



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, July 8, 2025 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Tony Mullen, Committee Chairperson; Semone James; Dale Schrader; and David Price; Alternates: Beth Graham, Sandra Zerkle; Non-Voting: J. R. Beauboeuf, Robert Worthy, Stuart Goodrich

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of May 13, 2025 **TAB 1**
2. YTD Financial Highlights..... **TAB 2**
 - a. May Capital Report EA Exceedance Estimate..... **TAB 2a**
 - b. Capital Exceedance Request – 2025 Electric Annual Budget Line Resolution **TAB 2b**
3. Appointee Expense Policy **TAB 3**
 - a. Appointee Expense Policy Resolution **TAB 3a**
 - b. Credit Card Policy 2015-07-04 Resolution **TAB 3b**
 - c. Credit Card Policy 2023-07-06 Resolution **TAB 3c**
4. Travel & Expense Policy..... **TAB 4**
 - a. Travel & Expense Policy Redline..... **TAB 4a**
 - b. Amendment to the Travel & Expense Policy Resolution..... **TAB 4b**
5. FY2026 Internal Audit Work Plan **TAB 5**
 - a. FY2026 Internal Audit Work Plan Resolution **TAB 5a**
6. PA 95 Audit Results..... **TAB 6**
7. P-Card Audit Results **TAB 7**
8. Internal Audit Status Report..... **TAB 8**
9. Follow-up to Internal Audit Findings Recommendations **TAB 9**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
May 13, 2025

Finance Committee: Tony Mullen, Committee Chairperson; Semone James; David Price; and Dale Schrader;
Alternates: Beth Graham, Sandra Zerkle; Non-Voting: Commissioners J. R. Beauboeuf, Stuart Goodrich, Robert Worthy.

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 13, 2025.

Finance Committee Chairperson Tony Mullen called the meeting to order at 6:52 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Semone James, Tony Mullen, David Price, and Dale Schrader; Also Present: Commissioner Sandra Zerkle; and Non-Voting Commissioner Bob Worthy (Delta Township)
Absent: None

Corporate Secretary LaVella Todd declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner James, **Seconded** by Commissioner Schrader, to approve the Finance Committee Meeting minutes of March 11, 2025.

Action: Motion Carried. The minutes were approved.

Chairperson Mullen stated that at the March 11, 2025 Finance Committee Meeting it was discussed to postpone the Board appointed employees' payment signoff resolutions to today's meeting and it will be postponed again until the July Finance Committee meeting.

Financial Summary YTD

Chief Financial Officer Scott Taylor presented the YTD Financial Summary. Days Cash on Hand is strong, retail sales are slightly outperforming, wholesale sales has been closer to budget the last three months, operating expenses are down due to less sales and purchase power, net income is better than targeted, and non-operating income and expense is outperforming and BWL received \$910,000 in reimbursement for storm expense through the city from the state program. The capital budget is 25% under and two capital exceedances are being brought to the Committee tonight. The new energy budget is closer to budget now due to expenditures in March. In the Return on Assets section, Target ROA was added which is the long term target return expected to be achieved by for 2028. Debt to Total Assets is above the standard median

primarily due to how much energy BWL self-generates and how much it continues to invest in new energy programs.

Capital Budget Exceedance Request for Electric Annuals

Electric Transmission and Distribution Director, Wayne Lynn, presented the Capital Budget Exceedance Request for Electric Annuals. Annual expenditures include cable failures, pole failures, transformer purchases and pole replacements. An exceedance of \$5,793,843 is being requested.

Commissioner Price asked whether the storms in north Michigan that brought down thousands of poles would affect the replenishing of BWL's supply. GM Peffley responded that BWL's program to replace poles is nearing completion. BWL had a 10% pole failure rate in 2022, a 6% pole failure rate in 2023, and a 3% pole failure rate in 2024. Currently there is a 1% failure rate.

Chairperson Mullen asked about the giant transmission poles being put in on Jolly and if the wires from the wood poles already there can be placed on the metal. GM Peffley responded that some meet the standards and Mr. Lynn added that transmission and distribution will be on some of the poles and some of the poles will no longer be needed.

Commissioner Schrader asked if the \$5 million exceedance was being requested to get BWL to the 1% failure rate and what would be the consequences if not spent. GM Peffley responded that BWL is at 1% and the exceedance would keep it there. Mr. Lynn responded that more degraded poles would be left in the system and BWL would be subject to more downed poles in storms and longer restoration times.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader, to approve the Resolution for the Capital Budget Exceedance Request for Electric Annuals and forward it to the Full Board for consideration.

Action: Motion Carried.

Capital Budget Exceedance Request for REO Steam Turbine Generator Overhaul

Gas Plant Chiller Plant Maintenance Manager, Tom Dickinson, presented the Capital Budget Exceedance Request for REO Steam Turbine Generator Overhaul. The life cycle of a turbine is 30 years and the overhaul maintains the life of the turbine. Typically steam engines are scheduled for overhaul every eight years and the steam turbine was commissioned in 2013. The overhaul includes disassembly, inspection, repairs, and reinstall. Upon inspection, a broken blade was found increasing the cost of repairs.

Commissioner Worthy asked if a postmortem could be done on the steel to find out if it was a manufacturing defect. Mr. Dickinson responded that the manufacturer is aware of the blade and don't know the reason for it. Commissioner Worthy also asked if an active PM program is being added in addition to the repair. Mr. Dickinson responded that projects are scored for importance, severity, efficiency of units, preventative maintenance, and to satisfy the insurance

company. GM Peffley added that explanations for variances this high are reviewed by the BWL executive team and the overhaul could have been done at eight years but it is just a delayed expense.

Motion by Commissioner Semone James, **Seconded** by Commissioner David Price, to approve the Resolution for the Capital Budget Exceedance Request for REO Steam Turbine Generator Overhaul and forward it to the Full Board for consideration.

Action: Motion Carried.

Cash Reserve Policy Change

CFO Scott Taylor presented the cash reserve policy change. A request for approval for updates to the policy is being made. The return on equity to the City risk factor is being reduced from 50% to 25% to reflect the increase in frequency of payments to the city from semiannually to quarterly. The Debt Service risk factor is being increased from 8.3% of annual debt service to 25% for interest and 50% for principal to reflect the elimination of the debt service reserve fund. A minimum of 150 days cash on hand has been added to ensure the cash reserve requirement does not drop below the minimum level.

Commissioner Zerkle inquired about the difference and effect of the days cash on hand in managing money, and if the minimum cash reserve requirement would help during storm recovery. CFO Taylor responded that there are fluctuations in the impact due to slight changes in the risk factor and operating expenses, and the cash reserve allows BWL to be more resilient during adverse events and did help during the storm recovery.

Chairperson Mullen asked whether an increase in days would affect BWL's credit rating. CFO Taylor responded that it would only help and be treated as positive by rating agencies.

Commissioner Schrader asked why someone would not approve having more cash on hand. CFO Taylor responded that there is an optimal amount not to exceed and the FY26-31 Budget & Forecast presentation will provide further explanation.

Commissioner Zerkle (inaudible)

GM Peffley responded that the amount is placed into reserve and could be used someplace else, and it will have no effect on operations.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader to forward the Resolution for the Cash Reserve Policy Change to the full Board for approval.

Action: Motion Carried.

FY26-31 Budget Presentation

GM Peffley stated that he requested a 5% budget cut from staff, excluding fuel and purchase power, without impact to service. Assistant General Manager Heather Shawa provided the strategic objectives for customers and community, workforce engagement and diversity, climate and environment, operational resilience and continuous improvement, and financial

stability. CFO Scott Taylor provided the key budget and forecast assumptions, sales volume history and forecast by utility, operating budget and forecast, capital budget and forecast, and next steps. CFO Taylor noted that conversion of steam to hot water will lower costs for BWL customers as hot water is 15% more efficient than steam.

Commissioner Worthy asked if the savings of \$2 million when prepaying for natural gas was hedging or prepaying or both. AGM Shawa responded that the savings were hedging.

CFO Taylor noted that General Motors is planning to discontinue steam service in FY 2028, convert it to hot water, and self-service themselves. GM Peffley stated that General Motors has a corporate carbon neutrality goal of 0% but to meet this target, they will need to rely on their vendors to produce hot water offsite. GM Peffley will continue to negotiate with GM.

Commissioner Zerkle asked if all steam would be eliminated by FY2031 and if General Motors would be going to electric. CFO Taylor responded that the current estimate is at 15 years. GM Peffley responded that electric is not an efficient way to heat steam, and putting in gas boilers would go against General Motors carbon neutrality goal.

