



**BOARD OF WATER AND LIGHT  
REO Town Depot  
1201 S. Washington Ave., Lansing, Michigan  
May 22, 2018 - 5:30 p.m.  
BOARD MEETING AGENDA**

**1. Roll Call**

**2. Pledge of Allegiance**

**3. Approval of Minutes**

- a. Regular Board Meeting Minutes of March 27, 2018

**4. Public Comment**

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

**5. Communications**

- a. Electronic mail from Evelyn Fratzke re: An Increase in BWL Service Charge
- b. Electronic mail re: Power outages at Court One Medical Professional Building

**6. Committee Reports**

- a. Committee of the Whole Meeting (May 15, 2018) – Tony Mullen, Chair
- b. Finance Committee Meeting (May 15, 2018) – Ken Ross, Chair

**7. Manager's Recommendations**

**8. Unfinished Business**

**9. New Business**

**10. Resolutions/Action Items**

- a. FOIA Policy & Resolution
- b. Cash Reserve Policy & Resolution
- c. FY 2019-2024 Operating and Capital Budget & Forecast Resolution
- d. Capital Exceedance IT- Infrastructure Redesign Resolution
- e. Revised Investment Policy Statements & Resolution

**11. Manager's Remarks**

**12. Commissioners' Remarks**

**13. Motion of Excused Absence**

**14. Public Comment**

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

**15. Adjournment**



**MINUTES OF THE BOARD OF COMMISSIONERS MEETING  
LANSING BOARD OF WATER AND LIGHT**

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**March 27, 2018**

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The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on March 27, 2018.

Chairperson David Price called the meeting to order at 5:30 p.m.

Present: Commissioners David Price, Beth Graham, Dennis Louney, Anthony McCloud, Anthony Mullen, Ken Ross (arrived at 6:08 p.m.), Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), William Long (Delta Township) and Brian Ross (DeWitt Township).

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Graham led the Pledge of Allegiance.

Commissioner Price wished Commissioner Graham a happy birthday.

**SPECIAL CEREMONY - 5K RUN PROCEEDS TO MCLAREN GREATER LANSING HEALTHCARE FOUNDATION**

General Manager Dick Peffley welcomed Rachel Turek from the McLaren Foundation and presented a check in the amount of \$1,681.00 which is the proceeds from the 9<sup>th</sup> Annual BWL Hometown Power 5K. The next BWL Hometown Power 5K will be August 11, 2018.

**APPROVAL OF MINUTES**

**Motion** by Commissioner Thomas, Seconded by Commissioner Graham, to approve the Regular Board Meeting minutes of January 23, 2018.

**Action:** Motion Carried

**PUBLIC COMMENTS**

The following speakers spoke in favor of the natural gas plant project:

Steve Claywell, Michigan Building Trades

Tim Damon, President and CEO of Lansing Regional Chamber of Commerce

Hector Wyatt, Local 499 laborer  
Evan Morton, MSU student and SAC Housing Community  
Chris Keck, Lansing, MI  
Ron Byrnes, Lansing, MI  
Mark Towez, Lansing, MI  
Tyler McCastle, Lansing, MI  
Rudy Agilar, Delta Township, MI

The following speakers spoke against the natural gas plant project:

Becky Payne, Lansing Environmental Action Team  
Steve Rall, Lansing, MI  
Dot Johnson, Lansing, MI  
Sam Briggs, East Lansing, MI  
Scott Bell, Lansing, MI  
Anna Fischer, Lansing Environmental Action Team  
Miranda Summerfeld, Lansing, MI  
Rachel Lambert, Lansing, MI  
Ashley Huska, East Lansing, MI  
Carol Rall, Lansing, MI  
Tommy Tackett, Lansing, MI  
Timothy Pilsbury, Lansing, MI  
Elaine Derbofichov, Lansing, MI  
Terry Link, East Lansing, MI  
Bob Barnhart, Lansing, MI  
Melanie Mack, Lansing, MI  
Kirk Webb, Lansing, MI  
Joseph Ryan, Lansing, MI

Another member of the public from State Health Care, State of Michigan, spoke regarding the natural gas plant project.

#### **COMMUNICATIONS**

Electronic Mail received From or Re:

- a. Electronic mail from Dave Errickson re Proposed Power Plant - *Referred to Management. Received and Placed on File*

Commissioner Ken Ross presented the Finance Committee Report:

#### **FINANCE COMMITTEE Meeting Minutes March 13, 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, March 13, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 5:00 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Beth Graham, Dennis Louney, and David Price. Also present: Commissioners Anthony Mullen, and Sandra Zerkle, and Non-Voting Commissioners Bill Long (Delta Township), Douglas Jester (East Lansing) (arrived at 5:30 pm), and Brian Ross (DeWitt Township) (arrived at 5:17 pm).

The Corporate Secretary declared a quorum.

**Public Comments**

Steve Claywell, President of Michigan Building and Construction Trades Council, spoke in support of BWL's vision and infrastructure project and meeting the needs of the community.

**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of January 9, 2018.

**Action:** Motion Carried.

**Tax Reform Update**

Heather Shawa, Chief Financial Officer, introduced Scott Taylor, Finance Manager, who presented the potential impacts of the Tax Cuts and Jobs Act. Mr. Taylor spoke about how the tax reform affects the BWL with the preserved ability to issue tax exempt bonds, the elimination of tax exempt advanced refunding, the reduction to income tax rates, charitable donations, retirement plans, and employee payroll.

Commissioner Price asked if Pennies for Power donations would affect any of the rate payers' tax rates. Ms. Shawa responded that Pennies for Power collects about \$55,000 total per year but individually the amounts are smaller, unless there is a one-time donation, and thus the tax rate wouldn't be impacted.

**FY19 O&M and Capital Budget Overview/Budget Timeline**

Heather Shawa reported that FY19 O&M and Capital Budget are well underway. The Capital budget is being finalized and executive approval will be obtained. The initial submission of FY19 O&M Budget will be examined with the directors and management team over the next two weeks. The FY19 O&M Budget is to be finalized for executive and General Manager approval by the end of March or beginning of April, and then this budget will be presented at the May Finance Committee meeting. The Six Year Forecast will be issued for acceptance at the May meeting also.

**January YTD Financial Summary**

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

The dashboard provides a comprehensive overview of the organization's financial performance for January 2018. It includes several key components:

- Cash:** A pie chart showing the distribution of cash resources, with a total cash balance of \$214,333,527.
- Income Statement YTD:** A table comparing Actual YTD, Budget YTD, and Prior YTD for various categories such as Total Revenue, Operating Expenses, and Net Income.
- Budget Status YTD:** A table showing the variance between the Approved Budget and the Actual YTD for O&M Budget (excluding fuel) and Capital Budget YTD.
- Return on Assets:** A table comparing the Return on Assets for the current year (9.2%) against the Prior Year (9.2%).
- Ratios:** Key financial ratios including Operating Ratio, Current Ratios, Debt to Total Assets, and Days Sales Outstanding.
- Employee Data:** A pie chart and table showing the distribution of employees between Regular (67%) and Beginning (33%) status, along with payroll data and benefits cost.
- Debt Debt:** A table showing the Debt Debt ratio, comparing the Actual YTD (0.27%) to the Budget YTD (0.27%).

Cash balance and metrics remain green and continue to be on track. The first bond interest payment was made on January 1, 2018 which reduced slightly the restricted funds. The Income Statement indicates that the total revenue through January actual is slightly over \$208 million compared to budget of \$206 million, the Net Income actual exceeds the budget, and the Projected Net Income is at the budgeted amount and on track. The O&M YTD is on track and Capital Spend is slightly under budget but projections are to still spend the capital budget on the projects that will be starting. Three of the five ratios are being met. Temporary employee headcount increased by 12 in the 1<sup>st</sup> S.T.E.P. program. Payroll data is tracking up on overtime due to holiday costs and an outage.

### **Revised Travel and Reimbursement Policy**

Ms. Shawa introduced Lori Pung, General Accounting Manager, who reviewed the updates for the Revised Travel and Reimbursement Policy. Ms. Pung provided an overview of the following summary and clarification of the revisions.

### **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.”

Commissioner Price requested that an amendment be made to the policy by removing the language “excludes Non-Voting Advisory Commissioners” under the Scope section.

Commissioner Long asked for a clarification on travel expenses being made by P-Card, and whether the removal of the language “excludes Non-Voting Advisory Commissioners” under the Scope section applied to one-year non-voting advisory commissioners. Ms. Pung responded that travel expenses for the commissioners were placed on the Corporate Secretary’s P-Card and that the removal of the language “excludes Non-Voting Advisory Commissioners” applied only to four-year term commissioners. After a brief discussion it was determined that the exclusion should only apply to the 1-year term Commissioner.

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to accept the Proposed Revised Travel and Reimbursement Policy Resolution with amendment to include 4-year Advisory Commissioners.

**Action:** Motion Carried

### **Bond Resolutions**

Ms. Shawa presented the funding strategy and Mr. Taylor presented the executive summary of the Fifteenth Supplemental and Amended and Restated Utility System Bond Resolutions. Ms. Shawa stated that the bond resolutions are the next formal step in the process for providing funding for a new plant and other system improvements. Ms. Shawa noted that the work done on the bond resolutions was done in consultation and development with Chris Lover, who serves as BWL's financial advisor, and his team from Public Financial Management (PFM), and also with Bill Danhoff and his team from Miller Canfield, who serve as bond counsel. Julia Baker and Chris Dembowsky from Miller Canfield were in attendance at the meeting. Ms. Shawa also noted that the first formal step in the funding process was taken at the last Finance Committee meeting and that the published Notice of Intent started a 45-day referendum period which expired today, March 13, 2018 at 5:00 pm.

Ms. Shawa outlined the following items in the funding strategy:

- Issuing the \$500 million fixed rate bonds right away is the simplest but most expensive way as once the bonds are issued the interest starts capitalizing.
- Issuing the fixed rate bond in three phases; issuance of \$100 million of bond anticipation notes; issuance of \$400 million in fixed rate revenue bonds of which \$100 million will be used to pay back the \$100 million line of credit and the remainder will be set aside to finance further construction; issuing the remaining \$100 million in variable rate bonds

There was dialogue regarding the line of credit in comparison to a fixed rate bond. In response to the dialogue, Mr. Taylor commented that there was a 3% line of credit rate. There was also discussion on interest rates and locking in for a lower rate with the expectancy of increased or raised rates. Mr. Taylor conveyed that the strategy is continually monitored and can be revised if the rates are going to increase.

Mr. Taylor outlined the following items from the Fifteenth Supplemental Resolution which authorizes the CFO to execute phase one of the strategy:

- Authorized up to \$100 million of Bond Anticipation Notes to finance cost 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.

Mr. Taylor outlined the following items from the Amended and Restated Utility System Revenue Bond Resolution which authorizes the CFO to execute phases two and three of the strategy, restates the existing resolution, and amends some provisions:

- 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);
  - o Permit separate bond reserve accounts (with different requirements) for each

- series of bonds;
- o 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:
  - o 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.
  - o 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.

Commissioner Jester inquired about the opportunity costs if there is a need for the Board to make further investments and what are the limits and additional capacity to deal with future needs. General Manager Peffley responded that the Erickson plant will be retired in 2025, Edison’s Belle River plant in 2030, and the new plant with the renewable portfolio will take the BWL through those retirements. The next stage of review will be in 2030 and the debt will have been paid down. Ms. Shawa responded that the Six Year Forecast will be presented in May and rating agencies will look at those metrics. GM Peffley added that the \$500 million that is being borrowed is for the new plant and other system and technology project improvements and that ways to reduce costs are still being reviewed.

**Motion** by Commissioner Louney, Seconded by Commissioner Mullen, to forward for consideration with the recommendation to adopt the Fifteenth Supplemental Bond Resolution as presented to the full Board.

**Action:** Motion Carried

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to forward for consideration with the recommendation to adopt the Amended and Restated Utility System Bond Resolution as presented to the full Board.

**Action:** Motion Carried

**Internal Audit Status Report**

Internal Auditor Phil Perkins presented the FY 2018 Audit Plan Progress Report and the Proposed Internal Audit Succession Plan.



Overview

Internal Audit Status Report

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

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





## 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



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## 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



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## 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.



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Upon conclusion of Mr. Perkin's presentation a discussion followed regarding whether the succession plan was a Human Resources Committee Meeting item or a Finance Committee meeting item. A consensus followed that the succession plan was both a Human Resources and Finance Committee item. After a short discussion regarding this matter it was determined that Mr. Perkins should proceed with the with the hiring process.

### Other

None

### Adjourn

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to adjourn the meeting. Commissioner Ross adjourned the meeting at 6:03 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

## **MANAGER'S RECOMMENDATIONS**

There were no Manager Recommendations.

## **UNFINISHED BUSINESS**

There was no Unfinished Business.

## NEW BUSINESS

There was no New Business.

### RESOLUTIONS/ACTION ITEMS

#### **RESOLUTION #2018-03-01**

#### **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.

**Motion** by Commissioner Ross, Seconded by Commissioner Graham, to approve the Revised BWL Travel & Reimbursement Policy Resolution.

**Action:** Motion Carried.

#### **RESOLUTION #2018-03-02**

#### **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 David Price  
Chairperson

Countersigned:

By M. Denise Griffin  
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: Commissioners David Price, Beth Graham, Dennis Louney, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that the following Commissioners were absent: None.

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

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

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



Chairperson



Corporate Secretary

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**RESOLUTION #2018-03-03**

**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 David Price  
Chairperson

Countersigned:

By M. Denise Griffin  
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: Commissioners David Price, Beth Graham, Dennis Louney, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that the following Commissioners were absent: None.


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

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

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



Chairperson



Corporate Secretary

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#### **MANAGER'S REMARKS**

General Manager Peffley introduced Steve Serkaian, BWL Executive Director of Public Affairs, to give some project updates. Mr. Serkaian spoke as a member of the Board of Directors of the Greater Lansing Arts Council and stated that March is Art Advocacy Month. BWL made a public art commitment and pledged \$20,000 every three years to place art on the walls of the Central Substation. The Arts Council is facilitating the BWL's RFP that began earlier in the month. The RFP review team will be judging submissions from artists from across the tri-county region. The art work will be unveiled at about the time the substation is expected to be operational in the fall.

#### **COMMISSIONERS' REMARKS**

Commissioner Ross thanked the public for their comments and the input made over the course of the project.

Commissioner Price seconded Commissioner Ross' comment and agreed that the decision was not made quickly.

#### **PUBLIC COMMENTS**

Dot Johnson spoke about not being able to obtain information from the BWL regarding putting solar panels on the roof of her home. Ms. Johnson also asked why the BWL doesn't participate in the Michigan Saves program.

Rachel Lambert asked if the Commissioners' votes for the Bond Resolution was unanimous.

#### **ADJOURNMENT**

Chair Price adjourned the meeting at 6:38 p.m.

M. Denise Griffin, Corporate Secretary  
Preliminary Minutes filed (electronically) with Lansing City Clerk: 4-4-18  
Official Minutes filed (electronically) with Lansing City Clerk: \_ \_ \_

Data from form "E-mail BWL Commissioners" was received on 4/30/2018 8:16:36 AM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	Evelyn Fratzke
Address	5526 Birchwood Way
email	<a href="mailto:fratz62252@aol.com">fratz62252@aol.com</a>
E-mail Subject	"Service" charge
Message	<p>Good Morning! I just received my latest bill and noticed that the "service charge" has increased from \$10 in February to \$13, a 30% !!! increase. My total bill was only \$49.30, so this \$13 represents nearly 25% of the total bill. Inasmuch as you are now moving to smart meters which should decrease your labor costs, I have to wonder what this \$13 is paying for. I think it is ridiculous to charge customers for just sending a lousy bill. I also believe that if you feel it is necessary to gouge us, you should make this fee a percentage of the total bill; i.e., those using less electricity would pay a lower "service charge". This might motivate people to use less electricity and save some resources. I realize that everyone has, over the last few years, decided to charge us on top of the actual cost of electricity, gas, or water. If you really need the money, just fold it into the cost of the resource. I yearn for the "good old days" when it was just enough to send us a bill without us incurring additional charges.</p>



Data from form "E-mail BWL Commissioners" was received on 5/17/2018 10:37:19 AM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	Court One Medical Professional Building
Address	1515 Lake Lansing Road Lansing MI 48912
email	<a href="mailto:beth@messengerdermatology.com">beth@messengerdermatology.com</a>
E-mail Subject	Power outage 5/17/18
Message	We have had two power outages today. I understand that one was planned to move things because of the initial outage. We perform surgical procedures throughout the day. If there is a scheduled outage and we are not informed our patients could suffer. It would be nice to have a courtesy call to let us know so our physicians do not get started on a procedure and then have to stop in the middle. Thanks,

Email "Power outage 5/17/18" originally sent to [mdg@lbwi.com](mailto:mdg@lbwi.com) from [noreply@lbwi.com](mailto:noreply@lbwi.com) on 5/17/2018 10:37:19 AM.

## COMMITTEE OF THE WHOLE

### Meeting Minutes

May 15, 2018

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 15, 2018.

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

Present: Commissioners Tony Mullen, Dennis M. Louney, Anthony McCloud, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Member: Doug Jester (East Lansing).

Absent: Commissioners Beth Graham, William Long (Delta Township) and Brian Ross (DeWitt Township).

The Corporate Secretary declared a quorum.

#### **Public Comments**

None.

