



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

March 26, 2019

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on March 26, 2019.

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

Present: Commissioners David Price, Beth Graham, David Lenz (@5:35 p.m.), Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Dion'trae Hayes (Lansing Charter Township), and William Long (Delta Township).

Absent: Commissioner Douglas Jester

The Corporate Secretary declared a quorum.

Commissioner Long led the Pledge of Allegiance.

Commissioner Price presented a 10 year service award to Internal Auditor Phil Perkins and announced the Mr. Perkins would be retiring in August 2019.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, Seconded by Commissioner Thomas, to approve the Regular Board Meeting minutes of January 22, 2019.

Action: Motion Carried

PUBLIC COMMENTS

Claude Beavers, Lansing, MI, asked for a dollar amount of the savings to the Board of Water and Light to contract with a tree service to trim trees in the city as opposed to having BWL employees and equipment to do the trimming.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Electronic mail from Brenda Shedrick re Water Meter Concerns - *Referred to Management. Received and Placed on File*

Commissioner Sandra Zerkle presented the Committee of the Whole Report:

COMMITTEE OF THE WHOLE
Meeting Minutes
March 12, 2019

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, March 12, 2019.

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

Present: Commissioners Sandra Zerkle, Beth Graham, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas and Non-Voting Members: Doug Jester (East Lansing) (arrived at 5:36 p.m.) and Bill Long (Delta Township).

Absent: Commissioners Anthony McCloud, and Non-Voting Member Dion'trae Hayes (Lansing Charter Township).

The Corporate Secretary declared a quorum.

Public Comments

Elaine Dierwafischhoff spoke regarding the necessity to transition to clean renewable energy sources and BWL's invitation to discuss what should be included in a new IRP.

Approval of Minutes

Motion by Commissioner Thomas, **Seconded** by Commissioner Graham, to approve the Committee of the Whole Meeting minutes of January 8, 2019.

Action: Motion Carried.

Surplus Property to Habitat for Humanity

General Manager Peffley spoke about the BWL vehicle that is being donated to community partner Habitat for Humanity. BWL's procurement policy allows for the donation of personal property, although no vehicle has been donated before. Habitat for Humanity is in need of a vehicle and the value of the pickup being donated was determined to be \$1500.

Commissioner Zerkle commented that the donation is a great idea and is Hometown Power Hometown People taking care of one another.

Outage Management Systems (OMS)

GM Peffley gave an update on the Outage Management System. OMS went live today, March 12, 2019 The map is available on the BWL app and is transparent for customers.

Commissioner Mullen commented on the extensive number of call-ins by customers during the 2013 ice storm and asked if the new system was tested to determine whether 100,000 calls could be taken. GM Peffley responded that the new system has been stress tested and is able to handle that many calls and is user friendly.

Commissioner Zerkle commented that during the last outage she experienced as a BWL customer, she received a notification from the system that service had been restored right after restoration. GM Peffley

added that the response system was implemented two years ago so that any customer whose power was not restored after a group outage could notify the BWL.

Communications Survey Results

GM introduced Mr. Stephen Serkaian, Executive Director of Operations and Communications who presented and reviewed the results of the Communications Survey (see below). Mr. Serkaian highlighted where employees receive their internal and external information from the BWL and the HPTV platform.



There was dialogue regarding the implementation of the HPTV's, in which Mr. Serkaian stated, the implementation, was in part, a result of employees' desire to receive regular updates and information from other departments within the company.

Commissioner Mullen commented that supervisors are important for communicating and explaining information that is provided for the employees. Commissioner Jester commented that if one department specifically wants information from another department, the information can be provided in a targeted way on the HPTV.

Commissioner Price questioned if any thought had been given to the preferred method of communication according to age demographics. In response, Mr. Serkaian stated that, that information could be obtained from the results of the survey and could be provided to the Commissioners.

Commissioner Graham questioned if the results of the survey were representative of all employees. GM Peffley responded that every employee was provided access to the survey.