GM Peffley commented on having a plan in place to meet the required goals for new energy and compliance, but there is pressure from the federal government on those goals with the changes being made. GM Peffley added that the new renewable energy assets projects, for which contracts have been signed to start construction, are experiencing pressure from the government on not being able to use their lines to bring energy back. Also, if the state overturns the ability to overwrite zoning for wind and solar, the projects won't proceed because the local zoning ordinances will ban the projects in their area. BWL has a backup plan and administration may change in the future.

Director of Internal Audit Elisha Franco presented the Operating Budget & Forecast for the Department of Internal Audit.

Corporate Secretary LaVella Todd presented the Operating Budgets & Forecasts for the Office of the Corporate Secretary and the Board of Commissioners.

Commissioner Worthy asked how far pricing can be locked in for fuel. CFO Taylor responded that BWL's hedging plan is for five years with diminishing percentages to which BWL can commit. Commissioner Worthy also asked how depreciation is figured. CFO Taylor responded that straight line depreciation is figured for assets and an appropriate life is assigned. GM Peffley added that depreciation is also figured into the capital budget and how much needs to be reinvested. Commissioner Worthy asked if no growth was expected in chilled water as there was no increase in the budget. GM Peffley responded that a couple of customers are interested in chilled water and if it moves forward, there will be growth. Commissioner Worthy commented on the adjustment of the 9.5% increase for water for four years in the prior forecast as it was disconcerting and it is good to see that it has been reduced in this forecast. GM Peffley responded that surrounding townships were double and Grand Ledge customers received a \$50 set fee. He

added that there is legislation pending that will make the 9.5% look small, which BWL intends to fight.

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James to forward the Resolution for the FY26-31 Budget Resolution to the full Board for approval.

Action: Motion Carried.

Cash Receipts Audit Results

Director of Internal Audit Elisha Franco presented the FY2025 Cash Receipts Audit Results. The audit examined the cash receipts and remittance process, procedures and documents from July 1, 2023 to June 30, 2024. The audit found that there were two medium risk findings in documentation. Incomplete information was entered but no actual variances existed. Five audit process improvements were recommended. The overall opinion rating for the audit was sufficient.

Chairperson Mullen asked about the development of an annual fraud training program for all BWL employees. Ms. Franco stated that some employees didn't have any knowledge of BWL's ethics program and fraud policy and it was decided to add training as a recommendation.

Commissioner Price asked what rating is better than sufficient. Ms. Franco responded that the highest rating is strong, second is sufficient, third is needs improvement, and fourth is unsatisfactory.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the internal audit status report. The report included an audit update, issue status update, FY 2025 audit work plan and department items. The internal audit department will welcome an intern in May. Also, May is internal audit month and a brief campaign will be run through BWL announcements and HPTV.

Other

There was no other business.

Adjourn

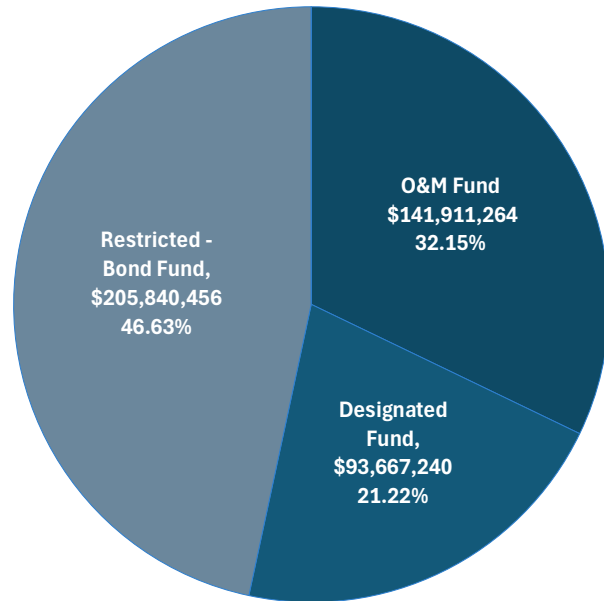
Chairperson Tony Mullen adjourned the meeting at 8:42 p.m.

Respectfully submitted,
Tony Mullen, Chairperson
Finance Committee

Financial Summary - May 2025 - FY25



Cash



Total Cash: \$441,418,960

	Month End	Target
Days Cash on Hand	200	149
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.16	2.00

Days Cash on Hand:

O&M Fund - Portion Restricted By Bond Covenants + Designated Funds
(Budgeted Operating Expenses - Depreciation + RoE to City) / 365

Debt Service Coverage:

Projected Net Income + Depreciation Expense + Interest Expense
Debt Principal + Debt Interest

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 381,805,434	\$ 366,710,002	\$ 15,095,431	4%
Wholesale	\$ 46,239,472	\$ 66,077,406	\$ (19,837,934)	-30%
Total Revenue	\$ 428,044,906	\$ 432,787,408	\$ (4,742,503)	-1%
Operating Expenses	\$ 354,883,596	\$ 369,910,605	\$ (15,027,009)	-4%
Non Operating Income/(Exp)	\$ (46,824,278)	\$ (51,274,292)	\$ 4,450,013	-9%
Net Income	\$ 26,337,031	\$ 11,602,511	\$ 14,734,520	127%

FY 2025 Projected Net Income \$ 17,705,467

FY 2025 Budgeted Net Income \$ 12,559,678

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY 2025 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 194,854,057	\$ 178,034,821	\$ 179,289,583	\$ (1,254,762)	-1%
% of Approved Budget	91%	92%		

Capital Budget YTD

FY25 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 87,791,518	\$ 56,952,858	\$ 67,504,998	\$ (10,552,141)	-16%
% of Approved Budget	65%	77%		

FY25 New Energy Budget	Actual YTD	Budget YTD	Difference	%
\$ 99,764,537	\$ 88,183,131	\$ 83,778,459	\$ 4,404,672	5%
% of Approved Budget	88%	84%		

Return on Assets

FY25 ROA Budget	Actual YTD	Budget YTD	Target ROA*
2.90%	3.46%	2.71%	3.97%
Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense} - \text{YTD Interest Income}}{\text{Net Fixed Assets} + \text{Inventory}}$			

*BWL forecast to reach target in FY2028

Financial Summary - May 2025 - FY25



Ratios

Operating Ratio

O&M Expense	\$	297,657,324	=	0.70	APPA Median 0.78
Revenue	\$	428,044,906			

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

Current Ratio

Current Assets	\$	306,823,657	=	2.60	APPA Median 1.71
Current Liabilities	\$	118,053,423			

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$	1,303,549,394	=	0.64	APPA Median 0.54
Total Assets	\$	2,052,732,424			

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

Days Sales Outstanding

Average Accounts Receivable	x Days	\$	26,216,535	x 31 =	24	Prior Year 26
Retail Revenue		\$	34,366,824			

Measures the average number of days it takes to collect payment after a sale is made

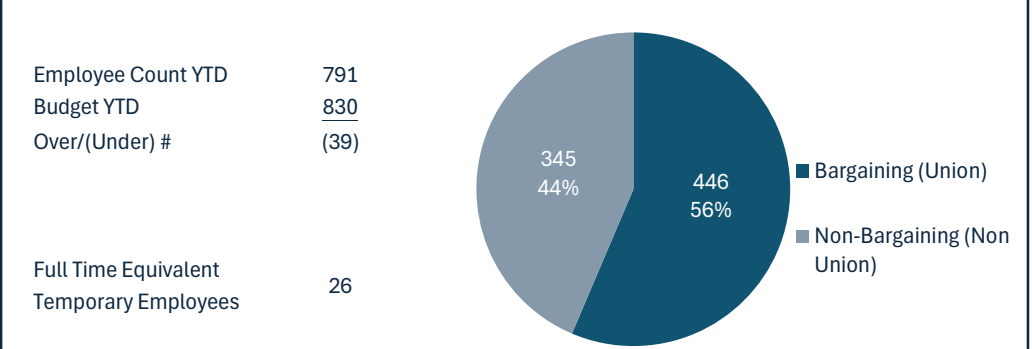
Bad Debt

12 Month Bad Debt Exp	\$	1,882,371	=	0.44%	Prior Year 0.58%
12 Month Retail Revenue	\$	423,492,687			

Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count



Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 78,279,495	\$ 77,138,948	\$ 1,140,547	1.5%	\$ 59.96
Overtime	\$ 8,476,542	\$ 7,384,078	\$ 1,092,465	14.8%	
Total	\$ 86,756,037	\$ 84,523,026	\$ 2,233,011	2.6%	
Total Hours Worked	1,424,014				
Labor \$/Hours Worked	\$ 60.92				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 14,663,932	\$ 16,892,944	\$ (2,229,012)
Rx	\$ 5,125,303	\$ 4,840,729	\$ 284,574
Dental	\$ 1,268,737	\$ 1,277,773	\$ (9,036)
Life	\$ 497,167	\$ 596,750	\$ (99,583)
FICA	\$ 6,394,027	\$ 6,273,558	\$ 120,469
Other	\$ 1,026,431	\$ 1,277,462	\$ (251,031)
Total	\$ 28,975,597	\$ 31,159,216	\$ (2,183,619)

