



**BOARD OF WATER AND LIGHT
REO Town Depot
1201 S. Washington Ave., Lansing, Michigan
January 23, 2018 - 5:30 p.m.
BOARD MEETING AGENDA**

1. Roll Call

2. Pledge of Allegiance

3. Approval of Minutes

- a. Regular Board Meeting Minutes of November 14, 2017
- b. Special Board Meeting Minutes of December 5, 2017

4. Public Comment

*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.*

5. Communications

- a. Letter of Resignation re: Commissioner Rod Taylor of DeWitt
- b. Electronic Mail from Suellen Hozman re: Tree Trimming
- c. Thank you card from BWL Internal Auditor Perkins

6. Committee Reports

- a. Committee of the Whole (January 9, 2018) – Tony Mullen, Chair
- b. Finance Committee Meeting (January 9, 2018) – Ken Ross, Chair

7. Manager's Recommendations

- a. Notice of Intent to Issue Revenue Bonds Resolution

8. Unfinished Business

9. New Business

10. Resolutions/Action Items

- a. Anti-Nepotism Policy

11. Manager's Remarks

12. Commissioners' Remarks

13. Motion of Excused Absence

14. Public Comment

*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.*

15. Adjournment



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

November 14, 2017

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 Tuesday, November 14, 2017.

Chairperson David Price called the meeting to order at 5:46 p.m.

Present: Commissioners David Price, Beth Graham, Dennis Louney, Anthony Mullen, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), William Long (Delta Township) and Rod Taylor (DeWitt Township).

Absent: Commissioner(s) Anthony McCloud and Ken Ross.

The Corporate Secretary declared a quorum.

Commissioner Beth Graham led the Pledge of Allegiance.

Commissioner Price recognized and welcomed the newest Commissioner, Doug Jester, representing the city of East Lansing.

APPROVAL OF MINUTES

Motion by Commissioner Graham, Seconded by Commissioner Thomas, to approve the Regular Board Meeting minutes of September 26, 2017.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received regarding the rate adjustments from:

- a. Diana Grinwis - *Referred to Management. Received and Placed on File*
- b. Ryan, No last name provided - *Referred to Management. Received and Placed on File*
- c. Marcella Reynolds - *Referred to Management. Received and Placed on File*
- d. Thomas Eldred - *Referred to Management. Received and Placed on File*
- e. Linda Riley - *Referred to Management. Received and Placed on File*

f. Tam R. Arend - Referred to Management. Received and Placed on File

Commissioner Price presented the Finance Committee Report:

**FINANCE COMMITTEE
Meeting Minutes
November 7, 2017**

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, at 5:30 p.m. on Tuesday, November 7, 2017.

Finance Committee Chair Ken Ross called the meeting to order and asked that roll be taken.

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

The Corporate Secretary declared a quorum.

Public Comments

None

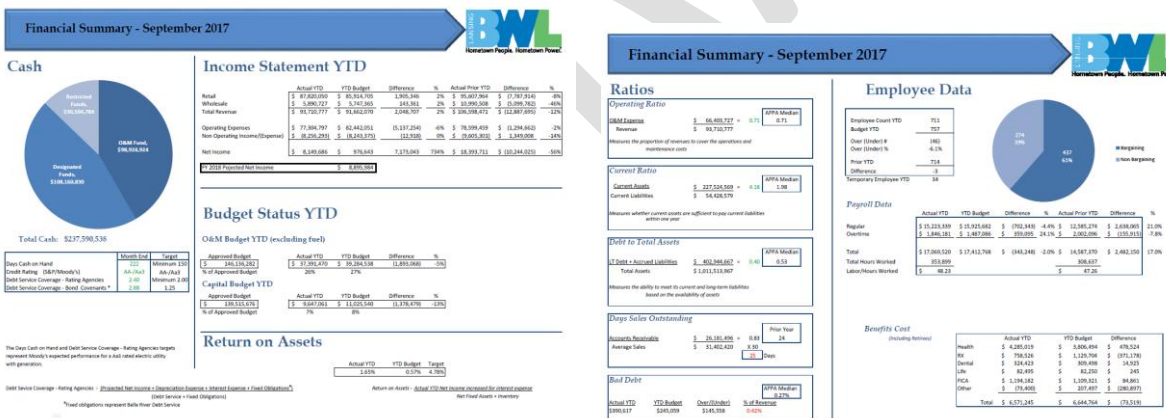
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of September 19, 2017.

Action: Motion Carried.

September YTD Financial Summary

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



Cash targets are green and continue to be on track. The Income Statement indicates that the quarter ended slightly beating the revenue budget and spending is down. The primary difference from actual YTD from this year compared to last year is due to the first quarter last year being hot and dry, along with additional units at Eckert. The projected fiscal-year-end net income has not been changed from the FY18 budget and based on the first quarter review expectations are to be at or slightly under budget. Ms. Shawa explained the differences between retail and wholesale in revenue. Retail includes residential, commercial, and industrial customers; and wholesale includes excess that can be sold into the market. Residential customer quantity is

about 80% of total quantity of customers and 20% of revenue. Ms. Shawa also mentioned that three out of the five ratios are above or at benchmark, Days Sales Outstanding is one day different, and Bad Debt is typical for first quarter review.

Commissioner Mullen inquired whether there was any significant difference between the Board's practices in writing off bad debt and the APPA. Ms. Shawa responded that there wasn't any difference in process and the APPA Median is the closest benchmark comparison available even though BWL is a large municipal utility and the comparison is with smaller municipal utilities.

Commissioner Ross asked whether the APPA Median is the actual median or average. Ms. Shawa stated that she will confirm and follow up that the number provided is intended to be the median rather than the average.

Commissioner Ross also inquired about the number of temporary employees and both Ms. Shawa and General Manager Dick Peffley responded that some temporary employees will roll into full time positions. Since meter readings will be discontinued with AMI, temporary employees were hired specifically for that length of time.

Commissioner Long inquired about wholesale being down this year and whether there was a surplus on the market. GM Peffley responded that only one of the three substations, the Eckert station, was run and staffed last year.

Commissioner Mullen asked whether the wholesale was reflected in the budget this year and GM Peffley responded that it was and is on target.

Capital Project Exceedance Approvals

Finance Committee Chair Ross explained the Capital Project Exceedance Policy stating that a budget was set and approved and it was exceeded by 15% or \$200,000, therefore requiring management to come back to the Board of Commissioners and get approval for the excess amount.

CFO Heather Shawa introduced the Canal Substation Distribution Resolution, Project PE-20196, by briefly explaining that the project described in the resolution originally included two distribution feeders or circuits and also a direct tie-in service to a key customer. Part of the increase is to add a third feeder circuit which will accommodate expected growth and is required for the groSolar Project.

Commissioner Ross stated that an amendment to the proposed resolution for the Canal Substation Distribution was provided which corrected the budget amount of \$433,000 to \$443,000.

Motion by Commissioner Price, Seconded by Commissioner Graham, to substitute the amended resolution for the Canal Substation Distribution and to accept the resolution as presented.

Action: Motion Carried

Discussion

Commissioner Mullen asked what differences and changes were made in this project and Ms. Shawa responded that in addition to the increased load and the third circuit, there were a couple vendor issues involving design and testing, and to complete the project at the time stated costs were incurred.

Motion by Commissioner Price, Seconded by Commissioner Graham, to approve the resolution for the Canal Substation Distribution and to forward to the full Board for approval.

Action: Motion Carried.

CFO Heather Shaw introduced the Capital Project Exceedance Enterprise Service Bus (ESB) Resolution, Project PG-40044, by briefly explaining that the project described in the resolution is part of the BSmart technology projects. ESB collects and communicates data to and from BWL's new technology projects in the BSmart portfolio and future technologies. Originally ESB had four testing, development, and live production environments and after review it was recommended and supported that there be ten environments. The cost increase is for the additional licenses and the additional environments to support an efficient and secure system, and also for labor.

Commissioner Long asked if there is an anticipated addition of more environments and Ms. Shawa stated that there is not at this time.

Motion by Commissioner Price, Seconded by Commissioner Graham, to forward the Resolution for the Capital Exceedance Project Enterprise Service Bus to the full Board for consideration.

Action: Motion Carried.

