BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
REGULAR BOARD MEETING AGENDA- UPDATED
July 28, 2026 – 5:30 PM
1203 S. Washington Ave., Lansing, Michigan
REO Town Depot

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

1. **Roll Call**

2. **Pledge of Allegiance**

3. **Nominating Committee Report (July 7, 2026) and Election of Officers FY 2026-2027**

4. **Approval of Minutes**
   a. Regular Board Meeting Minutes of May 19, 2026

5. **Public Comment on Agenda Items**
   Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment. Each speaker will have 3 minutes to speak to the Board.

6. **Communications**
   a. Electronic mail from Arbors of Georgetown re: Power Outage Restoration
   b. Electronic mail from Samantha Smith re: Power Outage Restoration
   c. Electronic mail from Lisa Alices re: Board Position
   d. Electronic mail from Marilea Riddle re: Customer Service Representative
   e. Electronic mail from Michelle Harmon re: Customer Bill

7. **Committee Reports**
   a. Nominating Committee Meeting (July 7, 2026) Tony Mullen, Chairperson
   b. Committee of the Whole Meeting (July 14, 2026) Sandra Zerkle, Chairperson
   c. Finance Committee Meeting (July 21, 2026) Dale Shrader, Chairperson

8. **Manager's Recommendations**

9. **Unfinished Business**

10. **New Business**

11. **Resolutions/Action Items**
    a. Resolution for FY2027 Rules and Regulations for Electric, Water, Steam, Chilled Water, and Hot Water Utility Services

b. Resolution for VEBA Plan Investment Policy Statement Change
c. Resolution for FY2027 Audit Work Plan
d. Resolution for Approval of Recommendation for Director of Internal Audit Elisha Franco to attend Lansing Leadership Training

12. Manager's Remarks

13. Commissioners' Remarks

14. Motion of Excused Absence

15. Public Comment

Members of the public are welcome to speak to the Board on any Board of Water and Light subject. Each speaker will have 3 minutes to speak to the Board.

16. Adjournment

Agenda posted on website/building 07-24-2026

2026 Board Meeting Notice/Schedule Posted in the Lansing State Journal 01-02-2026

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

May 19, 2026

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, May 19, 2026. This meeting was publicly notified for 5:30 p.m.

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

Corporate Secretary, Lavella J. Todd, called the roll.

The following Commissioners were present: Chairperson David Price; Commissioners Beth Graham, Chris Harkins, Semone James (Arrived at 5:50 p.m.), DeShon Leek, Tony Mullen, Dale Schrader, and Sandra Zerkle.

Absent: None.

Corporate Secretary Lavella Todd declared a quorum.

Chairperson David Price requested Commissioner DeShon Leek lead the pledge of allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Chris Harkins, **Seconded** by Commissioner Tony Mullen to approve the Regular Board Meeting minutes of March 24, 2026
Action: Motion Carried

PUBLIC COMMENT

Gary Fairfax proposed to the board a rebate program that would reduce electricity rates for homeowners using groundwater heat pumps, air-to-air heat pumps, and baseboard heating after 500 kWh. He stated that ground water heat pumps are the most efficient, as they use a consistently warm source, and that lowering rates after 500 kWh would encourage the use of electricity for heating.

COMMUNICATIONS

Electronic mail from Niesha Partee regarding BWL Customer Service Experience . *Referred to Management. Received and Placed on File.*

Electronic mail from Calvin McClinton re: Request for Board Review. *Received and Placed on File.*

Electronic mail from Gary Fairfax regarding energy efficiency programs**.** *Referred to Management. Received and Placed on File.*

Electronic mail from Anonymous re: Request for Board Explanation. *Referred to Management. Received and Placed on File.*

COMMITTEE REPORTS

Committee of the Whole Chairperson Sandra Zerkle presented the Committee of the Whole Meeting Report:

COMMITTEE OF THE WHOLE
Meeting Minutes
May 7, 2026

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S Washington Ave., Lansing, MI, on Thursday, May 7, 2026.

Chairperson Sandra Zerkle called the Committee of the Whole Meeting to order at 5:32 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Sandra Zerkle, Beth Graham, Chris Harkins, Semone James, DeShon Leek, Tony Mullen, David Price, and Dale Schrader.
Absent: Commissioner Tony Mullen.

Corporate Secretary LaVella Todd declared a quorum.

<u>Public Comments</u>
There were no public comments.

Approval of Minutes

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to approve the Committee of the Whole Meeting minutes of March 10, 2026.
Action: Motion carried. The minutes were approved.

Retirement Plan Committee (RPC) Update

Chief Financial Officer Scott Taylor presented the Retirement Plan Committee (RPC) update. The RPC Committee added a US small-cap manager to further diversify the VEBA portfolio. A minor asset-allocation change was approved by the committee for presentation to the board and will be presented to the full board in July for final approval. Sage Advisory Services was selected for the DB plan's liability-driven strategy due to lower fees and a more personalized service. Underperforming funds were identified and will be replaced to strengthen the DC plan with a net-neutral fee impact. Two active participants remain in the defined benefit plan.

Commissioner Chris Harkins questioned, without divulging personal details, how much longer the remaining two participants plan to remain active in the defined benefit plan. CFO Taylor stated the estimated range for those participants was five to ten years.

Additionally, CFO Taylor continued to provide an update on Nationwide. Nationwide loan interest rates were incorrectly set to 0.25% higher, affecting 32 loans. The corrections applied the proper rate and reallocated excess payments to principal, shortening future loan terms. An automatic rate update process at Nationwide will replace the annual manual update to prevent future errors. A BWL HRIS system error also occurred which mis-populated new hire dates in Workday, causing premature 401 (a) contributions, but they were corrected, and the participants were informed of the error.

Commissioner Sandra Zerkle questions why Nationwide didn't immediately correct the interest rates. CFO Taylor confirmed that although it took Nationwide several months to catch the error, but once it was discovered, it was corrected immediately.

Rate Strategy

General Manager Peffley introduced a proposed FY2027 rate strategy and associated utility industry trends. He noted the proposed 2% electric rate increase is significantly lower than the increases being experienced by many Michigan utilities, which are averaging approximately 5% or higher, with some utilities seeking increases near 10%. It was emphasized that the proposed strategy supports the BWL strategic goals while remaining below inflation and reflects the organization's philosophy of growing revenue through new customer growth rather than placing additional burden on existing customers. He also expressed expectations for minimal public opposition compared to prior years, noting previous increases were partially attributable to delayed rate adjustments during the COVID-19 pandemic. CFO Taylor introduced Rates Manager Bob Blank from Utility Financial Solutions (UFS). UFS has been working with the BWL since 2017 and has worked with many utilities across the world. He provided an overview of the rate study process, industry trends, and cost-of-service analysis. He also explained the importance of long-term financial planning, cost-of-service studies, and gradual movement toward equitable rate structures across customer classes. Industry trends discussed included electrification, energy efficiency programs, distributed energy resources, time-of-use pricing, electric vehicle charging strategies, and infrastructure modernization. UFS Blank also emphasized the importance of properly structured customer service charges to ensure fixed utility costs are fairly recovered from all customers year-round.

CFO Taylor reviewed several major infrastructure and operational investments supported by the proposed rates, including electric system reliability initiatives, the Lansing Energy Tomorrow program, vegetation management, cybersecurity improvements, water infrastructure upgrades, and environmental compliance efforts. Staff highlighted that system reliability investments have provided measurable customer value and that continued infrastructure replacement and modernization remain critical due to significant inflationary increases in utility equipment and materials since 2019. Additional discussion focused on the Board's long-standing rate-making principles, including maintaining financially self-supporting utilities and aligning rates with cost-of-service standards. CFO Taylor explained that proposed rate increases vary by customer class to gradually move rates closer to actual service costs while minimizing sudden impacts on customers.

Commissioner Sandra Zerkle questions whether the BWL has a way of tracking the output of street lighting. GM Peffley explained with the new conversion to LED lights they have a good handle on the amount of energy used. CFO Taylor also discussed ongoing efforts to modernize street lighting infrastructure through LED conversions and the importance of balancing cost recovery with customer affordability.

Commissioner Chris Harkins noted difficulty tracking information between presentation slides and asked for clarification regarding projected revenue numbers for the large commercial and industrial category. Specifically, he questioned why projected revenues shown on one slide did not align with totals reflected on another slide. CFO Taylor explained that the discrepancy was due to the second sheet isolating only the standard rate classifications, while additional revenues from time-of-use rates and high load factor rates were included within the broader customer class totals. He also clarified that certain smaller rate categories had been grouped into an “other” classification. Commissioner Chris Harkins stated that it would be helpful to provide a clearer crosswalk between the slides so the information could be more easily tracked line-by-line, particularly regarding lighting and streetlight adjustments. CFO Taylor acknowledged and thanked Harkins for the feedback and indicated that there would be multiple public hearings and additional opportunities to revise, simplify and improve the presentation materials before public release. Discussion continued regarding extra-large industrial customer rates.

Commissioner Dale Schrader questioned why extra-large industrial rates appeared to increase by 4.4% while corresponding cost-of-service information was difficult to identify in the presentation. CFO Taylor clarified that the first chart reflected the results of the cost-of-service study only and did not represent actual proposed rate increases. The cost-of-service study identified gaps between current revenue generation and target revenue requirements. He explained that the second slide reflected the proposed rate design adjustments informed by those findings. After further review, CFO Taylor acknowledged that naming conventions between “commercial” and “industrial” categories allowed for confusion and agreed that revisions were needed to improve clarity.