Report as of May 31, 2025											
Projects Sorted by the FY25 Projection (Highest to lowest costs)			FY 25		Total Project					Project Period	
Project Name	Current Phase ¹	Budget	Projection	Designed Budget Amount	Current Projection	\$ Variance ²	% Variance ²	Total Cost Incurred To-Date	% Total Cost Incurred To-Date	Start Date	Projected Completion Date ¹
Top Ten Planned Projects											
South Reinforcement - Transmission Line	Phase 4 - Construction	\$ 18,000,000	\$ 18,636,961	\$ 43,503,927	\$ 43,281,986	\$ (221,941)	-0.51%	\$ 19,485,395	45.02%	09/20/2017	10/01/2026
Rundle Substation	Phase 3 - Design	\$ 5,524,057	\$ 6,010,408	NA	\$ 32,398,941	\$ -	0.00%	\$ 5,245,563	16.19%	02/27/2024	03/08/2029
Wise Substation - Rebuild	Phase 4 - Construction	\$ 2,713,893	\$ 3,335,773	\$ 31,520,194	\$ 31,958,696	\$ 438,502	1.39%	\$ 31,276,076	97.86%	11/22/2022	09/30/2025
Elevated Storage ³	Phase 4 - Construction	\$ 4,942,194	\$ 3,008,334	\$ 16,063,520	\$ 15,732,472	\$ (331,048)	-2.06%	\$ 12,675,422	80.57%	05/08/2023	05/06/2026
Chilled Water Control System Upgrade	Phase 3 - Design	\$ 2,225,609	\$ 2,413,867	NA	\$ 3,743,265	\$ -	0.00%	\$ 2,155,040	57.57%	10/02/2023	06/01/2026
HRIS	Phase 4 - Construction	\$ 1,767,693	\$ 2,321,803	\$ 3,902,097	\$ 3,949,450	\$ 47,353	1.21%	\$ 3,567,852	90.34%	07/15/2023	10/30/2025
LGR Substation	Phase 3 - Design	\$ 3,100,000	\$ 2,047,969	NA	\$ 22,540,109	\$ -	0.00%	\$ 4,997,191	22.17%	02/27/2024	08/30/2027
REO STG Overhaul ⁴	Phase 4 - Construction	\$ 750,000	\$ 1,446,205	\$ 965,153	\$ 2,593,567	\$ 1,628,414	168.72%	\$ 766,587	29.56%	05/14/2024	09/03/2025
Dye Chemical Handling ³	Phase 4 - Construction	\$ 1,386,204	\$ 1,338,927	\$ 13,707,307	\$ 4,591,766	\$ (9,115,541)	-66.50%	\$ 4,078,789	88.83%	09/15/2023	10/10/2025
Walter French	Phase 4 - Construction	\$ 599,160	\$ 1,201,356	\$ 1,390,988	\$ 1,250,681	\$ (140,307)	-10.09%	\$ 837,472	66.96%	10/03/2023	07/21/2025
Total Top Ten Planned Projects		\$ 41,008,810	\$ 41,761,603		\$ 162,040,934			\$ 85,085,387			
Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
Dye Filter Controls Upgrade ⁵	Phase 4 - Construction	\$ 21,818	\$ 558,116	\$ 2,443,265	\$ 2,713,925	\$ 270,660	11.08%	\$ 2,719,477	100.20%	02/01/2021	09/30/2025
Total Project Watch List		\$ 21,818	\$ 558,116		\$ 2,713,925			\$ 2,719,477			
Remaining Planned											
Electric		\$ 3,967,390	\$ 2,323,562								
Water ³		\$ 44,421	\$ 32,554								
Steam		\$ -	\$ (16)								
Chilled Water		\$ -	\$ 0								
Common		\$ -	\$ 176,326								
Total Remaining Planned		\$ 4,011,811	\$ 2,532,426								
Annual											
Electric ⁶		\$ 14,638,000	\$ 23,390,192			\$ 8,752,192	59.8%				
Water ³		\$ 14,661,519	\$ 14,779,760			\$ 118,241	0.8%				
Steam		\$ 4,123,722	\$ 360,184			\$ (3,763,538)	-91.3%				
Chilled Water		\$ -	\$ 10,392			\$ 10,392	0.0%				
Common		\$ 6,632,830	\$ 6,013,578			\$ (619,252)	-9.3%				
Total Annual		\$ 40,056,071	\$ 44,554,106			\$ 4,498,035	11.2%				
Management Reserve											
Management Reserve		\$ 2,693,007	\$ -								
Grand Total		\$ 87,791,517	\$ 89,406,250								

Notes:

¹ For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin of error.

¹ For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.

² Variances highlighted in red are over the \$200k and 15% thresholds.

³ FY25 budget and projections are shown net of anticipated grant funding.

⁴ Resolution 2025-05-07 approved the REO STG Overhaul for a final total project cost of \$2,595,067.

⁵ Resolution 2024-03-01 approved the Dye Filter Controls Upgrade for a final total project cost of \$3,065,675.

⁶ Resolution 2025-05-06 approved Electric Annuals for a projected final total cost of \$20,431,843.

RESOLUTION 2025-07-XX

Capital Project Exceedance: AE – Electric Annuals

WHEREAS, Lansing Board of Water & Light’s (BWL) Policy F1-13, entitled Capital Project Exceedance Approval, requires BWL Board of Commissioners approval for annual capital projects that are expected to exceed their previously approved aggregate total budget amount by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project AE – Electric Annuals was \$14,638,000; and

WHEREAS, at a Board Meeting held on May 20, 2025, the BWL Board of Commissioners approved the projected spending for Capital Project AE – Electric Annuals with a projected final total cost of \$20,431,843 via Resolution 2025-05-06; and

WHEREAS, the projected final total cost for Capital Project AE – Electric Annuals is now \$23,390,192, should the project be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project AE – Electric Annuals projected spending be approved.

THEREFORE, it is:

RESOLVED, the BWL Board of Commissioners approve projected spending for Capital Project AE – Electric Annuals with a projected final total cost of \$23,390,192.

FURTHER RESOLVED, this Resolution supersedes and replaces Resolution 2025-05-06.

Motion by Commissioner _____, **Seconded** by Commissioner _____, to approve the Resolution for Capital Project Exceedance: AE – Electric Annuals at a Board meeting held on _____.



Sec: xx - xx

LANSING BOARD OF WATER & LIGHT

POLICY

APPOINTEE EXPENSE POLICY

EFFECTIVE:

COMMISSION

POLICY

TYPE: COMMISSION

SCOPE: This Policy is applicable to Board Appointees ("Appointee"), including the General Manager, Corporate Secretary and Internal Auditor.

PURPOSE: To establish a reporting and approval process for Board Appointee expenses.

POLICY:

P-Card Expenses:

All Appointees, i.e. the General Manager, Corporate Secretary, and Internal Auditor, shall complete, sign, and date a reconciliation report and otherwise comply with BWL policy and procedures for their credit card also referred to as procurement card or P-card, after each cycle. The reconciliation report shall include itemized receipts and a description of the business purpose of the transaction. Transaction description of meal expenses shall include the name and organization of the meal guest(s). The Appointee shall sign, date, and present their reconciliation report to the Chairperson of the Finance Committee after the close of each monthly cycle.

The Chairperson of the Board's Finance Committee and a second Finance Committee member shall review the P-Card expense reports of each Appointee in accordance with the Purchasing Card (P-Card) Procedure. If either or both Commissioners have questions about one or more transactions, the two Commissioners shall attempt to resolve the issue with the Appointee. If they are unable to resolve the issue, the full Finance Committee shall resolve the issue. If an Appointee's P-Card expense report is not approved by both members of the Finance Committee by 5:00 p.m. on the 18th calendar day of each month, the Appointee shall notify the Finance Committee Chairperson and Board Chairperson who shall contact the P-Card Administrator for guidance consistent with the Purchasing Card (P-Card) Procedure. Within five business days of approval of the expense report by the two members of the Finance Committee, each Appointee shall circulate the Appointee's approved P-Card expense report via email to the entire Board.

P-Card Spending Limits for Appointees are:

Employee Classification	Cycle (Monthly) Amount Limit
General Manager	\$100,000
Corporate Secretary	\$25,000
Internal Auditor	\$10,000

Other Expenses:

In addition to following standard BWL practices and procedures for expenses, Appointees shall comply with the approval and reporting requirements noted below for their non-P-Card-related expenditures as well as procedures in the Travel & Expense Policy, budget expense procedures (Resolution 2025-03-06), and their employment contracts.

For expenses that are not covered by the Purchasing Card (P-Card) Procedure or Travel & Expense Policy, the Appointee shall present for approval to the Finance Committee Chair and one other Finance Committee Member prior to incurring the expense and the approving Finance Committee Members shall review said Appointee expenses within five (5) business days of notification. Additionally, this presentment and approval process shall take place for all related invoices that exceed the original approval amount and the Appointee shall provide the approving Finance Committee Members timely update(s) regarding such exceedances.

Any necessary exceptions to this Policy will be addressed on a case-by-case basis.

REFERENCES: Credit Cards Policy (F1-04); Purchasing Card (P-Card) Procedure; Travel & Expense Policy; Resolution 2025-03-06; Resolution 2025-07-xx

RESPONSIBLE AREA & DEPT NAME: NA

EXECUTIVE DIVISION: Choose an item from the dropdown list.

EXECUTIVE RECORD OF APPROVAL DATE: Click or tap to enter a date.

POLICY REVIEW: (This Policy **MUST** be reviewed at least every 4 years by responsible area (RA), unless specified otherwise).

REVIEWED BY	DATE	DUE DATE NEXT REVIEW
REVIEWED BY - INTERNAL AUDITOR	DATE (*not to exceed 5 years)	COMMENTS

RESOLUTION 2025-07-XX
Appointee Expense Policy

WHEREAS, the Lansing Board of Water & Light Board of Commissioners (“Board”) approved Resolution 2015-07-04 to amend the Credit Card Policy to add language requiring a reconciliation report of P-Card expenses be completed by all Board appointed employees (“Appointee”) and presented to the Finance Committee Chair for approval; and

WHEREAS, the Board approved Resolution 2023-07-06 to further amend the Credit Card policy to require a second Finance Committee member to review and approve Appointee P-Card expenses and established the spending limits of Appointees; and

WHEREAS, the Board now desires to create a new policy, the Appointee Expense Policy (Attachment A), to consolidate within one document the administration of Appointee P-Card expenses as well as other expenses administered using third-party payment program(s);

THEREFORE, it is:

RESOLVED, that the Board adopt and approve the Appointee Expense Approval Policy effective as of the date of this Resolution;

FURTHER RESOLVED, the changes to current practices required by this resolution shall also be reflected in the Purchasing Card (P- Card) Procedure, on the Commissioner’s Dashboard, and in any other relevant BWL documents.

FURTHER RESOLVED, the Appointee Expense Policy at Attachment A - supersedes and replaces Resolutions 2015-07-04 and 2023-07-06.

Motion by Commissioner _____, Seconded by Commissioner _____
to approve the Appointee Expense Approval Policy at a Board Meeting held
on_____.

Action:

RESOLUTION 2015-07-04

Credit Card Policy

RESOLVED, that Board of Water and Light Policy 7-05 "Credit Card" is hereby amended to add the following:

RESOLVED, that all Board appointed employees, including the General Manager, Corporate Secretary, and Internal Auditor shall complete, sign, and date a reconciliation report for their credit card also referred to as procurement card or P-card, after each cycle.

RESOLVED, that the reconciliation report shall include itemized receipts and a description of the business purpose of the transaction. Transaction description of meal expenses shall include the name and organization of the meal guest(s).

RESOLVED, that the Board appointed employee shall sign, date, and present their reconciliation report to the Chairperson of the Finance Committee after the close of each cycle. The Chairperson of the Finance Committee shall review, sign, date, and return the reconciliation report to the employee. The Board appointed employee shall retain the signed reconciliation report as directed by the BWL Record Retention Policy.

FURTHER RESOLVED, that this policy may not be waived or overridden, except by Board resolution.

This resolution supersedes Resolution 2001-1-3.

Motion by Commissioner Bossenbery, Seconded by Commissioner Mullen to approve the Resolution for the Credit Card Policy.

Action: Motion Carried

RESOLUTION 2023-07-06
Credit Card Policy

RESOLVED, that Board of Water and Light Board of Commissioners (“Board”) RESOLUTION 2015-07-04, a copy of which is attached hereto and incorporated by reference is hereby amended in part and also supplemented as follows:

RESOLVED, The Chairperson of the Board’s Finance Committee and a second Finance Committee member shall review the P-Card expense reports of each Board Appointee (“Appointee”) in accordance with the Purchasing Card (P-Card) Procedure. If either or both Commissioners have questions about one or more transactions, the two Commissioners shall attempt to resolve the issue with the Appointee. If they are unable to resolve the issue, the full Finance Committee shall resolve the issue.

RESOLVED, If an Appointee’s P-Card expense report is not approved by both members of the Finance Committee by 5:00 p.m. on the 18th calendar day of each month, the Finance Committee Chairperson and Board Chairperson shall be notified via email and shall contact the P-Card Administrator for guidance consistent with the Purchasing Card (P-Card) Procedure.

RESOLVED, Within five business days of approval of the expense report by the two members of the Finance Committee, each Appointee shall circulate the Appointee’s approved P-Card expense report via email to the entire Board.

RESOLVED, Appointees shall report their non-P-Card-related expenditures to the Board consistent with other BWL procedures including procedures in the Travel and Expense Policy and procedures in their employment contracts.

RESOLVED, P-Card Spending Limits for Board Appointees are:

Employee Classification	Cycle (Monthly) Amount Limit
General Manager	\$100,000
Corporate Secretary	\$25,000
Internal Auditor	\$10,000

FURTHER RESOLVED, The changes in this resolution shall be reflected in the Purchasing Card (P-Card) Procedure, on the Commissioner’s Dashboard, and in any other relevant BWL documents.

Motion by Commissioner Dusty Horwitt, Seconded by Commissioner David Price to approve the Resolution for the amendments to Resolution 2015-07-04 and the Credit Card Policy at a Board Meeting held on July 18, 2023.

Action: Motion Carried.

LANSING BOARD OF WATER & LIGHT

POLICY

TRAVEL & EXPENSE

EFFECTIVE: COMMISSION

POLICY

TYPE: COMMISSION

SCOPE: This policy ("Policy") applies to all expenses related to business travel and certain other business expenses as described herein. This Policy is applicable to the Board of Commissioners ("Board" or "Commissioners"), Board appointees ("Board Appointees"), and all BWL employees ("Employees"), each also referred to as "Traveler."

PURPOSE: This Policy is intended to provide guidance regarding the proper treatment of all expenses within its scope. Due to complex and ever-changing utility industry requirements, it is essential for Commissioners, Board Appointees, and Employees to be well-informed on issues of importance to BWL's operation and business model. Commissioners, Board Appointees, and Employees are encouraged and occasionally required to attend seminars, meetings, or other programs that provide information impacting the BWL, requiring business travel.

The BWL also periodically requires expenditures for food and events in the ordinary course of business. This Policy is intended to provide for consistent treatment of these expenditures and is neither all-inclusive nor meant to address every possible situation which may arise. Questions about specific situations not addressed within this Policy should be addressed to TravelandExpense@lbwl.com.

While responsible and sound judgment should be used when expending BWL funds, particular care should be exercised for food and event expenses. Employees responsible for making decisions concerning such expenditures should always consider whether the proposed expense represents an appropriate use of BWL funds.

This Policy is designed to accomplish the following key objectives:

- Provide a clear and consistent understanding of policies and procedures for business expenses;
- Provide a clear understanding of what constitutes a legitimate business expense;
- Provide reimbursement for legitimate business expenses when initially paid with personal funds; and
- Provide the appropriate level of accounting and business controls.

POLICY: All individuals covered by this Policy must comply with its provisions.

OVERNIGHT AND/OR OUT-OF-STATE TRAVEL

Advance Approval:

For Commissioner travel, all overnight and/or out-of-state business travel is required to be in accordance with the Board's Rules of Procedure.