Internal Audit Open Management Response Quarterly Report

Chief Financial Officer Heather Shawa presented management's responses to audits as follows:

STATUS OF MANAGEMENT RESPONSES TO AUDITS

OCTOBER 2017

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
45	Performance Evaluation & Compensation	Internal Audit recommended additional standardization of performance evaluation procedures.	Jan 2017	Human Resources	Further development of the BWL performance management process for non bargaining employees is underway, including additional participation throughout the year and goals and objectives in line with the new BWL Strategic Plan. The SMART concept already in use will be expanded upon (i.e., employee performance goals are SMART, which stands for Specific, Measurable, Action-oriented, Realistic and Time-based). Estimated completion date is 7/1/18.
46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Human Resources will coordinate an update of job descriptions, in collaboration with each area throughout the organization. This project will incorporate multiple phases, beginning with planning and identifying needed resources. Estimated project completion is 6/30/19.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	Decoupling of base and merit increases is already underway, including budgeting of the two separate categories of increases for fiscal 2018 and development of corresponding instructional information. Project completion is expected by 7/1/18.
50	Follow-Up of Training & Development Audit	Internal Audit noted the need to reemphasize use of LMS and continue with refresher training.	May 2017	Training & Development	Refresher training in LMS will be provided by 1/31/18 and use of LMS will continue to be reemphasized. Four sessions have been held to date, with the completion date being extended in order to provide more alternatives for required attendees with scheduling issues.
51	Follow-Up of Training & Development Audit	Internal Audit recommended Training & Development coordinate with department trainers to better ensure training completions are entered into LMS, along with considering the eventual use of LMS as the primary source for Balanced Scorecard Reporting of training time.	May 2017	Training & Development	Workshops for departmental trainers, including an online procedure for entering training completions to LMS, will be developed and delivered by 1/31/18. The date has been extended in order to provide more alternatives for required attendees with scheduling issues. The workshops will be followed by management's assessment of the accuracy and completeness of training documentation in LMS, concluding with a recommendation, by 3/31/18, regarding use of LMS data in Balanced Scorecard reporting.
52	COBIT Compliance	Internal Audit noted that actions should continue on as expeditious a schedule as possible to reach full compliance with the adopted IT governance framework.	June 2017	Information Technology	Multiple actions and completion dates are involved, including higher-risk, as-yet-incomplete items B.2 (Quality Management System) and 9.3 (Risk Management Plan) by 12/31/17; 3.2, 4.5, 6.2, and 8.1 (all to be provided via the new governance framework) by 12/31/18; and 4.1 (replace Cobit governance framework with ChMD), by 6/30/19. Progress to-date on the higher risk items includes completion of a Three-Year Technology Roadmap, which has served to address item 1.6.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
54	Payroll Management <i>NEW</i>	The Internal Auditor would like the Internal Control section to coordinate an effort by the business areas to update the payroll internal control documentation used by Internal Audit for audit testing.	Oct 2017	General Accounting, Finance, & Human Resources	Documentation is in the process of being updated, with completion expected by 11/30/17.
E-6	IT Risk Assessment by External Auditors <i>NEW</i>	Enhance password requirements for systems that do not meet best practices (CIS, Sage, and the network): password length at least 8-10 characters, expiration at least every 90 days, last 8-14 passwords disallowed, and account disabled and required to be unlocked after 3-5 invalid login attempts.	July 2017	Information Technology	One needed enhancement remains to be accomplished: CIS password reuse, with an expected completion date of 10/31/17. Password length and reuse for Sage have been set at the maximum amounts possible, as the standards used by the external auditors are not achievable with the product.
Closed Issues (since June 2017 report):					
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	Results provided as part of November 2016 stress test included: development of specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results. Based on cost/benefit analysis, the remaining recommendations from the stress test will be incorporated into the new OMS solution, scheduled for implementation in 2018. Applicable language has been incorporated into BWL Rules and Regulations. In addition, BWL is complying with the City of Lansing's Home Occupation Ordinance.
44	Billing	To address safety concerns associated with high consumption residential customers, management is discussing possible revisions to existing Rules and Regulations and coordination of public safety initiatives with other public agencies.	Nov 2016	Planning & Development	
48	Collections	Internal Audit supports adding a requirement to check customer credit prior to opening a new account.	March 2017	Customer Service	A new tool has been implemented, to help ensure deposits are consistently and appropriately applied to new customers.
53	New Water Service Order Management <i>NEW</i>	The Internal Auditor asks that the process for entering meter set-on dates in CIS be standardized and the practice of monitoring outstanding fire service installations be formalized.	July 2017	Water Distribution	Standardization and formalization of procedures have been achieved. In addition, a new locking device has been implemented on valves which supply water to fire service installations.

Internal Audit Status Report

Internal Auditor Phil Perkins presented the following status report:

Overview



Internal Audit Status Report

Presented by:
Phil Perkins, Director of Internal Audit
Finance Committee Meeting
November 2017



FY 2018 Audit Plan Progress Report

Engagements Completed:

1. Water Production Data Reporting Audit (FY 18)
2. Time Reporting Review #1
3. Surprise Cash Count #1
4. Payroll Management Audit (FY 17 carryover)

Engagements in Progress:

1. Identity and Access Management Audit (FY 17 - estimated 90% complete)
2. Follow-up Hiring Process Audit (FY 17 - estimated 90% complete)
3. Succession Planning Audit (FY 18 - 25% complete)



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FY 2018 Audit Plan Progress Report (2)

Remaining Engagements:

1. Cash Receipts Audit
2. Customer Payment Arrangements/Third Party Payments Audit
3. Contract Authorization & Approval Process Audit
4. Physical Access Management Audit
5. Time Reporting Review #2
6. Surprise Cash Count #2
7. Consulting - Various



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FY 2018 Audit Plan

Planned Audits:	Estimated Hours	Progress to Date
Cash Receipts	400	Start Jan 2018
IT Help/Service Desk Management	300	Probable deferral to FY19
Succession Planning	300	In progress
Customer Payment Arrangements	300	Start Feb 2018
Contract Authorization/Approval Process	300	Start Mar 2018
Physical Access Security Management	300	Start May 2018
Water Production Data Reporting	300	Completed
Other Engagements:		
Surprise Cash Counts (2)	50	1 count completed
Time Reporting Reviews (2)	150	1 review completed
Consulting - Various	350	One or more engagements in Winter-Spring 2018
Total Estimated Hours	2,450	



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External 5-Year Independent Review

- Status of Open Recommendations:
- The CEO Hotline should be an auditable area. Internal Audit response: Concur. Internal Audit will work with management to gain access to hotline complaints that involve potentially fraudulent or otherwise illegal or unethical behavior, with the objective being to address control or procedural improvements to prevent similar incidents in the future. Estimate completion of a working approach by July 31, 2017.
- Action: A working approach was agreed upon prior to July 31, 2017. It was agreed that when IA performs the annual risk assessment and audit planning, general information about the hotline activity over the past year should be provided, including any potential fraud cases and resolution. Internal Audit may request general or detailed hotline information at any time.



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External 5-Year Independent Review

- Status of Open Recommendations (cont'd):
- Audit planning should include consulting during System Development Life Cycle for major system development and acquisition. Internal Audit Response: Concur. Internal Audit is working with management to provide both informal and formal advice and consulting on current BWL major projects such as the ADMS, AML, new plant construction, and replacement CI system, as well as any future such projects.
- Action: The Internal Auditor is now invited to monthly project status meetings on major system developments and the CFO is requesting Internal Audit consulting support as-needed for the major and other system development projects.



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External 5-Year Independent Review

- Status of Open Recommendations (cont'd):
- Risk assessment discussions between the Internal Auditor and the Finance Committee should be documented so that the approval of the annual audit plan and accompanying resources reflect the results of such discussions. Internal Audit Response: Concur. The Internal Auditor will include in his recommended audit plan why the number and type of audits and resources needed are optimal based on assessed risks, and this will be documented in Finance Committee meeting minutes accordingly.
- Action: In the July 2017 Finance Committee meeting, the Internal Auditor provided explanations based on risk assessment for the number and types of audits recommended in the proposed FY 2018 audit plan, along with presentation of estimated resources needed to perform the plan. This approach will continue going forward.



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Other Items

Internal Auditor Continuing Professional Education/ Certification Status:

- Completed all CPE requirements for CPA, CIA and CISA designations this year to maintain current certification/licensing status.
- CPE includes a 24-hour course on SAP Security and Audit which will be valuable in future audit planning and performance.



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Other

None

Adjourn

Commissioner Ross adjourned the meeting at 6:16 p.m.

Respectfully submitted
Ken Ross, Chair

Finance Committee

Commissioner Price presented the following Trustee Meeting Report that was held prior to this Board Meeting:

**SUMMARY REPORT
LANSING BOARD OF WATER & LIGHT
PENSION FUND TRUSTEES ANNUAL MEETING
November 14, 2017**

The Pension Fund Trustees of the Lansing Board of Water & 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, November 14, 2017. Chairperson David Price called the meeting to order at 5:09 p.m. and asked the Corporate Secretary to call the roll.

Present: Trustees David Price, Beth Graham, Dennis M. Louney (arrived @5:18 p.m.), Tony Mullen, Tracy Thomas, and Sandra Zerkle.

Absent: Trustees Anthony McCloud and Ken Ross

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Trustee Thomas and Seconded by Trustee Mullen to approve the Minutes from the November 15, 2016 Pension Fund Trustees' Annual Meeting.

Action: Motion Carried

FY 2017 Financial Information

FY 2017 Financial Information Relative to DB, VEBA, and DC Plan, and Proposed Resolutions

General Manager Peffley introduced Chief Financial Officer Heather Shawa to provide an overview of Board of Water & Light's (BWL) Pension Plans and the Resolutions that were being considered for approval or acceptance.

Ms. Shawa stated that the resolutions in the packet were previously vetted through the appropriate committee meetings and approved by the full board. The trustees are being asked to acknowledge through resolution the investment policy statements for the DB and VEBA Plans and for acceptance of the Trust Agreements for both of these plans.

Ms. Shawa introduced Nathan Burke, VP, Senior Consultant at Asset Consulting Group who provided information on the DB and VEBA Plans. Ms. Shawa also introduced Lisa Burks-Wilson and Sandra Rouse-Thames from ICMA who are financial advisors for the Defined Contribution Plan.

Mr. Burke reviewed the Defined Benefit (DB) and VEBA Plan for the period ending June 30, 2017 and gave a global economic update. Mr. Burke stated that the returns are reflective of solid corporate growth and highlighted asset allocation.

Ms. Shawa reviewed the performances of the Defined Benefit Plan, the Retirement Pension Plan and the Defined Contribution Plan for FY 2017. Ms. Shaw noted that the enterprise statements, which include the pension plan statements, all received a clean audit report in September 2017.

Defined Benefit Plan

Ms. Shawa stated that Defined Benefit (DB) Plan currently has 382 participants of which 8 are active. As of the valuation date of June 30, 2017, the Plan had \$65.9 million in plan assets and \$56.9 million in plan liabilities. The BWL was over-funded by \$9 million. This results in a Funded Ratio of just under 116% - up approximately 9% from the prior year. For FY 2017, the BWL had \$8 million in net investment income, which equates to an 13.75% return. Ms. Shawa stated that these results were due to some changes in investment policy statements and to the market. In comparison in FY 2016 BWL had a 0.5% return. For FY 2017 administrative fees were \$339,000 and this is 0.51% of plan assets.

RESOLUTION 2017-11-01

Revised Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures, and Objectives

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan"); and

WHEREAS, the Retirement Plan Committee has reviewed the current Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives in conjunction with a transition to a new benefit plan investment consultant; and

WHEREAS, the Retirement Plan Committee recommended the Sponsor adopt the revisions reflected in the attached Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor adopted the attached, revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that the Trustees acknowledge the attached, revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives.

RESOLUTION 2017-11-02

Amendment and Restatement of Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan"); and

WHEREAS, the cost of Defined Benefit Plan benefits is funded through the Trust Agreement for the Lansing Board of Water and Light Defined Benefit for Employee's Pensions (the "Pension Trust Agreement"); and

WHEREAS, to reflect current governance procedures and for other purposes, the Sponsor adopted and approved the attached amendment and restatement of the Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions.

THEREFORE, it is:

RESOLVED, that the Trustees accept the terms and conditions of the attached Amendment and Restatement of the Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions, both individually and collectively.

Motion by Trustee Zerkle, Seconded by Trustee Mullen, to acknowledge the Revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives Resolution, and to accept the Amendment and Restatement of the Trust Agreement for the Defined Benefit Plan Resolution.

Action: Motion Carried

Retirement Pension Plan – VEBA

Ms. Shawa stated that the VEBA Trust as of the actuarial valuation date of June 30, 2017 has 1,448 participants of which 727 are active. The VEBA plan had \$174 million in plan assets and \$206 million in plan liabilities. The BWL was 84.4% funded which is up 13.7% from the prior year. For FY 2017, the BWL had \$17 million in net investment income, equaling a 11.65% return. For the prior FY, the BWL had a 0.6% return. The administrative fees were \$766,000 which is 0.44% of total plan assets.

Ms. Shawa noted that Nyhardt, BWL's actuarial consultant, was asked to perform a projection and currently the BWL's VEBA Plan is projected to be fully funded by June 30, 2023. Ms. Shawa also noted that an experience study was performed and three recommendations were given and implemented. An increase of 2.3% in liability resulted from the implementation.

RESOLUTION 2017-11-03

Revised Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures, and Objectives

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

WHEREAS, the Retirement Plan Committee has reviewed the current VEBA Statement of Investment Policies, Procedures and Objectives, in conjunction with a transition to a new benefit plan investment consultant; and WHEREAS, the Retirement Plan Committee recommended the Sponsor adopt the revisions reflected in the attached VEBA Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor adopted the attached, revised VEBA Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that the Trustees acknowledge the attached, revised VEBA Statement of Investment Policies, Procedures and Objectives.

RESOLUTION 2017-11-04

Amendment and Restatement of Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light

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

WHEREAS, the cost of VEBA benefits is funded partially through the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light (the "VEBA Trust"); and

WHEREAS, to reflect current governance procedures and for other purposes, the Sponsor adopted and approved the attached amendment and restatement of the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light.

THEREFORE, it is:

RESOLVED, that the Trustees accept the terms and conditions of the attached Amendment and Restatement of the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light, both individually and collectively.

Motion by Trustee Thomas, Seconded by Trustee Graham, to acknowledge the Revised VEBA Statement of Investment Policies, Procedures, and Objectives, and to accept the Amendment and Restatement of the VEBA Trust Agreement.

Action: Motion Carried

Commissioner Price commended Ms. Shawa on the financial dashboard provided as the information is readily accessible.

Defined Contribution (DC) Plan

Ms. Shawa gave a brief explanation of the Defined Contribution Plan. The plan consists of a 401 and a 457 component. The 401 plan is an employer contribution plan to which contributions begin after six-months of employment. The 457 plan is an employee contribution plan with an employer match. At the first pay of every year, BWL contributes \$1,000 to the employee 457 plan and employee contributions are matched up to \$1,500. Employees are responsible for making their own investment decisions in the plan. ICMA retirement plan specialists were on site 39 days in FY 2017 and met with participants and an ICMA certified financial planner was on site for 12 days during FY 2017. Two onsite seminars were held at which about 50 participants attended and additional educational opportunities will occur. For FY 2017 the DC Plan had total expenses of \$1.1 million which is 0.6% of plan assets. The BWL contributed \$6.1 million to the plan.

Commissioner Jester asked if any evaluations had been performed regarding the fees related to the DC Plan for which entities have to be more transparent in respect to ICMA and other alternatives. Ms. Shawa responded that evaluations have been done for marketing and best practice, and also for advisory and administration, and ICMA was retained. In the next 30 days the next RFP will be sent out for advisory services.

Supplemental Information

Ms. Shawa asked the Board for acceptance of the 2017 Audited Financial Statements which combined three separate policies and had been previously approved at the March 28, 2017 Board Meeting.

RESOLUTION 2017-11-05

**Acceptance of 2017 Audited Financial Statements for Defined Benefit Pension Plan,
Defined Contribution Pension Plan, and Retiree Benefit Plan (VEBA)**

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

Staff comments: All three Plans received clean audit reports.

Motion by Trustee Zerkle, Seconded by Trustee Thomas, to accept the 2017 Audited Financial Statements for Defined Benefit Pension Plan, Defined Contribution Pension Plan, and Retiree Benefit Plan (VEBA).