Commissioner Semone James asked what alternatives had been considered and what factors led staff to recommend the proposed rate strategy. CFO Taylor explained that the proposed approach was intended to achieve a balanced outcome. The Board had targeted an overall utility increase of approximately 2%, while simultaneously working to align customer classes more closely with cost-of-service targets. He also stated that the process involved determining how far each customer class deviated from its cost-of-service level and then allocating increases accordingly while maintaining the overall 2% revenue target. GM Peffley further explained that the lower rate strategy reflected both financial and political considerations. It was noted that the utility had previously pursued aggressive renewable energy investments and that customers were increasingly focused on affordability and reliability rather than exceeding environmental compliance requirements. He stated that maintaining competitiveness with neighboring utilities and recognizing economic pressures facing Lansing residents were significant considerations in recommending a lower overall increase.

CFO Taylor then reviewed historical rate increases, noting that the utility had paused increases for several years following COVID-19, followed by larger increases in 2024 and 2025 to recover costs. Proposed increases for 2026 included: Electric 2.04%, Water 2.3%, Steam 5.51% and Chilled Water 0%.

GM Peffley explained that steam rates remained elevated because the utility was currently operating both the steam and hot water systems simultaneously during the transition period. Once the conversion to hot water was complete, management anticipated significantly lower operating costs and more attractive rates.

Commissioner Sandra Zerkle asked whether the utility was still recovering from the period of 31 months without rate increases. GM Peffley responded that recovery largely occurred during 2024 and 2025 and acknowledged that those increases had been difficult for customers. However, he emphasized that over the long term, the utility rate strategy had historically remained below inflation.

CFO Taylor next reviewed customer bill impact analyses for electric, water, steam, and chilled water customers. He explained that customer impacts varied depending on usage patterns, fixed customer charges, and demand charges. Impact analyses were performed across a broad range of customer profiles to ensure no customer group experienced excessive increases outside acceptable ranges.

Commissioner Sandra Zerkle asked whether the utility planned to communicate to major corporations and small businesses that efforts were being made to minimize rate increases given broader economic pressures. GM Peffley stated that formal communications had not yet begun because approval from the governing body was still pending. However, he expressed confidence that customers would recognize the utility's comparatively lower increases relative to neighboring utilities.

CFO Taylor emphasized that the proposed increases still allowed the utility to meet key financial metrics and maintain operational reliability. Staff reviewed the residential electric rate structure, including Standard residential time-of-use rates, Off-Peak Savers rates, and Electric vehicle charging meter options.

Commissioner Chris Harkins asked whether the EV charging rate was also a time-of-use rate and whether it offered lower pricing than the standard residential rate. CFO Taylor confirmed that the EV charging option was a time-of-use rate with lower off-peak pricing designed specifically for EV charging customers. He explained that customers installing a dedicated EV charging meter would pay a lower kilowatt-hour rate than customers charging through standard residential service.

Commissioner Sandra Zerkle suggested moving the simplified rate structure slides toward the beginning of the public presentation because they were easier to understand and provided useful context early in the discussion. CFO Taylor agreed to consider reorganizing the presentation accordingly.

CFO Taylor then reviewed summer and winter time-of-use pricing comparisons. It was explained that the Off-Peak Savers rate offered customers substantial savings opportunities if they shifted energy usage outside peak hours. He emphasized that the utility was gradually transitioning customers toward rates more closely aligned with cost-of-service realities while giving customers time to adapt their usage patterns.

During the presentation, commissioners identified an error on a slide where both peak and off-peak periods were incorrectly labeled as “12.” Staff acknowledged the mistake and will correct the issue for future presentations.

CFO reviewed renewable energy rate structures, including distributed generation and legacy net metering programs. CFO Taylor explained that traditional net metering was not sustainable long term because customers were previously credited at full retail rates for excess energy generation, even though retail rates included costs beyond energy itself, such as billing infrastructure and system maintenance. Under the new distributed generation structure, customers are compensated based on the actual market value of the energy supplied back to the system rather than the full retail rate.

Commissioner Semone James asked how customers were being educated regarding these rate structures and associated charges. AGM Shawa stated that educational materials were available through customer service representatives, online calculators, and utility websites. She also noted that bill inserts and ongoing communications were regularly distributed to customers regarding available programs and usage management tools.

Commissioner Chris Harkins cautioned against overemphasizing specialized rate programs in public communications, noting that the vast majority of customers remained on traditional time-of-use rates. CFO Taylor agreed that communications should remain balanced and targeted appropriately.

CFO Taylor reviewed proposed updates related to the state-mandated Energy Optimization program. It was explained that the State of Michigan increased annual energy optimization requirements from 1% to 1.5%, making compliance more costly. He stated that because many easy efficiency gains such as LED lighting conversions had already been achieved, future compliance efforts would require more substantial investments. As a result, the utility proposed reinstating a dedicated Energy Optimization surcharge to more transparently recover compliance costs. CFO Taylor clarified that this surcharge was already incorporated into the proposed overall rate increases and did not represent an additional increase.

CFO Taylor reviewed the completion of the utility's LED streetlight conversion project. The conversion reduced the number of streetlight rate classifications from over 120 to nine, simplifying administration and customer understanding. He then provided a detailed overview of the steam-to-hot-water conversion project. Approximately 160 customers currently remain on the steam system, with more than 100 expected to transition to hot water service. Approximately 58 customers are expected to be disconnected because of location limitations or building infrastructure constraints. To assist affected customers, CFO Taylor proposed a "Steam-to-Electric Rate Transition Credit" program. The program would provide qualifying customers with electric rate credits for up to 10 years to offset costs associated with transitioning away from steam service.

Commissioner Chris Harkins asked why the program was structured as a 10-year credit period.

CFO Taylor explained that 10 years approximately reflected the useful life of replacement heating investments such as electric boilers or alternative heating systems.

Commissioner Semone James asked how the utility would recover the costs associated with the transition credit. CFO Taylor responded that the transition costs were considered part of the broader investment in converting to a more efficient hot water system, which would ultimately reduce operational costs for the utility overall.

Commissioner Beth Graham asked about the number of residential customers affected by the transition. AGM Shawa stated that only four or five residential customers remained on the steam system, with most affected customers being commercial or institutional entities. She further explained that all affected customers had already received direct communication and that individualized transition meetings were ongoing.

CFO Taylor reviewed updates to water rates, including continued affordability measures for customers using two CCF or less. He also proposed updates to bulk water rates for hydrant permit holders and water haulers. It was explained that prior bulk water pricing only recovered commodity costs and failed to account for broader system costs. Revised rates would more accurately reflect the true cost of providing service. CFO Taylor introduced the proposed hot water utility rate structure, which included contract demand charges, commodity charges, fuel cost adjustment factors, and temperature differential adjustment factors.

CFO Taylor explained that customers would be expected to return water at appropriate temperatures to maximize system efficiency. Customers failing to sufficiently extract heat before returning water would be subject to temperature differential penalties.

Commissioner Semone James asked questions regarding how customers-controlled temperature differentials and system efficiency. CFO Taylor and GM Peffley explained that customers-controlled heat extraction through building circulation systems and maintenance of heat exchangers. Proper maintenance ensured efficient system operation and prevented unnecessary costs from being shifted to all customers. CFO Taylor reviewed ongoing customer assistance efforts, including Community resource fairs, Public Act 95 assistance, Flexible payment options, levelized billing programs, payment kiosks, and pennies for power assistance programs. He stated that over $4 million had been secured through community resource fairs and Public Act 95 programs to assist customers with utility bills.

Commissioner David Price provided feedback regarding the upcoming public hearing presentations. He recommended shortening and simplifying the presentation significantly for the public audience. He stated that the public would primarily want to understand the percentage rate increase, the estimated bill impact, a historical comparison, and comparisons with neighboring utilities. CFO Taylor agreed and stated that the public presentation would likely be condensed while still providing essential information.

Return on Equity

CFO Taylor next presented the negotiated Return on Equity agreement with the City of Lansing. He reported that an agreement had been reached between BWL and City management for a 6% return on equity for a two-year period and that it would now be up to the BWL Board and City Council to approve. The agreement also excluded inter-utility sales from the calculation and allowed the City of Lansing to receive 6% of any performance exceeding budget projections. CFO Taylor noted that payment timing adjustments were also included to assist the City with quarterly obligations. A resolution approving the agreement was introduced.

Motion by Commissioner Semone James, **Seconded** by Commissioner Chris Harkins, to forward the Return on Equity Resolution to the full Board for consideration.

Diversity, Equity, and Inclusion Policy Update

Vernon Woodley, Inclusion Manager, presented proposed revisions to the Corporate Diversity, Equity, and Inclusion Policy. Inclusion Manager Woodley explained that the existing policy has been operational since 2008 . He outlined eight primary updates included in the revised policy. Updated language and alignment with current organizational priorities. Addition of required scope and purpose statements. Strengthened commitment to inclusion and respect. Alignment with equal opportunity, anti-discrimination, and anti-harassment policies. Increased focus on workforce development and employee advancement. Greater emphasis on community engagement. Establishment of ongoing sustainability and maintenance requirements. Creation of a four-year policy review process to ensure accountability. A resolution was presented to approve the updated policy.