For Board Appointee travel, advance approval for all overnight and/or out-of-state business travel is required and the Travel & Reimbursement Form ("Form") must be signed by the Board Chair prior to incurring any business travel expenses.

For Employee travel, advance approval for all overnight and/or out-of-state business travel is required and the Travel & Reimbursement Form ("Form") must be signed by the Employee's manager and director level or above prior to incurring any business travel expenses.

Registration Fees:

Registration fees or similar expenses for training, meetings, conferences, or seminars are allowable expenses.

Lodging:

- a. **Room Rates:** Actual expenses for lodging will be allowed up to the offered group rate or the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate based on availability at the time of registration, the upgrade shall be allowed.
- b. **Personal Guests:** If a Traveler is accompanied by a personal guest, the BWL will only reimburse at the single room rate. Accommodations such as different room types, extra rooms, and other special amenities for personal guests shall be arranged by the Traveler and paid directly to the hotel via a personal credit card or other means of personal payment.
- c. **Discounts:** Many hotels offer discounts to non-profit and governmental agencies. When making lodging arrangements, this discount should be requested.

Transportation:

- a. **Travel Rate:** Commercial airline or rail travel, including baggage, will be allowed for Main Cabin seating. Non-Refundable Main Cabin is the allowable booking class for all domestic flights.
- b. **Pre-Existing Medical Conditions:** If a medical condition necessitates upgraded travel, the Traveler must provide their BWL Human Resources representative with a physician's note for approval before booking transportation.
- c. **Rental Cars:** Rental cars and associated fuel expenses will be allowed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car must be included with the Form.
- d. **Public Transportation and Parking:** Taxis or similar transportation, bus, subway, shuttle, and parking costs, including associated tips up to twenty percent (20%), will be allowed.
- e. **Mileage:** Mileage incurred using the Traveler's personal vehicle will be paid at the current IRS allowable rate.
- f. **Fiscal Responsibility:** To optimize cost savings, Travelers should make every attempt to make travel arrangements thirty (30) or more days before travel.
- g. **Personal Upgrades:** When a more expensive transportation option is selected, documentation of the comparative transportation cost, such as coach vs. first-class airfare, must be provided. The Traveler may use personal miles or coupons to upgrade to first class or pay personally for the price difference between a coach and first class. When the Traveler chooses a more expensive travel option, such as first class or driving a vehicle rather than flying, the Traveler is responsible for paying the difference in price. Additional costs, such as lodging and meals, incurred due to an individual's decision to use a less time-efficient mode of transportation must be paid for by the Traveler.
- h. **Missed Flights:** If the Traveler misses a flight for personal reasons, the Traveler may be responsible for the non-refundable costs.

Meals & Incidentals:

Commissioner: When the Traveler is a Commissioner, the meal allowance will be based on a per diem rate of one hundred and ten dollars (**\$110**) per day of travel in the aggregate, including tip, applicable tax and incidentals. Except for meal and incidental receipts, original itemized receipts for all allowable expenses shall be obtained and retained to substantiate the expense. All expenses must be summarized on the Form and submitted for review and approval in accordance with the Rules of Procedure.

Board Appointee: When the Traveler is a Board Appointee, the meal allowance will be based on the actual cost incurred not to exceed seventy-five dollars (**\$75**) per day of travel in the aggregate (no prorated individual meal limit), including applicable tax and up to a twenty percent (**20%**) tip. Incidental expenses, such as tips given to porters, baggage carriers, and hotel staff considered reasonable, will be allowed up to ten dollars (**\$10**) per day in the aggregate. If an itemized receipt cannot be reasonably obtained, the expense must be documented, including location, date, and a description of the expense. Original itemized receipts for all allowable expenses shall be obtained and retained to substantiate the expense. All expenses must be summarized on the Form and submitted for review and approval by the Board Chair and Vice-Chair. The General Manager may deviate from these limits for legitimate business reasons, however substantiation and approval requirements still apply.

Employee: When the Traveler is an Employee, the meal allowance will be based on the actual cost incurred not to exceed seventy-five dollars (**\$75**) per day of travel in the aggregate (no prorated individual meal limit), including applicable tax and up to a twenty percent (**20%**) tip. Incidental expenses, such as tips given to porters, baggage carriers, and hotel staff considered reasonable, will be allowed up to ten dollars (**\$10**) per day in the aggregate. If an itemized receipt cannot be reasonably obtained, the expense must be documented, including location, date, and a description of the expense. Original itemized receipts for all allowable expenses shall be obtained and retained to substantiate the expense. All expenses must be summarized on the Form and submitted for review and approval by the Employee's direct supervisor.

Cancellation Policy:

If a Traveler cancels travel for personal reasons and the BWL cannot obtain a refund, the Traveler may be held responsible for the expenses incurred.

BUSINESS EXPENSES

Certain business expenses are allowed provided they are ordinary, not lavish and/or extravagant, and are directly related to or associated with BWL's core business function. The following information and documentation is required for such business expenses:

- Specific purpose as it relates to BWL's core business function (e.g. "Dinner with legislator to discuss pending changes to PA95" is an appropriately documented business purpose, but "Dinner with legislator" is not);
- Names, titles, and affiliations of recipients unless more than 10. For a group of more than 10, a description of the group will suffice;
- Date of purchase;
- Name of establishment;
- Total amount of purchase; and
- Itemized receipt, including any tip/fees.

Meals & Light Refreshments

With the pre-approval of a department's executive director, a meal may be provided at a BWL business meeting in which an Employee is giving up their personal lunch or dinner period to conduct BWL business. A formal business discussion must be the primary purpose of the meeting.

Although BWL funds may be used to provide a meal at a workshop, orientation, training, monthly staff meeting or other BWL sponsored event, the coordinator should attempt to schedule the event with enough notice and avoid conflicts with lunch and dinner periods.

Light refreshments may be provided for meetings or events that are scheduled outside of lunch and dinner periods and are subject to dollar limits as described herein.

Food provided to customers, vendors, and other business associates (non-BWL) are permissible under this Policy when directly related to or associated with the BWL's core business function.

All food items should be based on the expected attendance at the event. The dollar limit per participant is **\$25** for an allowable meal and **\$5** for a light refreshment and includes tip and other related fees such as surcharge and delivery.

Meals are also permitted in accordance with the IBEW Local Union 352 Contract under Article IX, Section 8.

Meals provided to Employees only are not allowed unless specifically permitted by this Policy.

Retirement Celebrations:

BWL funds may be used for the official retirement of an Employee and light refreshments may be provided as permitted by this Policy. The retirement celebration should be limited to a duration of 2 hours or less at the end of the Employee's work

shift and adhere to all BWL safety policies and practices. All announcements, posters, banners or signage for the retirement celebration must be ordered through BWL's Print Shop and not created nor distributed by other Employees.

Mileage:

When using a personal vehicle for in-state business travel, Employees will be paid at the current IRS allowable rate through BWL's payroll system. Allowable mileage expense shall include travel between the office and a second business-related location. Travel between your home or remote work location and the office is NOT an allowable mileage expense.

Employee Recognition:

Expenditures for Employee recognition such as successful completion of a significant project or assignment by a team or individual are permitted only with executive director approval and may include a celebratory event, BWL clothing, promotional item or a gift card with NO CASH VALUE.

Non-Allowable Expenses:

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

- Personal purchase of any type or value;
- Cash advance
- Alcoholic beverage;
- Guest travel expense;
- Special conference activity;
- Golf course, tennis court, or similar fee;
- Sporting equipment;
- Traffic and/or parking violation;
- Travel insurance (unless approved at the director level or above for a specific business need or purpose);
- Milestone event such as a wedding, birthday, work anniversary, baby shower, or farewell
- Department event for **non-business purpose** such as a holiday party or use of the Lugnuts Suite;
- Food and beverage not otherwise permitted by this Policy; and
- Amounts exceeding the allowable amounts for expenses permitted by this Policy.

Reimbursement:

Reimbursement requests including required substantiation must be entered and submitted into the Accounts Payable system within forty-five (45) days of the incurred date. The only exception to this requirement is for meals per the IBEW Local Union 352 Contract under Article IX, Section 8 which may be reimbursed through BWL's Petty Cash process. Any request submitted beyond forty-five (45) days may not be reimbursed.

Sales Tax:

The BWL is exempt from Michigan state sales tax and individuals should ask that tax not be charged for expenses incurred in the State of Michigan. The sales tax exemption form is located on BWL's intranet site and should be provided as requested.

