



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

November 16, 2021

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, November 16, 2021. This meeting was publicly noticed for 5:30 p.m.

Chairperson David Price called the meeting to order at 5:53 p.m.

The Corporate Secretary, M. Denise Griffin, called the roll.

The following Commissioners were present: Chairperson David Price, Beth Graham, Dusty Horwitt, Semone James, Deshon Leek, Tony Mullen, Tracy Thomas, Sandra Zerkle. Also Present: Non-Voting Commissioners Douglas Jester (East Lansing), Larry Merrill (Delta Township), and Brian Ross (DeWitt Township)

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Ross led the Pledge of Allegiance.

After consultation with General Counsel Mark Matus and Finance Committee Chair Mullen, Chair Price removed from the Agenda, item 10.d., Resolution for Interim Internal Auditor Appointment.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, **Seconded** by Commissioner Graham, to approve the Regular Board Meeting minutes of September 28, 2021.

Action: Motion Carried.

PUBLIC COMMENTS

There were no public comments.

COMMUNICATIONS

Letter of Resignation from BWL Corporate Secretary Griffin. *Received and Placed on File.*

Electronic Mail received From Michelle Chambers regarding Moores Park Neighborhood Trees.

Referred to Management. Received and Placed on File.

Electronic Mail received From the Crane Family regarding Moores Park Neighborhood tree trimming. *Referred to Management. Received and Placed on File.*

Electronic Mail received From Mary Pollack regarding Streetlight outage on Saginaw Harrison.

Referred to Management. Received and Placed on File.

Electronic Mail received From Ellen Todd regarding BWL investment performance. *Referred to Management. Received and Placed on File.*

Electronic Mail received From Jonathan Korpi regarding BWL customer service. *Referred to Management. Received and Placed on File.*

Electronic Mail received From a BWL Employee regarding a complaint against an Executive Staff Member. *Referred to Management. Received and Placed on File.*

Commissioner Horwitt commented on the BWL employee complaint against an Executive Staff member. Commissioner Horwitt stated that he has become more aware of issues of racial injustice and would like the complaint to be taken seriously. He added that people make mistakes and the mistakes can be addressed. GM Peffley responded that all complaints are taken seriously and are referred to the HR Department and General Counsel, or outside counsel if needed. GM Peffley added that outside counsel will provide a recommendation and he will bring it to the board. Chair Price asked for a brief statement as he didn't consider it a board matter. Commissioner Leek requested that the recommendation be provided to the board. Commissioner James commented that she had received several calls in addition to an anonymous letter and would like the issue assessed and addressed. Commissioner James asked GM Peffley to report back to the Commissioners and GM Peffley responded that he would report back to the Commissioners in two weeks. Commissioner James also asked for a survey to be conducted and GM Peffley responded that he would look into a survey being conducted. Commissioner Mullen commented that employees with departments are given authority to run their departments but if an issue arises it is to be addressed.

COMMITTEE REPORTS

Chair David Price presented the Human Resources Committee Meeting Reports:

HUMAN RESOURCES COMMITTEE

Meeting Minutes

October 12, 2021

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at BWL Headquarters REO Town Depot located at 1201 S. Washington Ave., Lansing, MI on Tuesday, October 12, 2021.

Human Resources (HR) Committee Chairperson David Price called the meeting to order at 4:58 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Chair David Price, DeShon Leek, Tony Mullen and Tracy Thomas. Also present: Commissioners Semone James (arrived @ 5:00 p.m.) and Sandra Zerkle; and Non-Voting Commissioner Brian Ross (DeWitt Township)

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Leek, **Seconded** by Commissioner Mullen, to approve the Human Resources Committee meeting minutes of July 13, 2021.

Action: Motion Carried

Job Description Review – Charter Appointed Position of Corporate Secretary

An edited draft of the job description for the Charter Appointed Position of Corporate Secretary was provided to the Human Resources Committee for review and discussion.

Motion by Commissioner Mullen, **Seconded** by Commissioner Leek, to approve the “DRAFT” October 2021 version of the Charter Appointed Corporate Secretary job description, including the Board of Commissioner’s (Board Chairperson) signature line at the end of the document; and to start the recruitment process for the position of Corporate Secretary.

Action: Motion Carried.

Commissioner Mullen asked if the search for the replacement for the Corporate Secretary position would be conducted in the same manner as the search for the Internal Auditor position. Chair Price responded that when the job description for the Internal Auditor was approved, it was given to the HR Department to recruit for the position. The HR Department has internal and external tools to recruit for the position and the review of the applicants is part of the process, followed by the interview of the selected candidates by the Board. Chair Price would like to present the selected candidate to the Board for approval at the November Regular Board Meeting. Commissioner James asked if there is an independent research human resources firm that is used for the recruiting. Human Resources Director, Lynnette Keller, responded that two of the candidates for the Internal Auditor position were recruited through external recruiters, two candidates were recruited through the BWL website and two candidates are internal.

Hiring Process Update – Charter Appointed Position of Internal Auditor

Human Resources Director, Lynnette Keller, presented the requirements needed for qualification for the Internal Auditor position and stated that six applications were received. A discussion followed on the qualifications of the applications received.

Commissioner Zerkle asked for the salary range for the Internal Auditor position and GM Peffley responded that the information would be acquired and provided before the end of the meeting. Commissioner Thomas asked if the job description was sent to the hiring recruiters. Ms. Keller affirmed and added that all applicants are logged through the BWL website to follow compliance. GM Peffley added that all of the applicants have been presented at this meeting.

Commissioner Leek asked if the third party to which was referred was the BWL website or if there was a company used as an external recruiter. Ms. Keller responded that Pinnacle Staffing was used for this recruiting process.

Commissioner Mullen asked what the various acronyms for the requirements represented. Ms. Keller responded that CPA stands for Certified Public Accountant, CIA stands for Certified Internal Auditor, CFE stands for Certified Fraud Examiner, and CISA stands for Certified Information System Auditor.