Commissioner Semone James asked questions regarding implementation and accountability measures associated with the revised policy. Inclusion Manager Woodley explained that all new managers entering the organization are required to complete diversity, equity and inclusion foundation for inclusive management training. He stated that the utility currently offers several structured programs, including training for new employees and the Emerging Leaders Program, and additional diversity and inclusion development initiatives. Inclusion Manager Woodley also noted that the organization has implemented tracking measures to ensure all new managers complete required training within six months of assuming their positions. He further explained that the utility is actively tracking participation and engagement metrics related to diversity, equity & inclusion activities and programming.

Commissioner Semone James asked how frequently the Board would receive updates regarding completion of diversity, equity, & inclusion related metrics and initiatives. Chief of Staff Williams explained that DEI updates are included in the Board's monthly highlights and stated that staff would be willing to provide additional updates directly to the Board at any frequency desired by the Board.

Commissioner Semone James then asked whether legal counsel had reviewed the revised policy for compliance with federal and state law. Inclusion Manager Woodley confirmed that the policy underwent legal review prior to executive review and committee consideration. He stated that both internal and external legal counsel reviewed the policy and provided feedback before it advanced through the approval process.

Commissioner Sandra Zerkle referenced prior Board discussions regarding the utility's recognition within the community for its diversity and inclusion efforts. She stated that the revised policy maintained the spirit of the organization's prior commitments while modernizing language and organizational alignment. Commissioner Sandra Zerkle expressed appreciation for the continuation of those efforts.

Commissioner Semone James also acknowledged her appreciation for all the efforts made by the staff. She stated that the political environment surrounding diversity, equity & inclusion initiatives hasn't been positive and expressed appreciation that the Board and staff continued to support diversity, equity, and inclusion efforts and recognized the positive results those programs provide.

Commissioner Semone James also asked how the organization had navigated recent federal-level scrutiny regarding diversity, equity & inclusion programs, noting that some organizations nationally had eliminated DEI initiatives out of concern for losing federal funding or facing regulatory challenges.

Chief of Staff Williams responded that BWL was not directly impacted in that regard. She emphasized that leadership support for diversity, equity, and inclusion culture remained strong throughout the organization and that all current efforts remain fully compliant with applicable laws.

Inclusion Manager Woodley further elaborated that all initiatives undertaken by the utility are reviewed to ensure compliance. He emphasized that the organization's programs are designed to be inclusive of all employees and are intended to benefit the organization and community broadly. He also highlighted several recent initiatives, including the launch of the organization's first Employee Business Resource Group focused on veterans. He explained that although the group centers on veteran-related issues, participation is open to all employees, including non-veteran allies. Inclusion Manager Woodley also announced the launch of a new Diversity Champion Award program intended to recognize employees for contributions to diversity and inclusion efforts both within the utility and throughout the community. He acknowledged the broader political climate surrounding diversity, equity & inclusion discussions nationally but reiterated that the organization's efforts remain lawful, inclusive, and aligned with organizational and community goals.

Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to forward the Corporate Diversity, Equity, and Inclusion Resolution to the full Board for consideration.

Other

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James, for excused absences for Commissioner Tony Mullen.
Action: Motion Carried.

Adjourn
Chairperson Sandra Zerkle adjourned the meeting at 7:35 p.m.

Finance Committee Chairperson Dale Schrader presented the Finance Committee Meeting Report:

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.

Human Resources Chairperson Tony Mullen presented the Human Resources Meeting Report:

HUMAN RESOURCES COMMITTEE
Meeting Minutes
May 12, 2026

Human Resources Committee: Tony Mullen, Committee Chairperson; Commissioners Semone James, DeShon Leek and Sandra Zerkle; Alternates: David Price, Chris Harkins

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 12, 2026.

Vice Chairperson Sandra Zerkle called the meeting to order at 5:05 p.m. and asked the Corporate Secretary to call the roll.

The following members were present: Commissioners Semone James, DeShon Leek, and Sandra Zerkle; also present: Commissioner Dale Schrader.
Absent: Alternates: Commissioners David Price and Chris Harkins.

(HR Committee Chairperson Tony Mullen arrived at 5:24 p.m.)

The Corporate Secretary declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner DeShon Leek; **Seconded** by Commissioner Semone James, to approve the HR Committee meeting minutes of March 17, 2026.
Action: Motion Carried.

FY2026 Board Appointee Performance Reviews

General Manager
General Manager Richard R. Peffley requested to go into Closed Session for the purpose of receiving his contractual year-end performance evaluation as permitted by Open Meetings Act exemption MCL 15.268(a). He also requested Chief Human Resources Officer Michael Flowers join him in closed session.

Motion by Commissioner Sandra Zerkle; **Seconded** by Commissioner Semone James, to go into closed session to discuss the contractual year-end performance evaluation of General Manager, Richard R. Peffley. Commissioners Semone James, DeShon Leek, Tony Mullen, Dale Scrader and Sandra Zerkle were present.

Roll Call Vote:
Yeas: Commissioners Semone James, DeShon Leek and Sandra Zerkle
Nays: None.
Action: Motion Carried.

Human Resources Committee went into closed session at 5:08 p.m.

Each Board Member who was physically present had a chance to provide General Manager Richard R. Peffley with comments and or questions related to the final evaluation document/process. Commissioners were given as much time as they needed to make any comments or ask questions of Mr. Peffley.

Motion by Commissioner Sandra Zerkle; **Seconded** by Commissioner Tony Mullen, to reconvene into open session.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle.
Nays: None.
Action: Motion Carried

The Human Resources Committee reconvened to open session at 6:14 p.m.

Motion by Commissioner Semone James; **Seconded** by Commissioner Sandra Zerkle, to forward the resolution reappointing Richard R. Peffley to the Charter position of General Manager for FY2027 to the full Board for consideration.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

<u>Internal Auditor</u>
Internal Auditor Elisha Franco requested to go into Closed Session for the purpose of receiving her contractual year-end performance evaluation as permitted by Open Meetings Act exemption MCL 15.268(a). She also requested Chief Human Resources Officer Michael Flowers join her in closed session.

Motion by Commissioner Sandra Zerkle; **Seconded** by Commissioner DeShon Leek, to go into closed session to discuss the contractual year-end performance evaluation of Internal

Auditor Elisha Franco. Commissioners Semone James, DeShon Leek, Tony Mullen, Dale Scrader and Sandra Zerkle were present.

Roll Call Vote:
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle
Nays: None.
Action: Motion Carried.

Human Resources Committee went into closed session at 6:15 p.m.

Each Board Member who was physically present had a chance to provide Internal Auditor Elisha Franco with comments and or questions related to the final evaluation document/process. Commissioners were given as much time as they needed to make any comments or ask questions of Ms. Franco.

Motion by Commissioner DeShon Leek; **Seconded** by Commissioner Semone James to reconvene into open session.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle.
Nays: None.
Action: Motion Carried

The Human Resources Committee reconvened to open session at 6:40 p.m.

Motion by Commissioner Semone James; **Seconded** by Commissioner DeShon Leek, to forward the resolution reappointing Elisha Franco to the Charter position of Internal Auditor for FY2027 to the full Board for consideration.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

<u>Corporate Secretary</u>
Corporate Secretary LaVella J. Todd requested to go into Closed Session for the purpose of receiving her contractual year-end performance evaluation as permitted by Open Meetings Act exemption MCL 15.268(a). She also requested Chief Human Resources Officer Michael Flowers join her in closed session.

Motion by Commissioner Semone James; **Seconded** by Commissioner Sandra Zerkle, to go into closed session to discuss the contractual year-end performance evaluation of Corporate Secretary LaVella J. Todd. Commissioners Semone James, DeShon Leek, Tony Mullen, Dale Scrader and Sandra Zerkle were present.

Roll Call Vote:
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen and Sandra Zerkle
Nays: None.
Action: Motion Carried.

Human Resources Committee went into closed session at 6:41 p.m.

Each Board Member who was physically present had a chance to provide Corporate Secretary LaVella J. Todd with comments and or questions related to the final evaluation document/process. Commissioners were given as much time as they needed to make any comments or ask questions of Ms. Todd.

Motion by Commissioner DeShon Leek; **Seconded** by Commissioner Sanra Zerkle to reconvene into open session.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

The Human Resources Committee reconvened to open session at 7:06 p.m.

Motion by Commissioner DeShon Leek; **Seconded** by Commissioner Semone James, to forward the resolution reappointing LaVella J. Todd to the Charter position of Corporate Secretary for FY2027 to the full Board for consideration.
Yeas: Commissioners Semone James, DeShon Leek, Tony Mullen, and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

Other
No other business.

Adjourn
HR Chairperson Tony Mullen adjourned the meeting at 7:07 p.m.