General Manager's Updates

GM Peffley spoke about the following items:

1. **BWL Bottled Water.** BWL is considering producing bottled water with BWL's name on it to put BWL water outside of the service territory. BWL is researching environmentally friendly bottles.
2. **Introduction of Diversity and Inclusion Committee.** GM Peffley introduced Executive Assistant Smiljana Ladic who spoke about the Diversity and Inclusion Committee. The Committee consists of six non-

bargaining members and six bargaining members along with Ms. Lazic and Executive Director of Human Resources Michael Flowers. The committee members are spread throughout BWL facilities in order to collect concerns, identify areas for improvement, and to obtain feedback from employees.

3. Union Leadership & BWL Executive Staff Meetings. GM Peffley spoke about the monthly scheduling of meetings between directors that was initiated three months ago and that the meetings have been very productive.
4. Organizational Change Management. Executive Director of Human Resources Michael Flowers spoke about work force initiatives and the Emerging Leaders Program where individuals are selected to participate in a training and development program in order to help them develop into leaders of the future for the BWL. BWL selected 22 employees out of 60 applicants for a 15-month, one day a week, training session. Mr. Flowers also spoke about organizational change management regarding the BSmart project and ADKAR (Awareness, Desire, Knowledge, Ability, Reinforcement.)
5. General Manager Round Table. GM Peffley stated that the General Manager Round Table meetings that are scheduled quarterly with community leaders have been very helpful.

Commissioner Long inquired about the community leaders participating in the General Manager Round Table meetings. GM Peffley responded that he will send to the commissioners a list of the group of participants.

Other

Commissioner Thomas thanked Mr. Flowers and HR Manager Joy Wagner for their work on the organizational change management and the Emerging Leaders Program. He also recognized Commissioner Long's for his grandchildren being in the top ten honor students at Waverly schools.

Commissioner Ross informed the Commissioners that questions were asked about a recently issued audit by the Internal Auditor and if there are any expansive questions about any future audits to send him an email and he will place it on the next Finance Committee Meeting agenda for discussion.

Motion by Commissioner Ross, Seconded by Commissioner Graham to excuse Commissioner Hayes and Commissioner McCloud from tonight's meeting.

Action: Motion Carried

Adjourn

Motion by Commissioner Price to adjourn the meeting. The meeting was adjourned at 6:18 p.m.

Respectfully Submitted
Sandra Zerkle, Chair Committee of the Whole

Commissioner Ken Ross presented the Finance Committee Report:

**FINANCE COMMITTEE
Meeting Minutes
March 12, 2019**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, March 12, 2019.

Finance Committee Chair Ken Ross called the meeting to order at 6:22 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Beth Graham, Anthony Mullen, and David Price. Also present: Commissioners David Lenz, Tray Thomas and Sandra Zerkle, and Non-Voting Commissioners Douglas Jester (East Lansing) and Bill Long (Delta Township).

The Corporate Secretary declared a quorum.

Public Comments

None.

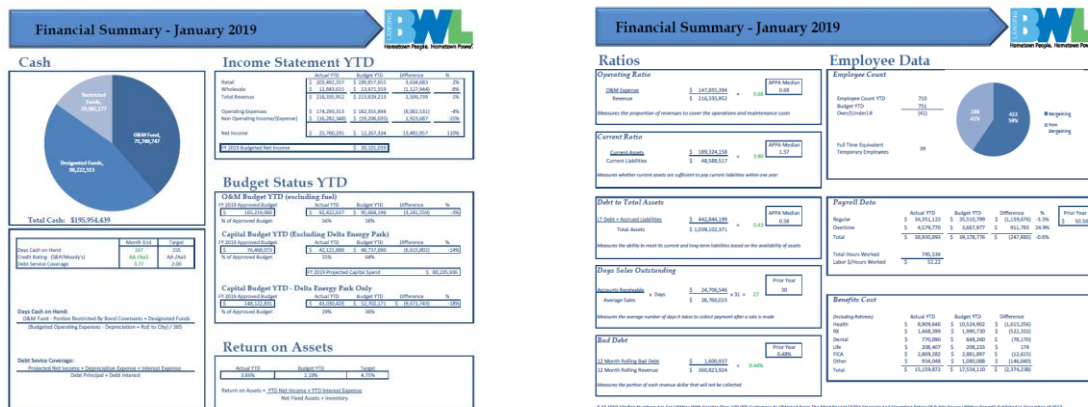
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of January 8, 2019.

Action: Motion Carried.

January YTD Financial Summary

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



Cash on hand is above target and is expected to remain above target the rest of the year with the possible exception of April. This is due to timing of reimbursement from the bond anticipation note. The Income Statement indicates that the total revenue is slightly above budget by \$2.5 million or 1%. Operating expenses are 4% under budget with YTD projections expected to end up at budget. Net Income is exceeding the initial budget with just over \$20 million being projected at the fiscal year end. Capital Budget is slightly under spend however with construction season arriving it is expected that the approved budget will be spent, along with an extra \$3 million for the Central Sub Exceedance. Ms. Shawa stated that the five ratios are being met. Ms. Shawa noted that the 1st S.T.E.P. program students were included in the employee data. Payroll regular labor data is under budget due to vacancies however overtime is up, in part due to the vacancies and capital project work, which were the central substation, the Erickson outage, and electric T&D annuals.

Commissioner Ross commented that financial measures are being tracked throughout the year with the key measures the rating agencies track are debt service coverage and days cash on hand. The rating agencies focus on the last measure of the fiscal year end, June 30.

Commissioner Mullen questioned what the \$43 million spent to date was for at the Delta Energy Park. Ms. Shawa responded that 10% was put down for the turbines, other OEM equipment, as well as the design engineer, construction manager, and the owners' representative are now in place in addition to the five BWL employees dedicated to the project.

Commissioner Lenz asked from what fund would the additional \$3 million would be taken. In response CFO Heather Shawa responded the money would be taken from Operating cash.

Commissioner Long highlighted the bad debt ratio and reminded of a change that was made from using APPA median benchmark to using BWL prior year comparison. Commissioner Price commented that the APPA number represented only electricity and BWL provides electricity and water.

Commissioner Ross commented that if a further presentation was requested regarding the financial dashboard ratios to send him an email and it would be added to a future Finance Committee meeting.

Central Sub Capital Exceedance Resolution

General Manager Dick Peffley stated that the Central Substation will meet every design criteria and be available for summer load pickup as scheduled. The majority of the \$6.6 million cost variance was in two areas, the schedule and also testing and commissioning the substation. There was a fast track design to the schedule which was determined to not be as critical as the budget. Mid-way through the project a financial decision was made to stop production at the Eckert station which had an effect on the Central Substation timing. Equipment problems for the Central Substation also affected the schedule: one of the three transformers which take a year to acquire was dropped at the factory and had to be replaced; the switch gear which takes six to eight months to acquire was in a truck accident; the soil was deemed contaminated with arsenic and had to be hauled to a special landfill. If the schedule wasn't followed Eckert would have had to be brought back online so labor was doubled for testing and commissioning the substation.

Commissioner Ross explained that an exceedance resolution is for a cost overrun on a project. GM Peffley and CFO Shawa have been working to reduce excess contingencies in capital budgets which causes the likelihood of cost overruns to increase.

Motion by Commissioner Price, Seconded by Commissioner Mullen, to forward for consideration the Central Sub Capital Exceedance Resolution as presented to the full Board.

Action: Motion Carried

Commissioner Long asked for clarification on the replacement of the distribution system. GM Peffley responded that the distribution system will be the next large project for which crews have been hired. He also stated that there is currently not an ideal way to estimate the amount of good vs. bad cable that is underground until you dig up the concrete.

Commissioner Lenz questioned the breakdown cost for the overrun regarding labor and material and whether the labor over-run is a result of BWL buying equipment rather than having subcontractors buy the equipment. GM Peffley responded that 80% of the over-run is labor as the workforce had to be doubled for the testing and commissioning to meet the schedule, and extra labor had to be hired in addition to BWL employees. He also stated that labor costs would have been less to install the transformer and switch gear had the delays not occurred when the labor crew was previously scheduled and on duty.

Bond Amendment Resolutions:

Amendment to the Fifteenth Supplemental Revenue Bond Resolution to Increase Maximum Aggregate Principal Amount of Notes

Manager of Finance, Scott Taylor reviewed the Amendment to the Fifteenth Supplemental Revenue Bond Resolution to Increase the Maximum Aggregate Principal Amount of Notes. Mr. Taylor recognized BWL's bond counsel, Jeff Aronoff from Miller Canfield, who was in attendance at the meeting. Mr. Taylor stated that bond

anticipation notes were the first phase of financing and BWL issued \$100 million of bond anticipation notes as an initial line of credit. In Phase 2 revenue bonds will be issued. Mr. Taylor explained that when bonds are issued it is to pay for something that will generate revenue in the future but as soon as you issue the bonds they generate interest cost. Usually, additional money called capitalized interest is borrowed to pay for the interest cost during construction of what will generate revenue. The most cost-effective issuance possible is desired and one idea that was suggested was to use additional bond anticipation notes to pay for the interest cost. There were eight variables evaluated and with current market rates there was not an overall advantage for using bond anticipation notes, so additional revenue bonds will continue to be used. If market conditions change it may be more advantageous to use bond anticipation notes. Mr. Taylor stated that, although there are no current plans to use the bond anticipation notes for the capitalized interest, the resolution is requested to be put in place so that when a final decision needs to be made and a final evaluation is done, if it is found that it is more beneficial to the Board and rate payers to use the bond anticipation notes, that is what will be done. Mr. Taylor stated that the resolution asks for an increase in the \$100 million originally requested to \$120 million. The additional \$20 million will be applied toward the capitalized interest cost.

Motion by Commissioner Price, Seconded by Commissioner Mullen, to forward for consideration and authorization the Amendment to the Fifteenth Supplemental Revenue Bond Resolution to Increase Maximum Aggregate Principal Amount of Notes.

Action: Motion Carried

Commissioner Ross explained that what is being considered is the authorization to select the most economical and efficient option for the issuance of the bonds.

Amendment to Amended and Restated Utility System Revenue Bond Resolution

Mr. Taylor spoke about the Amendment to Amended and Restated Utility System Revenue Bond Resolution which has to do with the debt service reserve fund. The debt service reserve fund is offered by issuers to provide investors additional security on their investment. The debt service reserve fund sets aside the money to pay for one full year of bond and interest payments in case of financial difficulty. Because of the strong credit rating of BWL and because the financial market demand for the debt service reserve fund has changed, issuers don't need to maintain a debt service reserve fund to sell bonds and retain their rating. It is more cost effective to eliminate the fund as it costs money to have \$25 million on hand. This resolution asks for additional language to be added to the resolution that previously asked to eliminate the debt service reserve fund. This language now includes clarifying what will happen if BWL's financial strength changes and will give investors assurance that security will be put aside.

Motion by Commissioner Price, Seconded by Commissioner Mullen, to accept a friendly amendment to the proposed Resolution that includes grammatical changes, and forward the Resolution as amended to the full Board of consideration.

Action: Motion Carried

Commissioner Price commented that instead of having a large guarantee fund, BWL is eliminating the need for it and relying on BWL's third party rating agencies to be the assurance for the bond holders. Mr. Taylor responded that money is set aside but because of BWL's strong rating, the investors are going to rely on AA rating, strong cash reserves and strong debt service coverage metrics. He added that money is set aside monthly and that we do not wait until an obligation is due. Commissioner Price added that there is additional assurance of BWL's credit rating and if that drops more money will be put into the reserve.

Commissioner Ross commented that if at some time in the future something detrimental happens this issue will need to be revisited. Commissioner Ross requested an explanation regarding previous bond holders, future bond holders and the existing \$25 million reserve. Mr. Taylor responded that making an amendment eliminating debt service reserve usually involves the vote of the bond holders because there is a security that is being eliminated. With the new issuance, BWL's outstanding debt will be 51% or more of the total outstanding debt. Through the act of issuing the new debt, there is approval by more than 51% of the bond holders. Commissioner Price stated that by buying the new bonds the bond holders are approving the contingencies on the bonds. Commissioner Ross commented that previous bond holders may have questioned the loss of a security blanket and the benefit of the bond but the investors have been assured that it is a manageable risk.

Internal Audit Status Report

Internal Auditor Phil Perkins presented the FY 2019 Internal Audit Status Report.



Internal Audit Status Report

Presented by:
Phil Perkins, Director of Internal Audit
Finance Committee Meeting
March 2019

Overview

- FY 2019 Audit Plan Progress Report
- FY 2020 Risk Assessment & Audit Planning
- Other



FY 2019 Audit Plan Progress Report

Engagements Completed Since Previous Presentation:

1. COBIT Compliance Follow-up Audit
2. Change Management Follow-up Audit
3. Time Reporting Review #2

Engagements in Progress or Upcoming:

1. Metering Services (80% complete)
2. Vegetation Management (90% complete)
3. Accounts Payable (33% complete)
4. Procurement (underway)
5. Project Engineering (start in late March)
6. Cybersecurity Policies/Governance (start in early April)



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Other

FY 2020 Risk Assessment & Audit Planning

- Meetings to be held with executive management and staffs to discuss current risk areas and potential audit topics for FY 2020.
- Draft audit plan for FY 2020 to be presented for Board approval not later than July 2019.

Continuing Professional Education:

1. Director of Internal Audit: Participation in CPE as relevant for job, until retirement on 7/1/19.
2. Senior Internal Auditor:
 - On target to complete annual CPE requirements for CPA designation.
 - Passed Certified Information Systems Auditor (CISA) examination and is submitting relevant experience required to attain certification.

Transition/Continuancy Plan:

- A plan has been developed to enable a smooth transition for the incoming Director of Internal Audit.
- The plan will be updated to include detailed status and remaining items to perform for any engagements still in progress.



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Commissioner Zerkle inquired whether, in addition to meeting with staff, Mr. Perkins would make recommendations for next year's audit. In response, Mr. Perkins responded that he would contribute his preliminary assessments.

Commissioner Long commented that an audit review is scheduled twice a year and asked for clarification on the proper time to bring questions about the audits. Commissioner Ross clarified that the open items list is provided twice a year and audits identify the issues that are placed on the open items list. If the Internal Auditor issues an audit report during the year, a discussion can be held at the next Finance Committee meeting. Ms. Shawa added that the open items list is designated for the January and July Finance Committee meetings. Ms. Shawa stated that CIO Rod Davenport will be invited to speak at the May COW Meeting to provide general IT updates and Kellee Christensen, Interim Enterprise Business Manager, to provide a BSmart program update.

Commissioner Price commented that if there is a glaring red flag, it is the Internal Auditor's responsibility to point that out and determine whether it requires immediate discussion or action.

Commissioner Ross stated that an individual Commissioners should not press management for a work product, particularly if it takes a lot of resources to answer questions, and that Commissioners should act collectively and direct as a group.

Other

None.

Adjourn

Motion by Commissioner Price to adjourn the meeting. Commissioner Ross adjourned the meeting at 7:11 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

RESOLUTION 2019-03-01

Capital Project Budget Exceedance Approval:

PE-20175 Central Substation and PE-20199 Central Substation - Distribution

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

WHEREAS, the previously approved budget for Capital Projects PE-20175 Central Substation was \$25,800,000 and PE-20199 Central Substation Distribution was \$1,600,000; and

WHEREAS, the projected final total cost for Capital Projects PE-20175 Central Substation is \$32,373,029 and for PE-20199 Central Substation Distribution is \$2,440,611, upon completion; and

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

WHEREAS, BWL staff and management recommends that the Capital Projects PE-20175 Central Substation and PE-20199 Central Substation – Distribution projected spending be approved; and

RESOLVED, the BWL Board of Commissioners approve projected spending for Capital Projects PE-20175 Central Substation and PE-20199 Central Substation - Distribution with a projected final total cost of \$32,373,029 and \$2,440,611 respectively.

Motion by Commissioner Ross, Seconded by Commissioner McCloud, to accept the Capital Project Budget Exceedance Approval for the Central Substation.

Action: Motion Carried.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION #2019-03-02

Lansing Board of Water and Light

Amendment to Fifteenth Supplemental Revenue Bond Resolution to Increase Maximum Aggregate Principal Amount of Notes

A RESOLUTION TO AUTHORIZE:

- An amendment to increase the maximum aggregate principal amount of bond anticipation notes authorized.

WHEREAS, the City of Lansing acting by and through the Lansing Board of Water and Light, has previously issued its utility revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility system under the provisions of Act 94, Public Acts of Michigan, 1933, as amended; and

WHEREAS, the Board has previously issued its utility revenue bonds pursuant to the provisions of an Amended and Restated Resolution adopted on October 24, 1989, which has been amended or supplemented by fifteen supplemental resolutions; and

WHEREAS, on March 27, 2018, the Board approved the Fifteenth Supplemental Revenue Bond Resolution (the "Fifteenth Supplemental Resolution") authorizing the issuance of bond anticipation notes to finance the costs of the Power Plant Project and System Improvements Project, both as defined in the Fifteenth Supplemental Resolution; and

WHEREAS, all terms not defined herein shall have the meanings set forth in the Bond Resolution; and

WHEREAS, the Board wishes to increase the maximum aggregate principal amount of bond anticipation notes authorized to be issued pursuant to the Fifteenth Supplemental Resolution;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Amending Resolution. The Board hereby adopts this resolution thereby amending and supplementing the Fifteenth Supplemental Resolution to increase the maximum aggregate principal amount of bond anticipation notes authorized to be issued, pursuant to Section 2 below. The adoption of this Resolution provides the Board with the option to issue additional bond anticipation notes, rather than bonds, upon the advice of its financial advisor.

Section 2. Amendment to Not-To-Exceed Amount. The principal amount of not-to-exceed amount of One Hundred Million Dollars (\$100,000,000) described in the first paragraph of Section 4 of the Fifteenth Supplemental Resolution is hereby increased as follows:

"In order to pay the costs of the Series 2019 Project which need to be paid before the Board issues the Series 2019 Bonds, the Board shall issue the Notes pursuant to the provisions of Section 413 of Act 34 in the aggregate principal amount of not-to-exceed **One Hundred Twenty Million Dollars (\$120,000,000)** as finally determined by the Chief Financial Officer at the time of sale.

Section 3. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 4. Conflicting Resolutions; Effective Date. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded. This resolution shall become effective immediately.

We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Regular meeting held on Tuesday, March 26, 2019, at 5:30 p.m., prevailing Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that the following Commissioners were present at said meeting: David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that no Commissioners were absent.

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

We further certify that the following Commissioners voted for adoption of said resolution David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that no Commissioners voted against adoption of said resolution.

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

<u>s/David Price</u>	<u>s/M. Denise Griffin</u>
Chairperson – David Price	Corporate Secretary – M. Denise Griffin

RESOLUTION #2019-03-03
Lansing Board of Water and Light
Amendment to Amended and Restated Utility System Revenue Bond Resolution

A RESOLUTION TO AUTHORIZE:

- An amendment to the definition of “Reserve Requirement” in the Amended and Restated Bond Resolution.
- A corresponding amendment to the establishment of the Bond Reserve Account and amounts held therein set forth in the Amended and Restated Bond Resolution.

WHEREAS, the City of Lansing acting by and through the Lansing Board of Water and Light, has previously issued its utility revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility system under the provisions of Act 94, Public Acts of Michigan, 1933, as amended; and

WHEREAS, the Board has previously issued its utility revenue bonds pursuant to the provisions of an Amended and Restated Resolution adopted on October 24, 1989, which has been amended or supplemented by fifteen supplemental resolutions; and

WHEREAS, on March 27, 2018, the Board approved an Amended and Restated Bond Resolution (the "Bond Resolution") to replace the Amended and Restated Resolution adopted on October 24, 1989 and authorize the issuance of the Utility System Revenue Bonds, Series 2019 (the "Series 2019 Bonds"); and

WHEREAS, all terms not defined herein shall have the meanings set forth in the Bond Resolution; and

WHEREAS, the Board wishes to revise the definition of "Reserve Requirement" in the Bond Resolution based on certain long-term unenhanced credit ratings of its Outstanding Bonds, and adjust, accordingly, the establishment of the Bond Reserve Account and amounts held therein pursuant to Section 18(B) of the Bond Resolution; and

WHEREAS, upon the delivery of the Series 2019 Bonds in an amount sufficient to cause the Registered Owners of the Series 2019 Bonds to equal not less than fifty one percent (51%) in principal amount of the total Utility System Revenue Bonds then outstanding, the Bond Resolution would replace the Amended and Restated Bond Resolution adopted on October 24, 1989.

WHEREAS, pursuant to Section 28(a)(iv) of the Bond Resolution, upon written confirmation from each rating agency rating Outstanding Bonds to which the foregoing amendments to the Bond Resolution would apply that the adoption of such amendments will not result in the reduction or withdrawal of any ratings on such Bonds, the Board wishes to amend the Bond Resolution to revise the definition of "Reserve Requirement" and adjust, accordingly the Bond Reserve Account and amounts held therein;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Amending Resolution. The Board hereby adopts this resolution thereby amending and supplementing the Bond Resolution upon the consent of not less than fifty one percent (51%) in principal amount of the total Utility System Revenue Bonds then outstanding, in accordance with Section 28(b) of the Resolution.

Section 2. Amendment to Definition of Reserve Requirement. The definition of "Reserve Requirement" in Section 1(z) of the Bond Resolution is hereby deleted and replaced with the following:

(z) "Reserve Requirement" shall mean the following: (i) if the long-term unenhanced credit ratings of the Outstanding Bonds are in at least the "A/A2" category without regard to notching factors (or an equivalent rating in at least the third highest category of nationally recognized bond rating agencies), \$0, only upon the written direction of the Chief Financial Officer; or (ii) if the long-term unenhanced credit ratings of the Outstanding Bonds are reduced below the "A/A2" category without regard to notching factors (or an equivalent rating in at least the third highest category of nationally recognized bond rating agencies), the lesser of (1) 50% of the maximum annual debt service requirements on the Outstanding Bonds, (2) 62.5% of the average annual debt service requirements on the Outstanding Bonds, or (3) the total of 5% of the original aggregate face amount of each series of the Outstanding Bonds, reduced by the net original issue discount, if any; provided, however, that the Reserve Requirement shall not at any time exceed the amount allowed to be invested at an unrestricted yield pursuant to Treas. Reg. §1.148-2(f)(2) or any successor provision thereto applicable to the Bonds. For purposes of determining the Reserve Requirement, the long-term unenhanced credit ratings of the Outstanding Bonds shall be determined with regard only to the highest two long-term unenhanced ratings of such Bonds. Therefore, subsection (z)(ii) applies only if both such ratings are reduced below the "A/A2" category without regard to notching factors (or an equivalent rating as described above).

The Board may rely on the advice of its financial advisor as to which rating category or categories its ratings are within.

Section 3. Amendment to Bond Reserve Account. Section 18(B), "BOND AND INTEREST REDEMPTION FUND" of the Bond Resolution is hereby deleted and replaced with the following:

B. BOND AND INTEREST REDEMPTION FUND: There shall be established and maintained a fund designated BOND AND INTEREST REDEMPTION FUND, the moneys on deposit therein from time to time to be used solely, except for required deposits to the Rebate Fund, for the purpose of paying the principal of, redemption premium, if any, and interest on the Bonds.

Out of the Revenues remaining in the Receiving Fund, after provision for the credit or deposit to the Operation and Maintenance Fund, there shall next be set aside, monthly, in the Redemption Fund a sum proportionately sufficient to provide for the payment of the principal of, mandatory redemption requirements, if any, and interest on the Bonds as and when the same shall become due and payable, subject to any credit therefor as provided in this Section 18(B). If there is any deficiency in the amount previously set aside, that deficiency shall be added to the requirements for the next succeeding month.

There shall be established a separate account in the Redemption Fund to be known as the BOND RESERVE ACCOUNT. If, as a result of a reduction in the long-term unenhanced credit ratings of the Outstanding Bonds to a category below "A/A2" without regard to notching factors (or an equivalent rating in at least the third highest category of nationally recognized bond rating agencies) as described in Section 1(z)(ii) (a "Ratings Downgrade Event"), the Reserve Requirement is increased from \$0, and amounts then held in the Bond Reserve Account are insufficient to meet the Reserve Requirement, then the Board must satisfy the Reserve Requirement either by:

- (i) transferring moneys to the Bond Reserve Account from an available source of funds (other than proceeds of Additional Bonds) an amount equal to the Reserve Requirement in six (6) semi-annual installments beginning on the date which is 180 days following the Ratings Downgrade Event; or
- (ii) purchasing a letter of credit, a surety bond, or an insurance policy within 180 days of the Ratings Downgrade Event; provided, however, the provider or issuer thereof shall be rated by any nationally recognized bond rating agency as high or higher than the Bonds at the time of purchase of the letter of credit, surety bond, or insurance policy; or
- (iii) transferring moneys to the Bond Reserve Account from proceeds of Additional Bonds within 180 days of the Ratings Downgrade Event; or

The Board must adopt a plan to satisfy the Reserve Requirement pursuant to either Subsection (i), (ii) or (iii) above within ninety (90) days of the Ratings Downgrade Event.

Except as otherwise provided in this Bond Resolution, the moneys credited to the Bond Reserve Account shall be used solely for the payment of the principal of, redemption premium, if any, and interest on the Bonds as to which there would otherwise be a default. If, at any time, it shall be necessary to use moneys credited to the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required for expenses of administration, operation, and maintenance of the System or for current principal and interest requirements on any of the Bonds.

If at any time the amount in the Bond Reserve Account exceeds the Reserve Requirement, the excess may be transferred to such fund or account as the Board may direct; provided, however, if the excess is allocable to proceeds of tax-exempt Outstanding Bonds (or proceeds of tax-exempt Bonds refunded by the Outstanding Bonds) then such excess shall be transferred to a segregated account to pay the costs of the

Power Plant Project or the System Improvements Project, unless it is determined by nationally recognized bond counsel that such transfer is not required to maintain the tax-exempt status of each series of the Outstanding Bonds.

The Supplemental Resolution authorizing Additional Bonds may either (i) provide that the Additional Bonds are equally and ratably secured by the Bond Reserve Account funded according to the Reserve Requirement, if any, or (ii) provide for the creation of a separate bond reserve account securing that series of Additional Bonds and a different reserve requirement, or state that no bond reserve account is required.

Section 4. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 5. Conflicting Resolutions; Effective Date. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded. This resolution shall become effective immediately.

We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Regular meeting held on Tuesday, March 26, 2019, at 5:30 p.m., prevailing Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that the following Commissioners were present at said meeting David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that no Commissioners were absent.

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

We further certify that the following Commissioners voted for adoption of said resolution David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle and that no Commissioners voted against adoption of said resolution.

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

<u>s/David Price</u> Chairperson – David Price	<u>s/M. Denise Griffin</u> Corporate Secretary – M. Denise Griffin
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MANAGER'S REMARKS

General Manager Peffley remarked about the following items:

1. The City of Lansing will participate in the BWL GreenWise Electric Power program beginning July 1, 2019. There are three other cities in Michigan that have committed to using 100% renewable energy in all of their operations. Grand Rapids will begin in 2020. Mayor Schor held a press conference and submitted the request to participate in the program to the City Council on March 25, 2019.
2. Hometown BWL Leaders Program clips will be placed on local TV stations. The clips will highlight how BWL employees are giving back to the community.

COMMISSIONERS' REMARKS

Commissioner Ross restated that if any Commissioner would like any matter discussed regarding an audit report that is issued by the Internal Auditor, to send Commissioner Ross an email and he will put the matter for further discussion at the next Finance Committee Meeting.

Commissioner Price informed the Commissioners about volunteer opportunities with Adopt A River on Saturday, May 11, 2019. The Adopt A River event is cosponsored by BWL and Impression 5. Commissioner Price also informed the Commissioners about the Recycle Rama event being held on April 13, 2019 that is sponsored by the Mid-Michigan Environmental Action Council.

Commissioner Thomas recognized the employees that have over 40 years of service with the BWL that are on the last page of the Hometown BWL Leaders Program packet. General Manager Peffley also noted that there are 120 employees with 30 years of service.

MOTION OF EXCUSED ABSENCE

Motion by Commissioner Ross, Seconded by Commissioner Thomas, to excuse Commissioner Jester from tonight's meeting.

Action: Motion Carried

PUBLIC COMMENTS

Michael Morofsky, Colonial Village Neighborhood Association, spoke regarding tree trimming and stump removal in Colonial Village.

Commissioner Ross stated that the public may not be aware that discussion between the Board and the public is not appropriate during a Board Meeting but is allowed during Committee Meetings.

Claude Beavers, Lansing, MI, thanked the Commissioners for the work they do for the Board of Water and Light.

ADJOURNMENT

Chair Price adjourned the meeting at 5:56 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: 3-29-19

Official Minutes filed (electronically) with Lansing City Clerk 5-30-19