Waiver:

There may from time to time be good reason to grant exceptions to this Policy. Requests for exceptions should be infrequent, supported by a sound business rationale and well documented. When the need for a waiver is known in advance of the expense, the request should be made in advance. Requests for waivers from Employees must be approved by a director and the Chief Financial Officer. Authority to grant waivers for Board Appointees is governed by Board resolution and for Commissioners by the Board's Rules of Procedure or Resolution.

REFERENCES: Travel & Reimbursement Form, Board's Rules of Procedure

RESPONSIBLE AREA & DEPT NAME: Accounting, Finance & Planning Department

EXECUTIVE DIVISION: Assistant General Manager & Corporate Services

EXECUTIVE RECORD OF APPROVAL DATE: Click or tap to enter a date.

POLICY REVIEW: (This Policy MUST be reviewed at least every 4 years by the responsible area (RA), unless specified otherwise).

REVIEWED BY	DATE	DUE DATE NEXT REVIEW
REVIEWED BY - INTERNAL AUDITOR	DATE (*not to exceed 5 years)	COMMENTS

LANSING BOARD OF WATER & LIGHT

POLICY

TRAVEL & EXPENSE

EFFECTIVE: ~~JULY 1, 2023~~

COMMISSION

POLICY

TYPE: COMMISSION

SCOPE: This policy ("Policy") applies to all expenses related to business travel and certain other business expenses as described herein. This Policy is applicable to the Board of Commissioners ("Board" or "Commissioners"), Board appointees ("Board Appointees"), and all BWL employees ("Employees"), each also referred to as "Traveler."

PURPOSE: This Policy is intended to provide guidance regarding the proper treatment of all expenses within its scope. Due to complex and ever-changing utility industry requirements, it is essential for Commissioners, Board Appointees, and Employees to be well-informed on issues of importance to BWL's operation and business model. Commissioners, Board Appointees, and Employees are encouraged and occasionally required to attend seminars, meetings, or other programs that provide information impacting the BWL, requiring business travel.

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POLICY: All individuals covered by this Policy must comply with its provisions.

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Advance Approval:

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Employee Recognition:

Expenditures for Employee recognition such as successful completion of a significant project or assignment by a team or individual are permitted only with executive director approval and may include a celebratory event, BWL clothing, promotional item or a gift card with NO CASH VALUE.

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- Alcoholic beverage;
- Guest travel expense;
- Special conference activity;
- Golf course, tennis court, or similar fee;
- Sporting equipment;
- Traffic and/or parking violation;
- Travel insurance (unless approved at the director level or above for a specific business need or purpose);
- Milestone event such as a wedding, birthday, work anniversary, baby shower, or farewell
- Department event for **non-business purpose** such as a holiday party or use of the Lugnuts Suite;
- Food and beverage not otherwise permitted by this Policy; and
- Amounts exceeding the allowable amounts for expenses permitted by this Policy.

Reimbursement:

Reimbursement requests including required substantiation must be entered and submitted into the Accounts Payable system within forty-five (45) days of the incurred date. The only exception to this requirement is for meals per the IBEW Local Union 352 Contract under Article IX, Section 8 which may be reimbursed through BWL's Petty Cash process. Any request submitted beyond forty-five (45) days may not be reimbursed.

Sales Tax:

The BWL is exempt from Michigan state sales tax and individuals should ask that tax not be charged for expenses incurred in the State of Michigan. The sales tax exemption form is located on BWL's intranet site and should be provided as requested.

Waiver:

There may from time to time be good reason to grant exceptions to this Policy. Requests for exceptions should be infrequent, supported by a sound business rationale and well documented. When the need for a waiver is known in advance of the expense, the request should be made in advance. Requests for waivers from Employees must be approved by a director and the Chief Financial Officer. Authority to grant waivers for Board Appointees is governed by Board resolution and for Commissioners by the Board's Rules of Procedure or Resolution.

REFERENCES: Travel & Reimbursement Form, Board's Rules of Procedure

RESPONSIBLE AREA & DEPT NAME: [Accounting](#)[Accounting, Finance & Planning Department](#)

EXECUTIVE DIVISION: [Assistant General Manager](#)[CFO](#) & Corporate Services

EXECUTIVE RECORD OF APPROVAL DATE: Click or tap to enter a date.

POLICY REVIEW: (This Policy MUST be reviewed at least every 4 years by the responsible area (RA), unless specified otherwise).

REVIEWED BY	DATE	DUE DATE NEXT REVIEW
REVIEWED BY - INTERNAL AUDITOR	DATE (*not to exceed 5 years)	COMMENTS

RESOLUTION 2025-07-XX
Amendment to Travel & Expense Policy

WHEREAS, the Board of Commissioners (“Board”) adopted a Travel & Expense Policy (“Policy”) on May 23, 2023, with an effective date of July 1, 2023, which superseded the previously adopted Travel & Reimbursement Policy effective May 1, 2018; and

WHEREAS, the Board desires to amend the Policy to add an additional approval by the Vice-Chair to the review and approval process for all Board Appointee travel expenses.

THEREFORE, it is:

RESOLVED, the Board approves the revised Travel & Expense Policy (Attachment A) effective July 1, 2025.

FURTHER RESOLVED, that the Travel & Expense Policy, effective July 1, 2023, is superseded by the Travel & Expense Policy as of July 1, 2025.

Motion by Commissioner _____, **Seconded** by Commissioner _____ to adopt the revised Travel & Expense Policy at a Board meeting held on July 22, 2025.

Action:

Internal Audit FY26 Work Plan



HOMETOWN PEOPLE. HOMETOWN POWER.

Internal Audit FY26 Work Plan & Timeline

Audit Unit Name	Scope	Tentative Timeline
Payroll	Internal Audit will conduct a payroll audit to evaluate the implementation and effectiveness of the new Workday HRIS, with a focus on ensuring accurate payroll processing, appropriate controls, and compliance with organizational policies and regulatory requirements.	July 28, 2025 – October 17, 2025
Disaster Recovery	The audit will evaluate the alignment of actual practices, internal controls, and departmental procedures with ISACA best practices, focusing on risks to data confidentiality, integrity, and availability, and assess the BWL's business continuity and disaster recovery plans.	August 11, 2025 – September 26, 2025
IT Audit (Data Security Assessment)	The scope of the 2026 Data Security Assessment will include a facilitated assessment of the BWL Information Technology department and operational systems supported by the Information Technology department, processes, and controls.	October 6, 2025 – November 14, 2025

Internal Audit FY26 Work Plan & Timeline

Audit Unit Name	Scope	Tentative Timeline
Penetration Testing	Evaluate the security of our internal network and systems by simulating real-world cyberattacks. This assessment will identify vulnerabilities and recommend improvements to enhance our cybersecurity posture.	November 2025 – December 2025 (Fieldwork Weeks of 12/1 and 12/8)
Billing Audit	This audit will assess the effectiveness and accuracy of the billing process, with a specific focus on the integration and operational performance of the Advanced Metering Infrastructure (AMI) program in supporting timely and reliable customer billing.	January 19, 2026 – April 13, 2026
Environmental Compliance	Internal Audit will assess whether BWL has effective processes in place to manage environmental compliance and supports BWL's sustainability goals. The audit will review roles and responsibilities, training, and oversight practices to determine if environmental risks are being appropriately managed and monitored.	April 20, 2026 – June 30, 2026



Thank You!

- Contact Information:
elisha.franco@lbwl.com

RESOLUTION 2025-XX-XX
Internal Audit Plan for FY 2026

RESOLVED, that the Board of Commissioners hereby approve the Internal Audit Plan for FY 2026.

Motion by Commissioner _____, **Seconded** by _____ to approve the Internal Audit Plan for FY2026 at a Board meeting held on _____, 2025.

Action:

FY 2025 PA-95 Audit Results

Presented by:

Elisha Franco, Director of Internal Audit



HOMETOWN PEOPLE. HOMETOWN POWER.

Audit Scope & Methodology

- The **audit scope** was to assess the effect of opting into the PA 95 on both the organization and BWL customers.
- Audit procedures, documents, and data were reviewed from October 1, 2024, through April 30, 2025.
- The audit was carried out in compliance with the **Global Internal Audit Standards**.

Audit Objectives

Determine whether:

- Opting into PA 95 had an impact on BWL customers.
- The Community Resource Fairs are effective for BWL customers.
- The Community Agency Payment Assistance Portal is adequately designed and functioning.
- Opting into PA 95 affected the organization's bad debt position.
- Customer shut-off rates were adversely affected due to the implementation of PA 95.



Audit Process Improvement Recommendation

Enhance Oversight:

- Implement an independent review and validation of the administrator role by an individual with equal or greater authority.



Audit Conclusion - Summary

Net Benefit to Customers:

- BWL customers experienced a net inflow of assistance during the audit period, indicating a positive financial impact from PA 95 participation.

Effective Outreach:

- Community Resource Fairs successfully promoted accessibility, increased community engagement, and raised awareness of available financial assistance.



Audit Conclusion - Summary

Secure and Functional Portal:

- No issues were identified with portal functionality.
- Recommended an activity review of the portal administrator.

Bad Debt:

- 12-month rolling adjusted bad debt and 12-month rolling average percentage both decreased from 2023 to 2025.
- Customer accounts sent to collections from 2022 to 2025 increased; however, the total dollar value decreased.



Audit Conclusion- Summary

Impact on Shut-offs:

- Internal Audit reviewed shut-off data for fiscal years 2022 through 2025 and did not identify a clear reduction in shut-offs that can be directly attributed to PA 95.

General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings and recommendations.

FY 2025 P-Card Audit Results

Presented by:

Elisha Franco, Director of Internal Audit



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Audit Scope & Methodology

- The **audit scope** was to examine the Purchase-Card (P-Card) processes, procedures, and documentation.
- Audit procedures, documents, and data were reviewed from July 1, 2024, to January 31, 2025.
- The audit was carried out in compliance with the **Global Internal Audit Standards**.

Audit Objectives

Determine whether:

- P-Card transactions comply with BWL's relevant policies, including proper documentation, approvals, and spending limits.
- Monitoring and reconciliation controls for P-Card transactions are effective.
- Cardholders comply with P-Card and Travel and Expense policies.



Audit Findings

Two low-risk findings were identified during the audit:

- **Reconciliation and Approval:** Transactions during the testing period were either not reconciled or not approved by the required deadline.
- **Monitoring and Oversight:** During the testing period, certain newly issued P-Cards were activated before the required training agreement was signed.



Audit Process Improvement Recommendations

Four process improvement recommendations were identified during the audit:

- Update the P-Card Procedure to include clear expectations for travel and expense supporting documentation.
- Implement a review process to verify that temporary credit limit increases are revoked in the Works system.
- Develop clearly defined escalation procedures detailing thresholds and corrective actions for instances of non-compliance with the P-card Procedure.
- Establish a process for periodic review of cardholder spending, identifying unusual activities or noncompliance trends.

General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings and recommendations.

Internal Audit Status Report



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Finance Committee Meeting

July 2025

Overview

- Audit Update
- Issue Status Update
- FY 2025 Audit Work Plan
- Other Items

Audit Update

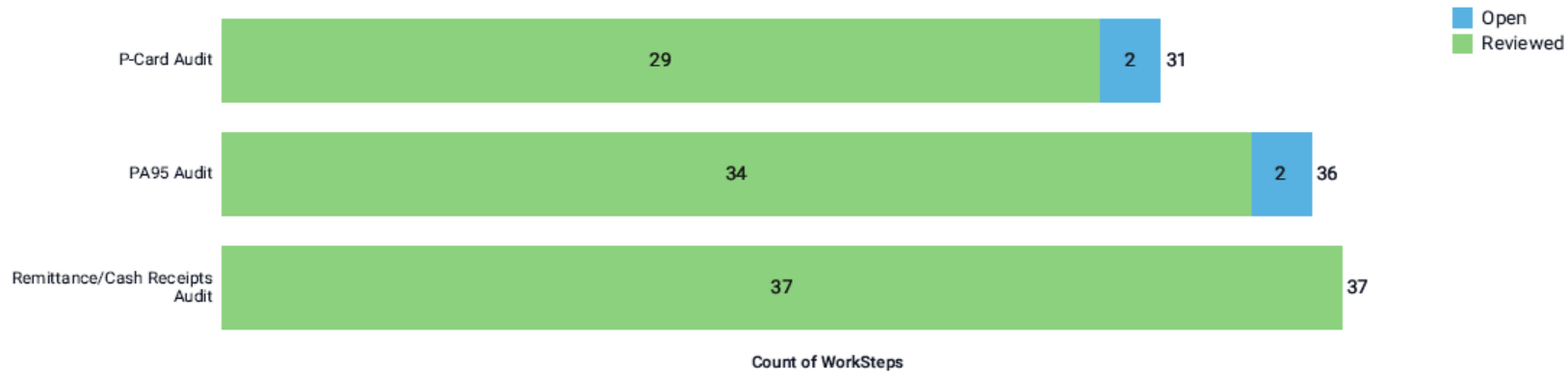
Internal Audit Executive Overview

Total Worksteps
104

Percent (%) In Progress / Not Begun
3.85%

Percent (%) Complete
96.15%

Audit Status

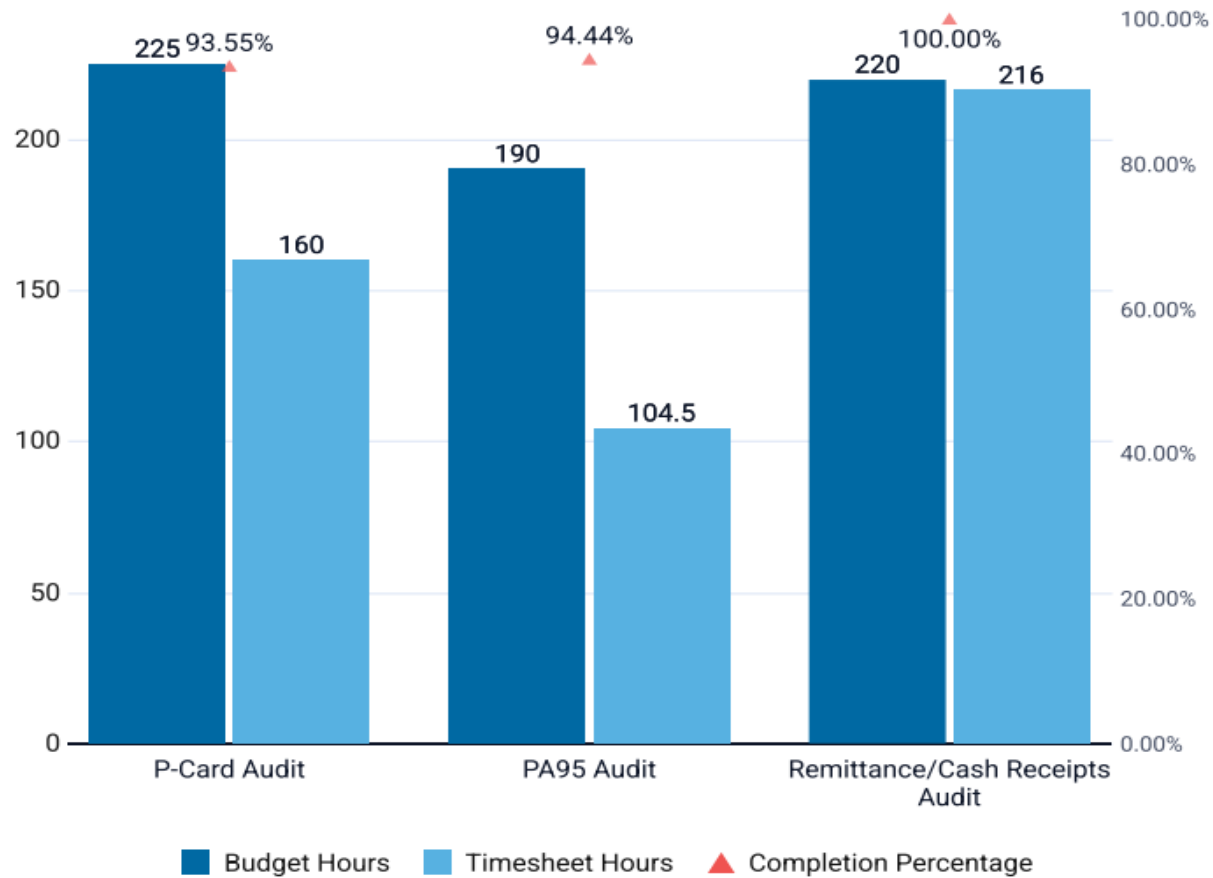


Open: WorkStep is pending completion

Reviewed: WorkStep has been completed and fully reviewed

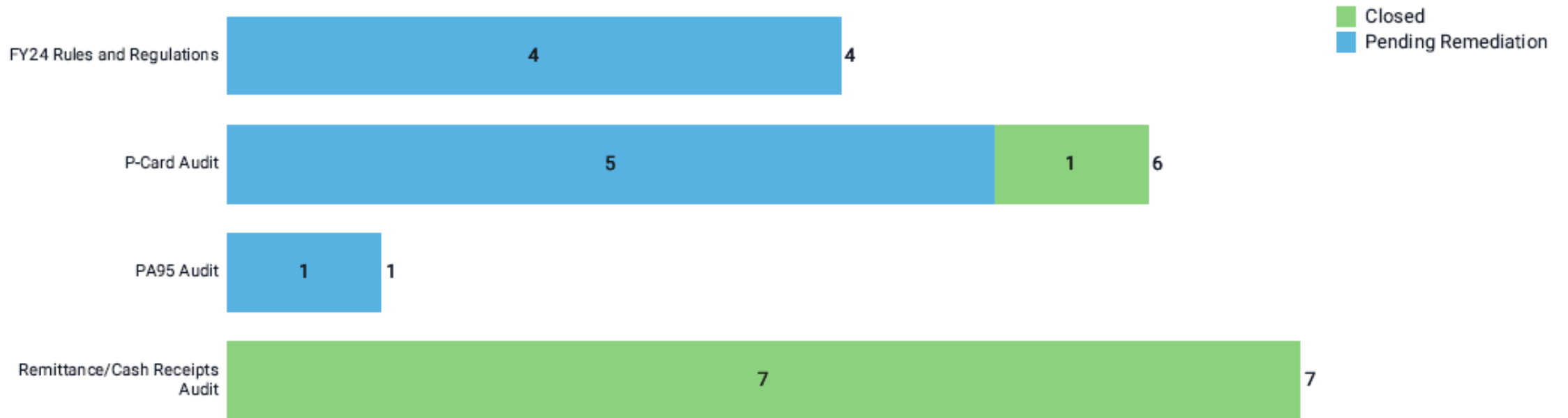
Audit Update

Budget vs. Timesheets



Issue Status Update

Issue Status by Audit



Closed: Issue has been fully remediated and remediation evidence has been reviewed by Internal Audit

Pending Remediation: Issue is pending Management's remediation

FY 2025 Audit Plan



Payroll Management - Complete

Remittance/Cash Receipts - Complete

PA 95 F/U - Complete

P-Card - Complete

Other Items

Department Items

The Internal Audit Department has welcomed two new employees:

Internal Audit intern:

- Started in May, continuing through mid-August
- Supporting department activities while developing a foundation of how an internal audit department operates

Administrative Assistant

- Started in mid-June as temporary support for administrative tasks
- Supporting in various capacities, including preparing and distributing communications, scheduling, and general coordination related to corporate governance

Other Items

Department Items

Department Updates on Procedure and Governance Documents:

- Internal Audit Strategic Plan – **In Progress**
- Internal Audit Quality Assurance and Improvement Plan (QAIP) – **Draft Complete**
- Internal Audit Organizational Risk Assessment – **In Progress**
- Internal Audit Manual – **Draft Complete (Under Review)**

FY 2026 Internal Audit Work Plan

- Internal Audit has completed the FY 2026 Work Plan, which has been approved by management

Other Items

Department Items

AuditBoard Data Analytics:

- Module within AuditBoard that allows for more automated testing within audits and other processes
- Integrates with third-party systems for a more streamline and efficient audit process
- Implementation starts in July

Professional Development:

- Actively working toward completion of required examinations for CIA certification

Follow-up to Internal Audit Findings & Recommendations

Finance Committee 7/8/2025



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Resolution #2018-07-05

Board Policy on Follow-up to Internal Audit Findings & Recommendations

Internal Audit	Management	Follow-up of Open Management Responses to Audit Findings
<ul style="list-style-type: none">• Perform audits, report findings, provide recommendations, records management responses, verify completion of corrective actions	<ul style="list-style-type: none">• Responds to findings and recommendations, identify and execute appropriate and timely corrective actions	<ul style="list-style-type: none">• An open action item list is maintained for progress tracking by Internal Control.• Management reports progress to the Finance Committee semi-annually (Jan. & July)

Open Findings & Recommendations

FY 2024 Rules and Regulations

- Management should include the electric residential security deposit calculation in the Rules and Regulations schedule/chart of fees and charges.
 - This addition will be made when the Rules and Regulations are next updated effective October 2025.
- Management should revise the timing of the Rules and Regulations updates to be included within the BWL's rate strategy. The rate strategy should include a review of all Rules and Regulations fees and charges.
 - This timing change will be complete with the next review and update of Rules and Regulations effective October 2025.

Open Findings & Recommendations

FY 2024 Rules and Regulations

- Legal Affairs leads the Rules and Regulations review process, with the Finance Department responsible for calculating, overseeing, and approving all fees and charges.
 - The Rules and Regulations update planned to be effective October 2025 is being conducted in a manner consistent with this recommendation.
- Management should revise the security deposit interest rate to be updated on October 1st each year to align with the rate strategy.
 - Effective October 2025, the Rules and Regulations and associated fees and charges review and update will coincide with the BWL Rate implementation schedule.

Open Findings & Recommendations

P-Card Audit

- Update the P-Card Procedure to include clear expectations for travel and expense pre-approval supporting documentation.
 - Management agrees with the process improvement. The P-Card Procedure will be updated by October 31st, 2025, to guide cardholders on what is required for those who use their P-Card for Travel and Expense.

Open Findings & Recommendations

➤ P-Card Audit

- Implement a process to verify that temporary credit limit increases are revoked in a timely manner within the Bank of America Works system.
 - Management will develop a process to track the credit limits of cardholders, ensuring cardholders maintain appropriate limits defined in the P-Card Procedure. This process will be developed and implemented by October 31st, 2025.

Open Findings & Recommendations

P-Card Audit

- Transactions during the testing period were either not reconciled or not approved by the required deadline.
- Develop clearly defined escalation procedures detailing thresholds and corrective actions for instances of non-compliance with the P-card Procedure.
 - Management is updating the P-Card Procedure to include escalation language. This escalation will help reduce the number of cardholders who do not consistently complete their monthly reconciliations. This update will be completed by October 31st, 2025.

Open Findings & Recommendations

P-Card Audit

- Establish a process for periodic review of Cardholder spending to identify unusual activity or patterns that may indicate non-compliance with the P-Card policy
 - Management will develop a process for periodic review of spending trends, which will be added to the P-Card Administrative Monitoring Policy and implemented by October 31, 2025.

Open Findings & Recommendations

PA95 Audit

- The BWL platform administrator's access is not independently reviewed and validated.
 - Management will implement a review and approval of the administrator's access by the administrator's direct supervisor as part of the biannual review process starting by September 30th, 2025.

Closed Findings & Recommendations

Cash Receipts Audit

- Add a “Review” column to the Lobby Access Audit workbook to evidence the independent review of access to restricted areas within the BWL.
- Management completed the recommendation by updating the workbook to include the review column.

Closed Findings & Recommendations

Cash Receipts Audit

- Implement a second level of review for all reconciliations when a variance is noted. The reviewer should evidence their review via sign-off on the reconciliation.
 - Management implemented a second-level review of all reconciliations by the expected completion date of April 30th, 2025.
- Implement a Cash Receipts Checklist to enhance evidence of preparation and review within Customer Operations
 - Management completed implementing a cash receipts checklist by the expected completion date of April 30th, 2025.

Closed Findings & Recommendations

Cash Receipts Audit

- Key reconciliation workbooks lack detail, evidencing the preparer, date of preparation, and, if applicable, reviewer.
 - Management added recommended columns to the key reconciliation workbooks by the expected completion date of April 30th. 2025
- Key reconciliations lack sufficient explanation(s) of identified variances and the remedial actions taken to correct the variances.
 - Management added recommended columns to the key reconciliation workbooks by the expected completion date of April 30th. 2025

Closed Findings & Recommendations

Cash Receipts Audit

- Management was developing miscellaneous billing procedures, which were targeted to be completed by the end of this audit. However, these procedures were not completed by the specified date.
 - Management agreed, and the miscellaneous billing procedures were completed and submitted to the Internal Auditors on May 1st.
- There is no recurring fraud training program within the Customer Operations Department or the BWL.
 - Management has developed annual fraud training for the BWL organization. This training will be issued to all BWL employees annually.

Closed Findings & Recommendations

P-Card Audit

- There were instances noted where P-Cards were activated before the respective individuals had signed the required P-Card training agreement
 - Management has implemented a new process effective June 30th to ensure that all P-Card training agreements are received before a new P-Card is requested for the employee.

Thank you!