MANAGERS RECOMMENDATION

There was no manager's recommendation.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

RESOLUTIONS

RESOLUTION 2026-05-01

Return on Equity (ROE) Renewal Amendment No. 9

WHEREAS, the City of Lansing has expressed a desire to continue the Agreement Between the City of Lansing and the Board of Water & Light dated June 30, 1992 (the Agreement), which has been subsequently extended by means of eight Amendments thereto in 2001, 2012, 2013, 2018, 2020, 2022, 2024, and 2025, respectively; and

WHEREAS, the City of Lansing and the Board of Water & Light agree that the recommended amendment to the Agreement and the payment provided for therein represents a mutual balancing of the financial burden of the payment on the Board of Water & Light's ratepayers, the financial burden of the use of services and property on the City of Lansing or its taxpayers, and of the shared services and infrastructure between the Board of Water & Light and the City of Lansing; and

WHEREAS, the Board of Commissioners Committee of the Whole (COW) considered the City of Lansing's request on May 7, 2026; and WHEREAS, the General Manager recommended the Agreement be amended and extended for 2 years at a rate of 6% of total budgeted Board operating revenues, excluding inter-utility sales, as is in effect at the start of each respective fiscal year. If actual operating revenues are higher than budgeted operating revenues, the return on equity payments will be calculated in the amount of 6% of actual operating revenues, effective July 1, 2026, and will be memorialized as Amendment No. 9; and

WHEREAS, the COW has considered the proposed Amendment No. 9, agreed with the General Manager's recommendation and approved the Amendment, including authorization for the General Manager to execute the Amendment, and the Amendment shall be forwarded to the Board of Commissioners for approval at the May 19, 2026 Board meeting.

THEREFORE, be it: RESOLVED, the proposed Amendment No. 9 to the Agreement Between the City of Lansing and The Board of Water & Light dated June 30, 1992 is approved, including authorization for the General Manager to execute the Amendment.

Motion by Commissioner Dale Schrader, Seconded by Commissioner Chris Harkins to approve the Return on Equity (ROE) Renewal at a Regular Board Meeting held on May 19, 2026.
Action Motion Carried.

RESOLUTION 2026-05-02

Corporate Diversity, Equity & Inclusion Policy

WHEREAS, the Board of Commissioners (“Board”) adopted a Corporate Inclusion, Equity and Diversity Policy (“Policy”) on March 28, 2008, which superseded the previously adopted Corporate Diversity Policy effective April 23, 2002; and

WHEREAS, BWL staff has conducted a review of the Policy and determined revision to the Policy would enhance understanding and compliance with the policy, and strengthen alignment with BWL’s vision, values and strategic priorities; and

WHEREAS, the Policy title was changed to Corporate Diversity, Equity & Inclusion Policy to be consistent with current standards;

THEREFORE, it is: RESOLVED, that the Board adopts and approves the revised Corporate Diversity, Equity & Inclusion Policy effective May 19, 2026, as presented.

FURTHER RESOLVED, that the Corporate Inclusion, Equity and Diversity Policy, effective March 28, 2008, is superseded as of May 19, 2026.

Motion by Commissioner Sandra Zerkle, **Seconded** by Commissioner Beth Graham to adopt the revised Corporate Diversity, Equity & Inclusion Policy at a Regular Board Meeting held on May 19, 2026. **Action:** Motion Carried.

RESOLUTION 2026-05-03

Fiscal Year 2027-2032 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2027 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2028-2032 is hereby accepted as presented; and

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

Staff Comments: Staff recommends an operating and maintenance budget of $425.8M and a capital budget of $113.1M for Fiscal Year 2027. The Operating and Capital Budget and Forecast for Fiscal Years 2027-2032 includes forecasted rate increases. The forecasted rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL’s formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL’s authority to set just and reasonable rates and defines the public hearing process. In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 19, 2026 board meeting.

Motion by Commissioner Dale Schrader, **Seconded** by Commissioner Chris Harkins, to approve the Resolution for the Fiscal Year 2027-2032 Budget and Forecast at a Regular Board Meeting held on May 19, 2026.
Action: Motion Carried.

RESOLUTION 2026-05-04

Appointment of the Charter Position of Director and General Manager

WHEREAS, the Board's Rules of Procedure specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.
RESOLVED, that the Board of Commissioners hereby appoints the following individual to the Charter position of General Manager for fiscal year 2026-2027 or until a successor is appointed, whichever last occurs: Richard R. Peffley, Director and General Manager
FURTHER RESOLVED, that the Chairperson of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for fiscal year 2026's performance.
Motion by Commissioner Tony Mullen **Seconded** by Commissioner Sandra Zerkle to approve the reappointment of the Charter Position of Director and General Manager for Fiscal Year 2026-2027 at a Regular Board Meeting held on May 19, 2026.
Action: Motion Carried.

RESOLUTION 2026-05-05

Appointment of the Charter Position of Internal Auditor

WHEREAS, the Board's Rules of Procedure specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.
RESOLVED, that the Board of Commissioners hereby appoints the following individual to the Charter position of Internal Auditor for fiscal year 2026-2027 or until a successor is appointed, whichever last occurs: Elisha Franco, Internal Auditor
FURTHER RESOLVED, that the Chairperson of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for fiscal year 2026's performance.
Motion by Commissioner Tony Mullen, **Seconded** by Commissioner DeShon Leek, to approve the reappointment of the Internal Auditor for Fiscal Year 2026-2027 at a Regular Board Meeting held on May 19, 2026.
Action: Motion Carried.

RESOLUTION 2026-05-06

Appointment of the Charter Position of Corporate Secretary

WHEREAS, the Board's Rules of Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.
RESOLVED, that the Board of Commissioners hereby appoints the following individual to the Charter position of Corporate Secretary for fiscal year 2026-2027 or until a successor is appointed, whichever last occurs: LaVella J. Todd, Corporate Secretary
FURTHER RESOLVED, that the Chairperson of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2026's performance.
Motion by Commissioner Sandra Zerkle, **Seconded** by Commissioner Tony Mullen, to approve the reappointment of the Corporate Secretary for Fiscal Year 2026-2027 at a Regular Board Meeting held on May 19, 2026.
Action: Motion Carried.

RESOLUTION OF LANSING BOARD OF WATER & LIGHT IN RECOGNITION OF FIFTY YEARS OF SERVICE BY RICHARD R. PEFFLEY

WHEREAS, Richard "Dick" Peffley has served the Lansing Board of Water & Light (BWL) with exceptional dedication and commitment for half a century,
WHEREAS, Dick Peffley started his career at BWL in 1978 as a Temporary Laborer in General Maintenance Department and was promoted through the following positions over his career: Laborer Advanced, Electronics Technician, General Supervisor of Operations, Plant Manager, Manager of Electric and Steam Production, Director of Production, Executive Director of Operations and Executive Director of Water Operations and Special Projects;
WHEREAS, Dick Peffley served as the Interim General Manager in 2006 for approximately one year during the job search for the position. Declining the permanent General Manager offer, he returned to the Director of Production along with being the Interim Director of Operations. He stepped in for a 2nd time as the Interim General Manager in 2015 and 8 months later accepted the permanent position, which he holds at 50 years of service;
WHEREAS, Dick Peffley's vision and leadership has achieved significant success and growth for the Hometown People Hometown Power utility, and included among his many accomplishments are the following:
• Project manager for the $23 million repair and refurbishment of the Wise Road Water Conditioning Plant following a chemical accident in 2011;

• Project manager for the $20 million Chilled Water Plant, which came in on time and on budget in 2009, named after his father, BWL retiree, Roy E. Peffley;
• Project manager for the $182 million natural gas-fired REO Cogeneration Plant and Headquarters which came in on time and on budget in 2013;
• Led the Water Production and Distribution Departments' efforts to produce and distribute record-breaking one billion gallons of water in a single month to customers during the heat wave in July 2013;
• Oversaw the completion to remove all lead water service lines in the BWL service territory in 2016, the second utility in the country to do so;
• Oversaw the development and construction of the $500 million natural gas-fired Delta Energy Park in 2019;
• Successfully renegotiated a coal contract which resulted in $52 million of savings over two years in 2021;
• Oversaw contract negotiations between General Motors and Ultium in 2022 to provide power for a new battery cell manufacturing plant, a transformational $2.6 billion investment that will support electric vehicle production in Lansing for the next generation;

WHEREAS, Dick Peffley's leadership has led the Lansing Board of Water & Light to significant growth and has shaped the company into the *Utility of Today, Transforming Tomorrow.*
WHEREAS, Dick Peffley's leadership and contribution to Lansing Board of Water & Light have translated to the Greater Lansing Area, ensuring the residents of Lansing Area benefit from reliable and affordable public power.
WHEREAS, Dick Peffley's 50-years of service to Lansing Board of Water & Light is an extraordinary milestone, reflecting loyalty and dedication to our Hometown utility and its future and the Lansing Board of Water & Light Board of Commissioners wish to recognize and thank Dick Peffley for his many contributions to the company.
RESOLVED, that The Board of Commissioners of Lansing Board of Water & Light hereby extends its deepest appreciation to Richard "Dick" Peffley for 50 years of distinguished service to Lansing Board of Water & Light.