#### **Approval of Minutes**

**Motion** by Commissioner Price, **Seconded** by Commissioner McCloud, to approve the Committee of the Whole meeting minutes of January 9, 2018.

**Action:** Motion Carried.

#### **FOIA Policy & Procedures & Resolution**

General Counsel Brandie Ekren introduced Paralegal Elissa McDaniels who summarized proposed revisions to the BWL Freedom of Information Act (FOIA) Policy & Procedures. Ms. McDaniels stated that the BWL, as a board, generally address FOIA compliance in its Rules of Administrative Procedure Section 19.4, which is in alignment with City of Lansing, and in accordance with PA 442 of 1976.

After reviewing the current policy and consulting with the Lansing City Attorney and Lansing City Clerk, staff proposed a revised FOIA Policy. This Policy would remain in alignment with the City of Lansing but there would be some operational changes. A summary of changes is outlined below as well as some benefits to the BWL and its Customers.

City of Lansing Policy	BWL Policy
Section 1. FOIA Coordinator = Lansing City Attorney	Updated to reflect BWL General Counsel as FOIA Coordinator
Section 2. How to submit request	Modified to BWL contact information
Section 9. Appeal goes to the President of City Council	Appeal goes to Chair of the Board of Commissioners
I. FOIA Training	Updated to align with BWL training practices
II. Receipt/Intake of FOIA Request	Updated to align with current practice of Legal Analyst intake,

III. Requesting record from applicable departments	logging into BWL electronic filing log system Updated to align with actual BWL electronic filing system and provide notice to COL City Attorney in alignment with collaborative efforts with City
VI. Law Enforcement references (p. 15)	Struck law enforcement references as inapplicable to BWL (p. 15)
VIII. FOIA Payment Intake (p. 15-17) Follows COL's internal deposit slip procedure	Process to BWL Accounting and file copy in BWL electronic filing system under the FOIA log (p. 17)

**Benefits to the BWL and Customers**

- Increased clarity for requestors
- Streamlined process for FOIA processing
- Increased efficiency for Appeals process
- Compliance with FOIA timelines & other requirements

Commissioner Mullen and Zerkle presented questions regarding the appeal process and the role of the FOIA Coordinator.

General Counsel Ekren clarified the intent was to follow the statute which denotes that FOIA appeals are directed to the head of the public body, which is the Chair of the Board. General Counsel Ekren further explained that the revised FOIA Policy clarifies that the FOIA Coordinator is the BWL General Counsel as opposed to the "BWL Attorney" as the BWL has several attorneys performing work for the BWL both internally and externally.

Commissioner Ross presented questions and requested clarification about the appeal rights when a fee waiver request was denied, and why we had non-profit discount fee language for one type of non-profit but not all non-profits. After some dialogue it was determined that, in both cases, it was due to the fact that the BWL has not had much experience with waving fees/consideration, staff would obtain background information from the City of Lansing, because the proposed language was taken from the City's template.

General Counsel Ekren concurred with Commissioner Ross' recommendation to modify Section 9 of the policy and procedure document entitled Appeal of an Excessive FOIA Processing Fee to include language that would allow a requestor to appeal the FOIA Coordinator's denial of a fee waiver, or discount request in the same manner they appeal the amount of a fee. The Board directed Legal Counsel to solicit input from the Lansing City Attorney on this requested modification and proposed a subsequent adjustment to the policy and procedures after receipt of the City's data. General Counsel Ekren will also solicit background information from the City on how they consider fee waiver requests and the non-profit discount fee language. In conclusion, although the policy and procedures would be approved at May 22, 2018 Board meeting as presented, it could be amended later to incorporate the proposed modifications to Section 9.

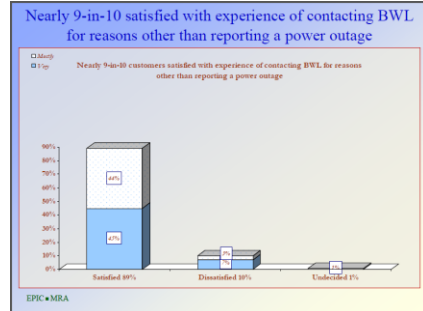
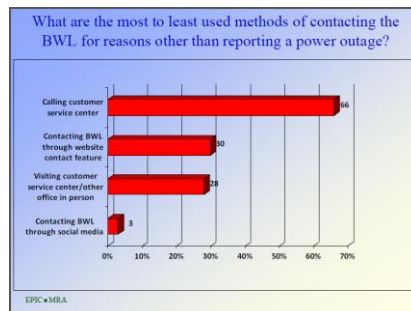
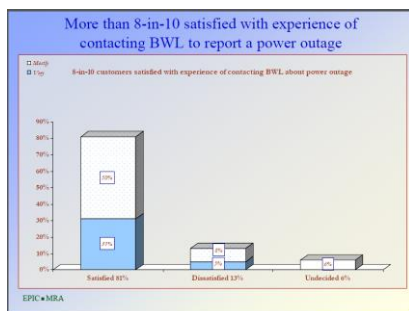
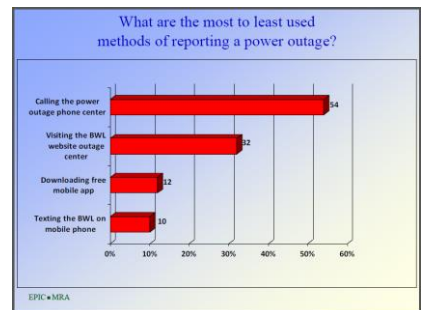
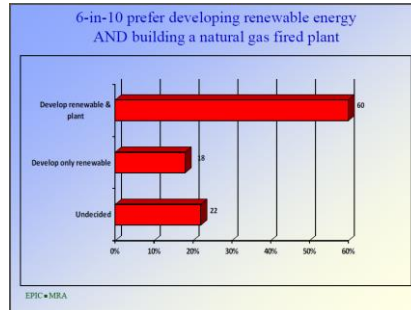
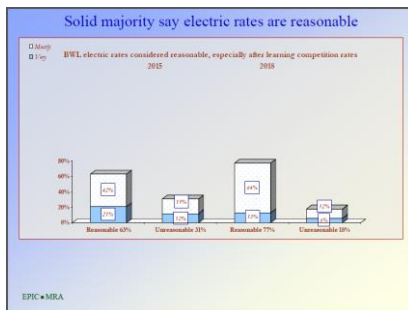
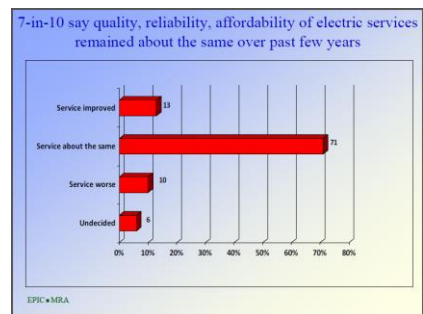
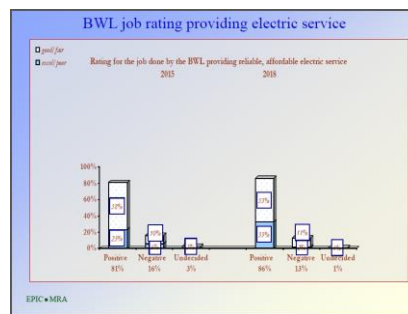
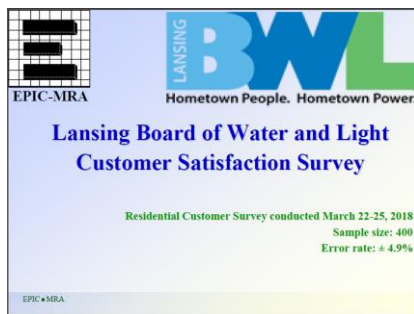
**Motion** by Commissioner Price, **Seconded** by Commissioner McCloud to forward the FOIA Policy Resolution to the Board for consideration.

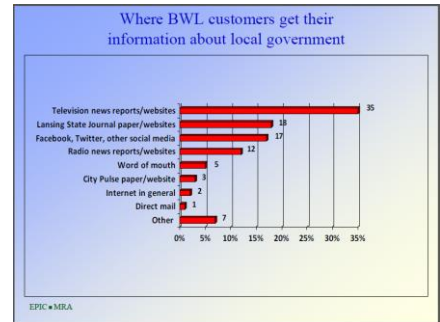
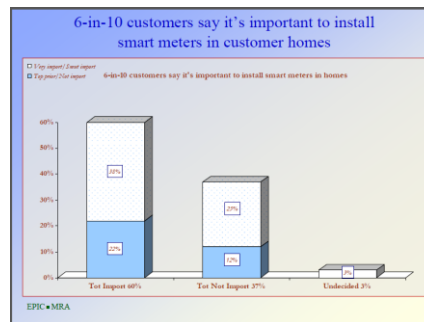
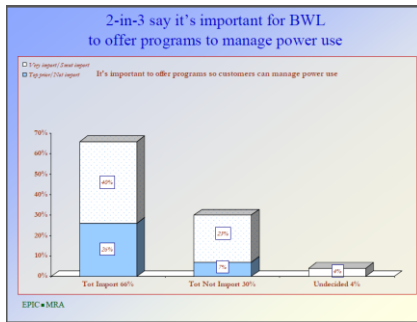
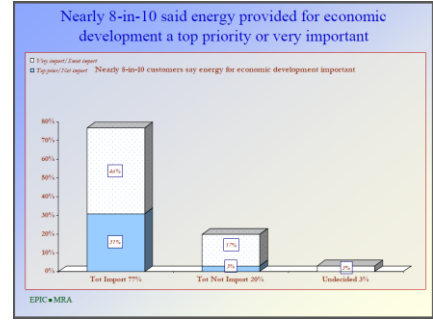
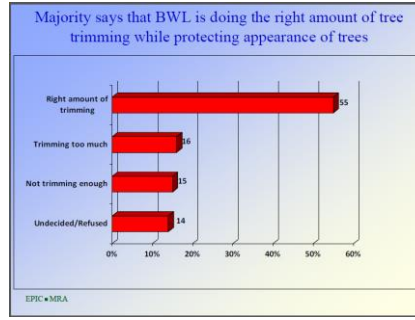
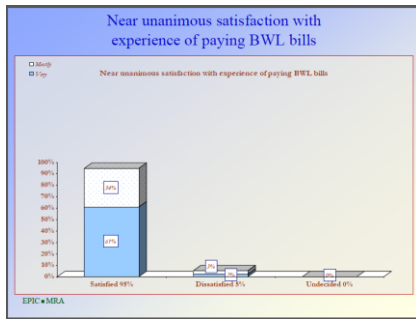
Commissioner Ross requested the right to reserve for amendment pending the outcome of General Counsel Ekren’s findings to his questions.

**Action:** Motion Carried.

**Customer Satisfaction Survey**

General Manager Peffley introduced Bernie Porn, President of EPIC-MRA, who reviewed the results of the Customer Satisfaction Survey that was conducted in March 2018 and the comparisons to the some of the survey results from 2015.





Commissioner Zerkle asked if there was a method for reaching and informing customers of the benefits of smart meters. General Manager Peffley responded that since almost half of the housing in Lansing are rental properties and landlords aren't concerned with utility services, as they are not responsible for paying them, the BWL is working on initiatives to inform landlords of the benefits of new heating systems as it relates to tenants. Mr. Porn responded that energy use management programs will be helpful for customers also.

Commissioner Jester asked whether there were any other items that caused fluctuations besides geographic and demographic variations. Mr. Porn responded that family size and income were additional factors.

Commissioner Price inquired about the capital income differential between Delta Township, City of Lansing, and City of East Lansing. Mr. Porn responded that he believes there are significant differences in household income between those areas. General Manager Peffley stated that the survey includes this information.

Commissioner Ross asked if the Board conducts any type of internal customer surveys and if so, whether the numbers align with the results of the presented survey. General Manager Peffley responded that the BWL does not.

Commissioner Zerkle commented that adding a caveat to any published material regarding the survey stating that the BWL will reach out to its customers and provide information on assistance that may be of help to them. General Manager Peffley responded that even though customer approval rating is high, extra steps will be made to acquire higher approval of all customers.

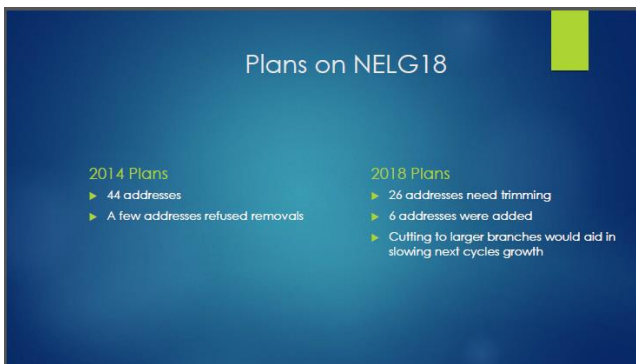
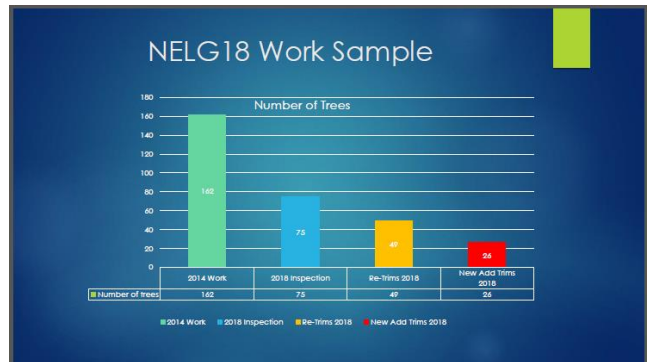
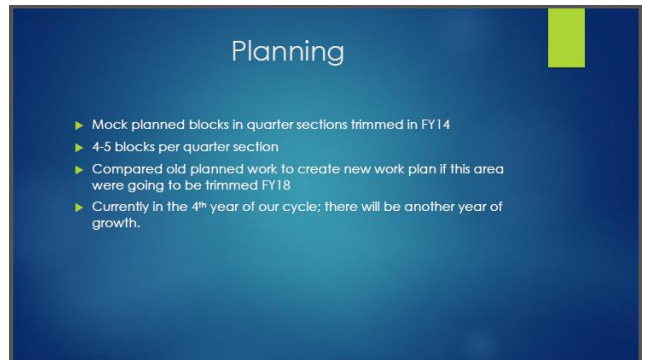
Commissioner Jester congratulated the staff for earning the high customer rating. He commented on the costs for low income customers and requested a change to the way their rates are calculated.

Commissioner Ross asked if smart meters are the way to better ratings and to give the customer control. He also commented that the energy efficiency programs are mostly helpful to larger customers.

Commissioner Mullen asked that the discussion be tabled and held during a Finance Committee meeting. He also suggested that future rate strategies reflect smaller increases made every year according to inflation.

**Tree Trimming Presentation**

General Manager Peffley highlighted the benefits of the Vegetation Management trimming cycle. He noted that the entire service territory in East Lansing is trimmed according to BWL standards.



## Pictures of Re-Growth



## Comparison



## Conclusion of NELG18

- ▶ Of all the yards walked out, roughly 60% needed trimming on next cycle
- ▶ Of that 60%, most trees seemed to be Maple trees suckering back
- ▶ A few refusals could be removals next cycle
- ▶ Small amount were trimmed before the no-overhang policy
- ▶ Considerable grow back in the 4 years; will still require a fair amount of trimming next cycle.

## SWLG21

2014-2018  
MOORES RIVER PARK AREA

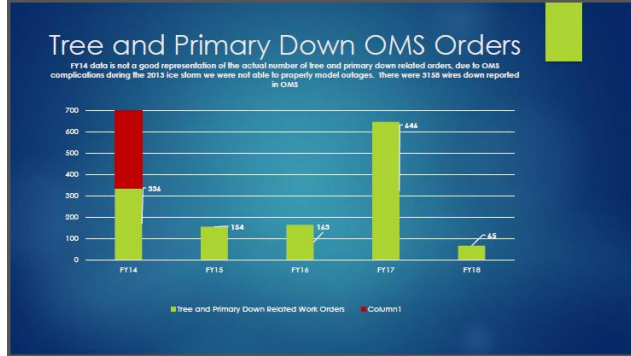
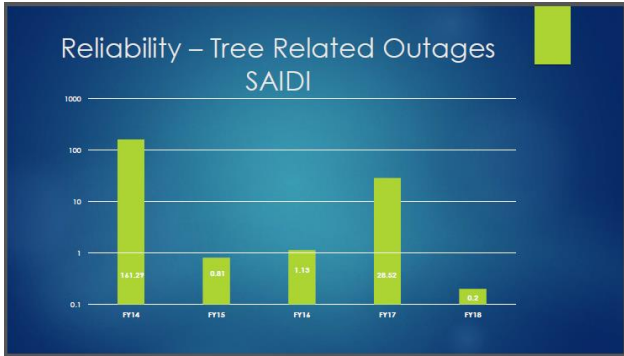
## SWLG21 Work Sample



## SWLG21

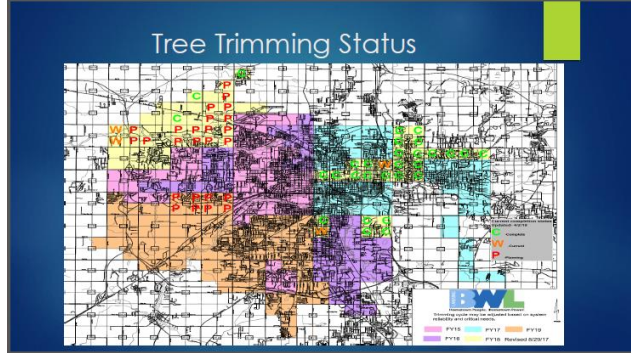
- ▶ Area along the Grand River near Moores River Park
- ▶ Area consists of many mature City trees
- ▶ City doesn't want removals so higher amount of sucker growth
  - ▶ May see increase in removals in rear lines due to re-trimming hard trimmed trees from last cycle
- ▶ Most common trees grown back are Maple or Zelkova that grow like weeds
  - ▶ These are the fastest growing species
- ▶ Most of trees needing trimming are bucket trees
- ▶ Some trees were recommend for removal, however, homeowners opted to keep the trees resulting in many lopped trees that are now dead or sending new shoots towards the lines





### Conclusion

- ▶ At least 40-50% of trees trimmed 5 years ago require trimming
- ▶ Mostly Maple trees are sprouting back
- ▶ Amount of trees is far less
- ▶ Workload will decrease after the first cycle is completed
- ▶ Sucker growth will compose the majority of tree trimming in the future cycles, however, some areas will still require extensive trimming.



John Rademacher, BWL Utility Forestry Supervisor assisted General Manager Peffley with providing information on the Tree Trimming agenda item. General Manager Peffley stated that new height appropriate trees are provided to customers as replacement for trees that are cut down. The “Right Tree in the Right Place” program currently in place was paused during budget constraints, resulting in large number of trees needing trimmed.

Commissioner Zerkle commented that customers have the liberty to have arborists complete tree trimming to their specifications, therefore, the BWL would essentially not have significant trimming to perform. She proposed a consideration that the presentation and information at hand be provided to City Council. General Manager Peffley responded that the information is available for them and has offered to make the presentation at the next BWL and City Council joint meeting. Commissioner Zerkle also asked if additional BWL tree trimming teams will be instated, opposed to keeping tree trimming contractors after the current tree trimming program is completed. General Manager Peffley responded that opportunities are being explored.



Commissioner Price asked whether tree trimming practice is done on the drop from the pole to the house and Mr. Rademacher responded that one to two feet are trimmed so that there is a minimal and adequate opening for the power lines.

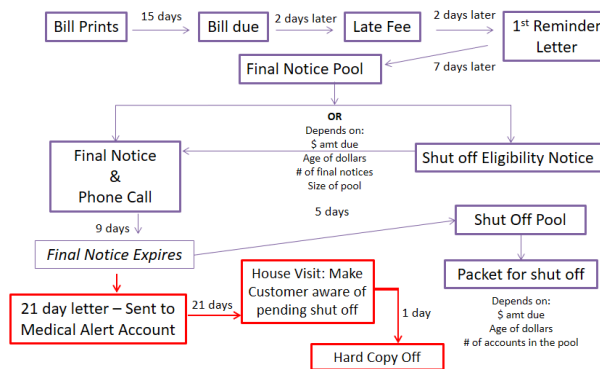
Commissioner Jester inquired about System Average Interruptible Duration Index (SAIDI) and restoration time. General Manager Peffley responded that SAIDI indicates the total customer outage minutes and the advantages of tree trimming. He also stated that the restoration time is a lot quicker when there is only a recently fallen branch or tree to remove.

**Collection Practices & Procedures**

Commissioner Mullen stated that this item was placed on the agenda to answer some questions that the Mayor’s office is receiving regarding the BWL’s policies and procedures regarding bills and shutoffs when customers get behind on their bills.

Bob Perialas, Customer Service Manager, reviewed the collection cycle as well as the BWL’s practices and procedures. Additionally, Mr. Perialas reviewed items that are done proactively to help customers, such as payment arrangements and energy efficiency recommendations. Mr. Perialas stated that helpful pamphlet, brochures and kits are available for the public.

**Collection Cycle**



**General Manager’s Update**

General Manager Peffley spoke about the following items:

1. Sex Trafficking Awareness: news story done by Channel 6
2. Adopt-a-River: 25<sup>th</sup> year anniversary
3. Building Trades Article
4. WJR Radio Interview on May 17, 2018: How Lansing is innovative on solving the infrastructure problem in Michigan
5. BWL Employee Scott Hamelink spoke on lead service replacement at the Creating Healthy Communities: Get the Lead Out Conference
6. BWL employee Randy Roost will be speaking on lead service line replacement at the Engaging Local Government Leaders Conference in Denver.
7. The 1<sup>st</sup> S.T.E.P. Graduation is Wednesday, May 16<sup>th</sup> at 4 pm at the Depot

## **Other**

Commissioner Price commented on the placard that is being provided to Commissioners to place in their vehicles during meetings held at the BWL. He also spoke about the follow-up email that was sent to the Commissioners from the Community Service Commission that oversees the AmeriCorp program in Michigan.

The BWL was selected for a Governor's Service Award for corporate community leadership. The event will be held at the Wharton Center on June 5<sup>th</sup> and Commissioner Price encouraged attendance. Commissioner Price also said he participated in the Adopt a River event on May 12<sup>th</sup> and helped with the hand out of trees.

An email was sent to all Commissioners from Internal Auditor Phil Perkins regarding a meeting he had with Commissioner Louney who provided suggestions for potential candidates for apprenticeships and other bargaining positions. Commissioner Price requested that this topic be presented for discussion. Commissioner Mullen responded that the General Manager and his staff are working on filling these positions. Commissioner Louney provided some background on the process and suggested that regular reviews be put in place. Commissioner Zerkle concurred that follow-through is necessary and succession planning needs to be further designed. General Manager Peffley responded to Commissioner Price's comment that part of the BWL's strategic plan is to ensure that the employees currently at the Eckert station have positions at the BWL once Eckert closes, as such, some positions have been held open for that reason.

## **Adjourn**

**Motion** by Commissioner Price, **Seconded** by Commissioner McCloud to adjourn the meeting.

Meeting adjourned at 7:27 p.m.

Respectfully Submitted  
Tony Mullen, Chair  
Committee of the Whole

# FINANCE COMMITTEE Meeting Minutes May 15, 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, May 15, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:31 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Dennis Louney, David Price, and Sandra Zerkle. Also present: Commissioner Anthony Mullen, and Non-Voting Commissioners Douglas Jester (East Lansing).

Absent: Commissioner Beth Graham, and Non-Voting Commissioners Brian Ross (DeWitt Township) and William Long (Delta Township)

The Corporate Secretary declared a quorum.

## Public Comments

None

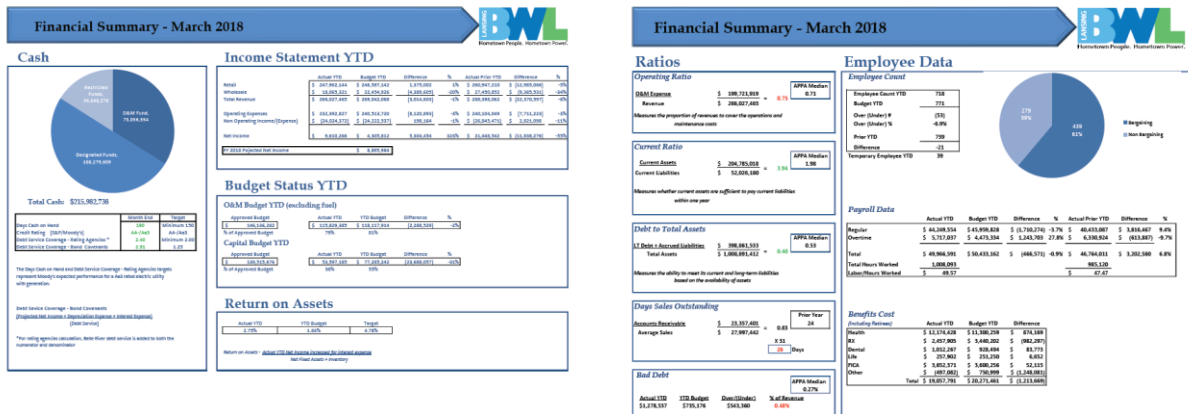
## Approval of Minutes

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of March 13, 2018.

**Action:** Motion Carried.

## March YTD Financial Summary

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



Cash metrics, net income, and return on assets remain on track. Capital budget spending is consistent with YTD. Spending on capital is underspent with the primary driver of the new plant. The cost for long lead procurement items hasn't started yet so capital spend is 8% under rather than 31%. Ratios are consistent with the last few months. For Employee Data there is an FTE of 39 temporary employees. The budgeted headcount is 754 and it is higher this month because of 1<sup>st</sup> S.T.E.P. students. There are 700 active employees and 40 positions posted.

## Cash Reserve Policy & Resolution

Scott Taylor, Finance Manager, presented the proposed Cash Reserve Policy Resolution. Currently, BWL operates under an informal policy. Mr. Taylor stated that it is a best policy practice to have a formal policy, which expresses a commitment to maintaining adequate reserves and remain financially sound, and rating agencies look favorably on such a commitment. Clearly defining the requirement and commitment to it, with a resulting slight increase in the target of days cash on hand, are the goals in the proposed policy. For each year of the six-year forecast the new policy includes a minimum cash reserve amount based on the following five risk factors:

- Operating expenditures
- Return on equity to the city
- Historical plans and service
- Debt service
- Capital improvements

Mr. Taylor reported that the policy is intended to be self-correcting and self-regulating by requiring that each budgeted forecast meet the minimum requirements. If the cash reserves were to fall below the minimum, the board would require necessary corrections in the next budget and forecast.

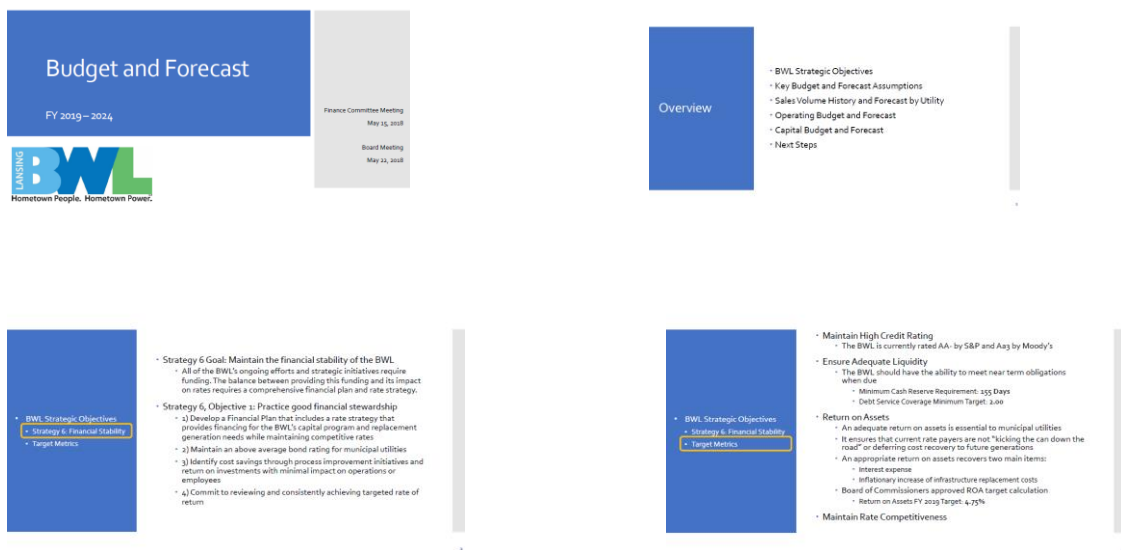
Commissioner Ross asked that since a goal of the policy wasn't to increase the target of days cash on hand but there may be a slight increase, what would happen under the current conditions if the policy was in place today. Mr. Taylor responded that the minimum cash days on hand would range between 153 and 159 days over the forecast period.

**Motion** by Commissioner Price, **Seconded** by Commissioner Louney, to forward the Cash Reserve Policy Resolution to the full Board for consideration.

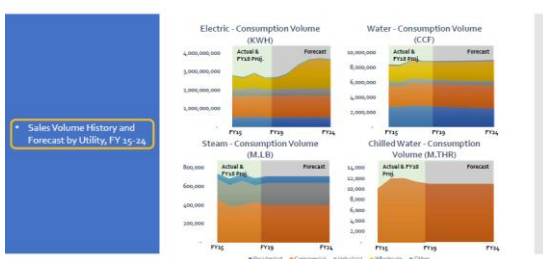
**Action:** Motion Carried

**FY 2019-2024 Budget & Forecast Presentation & Resolution**

CFO, Ms. Shawa presented the FY 2019-2024 Budget & Forecast and Resolution.

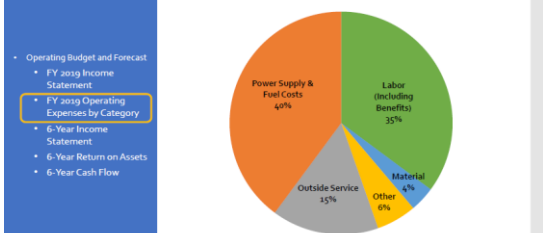


- Key Budget and Forecast Assumptions
  - All forecast O&M expense increases, excluding fuel, were capped at 2% of the previous fiscal year.
  - Eckert transitions from baseload operation to a seasonal capacity resource effective January 2019.
  - Total employee count is budgeted at 751 for FY 2019 and declines in each succeeding year.
  - Return on Equity to the city remains at 6.1%.
  - The new plant is operational in early calendar year 2021.
  - Bond interest is capitalized during the plant construction period.
  - Major steam customer contract expires October 2022. Forecast assumes contract is renewed.



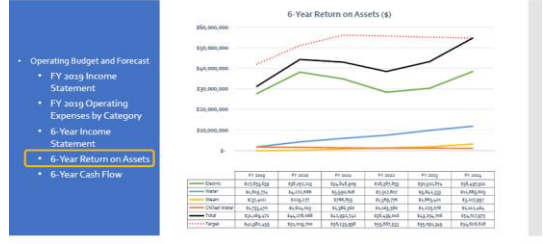
- Operating Budget and Forecast
- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	2018	2019	2020	2021	2022	2023	2024
<b>FY 2019 Income Statement</b>							
<b>Revenue (of MWh, Gas Fee)</b>	2,088,761,053	2,088,761,053	2,088,761,053	2,088,761,053	2,088,761,053	2,088,761,053	2,088,761,053
<b>Operating Expenses</b>							
Fuel and Purchased Power	\$ 84,956,561	\$ 84,956,561	\$ 84,956,561	\$ 84,956,561	\$ 84,956,561	\$ 84,956,561	\$ 84,956,561
Operational	\$ 17,118,230	\$ 17,118,230	\$ 17,118,230	\$ 17,118,230	\$ 17,118,230	\$ 17,118,230	\$ 17,118,230
Commercial	\$ 4,105,840	\$ 4,105,840	\$ 4,105,840	\$ 4,105,840	\$ 4,105,840	\$ 4,105,840	\$ 4,105,840
Industrial	\$ 2,282,500	\$ 2,282,500	\$ 2,282,500	\$ 2,282,500	\$ 2,282,500	\$ 2,282,500	\$ 2,282,500
Other	\$ 1,346,110	\$ 1,346,110	\$ 1,346,110	\$ 1,346,110	\$ 1,346,110	\$ 1,346,110	\$ 1,346,110
Non-Operating Expenses	\$ 304,904,091	\$ 304,904,091	\$ 304,904,091	\$ 304,904,091	\$ 304,904,091	\$ 304,904,091	\$ 304,904,091
<b>Total Operating Expenses</b>	\$ 398,405,422	\$ 398,405,422	\$ 398,405,422	\$ 398,405,422	\$ 398,405,422	\$ 398,405,422	\$ 398,405,422
<b>Operating Income</b>	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631
<b>Other Non-Operating Income/Expenses</b>	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510
<b>Total Non-Operating Income/Expenses</b>	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510
<b>Approved Rate Increase Effective 01/01/2019</b>	3.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
<b>Return on Assets</b>	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%



- Operating Budget and Forecast
- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	2018	2019	2020	2021	2022	2023	2024
<b>6-Year Return on Assets (%)</b>							
Electric	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Water	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Steam	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Chilled Water	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Other	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
Target	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%



- Operating Budget and Forecast
- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	2018	2019	2020	2021	2022	2023	2024
<b>6-Year Cash Flow</b>							
Operating Income	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631
Other Non-Operating Income/Expenses	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510
<b>Total Cash Flow</b>	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141

- Operating Budget and Forecast
- FY 2019 Income Statement
- FY 2019 Operating Expenses by Category
- 6-Year Income Statement
- 6-Year Return on Assets
- 6-Year Cash Flow

	2018	2019	2020	2021	2022	2023	2024
<b>6-Year Cash Flow</b>							
Operating Income	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631	\$ 1,690,355,631
Other Non-Operating Income/Expenses	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510	\$ 28,775,510
<b>Total Cash Flow</b>	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141	\$ 1,719,131,141

- Capital Budget and Forecast
- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

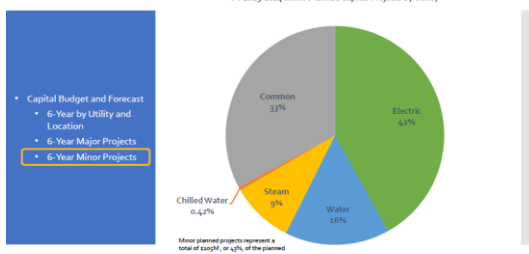
Year Capital by Utility and Location	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	6-Year Total
Water	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Electric	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Chilled Water	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Common	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000

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- Capital Budget and Forecast
- 6-Year by Utility and Location
- 6-Year Major Projects
- 6-Year Minor Projects

Year Capital by Utility and Location	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	6-Year Total
Water	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Electric	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Chilled Water	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
Common	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000

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- Next Steps
- Finance Committee to accept, as presented, the Operating and Capital Forecast for FY 2019 – 2024, and recommend for Board of Commissioners' approval on May 22, 2018.
  - Board of Commissioners to approve, as presented, the FY 2019 annual budget and file with the City Clerk within 10 days of approval.
    - City Charter calls for budget adoption by June 1 and filing with the City Clerk within 30 days of adoption.
  - Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2019 – 2024, and submit the Capital Forecast to the Mayor prior to October 1, 2018.
    - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1.

16

Commissioner Jester asked whether the wholesale electric revenue forecast was inclusive and whether it is a known bilateral arrangement, anticipated bilateral arrangement or an interchange. He explained that an interchange means that BWL will be buying and selling power to the MISO wholesale market which is a short term market and wanted to know the risks. George Stojic, Executive Director of Planning and Development, responded interchange.

Commissioner Zerkle asked about the change in Net Income in FY 2022. Ms. Shawa responded that the financing of the new plant begins in FY 2019 and in the second half of FY 2021 the new plant will come online and there will be a half year depreciation with interest capitalized only for that half year. Ms. Zerkle also inquired about the 6-year capital by utility and location and whether there were funds set aside for repairs for Eckert and GM Peffley responded that there was through O&M.

Commissioner Jester asked for what the \$148,00 was designated at Eckert. GM Peffley responded it is designated for costs for closing the plant.

**Motion** by Commissioner Price, **Seconded** by Commissioner Louney, to forward the proposed FY 2019-2024 Budget & Forecast Resolution to the full Board for consideration.

**Action:** Motion Carried

**Capital Exceedance Resolution**

CFO Heather Shawa introduced the Capital Project Exceedance resolution by briefly explaining that the budget for the project described in the resolution exceeds the amount originally budgeted and requested approval for the projected final cost of \$3,900,000.

Commissioner Ross commented that the six-year process doesn't appear to be giving the intended result with respect to the capital project exceedance. Commissioner Ross asked whether the process is as efficient and transparent as possible.

Commissioner Zerkle commented that the information is helpful for ranking priorities but not for approval six years out.

Commissioner Mullen commented that the capital project exceedance goals were set specifically due to an incident where a considerably larger amount of money was to be spent. He stated that goals within one to three years required explanation or resolution but questioned whether six year goals were required to be adhered to.

GM Peffley responded that a presentation on how finances are estimated, budgeted, and the percent of accuracy over each phase of projects would be beneficial for the Board. Ms. Shawa added that labor, materials, and other costs may change over time.

Commissioner Zerkle commented that it would be helpful to provide reports given at prior meetings to compare with current reports being provided.


**Motion** by Commissioner Price, **Seconded** by Commissioner Louney, to forward the Capital Exceedance Resolution to the full Board for consideration.

**Action:** Motion Carried

**Internal Audit Open Management Response Quarterly Report**

Chief Financial Officer Heather Shawa presented management's responses to audits as follows:

STATUS OF MANAGEMENT RESPONSES TO AUDITS  
APRIL 30, 2018

  
In Accordance with Board Resolution #2014-07-05

*Updates in red*

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Updating of job descriptions is well underway, with estimated project completion by 6/30/19.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	A plan for decoupling base and merit increases is nearing completion. The plan and corresponding instructional information, applicable to the fiscal year 2019 performance management cycle, will be finalized and communicated to management by 7/1/18.
52	COBIT Compliance	Internal Audit noted that actions should continue on as expedited a schedule as possible to reach full compliance with the adopted IT governance framework.	June 2017	Information Technology	Of 56 items involved, 42 are being reported as complete, 10 on track, 3 overdue, and 1 ongoing.
58	Succession Planning <i>NEW</i>	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	Annual updates to Succession Planning procedures will be drafted and submitted for executive management approval by 6/30/18.
59	Succession Planning <i>NEW</i>	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group is currently piloting a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 12/31/18.
60	Succession Planning <i>NEW</i>	Internal Audit supports training and development of succession candidates.	March 2018	Human Resources	Candidate assessment and development are underway, as part of the BWL Leadership Academy, and will continue through June 2019.
<i>Closed Issues (since March 2018 report):</i>					
57	Identity and Access Management	Internal Audit recommends actions continue on as expedited a schedule as possible to fully implement an effective IAM program.	Feb 2018	Information Technology	The following actions have been completed: (1) drafting of IAM operation policy, processes, and procedures; (2) removal of all instances of global server accounts; (3) implementation of an automated system for managing privileged accounts; and (4) deployment of a threat identification system on servers.

Commissioner Ross inquired about the overdue items. Ms. Shawa responded that she would follow up and provide the information to the Commissioners after the meeting.

**Revised Investment Policy Statements & Resolution**

Scott Taylor, Finance Manager presented two revised investment policy plans, the Defined Benefit (DB) Plan which is the traditional pension plan, and the VEBA Plan which covers the investments associated with providing health care benefits. Refinement in the policy index which will more accurately reflect real asset allocation in both the DB and VEBA plans and changing the

discount rate from 7 ½ % to 7% in the DB plan, which relates to the maturation of the plan, are the main changes for which approval was requested.

Commissioner Ross noted that there was an amendment on page 13 of the DB plan changing the total return of the Policy index for BloomBar US Aggregate from 35-40% to 40-45%.

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to forward the proposed Revised DB and VEBA Investment Policy Statements Resolution as presented to the full Board for consideration.

**Action:** Motion Carried

**Other**

None.

**Excused Absence**

**Motion** by Commissioner Price, **Seconded** by Commissioner Louney, to excuse Commissioner Graham from today's meeting.

**Action:** Motion Carried

**Adjourn**

**Motion** by Commissioner Price, Seconded by Commissioner Louney, to adjourn the meeting. Commissioner Ross adjourned the meeting at 8:45 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee



# **LANSING BOARD OF WATER & LIGHT**

## **FOIA PROCEDURES AND GUIDELINES**

### **Preamble: Statement of Principles**

It is the policy of the Lansing Board of Water & Light (hereinafter, "BWL") that all persons, except those incarcerated, consistent with the Michigan Freedom of Information Act (FOIA), are entitled to full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and employees. The people shall be informed so that they fully participate in the democratic process.

The BWL's policy with respect to FOIA requests is to comply with State law in all respects and to respond to FOIA requests in a consistent, fair, and even-handed manner regardless of who makes such a request.

The BWL acknowledges that it has a legal obligation to disclose all nonexempt public records in its possession pursuant to a FOIA request. The BWL acknowledges that sometimes it is necessary to invoke the exemptions identified under FOIA in order to ensure the effective operation of government and to protect the privacy of individuals.

The BWL will protect the public's interest in disclosure, while balancing the requirement to withhold or redact portions of certain records. The BWL's policy is to disclose public records consistent with and in compliance with State law.

The BWL has established the following written procedures and guidelines to implement the FOIA and will create a written public summary of the specific procedures and guidelines relevant to the general public regarding how to submit written requests to the public body and explaining how to understand a public body's written responses, deposit requirements, fee calculations, and avenues for challenge and appeal. The written public summary will be written in a manner so as to be easily understood by the general public.

As used herein, "BWL" includes all departments, and boards of the BWL.

### **Section 1: General Policies**

The BWL, acting pursuant to the authority at MCL 15.236, designates the BWL General Counsel as the FOIA Coordinator for the BWL. He or she is authorized to designate others to act on his or her behalf to accept and process written requests for the BWL's public records and approve denials.

If a request for a public record is received by fax or email, the request is deemed to have been received on the following business day. If a request is sent by email and delivered to a BWL spam or junk-mail folder, the request is not deemed received until one business day after the FOIA Coordinator first becomes aware of the request. The FOIA Coordinator shall note in the FOIA log both the date the request was delivered to the spam or junk-mail folder and the date the FOIA Coordinator became aware of the request.

The FOIA Coordinator may, in his or her discretion, implement administrative rules, consistent with State law and these Procedures and Guidelines to administer the acceptance and processing of FOIA requests.

The BWL is not obligated to create a new public record or make a compilation or summary of information which does not already exist. The FOIA Coordinator shall keep a copy of all written requests for public records received by the BWL on file for a period of at least one year.

The BWL will make this Procedures and Guidelines document and the Written Public Summary publicly available without charge. A copy of this Procedures and Guidelines document and the BWL's Written Public Summary must be publicly available by providing free copies both in the BWL's response to a written request and upon request by visitors at the BWL Main Office and at the BWL Customer Service Center. This Procedures and Guidelines document and the BWL's Written Public Summary will be maintained on the BWL's website at [www.LBWL.com](http://www.LBWL.com), so a link to those documents will be provided in lieu of providing paper copies when possible.

## **Section 2: Requesting a Public Record**

A person requesting to inspect or obtain copies of public records prepared, owned, used, possessed, or retained by the BWL must do so in writing. A request must sufficiently describe a public record so as to enable BWL personnel to identify and find the requested public record. No specific form to submit a request for a public record is required. However the FOIA Coordinator may make available a FOIA Request Form for use by the public.

Written requests for public records may be submitted in person or by mail, fax, or email to the FOIA Coordinator the following:

### **VIA U.S. Mail:**

Lansing Board of Water & Light  
FOIA Coordinator  
1201 S. Washington Ave.  
P.O. Box 13007  
Lansing, Michigan 48910-1650

**VIA Electronic Mail:**

Email: [foiarequests@lbwl.com](mailto:foiarequests@lbwl.com)

Upon their receipt or discovery, requests for public records misdirected shall be promptly forwarded to the appropriate FOIA Coordinator for processing.

A person may request that public records be provided on non-paper physical media, emailed or other otherwise provided to him or her in digital form in lieu of paper copies. The BWL will comply with the request only if it possesses the necessary technological capability to provide records in the requested non-paper physical media format.

A person may subscribe to future issues of public records that are created, issued or disseminated by the BWL on a regular basis. A subscription is valid for up to 6 months and may be renewed by the subscriber.

A person serving a sentence of imprisonment in a local, state or federal correctional facility is not entitled to submit a request for a public record. The FOIA Coordinator will deny all such requests.

**Section 3: Processing a Request**

Unless otherwise agreed to in writing by the person making the request, the BWL will issue a response within 5 business days of receipt of a FOIA request. If a request is received by U.S. mail, , or email, the request is deemed to have been received on the following business day.

The BWL will respond to a request in one of the following ways:

- Grant the request, or
- Issue a written notice denying the request, or
- Grant the request in part and issue a written notice denying in part the request, or
- Issue a notice indicating that due to the nature of the request the BWL needs an additional 10 business days to respond for a total of no more than 15 business days. Only one such extension is permitted, unless otherwise permitted by law.
- Issue a written notice indicating that the public record requested is available at no charge on the BWL's website.

*When a request is granted:*

If the request is granted, or granted in part, the FOIA Coordinator will require that payment be made in full for the allowable fees associated with responding to the request before the public record is made available. The FOIA Coordinator shall provide a detailed itemization of the allowable costs incurred to process the request to the person making the request. A copy of these Procedures and Guidelines and the Written Public Summary will be provided to the requestor free of charge with the response to a written request for public records, provided however, that because these Procedures and Guidelines, and the Written Public Summary are maintained on the BWL's website at [www.lbw.com](http://www.lbw.com), a link to the Procedures and Guidelines and the Written Public Summary may be provided in lieu of providing paper copies of those documents.

If the cost of processing a FOIA request is \$50 or less, the requestor will be notified of the amount due and where the documents can be obtained.

If the cost of processing a FOIA request is expected to exceed \$50 based on a good-faith calculation, or if the requestor has not paid in full for a previously granted request, the BWL will require a good-faith deposit pursuant to Section 4 of this policy before processing the request. In making the request for a good-faith deposit the FOIA Coordinator shall provide the requestor with a detailed itemization of the allowable costs estimated to be incurred by the BWL to process the request and also provide a best-efforts estimate of a time frame it will take the BWL to provide the records to the requestor. The best efforts estimate shall be nonbinding on the BWL, but will be made in good faith and will strive to be reasonably accurate, given the nature of the request in the particular instance, so as to provide the requested records in a manner based on the public policy expressed by Section 1 of the FOIA.

***When a request is denied or denied in part:***

If the request is denied or denied in part, the FOIA Coordinator will issue a Notice of Denial which shall provide in the applicable circumstance:

- An explanation as to why a requested public record is exempt from disclosure; or
- A certificate that the requested record does not exist under the name or description provided by the requestor, or another name reasonably known by the BWL; or
- An explanation or description of the public record or information within a public record that is separated or deleted from the public record; and
- An explanation of the person's right to submit an appeal of the denial to the BWL Chair of the Board of Commissioners (the "Chair"), or seek judicial review in the Ingham County Circuit Court;

- An explanation of the right to receive attorneys' fees, costs, and disbursements as well as actual or compensatory damages, and punitive damages of \$1,000, should they prevail in Circuit Court.
- The Notice of Denial shall be signed by the FOIA Coordinator.

If a request does not sufficiently describe a public record, the FOIA Coordinator may, in lieu of issuing a Notice of Denial indicating that the request is deficient, seek clarification or amendment of the request by the person making the request. Any clarification or amendment will be considered a new request subject to the timelines described in this Section.

***Requests to inspect public records:***

The BWL shall provide reasonable facilities and opportunities for persons to examine and inspect public records during normal business hours. The FOIA Coordinator is authorized to promulgate rules regulating the manner in which records may be viewed so as to protect BWL records from loss, alteration, mutilation or destruction and to prevent excessive interference with normal BWL operations. Requests for examination and inspection are subject to fees as provided by the Act.

**Section 4: Fee Deposits**

If the fee estimate is expected to exceed \$50.00 based on a good-faith calculation, the requestor will be asked to provide a deposit not exceeding one-half of the total estimated fee.

If a request for public records is from a person who has not paid the BWL in full for copies of public records made in fulfillment of a previously granted written request, the FOIA Coordinator will require a deposit of 100% of the estimated processing fee before beginning to search for a public record for any subsequent written request by that person when all of the following conditions exist:

- The final fee for the prior written request is not more than 105% of the estimated fee;
- The public records made available contained the information sought in the prior written request and remain in the BWL's possession;
- The public records were made available to the individual, subject to payment, within the time frame estimated by the BWL to provide the records;
- Ninety (90) days have passed since the FOIA Coordinator notified the individual in writing that the public records were available for pickup or mailing;
- The individual is unable to show proof of prior payment to the BWL; and

- The FOIA Coordinator has calculated a detailed itemization that is the basis for the current written request's increased estimated fee deposit.

The FOIA Coordinator will not require an increased estimated fee deposit if any of the following apply:

- The person making the request is able to show proof of prior payment in full to the BWL;
- The BWL is subsequently paid in full for the applicable prior written request; or
- Three hundred sixty five (365) days have passed since the person made the request for which full payment was not remitted to the BWL.

### **Section 5: Calculation of Fees**

A fee will **not** be charged for the labor cost of search, examination, review and the deletion and separation of exempt from nonexempt information **unless** failure to charge a fee would result in unreasonably high costs to the BWL because of the nature of the request in the particular instance, and the BWL specifically identifies the nature of the unreasonably high costs.

Costs for the search, examination review, and deletion and separation of exempt from non-exempt information are “unreasonably high” when they are excessive and beyond the normal or usual amount for those services (Attorney General Opinion 7083 of 2001) compared to the costs of the BWL’s usual FOIA requests, not compared to the BWL’s operating budget. (*Bloch v. Davison Community Schools*, Michigan Court of Appeals, Unpublished, April 26, 2011).

The following factors shall be used to determine an unreasonably high cost to the BWL:

- Volume of the public record requested
- Amount of time spent to search for, examine, review and separate exempt from non-exempt information in the record requested.
- Whether the public records are from more than one BWL department or whether various BWL offices are necessary to respond to the request.
- The available staffing to respond to the request.
- Any other similar factors identified by the FOIA Coordinator in responding to the particular request.

The BWL may charge for the following costs associated with processing a request:

- Labor costs associated with copying or duplication, which includes making paper copies, making digital copies, or transferring digital public records to non-paper physical media or through the Internet.
- Labor costs associated with searching for, locating and examining a requested public record.
- Labor costs associated with a review of a record to separate and delete information exempt from disclosure.
- The cost of copying or duplication, not including labor, of paper copies of public records. This may include the cost for copies of records already on the BWL's website if the requestor asks for the BWL to make copies.
- The cost of computer discs, computer tapes or other digital or similar media when the requestor asks for records in non-paper physical media. This may include the cost for copies of records already on the BWL's website if the requestor asks for the BWL to make copies.
- The cost to mail or send a public record to a requestor.

Labor costs will be calculated based on the following requirements:

- All labor costs will be estimated and charged in 15-minute increments, with all partial time increments rounded down.
- Labor costs will be charged at the hourly wage of the lowest-paid BWL employee capable of doing the work in the specific fee category, regardless of who actually performs work.
- The BWL may add up to 50% to the applicable labor charge amount to cover or partially cover the cost of fringe benefits, but in no case may it exceed the actual cost of fringe benefits.
- Overtime wages will not be included in labor costs unless agreed to by the requestor; overtime costs will not be used to calculate the fringe benefit cost.

The cost to provide records on non-paper physical media when so requested will be based on the following requirements:

- Computer disks, computer tapes or other digital or similar media will be at the actual and most reasonably economical cost for the non-paper media.
- This cost will only be assessed if the BWL has the technological capability necessary to provide the public record in the requested non-paper physical media format.
- The BWL will procure any non-paper media and will not accept media from the requestor in order to ensure integrity of the BWL's technology infrastructure.

The cost to provide paper copies of records will be based on the following requirements:

- Paper copies of public records made on standard letter (8 ½ x 11) or legal (8 ½ x 14) sized paper will not exceed \$.10 per sheet of paper. Copies for non-standard sized sheets of paper will reflect the actual cost of reproduction.
- The BWL may provide records using double-sided printing, if it is cost-saving and available.

The cost to mail records to a requestor will be based on the following requirements:

- The actual cost to mail public records using a reasonably economical and justified means.
- The BWL may charge for the least expensive form of postal delivery confirmation.
- No cost will be made for expedited shipping or insurance unless specified by the requestor.

If the FOIA Coordinator does not respond to a written request in a timely manner, the BWL must:

- Reduce the labor costs by 5% for each day the BWL exceeds the time permitted under FOIA up to a 50% maximum reduction, if *any* of the following applies:
  - The BWL’s late response was willful and intentional,
  - The written request conveyed a request for information within the first 250 words of the body of a letter facsimile, email or email attachment, or
  - The written request included the words, characters, or abbreviations for “freedom of information,” “information,” “FOIA,” “copy” or a recognizable misspelling of such, or legal code reference to MCL 15. 231, et seq. or 1976 Public Act 442 on the front of an envelope or in the subject line of an email, letter or facsimile cover page.
- Fully note the charge reduction in the Detailed Itemization of Costs Form.

## **Section 6: Waiver of Fees**

The cost of the search for and copying of a public record may be waived or reduced if in the sole judgment of the FOIA Coordinator a waiver or reduced fee is in the public interest because it can be considered as primarily benefitting the general public.



## **Section 7: Discounted Fees**

### ***Indigence***

The FOIA Coordinator will discount the first \$20.00 of the processing fee for a request if the person requesting a public record submits an affidavit stating that they are:

- Indigent and receiving specific public assistance, or
- If not receiving public assistance, stating facts demonstrating an inability to pay because of indigence.

An individual is not eligible to receive the waiver if:

- The requestor has previously received discounted copies of public records from the BWL twice during the calendar year; or
- The requestor requests information in connection with other persons who are offering or providing payment to make the request.

An affidavit is a sworn statement. The FOIA Coordinator may make a Fee Waiver Affidavit Form available for use by the public.

### ***Nonprofit organization advocating for developmentally disabled or mentally ill individuals***

The FOIA Coordinator will discount the first \$20.00 of the processing fee for a request from a nonprofit organization formally designated by the state to carry out activities under subtitle C of the federal developmental disabilities assistance and bill of rights act of 2000, Public Law 106-402, and the protection and advocacy for individuals with mental illness act, Public Law 99-319, or their successors, if the request meets all of the following requirements:

- Is made directly on behalf of the organization or its clients.
- Is made for a reason wholly consistent with the mission and provisions of those laws under section 931 of the mental health code, 1974 PA 258, MCL 330.1931.
- Is accompanied by documentation of its designation by the state, if requested by the public body.

## **Section 8: Appeal of a Denial of a Public Record**

When a requestor believes that all or a portion of a public record has not been disclosed or has been improperly exempted from disclosure, he or she may appeal to the BWL Chair by filing an appeal of the denial with the Chair. The appeal must be in writing, specifically state the word "appeal" and identify the reason or reasons the requestor is seeking a reversal of the denial.

Within 10 business days of receiving the appeal the BWL Chair will respond in writing by:

- Reversing the disclosure denial;
- Upholding the disclosure denial; or
- Reverse the disclosure denial in part and uphold the disclosure denial in part; or
- Under unusual circumstances, issue a notice extending for not more than 10 business days the period during which the BWL Chair shall respond to the written appeal. The BWL Chair shall not issue more than 1 notice of extension for a particular written appeal.

If the BWL Chair fails to respond to a written appeal, or if the BWL Chair upholds all or a portion of the disclosure denial that is the subject of the written appeal, the requesting person may seek judicial review of the nondisclosure by commencing a civil action in Ingham County Circuit Court.

Whether or not a requestor submitted an appeal of a denial to the BWL Chair, he or she may file a civil action in Ingham County Circuit Court within 180 days after the BWL's final determination to deny the request.

If a court determines a public record is not exempt from disclosure, it shall order the BWL to cease withholding or to produce all or a portion of a public record wrongfully withheld, regardless of the location of the public record. Failure to comply with an order of the court may be punished as contempt of court.

If a person asserting the right to inspect, copy, or receive a copy of all or a portion of a public record prevails in such an action, the court shall award reasonable attorneys' fees, costs, and disbursements. If the person or BWL prevails in part, the court may, in its discretion, award all or an appropriate portion of reasonable attorneys' fees, costs, and disbursements.

If the court determines that the BWL has arbitrarily and capriciously violated this act by refusal or delay in disclosing or providing copies of a public record, the court shall order the BWL to pay a civil fine of \$1,000.00, which shall be deposited into the general fund of the state treasury. The court shall award, in addition to any actual or compensatory damages, punitive damages in the amount of \$1,000.00 to the person seeking the right to

inspect or receive a copy of a public record. The damages shall not be assessed against an individual, but shall be assessed against the next succeeding public body that is not an individual and that kept or maintained the public record as part of its public function.

### **Section 9: Appeal of an Excessive FOIA Processing Fee**

“Fee” means the total fee or any component of the total fee calculated under section 4 of the FOIA, including any deposit.

If a requestor believes that the fee charged by the BWL to process a FOIA request exceeds the amount permitted by state law or under this policy, he or she must first appeal to the BWL Chair by submitting a written appeal for a fee reduction to the BWL Chair

The appeal must be in writing, specifically state the word "appeal" and identify how the required fee exceeds the amount permitted.

Within 10 business days after receiving the appeal, the BWL Chair will respond in writing by:

- Waiving the fee;
- Reducing the fee and issuing a written determination indicating the specific basis that supports the remaining fee;
- Upholding the fee and issuing a written determination indicating the specific basis that supports the required fee; or
- Issuing a notice detailing the reason or reasons for extending for not more than 10 business days the period during which the BWL Attorney will respond to the written appeal. The BWL Chair shall not issue more than 1 notice of extension for a particular written appeal.

Where the BWL Chair reduces or upholds the fee, the determination must include a certification from the BWL Chair that the statements in the determination are accurate and that the reduced fee amount complies with its publicly available procedures and guidelines and Section 4 of the FOIA.

Within 45 days after receiving notice of the BWL Chair’s determination of an appeal, the requesting person may commence a civil action in Ingham County Circuit Court for a fee reduction. If a civil action is commenced against the BWL for an excess fee, the BWL is not obligated to complete the processing of the written request for the public record at issue until the court resolves the fee dispute. An action shall not be filed in circuit court unless one of the following applies:

- The BWL Chair failed to respond to a written appeal as required, or the BWL Chair issued a determination to a written appeal.

If a court determines that the BWL required a fee that exceeds the amount permitted under its publicly available procedures and guidelines or Section 4 of the FOIA, the court shall reduce the fee to a permissible amount. Failure to comply with an order of the court may be punished as contempt of court.

If the requesting person prevails in court by receiving a reduction of 50% or more of the total fee, the court may, in its discretion, award all or an appropriate portion of reasonable attorneys' fees, costs, and disbursements. The award shall be assessed against the public body liable for damages.

If the court determines that the BWL has arbitrarily and capriciously violated the FOIA by charging an excessive fee, the court shall order the BWL to pay a civil fine of \$500.00, which shall be deposited in the general fund of the state treasury. The court may also award, in addition to any actual or compensatory damages, punitive damages in the amount of \$500.00 to the person seeking the fee reduction. The fine and any damages shall not be assessed against an individual, but shall be assessed against the next succeeding public body that is not an individual and that kept or maintained the public record as part of its public function.

#### **Section 10: Conflict with Prior FOIA Policies and Procedures; Effective Date**

To the extent that these Procedures and Guidelines conflict with previous FOIA policies promulgated by the BWL, these Procedures and Guidelines are controlling. To the extent that any administrative rule promulgated by the FOIA Coordinator subsequent to the adoption of this resolution is found to be in conflict with any previous policy promulgated by the BWL, the administrative rule promulgated by the FOIA Coordinator is controlling.

To the extent that any provision of these Procedures and Guidelines or any administrative rule promulgated by the FOIA Coordinator pertaining to the release of public records is found to be in conflict with any State statute, the applicable statute shall control. The FOIA Coordinator is authorized to modify this policy and all previous policies adopted by the BWL, and the Written Public Summary, and to adopt Cost Worksheet(s) and administrative rules as he or she may deem necessary, to facilitate the legal review and processing of requests for public records made pursuant to Michigan's FOIA statute, provided that such modifications and rules are consistent with State law. The FOIA Coordinator shall inform the General Manager and BWL Board of Commissioners of any changes to these Procedures and Guidelines or Written Public Summary.

These FOIA Policies and Guidelines become effective July 1, 2018.

## Section 11: Additional Internal FOIA Procedures

### I. TRAINING.

- A. FOIA Personnel shall receive continuous and comprehensive FOIA training, consistent with BWL operational training objectives.
- B. The training shall include, at a minimum:
  - 1. Preliminary training before being designated as a FOIA Coordinator, including support staff, which shall include knowledge of and proficiency with:
    - a. The Act;
    - b. Leading cases and AG opinions under the Act;
    - c. FOIA Guidelines and Procedures.
  - 2. All FOIA Personnel shall be encouraged to participate in continuing legal education and training, including:
    - a. Annual participation in seminars focusing on FOIA, including the Institute for Continuing Legal Education (ICLE), the Michigan Municipal League (MML)/Michigan Association of Municipal Attorneys (MAMA), and other providers of such training;
    - b. Subscription to the MML's listserv, including especially threads and updates on FOIA decisions and issues, which are then circulated to the group;
    - c. Review and discussion of FOIA in staff meetings, led by BWL Attorney/FOIA Coordinator, including:
      - (i) All significant incoming court decisions, and AG opinions on FOIA issues;
      - (ii) Circulation of such materials to all FOIA Personnel, along with analysis and application of those materials;
    - d. Interoffice memoranda to FOIA Personnel regarding updates on FOIA issues, cases, polices, and procedures.

## **II. FOIA REQUEST RECEIVED.**

A. The Legal Analyst will date stamp request when received (if by U.S. mail), and then note receipt date per the Act in the BWL electronic filing system, whether received by email or by U.S. mail, and assign a FOIA log number within the BWL electronic filing system accordingly. If the FOIA Request Form is utilized by the requestor, the Legal Analyst will note the FOIA log number accordingly on the FOIA Request form and file the FOIA Request Form accordingly within the BWL electronic filing system.

B. As soon as possible, but not later than the day after receipt, log into BWL electronic filing system and assign to attorney for review.

1. Using computerized system, update in the BWL electronic filing system, the FOIA Response due date, and update relevant requestor addressee information.
2. Determine departments to forward request to, and begin gathering requested documents.

## **III. REQUEST RECORDS FROM APPLICABLE DEPARTMENT(S).**

A. Prepare electronic request cover memo to applicable department(s).

B. Provide electronic copy of such cover memo to the City of Lansing Attorney, within one business day of receipt of the FOIA request. File copy in the electronic record keeping system where applicable records are retained.

C. Keep the original request and a copy of the cover memo for BWL electronic records.

## **IV. TRACKING AND EXTENSION NOTICE.**

A. Track request so that it is responded to according to the time frames established in the Act.

B. If the request requires a voluminous amount of records to be copied or records are being requested of several departments, it may be necessary to send a notice of extension.

C. The extension notice is sent out on the first “due date” and extends the period for response an additional 10 business days. Note this extended due date appropriately within the BWL electronic filing system.

## **V. RECEIPT AND REVIEW OF RECORDS REQUESTED AND RESPONSE.**

A. RECEIPT AND REVIEW.

1. Once all documents/records are received, the assigned FOIA coordinator or Delegee will review records for compliance with request and for any information which may need to be redacted due to applicable exemptions.

2. When review is complete, the coordinating assistant will determine costs (utilizing the cost worksheet) and the assigned FOIA coordinator will prepare cover letter to requestor.
3. Submit letter of response and copies of any applicable requested documents to the requestor and file a copy of the response within the BWL electronic filing system

B. RESPONSE: FOIA personnel will respond consistently with these Guidelines and Procedures.

## **VI. PROCEDURAL AND SUBSTANTIVE SAFEGUARDS PRIOR TO RESPONSE.**

### **A. PROCEDURAL SAFEGUARDS.**

1. Are all Social Security Numbers and any applicable personal information that should be protected per applicable privacy laws redacted? (See below in Section B, related privacy safeguards).

### **B. SUBSTANTIVE SAFEGUARDS.**

1. Have all exemptions been considered?
2. Where an exemption is claimed, has sufficient explanation been given?
3. For personnel matters, does response comply with Bullard-Plawicki?
4. Have privacy concerns been adequately addressed?
  - a. Has information covered by Health Insurance Portability Accountability Act of 1996 (HIPAA) been redacted?
  - b. Has information covered by the Public Health Code, 1978 PA 368, especially as codified at MCL 333.1531, been redacted?
  - c. Has information covered by the Mental Health Code, 1974 PA 258, especially as codified at MCL 330.1748, been redacted?
  - d. If not covered by HIPAA, the Public Health Code, or the Mental Health Code, has medical information been appropriately redacted, including especially a person's actual or alleged HIV status?
  - e. Have appropriate redactions been made for "[i]nformation of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy," MCL 243(1)(a)?

## **VII. FINALIZATION PROCEDURES.**

- A. Mark FOIA log with date out, whether it was released or denied, and costs, if any.
- B. File in BWL designated electronic record-keeping system.

- C. File FOIA response letter (copy of cover letter of released records) in electronic filing system.

**VIII. FOIA PAYMENT RECEIVED.**

- A. When a check for payment of a FOIA request is received, provide the check to BWL Accounting Department and mark the FOIA log with date received and check number.

Sections in large part of these Procedures and Guidelines are adapted from those promulgated by the Michigan Township Association and the Michigan Association of Municipal Attorneys and the City of Lansing's FOIA Policy and Procedures.



**PROPOSED RESOLUTION**

**Board of Water and Light Freedom of Information Act (FOIA) Policy**

**RESOLVED**, pursuant to the authority of MCL 15.240, PA 442 of 1976, and Section 19.4 of the BWL's Administrative Rules of Procedure, the BWL approves the FOIA Policy as recommended.

**BE IT RESOLVED**, the FOIA Policy is effective upon approval.



**Policy Name: Minimum Cash Reserve Requirement**      **Review/Revision Date(s): 2018-05-22**  
**Policy Type: Commission**  
**Policy Number:**  
**Effective Date:**

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## 1. PURPOSE:

BWL’s Minimum Cash Reserve Requirement Policy (“Policy”) is one of several planning tools used to assure uninterrupted delivery of critical utility services. The Policy guides the organization’s operations along a path of continued financial stability. By defining BWL’s minimum cash reserve requirement, the Policy bolsters financial strength, situational resilience, fiscal responsibility, and credit quality.

The Policy was compiled using a review of best practices from credit rating agencies, utility experts, and other municipal utilities. Rather than setting a fixed dollar amount, the Policy establishes a methodology for the calculation of a minimum cash reserve requirement. The minimum cash reserve requirement will be recalculated each year and presented to the Board of Commissioners (“Board”) during the annual budget and forecast process. The Board is responsible for approving and accepting the forecasted minimum cash reserve requirement as a component of the BWL’s budget and forecast. For purposes of this policy, minimum cash reserve includes all unrestricted cash and cash equivalents, including bank deposits and liquid investments, and will be measured in terms of days cash on hand.

The Policy enforces the Board’s commitment to financial stability and desire to maintain or improve BWL credit ratings. Since strong credit ratings reduce the cost of borrowing, they are essential to maintaining low customer rates. BWL debt issuance is currently rated by the following agencies:

- A. Moody’s – Most recent rating of Aa3 with stable outlook on 12/21/2016<sup>1</sup>. This rating indicates an obligation of high quality with very low credit risk.<sup>2</sup>
- B. Standard & Poor’s – Most recent rating of AA- with stable outlook on 12/21/2016.<sup>3</sup> This rating indicates an investment-grade obligation whose issuer has a very strong capacity to meet financial commitments.<sup>4</sup>

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<sup>1</sup> <https://www.moody.com/credit-ratings/Lansing-Board-of-Water-Light-MI-credit-rating-804328059>

<sup>2</sup> [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004)

<sup>3</sup> [https://www.standardandpoors.com/en\\_US/web/guest/ratings/details/-/instrument-details/sectorCode/PUBFIN/entityId/5086/issueld/1466343](https://www.standardandpoors.com/en_US/web/guest/ratings/details/-/instrument-details/sectorCode/PUBFIN/entityId/5086/issueld/1466343)

<sup>4</sup> [https://www.spratings.com/en\\_US/understanding-ratings](https://www.spratings.com/en_US/understanding-ratings)

## **2. SCOPE:**

This policy describes the calculations that determine the minimum cash reserve requirement for each year of the succeeding, six-year forecast period and impacts the budget and forecast process completed by the Chief Financial Officer and approved by the Board of Commissioners.

## **3. REFERENCES:**

Resolution 2018-05-XX

## **4. RESPONSIBLE AREA:**

The Finance & Planning department will be responsible for implementing this policy.

## **5. POLICY:**

The minimum cash reserve requirement is determined using a risk-based calculation of five key cash requirements: Net O&M Expense, Return on Equity to the City, Historical Plant in Service, Debt Service, and Six-Year Net Capital Improvement Plan. Each cash requirement is multiplied by its associated risk factor and summed to determine the minimum cash reserve requirement. This calculation is applied to each of the BWL's four utilities individually and then aggregated to determine the overall BWL minimum cash reserve requirement. Listed below are descriptions of each cash requirement along with the associated risk factor.

1. Net O&M Expense – Net O&M Expense represents total annual operating expenses, excluding depreciation.
  - a. The risk factor reflects estimated lag time in the revenue collection cycle.
  - b. The risk factor is calculated by dividing the estimated lag time in days by 365 days.
  - c. The risk factor for Net O&M Expense is 12.3% (the result of a 45-day lag time ÷ 365 days).
2. Return on Equity to the City (“ROE”) – ROE represents the estimated amount to be transferred to the City for a fiscal year.
  - a. The risk factor reflects the maximum amount to be transferred at any one time during the fiscal year.
  - b. The risk factor for ROE is 50% since the BWL makes semi-annual payments.
3. Historical Plant in Service – Historical Plant in Service represents the full historical cost of BWL's utility plant.
  - a. The risk factor is calculated based on the depreciation percentage, or age, of the system by dividing accumulated utility plant depreciation by historical investment.
  - b. The risk factor is assumed to be 1.0% where utility plant is less than or equal to 40% depreciated (newer system).
  - c. The risk factor is assumed to be 1.5% where utility plant assets are 41%-50% depreciated.
  - d. The risk factor is assumed to be 2.0% where utility plant assets are 51%-55% depreciated.
  - e. The risk factor is assumed to be 2.5% where utility plant assets are 56%-65% depreciated.
  - f. The risk factor is assumed to be 3.0% where utility plant assets are over 65% depreciated (older system).

4. Debt Service – Debt Service represents the BWL’s total annual debt service payments (bond principal + bond interest).
  - a. The risk factor reflects the BWL’s monthly debt service obligation. This risk factor is limited to one month due to the additional reserves and requirements already established for debt service in the form of bond covenants.
  - b. The risk factor for Debt Service is 8.3% (the result of 1 month ÷ 12 months).
5. Six-Year Net Capital Improvement Plan – The Six-Year Net Capital Improvement Plan represents the total six-year forecast cost for capital improvements, less any portion to be funded by bond proceeds.
  - a. The risk factor reflects the average annual capital improvement cash outlay over the six-year forecast.
  - b. The risk factor for Six-Year Net Capital Improvement Plan is 16.7% (the result of 1 year ÷ 6 years)

The Board will annually review the proposed budget and forecast to ensure the minimum cash reserve requirements are met as defined in this Policy.

In the event actual results fall short of the budget to such a degree that the reserve balance falls below the required minimum, consistent with this policy, the Board will require the succeeding year’s budget and forecast to include the corrective actions necessary to restore cash reserves to the required level by the end of the next fiscal period.

## **PROPOSED RESOLUTION**

### **Minimum Cash Reserve Requirement Policy**

WHEREAS, the Board of Commissioners (“Board”) is committed to maintaining a financially stable and resilient utility; and

WHEREAS, the Board recognizes that a key element of preserving financial stability over extended periods of time and through varying economic conditions is maintaining adequate cash reserves.

BE IT RESOLVED, that after its review, and based on the recommendation from management, the Board approves the Minimum Cash Reserve Requirement Policy, which clearly defines a risk based methodology for establishing the Board of Water and Light’s minimum cash reserve requirements on an annual basis for each year of the succeeding six-year forecast period.

**PROPOSED RESOLUTION**

**Fiscal Year 2019-2024 Budget and Forecast**

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2019 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2020-2024 is hereby accepted as presented; and

FURTHER RESOLVED, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office in accordance with the Lansing City Charter regarding the above actions.

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**Staff Comments:**

Staff recommends an operating and maintenance budget of \$313.7M and a capital budget of \$189.6M for Fiscal Year 2019.

The Operating and Capital Forecast for Fiscal Years 2020-2024 includes potential rate increases in Fiscal Year's 2021-2024. The potential rate increases are for forecast purposes only and have not been approved through a public rate hearing process. The forecast rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 22, 2018 board meeting.

## **PROPOSED RESOLUTION**

### **Capital Project Budget Exceedance Approval: Project PG-40045 Corporate IT-Infrastructure Redesign**

WHEREAS, Lansing Board of Water & Light's (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates BWL Board of Commission approval for specific capital projects that are expected to exceed their previously approved budget by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the budget for FY 2018 approved by the Commission for Capital Project PG-40045 IT-Infrastructure Redesign was \$1,500,000; and

WHEREAS, upon project review it was determined that the entire project cost of \$3,900,000 should be captured as capital expenditures versus \$2,500,000 of the total budgeted amount was initially accounted for in the FY 2018 operating and maintenance budget; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approved the Capital Project PG-40045 IT-Infrastructure Redesign to be completed as projected.

BE IT RESOLVED, that the BWL Board of Commissioners approve completion of Capital Project PG-40045 IT-Infrastructure Redesign with a projected final total cost of \$3,900,000.

#### Staff Comments:

BWL staff and management reviewed the project cost and scope in detail, which includes but is not limited to the rationale and circumstances for the increased capital budget projection however the total overall project estimate remains unchanged.

***LANSING BOARD OF WATER AND LIGHT  
DEFINED BENEFIT PLAN  
FOR EMPLOYEES' PENSIONS***

***STATEMENT OF INVESTMENT POLICIES,  
PROCEDURES AND OBJECTIVES***

Effective May 22, 2018, except as  
otherwise noted herein



## STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

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## **Introduction**

The Lansing Board of Water and Light (“**BWL**”) is a municipally owned utility providing drinking water, electricity, steam and chilled water services to the greater Lansing area in mid-Michigan. The Plan receives contributions from the Lansing Board of Water and Light. The Plan pays retirement benefits provided for in the Plan. Plan assets are invested in various types of securities.

This Statement of Investment Policy (“**Statement**”) is issued by the Commissioners of the Lansing Board of Water and Light (the “**Commissioners**”) for the Lansing Board of Water and Light Defined Benefit Plan for Employees’ Pensions (“**Plan**”). The purpose of this Statement is to (i) identify and present a set of investment objectives, an asset allocation policy, investment performance standards and procedures for managing the Plan's assets; and (ii) clarify the delegation of certain investment-related duties to the Retirement Plan Committee. This document is intended to be consistent with the provisions of Michigan Public Act 314 of 1965 (“**Act 314**”), as amended.

## **Updates to Statement**

The Commissioners retain the authority to approve, revise and update this Statement as necessary to ensure that it is consistent with the BWL's investment philosophy. Any revisions or updates made to the Statement shall be communicated to the Trustees from time to time in writing. The Trustees shall formally acknowledge any revisions or updates by communicating the same to the Commissioners in writing. It shall be the duty of the Trustees to act strictly in accordance with the Statement, and any changes therein, as so communicated to and acknowledged by the Trustees.

## **Trustees**

The Trustees of the Plan are the eight appointed voting Commissioners of the Lansing Board of Water and Light. The Trustees have delegated certain responsibilities that are described in this Statement to the Retirement Plan Committee, effective as of the date on which this Statement is acknowledged by the Trustees by signature of an authorized representative of the Trustees. As of that date, all provisions in this Statement relating to the Retirement Plan Committee shall become operative.

Responsibility for selecting and providing direction to Investment Managers, Investment Consultants, custodians, and other administrators required for the management of the Plan’s assets and for evaluating overall investment results has been delegated to the Retirement Plan Committee which shall report to the Trustees regarding selections made and investment performance. The Trustees, in evaluating the Retirement Plan Committee’s actions, shall act in accordance with the terms of this Statement, as updated from time to time by the Commissioners, and as communicated to the Trustees in writing.

## **Purpose of the Plan**

The Plan was established for the purpose of providing retirement benefits to eligible employees and their beneficiaries. The Plan was closed to new employees hired after

December 31, 1996. The Plan is a governmental defined benefit pension plan which provides retirement, early retirement, disability, termination, and death benefits based upon a formula that includes final average compensation, years of credited service, and a pension benefit percentage. An investment portfolio is maintained to invest employer contributions and to reinvest income.

### **Investment Philosophy**

The Commissioners, Trustees and the Retirement Plan Committee recognize their respective fiduciary duties to invest the Plan's assets in formal compliance with the Prudent Man Rule. The Trustees interpret this to mean that, in addition to the specific guidelines and restrictions set forth in this document, the assets of the Plan shall be actively managed -- that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. Further, the Trustees recognize that, commensurate with its overall objective of maximizing long-range returns while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within this context of active management and the necessity for adherence to proper diversification, the Trustees and the Retirement Plan Committee rely upon appropriate professional advice.

### **Delegation of Responsibilities**

#### **Retirement Plan Committee**

The Retirement Plan Committee acknowledges its responsibility as a fiduciary to the Plan. In this regard, the Retirement Plan Committee must act prudently and for the exclusive interest of the Plan's participants and beneficiaries.

More specifically, the Retirement Plan Committee's responsibilities include:

1. Complying with the provisions of pertinent federal, state, and local laws and regulations relating to the investment of Plan assets.
2. Evaluating and appointing a qualified manager(s) and consultant(s) to invest and manage the Plan's assets.
3. Communicating the investment goals, objectives, and standards to the investment managers including any material changes that may subsequently occur.
4. Determining, with the advice of the Investment Consultant ("Consultant"), how Plan assets should be allocated among various asset classes.
5. Review and evaluate the results of the Investment Manager(s) ("Manager(s)") in context with established standards of performance.
6. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as mutually expected.
7. The Retirement Plan Committee will notify the Manager(s) of:
  - a) Significant changes in the Plan cash flow and/or cash flow needs; and
  - b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
9. Monitor all costs associated with the administration of the Plan's investment to ensure that they are reasonable with market averages.

10. Review any program that may mitigate or offset costs.

The Retirement Plan Committee shall give consideration to and have an understanding of the following prior to retaining professionals:

1. Establishing standards/requirements/appropriateness of services.
2. Identification of appropriate candidates for the position.
3. Solicitation of bids and proposals.
4. Conduct interviews.
5. Check references.
6. Make reasoned decisions based on all information, including:
  - a) Philosophy/Goals (i.e., Mission Statement)
  - b) Ownership/Management/Organizational Structure/Turnover
  - c) Operational History/Growth Plan
  - d) Infrastructure: Resources/Tools-of-the-Trade
  - e) Financial Condition
  - f) Educational Background/Industry Experience
  - g) Professional Qualifications
  - h) Risk Controls/ Insurance
  - i) Criminal, Civil, Regulatory History
  - j) Fees
  - k) Liquidity
7. Document the decision process.
8. Verify compliance with federal and state laws; specifically, Act 314, and Investment Guidelines.
9. Establish standards of conduct, terms and conditions of relationship (Written Contract/Agreement).

### **Investment Consultant**

In carrying out its delegated responsibilities, the Retirement Plan Committee considers the services of a Consultant as appropriate to assist in the placement of investment funds. The primary role of the Consultant is to provide independent, objective, third-party advice and counsel that will enable the Retirement Plan Committee to make well-informed and timely decisions regarding the investment of the Plan's assets.

The Consultant's role is that of an advisor to the Plan. The Consultant acknowledges its responsibilities as a fiduciary under Act 314. The Consultant acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act.

Investment advice concerning the investment management of Plan assets will be offered by the Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Consultant are as follows:

1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.

3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Based on all of the above, advise regarding optimal allocation of assets.

#### Providing a Range of Capabilities

The Consultant is a third party retained by the Retirement Plan Committee to assist in several key areas of the management of financial assets.

The Consultant may be asked to:

1. Gather and evaluate statistical information on the financial assets, investment needs, and risk parameters.
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total rate of return and investment risk.
3. Maintain data on the universe of available professional investment managers, and categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.
4. Provide periodic asset allocation studies and updates.
5. Conduct periodic trustee educational workshops.
6. Provide information with respect to alternate investments.
7. Monitor the investment of the Plan's assets for compliance with Act 314.
8. Analyze and evaluate the Plan's investment performance, and the performance of its investment managers, both past and ongoing.
9. Make specific and timely recommendations for the consideration of the Management during each phase of the investment management process.
10. Monitor all costs associated with the administration of the Plan's investment to ensure that they are reasonable with market averages.

#### Making Recommendations

*Investment Policy* - The Consultant may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The Consultant may be asked to provide an appropriate model of asset allocation composed of equity, fixed-income, money market instruments or alternative investments designed to meet the established objectives.

*Manager Selection* - The Consultant may be asked to recommend the best qualified and most appropriate Manager(s) candidates for implementing the established investment policy. The Consultant shall be capable of utilizing a well-established system to select suitable Manager(s) candidates from both a local and national investment manager database.

### *Manager Performance Review and Evaluation*

The Consultant shall provide the Retirement Plan Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are maintained. Performance reports generated by the Consultant shall be compiled at least quarterly and communicated to the Retirement Plan Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Retirement Plan Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a Manager(s) for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to a Manager(s) organization.

Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

### **Investment Manager(s)**

Each Manager acknowledges its responsibility as an investment fiduciary under Act 314. Each Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

### *Adherence to Policy Guidelines and Objectives*

The assets of the Plan are to be managed in accordance with the policy guidelines and objectives expressed herein as well as any additional guidelines provided separately. Assets shall be invested in strict compliance with Act 314. Each Manager shall manage its individual portfolio in compliance with Act 314.

### *Discretionary Authority*

Each Manager is expected to exercise complete investment discretion. Such discretion includes decisions to buy, hold and sell equities or fixed income securities (including cash equivalents) in amounts and proportions reflective of the Manager's current investment strategy and compatible with the investment guidelines.

Each Manager is expected, within the limitation of the account size, to diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to so diversify. The investment manager shall invest the assets of the Plan with the same care, skill, prudence and diligence under the circumstances then

prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims. The investment manager will provide the Retirement Plan Committee with suggested strategy which might be changed or adopted to better suit the investment guidelines adopted by the Retirement Plan Committee.

### *Communications*

Each Manager is responsible for communicating with the Retirement Plan Committee regarding all significant matters pertaining to the investment of the Plan's assets. The Retirement Plan Committee shall be kept apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the Plan's assets. If requested, Manager(s) will meet with the Retirement Plan Committee on a quarterly basis to review the portfolio and the investment outlook.

### *Reporting*

Each Manager is expected to provide:

1. INITIALLY, a written statement (per management agreement) acknowledging their acceptance of the guidelines and performance standards herein stated.
2. AT LEAST QUARTERLY, a portfolio composition report to the Retirement Plan Committee of the funds under their management. The report shall contain as a minimum the following data:
  - a. Investment Review
    - i. Account characteristics;
    - ii. Investment summary to include asset description, cost, date, unit value, market value, percent of market, current yield, unrealized gains/losses, and estimated annual income;
    - iii. Maturity schedule to include year due and percent of total; and
  - b. Summary and statement of assets under management.
3. ANNUALLY, and thereafter at the request of the Retirement Plan Committee, participation in a review meeting, the agenda to include, but not restricted to -
  - a. A review and re-appraisal of the herein contained Statement;
  - b. A brief review of the recent capital market environment to include discussion of any event particularly pertinent to the management of this portfolio;
  - c. A commentary on investment results in light of the appropriate standards of performance as stated herein;
  - d. A synopsis of key investment decisions made by the Manager, the underlying rationale, and how those decisions could impact future results;
  - e. Recommendations as to changes in goals or standards, based upon material and sustained changes in the capital markets;
4. UPON WRITTEN OR ORAL REQUEST -
  - a. Copies of all documentation in support of any investment activity;
  - b. A summary of receipts and disbursements;
  - c. A listing of assets acquired and disposed of;
  - d. Evidence of suitable insurance coverage of the Manager's fiduciary responsibilities.

5. IMMEDIATE NOTIFICATION -
  - a. Notice of material changes in the Manager's outlook, policy, and tactics
  - b. Notice of material changes in ownership, organizational structure, financial condition, senior staffing and management of the Manager's organization.

Each manager's investment guidelines and performance objectives are made a part of their investment management agreement. Compliance with these guidelines and objectives is evaluated during the quarterly investment performance evaluation process.

### **Custodian**

The primary responsibilities of the custodian ("Custodian") are to:

1. Provide adequate safekeeping services.
2. Settle securities transactions on time.
3. Collect trust fund income when due.
4. Provide adequate accounting services.
5. Prepare useful, accurate, and timely investment reports.
6. Provide adequate cash-management services.
7. Provide adequate administrative support.
8. Develop and maintain adequate data processing capabilities.
9. Handle proxy administration promptly and accurately.
10. Complete and file timely proof of claims for settlements of security class action suits and monitor the processing to ensure claims are received.

### **Plan Investment Policy**

The Plan is maintained to provide retirement benefits for the participants and their beneficiaries. The Plan is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by PA 314.

The Trustees (or their delegate) are authorized and permitted by the Plan Document and under Michigan law to engage the services of a Manager(s), Consultant and Custodian and to set the direction for the investments.

The Trustees require that the Manager(s), Consultant and Custodian comply with all applicable laws, rules and regulations. Manager(s) will be given full discretion in managing the funds within this Statement.

### **Plan Investment Objectives**

The Trustees' attitudes regarding Plan assets combine both preservation of capital and moderate risk-taking. The Trustees recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Plan.



The policies and restrictions contained in this Statement should not impede the Manager to attain the overall Plan objectives, nor should they exclude the Manager from appropriate investment opportunities.

The Plan's overall investment objective is to earn an average, annual return of 7.0% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure its ability to pay retirement benefits for all plan participants.

The Plan's objective is based on the expected returns under the strategic asset allocation policy, which follows. This asset allocation policy should result in normal fluctuation in the Plan's actual return, year to year. The expected level of risk (volatility, or return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

### **Asset Allocation Policy**

This strategic asset allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on the expected long-term returns, individual reward/risk characteristics, and correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with PA 314 of 1965 and amendments thereof is also considered.

The Commissioners established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Commissioners selected the target allocation for each asset class based on the Plan's current financial condition, expected future contributions, withdrawals, plan expenses and current investment opportunities, notwithstanding short-term performance. The Commissioners intend to review these allocation targets at least annually, focusing on changes in the Plan's financial needs, investment objectives, and asset class performance.

**Target Asset Allocation**

<b><u>Asset Class</u></b>	<b><u>Manager Role</u></b>	<b><u>Allocation Range</u></b>	<b><u>Target Allocation</u></b>
Total Equity	Active/Passive	40 to 70%	<b>55%</b>
US Large Cap Equity	Active/Passive	20% to 30%	25%
US SMID Cap Equity	Active	5% to 15%	10%
Non-U.S. Equities	Active, Broad or Focused	15 to 25%	20%
Total Fixed Income	Active/Passive Core, Active Opportunistic, Intermediate Diversified	20 to 50%	<b>40%</b>
Core Fixed Income	Active/Passive Core, Intermediate Diversified	10 to 30%	20%
Multi-Sector Fixed Income	Active Fixed Income	5 to 15%	10%
Liquid Absolute Return Fixed Income	Active Fixed Income	5 to 15%	10%
Commercial Real Estate	Core, value-added, opportunistic, public or private	0 to 10%	<b>5%</b>
Cash Equivalents	Active, money market fund	0 to 5%	0%
Total Fund			<b>100.0%</b>

The Trustees recognize that the transition to the above target allocations will be achieved over an appropriate period of time, based upon manager availability, selection and approval as well as portfolio needs and constraints.

The Trustees acknowledge that alternative asset classes are available and intend to periodically evaluate the merits of using different asset classes. The Trustees also recognize the benefits of diversifying manager roles within a given asset class and intend to periodically evaluate this decision as well as the active versus passive management decision.

In order to preserve capital gains and protect principal during periods of market duress, a short-term U.S. government and/or high-quality credit securities fund may be used. Given the infrequent short-term use and specialized purpose of this fund, it is not included in either the Policy Index or Target Asset Allocation.

## **Administrative and Investment Review Procedures**

### **Review of Policies**

All investment policies and investment management guidelines will be reviewed annually by the Trustees, or whenever circumstances change to the extent that the policies may be ineffective or inappropriate.

### **General Review**

Annually, all those responsible for investment of the Plan's assets shall submit a report or meet with the Retirement Plan Committee to review their activities for the current year and discuss proposed changes that are anticipated.

### **Review of Investment Performance**

The Retirement Plan Committee will monitor the investment performance of each manager and the overall deployment of the Plan's assets. Monitoring will include periodic meetings with the Manager(s), and a quarterly performance evaluation performed by the Consultant.

Each performance evaluation will include:

1. The present and prospective economic climate;
2. Current period and historical, time-weighted rates of return for the overall Plan, including an evaluation against the previously specified performance standards;
3. Current period and historical, time-weighted rates of return for each Manager, including an evaluation against the previously specified performance standards;
4. Additional quantitative measures and analysis will be employed to objectively monitor each Manager's compliance with investment policies and guidelines.
5. An understanding of the strategy being used by each Manager to carry out the current Investment Policy; and
6. Opportunities available within current and prospective asset categories.

The Retirement Plan Committee requests that all documents, exhibits, written materials, etc. to be used during the meetings be submitted in advance.

### **Individual Investment Manager Objectives**

On a quarterly basis, the performance of each of the investment managers will be compared to a relevant benchmark index and to a relevant universe of investment management firms. The ongoing review and evaluation of investment manager results will be the responsibility of the Retirement Plan Committee, with the assistance of the Consultant.

The primary emphasis of the review of each investment manager will be placed on relative rates of return and risk as compared against relevant benchmarks, peers and expectations for each specific manager.

Over a market cycle (usually 3-5 years), the following are the performance expectations for each portfolio:

- The total return of each portfolio should exceed the total return of the relevant index.
- The total return of each portfolio should rank median or higher when compared to the relevant peer group.

In addition to relative rates of return each portfolio's performance will be evaluated based on its relative risk profile as measured by its standard deviation and other benchmark relative statistics; risk adjusted returns as measured by the portfolio's Sharpe ratio and performance in up and down markets.

Passive portfolio allocations are expected to approximate the risk and return profile of the appropriate benchmark.

#### **Rebalancing Policy – Overall Fund Allocation**

The system of asset allocation rebalancing to be utilized involves a target asset mix around which variance is allowed within prescribed limits. Rebalancing will be addressed when a limit is reached or exceeded. In addition to monitoring target and actual allocations quarterly, the Retirement Plan Committee will formally review the policy and actual allocations in light of anticipated cash flow.

#### **Review of Investment Management**

Manager(s) are responsible for frequent and open communication (in writing) with Management and the Consultant on all significant matters pertaining to Investment Policy and the management of the Plan's assets, including, but not limited to:

1. A quarterly report of major changes in each Manager's investment outlook, investment strategy and portfolio structure.
2. Any significant changes in ownership, organizational structure, financial conditions, or senior personnel staffing of each Manager's organization.
3. Any investment guidelines which inhibit the fulfillment of a Manager's fiduciary duties, inappropriately restrict performance, or prevent the manager from meeting their performance standards.

#### **Proxy Voting**

The Trustees confer the right to vote proxies to the Manager(s), unless the Manager(s) are otherwise notified by the Retirement Plan Committee in writing. It is expected that Manager(s) will vote for the sole benefit of the Plan participants and beneficiaries, considering those factors that may affect the value of the Plan's investments and not subordinate the interests of the participants and beneficiaries in their retirement income to unrelated objectives.

A summary of votes cast shall be submitted to the Retirement Plan Committee on an annual basis. This summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against the Retirement Plan Committee's recommendation), and justification.

### **Directed Brokerage**

With regard to directed-brokerage, the Trustees do not require the Manager(s) to trade securities through an individual or set of broker-dealers. The Trustees wish to give the Manager(s) full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances.

### **Tenure**

While the relationship with Manager(s) is expected to be ongoing, the Retirement Plan Committee reserves the right to terminate their relationship with any retained Manager at any time they deem appropriate.

***In General*** Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Statement. All Managers are expected to be familiar with and follow the investment guidelines established under Michigan PA Act 314 with amendments.

Managers should present (and obtain approval on) material changes in their investment style, philosophy or process to the Retirement Plan Committee before implementing any changes on behalf of the Plan.

Managers (except commingled funds) are prohibited from using warrants, options, futures, collectibles, leverage, mutual funds (money market funds exempted), LLCs, ETFs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities (certain index funds exempted). While commingled funds are exempt from the prohibited securities noted above, they are expected to be managed within the guidelines set forth for each fund. Commingled fund managers are required to comply with the appropriate performance standards and reporting requirements contained in this document.

If a Manager would like to purchase a security that falls outside of this Plan's investment guidelines (commingled funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Retirement Plan Committee prior to purchase. Any security not specifically defined or permitted within is prohibited for investment on behalf of this Plan.

***Cash Equivalents*** The cash equivalents Manager may invest in any institutional money market fund ("Fund") that follows the following objectives and policies:

1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security).
4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.
5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

### Total Plan Performance

The primary investment objective is to meet the long-term financial goals of the Lansing Board of Water and Light Plan. The Plan's asset allocation will be used as the primary tool to achieve this goal.

The Plan is expected to meet or exceed the following objectives over a full market cycle (usually three to five years):

- 1) Earn a rate of return after all expenses that equals or exceeds the current actuarial assumed rate of return of 7.0%
- 2) The Plan's total return should exceed the total return of the Policy index comprised of the following:

Index	Percent
Russell 1000	25%
Russell 2500	10%
MSCI ACWI ex-US	20%
BloomBar US Aggregate	40-45%*
NFI ODCE (net) Index	0-5%*

\* An allocation to private real estate has been approved. The policy index will include an allocation to the NFI ODCE (net) Index after the funding of private real estate occurs. The policy index allocation to the BloomBar US Aggregate index will be reduced from 45% with the funding of private real estate.

- 3) The Plan's total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.
- 4) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

**Conclusion**

It is in the intent of this Statement to state an attitude and/or philosophy which will guide Managers toward the performance desired. It is further intended that these objectives be sufficiently specific, but also sufficiently flexible.

It is the opinion of the Commissioners that these limitations and guidelines will not prevent a Manager from achieving the objectives set forth.

## **Glossary of Investment Terms**

**Alternative Investments** - These investments are typically made through the purchase of limited partner units in a private limited partnership. Alternative investments include hedge funds, managed futures and commodities, private equity, real assets and other.

**Asset Allocation** - A process used to determine the optimal allocation of a fund's portfolio among broad asset classes.

**Benchmark Index** - An index against which the investment performance of a Manager can be compared for the purpose of determining the value added by the Manager. A benchmark portfolio must be of the same style as the Manager, and in particular, similar in terms of risk.

**Best Execution** - This is formally defined as the difference between the strike price (the price at which a security is actually bought or sold) and the fair market price which involves calculating opportunity costs by examining the security price immediately after the trade is placed. Best execution occurs when the trade involves no opportunity cost, for example when there is no increase in the price of a security shortly after it is sold.

**Fiduciary** - Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person.

**Funding Risk** - The risk that anticipated contributions to the fund would not be made.

**Liquidity** - In general, liquidity refers to the ease by which a financial asset can be converted into cash. Liquidity is often more narrowly defined as the ability to sell an asset quickly without having to make a substantial price concession.

**Nominal Return** - The nominal return on an asset is the rate of return un-adjusted for any change in the price level. The nominal return is contrasted with the real return that is adjusted for changes in the price level.

**Standard Deviation** - A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically are. The wider the range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e. has a bell shaped curve distribution) then approximately two-thirds of the returns would occur within plus or minus one standard deviation from the sample mean.

**Strategic Asset Allocation** – The strategic mix of assets designed to accomplish a long-term goal such as funding pension benefits. Generally, policy targets are set for the strategic asset classes with allowable ranges around those targets. The allowable ranges are established to allow flexibility in the management of the investment portfolio.



**Systematic Risk** - The part of a security's total risk that is related to movements in the market and therefore cannot be diversified away.

**Tactical Asset Allocation** – The tactical mix of assets is short-term in nature with a goal of maximizing returns. This strategy is used to take advantage of current market conditions that may be more favorable for one asset class over another.

**Time-weighted Return** - A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

**Universe** - A group of Managers/Funds chosen to have an investment style similar to the Manager/Fund and used for comparison purposes.

***POST-RETIREMENT BENEFIT PLAN  
FOR ELIGIBLE EMPLOYEES OF  
LANSING BOARD OF WATER AND LIGHT***

***STATEMENT OF INVESTMENT POLICIES,  
PROCEDURES AND OBJECTIVES***

Effective May 22, 2018, except as  
otherwise noted herein

## STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

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## **Introduction**

The Lansing Board of Water and Light (“**BWL**”) is a municipally owned utility providing drinking water, electricity, steam and chilled water services to the greater Lansing area in mid-Michigan. The Plan receives contributions from the Lansing Board of Water and Light. The Plan pays retirement benefits provided for in the Plan. Plan assets are invested in various types of securities.

This Statement of Investment Policy (“**Statement**”) is issued by the Commissioners of the Lansing Board of Water and Light (the “**Commissioners**”) for the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (“**Plan**”). The purpose of this Statement is to identify and present a set of investment objectives, an asset allocation policy, investment performance standards and procedures for managing the Plan's assets.

## **Updates to Statement**

The Commissioners retain the authority to approve, revise and update this Statement as necessary to ensure that it is consistent with the BWL's investment philosophy. Any revisions or updates made to the Statement shall be communicated to the Trustees from time to time in writing. The Trustees shall formally acknowledge any revisions or updates by communicating the same to the Commissioners in writing. It shall be the duty of the Trustees to act strictly in accordance with the Statement, and any changes therein, as so communicated to and acknowledged by the Trustees.

## **Trustees**

The Trustees of the Plan are the eight appointed voting Commissioners of the Lansing Board of Water and Light. The Trustees have delegated certain responsibilities that are described in this Statement to the Retirement Plan Committee, effective as of the date on which this Statement is acknowledged by the Trustees by signature of an authorized representative of the Trustees. As of that date, all provisions in this Statement relating to the Retirement Plan Committee shall become operative.

Responsibility for selecting and providing direction to Investment Managers, Investment Consultants, custodians, and other administrators required for the management of the Plan's assets and for evaluating overall investment results has been delegated to the Retirement Plan Committee which shall report to the Trustees regarding selections made and investment performance. The Trustees, in evaluating the Retirement Plan Committee's actions, shall act in accordance with the terms of this Statement, as updated from time to time by the Commissioners, and as communicated to the Trustees in writing.

## **Purpose of the Plan**

The Plan was established for the purpose of providing post-retirement medical benefits to eligible employees and their beneficiaries. The Plan is a governmental retiree medical

plan which provides medical, prescription drug, dental and life insurance benefits upon a participant's attainment of normal, early or disability retirement status. An investment portfolio is maintained to invest employer contributions and to reinvest income.

### **Investment Philosophy**

The Commissioners, Trustees and the Retirement Plan Committee recognize their respective fiduciary duties to invest the Plan's assets in formal compliance with the Prudent Man Rule. The Trustees interpret this to mean that, in addition to the specific guidelines and restrictions set forth in this document, the assets of the Plan shall be actively managed -- that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. Further, the Trustees recognize that, commensurate with its overall objective of maximizing long-range returns while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within this context of active management and the necessity for adherence to proper diversification, the Trustees and the Retirement Plan Committee rely upon appropriate professional advice.

### **Delegation of Responsibilities**

#### **Retirement Plan Committee**

The Retirement Plan Committee acknowledges its responsibility as a fiduciary to the Plan. In this regard, the Retirement Plan Committee must act prudently and for the exclusive interest of the Plan's participants and beneficiaries.

More specifically, the Retirement Plan Committee's responsibilities include:

1. Complying with the provisions of pertinent federal, state, and local laws and regulations relating to the investment of Plan assets.
2. Evaluating and appointing a qualified manager(s) and consultant(s) to invest and manage the Plan's assets.
3. Communicating the investment goals, objectives, and standards to the investment managers including any material changes that may subsequently occur.
4. Determining, with the advice of the Investment Consultant ("Consultant"), how Plan assets should be allocated among various asset classes.
5. Review and evaluate the results of the Investment Manager(s) ("Manager(s)") in context with established standards of performance.
6. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as mutually expected.
7. The Retirement Plan Committee will notify the Manager(s) of:
  - a) Significant changes in the Plan cash flow and/or cash flow needs; and
  - b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
9. Monitor all costs associated with the administration of the Plan's investment to ensure that they are reasonable with market averages.
10. Review any program that may mitigate or offset costs.

The Retirement Plan Committee shall give consideration to and have an understanding of the following prior to retaining professionals:

1. Establishing standards/requirements/appropriateness of services.
2. Identification of appropriate candidates for the position.
3. Solicitation of bids and proposals.
4. Conduct interviews.
5. Check references.
6. Make reasoned decisions based on all information, including:
  - a) Philosophy/Goals (i.e., Mission Statement)
  - b) Ownership/Management/Organizational Structure/Turnover
  - c) Operational History/Growth Plan
  - d) Infrastructure: Resources/Tools-of-the-Trade
  - e) Financial Condition
  - f) Educational Background/Industry Experience
  - g) Professional Qualifications
  - h) Risk Controls/ Insurance
  - i) Criminal, Civil, Regulatory History
  - j) Fees
  - k) Liquidity
7. Document the decision process.
8. Verify compliance with federal and state laws and Investment Guidelines.
9. Establish standards of conduct, terms and conditions of relationship (Written Contract/Agreement).

### **Investment Consultant**

In carrying out its delegated responsibilities, the Retirement Plan Committee considers the services of a Consultant as appropriate to assist in the placement of investment funds. The primary role of the Consultant is to provide independent, objective, third-party advice and counsel that will enable the Retirement Plan Committee to make well-informed and timely decisions regarding the investment of the Plan's assets.

The Consultant's role is that of an advisor to the Plan. The Consultant acknowledges its responsibilities as a fiduciary. The Consultant acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act.

Investment advice concerning the investment management of Plan assets will be offered by the Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Consultant are as follows:

1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.

4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Based on all of the above, advise regarding optimal allocation of assets.

#### Providing a Range of Capabilities

The Consultant is a third party retained by the Retirement Plan Committee to assist in several key areas of the management of financial assets.

The Consultant may be asked to:

1. Gather and evaluate statistical information on the financial assets, investment needs, and risk parameters.
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total rate of return and investment risk.
3. Maintain data on the universe of available professional investment managers, and categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.
4. Provide periodic asset allocation studies and updates.
5. Conduct periodic trustee educational workshops.
6. Provide information with respect to alternate investments.
7. Monitor the investment of the Plan's assets for compliance with relevant laws and regulations.
8. Analyze and evaluate the Plan's investment performance, and the performance of its investment managers, both past and ongoing.
9. Make specific and timely recommendations for the consideration of the Management during each phase of the investment management process.
10. Monitor all costs associated with the administration of the Plan's investment to ensure that they are reasonable with market averages.

#### Making Recommendations

*Investment Policy* - The Consultant may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The Consultant may be asked to provide an appropriate model of asset allocation composed of equity, fixed-income, money market instruments or alternative investments designed to meet the established objectives.

*Manager Selection* - The Consultant may be asked to recommend the best qualified and most appropriate Manager(s) candidates for implementing the established investment policy. The Consultant shall be capable of utilizing a well-established system to select suitable Manager(s) candidates from both a local and national investment manager database.

#### *Manager Performance Review and Evaluation*

The Consultant shall provide the Retirement Plan Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are

maintained. Performance reports generated by the Consultant shall be compiled at least quarterly and communicated to the Retirement Plan Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Retirement Plan Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a Manager(s) for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to a Manager(s) organization.

Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

### **Investment Manager(s)**

Each Manager acknowledges its responsibility as an investment fiduciary. Each Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

### *Adherence to Policy Guidelines and Objectives*

The assets of the Plan are to be managed in accordance with the policy guidelines and objectives expressed herein as well as any additional guidelines provided separately. Assets shall be invested in strict compliance with relevant laws and regulations. Each Manager shall manage its individual portfolio in compliance with relevant laws and regulations.

### *Discretionary Authority*

Each Manager is expected to exercise complete investment discretion. Such discretion includes decisions to buy, hold and sell equities or fixed income securities (including cash equivalents) in amounts and proportions reflective of the Manager's current investment strategy and compatible with the investment guidelines.

Each Manager is expected, within the limitation of the account size, to diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to so diversify. The investment manager shall invest the assets of the Plan with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims. The



investment manager will provide the Retirement Plan Committee with suggested strategy which might be changed or adopted to better suit the investment guidelines adopted by the Retirement Plan Committee.

### *Communications*

Each Manager is responsible for communicating with the Retirement Plan Committee regarding all significant matters pertaining to the investment of the Plan's assets. The Retirement Plan Committee shall be kept apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the Plan's assets. If requested, Manager(s) will meet with the Retirement Plan Committee on a quarterly basis to review the portfolio and the investment outlook.

### *Reporting*

Each Manager is expected to provide:

1. INITIALLY, a written statement (per management agreement) acknowledging their acceptance of the guidelines and performance standards herein stated.
2. AT LEAST QUARTERLY, a portfolio composition report to the Retirement Plan Committee of the funds under their management. The report shall contain as a minimum the following data:
  - a. Investment Review
    - i. Account characteristics;
    - ii. Investment summary to include asset description, cost, date, unit value, market value, percent of market, current yield, unrealized gains/losses, and estimated annual income;
    - iii. Maturity schedule to include year due and percent of total; and
  - b. Summary and statement of assets under management.
3. ANNUALLY, and thereafter at the request of the Retirement Plan Committee, participation in a review meeting, the agenda to include, but not restricted to -
  - a. A review and re-appraisal of the herein contained Statement;
  - b. A brief review of the recent capital market environment to include discussion of any event particularly pertinent to the management of this portfolio;
  - c. A commentary on investment results in light of the appropriate standards of performance as stated herein;
  - d. A synopsis of key investment decisions made by the Manager, the underlying rationale, and how those decisions could impact future results;
  - e. Recommendations as to changes in goals or standards, based upon material and sustained changes in the capital markets;
4. UPON WRITTEN OR ORAL REQUEST -
  - a. Copies of all documentation in support of any investment activity;
  - b. A summary of receipts and disbursements;
  - c. A listing of assets acquired and disposed of;
  - d. Evidence of suitable insurance coverage of the Manager's fiduciary responsibilities.
5. IMMEDIATE NOTIFICATION -
  - a. Notice of material changes in the Manager's outlook, policy, and tactics

- b. Notice of material changes in ownership, organizational structure, financial condition, senior staffing and management of the Manager's organization.

Each manager's investment guidelines and performance objectives are made a part of their investment management agreement. Compliance with these guidelines and objectives is evaluated during the quarterly investment performance evaluation process.

### **Custodian**

The primary responsibilities of the custodian ("Custodian") are to:

1. Provide adequate safekeeping services.
2. Settle securities transactions on time.
3. Collect trust fund income when due.
4. Provide adequate accounting services.
5. Prepare useful, accurate, and timely investment reports.
6. Provide adequate cash-management services.
7. Provide adequate administrative support.
8. Develop and maintain adequate data processing capabilities.
9. Handle proxy administration promptly and accurately.
10. Complete and file timely proof of claims for settlements of security class action suits and monitor the processing to ensure claims are received.

### **Plan Investment Policy**

The Plan is maintained to provide retiree medical benefits for the participants and their beneficiaries.

The Trustees (or their delegate) are authorized and permitted by the Plan Document and under Michigan law to engage the services of a Manager(s), Consultant and Custodian and to set the direction for the investments.

The Trustees require that the Manager(s), Consultant and Custodian comply with all applicable laws, rules and regulations. Manager(s) will be given full discretion in managing the funds within this Statement.

### **Plan Investment Objectives**

The Trustees' attitudes regarding Plan assets combine both preservation of capital and moderate risk-taking. The Trustees recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Plan. The policies and restrictions contained in this Statement should not impede the Manager to attain the overall Plan objectives, nor should they exclude the Manager from appropriate investment opportunities.

The Plan's overall investment objective is to earn an average, annual return of 7.5% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure its ability to pay retirement benefits for all plan participants.

The Plan's objective is based on the expected returns under the strategic asset allocation policy, which follows. This asset allocation policy should result in normal fluctuation in the Plan's actual return, year to year. The expected level of risk (volatility, or return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

### **Asset Allocation Policy**

This strategic asset allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on the expected long-term returns, individual reward/risk characteristics, and correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs.

The Commissioners established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Commissioners selected the target allocation for each asset class based on the Plan's current financial condition, expected future contributions, withdrawals, plan expenses and current investment opportunities, notwithstanding short-term performance. The Commissioners intend to review these allocation targets at least annually, focusing on changes in the Plan's financial needs, investment objectives, and asset class performance.

**Target Asset Allocation**

<b><u>Asset Class</u></b>	<b><u>Manager Role</u></b>	<b><u>Allocation Range</u></b>	<b><u>Target Allocation</u></b>
Total Equity	Active/Passive	45 to 70%	<b>60%</b>
US Large Cap Equity	Active/Passive	25 to 35%	30%
US SMID Cap Equity	Active	5 to 15%	10%
Non-U.S. Equities	Active, Broad or Focused	15 to 25%	20%
Total Fixed Income	Active/Passive, Core, Opportunistic	10 to 50%	<b>25%</b>
Core Fixed Income	Active/Passive Core, Intermediate Diversified	10 to 35%	15%
Multi-Sector Fixed Income	Active Fixed Income	0 to 10%	5%
Liquid Absolute Return Fixed Income	Active Fixed Income	0 to 10%	5%
Commercial Real Estate	Core, value-added, opportunistic, public or private	0 to 20%	<b>15%</b>
Cash Equivalents	Active, money market fund	0 to 5%	0%
Total Fund			<b>100.0%</b>

The Trustees recognize that the transition to the above target allocations will be achieved over an appropriate period of time, based upon manager availability, selection and approval as well as portfolio needs and constraints.

The Trustees acknowledge that alternative asset classes are available and intend to periodically evaluate the merits of using different asset classes. The Trustees also recognize the benefits of diversifying manager roles within a given asset class and intend to periodically evaluate this decision as well as the active versus passive management decision.

In order to preserve capital gains and protect principal during periods of market duress, a short-term U.S. government and/or high-quality credit securities fund may be used. Given the infrequent short-term use and specialized purpose of this fund, it is not included in either the Policy Index or Target Asset Allocation.

## **Administrative and Investment Review Procedures**

### **Review of Policies**

All investment policies and investment management guidelines will be reviewed annually by the Trustees, or whenever circumstances change to the extent that the policies may be ineffective or inappropriate.

### **General Review**

Annually, all those responsible for investment of the Plan's assets shall submit a report or meet with the Retirement Plan Committee to review their activities for the current year and discuss proposed changes that are anticipated.

### **Review of Investment Performance**

The Retirement Plan Committee will monitor the investment performance of each manager and the overall deployment of the Plan's assets. Monitoring will include periodic meetings with the Manager(s), and a quarterly performance evaluation performed by the Consultant.

Each performance evaluation will include:

1. The present and prospective economic climate;
2. Current period and historical, time-weighted rates of return for the overall Plan, including an evaluation against the previously specified performance standards;
3. Current period and historical, time-weighted rates of return for each Manager, including an evaluation against the previously specified performance standards;
4. Additional quantitative measures and analysis will be employed to objectively monitor each Manager's compliance with investment policies and guidelines.
5. An understanding of the strategy being used by each Manager to carry out the current Investment Policy; and
6. Opportunities available within current and prospective asset categories.

The Retirement Plan Committee requests that all documents, exhibits, written materials, etc. to be used during the meetings be submitted in advance.

### **Individual Investment Manager Objectives**

On a quarterly basis, the performance of each of the investment managers will be compared to a relevant benchmark index and to a relevant universe of investment management firms. The ongoing review and evaluation of investment manager results will be the responsibility of the Retirement Plan Committee, with the assistance of the Consultant.

The primary emphasis of the review of each investment manager will be placed on relative rates of return and risk as compared against relevant benchmarks, peers and expectations for each specific manager.

Over a market cycle (usually 3-5 years), the following are the performance expectations for each portfolio:

- The total return of each portfolio should exceed the total return of the relevant index.
- The total return of each portfolio should rank median or higher when compared to the relevant peer group.

In addition to relative rates of return each portfolio's performance will be evaluated based on its relative risk profile as measured by its standard deviation and other benchmark relative statistics; risk adjusted returns as measured by the portfolio's Sharpe ratio and performance in up and down markets.

Passive portfolio allocations are expected to approximate the risk and return profile of the appropriate benchmark.

### **Rebalancing Policy – Overall Fund Allocation**

The system of asset allocation rebalancing to be utilized involves a target asset mix around which variance is allowed within prescribed limits. Rebalancing will be addressed when a limit is reached or exceeded. In addition to monitoring target and actual allocations quarterly, the Retirement Plan Committee will formally review the policy and actual allocations in light of anticipated cash flow.

### **Review of Investment Management**

Manager(s) are responsible for frequent and open communication (in writing) with Management and the Consultant on all significant matters pertaining to Investment Policy and the management of the Plan's assets, including, but not limited to:

1. A quarterly report of major changes in each Manager's investment outlook, investment strategy and portfolio structure.
2. Any significant changes in ownership, organizational structure, financial conditions, or senior personnel staffing of each Manager's organization.
3. Any investment guidelines which inhibit the fulfillment of a Manager's fiduciary duties, inappropriately restrict performance, or prevent the manager from meeting their performance standards.

### **Proxy Voting**

The Trustees confer the right to vote proxies to the Manager(s), unless the Manager(s) are otherwise notified by the Retirement Plan Committee in writing. It is expected that Manager(s) will vote for the sole benefit of the Plan participants and beneficiaries, considering those factors that may affect the value of the Plan's investments and not

subordinate the interests of the participants and beneficiaries in their retirement income to unrelated objectives.

A summary of votes cast shall be submitted to the Retirement Plan Committee on an annual basis. This summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against the Retirement Plan Committee's recommendation), and justification.

### **Directed Brokerage**

With regard to directed-brokerage, the Trustees do not require the Manager(s) to trade securities through an individual or set of broker-dealers. The Trustees wish to give the Manager(s) full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances.

### **Tenure**

While the relationship with Manager(s) is expected to be ongoing, the Retirement Plan Committee reserves the right to terminate their relationship with any retained Manager at any time they deem appropriate.

***In General*** Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Statement.

Managers should present (and obtain approval on) material changes in their investment style, philosophy or process to the Retirement Plan Committee before implementing any changes on behalf of the Plan.

Managers (except commingled funds) are prohibited from using warrants, options, futures, collectibles, leverage, mutual funds (money market funds exempted), LLCs, ETFs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities (certain index funds exempted). While commingled funds are exempt from the prohibited securities noted above, they are expected to be managed within the guidelines set forth for each fund. Commingled fund managers are required to comply with the appropriate performance standards and reporting requirements contained in this document.

If a Manager would like to purchase a security that falls outside of this Plan's investment guidelines (commingled funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Retirement Plan Committee prior to purchase. Any security not specifically defined or permitted within is prohibited for investment on behalf of this Plan.

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1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.
2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security).
4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.
5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

### Total Plan Performance

The primary investment objective is to meet the long-term financial goals of the Lansing Board of Water and Light Plan. The Plan’s asset allocation will be used as the primary tool to achieve this goal.

The Plan is expected to meet or exceed the following objectives over a full market cycle (usually three to five years):

- 1) Earn a rate of return after all expenses that equals or exceeds the current actuarial assumed rate of return of 7.5%
- 2) The Plan’s total return should exceed the total return of the Policy index comprised of the following:

Index	Percent
Russell 1000	30%
Russell 2500	10%
MSCI ACWI ex-US	20%
BloomBar US Aggregate	25%-40%*
NFI ODCE (net) Index	0-15%*

\* An allocation to private real estate has been approved. The policy index will include an allocation to the NFI ODCE (net) Index after the funding of private real estate occurs. The policy index allocation to the BloomBar US Aggregate index will be reduced from 40% with the funding of private real estate.

- 3) The Plan’s total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.
- 4) In addition to relative rates of return the Plan’s performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to



the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

**Conclusion**

It is in the intent of this Statement to state an attitude and/or philosophy which will guide Managers toward the performance desired. It is further intended that these objectives be sufficiently specific, but also sufficiently flexible.

It is the opinion of the Commissioners that these limitations and guidelines will not prevent a Manager from achieving the objectives set forth.

## **Glossary of Investment Terms**

**Alternative Investments** - These investments are typically made through the purchase of limited partner units in a private limited partnership. Alternative investments include hedge funds, managed futures and commodities, private equity, real assets and other.

**Asset Allocation** - A process used to determine the optimal allocation of a fund's portfolio among broad asset classes.

**Benchmark Index** - An index against which the investment performance of a Manager can be compared for the purpose of determining the value added by the Manager. A benchmark portfolio must be of the same style as the Manager, and in particular, similar in terms of risk.

**Best Execution** - This is formally defined as the difference between the strike price (the price at which a security is actually bought or sold) and the fair market price which involves calculating opportunity costs by examining the security price immediately after the trade is placed. Best execution occurs when the trade involves no opportunity cost, for example when there is no increase in the price of a security shortly after it is sold.

**Fiduciary** - Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person.

**Funding Risk** - The risk that anticipated contributions to the fund would not be made.

**Liquidity** - In general, liquidity refers to the ease by which a financial asset can be converted into cash. Liquidity is often more narrowly defined as the ability to sell an asset quickly without having to make a substantial price concession.

**Nominal Return** - The nominal return on an asset is the rate of return un-adjusted for any change in the price level. The nominal return is contrasted with the real return that is adjusted for changes in the price level.

**Standard Deviation** - A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically are. The wider the range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e. has a bell shaped curve distribution) then approximately two-thirds of the returns would occur within plus or minus one standard deviation from the sample mean.

**Strategic Asset Allocation** – The strategic mix of assets designed to accomplish a long-term goal such as funding medical benefits. Generally, policy targets are set for the strategic asset classes with allowable ranges around those targets. The allowable ranges are established to allow flexibility in the management of the investment portfolio.

**Systematic Risk** - The part of a security's total risk that is related to movements in the market and therefore cannot be diversified away.

**Tactical Asset Allocation** – The tactical mix of assets is short-term in nature with a goal of maximizing returns. This strategy is used to take advantage of current market conditions that may be more favorable for one asset class over another.

**Time-weighted Return** - A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

**Universe** - A group of Managers/Funds chosen to have an investment style similar to the Manager/Fund and used for comparison purposes.

**RESOLUTION 2018-\_\_\_\_\_**

**Revised DB and VEBA Investment Policy Statements**

WHEREAS, the Board of Water and Light (the “Sponsor”) sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees’ Pensions (the “Defined Benefit Plan”) and the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the “Retiree Medical Benefit Plan”); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the Defined Benefit Plan be reduced from 7.5% to 7.0%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statements, formally known as the Statements of Investment Policies, Procedures and Objectives, for each plan and, as the result of its most recent review, recommends revising the policy index of each plan to more precisely represent the respective target asset allocations of each plan; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached (i) Lansing Board of Water & Light Defined Benefit Plan for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached (i) Lansing Board of Water & Light Defined Benefit Plan for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves: (i) the attached Lansing Board of Water & Light Defined Benefit Plan for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) the attached Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives.