense.

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 underwriters for any loss or damage that may result to the underwriters from the adoption of this resolution, and all costs and expenses incurred by the underwriters in preparing for sale of the Series 2019 Bonds shall be paid from the proceeds of the Series 2019 Bonds, if the Series 2019 Bonds are issued, except as may be otherwise provided in the Bond Purchase Agreement for Series 2019 Bonds.

Section 30. 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 31. Official Statement. The Chief Financial Officer is authorized to approve circulation of a Preliminary Official Statement describing the Series 2019 Bonds and, after sale of the Series 2019 Bonds, to prepare, execute and deliver a final Official Statement.

Section 32. Continuing Disclosure. The Chief Financial Officer is hereby authorized to execute and deliver, prior to delivery of the Series 2019 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 33. Sale of Series 2019 Bonds. The Chief Financial Officer is authorized, in consultation with the Municipal Advisor, to accept an offer to purchase the Series 2019 Bonds without further resolution of this Board. This authorization includes, but is not limited to, determination of original principal amount of the Series 2019 Bonds; the prices at which the Series 2019 Bonds are sold; the date of the Series 2019 Bonds; the schedule of principal maturities and whether the Series 2019 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 Series 2019 Bonds; and application of the proceeds of the Series 2019 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 Series 2019 Bonds or other offer to purchase the Series 2019 Bonds, or a certificate of award of sale, or the Official Statement.

The maximum interest rate of the Series 2019 Bonds shall not exceed 5.50% per annum. The purchase price for the Series 2019 Bonds, exclusive of any original issue discount or premium, shall not be less than 97% of the principal amount of the Series 2019 Bonds, plus accrued interest, if any. In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Municipal Advisor.

In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Municipal Advisor.

Section 34. 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 such actions. 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 Series 2019 Bonds within the parameters of this resolution, 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, credit facility fees, insurance premiums, transfer agent fees,

municipal advisor fees, bond counsel fees, and any other costs necessary to accomplish sale and delivery of the Series 2019 Bonds within the parameters of this resolution.

MISCELLANEOUS

Section 35. Applicability of the Outstanding Bond Resolutions. Upon delivery of the Series 2019 Bonds in an amount sufficient to cause the Registered Owners of the Series 2019 Bonds to equal not less than fifty one percent (51%) in principal amount of the Bonds then outstanding the provisions and covenants provided in the prior Bond Resolution adopted by the Board and amended and restated on October 24, 1989 and further amended and supplemented from time to time shall no longer apply.

Section 36. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are rescinded as of the effective date of this Resolution.

Section 37. 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 38. 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, 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 39. 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, March 27, 2018, 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 _____
_____ and that the following
Commissioners were absent: _____.

We further certify that Commissioner _____ moved adoption of said resolution, and that said motion was supported by Commissioner _____.

We further certify that the following Commissioners voted for adoption of said resolution _____
_____ and that the following
Commissioners voted against adoption of said resolution: _____.

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.

Chairperson

Corporate Secretary



Internal Audit Status Report

Presented by:
Phil Perkins, Director of Internal Audit
Finance Committee Meeting
March 2018

Overview

- FY 2018 Audit Plan Progress Report
- Proposed Internal Audit Succession Plan

FY 2018 Audit Plan Progress Report

Engagements Completed:

1. Water Production Data Reporting Audit (FY 18)
2. Identity & Access Management Audit (FY 17 carryover)
3. Succession Planning Audit (FY 18)
4. Time Reporting Review #1
5. Surprise Cash Count #1

Engagements in Progress:

1. Cash Receipts Audit (FY 18) – 90% complete
2. Customer Arrangements/Third Party Payments Audit (FY 18) - underway
3. Time Reporting Review #2 – in progress
4. Consulting – Payroll/Benefits Internal Controls – in progress

FY 2018 Audit Plan Progress Report (2)

Remaining Engagements:

1. Contract Authorization & Approval Process Audit
2. Physical Access Management Audit
3. Surprise Cash Count #2
4. Consulting – Other Areas Affected by Reorganization

Other:

- Risk Assessment & Annual Planning for FY 2019 Audit Plan

Proposed Internal Audit Succession Plan

- Plan is to hire experienced senior internal auditor with IT auditing experience by June 30, 2018.
 - This will provide one year of experience, training, etc. for the new employee prior to the incumbent Internal Auditor's planned retirement date.
 - The new hire would have the opportunity to move into the Internal Audit Director's role if performance and desire so warranted.
- As a potential supplement providing targeted IT audit expertise when needed, an RFP will be sent for competitive bids for services starting in FY 2019.