On Behalf of Lansing Board of Water & Light
Board of Commissioners
David Price, Chairperson
May 19, 2026

MANAGERS REMARKS

1. Storm on 5/18 took out power to 3k customers over 111 locations.
    - Full restoration expected by 8pm 5/19
2. Held Community Resource Fair on 4/15 at Alfreda Schmidt
    - About 150 individuals attended
    - $4M raised for customers to date
3. Hosted MSU Visiting International Professional Program on 4/27
    - Visitors are invited to the U.S. through the Department of State's International Visitor Leadership Program.
    - 10 individuals from 10 different countries representing diverse industries
    - Toured DEP
    - Presentations on BWL's carbon neutrality, smart meter technology, economic development and community engagement
    - Left very impressed by BWL
4. Welcomed 18 interns on 5/11.
    - They will be with us through the summer
5. 16 1st STEP students graduated 5/13
    - This year concluded our 18th year of 1st STEP program.
    - Every student gets $2,000 tuition to attend any school in Michigan
6. Staff attended MMEA spring conference in Grand Rapids on 5/14/2026
7. Panel speaker at Chamber Economic Luncheon Thur., May 21 at 11:30 am
    - Along with ITC and Consumers
    - Topic: Powering Michigan's Growth: Energy Infrastructure, Reliability and Economic Competitiveness
8. Mackinac Policy Conference
    - Staff attending Tuesday through Friday
9. Next Township Engagement meeting
    - Meridian Township on June 2 at 6pm
10. Employee Picnic is coming up on June 23 at 6pm

COMMISSIONERS REMARKS

There are no commissioner remarks.

MOTION OF EXCUSED ABSENCE

There were no excused absences.

PUBLIC COMMENT

Elaine Fischhoff requested that detailed information be included on the BWL website, stating the reasons and the data behind the new proposed rate increases. She noted that it would help increase the company's transparency with its customers. Elaine Fischhoff also requested the BWL provide the same information as required by investor-owned utilities when filing with the MPSC for proposed rate increases.

Closed Session pursuant to MCL 15.268(h) to consider a written Attorney/Client Communication related to pending litigation.

Chairperson David Price requested a roll call vote to enter closed session to discuss a written Attorney/Client Communication related to pending litigation. He also requested General Counsel Mark Matus and Deputy General Counsel Jason Hawkins be present.

Roll Call Vote:
Yeas: Commissioners Beth Graham, Chris Harkins, Semone James, David Price, DeShon Leek, Tony Mullen, Dale Schrader, and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

The board entered into closed session at 5:55 p.m.

Chairperson David Price requested a roll call vote to reconvene after the closed session.
Roll Call Vote:
Yeas: Commissioners Beth Graham, Chris Harkins, Semone James, David Price, DeShon Leek, Tony Mullen, Dale Schrader, and Sandra Zerkle.
Nays: None.
Action: Motion Carried.

The board reconvened at 6:14 p.m.

A resolution was presented regarding the written Attorney/Client Communication related to pending litigation.

RESOLUTION 2026-05-07

Delegation of Authority to Respond to Web Submission on Behalf of the Board of Commissioners

WHEREAS, the Board of Commissioners received a web submittal from an employee of the Lansing Board of Water & Light on April 30, 2026, and it is appropriate that the Board respond to the submittal directly as opposed to referring the matter to Management;

WHEREAS, at a regular meeting of the Board on May 19, 2026, the Board considered the matter, including a memorandum from counsel, and concluded it is both prudent and efficient to delegate to the Chairperson the authority to respond to the web submission. Therefore, it is:

RESOLVED, that the Chairperson is delegated authority to make a written response to the web submission on behalf of the Board of Commissioners, and

FURTHER RESOLVED, that the Chairperson is delegated authority to, with the advice of counsel, respond to any additional correspondence from the employee addressing the same or related issues presented by the April 30, 2026 web submittal.

Motion by Commissioner Beth Graham, **Seconded** by Commissioner Dale Schrader, to approve the Resolution for Delegation of Authority to Respond to Web Submission on Behalf of the Board of Commissioners at a Regular Board Meeting held on May 19, 2026.

Action: Motion Carried.

ADJOURNMENT

Chairperson David Price adjourned the meeting at 6:15 p.m.

LaVella J. Todd, Corporate Secretary
To be approved by the Board of Commissioners: 07-28-2026
Official Minutes filed (electronically) with Lansing City Clerk: 07-XX-26

Submitted on Fri, 07/03/2026 - 9:41 PM

Submitted by: Anonymous

Submitted values are:

Select a Commissioner:
All Commissioners

Name
Arbors of Georgetown

Street Address
Lansing, Michigan. 48911

Message
For this company to be increasing bill payments and still cant keep power running for customers after a 15 minute storm with little to no damage to power lines you people are stealing from my residents that rent from us. This absolutely makes no sense you as whole cant have power crews 24/7. Then on top of it all you 8 old sag skin people cant never even give the people credits for the mistakes yall made because as long as your families are taken care of thats all that matters right???

Submitted on Fri, 07/03/2026 - 9:39 PM

Submitted by: Anonymous

Submitted values are:

Select a Commissioner:
All Commissioners

Name
Samantha Smith

Street Address
Lansing , Michigan. 48912

Message
Hello, I live on Michigan Ave and in the storm today experienced a power outage that is now expected to not be fixed until July 5. This is ridiculous. Given the weather and the duration. This is a public service and I expect better than this.

Submitted on Mon, 07/06/2026 - 5:40 PM

Submitted by: Anonymous

Submitted values are:

Select a Commissioner:
All Commissioners

Name
Lisa Alices

Street Address
Lansing, Michigan. 48915

Message
I would like to be considered for a Board Position

Submitted on Sat, 07/04/2026 - 5:56 AM

Submitted by: Anonymous

Submitted values are:

Select a Commissioner:
All Commissioners

Name
MARILEA J RIDDLE

Street Address
Lansing, Michigan. 48911

Message
This operator named Vanessa was being extremely rude to me I said things out of being upset yet she tries to patronize me about it on another call this is ridiculous I was nice this call and she was rude and just unpleasant you guys need to do something about her because during a disaster someone being snide is not ok I'm going to report this horrible human being to more places come Monday do something

Submitted on Sat, 07/11/2026 - 5:11 PM

Submitted by: Anonymous

Submitted values are:

Select a Commissioner:
All Commissioners

Name
Michelle Harmon

Street Address
Lansing, Michigan. 48906

Message
I've contacted you guys previously because of getting a deposit back and then playing games and spending me and tell me the machines were down and stuff well that was just a year ago not even a year ago and I was missed two payments I think and now they just attacked on an extra $420 on my bill when I'm already struggling to keep up.. it's now 900 and some dollars. I have an attorney doing disability for me I am so trying to get stuff together but every time you guys throw me a brick instead of a life jacket when I'm already drowning

NOMINATING COMMITTEE
Meeting Minutes
July 7, 2026

Nominating Committee: Tony Mullen, Committee Chairperson; Beth Graham; Semone James; and DeShon Leek

The Nominating Committee of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, July 7, 2026

Nominating Committee Chairperson, Tony Mullen, called the meeting to order at 5:30 p.m. and asked Acting Corporate Secretary, Lilly Speers, to call the roll. The following committee members were present: Commissioners Tony Mullen, Beth Graham, Semone James, and DeShon Leek.
Absent: None

Acting Corporate Secretary, Lilly Speers, declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner Beth Graham, **Seconded** by Commissioner DeShon Leek to approve the Nominating Committee meeting minutes of June 17, 2025.
Action: Motion Carried.

Officer & Committee Survey Memorandum, Committee Selection Results Memorandum and Officer & Committee Survey Results and Comments
Committee Chairperson Tony Mullen stated that the Officer & Committee Survey Memorandum, Committee Selection Results Memorandum and the Officer & Committee Survey Results and Comments were included in the Nominating Committee meeting packet for review and asked if there were any questions regarding the documents. There was no discussion.

Nomination of Board Officer Candidates for Fiscal Year 2026-2027 Chairperson and Vice Chairperson
Committee Chairperson Tony Mullen opened the floor for nominations for the Chairperson for the 2026-2027 fiscal year.

Motion was made by Commissioner Semone James to nominate David Price as Chairperson of the Board of Commissioners.

Motion by Commissioner Semone James, **Seconded** by Commissioner Beth Graham to nominate Commissioner David Price to serve as Chairperson of the Board of Commissioners for the 2026-2027 Fiscal Year.
Roll Call Vote:

Yeas: Commissioners Tony Mullen, Beth Graham, Semone James, DeShon Leek
Nays: None.
Action: Motion Carried.

Committee Chairperson Tony Mullen opened the floor for nominations for the Vice Chairperson for the 2026-2027 Fiscal Year.

Motion was made by Commissioner Beth Graham to nominate Sandra Zerkle as Vice Chairperson of the Board of Commissioners.

Motion by Commissioner Beth Graham, **Seconded** by Commissioner Semone James to nominate Commissioner Sandra Zerkle to serve as Vice-Chairperson of the Board of Commissioners for the 2026-2027 Fiscal Year.
Roll Call Vote:
Yeas: Commissioners Tony Mullen, Beth Graham, Semone James, DeShon Leek
Nays: None.
Action: Motion Carried.

Motion by Commissioner DeShon Leek, **Seconded** by Commissioner Beth Graham to present the Slate of Officers for Fiscal Year 2026-2027 to the full Board for consideration as follows:

Chairperson: David Price
Vice Chairperson: Sandra Zerkle

Roll Call Vote:
Yeas: Commissioners Tony Mullen, Beth Graham, Semone James, DeShon Leek
Nays: None.
Action: Motion Carried.

Nominating Committee Chairperson Tony Mullen stated that the recommended slate will be presented to the full Board for consideration and nominations will be taken from the floor at the July 28, 2026, Regular Board/Annual Organizational meeting.

<u>Adjourn</u>
There being no further business, the meeting adjourned at 5:35 p.m.

Respectfully submitted,
Tony Mullen, Chairperson
Nominating Committee

COMMITTEE OF THE WHOLE
Meeting Minutes
July 14, 2026

The Committee of the Whole of the Lansing Board of Water & Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S Washington Ave., Lansing, MI, on Wednesday, July 14, 2026.

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

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

Corporate Secretary LaVella Todd declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Commissioner Semone James noted the May 7, 2026 Committee of the Whole Meeting minutes needed a correction as Commissioner Tony Mullen was marked both present and absent at the meeting. Corporate Secretary LaVella Todd stated she would ensure the meeting minutes were corrected.

Motion by Commissioner David Price, **Seconded** by Commissioner Tony Mullen, to approve the Committee of the Whole Meeting minutes of May 7, 2026 as modified.
Action: Motion carried. The minutes were approved.

Retirement Plan Committee (RPC) Update
General Manager (GM) Dick Peffley introduced Chief Financial Officer (CFO) Scott Taylor to present the Retirement Plan Committee (RPC) Update. The following specifics were presented by CFO Taylor: Investment Activity Update – Defined Benefit (DB) Plan: Liability Driven Investing (LDI) Timeline; Voluntary Employee Benefit Administration (VEBA) Plan: US Small Cap Investment Manager and Updated Asset Allocation

Question: [Inaudible] – CFO Taylor answered: Asset Consulting Group.

RPC Update cont.
Defined Contribution 401(a) & Deferred Compensation 457 (b) Plans. Administrative Activity Update – Defined Benefit Plan (DB) & Voluntary Employee Benefit Plan (VEBA): Actuarial Services Contract; Defined Contribution and Deferred Compensation Plans: Nationwide Loan Program. CFO Taylor shared pro and con details on employee loans offerings. As part of the 401(a) and 457(b) plan update, CFO Taylor also noted that the expected availability date for the new funds would likely shift out by approximately 30 days from what was shown on the slide in order to allow time to come to appropriate terms on the new fund contracts.

Commissioner Zerkle asked if employees are provided with pro and con details and information during the loan interview process due to the possibility of getting a less expense loan?
CFO Taylor responded he would check with Nationwide on more specifics, but it is a fairly streamlined process and as long as participants meet the basic requirements, they are allowed to move along in the process.

Commissioner James inquired if they (employees) were paying themselves back? CFO Taylor responded in the affirmative.

CFO Taylor continued the RPC Update presentation.

Commissioner Schrader asked if it was common for employees to borrow from their 401(a) account? And, what is the term or length of the loan? CFO Taylor responded that there are typically around 270 loans outstanding at any given time with a total value of approximately $3M compared to total 401 and 457 plan assets of approximately $400M.. Term length is generally up to 5-years, and up to 15-years (for a mortgage loan). According to Plan Sponsor Council of America (PSCA) survey, according to plan sized similar to BWL, 86% offered a loan program and this increases to 96% when looking at the utility or energy specifically.

Commissioner Harkins asked if there was an auto-enroll percentage for BWL employees to contribute? CFO Taylor responded – 401(a) is automatic; 457(b) is the account employees elect to contribute to, and they are encouraged to ensure they receive the match benefit. CFO Taylor concluded his update.

Rules and Regulations Update
GM Peffley introduced Director of Strategic Planning & Development (SPDD) Kellee Christensen to present the Rules and Regulations Update. SPDD Christensen presented the following specifics of the FY27 Rules and Regulations Update Sections: Definitions, General Provisions, Characteristics of Service, Use of Service, Metering, Application of Rates, Bills and Payments, Dispute and Hearing Procedure, Distribution System Extensions, Services, Compliance, Other Individual Utility Issues, and Fees and Charges.

Commissioner Price asked how common it is to have a shared residency, basically two people on the account?

SPDD Christensen responded and clarified – there is only one person on the account. If someone with a delinquent account returns to the service territory, and we find they were co-residents (at the time of the delinquency), we can go back to collect those delinquencies.

Commissioner Mullen asked a question [Inaudible]
SPDD Christensen responded that these changes went into all the Rules and Regulations.

Commissioner James asked if there is a possibility of transferring a delinquent account to someone else?

SPDD Christensen responded, yes, if a person left a delinquent account, and they have moved in with someone else, and they are taking over service, we have tightened the rules on how and when we can collect on that delinquency if they are cohabitating with someone, or they try to restart an account.

Commissioner James asked who bears the burden of proving the responsibility?

SPDD Christensen responded that Customer Accounts has a whole process they use to determine whether they can collect it or not.

Commissioner James asked can the service still remain active while they (Customer Accounts) dispute (the delinquency)?

SPDD Christensen responded, yes. It's more about putting the service in someone's name if they haven't paid (the delinquency). Asst GM Heather Shawa added – the service is not going to be shut off while the delinquency is being investigated.

Commissioner James asked, has legal counsel reviewed the language for due process and legal signed off?

SPDD Christensen and Asst GM Shawa responded, yes.

Commissioner James asked do the rules distinguish between spouses or unrelated roommates or landlords, tenants [Inaudible]?

SPDD Christensen responded, It's really about cohabitation.

SPDD Christensen continued presenting the Rules and Regulations Update, specifically the Review and Process steps; Fiscal Year 2027 Proposed Changes (all utilities) – four categories: Substantive changes, Non-substantive changes, Fee and Charges adjustments, increases, or language changes, and the Rules and of Regulations for Hot Water development – effective October 1, 2026, if approved. SPDD Christensen noted the revision of Rules 2.2.A: Collection, Use, and Privacy of Customer Information utilities, and the addition of Rule 2.2.A.3.E. to describe the units of consumption and demand we collect from customer metering for hot water, and the clarity revision of Rule 7.1.E and I: Billing and Payments, Responsibility for Payment of Bills. In addition, SPDD Christensen shared the Proposed Changes to Electric Utility, namely, Revision of Rule 5.8: Meeting, Advancing Meter Opt-Out; Revision of Rule 13.2.L and N: Use of Equipment, Authorized Attachments; addition of Rule 11.7: Services, Bulk water, and Revision of Rule 15: Fees and Charges. Also, SPDD Christensen shared there were no proposed changes to the Steam Utility, as a review of the Rules and Regulations was completed to ensure that, as we transition from Steam, BWL continues to maintain current customers until all customers are transitioned from Steam, while limiting system expansion.

GM Peffley shared details, and feedback received after the implementation of an industry-standard fee charged for hanging banners on streetlight poles. Mr. Peffley stated though staff did an outstanding job of prepping all the customers for a whole year, and some of the fees were very large, the implementation was met with such opposition, SPDD Christensen had to rewrite it as an application fee.

Commissioner Schrader shared appreciation on behalf of the Old Town Neighborhood Association for BWL listening to their concerns and making the change.

Commissioner James asked what the fees were?

GM Peffley stated the fees were common to the rest of the industry – we weren't above or below, and asked SPDD Christensen to respond. SPDD Christensen stated there was a one-hundred-dollar permit application fee, and thirteen dollars per banner, per month, for the length of the application.

In conclusion, SPDD Christensen gave a brief overview of the new addition to the Rules and Regulations Hot Water Service, stating the utility is modeled from Chilled Water Rules and Regulations, and input was received from subject matter experts from Water T & D, Legal, other utilities, and consultants.

Commissioner Price asked when the first customer would come on line with hot water.

GM Peffley responded that Lansing Community College would be in the Fall of 2027. Others are lined up to follow.

SPDD Christensen highlighted the contingent statement included in the Rules and Regulations Resolution. GM Peffley requested approval of said resolution.

Rules and Regulations Resolution

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader, to forward the Rules and Regulations Resolution to the full Board for consideration.
Action: Moton carried.

Updated Rules of Procedure

GM Peffley introduced Deputy General Counsel (DGC) Jason Hawkins to present the Updated Rules of Procedure. DGC Hawkins presented the Updated Rules of Procedure agenda item, stating the Committee had previously asked Legal Services to review provisions of the new City Charter and compare those to the existing Rules of Procedure to see if there was anything that needed updating, and then to make any other suggested revised for the Committee to consider. During the process he met several times with Commissioner Zerkle, who was a major help in getting the project done and getting the revisions to the committee, and asked how the Committee would like to proceed with the review.

Commissioner James shared she had a litany of questions, and that there appeared to be proposed changes made that were not provided to the Board previously.

Commissioner Zerkle commented that the last version members got should have been the final one she, DGC Hawkins, and General Counsel Mark Matus agreed on.

Commissioner Price suggested the Committee allow DGC Hawkins to go through the presentation with the changes outlined therein, and proceed with questions and discussion thereafter. The Committee members unanimously agreed with Commissioner Price.

DGC Hawkins proceeded with the presentation and highlighted the draft Rules of Procedure with revisions previously presented to the Committee.

When DGC Hawkins referenced the Board Pension Fund Trustee Committee language, Commissioner Price commented that he believed there may have been some confusion regarding the section(s) with revised language relating to the Board Pension Fund Trustee Committee, because as soon as you become a commissioner, you are a trustee automatically.

DGC Hawkins shared that the BWL website currently has a list of committees and the Board Pension Fund Trustees is separate from that, and therefore should not be listed as a committee in the Rules of Procedure. Commissioner Price commented in the affirmative.

Commissioner James commented she received an email from the Corporate Secretary's office that contained 'these' revised Rules of Procedure, and that there were no page numbers, or the page numbers were misconfigured. Commissioner Harkins also shared comments regarding the redlined version he received.

Commissioner James recommended that in the future a clean copy be provided along with the redlined version.

GM Peffley observed that there appeared to be two different documents that were circulated to the Committee members, and suggested that staff the need to develop a plan to ensure everyone has the same document – the redlined version and the clean copy.

Following lengthy discussion on the language in the redlined copies of the Rules of Procedure, and the potential changes in regard to the Executive Committee, Commissioner Mullen, followed by Commissioner Price, suggested the updated Rules of Procedure agenda item be tabled until the correct version of the redlined document, along with a clean copy can be emailed to the Committee for review, and comments. It was also suggested that changes and suggestions can be directed back to Corporate Secretary (CS) Todd to share with DGC Hawkins to develop a revised document with a clean copy to discuss at the next Committee meeting.

Commissioner James supported Commissioner Price's suggestion, and stated she would like to meet with DGC Hawkins to discuss her comments. Commissioner Price supported Commissioner James' suggestion.

CS Todd stated it would be advantageous for Commissioners to share their questions, comments, concerns and discussion(s) directly with the Legal Services Department instead of going through her, once the correct version of redlined Rules of Procedure were provided, along with a clean to the Committee.

CS Todd affirmed that the June 17, 2026 redlined version of the Rules of Procedure, along with the memo emailed to the full Board on June 19, 2026, was the last version of the documentation she received from DGC Hawkins and supported his steps taken. In addition, CS Todd apologized if Commissioners received a different version of the Rules of Procedure documentation in the packet.

Commissioner James also presented discussion regarding the Board of Commissioners' required training(s) under the new City Charter.

At the suggestion of Commissioner James, DGC Hawkins stated he was going to consult with the City Attorney's Office to confirm what training would be required of the Board, and when it needs to be completed.

Motion by Commissioner David Price, **Seconded** by Commissioner Tony Mullen, to table further discussion on the Updated Rules of Procedure until the September Committee Meeting to allow time to locate and provide the correct version of the redlined Rules of Procedure and a clean copy of the document to the Committee for review.
Action: Motion carried.

<u>Other</u>

Commissioner Mullen stated the Commissioners were provided with iPads several years ago by the Board of Water & Light to reduce the time, effort and money that goes into printing documents, and does not feel they are necessary for all Commissioners. Subsequently, Commissioner Mullen suggested Commissioners individually let CS Todd know if they want printed meeting packets or not. Commissioner Price supported Commissioner Mullen's suggestion of sustainability efforts. Commissioners will email CS Todd to advise if they want printed meeting packets or not.

Commissioner Zerkle shared appreciation on behalf of the Board of Commissioners for the BWL staff restoration efforts during the July 4th storm.

GM Peffley stated he would share the Commissioners' support with the staff and plans to provide an update at the July Regular Board meeting.

Commissioner Price shared thanks to the Board of Water & Light for sponsoring Commissioners to attend the APPA 2026 National Conference in Boston, MA.

Motion by Commissioner Semone James, **Seconded** by Commissioner Chris Harkins, for excused absences for Commissioners Beth Graham and DeShon Leek.
Action: Motion Carried.

<u>Adjourn</u>

Chairperson Sandra Zerkle adjourned the meeting at 6:45 p.m.

Respectfully Submitted,
Sandra Zerkle, Chairperson
Committee of the Whole

FINANCE COMMITTEE
Meeting Minutes
July 21, 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 1203 S. Washington Ave., Lansing, MI, on Tuesday, July 21, 2026.

Finance Committee Chairperson Dale Schrader called the meeting to order at 5:30 p.m. and asked the Corporate Secretary to call the roll.

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

Corporate Secretary LaVella Todd declared a quorum.

<u>Public Comments</u>
There were no public comments.

<u>Approval of Minutes</u>
Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to approve the Finance Committee Meeting minutes of May 7, 2026 as presented.
Action: Motion Carried. The minutes were approved.

<u>YTD Financial Summary</u>
Chief Financial Officer (CFO) Taylor presented the year-to-date financial summary, reporting that days cash on hand are in a good position at 208 days and that revenue performance for retail and wholesale operations is favorable. He stated a plan to forego a small bond issuance due to a strong cash position. The decision to defer the bond issue for at least one year is attributed to the cash position. CFO Taylor stated that revenues are 1% over retail and 13% over wholesale due to higher energy prices, while operating and non-operating are under budget. He also stated that net income through May is about $40 Million.

CFO Taylor explained that the capital budget is running over budget due to two overhauls, but the new energy project is under budget due to delays in the battery project and solar projects. Metrics such as operating ratio, earned ratio, debt to total assets, sales, bad debt, employee count, payroll data, and benefit casts are consistent with previous reports.

CFO Taylor also provided an update on the upcoming proposed rate changes. There will be two Public Hearings on proposed rate changes held at the REO Depot in August. The first Public Hearing is scheduled to take place on Saturday, August 1, 2026 at 10:00 A.M. The second Public

Hearing is scheduled to take place on Tuesday, August 4, 2026 at 5:30 P.M. A Special Board Meeting is scheduled to take place on Tuesday, August 11, 2026 at 5:30 P.M. for to vote on the proposed rate changes, with effective date of October 1, 2026.

Commissioner Price reiterated to the Board that a quorum is required at both Public Hearings, as well as the Special Board Meeting.

CFO Taylor also stated that the Lansing City Council has invited the BWL to speak at their August 10, 2026, Committee of the Whole Meeting to discuss the proposed rate change filing. The rate change presentation for the Public Hearings will focus on the proposed rate change development, how it supports items such as environmental initiatives, specific changes to the rates, and the involvement of a third-party strategy consultant.

VEBA Investment Policy Statement Revision and Resolution

CFO Taylor discusses the VEBA Investment Policy Statement revision, which included a recommendation from the consultant at ACG to adjust asset allocations. The recommendation is to reduce the real asset investment from 15% to 12% and increase fixed income from 25% to 28%.

CFO Taylor presented the VEBA Investment Policy Statement Resolution for approval as recommended by our ACG consultant.

Commissioner James questioned the second to last paragraph of the Resolution and how it referenced the Defined Benefit Plan and Trust for Employee Pensions, instead of stating the VEBA Investment Policy.

CFO Taylor confirmed that the Resolution will be amended to read "RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee, the Sponsor adopts and approves 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 requested Committee approval to forward the Resolution amended as stated to the full Board for approval at the July 28, 2026 Regular Board Meeting. Commissioner Price recommended approval of the Resolution as presented, and then approval of the Resolution as amended at the July 28, 2026 Regular Board Meeting. The Committee agreed with Commissioner Price's recommendation.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the VEBA Plan Investment Policy Statement Resolution as presented at the July 21, 2026 Finance Committee Meeting.
Action: Motion not carried, pending follow-up motion on amended resolution.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the VEBA Plan Investment Policy Statement Resolution as amended at the July 21, 2026 Finance Committee Meeting and presented at the July 28, 2026 Regular Board Meeting for full board for consideration.
Action: Motion Carried.

Bi-Annual Internal Audit Open Management Response Update
Internal Controls Analyst (ICA) Cody Rochefort provided a biannual update on the status of management's implementation of internal audit recommendations. ICA Rochefort presented the open findings including disaster recovery, payroll audit, and billing audit, with extensions granted for some recommendations due to organizational changes and system complexities with the new HRIS system. ICA Rochefort confirmed any extensions are reviewed and approved by the office of internal auditor.

(Inaudible)

Commissioner James asked how the completion of internal audit recommendations are verified.

Director of Internal Audit (DIA) Elisha Franco confirmed that any corrective actions are reviewed by her department and that she works alongside ICA Rochefort to help monitor the process. DIA Franco also stated that the status of the open audit findings can be tracked in the audit software program Optro, as well as the Commissioner's internal tracker provided on the commissioner dashboard.

ICA Rochefort also presented the closed recommendations, and stated in order for a recommendation to be completed, it must be approved by the Director of Internal Audit after being verified by himself.

Commissioner James asked if the closed recommendations are tested after they are considered resolved. ICA Rochefort confirmed that each closed recommendation is checked for completion as well as reviewed by the Director of Internal Audit. DIA Franco stated she keeps detailed notes, data, and documentation of completion of recommendations for reference within our audit software program Optro.

(Inaudible)

CFO Scott Taylor stated that open and closed audit recommendations come directly from the Department of Internal Audit and that DIA Franco works closely with ICA Rochefort to ensure recommendations are implemented, tested, and followed through appropriately.

Commissioner James asked who is checking the Department of Internal Audit. DIA Franco answered that her department will be reviewed and audited by an external assessment and that will be completed next year.

FY 2027 Internal Audit Risk Assessment and Audit Work Plan

Director of Internal Audit (DIA) Elisha Franco then presented the FY2027 Internal Audit Risk Assessment results and internal work plan for fiscal year 2027. The risk assessment aims to identify and evaluate risks across all departments and functions, including inherent risk, existing controls, and residual exposures. DIA Franco stated this process results in a ranked list of risk areas, categorized by likelihood of impact, to help the internal audit focus on critical and high risk areas.

DIA Franco said that risk assessment followed a structured four-phase approach, including reviewing and updated existing risk assessments, designing and distributing surveys, and analyzing collected data. The survey recipients ranked each of 30 risk areas by likelihood of impact, providing a less time intensive method compared to previous years.

The risk assessment input included collaboration with the strategic planning department, selecting individuals in different areas around the company, as well as prior audits conducted over the last three years.

Commissioner James inquired about the prioritization of risks. DIA Franco stated that the survey was used to rank risks by likelihood of impact. Commissioner James also asked about major capital projects and DIA informed her that those were under the operation risk area.

(Inaudible)

DIA Franco stated that the risk ranking was based on likelihood of impact and that each risk area was ranked from 1 to 5 and an overall risk score was calculated. The risk scores were then put in order of prioritization, with a heat map, and risk rating provided in the report.

Commissioner James inquired about procurement and contract management. DIA Franco stated they were under vendor management. Commissioner James also inquired why the Board of Commissioners were not included in the survey. DIA Franco stated she used the results from the Risk Assessment completed by the strategic planning department last year which included comments from the commissioners. DIA Franco stated she would survey commissioners in the future.

DIA Franco also presented the fiscal year 2027 internal audit work plan. This was developed using a risk-based approach, considering risk assessment results, prior audit coverage, and stakeholder feedback. The work plan includes six audits, with four co-sourced with Plante Moran and two done in-house.

The audits include accounts payable, enterprise risk management, key accounts and miscellaneous billing, safety and governance, vendor selection and management, and fixed assets.

DIA Franco then presented a resolution to approve the FY2027 work plan.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the FY2027 Audit Work Plan Resolution to the full board for consideration.
Action: Motion Carried.

Internal Audit Status Report

DIA Franco provided an update on the department, including audit updates, and budget updates. The internal audit status update newsletter was sent out in June and then next one will follow in August, providing updates to the board on the months there is no board meeting. DIA Franco mentioned the Institute of Internal Auditors new topical requirement on organization resilience, which will be aligned and implemented with future audits.

DIA Franco stated that the September finance committee presentation will include the FY2026 Environmental compliance audit results, QAIP update, and internal audit strategy update. DIA Franco also stated that she is now studying for her CFE certification and the new staff internal auditor is pursuing his CPA license.

Commissioner James stated the May 7, 2026 Finance Committee Meeting Minutes that were approved had the incorrect date on the footer.

Corporate Secretary LaVella J Todd confirmed the date on the footer of the May 7, 2026 Finance Committee Meeting Minutes will be corrected.

Other

Commissioner Schrader presented some leadership training for the Director of Audit through Lansing Chamber of Commerce.

Commissioner Price stated that this training was put on all throughout communities in the United States. It’s a year long leadership training course and Commissioner Price thinks it makes sense for DIA Elisha Franco to participate and that it will be beneficial to the BWL.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader to provide a recommendation to the full board for Director of Internal Audit Elisha Franco to attend Lansing Leadership Training provided by Lansing Chamber of Commerce.
Action: Motion Carried.

Motion by Commissioner Beth Graham, **Seconded** by Commissioner David Price, for excused absences for Commissioner Chris Harkins.
Action: Motion Carried.

Adjourn

Chairperson Dale Schrader adjourned the meeting at 6:29 P.M.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

RESOLUTION #2026-07-XX

FY27 Rules and Regulations for Electric, Water, Steam, Chilled Water, and Hot Water Utility Services

Whereas, on July 14, 2026, the Committee of the Whole meeting, management presented its proposed updates to the full collection of Fiscal Year 2027 Rules and Regulations, to be effective October 1, 2026.

Whereas the Committee of the Whole considered the proposed update and found it to be acceptable, subject to any amendments agreed upon during the committee meeting.

Motion by Commissioner ___________, **Seconded** by Commissioner __________, to approve the Rules and Regulations for FY27 at a Board meeting held on July 28, 2026.

Action:

FY27 RULES AND REGULATIONS
Summary of Proposed Changes and Draft Resolution

Subject: Board of Commissioners Update of Fiscal Year 2027 amendments to the Rules and Regulations for Utility Services, Including Fees and Charges, and a draft resolution.

Background: The Rules and Regulations set forth the terms and conditions of utility services and are divided into these categories:

- General Provisions
- Service Conditions
- Use of Service
- Metering
- Application of Rates
- Responsibility for Payment of Bills
- Dispute and Hearing Procedure
- Distribution System Extensions
- Services
- Fees and Charges
- Compliance
- Other individual Utility Issues

BWL staff periodically review the Rules and Regulations to recommend changes designed to promote clarity and consistency, address changes in practice or procedure, or address new issues, and ensure that fees and charges are adequate to cover actual costs.

Fiscal Year 2027 changes fall into four categories: (1) Substantive changes that alter the meaning or effect of a rule; (2) Non-substantive changes designed to address grammar, clarity, and consistency across utilities, but not to change the meaning, substance, or effect of a rule; and (3) Fee and Charges increases or language changes. (4) The Rules and Regulations for Hot Water were developed.

1. SUBSTANTIVE CHANGES

❖ **Across Utilities - Electric, Water, Steam, Hot Water, and Chilled Water**

- Revision of Rule 2.2, **Collection, Use and Privacy of Customer Information**
    - 2.2.A revised language to include Hot Water as a utility.
    - 2.2.A.3.e under utility consumption, Hot Water units for consumption and demand were added to the list of types of consumption the BWL collects with metering.
- Revision of Rule 7.1.E and I, **Bills and Payments, Responsibility for Payment of Bills**
    - Revised to clarify permissible balance transfers when there is shared residency and a delinquent account balance, and to more closely align with MPSC administrative rule language.

Electric

- Revision of Rule 5.8, **Metering, Advanced Meter Opt-Out Program**
  - Revised opt-out fees language to refer to the opt-out rates customers have been added to due to October 2026 rate changes.
- Revision of Rule 16, **Fees and Charges**
  - Opt-Out fees were deleted.

❖ **Water**

- Revision of Rule 5.8, **Metering, Advanced Meter Opt-Out Program**
  - Removed reference to Rule 15 for Fees and Charges and added reference to applicable fees depicted in Opt-Out Rates.
- Addition of Rule 11.8, **Services, Bulk Water Service**
  - Language added bulk water service to coincide with the proposed Bulk Water rate.
  - Added guidelines for bulk water services.
- Revision of Rule 15, **Fees and Charges**
  - Opt-Out fees were deleted.
  - Bulk Water fees and charges were updated to reflect the new rate reference.

❖ **Chilled Water**

- Revision of Rule 3.3.B, **Character of Service, Agreements**
  - Language was added to ensure continuous service in the event that a customer's contract had expired.

❖ **Steam**

- **None** – a review of the rules and regulations was completed to ensure that, as we transition from Steam, BWL continues to maintain current customers until all customers are transitioned from Steam, while limiting system expansion.
- Three provisions within the rules and regs support our right not to extend Service.
  - i. Rule 3.2.A: Characteristics of Service, Availability to Service
  - ii. Rule 4.6.B.3.a: Use of Service, Disconnection of Service, Other
  - iii. Rule 9.5.A: Distribution System Extensions, Availability of Distribution System Extension

❖ **Hot Water**

- **New proposed Rules and Regulations**

2. NON-SUBSTANTIVE CHANGES

❖ **Across Utilities - Electric, Water, Steam, Hot Water, and Chilled Water**

- Fixed typographical and grammatical errors.
- Revision of Rule 7.1.B, **Bills and Payments, Responsibility for Payment of Bills**
  - Clarified that payments are to be made in U.S. Dollars.

Electric

- Revision of Rule 13.2.L, **Use of BWL Equipment, Authorized Attachments**
  - Clarified that the BWL will accept banner applications from jurisdictional entities; banner permits are valid for up to one year.

Water

- Revision of Rule 1, **Definitions**
  - Added a definition of RPZ Device.

3. FEES AND CHARGES

- See Draft Rules and Regulations Packet for minor updates to language and fee changes.

4. DRAFT RESOLUTION APPROVING FY26 RULES & REGULATIONS

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 Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light 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.

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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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.

<u>Rebalancing Policy – Overall Fund Allocation</u>

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.

<u>Review of Investment Management</u>

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.

<u>Proxy Voting</u>

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-XX-XX
Approval of Recommendation
Director of Internal Audit Elisha Franco to attend Lansing Leadership Training

RESOLVED, that the Finance Committee passed a motion at its July 21, 2026 meeting to provide a recommendation to the full board for Director of Internal Audit Elisha Franco to attend Lansing Leadership Training provided by Lansing Chamber of Commerce.

Motion by Commissioner _____________, **Seconded** by _____________to approve the recommendation for Director of Internal Audit Elisha Franco to attend Lansing Leadership Training provided by Lansing Chamber of Commerce at a Board meeting held on _, 2026.
Action:

RESOLUTION 2026-XX-XX
Internal Audit Work Plan for FY 2027

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: