LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, July 21, 2026 – 5:30 P.M.
REO Town Depot – Board of Water & Light Headquarters
1201 S. Washington Ave., Lansing, MI 48910

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price;
Alternates: Tony Mullen, Semone James

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

AGENDA- UPDATED

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of May 7, 2026 .... **TAB 1**

2. YTD Financial Summary .... **TAB 2**
   a. Capital Project Report
   b. Rate Strategy (Info Only)

3. VEBA Investment Policy Statement Revision and Resolution .... **TAB 3**
   a. VEBA Investment Policy Statement Redline
   b. VEBA Plan Investment Policy Statement Change Resolution

4. Bi-Annual Internal Audit Open Management Response Update. .... **TAB 4**

5. FY 2027 Internal Audit Risk Assessment and Audit Work Plan... **TAB 5**
   a. FY 2027 Audit Work Plan Resolution

6. Internal Audit Status Report... **TAB 6**

Other

- Leadership Lansing Training- Director of Internal Audit Discussion

Adjourn

FINANCE COMMITTEE
Meeting Minutes
May 7, 2026

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Semone James, Tony Mullen.

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 Thursday, May 7, 2026.

Finance Committee Chairperson Dale Schrader called the meeting to order at 7:45 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Dale Schrader, Beth Graham, Chris Harkins and David Price; Also Present: Commissioners Semone James, DeSon Leek and Sandra Zerkle.
Absent: Alternate: Tony Mullen

Corporate Secretary LaVella Todd declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to approve the Finance Committee Meeting minutes of March 10, 2026.
Action: Motion Carried. The minutes were approved.

YTD Financial Summary
CFO Taylor presented the year-to-date financial summary, reporting that days cash on hand are in a good position at 212 days and that revenue performance for retail and wholesale operations is favorable. He stated that operating spending is within 1% of the budget and that the net income currently exceeds budget projections by approximately $17 million. CFO Taylor projects ending the fiscal year at least $10 million above budgeted net income, barring any major unforeseen events.

CFO Taylor explained that the capital improvement budget remains largely unchanged from prior updates. Key factors include turbine overhauls that pushed portions of the capital budget beyond budgeted amounts, delays in battery and solar projects within the new energy category, and steam and water projects that remained close to budget expectations.

CFO Taylor presented positive performance across several financial indicators. The operating ratio remains strong due to favorable revenues and controlled expenses. The debt-to-asset ratio remains an area requiring long-term improvement. Days sales outstanding remain close to the target at 27, and bad debt performance continues to exceed expectations. Employee count remains at 787 with a budget of 829.

Commissioner Chris Harkins requested additional detail regarding the capital budget exceeding year-to-date projections. CFO Taylor explained that approximately $36 million in turbine overhauls accounted for the overage. Excluding those unexpected repairs, spending would be largely aligned with budget expectations.

Commissioner Semone James asked what portion of the favorable net income performance was recurring versus one-time, weather-related, or market-driven. CFO Taylor stated that additional analysis would be needed to fully separate those drivers and committed to providing additional information.

Commissioner Semone James also raised questions regarding whether excess net income should be used to reduce future rate pressure, increase reserves, accelerate capital improvements, or reduce debt. CFO Taylor responded that these considerations are incorporated into long-term forecasting and cash planning processes.

Commissioner Semone James asked about major risks affecting the days cash on hand and debt service coverage ratios. CFO Taylor identified unplanned capital expenditures and unforeseen revenue impacts as the largest risks but stated current forecasts remain stable.

FY2027-2032 Budget and Forecast

GM Peffley opened the FY2027 budget discussion by noting that departments were asked to significantly reduce spending requests while still maintaining reliability, operational goals, and strategic priorities. He acknowledged that the process was challenging due to inflationary pressures and ongoing infrastructure needs but stated that departments believe they can continue meeting organizational goals under the proposed budget if spending is carefully managed. He also noted that the organization successfully managed prior budget reductions while still producing surplus income and expressed optimism about future revenue growth.

CFO Taylor then reviewed the organization’s strategic accomplishments and how the proposed budget supports long-term priorities. He highlighted ongoing customer and community initiatives, workforce development efforts, diversity and inclusion programs, carbon neutrality planning, and infrastructure reliability improvements. CFO Taylor also emphasized the importance of maintaining strong financial stability, including preserving the organization’s credit rating, which helps reduce borrowing costs and reflects strong governance and financial management practices.

He explained that the FY2027 budget continues to support key strategic priorities moving forward, including infrastructure improvements, workforce development, environmental initiatives, and long-term financial sustainability. Particular attention was given to maintaining adequate cash reserves, debt service coverage, and return-on-asset targets. CFO Taylor stated that the target return on assets for the period is 5.92%, which represents an increase from the prior year as the organization continues refining its long-term financial strategy.

Several major assumptions impacting the budget and forecast were discussed. CFO Taylor reported that the LG battery plant still intends to reach its originally projected 80-megawatt load; however, the timeline has shifted significantly, with full operations now projected for June 2030. He described the continued commitment to the project as positive despite delays and broader disruptions within the electric vehicle industry.

CFO Taylor also discussed the Moltke Ridge Wind Project, explaining that while the project remains a key component of the organization's carbon neutrality strategy, financial assumptions related to the project were conservatively removed from the forecast due to ongoing challenges involving transmission capacity, upgrade costs, and regulatory considerations. He stressed that the project is still actively being pursued.

Additional discussion focused on the CTG-1 turbine unit. Following significant recent overhaul expenses for CTG-2 and CTG-3, management stated that they intend to delay major work on CTG-1 until the performance of the recently repaired units can be evaluated. The organization is taking a cautious approach before committing to additional large capital expenditures.

CFO Taylor also addressed General Motors' stated intention to discontinue steam service by December 2027 in favor of self-generation. Leadership explained that discussions with GM remain ongoing and that the organization hopes to transition the customer to hot water service instead. He described the negotiations as ongoing and indicated that the customer's long-term carbon neutrality goals may ultimately favor partnership with the utility.

Sales forecasts were then reviewed across all utilities. Electric sales are expected to increase over time due to industrial growth, electrification trends, electric vehicle adoption, and renewable energy expansion. Water sales are projected to remain relatively stable with modest growth connected indirectly to industrial demand. Steam and hot water sales are expected to decline due to the potential loss of General Motors steam service, customer disconnections, and greater system efficiency associated with hot water conversion projects. Chilled water sales are projected to remain stable.

CFO Taylor also reviewed several renewable energy investments included in the organization's long-term planning efforts. White Tail Solar was highlighted as a recently launched project and an important component of the organization's carbon neutrality goals. Additional renewable projects, including solar and wind initiatives, remain under development as part of the broader energy transition strategy.

The proposed operating budget was also discussed in greater detail. Labor and benefits continue to represent the largest share of operating expenses. CFO Taylor noted that purchased power costs are projected to decline due to operational changes at Belle River, while fuel costs are expected to rise with the continued operation of Delta Energy Park. Outside services, including information technology licensing, energy optimization programs, and tree trimming services, also remain major budget components.

Commissioner Chris Harkins asked questions regarding the organization’s target rate of return and how those targets may evolve over time. CFO Taylor explained that previous return targets were considered unrealistic and difficult to achieve, prompting leadership several years ago to establish more attainable and sustainable financial goals. Now that the organization is approaching those revised targets, leadership believes future refinements may include utility-specific return targets and varying targets across future fiscal years. CFO Taylor paused his portion of the FY2027-2032 Budget and Forecast presentation for Director of Internal Audit Elisha Franco and Corporate Secretary LaVella Todd to present their respective departmental FY2027-2032 Budget and Forecast.

FY2027-2032 Department of Internal Audit Budget and Forecast

Director of Internal Audit Elisha Franco presented the budget and forecast for the Department of Internal Audit, and explained that the proposed budget remains largely consistent with prior forecasts and includes staffing costs, operating supplies, consulting services, and support for annual risk assessments. She also plans to conduct an internal quality assessment in accordance with professional auditing standards.

Commissioner Semone James asked about audit priorities for FY2027, and DIA Elisha Franco explained that the risk assessment process is currently underway. Final audit priorities and the formal audit work plan are expected to be presented to the Board in July.

Commissioner Sandra Zerkle questioned whether the labor numbers in the FY2027 budget included benefits. CFO Taylor explained that the labor number only includes salary and PTO or Sick Time; it does not include health benefits.

FY2027-2032 Department of Corporate Secretary Budget and Forecast

Corporate Secretary LaVella J Todd then presented the operating budget and forecast for the Office of Corporate Secretary and the Office of the Board of Commissioners for fiscal years 2027-2032. CS Todd reviewed budget categories, including travel and conference expenses, training, office supplies, governance memberships, and professional development. She explained that travel and conference expenses include participation in the Society of Corporate Governance and related professional organizations. Training allocations also included continuing education opportunities for both the Corporate Secretary and the department’s Administrative Assistant.

CS Todd then reviewed the Board of Commissioners budget categories, including meeting materials, office supplies, travel, outside services, professional photography fees, and annual document storage expenses. She specifically highlighted the inclusion of a $35,000 placeholder allocation for a future document storage system upgrade to replace Smartsheet. She explained that the placeholder was included to ensure funds would be available once the replacement process moved forward.

Commissioner Semone James asked whether the Smartsheet replacement project was being coordinated with Information Technology and how the $35,000 estimate had been determined. AGM Shawa responded that the estimate was based on preliminary research conducted by the Chief Information Officer, Vern Myers, utilizing benchmarking data from Gartner. It was explained that the amount represented a conservative, high-end estimate for first-year implementation costs, with future annual maintenance costs expected as well. She further clarified that an RFI process was being prepared to evaluate potential replacement systems.

Commissioner Semone James raised questions regarding governance training expenses and whether future compliance requirements associated with the City Charter would create additional costs. CS Todd stated that the proposed budget was intended to accommodate future governance and compliance training opportunities for commissioners. She noted that some trainings may carry fees depending on the delivery method, while others could potentially be conducted internally at little or no additional cost.

FY2027-2032 Budget and Forecast (Continued)

CFO Taylor resumed presentation of the six-year budget forecast and reviewed projected revenue growth across utility operations. CFO Taylor explained that electric, water, and chilled water revenues were expected to increase steadily over the forecast period, while steam and hot water revenues were projected to decline as the steam-to-hot-water conversion project progresses and system efficiencies improve. He reviewed projected return-on-equity payments to the City of Lansing and noted that forecasts assumed continuation of the current agreement throughout the six-year period. He also discussed projected net income growth, which is expected to increase significantly as utilities approach their target return levels.

Commissioner Chris Harkins asked what factors were driving increases in “other operating expenses.” CFO Taylor explained that inflation was the primary driver, along with environmental spending associated with remediation projects and compliance activities. He noted that while the forecast utilized a 2.3% core Consumer Price Index assumption in some areas, more specific inflation assumptions were applied where better data existed, including healthcare costs and utility construction inflation.

Commissioner Semone James further asked whether stress testing had been performed using higher inflation assumptions or increased capital costs. CFO Taylor stated that modest stress testing had been conducted to evaluate different levels of capital spending and their impacts on cash flow, although he did not have specific alternative inflation scenarios immediately available.

CFO Taylor then reviewed the organization’s return-on-assets target, explaining that the target had increased to 5.92% primarily due to the significantly higher inflation experienced in utility infrastructure construction and replacement costs. He explained that the utility now utilizes the Handy-Whitman Index, which tracks utility construction inflation, rather than relying solely on general inflation metrics. According to CFO Taylor, the revised target, once reached, would generate approximately $25 million annually for infrastructure reinvestment, which is necessary to sustain the utility’s approximately $2 billion in infrastructure assets. CFO Taylor emphasized that despite lower-than-target returns currently appearing in red on financial projections, the utility is making steady progress toward the target and long-term financial goals. CFO Taylor explained that the steam-to-hot-water conversion project temporarily suppresses returns because both systems must operate simultaneously during conversion while steam assets continue depreciating until removed from service.

CFO Taylor also highlighted organizational efforts to reduce forecasted spending by approximately $7 million annually in order to support lower rate increases while still improving returns. Examples included lower-than-expected tree trimming costs, healthcare restructuring savings, pension funding adjustments, improved bad debt projections, and refined operating cost estimates for new facilities. He noted that employees throughout the organization contributed cost-saving ideas regardless of department size.

CFO Taylor stated that electric rate increases were forecasted at approximately 2.3%, while water rates would require larger future adjustments because current rates remain further below cost of service. He emphasized that rates presented within the budget and forecast were not formal rate approvals and would still require separate public rate hearings.

Commissioner Chris Harkins complimented CFO Taylor's presentation and asked why management chose to maintain lower water rate increases in the early years despite larger projected increases later. CFO Taylor responded that the strategy was intended in part to reduce near-term rate pressure on customers.

Commissioner Dale Schrader commented that understanding return on assets was initially difficult from a traditional business perspective but acknowledged its importance for utilities due to ongoing infrastructure replacement needs. He also asked why employee counts remained relatively flat throughout the forecast period. GM Peffley responded that technological advancements and artificial intelligence are expected to create efficiencies in some areas of the organization, although staffing needs may still grow in operational areas such as water and transmission and distribution.

CFO Taylor concluded the budget presentation by reviewing capital improvement projects, including renewable energy investments, the steam-to-hot-water conversion, substation upgrades, SAP system replacement planning, and ongoing infrastructure replacement programs. He explained that proactive infrastructure replacement is significantly more cost-effective than reactive emergency replacement after failures occur.

Following the completion of the presentation, a resolution was presented to be sent to the full board for approval.

Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to forward the FY2027-2032 Budget and Forecast Resolution to the full Board for consideration.

Before moving to the next agenda item, CFO Taylor requested recognition of employees who contributed to the rates and budget presentations. Staff members involved in the preparation of the presentations stood and were acknowledged and thanked by the committee.

FY2026 Billing Audit Results

Director of Internal Audit Elisha Franco presented the Fiscal Year 2026 Billing Audit Results. DIA Franco thanked members of the Customer Experience Department, AMI management, and supporting staff for their assistance throughout the audit process. DIA Franco explained that the audit evaluated the effectiveness and accuracy of the billing process, with particular focus on Advanced Meter Infrastructure (AMI), commonly referred to as smart meters. The audit reviewed billing execution, exception management, rate accuracy, billing cycles, adjustments, customer communications, and meter data validation for both AMI and non-AMI customers. Ms. Franco clarified that audit sampling utilized a "haphazard" methodology, explaining that the term is an internal auditing term meaning random customer selection rather than a negative characterization of the process. The audit reviewed whether bills were calculated correctly based on customer assignment, service type, and billing cycles.

Audit findings included one medium-risk issue involving incorrect smart meter opt-out fees for water-only customers due to an error in finalized rules and regulations. DIA Franco stated that 12 customers were affected and were charged $15 rather than the intended $30 fee. One low-risk finding involved a customer being charged the incorrect fee due to a system configuration issue, which has since been corrected.

DIA Franco also outlined several process improvement recommendations, including formalizing performance metrics for billing inquiries and dispute resolution, implementing recurring reviews of billing exception thresholds, formalizing complaint investigation procedures, and strengthening vendor oversight through SOC 1 and SOC 2 report reviews. The overall audit opinion was classified as "sufficient," meaning controls were generally effective with limited risk exposure and no critical or high-risk findings identified.

Commissioner David Price commented that the audit results were reassuring, particularly given prior public concerns and social media claims regarding smart meter accuracy and health concerns. Ms. Franco confirmed that the billing data and meter functionality appeared accurate based on the audit work performed.

Internal Audit Status Report

Director of Internal Audit Elisha Franco then presented the Internal Audit Status Report and departmental updates. She reviewed the status of ongoing audits, including billing, environmental compliance, and information technology audits. She reported that the IT audit procedures had been completed and discussed audit hours budgeted versus actual hours utilizes. DIA Franco also reviewed the status of open corrective actions from prior audits, noting that several items remain open but are progressing on schedule. She discussed upcoming Fiscal Year 2027 risk assessments and work plan development, explaining that management surveys were underway and that commissioners may also be consulted regarding perceived organizational risks.

Additional updates included new board-level guidance principles issued under the COSO internal control framework, plans for more frequent internal audit communications through monthly “newsletter-style” updates, and the upcoming start date for the department’s intern. DIA Franco also announced that she had been elected Senior Vice President of the Lansing Chapter of the Institute of Internal Auditors for a two-year term. She noted that May 2026 had officially been proclaimed Internal Audit Awareness Month by Governor Gretchen Whitmer, which she described as a significant recognition for the profession.

Commissioner Semone James asked whether the future Smartsheet replacement dashboard would include tracking for audit findings, due dates, and outstanding items. DIA Franco confirmed that the plan was to include those tracking capabilities within the system.

Other
No other business.

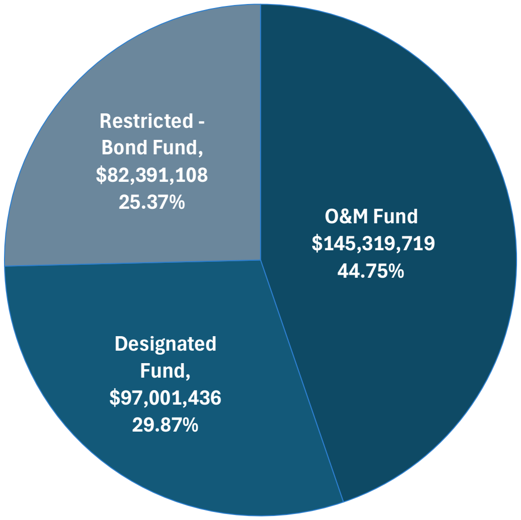
Adjourn
Chairperson Dale Schrader adjourned the meeting at 9:08 p.m.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

Financial Summary - May 2026 - FY26

Hometown People. Hometown Power.

Cash



Total Cash: $324,712,262

	Month End	Target
Days Cash on Hand	208	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.21	> 2.00

Days Cash on Hand:

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

Debt Service Coverage:

$$\frac{\text{Projected Net Income + Depreciation Expense + Interest Expense}}{\text{Debt Principal + Debt Interest}}$$

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	$ 409,909,542	$ 404,748,849	$ 5,160,693	1%
Wholesale	$ 43,954,381	$ 39,018,887	$ 4,935,493	13%
Total Revenue	$ 453,863,923	$ 443,767,736	$ 10,096,186	2%
Operating Expenses	$ 357,616,361	$ 363,248,882	$ (5,632,521)	-2%
Non Operating Income/(Exp)	$ (56,276,434)	$ (60,732,976)	$ 4,456,542	-7%
Net Income	$ 39,971,127	$ 19,785,878	$ 20,185,249	102%

FY 2026 Budgeted Net Income $ 24,783,169

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
$ 190,590,137	$ 172,785,261	$ 175,140,061	$ (2,354,800)	-1%
% of Approved Budget	*91%*	*92%*		

Capital Budget YTD

FY26 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
$ 74,479,242	$ 88,665,648	$ 57,268,871	$ 31,396,778	55%
% of Approved Budget	*119%*	*77%*		

FY26 New Energy Budget	Actual YTD	Budget YTD	Difference	%
$ 132,470,182	$ 50,752,946	$ 122,063,980	$ (71,311,034)	-58%
% of Approved Budget	*38%*	*92%*		

FY26 Steam to HW Budget	Actual YTD	Budget YTD	Difference	%
$ 7,986,167	$ 4,519,199	$ 6,785,742	$ (2,266,543)	-33%
% of Approved Budget	*57%*	*85%*		

Return on Assets

FY26 ROA Budget	Actual YTD	Budget YTD	Target ROA*
4.02%	4.50%	3.52%	4.57%

*BWL forecast to reach target in FY2028

$$\text{Return on Assets} = \frac{\text{YTD Net Income + YTD Interest Expense - YTD Interest Income}}{\text{Net Fixed Assets + Inventory}}$$

Financial Summary - May 2026 - FY26

Ratios

Operating Ratio

				APPA Median
O&M Expense	$ 296,696,133	=	0.65	0.76
Total Revenue	$ 453,863,923			

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

Current Ratio

				APPA Median
Current Assets	$ 307,328,793	=	3.42	1.89
Current Liabilities	$ 89,746,832			

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

Debt to Total Assets

				APPA Median
LT Debt + Accrued Liabilities	$ 1,282,951,016	=	0.62	0.50
Total Assets	$ 2,073,379,245			

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

Days Sales Outstanding

				Prior Year
Average Accounts Receivable x Days	$ 28,575,088	x 31 =	24	26
Base Retail Revenue	$ 37,240,714			

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

Bad Debt

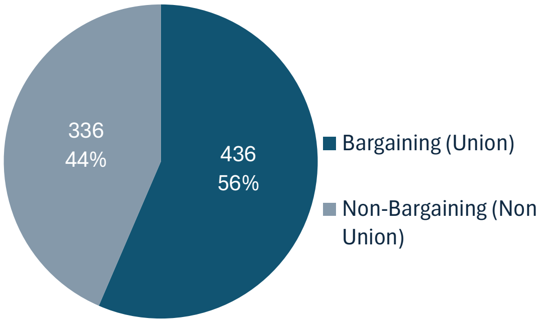
				Prior Year
12 Month Bad Debt Exp	$ 1,658,006	=	0.37%	0.44%
12 Month Retail Revenue	$ 447,862,485			

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

Employee Data

Employee Count

Employee Count YTD	772
Budget YTD	829
Over/(Under) #	(57)
Full Time Equivalent Temporary Employees	26



Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	$ 81,079,348	$ 80,350,271	$ 729,077	0.9%	$ 60.92
Overtime	$ 7,734,399	$ 6,672,024	$ 1,062,375	15.9%	
Total	$ 88,813,746	$ 87,022,295	$ 1,791,451	2.1%	
Total Hours Worked	1,350,833				
Labor $/Hours Worked	$ 65.75				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health & Rx	$ 23,147,145	$ 22,560,668	$ 586,477
Dental	$ 1,337,936	$ 1,302,059	$ 35,877
Life	$ 452,382	$ 639,837	$ (187,455)
FICA	$ 6,475,434	$ 6,637,698	$ (162,263)
Other	$ 1,235,024	$ 1,276,164	$ (41,140)
Total	$ 32,647,921	$ 32,416,426	$ 231,495

* All APPA Median Numbers Are For Utilities With Greater Than 100,000 Customers As Obtained From The Most Recent "APPA Financial And Operating Ratios Of Public Power Utilities Report" Published In 2026.

June 2026 Report - Actuals through May 2026

Projects Sorted by the FY26 Projection (Highest to lowest costs)

Project Name	Current Phase[1]	FY 26 Budget	FY 26 Projection	Total Project: Designed Budget Amount	Total Project: Current Projection	Total Project: $ Variance[2]	Total Project: % Variance[2]	Total Project: Total Cost Incurred To-Date	Total Project: % Total Cost Incurred To-Date	Project Period: Start Date	Project Period: Projected Completion Date
Top Ten Planned Projects											
DEP - CTG 3 B Inspection[3]	Phase 5 - Closeout	$ -	$ 17,741,052	$ 17,754,482	$ 17,742,052	$ (12,430)	-0.07%	$ 17,741,052	99.99%	11/12/2025	07/15/2026
DEP - CTG 2 B Inspection[3]	Phase 4 - Construction	$ -	$ 17,310,365	$ 18,325,752	$ 17,424,525	$ (901,227)	-4.92%	$ 14,020,858	80.47%	12/01/2025	08/28/2026
South Reinforcement - Transmission Line	Phase 4 - Construction	$ 17,859,874	$ 13,512,946	$ 43,503,928	$ 40,842,567	$ (2,661,361)	-6.12%	$ 39,586,335	96.92%	09/20/2017	10/15/2026
LGR Substation	Phase 4 - Construction	$ 307,092	$ 3,391,256	$ 28,399,399	$ 28,432,348	$ 32,949	0.12%	$ 7,413,963	26.08%	02/27/2024	02/21/2028
Stanley Substation	Phase 1 - Feasibility	$ 350,000	$ 2,776,066	NA	$ 36,907,091	$ -	0.00%	$ 227,304	0.62%	03/15/2021	07/01/2031
Rundle Substation	Phase 3 - Design	$ 2,950,000	$ 1,923,739	NA	$ 35,464,950	$ -	0.00%	$ 11,449,576	32.28%	02/27/2024	03/08/2029
Elevated Storage[4]	Phase 4 - Construction	$ 1,857,619	$ 1,376,315	$ 16,063,520	$ 15,498,981	$ (564,539)	-3.51%	$ 14,975,525	96.62%	05/08/2023	09/30/2026
REO STG Overhaul[5]	Complete	$ 1,300,000	$ 999,386	$ 965,153	$ 2,455,969	$ 1,490,816	154.46%	$ 2,495,409	101.61%	05/14/2024	05/29/2026
Magnolia Ave. - 4160V Sub Cutover and Retirement	Phase 3 - Design	$ 1,348,914	$ 866,178	NA	$ 5,575,746	$ -	0.00%	$ 4,275,571	76.68%	08/17/2020	06/30/2027
Chiller Plant DCS Upgrade	Phase 5 - Closeout	$ 41,082	$ 617,056	$ 3,718,130	$ 3,746,877	$ 28,747	0.77%	$ 3,724,446	99.40%	10/02/2023	06/30/2026
Total Top Ten Planned Projects		$ 26,014,581	$ 60,514,359		$ 186,349,054			$ 98,168,987			
Project Watch List - Projects $150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
-	-	$ -	$ -	$ -	$ -	$ -	0.00%	$ -	0.00%		
Total Project Watch List		$ -	$ -		$ -			$ -			
Remaining Planned											
Electric		$ 2,187,140	$ 2,885,334								
Water		$ 2,034,017	$ 1,108,612								
Steam		$ 103,085	$ 10,403								
Chilled Water		$ 119,699	$ 76,512								
Common		$ 116,904	$ 159,803								
Total Remaining Planned		$ 4,560,845	$ 4,240,664								
Annual						**Annual Variance**					
Electric		$ 16,980,000	$ 16,840,475			$ (139,525)	-0.8%				
Water		$ 18,736,794	$ 18,261,895			$ (474,899)	-2.5%				
Steam		$ 2,064,000	$ 2,124,538			$ 60,538	2.9%				
Chilled Water		$ 52,008	$ 5,898			$ (46,110)	-88.7%				
Common		$ 5,955,701	$ 6,392,194			$ 436,493	7.3%				
Total Annual		$ 43,788,503	$ 43,625,000			$ (163,503)	-0.4%				
Management Reserve											
Management Reserve		$ 115,313	$ -								
Grand Total		$ 74,479,242	$ 108,380,024								

Notes:

[1] For projects that are in Stage Gates 1-3, the Current Projections are high level estimates that can have a significant margin of error.

[1] For projects that are in Stage Gates 1-3, the Projected 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] DEP CTG Inspections and related costs were discussed during the January 13, 2026 Finance Committee meeting.

[4] Total project information excludes grant funding to better highlight project progress.

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

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

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

Effective ~~May 12, 2023~~July 28, 2026

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

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Section Page

Introduction

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

This Statement of Investment Policy ("**Statement**") is issued by the Commissioners of the Lansing Board of Water and Light (the "**Commissioners**") for the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light ("**Plan**"). The purpose of this Statement is to (I) identify and present a set of investment objectives, an Asset Allocation policy, investment performance standards and procedures for managing the Plan's assets; and (ii) clarify the delegation of certain investment and administrative duties to the Retirement Plan Committee ("the "Committee"). This document is intended to be consistent with the provisions of Michigan Public Act 149 of 1999, as amended, and Michigan Public Act 314 of 1965, as amended.

Updates to Statement

The Commissioners retain the authority to approve, revise and update this Statement as necessary to ensure that it is consistent with the BWL's investment philosophy. Any revisions or updates made to the Statement must be formally adopted by the Commissioners through a resolution.

Trustees' and Commissioners' Delegation of Duties

The Commissioners have delegated certain administrative responsibilities to the Committee pursuant to a separate Resolution. Those responsibilities are described in more detail in this Statement.

The Trustees of the Plan are the eight appointed voting Commissioners of the BWL. The Trustees have delegated all investment responsibilities to the Committee pursuant to a separate Resolution. Those investment responsibilities are described in more detail in this Statement. All provisions in this Statement relating to the Committee shall be operative until such time the delegation of duties by the Trustees and/or Commissioners is revoked.

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

Purpose of the Plan

The Plan was established for the purpose of providing post-retirement medical benefits to eligible employees and their beneficiaries. The Plan is a governmental retiree medical plan which provides medical, prescription drug, dental and life insurance benefits upon a participant's attainment of normal, early or disability retirement status. To this end, an investment portfolio is maintained to invest employer contributions and to reinvest income.

Investment Philosophy

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

Delegation of Responsibilities

Retirement Plan Committee

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

Specifically, the Committee's responsibilities include, but are not limited to the following.

1. Complying with the provisions of pertinent federal, state, and local laws and regulations relating to the investment of Plan assets.
2. Evaluating and appointing a qualified manager(s) and advisor(s) to invest, advise and manage the Plan's assets.
3. Communicating the investment goals, objectives, and standards to the investment managers including any material changes that may subsequently occur.
4. Determining, with the advice of the Investment Advisor ("Advisor"), how Plan assets should be allocated among various asset classes.
5. Reviewing and evaluating the results of the Investment Manager(s) ("Manager(s)") in context with established standards of performance.
6. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as mutually expected.
7. Notifying the Manager(s) of:
   a) Significant changes in the Plan cash flow and/or cash flow needs; and

b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.

9. Monitoring all costs associated with the administration of the Plan's investments to ensure that the costs are reasonable with market averages.
10. Reviewing any program that may mitigate or offset costs.
11. Appointing or removing third party administrators, as deemed prudent.
12. Facilitating required communications to Plan participants and third-party administrators.
13. Recommending to the Commissioners alterations to the Plan's design to address changes in business needs and industry practices.
14. Taking any action necessary to carry out the terms of the Plan.

The Committee has authority to carry out all administrative and investment duties for the Plan but does not have the authority to freeze or terminate the Plan.

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

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

Investment Advisor

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

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

Investment advice concerning the investment management of Plan assets will be offered by the Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Advisor are as follows:
1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Provide advice regarding optimal allocation of assets, based on all of the above.

<u>Providing a Range of Capabilities</u>
The Advisor is a third party retained by the Committee to assist in several key areas of the management of financial assets.

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

<u>Making Recommendations</u>
Investment Policy - The Advisor may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The Advisor may be asked to provide an appropriate model of Asset Allocation composed of

equity, fixed-income, money market instruments or Alternative Investments designed to meet the established objectives.

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

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

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

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

Investment Manager(s)

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

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

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

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

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

Reporting
Each Manager is expected to provide:
1. INITIALLY, a written statement (per management agreement) acknowledging their acceptance of the guidelines and performance standards herein stated.
2. AT LEAST QUARTERLY, a portfolio composition report to the Committee of the funds under their management. The report shall contain as a minimum the following data:
   a. Investment Review
      i. Account characteristics;
      ii. Investment summary to include asset description, cost, date, unit value, market value, percent of market, current yield, unrealized gains/losses, and estimated annual income;
      iii. A measurement of portfolio duration (for fixed-income investments); and
   b. Summary and statement of assets under management.
3. At the request of the Committee, participation in a review meeting, the agenda to include, but not restricted to -
   a. A review and re-appraisal of the herein contained Statement;
   b. A brief review of the recent capital market environment to include discussion of any event particularly pertinent to the management of this portfolio;
   c. A commentary on investment results in light of the appropriate standards of performance as stated herein;
   d. A synopsis of key investment decisions made by the Manager, the underlying rationale, and how those decisions could impact future results;

   e. Recommendations as to changes in goals or standards, based upon material and sustained changes in the capital markets;
4. UPON WRITTEN OR ORAL REQUEST -
   a. Copies of all documentation in support of any investment activity;
   b. A summary of receipts and disbursements;
   c. A listing of assets acquired and disposed of;
   d. Evidence of suitable insurance coverage of the Manager's Fiduciary responsibilities.
5. IMMEDIATE NOTIFICATION -
   a. Notice of material changes in the Manager's outlook, policy, and tactics
   b. Notice of material changes in ownership, organizational structure, financial condition, senior staffing and management of the Manager's organization.

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

Custodian

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

Plan Investment Policy

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

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

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

Plan Investment Objectives

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

The Plan's overall investment objective is to earn an average, annual return of 6.5% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure its ability to pay retirement benefits for all plan participants.

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

Asset Allocation Policy

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

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

Target Asset Allocation

Asset Class	Manager Role	Allocation Range	Target Allocation
Total Equity	Active/Passive	45 to 70%	**60%**
US Large Cap Equity	Active/Passive	20 to 30%	25%
US SMID Cap Equity	Active	10 to 20%	15%
Non-U.S. Equities	Active, Broad or Focused	15 to 25%	20%
Total Fixed Income	Active/Passive, Core, Opportunistic	10 to 50%	**~~25%~~28%**
Core Fixed Income	Active/Passive Core, Intermediate Diversified	10 to 35%	~~15%~~18%
Multi-Sector Fixed Income	Active Fixed Income	0 to 10%	5%
Liquid Absolute Return Fixed Income	Active Fixed Income	0 to 10%	5%
Real Estate	Core or value-added	0 to 20%	**~~15%~~12%**
Cash Equivalents	Active, money market fund	0 to 5%	0%
	Total Fund		**100.0%**

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

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

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

Administrative and Investment Review Procedures

Review of Policies

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

General Review

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

Review of Investment Performance

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

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

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

Individual Investment Manager Objectives

On a quarterly basis, the performance of each of the investment managers will be compared to a relevant Benchmark Index and to a relevant universe of investment management firms. The ongoing review and evaluation of investment manager results will be the responsibility of the Committee, with the assistance of the Advisor.

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

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

- The total return of each portfolio should exceed the total return of the relevant index.

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

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

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

Rebalancing Policy – Overall Fund Allocation

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

Review of Investment Management

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

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

Proxy Voting

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

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

Directed Brokerage

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

Tenure

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

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

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

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

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

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

1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of $1.
2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two

nationally recognized rating services (or by one, if only one rating service has rated the security).

4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.
5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

Total Plan Performance

The primary investment objective is to meet the long-term financial goals of the Plan. The Plan's Asset Allocation will be used as the primary tool to achieve this goal.

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

1) Earn a rate of return after all expenses that equals or exceeds the current actuarial assumed rate of return of 6.5%

2) The Plan's total return should exceed the total return of the Policy index comprised of the following:

Index	Percent
S&P 500	25%
Russell 2500	15%
MSCI ACWI ex-US	20%
Bloomberg US Aggregate	~~25%~~28%
NFI ODCE (net) Index	~~15%~~12%

3) The Plan's total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.

4) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

Conclusion

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

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

Glossary of Investment Terms

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

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

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

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

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

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

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

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

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

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

RESOLUTION 2026-07-XX

Revised VEBA Plan Investment Policy Statement

WHEREAS, the Lansing Board of Water & Light (the "Sponsor") sponsors the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (the "VEBA"); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of VEBA assets, periodically reviews the target asset allocation for each plan and, as a result of its most recent review, recommends the target asset allocation for Total Fixed Income be increased from 25% to 28%, the target asset allocation for Core Fixed Income be increased from 15% to 18%, and the target asset allocation for Real Estate be decreased from 15% to 12%; and

WHEREAS, this recommended strategic asset allocation strengthens the portfolio by reducing risk, increasing liquidity, and maintaining an expected return rate that remains above target; and

WHEREAS, the Retirement Plan Committee recommends the Sponsor adopt the revisions which reflect these recommendations in the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives.

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee, the Sponsor adopts and approves the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions Statement of Investment Policies, Procedures and Objectives.

Motion by Commissioner _____, **Seconded** by Commissioner ___ to approve the Resolution for Revised VEBA Plan Investment Policy Statement at a Board meeting held on July 28, 2026.
Action: Motion Carried.

Follow-up to Internal Audit Findings & Recommendations

Finance Committee 7/21/2026

LANSING BWL

Hometown People. Hometown Power.

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
• Perform audits, report findings, provide recommendations, record management responses, verify completion of corrective actions	• Respond to findings and recommendations, identify and execute appropriate and timely corrective actions	• An open action item list is maintained for progress tracking by Internal Control. • Management reports progress to the Finance Committee semi-annually (Jan. & July)

LANSING BWL

Open Findings & Recommendations

Disaster Recovery

- Conduct an enterprise-wide BIA to define and consolidate recovery time objectives (RTOs), recovery point objectives (RPOs), and critical service priorities. Establish a centralized repository to promote accessibility and consistency.
    - Management will add RTOs and RPOs to our IT Application Portfolio and establish a steering committee to review and update the enterprise-wide BIA by 10/31/2026.

Open Findings & Recommendations

FY26 Payroll

- Implementing system-based approval workflows within Workday will reduce reliance on email-based approvals and manual documentation.
  - We will work to streamline the process, including utilizing Workday. Implementation will be completed by June 30, 2027
- Develop and maintain formal documentation of the payroll process, including detailed procedures, roles, and system interactions.
  - Formal documentation will be developed that outlines the payroll process. During this time, we will cross-train other members for key payroll tasks by June 30, 2027.
- The Payroll team should consider implementing a recurring payroll analysis process using Workday's dashboarding and visualization features.
  - Will utilize Workday dashboarding to eliminate manually completing these reviews by June 30, 2027

Open Findings & Recommendations

Billing Audit

- Implementing formal performance metrics for customer billing inquiries and dispute resolution, including defined turnaround targets and escalation thresholds.
    - Implement formal performance metrics thresholds by 8/31/2026.

- Implement a recurring review process to reassess billing exception thresholds and validation rules.
    - The new process will be documented, and a test plan will be completed by 8/31/2026 with implementation during FY2027

- Enhance vendor oversight by requesting and, as appropriate, reviewing a SOC 1 and/or SOC 2 report for Leidos to evaluate controls over AMI data processing and related systems.
    - Request SOC 1 and/or SOC 2 reports from Leidos to evaluate controls for AMI data processing and related systems during contract renewal negotiations by 10/31/2026.

LANSING BWL

Open Findings & Recommendations

Environmental Compliance

- Establish a consistent approach for documenting environmental compliance issues
  - Create a log to track regulatory issues discovered through audits, inspections, or other monitoring activities. Update the Audit Plan to encompass the full range of compliance review activities by August 31, 2026.
- Update their existing documentation on a consistent basis and continue formalizing key environmental compliance activities
  - Update the existing Environmental Compliance Staff Assignments workbook, identify where procedures are needed, and add deadlines for key tasks by September 30, 2026.
- Developing a centralized compliance inventory or a summary-level tracking mechanism to consolidate key environmental compliance obligations across regulatory areas.
  - Will review individual SME compliance trackers and update the existing Environmental Compliance Staff Assignments workbook to ensure consistency by September 30, 2026.

Open Findings & Recommendations

Environmental Compliance

- Consider establishing a centralized regulatory change log or register to document incoming regulatory changes, disposition decisions, and their linkage to compliance tracking activities.
  - Update the existing *Regulatory Change Log*, including the SME and whether there are updates to the compliance tracker, permits, or procedures, and add it to the biweekly compliance meeting agenda by August 31, 2026
- Developing a formal checklist or decision tree to guide the evaluation of whether operational changes trigger permit modifications or new permits.
  - will create an Environmental Permit Review form for submittal via the Environmental Request Process and identify the environmental permits required for a project by July 31st, 2026.

Closed Findings & Recommendations

Disaster Recovery

- Require departments to review, exercise, and update disaster recovery and business continuity plans on a defined schedule to confirm that roles, responsibilities, and procedures accurately reflect BWL's processes.
  - A procedure will be developed, and the procedure will be stored in a centralized repository, along with the disaster recovery and business continuity plans.

Closed Findings & Recommendations

FY26 Payroll

- Establish a centralized method for capturing and retaining all supporting documentation for pay change requests.
  - A process for documenting periodic reviews was completed that outlines the pay change request.
- Establishing a mandatory approval workflow will strengthen segregation of duties, enhance accountability, and reduce the risk of errors or unauthorized payroll transactions.
  - A procedure was created that defines all roles, responsibilities, and procedures for executing payroll.

Closed Findings & Recommendations

FY26 Payroll

Implement a formalized process to document the execution of control activities related to 401(a) and 457(b) contributions.

A process for documenting periodic reviews providing 401(a) and 457(b) contributions will be implemented by February 28.

- Establish a formal process to document the completion of payroll reasonableness checks, including clearly defined roles and responsibilities for each team.
  - A formal process was developed for payroll reasonableness checks.

Closed Findings & Recommendations

FY26 Payroll

Establish a formal process to document the completion of payroll reasonableness checks.

A procedure will be developed by February 28 that defines all roles, responsibilities, and payroll execution procedures.

Establish a centralized method for capturing and retaining all supporting documentation for pay change requests.

Management will work with internal and external resources as needed to explore the best ways to not execute payroll within Workday until appropriate approval is received. This will be completed by March 30, 2026.

Closed Findings & Recommendations

Billing Audit

- Ensure UMAX is charging the correct monthly opt-out fees as outlined in Rules and Regulations
  - The AMI Opt-Out Water Only Fee has been updated to $30.00 in UMAX effective 3/1/2026.
- Review and correct the customer's billing configuration within UMAX to ensure opt-out fees are applied as intended.
  - One (1) residential opt-out customer was impacted, and their rate was updated effective 2/25/2026.
- Continue to finalize its formal, end-to-end customer complaint investigation procedure that defines key workflow stages, documentation standards in UMAX, and escalation criteria
  - This document was created, reviewed, and approved by stakeholders and is effective as of 2/11/2026.

Thank you!

BWL FY27 Internal Audit Risk Assessment & Audit Work Plan

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Agenda

Internal Audit Department Risk Assessment

Why is Internal Audit conducting its own risk assessment?

•To have an **entity-wide risk assessment** independent of management.

•Required as part of the **Global Internal Audit Standards**.

•Directly informs the **FY27 Internal Audit Work Plan** and resource allocation.

Standard 9.4 *of the Institute of Internal Auditors' Global Internal Audit Standards outlines the need for an "organizationwide risk assessment to be completed at least annually…".*

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Risk Assessment Objectives

- Holistic Risk Identification
- Risk Prioritization & Ranking
- Internal Audit Planning & Resource Allocation
- Compliance with Global Internal Audit Standards
- Support BWL Governance & Strategic Alignment

Risk Assessment Approach & Methodology

The risk assessment followed a structured, four-phase approach, including asking survey recipients to rank each of 30 risk areas by **likelihood** and **impact:**

01 **Review**
Collected and reviewed existing risk assessment materials to identify gaps and areas requiring updates

02 **Survey**
Designed and distributed surveys via Optro (formerly AuditBoard) to capture risk information from management

03 **Analyze**
Reviewed and analyzed all collected data and feedback, mapping risk rating to the current risk landscape

04 **Report**
Developed and presented a summary of results and key themes to inform the FY27 Internal Audit Plan

Likelihood reflects the **probability or chance** that a risk event will occur

Impact reflects the **magnitude of consequences** if the risk event does occur

Risk Assessment Approach

FY26 – Initial Risk Assessment

Survey Method

- Recipients were either interviewed or asked targeted questions to assess risk in their respective areas.
- Each risk area was then evaluated independently based on its likelihood and potential impact.
- More time intensive.

vs.

FY27 – Risk Assessment Refresh

Survey Method

- Recipients ranked all risk areas from the prior year risk assessment from 1 to 30 for likelihood and impact.
- Less time intensive.

Consistent Objective
Support Internal Audit's independent analysis of BWL's risk landscape to inform the Internal Audit Work Plan.

Risk Assessment Inputs

FY27 Risk Assessment

Internal Audit
Lead Reviewer
Independent analysis of BWL's risk landscape

Strategy
Collaborative input from Strategy's risk assessment

Risk Lenses
Survey input from selected team members to capture perspectives across key risk lenses

Prior Audits & Management Feedback
Consideration of prior audit results and discussions with management

Safety	Compliance	Financial	Operational	Environmental
HR	Technology	Legal	Strategic	Reputational

Survey Coverage & Review

44
surveys distributed

32
surveys completed

30
risk areas assessed

Distributed via Optro » Aggregated via Optro Analytics » Reviewed for Rankings & Themes

Risk Summary

Top 10 Risks in Random Order

- Economy
- Staff Acquisition & Retention
- Safety
- Legal/Regulatory Compliance
- Strategic
- Leadership
- Cybersecurity
- Operational
- Legislation
- Customer Billing

FY27 Internal Audit Work Plan

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Audit Work Plan Methodology

The FY27 Work Plan was developed using a **risk-based approach** informed by the inputs below.

Risk Assessment Results

Considered FY27 risk rankings, themes, and areas of elevated risk.

Stakeholder Feedback

Incorporated feedback received from executive leadership and the Board of Commissioners.

FY27 Internal Audit Work Plan

Selected six audits to provide risk-based coverage across FY27.

Prior Audit Coverage

Considered prior year audit coverage to inform FY27 audit focus.

Auditability & Timing

Evaluated potential audit areas based on scope, feasibility, and timing.

FY27 Internal Audit Work Plan & Timeline

#	Audit Unit Name	Audit Ownership	Scope	Tentative Timeline
1	Accounts Payable	Co-sourced	Evaluate accounts payable and cash disbursement processes, focusing on invoice review, payment approval, vendor master changes, and analytics-based detection of unusual or duplicate payments.	August 2026 - November 2026
2	Enterprise Risk Management	Co-sourced	Conduct a maturity assessment of the enterprise risk management (ERM) program, focusing on governance structure, risk assessment practices, governance structure, and alignment with organizational objectives.	Early October 2026-Mid-January 2027
3	Key Accounts / Miscellaneous Billing	BWL-led	Evaluate Key Account processes, including the subset of contractual customers, focusing on governance, account designation, account management, contractual terms, and coordination with Billing. Review miscellaneous billing processes, focusing on authorization, documentation, and communication of non-standard billing matters.	November 2026- February 2027

FY27 Internal Audit Work Plan & Timeline

#	Audit Unit Name	Audit Ownership	Scope	Tentative Timeline
4	Safety Program Governance / Corrective Action Tracking	BWL-led	Assess safety program governance and corrective action tracking, focusing on documentation of safety observations, corrective action ownership, resolution timeliness, and escalation of overdue items.	November 2026-February 2027
5	Vendor Selection and Management	Co-sourced	Evaluate vendor selection practices, focusing on procurement planning, RFP/bid documentation, approval requirements, and compliance with procurement procedures.	January 2027-April 2027
6	Fixed Assets	Co-sourced with BWL onsite support	Evaluate asset management processes, focusing on additions, disposals, capitalization, physical tracking, and reconciliation.	February 2027-May 2027

Q&A

RESOLUTION 2026-XX-XX
<u>Internal Audit Work Plan for FY 2027</u>

RESOLVED, that the Board of Commissioners hereby approves the Internal Audit Work Plan for Fiscal Year 2027.

Motion by Commissioner _____________, **Seconded** by _____________to approve the Internal Audit Plan for FY2027 at a Board meeting held on __________, 2026.
Action:

Internal Audit Status Report

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Finance Committee Meeting

July 2026

Overview

- Audit Update
- Audit Budget Update
- Issue Status Update
- Other Items

Audit Update

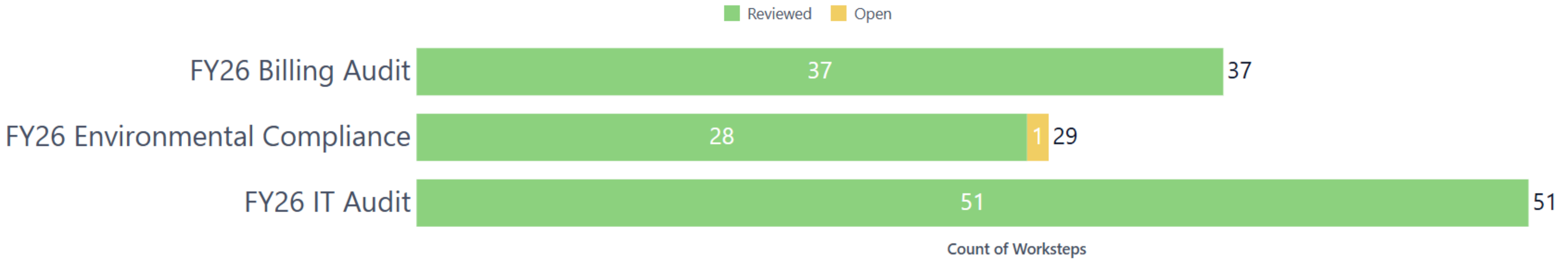
Internal Audit Executive Overview

117
Total Worksteps

0.85%
Percent (%) In Progress

99.15%
Percent (%) Complete

Audit Status

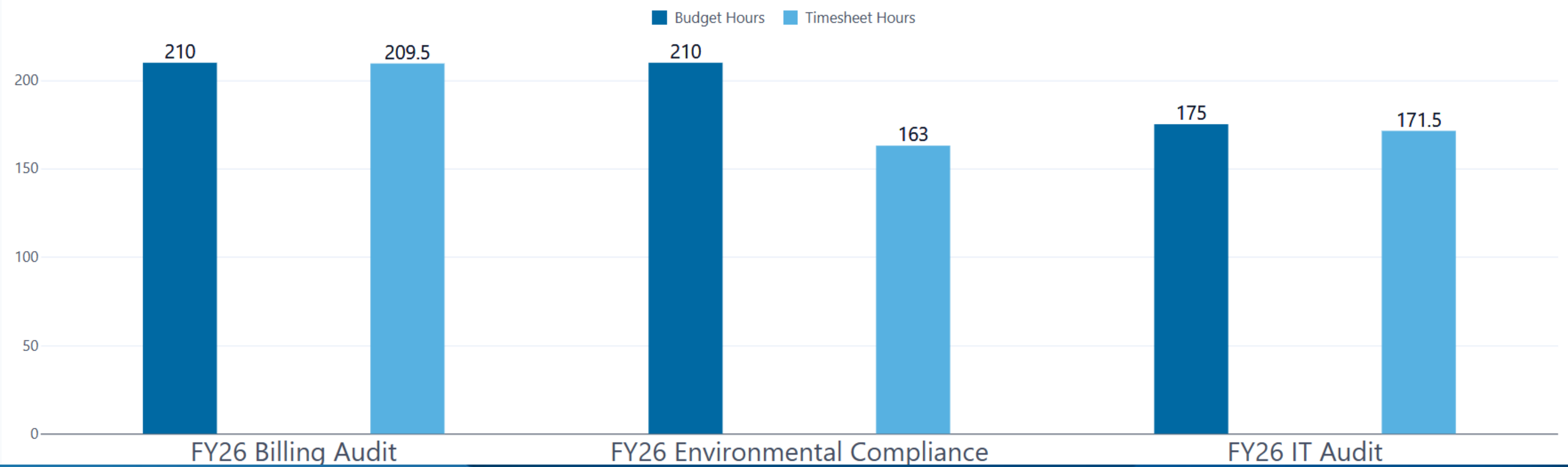


Open: *Pending completion*
Reviewed: *Fully reviewed*

Budget Update

3	0
Audits Under Budget or On Track	Audits Over Budget or At Risk

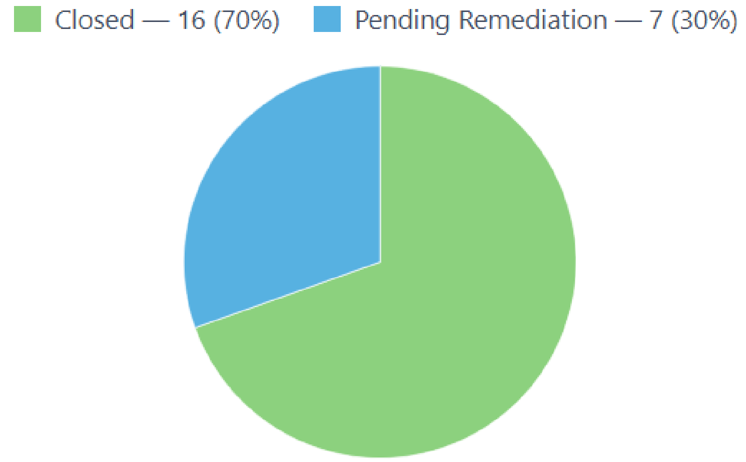
Budget vs. Timesheets



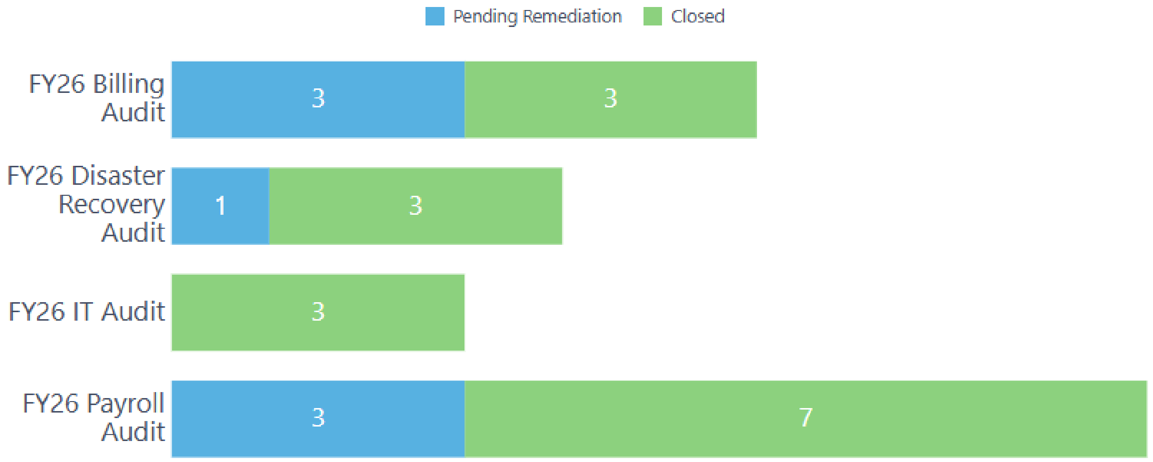
Issue Status Update

5	0	2
Due in < 30 Days	Due in 30-90 Days	Due in > 90 Days

Issue Status



Issue Status by Audit



Pending Remediation: *Pending Management's remediation*

Closed: *Fully remediated and reviewed by Internal Audit*

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Other Items

Internal Audit Status Update Newsletter

- Internal Audit sent out the first copy of the newsletter in June 2026 via email
- The newsletter will be distributed during the months when no committee meeting is scheduled to keep Commissioners informed of Internal Audit activities, updates, and key initiatives.

The Institute of Internal Auditors

Tone at the Top – Organizational Resilience:

- The IIA has published a new Organizational Resilience Topical Requirement to assist internal auditors and assurance providers in guidance and assurance over resilience-related risks.
- Internal Audit will align this requirement with future applicable audits and will share further details during the August Internal Audit Status Update Newsletter to give the Commissioners insights into the details of the requirement.

Other Items

September Finance Committee Presentations:

- FY2026 Environmental Compliance Audit Results
- Quality Assurance and Improvement Program(QAIP) Update
- Internal Audit Strategy Update

Professional Development:

- The Internal Audit Director has begun studying to complete her Certified Fraud Examiner (CFE) exams and certification.
- The Staff Internal Auditor has begun to pursue his CPA license