Action: Motion Carried

RESOLUTION 2017-11-06

**Travel & Reimbursement Policy – Board of Commissioners, Board Appointees,
Employees, and Investment Fiduciaries**

WHEREAS, the attached Travel & Reimbursement Policy for the Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries (formerly known as Retirement System Representatives) will replace the existing Policies and Resolutions listed below:

- 1) Policy 0004 – Travel Expense (Board Appointees)
- 2) Policy 0007 – Travel Expense for Commissioners Only
- 3) Policy 0056 – Travel & Reimbursement – Employees
- 4) Resolution #2007-05-14 – Amendment to Travel Policy for the Board of Commissioners
- 5) Resolution #2014-11-02 – Retirement System Education & Travel Policy

WHEREAS, the Board of Commissioners adopted the attached, combined and updated Travel & Reimbursement Policy as presented;

THEREFORE, it is:

RESOLVED, that the Trustees acknowledge the attached, combined and updated Travel & Reimbursement Policy.

Staff Comments: The purpose of this Resolution is to consolidate the existing policies and resolutions listed above into 1 policy and apply uniform requirements throughout. The following significant changes were made:

Board of Commissioners

- Policy covers 4 Year Term Commissioners
- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Policy may be overridden by Board Chair when emergency or special circumstance arises

Board Appointees

- Advance Approval by the Board Chair

- Reimbursement Approval by the Board Chair
- Eliminated the \$50/day per diem rate
- Meal Reimbursement will be at actual cost with a 20% gratuity cap
- Policy may be overridden by Board Chair when emergency or special circumstance arises

Employees

- Meal reimbursement increased (from \$50) to \$70 per day with a 20% gratuity cap
- Miscellaneous Expense increased (from \$25) to \$50 per day

Investment Fiduciaries

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminate \$500 per day cash travel advance
- Policy may be overridden by Board Chair when emergency or special circumstance arises

Motion by Trustee Thomas, Seconded by Trustee Mullen, to accept the Travel & Reimbursement Policy for Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries.

Action: Motion Carried

Excused Absences

Motion by Trustee Graham, Seconded by Trustee Mullen, to excuse Trustees Anthony McCloud and Ken Ross from tonight’s meeting.

Action: Motion Carried

Adjourn

There being no further business, the Pension Fund Trustees meeting adjourned at 5:37 p.m.

MANAGER’S RECOMMENDATIONS

General Manager Peffley recommended that the Board approve the Capital Project Budget Exceedance Approval for Project PE-20196 Canal Substation Distribution and Project PG-40044 Enterprise Service Bus before the Board that evening.

RESOLUTION 2017-11-07

**Capital Project Budget Exceedance Approval:
Project PE-20196 Canal 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 Project PE-20196 Canal Substation Distribution was \$443,000; and

WHEREAS, the projected final total cost for Capital Project PE-20196 Canal Substation Distribution is \$943,000, should the project be completed; and

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

WHEREAS, BWL staff and management recommends that the Capital Project PE-20196 Canal Substation Distribution be completed despite the projected increased cost; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approved the Capital Project PE-20196 Canal Substation Distribution to be completed as projected.

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project PE- 20196 Canal Substation Distribution with a projected final total cost of \$943,000.

Motion by Commissioner Mullen, Seconded by Commissioner Grahams, to approve the Capital Project Budget Exceedance Project PE-20196 Canal Substation Distribution Resolution.

Action: Motion Carried.

RESOLUTION 2017-11-08

Capital Project Budget Exceedance Approval:
Project PG-40044 Enterprise Service Bus

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 Project PG-40044 Enterprise Service Bus was \$1,055,000; and

WHEREAS, the projected final total cost for Capital Project PG-40044 Enterprise Service Bus is \$1,681,000, should the project be completed; and

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

WHEREAS, BWL staff and management recommends that the Capital Project PG-40044 Enterprise Service Bus be completed despite the projected increased cost; and

WHEREAS, BWL staff and management recommends that the BWL Board of Commissioners approved the Capital Project PG-40044 Enterprise Service Bus to be completed as projected.

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project PG- 40044 Enterprise Service Bus with a projected final total cost of \$1,681,000.

Motion by Commissioner Thomas, Seconded by Commissioner Mullen, to approve the Capital Project Budget Exceedance Project PG-40044 Enterprise Service Bus Resolution.

Action: Motion Carried.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION 2017-11-09

Appointment of Chair as Signatory for Trustee Designations

RESOLVED, That the Board of Commissioners hereby appoints the following individual as signatory for appointments and/or removal of Co-Trustees.

David Price, Chairman of the Board

FURTHER RESOLVED, That the Chair of the Board of Commissioners is authorized to execute any and all contractual documents which reflect appointment or removal of an individual Co-Trustee.

Motion by Commissioner Thomas, Seconded by Commissioner Graham, to approve the Appointment of Chair as Signatory for Trustees Designations.

Discussion: Commissioner Long asked for clarification of the responsibility of the Chair as a signatory for appointments and/or removal of Co-Trustees. Legal Counsel, Brandie Ekren, responded that the Trust Agreement states that the voting Board members are appointed as Trustees and the Board meets and decides on appointments and/or removals. However, the Trust Agreement doesn't state the authority for the signing of documents or carrying out decisions.

Action: There being no further discussion the Motion Carried.

MANAGER'S REMARKS

General Manager Peffley informed of the following:

BWL's Public Affairs group, under Steve Serkaian, received two national awards at the APPA conference in San Francisco, CA. The first award was received for the Lansing Energy Tomorrow TV spots that were run last year and which will be run again this year. The second award was received for the printed material designs that are produced for community programs.

The East Lansing mayor's office lauded BWL for the fast response to the recent power outage at the end of the Michigan State game. Traffic lights and district power were restored quickly so that there were no problems.

Critical negotiations are being held with a large customer on the west side of BWL's service territory. BWL's nearest competitor is also interested. BWL should have the results within a month as this customer would like to break ground quickly.

BWL is a presenting sponsor for Silver Bells in the City which is being held November 17, 2017. BWL is hoping to have 100,000 attend this year.

Commissioner Louney expressed appreciation for the expedience of staff on restoring the power that went out on the east side of town last Friday. The power was brought back within an hour.

COMMISSIONERS' REMARKS

Commissioner Thomas thanked the finance team for the dashboard and its ready visibility.

Commissioner Jester extended his greetings to the Board and thanked the Corporate Secretary, Denise Griffin, for the extremely efficient onboarding process.

Commissioner Taylor congratulated the Board regarding the Pension and VEBA Plans.

Commissioner Price informed that he plays drums in a bagpipe band and the band will be playing in City Hall from 7:15 p.m. to 8:00 p.m. during the Silver Bells event and he invited people to stop by.

Commissioner Price reminded the Board about the upcoming Public Rate Hearing on Thursday, November 30, 2017 at 5:30 p.m. and the Special Board Meeting to consider the rate increases on Tuesday, December 5, 2017 at 5:00 p.m.

MOTION OF EXCUSED ABSENCE

Motion by Commissioner Thomas, Seconded by Commissioner Mullen, to excuse Commissioners Anthony McCloud and Ken Ross from this meeting.

Action: Motion Carried.

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Price adjourned the meeting at 6:11 p.m.

M. Denise Griffin, Corporate Secretary
Preliminary Minutes filed (electronically) with Lansing City Clerk: 12-12-17
Official Minutes filed (electronically) with Lansing City Clerk: _ _ - _



**LANSING BOARD OF WATER AND LIGHT
BOARD OF COMMISSIONERS**

**SPECIAL MEETING MINUTES
December 5, 2017**

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, December 5, 2017.

Chairperson David Price called the meeting to order at 5:00 p.m. Chairperson Price announced that due to the posting of the meeting time at both 5:00 p.m. and 5:30 p.m. in the Lansing State Journal, and in order to give everyone a chance for public comment, the meeting would start at 5:00 p.m., as much business as possible would be conducted, and if all business was finished before 5:30 p.m. the vote would be held, the meeting would recess and reconvene at 5:30 p.m. There would then be a call for any additional public comment, and then the vote would be held on the resolution.

Corporate Secretary Griffin called the roll.

Present: Commissioners Beth Graham, Dennis Louney, Anthony McCloud, Anthony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle (at 5:10 p.m.) Non-Voting Commissioners present: Douglas Jester (East Lansing) (at 5:08 p.m.), William Long (Delta Township), and Rod Taylor (DeWitt Township).

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Rod Taylor led the Pledge of Allegiance.

MEETING PURPOSE:

Consider a Resolution for a Rate Structure Change for Electric, Water, Steam, and Chilled Water Rate Schedules to be Effective February 1, 2018, 2019, and 2020.

Commissioner Price stated that he called for this Special meeting to consider the rate structure change for electric, water, steam, and chilled water rate schedules and would like to put forward a Resolution.

**RESOLUTION #2017-12-01
2018 – 2020 Rate Adjustments**

WHEREAS, rates shall be established at a level that will enable the Board of Water and Light (BWL) to meet its mission of serving the Greater Lansing area by providing high quality utility services, reliably, at the lowest reasonable cost; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the electric rates relative to its financial plan and recommends an overall increase of 3%, comprised of varying individual rate class increases, to electric billings on February 1, 2018, February 1, 2019, and February 1, 2020; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the water rates relative to its financial plan and recommends a 5.5% increase to water billings on February 1, 2018 and a 7.5% increase to water billings on February 1, 2019 and February 1, 2020; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the steam rates relative to its financial plan and recommends a 5.5% increase to steam billings on February 1, 2018 and a 7.5% increase to steam billings on February 1, 2019 and February 1, 2020; and

WHEREAS, the notice of the proposed increases was communicated to all customers by public notice on November 14, 2017, and a public hearing was held on November 30, 2017 to receive comments on the proposed increases; and

WHEREAS, the Board of Commissioners has considered the comments of the public as well as recommendations made by the BWL.

THEREFORE, it is:

RESOLVED, that the electric, water, steam, and chilled water rate schedules, detailed in attachments A –D, be adopted and made effective for electric, water, steam, and chilled water consumption on February 1, 2018, February 1, 2019, and February 1, 2020.

Motion by Commissioner Mullen, Seconded by Commissioner McCloud to approve the stated Resolution.

PUBLIC COMMENT

None.

Chair Price recessed the meeting at 5:02 p.m.

Chair Price reconvened the meeting at 5:30 p.m. and called again for Public Comment.

PUBLIC COMMENT

None.

Chair Price called for a vote on the motion before the Board to adopt the Rate Schedule Resolution.

Yeas: Commissioners Graham, Louney, McCloud, Mullen, Price, Ross, Thomas, and Zerkle

Nays: None

Action: Carried Unanimously

MANAGER'S REMARKS/COMMENTS

None.

COMMISSIONERS' REMARKS/COMMENTS

Commissioner Zerkle stated that the Commissioners have spent many hours in the last six months to review, understand and determine what rate increase would be optimum. There were many presentations and lots of information presented the Board by the General Manager Peffley and Chief Financial Officer Heather Shawa their Administration. She also stated that the Commissioners take the comments seriously that are given by the customers and clients. Mr. Peffley has responded to the comments given by customers and clients and his responses have been presented to the Commissioners.

Chair Price stated that this rate schedule resolution started with the IRP over a year ago and went through several processes. He also thanked all the staff that worked on the proposal and noted that the Commissioners approved the rate schedule resolution unanimously.

Chair Price announced that Commissioner Rod Taylor will be leaving the manager position of DeWitt Township to go to work for the Michigan Department of Treasury. He welcomed Commissioner Taylor's continuation on this Board.

PUBLIC COMMENT

None.

Chair Price noted that the Lansing State Journal on their own posted two different meeting times for today's Special Board meeting.

Commissioner Thomas stated that is was not the fault of the Corporate Secretary that the newspaper incorrectly posted the meeting time. She posted and noticed the Special Board meeting for 5:00 p.m. on December 5, 2017.

ADJOURNMENT

Chair Price adjourned the meeting at 5:37 p.m.

Filed with Lansing City Clerk
12-12-17-Unofficial Minutes

From: Diane Mosier Mosier [<mailto:dmosier@dewittwp.org>]

Sent: Wednesday, January 17, 2018 3:25 PM

To: Mdenise Griffin <MDenise.Griffin@lbwl.com>

Subject: DCT Minutes/B Ross request

Denise,

Manager Taylor was our initial appointment to the non-voting BWL seat, however, with his resignation, our Board has replaced him with Trustee Brian Ross.

I initially handled the details with Chris Swope, however, Trustee Ross has requested that I provide you with a copy of the minutes where his appointment was made. Please see page 3 of the attached minutes.

If you have any questions, please do not hesitate to contact me. Have a great day.

--

Diane K Mosier, Clerk
DeWitt Charter Township
1401 W. Herbison Road
DeWitt, MI 48820
517-668-0270 phone
517-668-0277 fax

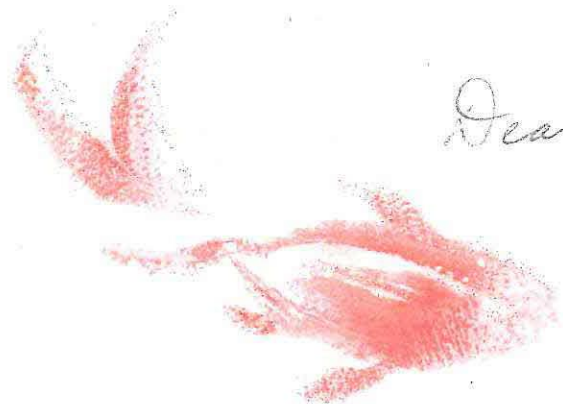
Field	Value
To	All Commissioners
Name	Suellen Hozman
Address	326 Kipling Blvd.
email	suellenyh@yahoo.com
E-mail Subject	Opportunity for Improvement
Message	<p>Citizens of Lansing are very fortunate to have the BWL. We enjoy great service with water and electricity. Thank you for choosing to be on the Board of Commissioners. There is room for improvement in the BWL tree trimming program. That change will not happen unless the Board of Commissioners as a group choose to support change. Margaret Wheatley says "people only support what they create." There is a wonderful, well respected organization called the International Society of Arboriculture, http://www.isa-arbor.com/ . They provide recommendations for tree trimming for utilities. Currently, the BWL is not in full compliance with their recommendations. Many utilities are and they include that full compliance on their websites. The City of Lansing forestry division exceeds compliance with tree trimming. Consider using staff from the City of Lansing Forestry and Grounds Department to help the BWL improve the tree trimming program and be in compliance with tree trimming recommendations from the International Society of Arboriculture. The BWL is part of the City of Lansing and it seems appropriate that the City and BWL share compliance standards. Thanks so much for your consideration. Suellen Hozman</p>

Email "Opportunity for Improvement" originally sent to mdg@lbwl.com from noreply@lbwl.com on 1/12/2018 2:08:28 PM.

Thank You
for Your
Sympathy



*Kindness
lifts us up,
lights
our path,
smoothes
the journey,
sees us through.*



Dear Denise & Commissioners,

*Your sympathy and kindness
will always be remembered.*

*Thanks so much for your
expressions of support and the
generous donation to
the USO in
my father's name.*

*Phil & Linda
Perkins*



COMMITTEE OF THE WHOLE
Meeting Minutes
January 9, 2018

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, January 9, 2018.

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

Present: Commissioners Tony Mullen, Beth Graham, Dennis M. Louney, Anthony McCloud, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: William Long (Delta Township) and Doug Jester (East Lansing).

Absent: Rod Taylor (DeWitt Township)

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Thomas, **Seconded** by Commissioner Ross, to approve the Committee of the Whole meeting minutes of September 12, 2017.

Action: Motion Carried.

IT Strategic Initiatives

General Manager Dick Peffley introduced Kim Ingram, Chief Information Officer (CIO), who spoke about the IT Strategic Initiatives Plan. Ms. Ingram stated that the IT goals and initiatives were aligned with the BWL Strategic Task Plan and she highlighted the completed goals of 2017 and the goals for 2018.

Strategy 4: Implement New Technologies		
Goal: Support our Customers and Employees through Enhanced Use of Technology		
■ On Track ■ Caution ■ Late ■ Complete		
Objective 1: Support Existing and Planned Projects with IT Infrastructure		
Task 4.1a	Timeline	Milestones
Update the Information Technology Strategic Plan to coordinate with both industry best practices and planned BWL strategic and capital initiatives	2017	Finalize IT Corporate Strategic Plan -Conduct ITD Strategic Plan Roadshow.
	2018	VDI rebuilt, Corporate data centers with full backup and redundant capability and increased ability for security. Cybersecurity efforts completed for ITD Incident Response Plan.
	2019	Center of Excellence established, CMMI Assessment conducted.
	2020	IT Governance defined and in place.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.1b	Timeline	Milestones
Select and maintain reliable, well supported, redundant, secure, cost-effective, and efficient IT systems and communication networks	2017	Conduct High Level ITD assessment and Deep Dive Assessment.
	2018	Define, approve technical infrastructure solution. Procure & Build infrastructure. Ensure continued enhancements to security through various alerts, tools, and monitoring.
	2019	Test infrastructure, migrate to new infrastructure. Ensure continued enhancements to security through various alerts, tools, and monitoring.
	2020	IT Corporate infrastructure stood up and operational as reliable, secure, aligned to industry standards. Continue to apply Cybersecurity protocols based on best in class industry protection trends.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.1c	Timeline	Milestones
Apply business process management methodologies to create and measure business value throughout the life cycle of each technology system implementation	2017	Finalize IT Corporate Strategic Plan - create ITD Project intake form, define intake form process, communicate, execute process. The intake forms will be reviewed by the ETT.
	2018	Plan and define PMO processes aligned to industry standard requirements definition to support the ETT efforts.
	2019	Execute projects with industry standard PMO Methodology aligned to Plan, define, Execute, Control & Monitor, Close cycles; which will further support ETT insight and awareness of project status.
	2020	Enhance industry standard methodology to align to current state PMO Methodology Trends. Continue to incorporate Cybersecurity rigor.
Strategic Task Owner: ITD / Kim Ingram		
Objective 2: Enhance IT and Communications Technology		
Task 4.2a	Timeline	Milestones
Identify, prioritize, acquire, and implement technology enhancements to support business needs	2017	Solicit and acquire PMO resources through staff augmentation. Deep Dive recommendations documented.
	2018	Establish Formal ITD PMO/Center of Excellence. Socialize IT/OT variance & similarities. Deep Dive outcomes vetted for technical solution, hardware, licenses, software, peripheral components procured.
	2019	ITD corporate infrastructure secure, reliable, flexible. PMO established. Continuous ongoing cybersecurity efforts will continue based on best in class industry standard tools and options.
	2020	Solid state infrastructure, IT Governance adherence. Continue to apply Cybersecurity protocols based on best in class industry protection trends.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.2b	Timeline	Milestones
Continuously research and compare current best practices as well as state-of-the-art technologies being tested and deployed by best-in-class organizations	2017	Subscribed to Gartner for IT current and Best in Class technologies
	2018	Continue enhancements to security, research pilot and test future state industry standard trends.
	2019	Continuous research to ensure industry standard alignment to corporate infrastructure.
	2020	Attain CMMI level, continuously improve to reach CMMI Level 2, aligned to BWL Corporate Governance.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.2c	Timeline	Milestones
Identify the necessary experience, skills, and education needed for management and use of new technologies	2017	Formalized future state ITD organizational structure. Finalized professional development plans and staffing needs
	2018	Continue skill enhancement through various professional development platforms
	2019	Continue security awareness training sessions
	2020	Ongoing PD to support industry trends in technology
Strategic Task Owner: ITD / Kim Ingram		

IT Corporate Strategic Plan – Goals for 2017

- **4.1 Support existing & planned projects with IT Infrastructure**
 - Completed IT High Level Assessment
 - Completed IT Deep Dive on Infrastructure & Architecture
 - Completed the IT Strategic Plan
 - Completed IT Strategic Plan Roadshows throughout all departments within BWL.
 - IT / OT Network Separation.
- **4.2 Enhance IT & Communications Technology**
 - Completed the IT Organization restructuring.
 - Completed Professional Development Plans for all IT Resources.



IT Corporate Strategic Plan – Goals for 2018

- **4.1 Support Existing & Planned Projects with IT Infrastructure**
 - We are designing a new data center utilizing a Cisco ACI solution.
 - This new infrastructure gives us the ability to scale on multiple platforms, have more security in our environment, and support the future needs of existing, planned and future projects.
 - We are replacing VDI devices with laptops, further enhancing our ability to have a more mobile workforce.
 - We are underway with our Project Management Office (PMO).
 - We have enhanced our Enterprise Technology Team (ETT) Charter and its been approved and adopted.
 - In alignment, we are continuously rolling out Project Management Tools as not only a part of our IT Governance Audit, but also as a part of the PMO Development and preparation for CMMI Initiative. CMMI will provide standards, procedures and PM process that will support our IT Governance Model.
- **4.2 Enhance IT & Communications Technology**
 - We've established a PMO that will morph in to a PMO Center of Excellence.
 - We continue to enhance our security both internally and externally to our perimeter.
 - We stay abreast of current IT trends, best practices, and industry standards through Gartner.
 - We continue to invest in our IT resources through enhanced, professional development opportunities, the ability to attain certifications, and develop new skills aligned to industry standards and best practices.



Chair Price questioned the number of malicious hits, potential malware, viruses, etc. that are received per day. CIO Ingram responded that security tools have been put in place, internally and externally, and that an excess of 1,000 hits could occur daily.

Closed Session Meeting

Committee of the Whole Chair Mullen stated that the Administration has provided us with a Confidential Memorandum and discussion of such content is most appropriate in closed session. Chair Mullen asked for a motion to go into closed session for the purpose of discussing the Confidential Memo as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(y).

Motion by Commissioner Price, Seconded by Commissioner McCloud to go into closed session.

Action: **Motion Carried.**

Roll Call Vote:

Yeas: Commissioners Beth Graham, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Ken Ross and Tracy Thomas, Sandra Zerkle, and Non-Voting Members: Bill Long (Delta Township) and Douglas Jester (East Lansing).

Nays: None.

Action: **Motion Carried.**

The Committee of the Whole went into closed session at 5:42 p.m.

The Committee of the Whole reconvened to open session at 6:28 p.m.

Motion by Commissioner Graham, Seconded by Commissioner Ross to reconvene into open session.

Action: **Motion Carried.**

Central Substation and Westside Reinforcement Update

General Manager Peffley introduced Steve Brennan, Manager of Project Engineering. Mr. Brennan provided the Board with an update of the Westside Reinforcement and Central Substation projects. These two projects total approximately \$60 million, are part of the Lansing Energy Tomorrow plan, and must be completed in order to close the Eckert power plant. The Central Substation is necessary to remove load from the Eckert substation prior to its closing and the Westside Reinforcement is necessary to maintain reliability and meet FERC and NERC reliability compliance requirements. The Westside Reinforcement involves modifying three existing substations and building eight miles of new 138 Kv transmission line. Mr. Brennan provided details on each project and indicated that both are on schedule and within budget.

Anti-Nepotism Policy Resolution

Michael Flowers, Human Resources Executive Director, reviewed the proposed changes to the Anti-Nepotism Policy.

Nepotism Policy

WHEREAS, ~~in order to~~ promote a diverse workforce, avoid even the appearance of favoritism in employment matters, and to assure that an employee's hire, transfer, or promotion is based solely on the employee's qualifications and performance, the Board of Water and Light (BWL) is altering and clarifying its policy on nepotism.

RESOLVED, ~~That~~ as of January 30, 2004, the BWL will not hire, transfer, or promote an employee to work in any Responsibility Area (RA) that reports to a Manager or Director or through a Manager to a Director where the Manager and/or Director is a family member of the employee. Additionally, no employee will be placed in a position in which he or she reports directly to a family member. ~~Following the effective date of this policy, no family member of a Commissioner, Board Appointee, Senior Vice President, or Director shall be hired by the BWL.~~

~~FURTHER RESOLVED, That for purposes of this policy, family member shall be defined as spouse, child, parent, step parent, sibling, step sibling, adopted child, step child, foster child, grandchild, grandparent, great grandparent, in-law, aunt, uncle, or any cousin.~~

FURTHER RESOLVED, ~~That~~ exceptions to this Policy may be permitted for reasons related to exigent needs of the BWL.

FURTHER RESOLVED, That the General Manager shall establish procedures consistent with this policy and shall be responsible for their implementation and compliance.

~~(Approved by Board 1/29/04 - Res. 2004-01-03)~~

GM Peffley stated that he has always had the right to waive the policy, but supports the recommended modifications.

After a brief discussion regarding why the modifications were recommended the following motion was offered.

Motion by Commissioner Price, **Seconded** by Commissioner McCloud to forward the Anti-Nepotism Policy Resolution with the proposed edits to the Board for consideration.

Unmanned Aerial Vehicle Storm Restoration Update

GM Peffley informed the Committee that the BWL purchased a drone and it is already paying big dividends for the BWL. He presented slides depicting the use of the drone to find hot spots on faulty wiring, transformer problems, and line feeds. An infrared camera on the drone helps to identify future failures.



There was some discussion regarding the capabilities of the drone. General Manager Peffley informed the Committee the drone is operated from a BWL truck that is set in a specific location and kept in line of sight. The discussion also touched upon the possibility of mobile mapping and data retention regarding circuit location and replacement. General Manager Peffley stated that exploration of such technology is being explored as well as the use of drones to find leaks during boiler inspections.

MIOSHA Update

A complaint was submitted to the Michigan Occupational Safety and Health Administration (MIOSHA) regarding the possibility of an explosion due to a faulty boiler. General Manager Peffley explained that more than likely it was not an explosion but a hunk of ash that fell and made a loud sound. He informed the Committee that when MIOSHA gets involved, a fine is usually assessed. It is worth mentioning that the BWL submitted documentation regarding the matter and there were no wrong findings.

Commissioner Louney thanked GM Peffley for providing the MIOSHA information to the Commissioners and for clarifying the difference between a violation and a warning.

GM Peffley also stated that the BWL is going for a high rating from MIOSHA that only Consumers Energy has and it requires very detailed inspections of the facilities. It takes a year to get the certification and only a handful of plants have them.

Mutual Aid Assistance

GM Peffley thanked the employees for the work that they did in Florida after the recent hurricane. He said the work that was done was well organized.

Other

GM Peffley provided the Commissioners with a copy of the Focus magazine in which the BWL was named as a catalyst to redeveloping the REO town area.

Commissioner Mullen spoke about the number of questions and requests that are being submitted to the three appointed employees by members of the Board of Commissioners. He suggested that questions be tapered down and that some be submitted for agenda topics at various committee meetings.

Adjourn

Motion by Commissioner Price, **Seconded** by Commissioner McCloud to adjourn the meeting.

Meeting adjourned at 7:02 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

FINANCE COMMITTEE

Meeting Minutes

January 9, 2018

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, January 9, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:05 pm and asked that roll be taken.

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

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

Cathy Welch stated her concern regarding the tree trimming process that is taking place in her neighborhood, the city, and elsewhere. She stated that she has learned that no research was done regarding the impact on the environment, wildlife, or economically and requested that tree trimming come to a halt until research has been done on the mentioned areas.

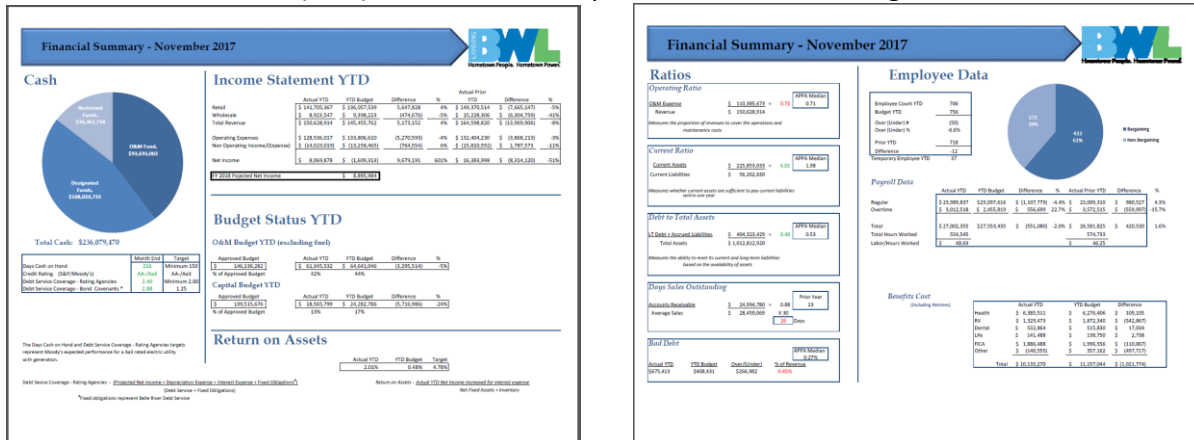
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of November 7, 2017.

Action: Motion Carried.

November YTD Financial Summary

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



Cash balance and metrics remain green and continue to be on track. The Income Statement indicates that the total revenue through November actual is just over \$150 million compared to budget of \$145 million. Through the first five months of the fiscal year, BWL is 5.1% over budget. Wholesale is slightly down primarily due to an extended outage at Belle River plant. Operating expenses continue to trend down and actual spend is about 2%. O & M spending will be tracking closer to budget in December and through the end of the year. Net income for the

fiscal year is anticipated to be just under \$9 million. Quarterly reviews are coming up and the mid-year review meetings, which are a good indicator of whether the projection needs to be adjusted, are scheduled to begin on January 29 with management. Any adjustments made in February will be noted in the March Finance Committee meeting. Capital spending is tracking slightly under budget based on cash flow but projections are to still spend the capital budget of around \$60 million. BWL has started the fiscal 2019 O& M and Capital budget and Finance will be working with management over the next several months.

Two of the five ratios are being met. The Operating ratio is slightly variant from the median because net income loss was projected but there was net income. Employee data hasn't changed from October. There are still vacancies to fill and temporary or contract employees are being utilized. Benefit costs are on track. About \$400,000 of the \$1 million under budget is due to a stop loss recovery that was received and credit was taken in the month the recovery was received.

There were inquiries from:

Commissioner Thomas inquired about the number of temporary and permanent employees.

Ms. Shawa responded that BWL has 37 temporary employees and that in the IT department there is a staff augmentation contract and those employees are not included in the count. If they are included, BWL is closer to or at budget. GM Peffley added that BWL is attempting to hold jobs open for employees at the Eckert plant and that HR continues working with Operations to attempt to find work for those employees when the plant closes.

Commissioner Zerkle inquired about the percentage of employees that will be retrained.

Ms. Shawa responded that a rough estimate is one-third of the employees. GM Peffley added that BWL is getting closer to the implementation of Smart meters and the positions of the employees that do the reads, turn ons and turn offs will be changing.

Commissioner Mullen inquired whether the implementation of the Smart meters (customer portal) would wait until they were all installed which would be in three to five years or would the portal be available as meters are installed.

Ms. Shawa responded that was correct, it would be available only upon full implementation.

Internal Audit Open Management Response Quarterly Report

Chief Financial Officer Heather Shawa stated that the report has not been updated due to the holidays, however Commissioner should be getting an update by email before the end of the week. Ms. Shawa stated that there was one new recommendation based on the internal audit which was completed: follow-up of the hiring audit performed last year. The recommendation was to establish a timing goal in filling open positions, tracking progress using the weekly record log which HR produces and then consideration to add a departmental metric such as a departmental scorecard. Human resources management is working on the recommendation and is looking to immediately working with the departments to better define the timing goal for each open position. HR will also consider adding a departmental metric by June 30, 2018.

Notice of Intent to Issue Revenue Bonds Resolution

Ms. Shawa presented the Notice of Intent to Issue Revenue Bonds resolution which is the first formal step in the bond issuance process. This resolution authorizes the BWL to publish the notice of intent for new money revenue bonds. This is not required for refunding, which is what was brought forth last winter. This resolution also establishes the intent to reimburse the BWL for project costs incurred prior to the issuance of the new bonds. For example, long lead items such as the gas turbines will need to be procured prior to issuance to secure them using cash on hand. Once the bonds are issued, BWL will reimburse itself with the bond proceed. After approval of this resolution and publication of the related notice, which is required to be up for 45 days, the next step will be approval of the bond authorizing resolution which will be in the March Finance agenda. Once the resolution is in place in March, BWL will secure initial funding structured as a bond anticipation note. This will provide the necessary funding to get the project started which is primarily the new plant. The next step will be to begin preparing for the revenue bond issuance which currently is planned to take place in November of 2018. This resolution also allows BWL to cover investment in the T&D buildout, part of our Lansing Energy Tomorrow initiative, with any excess proceeds. This will also allow BWL to maintain its strong cash metrics and not have to pull from designated capital funds.

Motion by Commissioner Price, Seconded by Commissioner Louney, to accept the Notice of Intent to Issue Revenue Bonds Resolution as presented.

Action: Motion Carried

Ms. Shawa introduced Bill Danhoff, BWL's bond counsel, to the Board. He and Brandie Ekren are assisting with the bond resolution.

Other

None

Adjourn

Commissioner Ross adjourned the meeting at 7:24 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

Lansing Board of Water and Light
RESOLUTION AUTHORIZING NOTICE OF INTENT
TO ISSUE REVENUE BONDS FOR A
NATURAL GAS COMBINED CYCLE FACILITY
AND SYSTEM IMPROVEMENTS

- Notice of Intent to Issue Revenue Bonds in an amount not-to-exceed \$500,000,000 to finance a natural gas combined cycle facility and system improvements

WHEREAS, the City of Lansing (the “City”) provides in its City Charter that the Lansing Board of Water and Light (the “Board”) has general management over water, heat, steam and electric services and certain additional utility services of the City, and the Board operates facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the “System”); and

WHEREAS, the Revenue Bond Act, Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”) permits the Board to issue revenue bonds payable solely from the net revenues derived from the operation of the System (the “Revenue Bonds”) in order to finance plants, works, instrumentalities, and properties used or useful in connection with utility systems such as the System; and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City and the users of the System to acquire and construct a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (collectively, the “Project”) at a total estimated cost of Four Hundred Thirty-Five Million Dollars (\$435,000,000); and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City to acquire and construct System Improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (collectively, the “System Improvements”) at a total estimated cost of Sixty-Five Million Dollars (\$65,000,000); and

WHEREAS, issuance of revenue bonds as permitted by Act 94 in an amount not-to-exceed Five Hundred Million Dollars (\$500,000,000) (the “Revenue Bonds”) appears to be the most practical means to finance the Project and the System Improvements; and

WHEREAS, a notice of intent to issue revenue bonds must be published before the issuance of the Revenue Bonds in order to comply with the requirements of Section 33 of Act 94; and

WHEREAS, the Internal Revenue Service has issued Treasury Regulation § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended, governing proceeds of debt used for reimbursement, pursuant to which the Board must declare official intent to reimburse expenditures with proceeds of such debt before making the expenditures.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Publication of Notice of Intent. The Board shall publish a notice of intent to issue the Revenue Bonds once as a display advertisement at least one-quarter (1/4) page in size in substantially the following form:

NOTICE TO ELECTORS OF THE CITY OF LANSING
OF INTENT TO ISSUE REVENUE BONDS FOR A
NATURAL GAS COMBINED CYCLE FACILITY
AND SYSTEM IMPROVEMENTS
AND RIGHT TO PETITION FOR REFERENDUM

PLEASE TAKE NOTICE that the Lansing Board of Water and Light intends to authorize the issuance and sale of Revenue Bonds pursuant to Act 94, Public Acts of Michigan, 1933, as amended, payable solely from revenues received by the Board from the operations of the Water Supply, Steam, Chilled Water and Electric Utility System (the "System"). The Revenue Bonds would be authorized in the maximum aggregate principal amount of not-to-exceed Five Hundred Million Dollars (\$500,000,000). A portion of the proceeds in an amount currently estimated to be \$435,000,000 would be issued for the purpose of paying costs to acquire and construct a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure. A portion of the proceeds in an amount currently estimated to be \$65,000,000 would be issued for the purpose of paying costs of System improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements. Costs financed with proceeds of the Revenue Bonds shall include funding of required bond reserve funds, capitalized interest and costs of issuance.

SOURCE OF PAYMENT OF REVENUE BONDS

THE PRINCIPAL OF AND INTEREST ON THE REVENUE BONDS SHALL BE PAYABLE solely from the net revenues received by the Board from the operations of the System. The revenues will consist of rates, fees and charges billed to the users of the System, a schedule of which is presently on file at www.lbwl.com. The rates, fees, and charges may from time to time be revised to provide sufficient net revenues to provide for the expenses of operating and maintaining the System, to pay the principal of and interest on the Revenue Bonds and any other bonds of the System, and to pay other obligations of the System. **The Revenue Bonds will not pledge the full faith and credit of the City. The Revenue Bonds will not be a general obligation of the City.**

The Revenue Bonds may be issued in one or more series and may be combined with bonds issued for other purposes, and each series will mature in not to exceed thirty (30) annual installments with interest at such interest rate or rates to be determined at public or negotiated sale but in no event to exceed such rates as may be permitted by law.

RIGHT OF REFERENDUM

THE REVENUE BONDS WILL BE ISSUED WITHOUT VOTE OF THE ELECTORS UNLESS A VALID PETITION REQUESTING AN ELECTION ON THE QUESTION OF ISSUING THE REVENUE BONDS, SIGNED BY NOT LESS THAN 10% OF THE REGISTERED ELECTORS OF THE CITY, IS FILED WITH THE CITY CLERK OF THE CITY OF LANSING WITHIN FORTY-FIVE (45) DAYS AFTER THE DATE OF PUBLICATION OF THIS NOTICE. If a valid petition is filed, the Revenue Bonds cannot be

issued unless approved by a majority vote of the electors of the City voting on the question of their issuance. This notice is given pursuant to the requirements of Section 33 of Act 94, Public Acts of Michigan, 1933, as amended.

ADDITIONAL INFORMATION may be obtained at the administrative offices of the Lansing Board of Water and Light, 1201 S. Washington Ave., Lansing, Michigan 48910.

M. Denise Griffin, Corporate Secretary
Lansing Board of Water and Light

2. Sufficiency of Notice. The Corporate Secretary is hereby directed to publish the notice of intent in *The Lansing State Journal*, a newspaper of general circulation in the City qualified under State law to publish legal notices, which is hereby determined to be the newspaper that will reach the largest number of persons to whom the notice is directed. The Board hereby determines that the notice of intent and the manner of publication directed is the method best calculated to give notice to the electors of the City and the users of the System of the Board's intent to issue the Revenue Bonds, the purposes of the Revenue Bonds, the source of payment of the Revenue Bonds, and the right of referendum relating thereto.

3. Statement of Intent under Treas. Reg. § 1.150-2. The Board hereby makes the following declaration of intent for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:

(1) The Board reasonably expects to reimburse itself for the expenditures described in (2) below with proceeds of debt to be incurred by the Board.

(2) The expenditures described in this paragraph (2) are to pay certain costs associated with the Project and the System Improvements which were or will be paid subsequent to sixty (60) days prior to the date hereof or which will be paid prior to the issuance of the debt from the funds of the System.

(3) As of the date hereof, the maximum principal amount of debt expected to be issued for reimbursement purposes, including reimbursement of debt issuance costs, is \$500,000,000, which debt may be issued in one or more series and/or together with debt for other purposes.

(4) A reimbursement allocation of the expenditures described in paragraph (2) above with the proceeds of the borrowing described herein will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project and the System Improvements are placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the Board's use of the proceeds of the debt to be issued for the Project and the System Improvements to reimburse the Board for a capital expenditure made pursuant to this Resolution.

(5) The expenditures for the Project and the System Improvements are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of "placed in service" under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).

(6) No proceeds of the borrowing paid to the Board in reimbursement pursuant to this Resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds, including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within

Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in paragraph (4) above.

4. Financial Advisor. The Board hereby requests that Public Financial Management, LLC continue to serve the Board as Financial Advisor for the Revenue Bonds, including any bond anticipation notes which the Board might authorize in a future resolution.

5. Bond Counsel. The Board hereby requests that Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan, continue to serve the Board as bond counsel for the Revenue Bonds, including any bond anticipation notes which the Board might authorize in a future resolution. The Board acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has represented from time to time, and currently represents various underwriters, financial institutions, and other potential participants in the bond financing process, in matters not related to the issuance and sale of the Revenue Bonds.

6. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

I 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, January 23, 2018, at 5:30 p.m., 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.

I further certify that the following Members were present at said meeting: _____
_____ and that the following Members were absent:
_____.

I further certify that Member _____ moved for adoption of said resolution and that Member _____ supported said motion.

I further certify that the following Members voted for adoption of said resolution: _____
_____ and that the following Members voted against adoption of said resolution: _____.

Corporate Secretary

Nepotism Policy

WHEREAS, in order to promote a diverse workforce, avoid even the appearance of favoritism in employment matters, and to assure that an employee's hire, transfer, or promotion is based solely on the employee's qualifications and performance, the Board of Water and Light (BWL) is altering and clarifying its policy on nepotism.

RESOLVED, That as of January 30, 2004, the BWL will not hire, transfer, or promote an employee to work in any Responsibility Area (RA) that reports to a Manager or Director or through a Manager to a Director where the Manager and/or Director is a family member of the employee. Additionally, no employee will be placed in a position in which he or she reports directly to a family member.

FURTHER RESOLVED, That exceptions to this Policy may be permitted for reasons related to exigent needs of the BWL.

FURTHER RESOLVED, That the General Manager shall establish procedures consistent with this policy and shall be responsible for their implementation and compliance.

(Approved by Board _____ - Res. _____)