GM Peffley reported the salary ranges for the Internal Auditor position for the last two auditors. The previous Internal Auditor was at Director Level 4 with a salary range of \$113,000 to \$169,000. The prior Internal Auditor was at Director Level 6 with a salary range of \$139,700 to \$209,000.

GM Peffley commented that if an internal candidate is being considered that may not have the minimum requirements yet, if the internal candidate has 60% of the qualifications, prior practice has been that an internal candidate would be a good selection.

Commissioner Thomas commented that the CISA exam is difficult and asked whether the CISA requirement could be extended from six months to one year. GM Peffley responded that certification requirements have been extended for employees in the past based on the circumstances.

Commissioner Zerkle asked whether or not the CISA requirement is the most crucial because it affects the IT department system and audits. GM Peffley responded that the guidelines can be reviewed and a third party can be consulted. Chair Price commented that due to the recent cyberattack, in previous discussions the Board decided that the CISA certification in cybersecurity was important.

Commissioner Zerkle asked whether any applications that were received weren't accepted. Ms. Keller responded that all the applicants were brought forward in the meeting. Ms. Keller recommended that five of the applicants be interviewed and that she will follow up with the sixth applicant.

Chair Price recommended that the recruitment process for the position of Internal Auditor be closed with the option to reopen if needed.

Motion by Commissioner Thomas, **Seconded** by Commissioner Mullen to interview the applicants already received and close the recruitment process for the position of Internal Auditor.

Action: Motion Carried.

Ms. Keller reported that the current approved salary range for a fully qualified candidate for the described Internal Auditor position is \$129,800 to \$197,200 with a midpoint of \$163,500. Commissioner James questioned if the Commissioners that were not on the HR Committee had input in the selection of the Internal Audit candidates that would be interviewed. There was a discussion in response to Commissioner James' question and inquiry about this matter being dealt with in the Committee of the Whole, and it was stated that the HR Committee is the designated committee responsible for the hiring process. During the discussion it was stated that all commissioners could provide their input during the interview meetings, however the HR Committee will vote to make a

recommendation to the full Board, and all Commissioners will be able to vote whether to accept the candidate that the Committee brings forward at the Board meeting.

Chair Price stated that the interviews would be conducted at a Human Resources Committee meeting that will be scheduled for October 26th and 27th at 4:30 p.m. Chair Price added that if the Commissioners' selection results in a tie between two candidates, another HR Committee Meeting will be scheduled, and additional interviews will be conducted with the candidates.

Commissioner Thomas requested that a 30/60/90-day plan be provided by each of the Internal Auditor applicants prior to their interviews. The Commissioners agreed that the HR Department request a 30/60/90-day plan from each of the applicants for the Commissioners to review. The 30/60/90-day plans will be provided with the HR packet and in paper copy for the HR Committee meetings.

Other

Commissioner Leek commented about the email that all Commissioner's received regarding Corporate Secretary's Griffin's unused paid time off and offered the follow motion:

Motion by Commissioner Leek, **Seconded** by Commissioner Mullen to authorize the Chairperson and the Vice Chairperson to finalize Corporate Secretary Griffin's exit arrangements between her and the BWL, with details to be completed and agreed upon by November 9, 2021.

Action: Motion Carried

Adjourn

Chair Price adjourned the meeting at 6:37 p.m.

Respectfully Submitted,
David Price, Chair
Human Resources Committee

HUMAN RESOURCES COMMITTEE Meeting Minutes October 26, 2021

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 4:30 p.m. on Tuesday, October 26, 2021.

Human Resources (HR) Committee Chairperson David Price called the meeting to order at 4:30 p.m. and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Chair David Price, DeShon Leek, Tony Mullen and Tracy Thomas. Also present: Commissioners Dusty Horwitt and Sandra Zerkle; and Non-Voting Commissioner Brian Ross (DeWitt Township)

Absent: None

Public Comments

None

Approval of Minutes

Motion by Commissioner Mullen, **Seconded** by Commissioner Thomas, to approve the Human Resources Committee meeting minutes and the Closed Session meeting minutes of October 12, 2021.

Action: Motion Carried.

Interview Candidates for the Charter Appointed Position of Internal Auditor

The Human Resources (HR) Committee conducted the first set of interviews with three of the five applicants for the Charter Appointed position of Internal Auditor, in accordance with Section 5-202.2 of the Lansing City Charter, which states: "The Board shall appoint an Internal Auditor who shall report directly to the Board. The Internal Auditor shall serve at the pleasure of the Board."

The HR Committee members presented the three applicants with hypothetical situation questions as well as questions about previous experiences in particular work areas.

Upon conclusion of each applicant's interview, the HR Committee engaged in discussion, reviewed, and considered each applicant.

Other

None

Adjourn

Chair Price adjourned the meeting at 7:40 p.m.

Respectfully Submitted,
David Price, Chair
Human Resources Committee

HUMAN RESOURCES COMMITTEE

Meeting Minutes

October 27, 2021

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 4:30 p.m. on Wednesday, October 27, 2021.

Human Resources (HR) Committee Chairperson David Price called the meeting to order at 4:30 pm and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Chair David Price, DeShon Leek, Tony Mullen and Tracy Thomas. Also present: Commissioners Semone James (by phone), Dusty Horwitt and Sandra Zerkle; and Non-Voting Commissioner Brian Ross (DeWitt Township)

Absent: None

Public Comments

None

Interview Candidates for the Charter Appointed Position of Internal Auditor

The Human Resources (HR) Committee conducted the second set of interviews with two of the five applicants for the Charter Appointed position of Internal Auditor, in accordance with Section 5-202.2 of the Lansing City Charter, which states: "The Board shall appoint an Internal Auditor who shall report directly to the Board. The Internal Auditor shall serve at the pleasure of the Board."

The HR Committee members presented the two candidates with hypothetical situation questions as well as questions about previous experiences in particular work areas.

Upon conclusion of each applicant's interview, the HR Committee engaged in discussion, reviewed, and considered each applicant.

Commissioner Zerkle recommended that the Director of the Human Resources Department forward the information of all applicants to the Human Resources Committee with an indication of the level of qualification for the Internal Auditor position.

Commissioner Thomas commented that the interviewing process should be thorough in order to obtain the right applicant who would fill the position for a lengthy amount of time. Commissioner Thomas also asked for a search firm independent of BWL Management to search for candidates for the Internal Auditor position.

Chair Price reported the scoring values for each candidate and noted that Commissioner Thomas didn't vote.

Commissioner Thomas commented that it is the Board of Commissioners' responsibility to appoint a qualified person for the position of the three employees. The process is to be perceived as fair and objective and the applicant should possess the qualifications to perform the job and work well with the BWL culture. Commissioner Thomas added that additional time should be taken to find the best applicant, the application should be opened to a broader pool of applicants, and a search firm should be enlisted to assist with the selection. Commissioner Thomas stated that in the previous hiring process, the Board of Commissioners interviewed the applicants, along with the search firm, and the Human Resources Department didn't. Commissioner Thomas stated that he would vote no as he didn't feel comfortable with the current process. Human Resources Executive Director, Lynnette Keller, responded that a search firm had been contracted from which the top two candidates were obtained. Ms. Keller added that the job posting was sent out through multiple mechanisms, such as the BWL website, Indeed.com, and Glassdoor.com.

Commissioner Mullen commented that a search firm was hired for the last interviewing process for the position of Internal Auditor and it didn't work out. Commissioner Mullen thought BWL's internal service through the Human Resources Department would be adequate for this interview process. Commissioner Mullen added that he thought the current candidates were adequate but has no problem with the application process being reopened.

Chair Price stated that the hiring process started with an approved Internal Auditor job description, then the HR Department utilize their contracted search firm and posted the job opening on several sites. When the applications were received in house, the applications were sent to all of the Commissioners to review and five candidates were selected to interview. Chair Price asked what else could be done to improve the process. Commissioner Thomas responded that the information wasn't received until right before the Committee meeting. Commissioner Leek commented that the Commissioners were provided the information from the applicants but weren't included by the HR Department in the process. Commissioner Thomas added that the Commissioners are not involved in the hiring process of the 650+ BWL employees but the three employees are their responsibility. The process should involve extensively searching for an applicant as the Internal Auditor position is a major position in the company with a large financial responsibility. Chair Price stated that the HR Department does the vetting of the qualifications of the applicants and the Commissioners conduct the interviews of the applicants just like managers of BWL departments conduct the interviews of applicants for their departments.

Motion by Chair David Price, **Seconded** by Commissioner Tony Mullen to reopen the hiring process for additional candidates and to have the Human Resources Department hire an additional independent search firm.

Action: Motion failed. (Yeas 2: Commissioners DeShon Leek and Tracy Thomas; Nays 2: Chair Price and Commissioner Tony Mullen)

Commissioner Mullen commented that he didn't think the hiring process needed to be reopened or that an additional search firm was needed but was not completely opposed to it. Commissioner Mullen is willing to change his vote to obtain additional applicants from a wider net. Commissioner Thomas stated that the current applicants would still be considered.

Commissioner Zerkle asked if there would be guidelines put in place for the length of time to receive additional applications. Commissioner Mullen stated that he had no problem with delegating authority to the Human Resources Department for proceeding with recruiting applications for the Internal Auditor position.

Commissioner Mullen made a motion to reopen the application process for the Internal Auditor position with an independent search firm and finish the process by the end of November.

Commissioner Thomas requested that the Board of Commissioners be mentioned and included in the motion to reopen the application process and search with an independent search firm and that by the end of November be removed from the motion.

Commissioner Horwitt commented that it was important to have the appearance of independence in the process, the search firm should report to the Board of Commissioners and it would give added confidence to the Board that the decision was made without BWL management's influence.

Commissioner Mullen asked that the hiring of a new Internal Auditor be done as expeditiously as possible. Commissioner Thomas asked for a copy of the previous hiring process to be sent to the Commissioners. Chair Price stated that the previous Internal Auditor hiring process transpired from January to May 2019 and included acquiring a search firm, searching for applicants, survey responses from Commissioners, initial screening of candidates by the HR Director, and scheduling interviews.

Commissioner Mullen withdrew his previous motion and another motion was made.

Motion by Commissioner Mullen, **Second** by Commissioner Leek to start the process to hire an independent search firm for both the Corporate Secretary and Internal Auditor positions.

Action: Motion Failed (Yeas 2: Commissioner Leek, Commissioner Mullen; Nays 2: Chair Price, Commissioner Thomas)

Another motion was made.

Motion by Commissioner Mullen, **Second** by Commissioner Thomas to start the process to hire an independent search firm to produce candidates for the positions of Corporate Secretary and Internal Auditor, which will be thoroughly vetted by the HR Committee

Action: Motion Carries (Yeas 3: Commissioner Leek, Commissioner Mullen, Commissioner Thomas; Nays 1: Commissioner Price)

Other

None

Adjourn

Chair Price adjourned the meeting at 7:20 p.m.

Respectfully Submitted,
David Price, Chair
Human Resources Committee

Commissioner Sandra Zerkle presented the Committee of the Whole Report:

COMMITTEE OF THE WHOLE

Meeting Minutes

November 9, 2021

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, November 9, 2021.

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

Present: Commissioners Sandra Zerkle, Dusty Horwitt, Semone James, DeShon Leek, Tony Mullen, David Price, and Tracy Thomas, and Non-Voting Members: Douglas Jester (East Lansing), Larry Merrill (Delta Township) and Brian Ross (DeWitt Township)

Absent: Commissioner Beth Graham

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Mullen, **Seconded** by Commissioner Thomas, to approve the Committee of the Whole meeting minutes of September 14, 2021.

Action: Motion Carried.

Regular Board Meeting Schedule 2022 Resolution

Motion by Commissioner Price, **Seconded** by Commissioner Mullen, to approve the Regular Board Meeting Schedule 2022.

Action: Motion Carried.

Renewable Energy Update

General Manager Peffley gave the renewable energy update. GM Peffley reported that BWL met the requirements for the agreement with the Sierra Club for 30% clean energy, and the 15% of retail sales that is required by the State of Michigan for renewables, at the end of June 2021, five months ahead of schedule. BWL is on track to meet the 50% goal by 2030. GM Peffley also reported that 15% of BWL's renewable energy is from solar, 67% is from wind, and 18% is from landfill gas. GM Peffley added that the percentage of renewable energy from solar would increase as the Ranger Power solar project, of which BWL is the largest owner for purchase power, would be online at the end of the year. BWL is also exploring battery technology for when the renewable portfolio is generating more energy than the domestic load.

Commissioner Jester asked about the wind energy project in Tuscola County, Michigan. GM Peffley responded that BWL negotiated and lowered the cost by 25% for the 68 MW wind field.

Commissioner James requested a written summary of the renewable energy update and GM Peffley responded that he would provide it to her.

Commissioner Horwitt asked if there was a pie chart on the BWL website that indicates a breakdown of all the places from where electricity is generated. GM Peffley responded that he would send the information to the Commissioners and also check on the website.

Tree Trimming Update

General Manager gave the tree trimming update. Trees remain to be trimmed in three quarter sections of the service territory and 685 have been completed. The trees in the current quarter section will be trimmed by the end of January 2022. The second round of trimming trees according to the new standard has also begun.

Commissioner Horwitt asked if the BWL has considered placing wires underground even though that is expensive. GM Peffley responded that it is expensive and is being offered to customers, who pay the extra cost. GM Peffley added that if the wires are buried in the right of way, damage can be done to the root structure of trees and if the service is on the back of the house, the service has to be relocated. The transformers also sit in the yard rather than on poles.

Personnel Issue

Committee of the Whole Chairperson Sandra Zerkle stated that General Counsel Mark Matus provided the Committee of the Whole with an Attorney Client Privilege memorandum and is present and available to discuss the contents of that memorandum with us.

Motion by Commissioner Price, Seconded by Commissioner James to go into closed session for the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(e).

Action: Motion Carried.

Roll Call Vote:

Yeas: Commissioners Sandra Zerkle, Dusty Horwitt, Semone James, Deshon Leek, Tony Mullen, David Price, and Tracy Thomas; and Non-Voting Commissioners Douglas Jester, Larry Merrill, and Brian Ross

Nays: None.

Action: Motion Carried. *The Committee of the Whole Meeting went into closed session at 6:45 p.m.*

Motion by Commissioner Price, Seconded by Commissioner Thomas to return to open session.

Action: Motion Carried.

The Committee of the Whole Meeting reconvened to open session at 7:15 p.m.

Motion by Commissioner Price, **Seconded** by Commissioner Thomas to authorize General Counsel Mark Matus to negotiate a settlement with Mr. Wesley Lewis within the parameters presented.

Action: Motion Carried. (Yeas 6: Commissioners Zerkle, Horwitt, Leek, Mullen, Price, Thomas; Nays 1: Commissioner James)

Other

GM Peffley reported on a late item regarding questions about a story about PFAS (polyfluoroalkyl substances) detected in the airport area, noting that BWL has 125 wells that are about 400 feet deep in the Saginaw aquifer. The wells started being tested in 2015 and have been tested every year since 2018. GM Peffley stated that any questions can be referred to BWL Environmental Compliance Specialist, Angie Goodman.

Adjourn

Chair Zerkle adjourned the meeting at 6:23 p.m.

Respectfully Submitted
 Sandra Zerkle, Chair
 Committee of the Whole

Commissioner Tony Mullen presented the Finance Committee Report:

**FINANCE COMMITTEE
 Meeting Minutes
 November 9, 2021**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, November 9, 2021.

Finance Committee Chair Tony Mullen called the meeting to order at 6:29 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Semone James, David Price and Sandra Zerkle. Also, present: Commissioners Dusty Horwitt, DeShon Leek, and Non-Voting Commissioners Douglas Jester (East Lansing), Larry Merrill (Delta Township) and Brian Ross (DeWitt Township).

Absent: Commissioner Beth Graham

The Corporate Secretary declared a quorum.

Public Comments

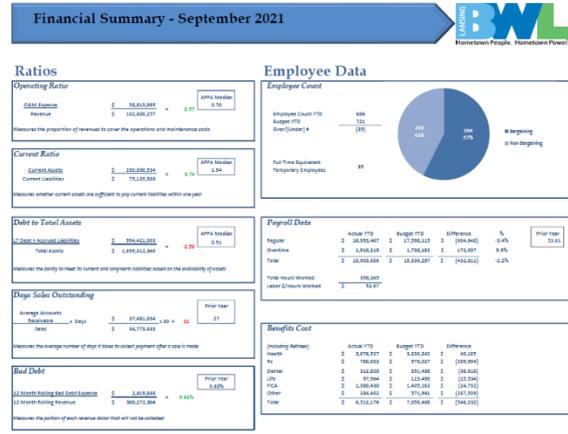
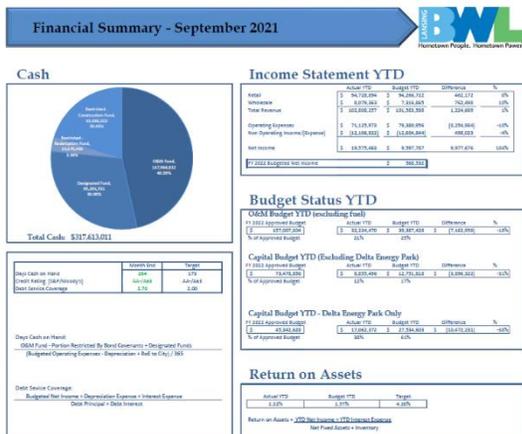
None.

Approval of Minutes

Motion by Commissioner Zerkle, **Seconded** by Commissioner James, to approve the Finance Committee meeting minutes of September 14, 2021.

Action: Motion Carried.

September YTD Financial Summary



* All APFA Median Numbers are for Utilities with Greater Than \$500M Customer as Obtained From The Most Recent "APFA Financial and Operating Ratio of Public Power Utilities Report" Published in 2020.

CFO Heather Shawa and Finance Manager, Scott Taylor gave a review of the September 2021 Year-to-date Financial Summary. Mr. Taylor reported the following: Total Cash is at \$317 million. The Days Cash on Hand and Debt Service Coverage are the most critical metrics and both are in a strong position. After the completion of bringing Delta Energy Park on line and working through the COVID-19 environment, a portion of our current cash balances can be used for additional investment in infrastructure. Operating Expenses are lower than budgeted partly due to COVID and partly due to it being the first quarter when we have just closed out prior year initiatives and are just in the beginning phases of the new year's initiatives.

Commissioner Mullen asked if there was a separation of fuel from the O&M Budget because it was volatile. Mr. Taylor responded that there was a separate cost recovery component for the variances in fuel.

Mr. Taylor also reported on the Ratios and noted that the Debt to Total Assets is in the red but it is typical for utilities who generate their own power like the BWL to have a higher ratio because of the additional cost of constructing their own generation facilities rather than buying their power from the market. Days Sales Outstanding is in the red but BWL is working with the customers.

Commissioner Jester asked how close the mix of electricity sales by class were to being back to normal. Mr. Taylor responded that industrial sales underperformed primarily due to General Motors not operating at full capacity while residential and commercial sales outperformed and offset the shortfall. Commissioner Jester also asked what the status was for customer disconnections. CFO Shawa responded that past due customer accounts were reduced by about \$3 million and 16,000 customer accounts were included in the shut off pool.

September Capital Report

CFO Heather Shawa gave the September Capital Report. The report contains the top ten projects, excluding the Delta Energy Project. The ESRI Implementation project is part of the BSmart program and is on the watchlist as it is approaching exceedance.

Commissioner Mullen asked for clarification regarding the phases with regard to planned costs and exceedances. CFO Shawa responded that the budget for the project is not considered firm until after the project is scoped and designed. If and expected total project cost increase exceeds the reporting threshold after that point, the project is brought to the Board for exceedance acceptance. GM Peffley added that an accurate cost is achieved with the scope and design and management is held responsible to be within 15% or \$200,000 of the designed cost. Commissioner Mullen commented that authorization was given for this process.

Commissioner Zerkle asked whether approval had been given for this project exceedance process. CFO Shawa responded that there is an updated resolution that supports this process. CFO Shawa added that when the capital budget is presented, the phases of the projects are provided. GM Peffley commented that graphs indicating in which phase or gate the projects are in is provided for the Commissioner prior to presenting for acceptance.

Commissioner James asked whether a report of the capital project projections could be provided which states any vendor costs, the proximity to the projected budget, and any exceedances. GM Peffley and CFO Shawa responded that they could provide Commissioner James a report.

Retirement Plan Committee (RPC) Update

Chair Mullen commented that authority had been delegated to the Retirement Plan Committee to make any needed changes to administrative items and compliance actions in the retirement plans. CFO Shawa provided the Retirement Plan Committee (RPC) update and stated the plan overview of the Pension program would be sent to the full Board prior to the Trustee meeting. The funding status of the VEBA plan has doubled over the last 10 years and the VEBA plan administrative services agreement has now been drafted and includes a change in strategy from a building up funding strategy to a maintaining funding strategy. The agreement includes formally establishing the BWL's administrative role with respect to processing fees and expenses, and the placing of parameters to review and calculate quarterly funding of the cost of plan benefits from the trust.

Commissioner Zerkle asked whether the Board needed to approve any of the actions taken and what was the amount of money spent on employee benefits each year. CFO Shawa responded that a quarterly report will be provided going forward that shows claims paid and that \$15 to \$16 million is spent each year for current employees and retirees. Commissioner Zerkle asked about reimbursements that would be given to retirees. CFO Shawa responded that reimbursements would only be made to the BWL operating account for the eligible expenses being paid out. Commissioner Mullen commented that the amount in the retirement fund can only be used for retirees' benefits but extra money to be given to the retirees can be authorized by the Board from a separate fund other than the Pension fund, such as the operating fund. A discussion was requested to be held in the January Finance Committee meeting regarding retiree benefits.

Internal Auditor Status Report

Principal Auditor Brian Schimke presented the Internal Auditor Status Report.

FY 2021 Audit Progress Report

Audit Engagements and Activities in Audit Plan Completed, Currently Underway, Scheduled to Start, or Changed

1. Unbilled Accounts Receivable – Audit Status: Completed, Audit Report Issued 3/17/2021
2. Purchase Card Usage and Control – Audit Status: Completed, Audit Report Issued 3/30/2021
3. MPPA and MISO Billings – Audit Status: Completed, Audit Report Issued 6/10/2021
4. Cybersecurity, IT Vulnerabilities & Penetration Testing – Audit Status: Completed, Audit Report Issued 09/10/2021



IA Status Report 11/09/2021

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FY 2021 Audit Plan Recently Closed Audit Summary

- FY21-05 Cybersecurity, IT Vulnerabilities & Penetration Testing Audit
 - BDO was the vendor hired to conduct the audit, perform the penetration testing, and kicked off the Audit in April 2021.
 - BDO performed a Cyber Maturity Assessment and a Penetration Test of our Networks.
 - The BWL ranked above average in both facets of the audit and better than our industry peers in almost all categories.
 - Final Report was issued to the Commissioners back on September 10th, 2021.
 - BDO was very complimentary of the BWL's performance.
 - IA would like to publicly thank everyone who participated and contributed to the success of the audit.



IA Status Report 11/09/2021

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Tentative FY 2022 Audit Plan

*Please note: The FY22 Audit Plan has NOT been approved and may not be until a new Director of Internal Audit has been named. However, IA was given permission to engage in preliminary work only, for the FY22 Payroll Audit.

1. Time Recording, Payroll Processing, and Payment of Overtime – Payroll (First Time Audit)
2. Employee Master File (To Be Included in #1 Above) – Human Resources, Last Audit: October 2017
3. Manage Mobile Devices – Information Technology, Last Audit: October 2017
4. Outage Management System (Current Process) – Operations (First Time Audit)
5. Enterprise Information Management (Records Retention Management) – Legal/Management/Board Processes, Last Audit: March 2014
6. Capital Projects Management – BWL Other (First Time Audit)



IA Status Report 11/09/2021

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FY 2022 Audit Progress Report

Audit Engagements and Activities in Audit Plan Completed, Currently Underway, Scheduled to Start, or Changed

1. Payroll Audit – Audit Status: Has Not Officially Commenced, Engaged in Preliminary Work Which Began on 08/23/2021



IA Status Report 11/09/2021

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Other Items Internal Audit's Addressing

- FY22 IIA Required Peer Review
 - Required to be completed every five years to maintain compliance with IIA standards. The last Peer Review was completed in FY2017.
- Improving/Evolving IA's Relations with Management
 - Implementing strategies to improve efficacy, enhance communication, refine engagement, and foster synergies with Management.
- Ensuring a Smooth Transition to New Director of Internal Audit
 - Verifying all workpapers were saved accordingly in our database, reviewing IA's current processes and preparing recommendations for new Director, and ensuring the day-to-day operations of IA are being performed.



IA Status Report 11/09/2021

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Commissioner Zerkle commented that she didn't receive the report from September 10th and only received an email stating the information in the cybersecurity audit wouldn't be disclosed publicly. Mr. Schimke stated that the information in the audit report would need to be discussed in a closed session due to the sensitivity of the information. Commissioner James asked whether a final report was sent to the Commissioners. Commissioner Mullen and Mr. Schimke responded that an executive summary of the audit report was provided which provided BDO's findings from the two phases of the

audit and which was intended to serve as the final report for this audit. Mr. Schimke responded that Internal Audit and BDO reviewed the FY21-05 cybersecurity audit with CFO Heather Shawa, CIO Rod Davenport and Internal Controls, and Finance Manager, Scott Taylor. IT agreed to remediations proposed by management.

Commissioner Zerkle asked if there were a couple of the audits that Mr. Schimke could start or complete before the Internal Auditor position was filled. Mr. Schimke responded that the audit plan had not been approved yet but three or four possible could be completed. Mr. Schimke stated that he was given approval for preliminary work on the Payroll audit. He added that the new Internal Auditor may create a different audit plan. Commissioner Zerkle asked if further authority should be given to Mr. Schimke. Commissioner James commented that it would be up to the Board to determine what would be in the audit plan.

A discussion followed on giving Mr. Schimke further authority to work on additional proposed audit plans.

Motion by Commissioner Mullen, **Seconded** by Commissioner Zerkle, to appoint Principal Auditor Brian Schimke as Interim Internal Auditor and give him authority to work on the internal audit plan as Interim Internal Auditor until a Director of Internal Audit is appointed. (Resolution to be presented the full Board for consideration)

Action: Motion Carried

Commissioner Mullen requested that Mr. Schimke continue with the Payroll audit and come up with three more audits that need to be completed and present them at the January Finance Committee meeting if he is appointed as the Interim Internal Auditor at the Board meeting.

Commissioner Zerkle asked if the risk assessment could be presented at the January Finance Committee meeting. Mr. Schimke responded that he would bring suggestions but would like to speak with management regarding resources required to commit to the audits.

Commissioner James asked about the five-year peer review that needs to be completed by the end of the fiscal year. Mr. Schimke responded that it did need to be completed by June 30, 2022 as the last one was done in 2017 and he has received instructions from previous Internal Auditor Phil Perkins.

Mr. Schimke stated that he would like to discuss with management whether they have the resources to commit to the audits in the plan. Mr. Schimke added that he would like to include two or three alternate audits along with the six or seven audits determined from the risk assessment.

Commissioner James asked if Mr. Schimke would only be working on the payroll audit and the peer review. Mr. Schimke responded he would be working on those two items and additional items.

Other

There was no other business.

Adjourn

Chair Tony Mullen adjourned the meeting at 8:01 p.m.

Respectfully submitted
Tony Mullen, Chair
Finance Committee

Chair David Price presented the Pension Fund Trustee Meeting Report:

PENSION FUND TRUSTEES COMMITTEE
Meeting Minutes
November 16, 2021

The Pension Fund Trustees of the Lansing Board of Water & Light (BWL) met at the BWL Headquarters in the REO Town Depot located at 1201 S. Washington Ave., Lansing, MI) at 5:00 P.M. on Tuesday, November 16, 2021.

Trustee and Board Chairperson David Price called the meeting to order at 5:00 p.m.

Corporate Secretary Griffin called the Roll:

The following Trustees were present: Beth Graham (arrived @5:26 p.m.), Dusty Horwitt (arrived at 5:22 p.m.), Semone James (arrived @5:22 p.m.), DeShon Leek, Tony Mullen, David Price, Tracy Thomas, and Sandra Zerkle. Also Present: Douglas Jester (East Lansing), Larry Merrill (Delta Township), and Brian Ross (DeWitt Township)

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Trustee Zerkle and Seconded by Trustee Mullen to approve the minutes from the November 17, 2020; March 16, 2021; and May 25, 2021 Pension Fund Trustees Meetings.

Action: Motion Carried.

Pension Fund

Chief Financial Officer (CFO) Heather Shawa provided an overview of the information from the Pension Memo and Pension Dashboard. VEBA plan updates include Atlanta Capital being appointed to replace Aristotle as a VEBA small/mid cap investment manager, amending the plan for non-bargaining employee premium sharing, and executing three rebalancing transactions as needed for the VEBA Trust to maintain required asset allocations. DC plan updates include the transition to Nationwide, application to an IRS Voluntary Correction Program for DC Plans 1 & 2, and extending the Captrust contract for investment advisory services through 5/31/2023. The DB Plan has approximately \$62 million in funded assets and 127% funding status; the VEBA Plan has approximately \$248 million in funded assets and 168% funding status. This is an increase of 39% which is largely due to market performance of 25% returns. These results were achieved while

maintaining very low fees of 0.65% and 0.63%. The 401(a) and 457(b) plans have 1,081 and 966 participants respectively and there are 261 active loans.

Commissioner Zerkle asked how the loans were repaid and what percentage was lost by taking out a loan on the 401. CFO Shawa responded that the participants repay their loans and can have up to two loans outstanding. CFO Shawa responded that it depended on their asset allocation. Mr. Taylor responded that the money borrowed wouldn't be part of market returns on what is invested.

Mr. Scott Taylor, BWL Finance Manager, introduced the financial advisory panel. The Panel provided financial plan information and followed by a question and answer session.

- 1) Nathan Burk, Vice President and Senior Consultant with Asset Consulting Group (ACG); ACG assists in investment allocation, evaluation of investment managers, reporting of investment performance and investment policy statements.
- 2) Mark Miller, Founder and Principal Consultant with Benassist Retirement Consulting, LLC; Mr. Miller provides actuarial evaluation reports, assists with required annual state filing requirements, and performs calculations for DB employee benefits at retirement.
- 3) Anthony Bergstrom, Financial Advisor and Relationship Manager with Captrust; Captrust assists with fund line up selection and monitoring, investment performance reporting, fee benchmarking and fiduciary compliance for the DC plans.
- 4) Michael Burkhart, Executive Relationship Manager with Nationwide; Nationwide is the DC Plan administrator and provides personalized resources to help employees and retirees reach their financial goals.

Mr. Nathan Burk gave a capital market update for 2021. Mr. Burke stated that as the market came from the bottom due to the pandemic, due to the cutting of Federal Reserve interest rates to zero and pumping liquidity into the system, there were strong equities in the fiscal year period—up on average of about 40% to 60%. Fixed income rates were a little higher and private real estate was higher due to the industrial sector. Mr. Burke noted that the VEBA plan had a 25.2% return on assets for FY 2021 and the DB plan had a return of 22.13%.

Commissioner Mullen asked if anything special is done with real estate investments, relating to the real estate situation in 2008. Mr. Burk responded that there are two primary real estate managers in the VEBA and DB plans who invest in high quality properties without taking a lot of risk. Commissioner Mullen also asked if the real estate situation with China has any effect on decisions made. Mr. Burke responded that all of the real estate investments are domestic.

Chair Price asked how unusual it was for retirement funds to have a 25% return in one year. Mr. Burke responded that it is not common, not to be expected and it was a very good year.

Mr. Mark Miller spoke about the actuary of the DB and VEBA plans funding. He noted that the funded status for the DB plan is 127.3% while the average for funded plans in Michigan is 75%. The funded status for the VEBA plan is 167.8% while the average for funded plans in Michigan is 50.9%. BWL is in the top 3% out of 862 Michigan plans.

Mr. Anthony Bergstrom with Captrust spoke about the investment management, fiduciary process, plan design, vendor monitoring, and participant engagement for the 401(a) and 457(b) plans and the conversion from ICMA to Nationwide.

Mr. Michael Burkhart with Nationwide provided information about the retirement services that Nationwide furnishes.

RESOLUTION #2021-11-01

ACCEPTANCE OF 2021 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN

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

Staff comments: All three Plans received clean audit reports.

Motion by Trustee Mullen, **Seconded** by Trustee Zerkle, to accept the 2021 Audited Financial Statements for Defined Benefit Pension Plan, Defined Contribution Pension Plan, and Retiree Benefit Plan.

Action: Motion Carried.

Other

None.

Adjourn

There being no further business, the Pension Fund Trustees meeting adjourned at 5:47 p.m.

MANAGER'S RECOMMENDATIONS

There were no General Manager recommendations.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

RESOLUTIONS

RESOLUTION 2021-11-02

Longevity Adjustment

Charter Position of Corporate Secretary

Whereas, In recognition of the Corporate Secretary's many years of dedicated and exemplary service to the Board of Water & Light and its Commissioners.

RESOLVED, On October 12, 2021 The Human Resources Committee by motion authorized the Chairperson and the Vice Chairperson to finalize the exiting employment arrangements between Ms. Griffin and the BWL.

FURTHER RESOLVED, all accumulated and unused paid time off (as of December 31, 2021 and January 7, 2022), which includes Vacation and Free-Choice' and a final longevity adjustment to the Corporate Secretary's compensation is appropriate given of her many years of dedicated and exemplary service is hereby approved.

FINALLY RESOLVED That the Chairperson and the Vice Chairperson of the Board of Commissioners are authorized to execute all contractual amendments or agreements on behalf of the Board of Commissioners to effectuate the final longevity adjustment.

Motion by Commissioner Mullen, **Seconded** by Commissioner Zerkle, to approve the Resolution for the Corporate Secretary's longevity adjustment.

Action: Motion Carried.

RESOLUTION 2021-11-03
Retain a Hiring Consultant

WHEREAS, the Board of Water & Light has an immediate need to fill the Charter appointed positions of Internal Auditor and Corporate Secretary;

WHEREAS, Chapter 2, Section 5-202 of the Lansing City Charter states it is the responsibility of the Board of Commissioners to appoint an Internal Auditor and Corporate Secretary:

*“(2) The Board shall appoint an Internal Auditor...
(3) The Board shall appoint its own Secretary...”*

WHEREAS, the Board of Commissioners requires professional assistance (“Consultant”) in filling its appointment responsibility;

WHEREAS, Section 19.6 of the Board of Water & Light's (“BWL”) Administrative Rules of Procedure states:

“The Board of Commissioners may hire external consultants, such as accountants, but not outside legal counsel. The full Board will meet before a consultant is hired to determine the scope of the issues to be addressed by the consultant, the consultant's budget, and the scope of contact with the Board. One Board member may be authorized as the primary contact with the consultant...”

WHEREAS, the Human Resources Committee recommended by motion to retain a Consultant to assist with filling the positions of the Internal Auditor and the Corporate Secretary;

WHEREAS, the Board of Commissioners desires to use the services of the Executive Director of Human Resources to issue a Request for Proposal (“RFP”); to obtain multiple proposals (“Proposals”) from hiring recruiters from which the Board of Commissioners can choose from; and

RESOLVED, the Board of Commissioners hereby directs the Executive Director of Human Resources to issue a RFP for the sole purpose of obtaining Proposals for recruiting consultants.

RESOLVED, the Board of Commissioners will choose and retain the Consultant for the above-stated purposes from the Proposals provided.

RESOLVED, the Board of Commissioners will require the Consultant to report directly to the Human Resources Committee, with the Chairperson as the primary contact.

NOW, THEREFORE BE IT RESOLVED FURTHER, the Board of Commissioners will require the terms of Consultant engagement, specifically describing the scope, consistent with Section 19.6 of the Board of Water & Light’s (“BWL”) Administrative Rules of Procedure.

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham, to approve the Resolution for the Retention of a Hiring Consultant to assist with the recruitment for the Internal Auditor and Corporate Secretary positions.

- **Discussion:** Commissioner Merrill questioned the process of hiring a consultant to select candidates since interviews had already been conducted. Chair Price stated that there were comments made about the process not being open, although emails were sent regarding the process and no responses were received. Chair Price stated that Initially he and Commissioner Mullen voted no to the motion in the HR Committee, but Commissioner Mullen changed his vote so that the motion could be forwarded to the full board for consideration. Commissioner Merrill asked why the process had been considered faulty and appeared to be going in reverse with hiring a consultant. Commissioner Thomas stated that his objection to the process was due to the late reception of the 30/60/90 day work plans that had been requested, and the Rubric scoring system that was not implemented timely and the fact that there were no candidates outside of the State of Michigan. He also stated that he did not have the opportunity to review the only relevant document dated August 30th, due to a personal matter, death of best friend, who passed away on August 30th. Commissioner Thomas stated that these Board Appointed positions are important positions; and he added that the HR Department can process the paper work, but there needs to be a “independent” consultant hired to work with the HR Committee to select the candidates for these positions. Commissioner Zerkle commented that an outside (independent) firm was hired for previous appointment selections.

Chair Price called the question to stop the discussion/debate. **Roll Call Vote** (Yeas 7: Commissioner Graham, Horwitt, James, Leek, Mullen, Thomas and Zerkle; Nays 1: Commissioner Price)

Motion on the Floor as follows:

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham, to approve the Resolution for the Retention of a Hiring Consultant to assist with the recruitment for the Internal Auditor and Corporate Secretary positions.

Action: Motion Carried. (Yeas 6: Commissioners Graham, Horwitt, James, Leek, Thomas, and Zerkle; Nays 2: Commissioners Mullen and Price)

RESOLUTION 2021-11-04
Regular Board Meeting Schedule 2022

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

RESOLVED, that regular meetings of the Lansing Board of Water & Light's Board of Commissioners are hereby set for calendar year 2022 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2022
Lansing Board of Water & Light Board of Commissioners
Regular Board Meeting Schedule

Tuesday	January 25
Tuesday	March 22
Tuesday	May 24
Tuesday	July 26
Tuesday	September 27
Tuesday	November 15

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

RESOLVED FURTHER, that a notice of the meeting schedule shall be published in a newspaper of general circulation in Ingham County the week of January 1, 2022.

Motion by Commissioner Leek, **Seconded** by Commissioner Zerkle, to approve the 2022 Regular Board Meeting Schedule.

Action: Motion Carried.

Proposed Resolution
Interim Internal Auditor
PULLED FROM THE AGENDA

WHEREAS, on November 9, 2021 the Finance Committee recommended that BWL Principal Auditor Brian Schimke be named as the Interim Internal Auditor and report directly to the Board of Commissioners until a permanent Internal Auditor has been named.

WHEREAS, as the Interim Internal Auditor, Mr. Schimke is authorized to work on the Internal Audit Plan.

RESOLVED, that Brian Schimke will serve as the Interim Internal Auditor until the Charter Appointed position of (Director) Internal Auditor is filled by the Board of Commissioners.

RESOLUTION 2021-11-05
Grant of Settlement Authority

WHEREAS, On November 9, 2021 the Committee of the Whole met in Closed Session for an Attorney Client Privilege Memorandum as permitted in Open Meetings Act, specifically MCL 15.268(e).

WHEREAS, by motion the Committee of the Whole recommended authorization for the Legal Counsel to negotiate a settlement between the BWL and Mr. Wesley Lewis within the set-forth parameters.

RESOLVED, that the Board of Commissioners, authorizes Legal Counsel to negotiate a settlement of claims made against the Board by Mr. Wesley Lewis within the recommended parameters.

Motion by Commissioner Mullen, **Seconded** by Commissioner Zerkle, to approve the Resolution for Authority to Settle

Action: Motion Carried.

MANAGER'S REMARKS

There were no manager's remarks.

COMMISSIONERS' REMARKS

There were Commissioner's remarks.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Chair Price adjourned the meeting at 6:43 p.m.

M. Denise Griffin, Corporate Secretary
Preliminary Minutes filed (electronically) with Lansing City Clerk 11-19-21
Approved by the Board of Commissioners: 01-25-22
Official Minutes filed (electronically) with Lansing City Clerk: 01-26-22