



BOARD OF WATER AND LIGHT

REO Town Depot

1201 S. Washington Ave., Lansing, Michigan

March 26, 2019 - 5:30 p.m.

BOARD MEETING AGENDA

1. Roll Call

2. Pledge of Allegiance

3. Approval of Minutes

- a. Regular Board Meeting Minutes of January 22, 2019

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. Electronic mail from Brenda Shedrick re: Water Meter Concerns

6. Committee Reports

- a. Committee of the Whole Meeting (March 12, 2019) – Sandra Zerkle, Chair
- b. Finance Committee Meeting (March 12, 2019) – Ken Ross, Chair

7. Manager's Recommendations

- a. Central Sub Capital Exceedance Resolution

8. Unfinished Business

9. New Business

10. Resolutions/Action Items

- a. Amendment to Fifteenth Supplemental Revenue Bond Resolution to Increase Maximum Aggregate Principal Amount of Notes
- b. Amendment to Amended and Restated Utility System Revenue Bond Resolution

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

January 22, 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 Tuesday, January 22, 2019.

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

Present: Commissioners David Price, Beth Graham, David Lenz, Anthony McCloud, Anthony Mullen, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Dion'trae Hayes (Lansing Charter Township), Douglas Jester (East Lansing), and William Long (Delta Township).

Absent: Commissioner Ken Ross

Acting Corporate Secretary Koutsoukos declared a quorum.

Commissioner Price recognized and welcomed new Commissioner, David Lenz, representing Lansing's 1st Ward, to his first Regular Board Meeting.

Commissioner David Lenz led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Zerkle, Seconded by Commissioner McCloud, to approve the Regular Board Meeting minutes of November 13, 2018.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Dennis Muchmore regarding the RFP process - *Referred to Management. Received and Placed on File*
- b. Melinda Hollembaek regarding a street light situation - *Referred to Management. Received and Placed on File*
- c. Ahnalee Brincks regarding the placement of a light pole - *Referred to Management. Received and Placed on File*
- d. Thank you card from IBEW Business Manager Ron Byrnes - *Received and Placed on File*

Commissioner Zerkle presented the Committee of the Whole Report:

COMMITTEE OF THE WHOLE
Meeting Minutes
January 8, 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, January 8, 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, and Non-Voting Members: Doug Jester (East Lansing) (@5:42pm), and William Long (Delta Township).

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

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner Mullen, to approve the Committee of the Whole Meeting minutes of November 6, 2018.

Action: Motion Carried.

Committee of the Whole Chair Sandra Zerkle welcomed new 1st Ward Commissioner, David Lenz.

New Plant Update

General Manager Peffley provided the Committee of the Whole with an update on the Eckert plant. Mr. Peffley stated that as of January 1, 2019, the Eckert plant is being used for capacity only and will operate in this manner through January 31, 2020 at which time all operation will cease. Most of the 101 employees that were working at the Eckert plant have transitioned into new positions; only a handful of employees remain at the plant to operate in the event of an emergency.

Executive Director of Planning and Development, George Stojic provided an update on the new combined-cycle plant. Mr. Stojic acknowledged the employees and teams that have been working on the processes for the new plant: Rob Hodge, Director Delta Energy Park Project, Mark Williams, Advisor, Senior Special Projects, and Dan Flynn, Principal Engineer. Mr. Stojic's update included the plant and owner procurement process, acquiring air and wetland permits, selecting a construction manager as well as major equipment delivery.

Integrated Resource Plan (IRP)

George Stojic, Executive Director of Planning and Development, discussed the process that the BWL plans to follow for the 2019-2020 Integrated Resource Plan (IRP). Mr. Stojic's explained the planned process includes individual meetings with key stakeholders, public meetings to be held throughout the BWL's service territory, resource plans for data development and dynamic modeling, and a final report to the Board. Mr. Stojic also stated that there are plans to undertake an update of the Board's Strategic Plan following the IRP.

Board Self-Evaluation Review

Board Chairperson, David Price, and BWL Executive Director of Human Resources, Michael Flowers, reviewed the results of the Board Self-Evaluation. Board Chair Price stated that he was pleased with the results of the 360 Survey.

Commissioner Price questioned the necessity of the Board Self-Evaluation being conducted annually as stated in the Governance Policy and a discussion followed. Commissioner Ross asked that open-ended comments/questions be added to future Board Self-Evaluations to enable further discussion of the results.

Motion by Commissioner Price, **Seconded** by Commissioner Graham, to amend the Governance Policy to reflect the following change: **From** “each year the Board will conduct a self-evaluation” **To** “every two years the Board will conduct a self-evaluation.”

Action: Motion Carried

The amendment in the form of a Resolution will be brought forward for consideration by the Full Board at the January 22, 2019 Regular Board meeting.

Other

COW Chairperson, Sandra Zerkle, welcomed the new 1st Ward Commissioner, David Lenz.

Motion by Commissioner Ross, **Seconded** by Commissioner Price to excuse Commissioners Haynes, McCloud and Thomas from tonight’s meeting.

Action: Motion Carried

Adjourn

Motion by Commissioner Price to adjourn the meeting. The meeting was adjourned at 6:56 p.m.

Respectfully Submitted
Sandra Zerkle, Chair
Committee of the Whole

Board Chair David Price presented the Finance Committee Report on behalf of Finance Committee Chair Ken Ross:

FINANCE COMMITTEE Meeting Minutes January 8, 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, January 8, 2019.

Finance Committee Chair Ken Ross called the meeting to order at 7:02 pm and asked Corporate Secretary Griffin to take a roll call.

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

Absent: Commissioner Tony Mullen

The Corporate Secretary declared a quorum.

Public Comments

None.

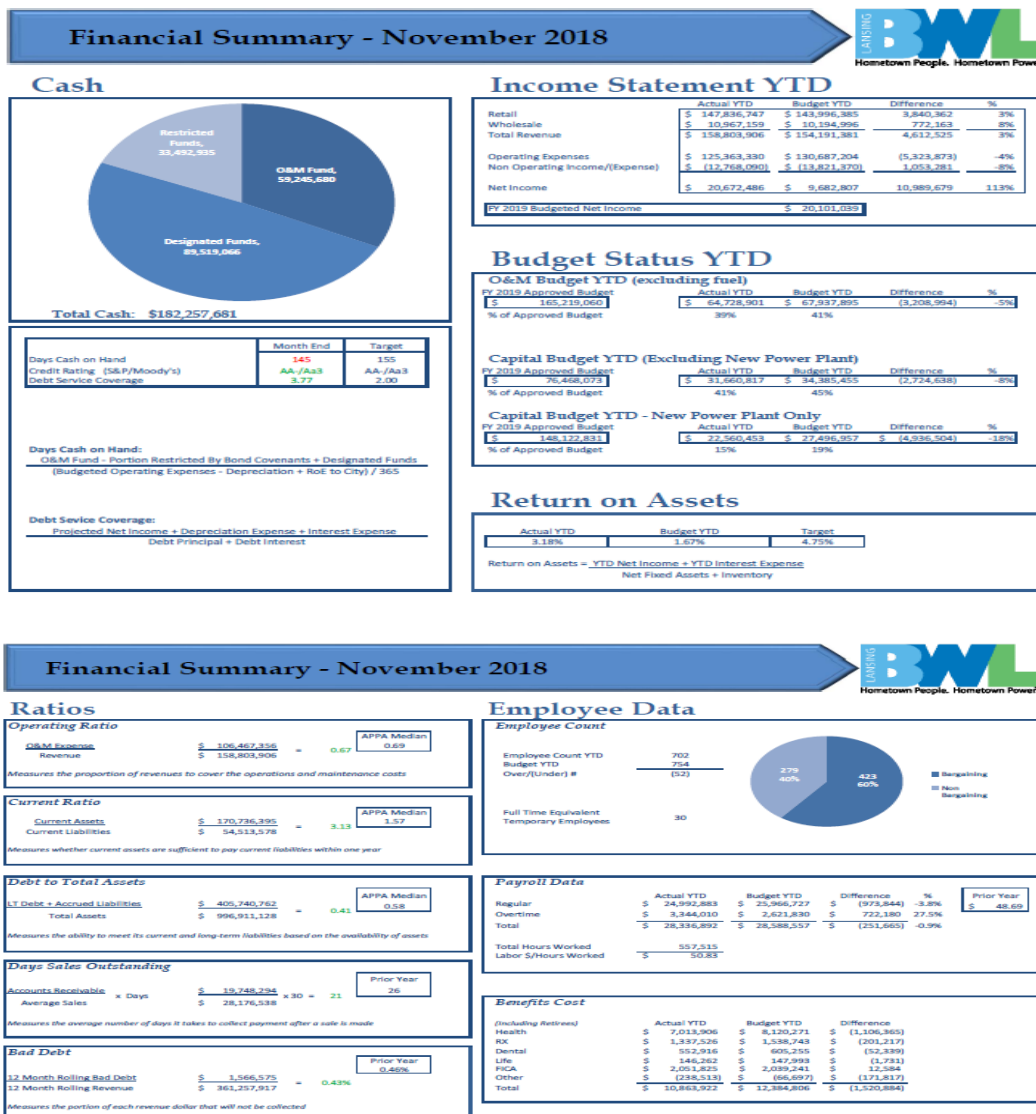
Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Graham, to approve the Finance Committee meeting minutes of November 6, 2018.

Action: Motion Carried.

November YTD Financial Summary

Chief Financial Officer (CFO), Heather Shawa presented the following Year to Date Financial Review:



Total Cash is just over \$182 million, Days Cash on Hand is 145, and Debt Service Coverage Ratio is 3.77. O&M cash decreased, causing the Days Cash on Hand to be below the target of 155. Ms. Shawa reminded the Commissioners that this target represents the Fiscal Year End (FYE) Minimum Cash Reserve Requirement, and the interim FY decrease was based on a conscious decision to save on overall interest costs to the BWL by not

borrowing from our Bond Anticipation Note (BAN). Ms. Shawa stated that the Days Cash on Hand will likely drop again in December but is still on track to be above the Minimum Cash Reserve Requirement of 155 at FYE. Ms. Shawa also stated that revenue was about \$4.5M over budget and operating expenses were under budget, resulting in a net income of \$20.7M compared to a fiscal year to date of \$9.7M. Ms. Shawa mentioned that all five ratios are currently beating their relative benchmark and that we continue to see a positive claims experience related to our benefit cost.

Ms. Shawa updated the Commissioners on the O&M and Capital Budget and Forecast timeline. Ms. Shawa stated that both the FY20 O&M and Capital Budget and FY20-25 forecast processes have been underway since November. Ms. Shawa outlined a few of the main tasks that will lead to the May 14th Finance Committee and May 28th Board Meeting presentations.

Commissioner Zerkle requested that Ms. Shawa provide a budget process update in her monthly communications with the Commissioners and Ms. Shawa responded that she will provide this update in her future monthly communications.

Internal Audit Open Management Responses Update

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

STATUS OF MANAGEMENT RESPONSES TO AUDITS DECEMBER 2018


In Accordance with Board Resolution #2014-07-05

Updates in red

Issue #	Audit Name	Audit Issue Description	Response Date	Responsible Area	Status of Management Response
52	COBIT Compliance	Internal Audit noted that actions should continue on as expedited a schedule as possible to reach full compliance with the adopted IT governance framework.	June 2017	Information Technology	Of 56 items involved, 42 are being reported by IT as complete, 10 on track, 3 overdue, and 1 ongoing. Internal Audit is in the process of verifying IT's reported status.
59	Succession Planning	Internal Audit supports identifying critical positions as soon as possible.	March 2018	Human Resources	A focus group has piloted a tool to assist with identification of critical positions which will be implemented on an organization-wide basis by 6/30/19. Implementation was previously estimated to occur by 12/31/18.
60	Succession Planning	Internal Audit supports training and development of succession candidates.	March 2018	Human Resources	Candidate assessment and development are underway, as part of the BWL Leadership Academy, and will continue through June 2019.
65	Physical Security <i>NEW</i>	Internal Audit supports a periodic review of all facility access.	Sept 2018	Industrial Health & Safety	Security will report facility access to managers on an annual basis, for review and response. Manager responses for this year, along with implementation of any corresponding changes to physical access indicated as being needed, are expected to be completed by 12/31/18.
66	Physical Security <i>NEW</i>	Internal Audit recommends controls over security personnel permitted to carry firearms on a concealed basis be enhanced.	Sept 2018	Industrial Health & Safety	Controls over security personnel authorized to carry firearms on a concealed basis will be enhanced by 12/31/18.
67	Contract Signature Authority Compliance <i>NEW</i>	Internal Audit noted the need for alignment with the updated organizational structure and Procurement Procedure, inclusion of MOUs, and consistently obtaining the Corporate Secretary's signature.	October 2018	Legal Services	Management will enhance training and communication to help ensure Corporate Secretary's countersignature is obtained as required; update Contract Signature Authority and Special Delegation documents to reflect current organizational structure and include MOUs; and revise policy and procedure to require General Counsel's consultation on purchase orders; all by 3/31/19.
68	Contract Signature Authority Compliance <i>NEW</i>	Internal Audit noted that proper approval and supporting documentation need to be on file.	October 2018	Legal Services	Management will develop policy establishing requirements for legal consultations and approvals, including documentation and approval requirements for direct payments involving agreements, as well as enhance training, communication, and document templates to help ensure proper approvals are obtained and documentation is on file, by 6/30/19.

Issue #	Audit Name	Audit Issue Description	Response Date	Responsible Area	Status of Management Response
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Closed Issues (since June 2018 report):

46	Performance Evaluation & Compensation	Internal Audit recommended job descriptions be updated.	January 2017	Human Resources	Job descriptions have been updated.
47	Performance Evaluation & Compensation	Internal Audit recommended increasing flexibility with awarding merit increases.	January 2017	Human Resources	The plan for decoupling of base and merit increases has been completed.
58	Succession Planning	Internal Audit recommends that Succession Planning procedures be formally approved and updated annually.	March 2018	Human Resources	An updated Succession Planning procedure has been approved by executive management.
63	Customer Arrangements & 3rd Party Payments <i>NEW</i>	Internal Audit recommends setting a target success rate and monitoring for the degree of achievement of it, for Regular Arrangements, along with considering the possibility of a new payback period guideline.	July 2018	Customer Service	Customer Service has researched target success rates for customer payment arrangements in use by other utilities and confirmed the appropriateness of the standard length of time for payback in use with BWL customers. The Customer Service Business Analyst is conducting monitoring on a monthly basis.
64	Customer Arrangements & 3rd Party Payments <i>NEW</i>	Internal Audit recommends setting a target success rate and monitoring for the degree of achievement of it, for Special Arrangements, along with considering the possibility of a new supervisory approval guideline.	July 2018	Customer Service	Customer Service is tracking success rates for both Standard and Special Arrangements on their department scorecard and has confirmed that established review/approval requirements remain appropriate.

Other

Motion by Commissioner Price, Seconded by Commissioner Graham, to excuse Commissioner Mullen from tonight's meeting.

Action: Motion Carried

Adjourn

Commissioner Ross adjourned the meeting at 7:33 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

There were no Manager's Recommendations.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION 2019-01-01

Board of Commissioners Governance Policy Amendment

WHEREAS, The Lansing Board of Water & Light (BWL) is a municipally owned utility company organized under the Lansing City Charter as permitted by the Home Rule Cities Act, MCL 117.4(f)(c), and governed by the Board of Commissioners ("Board"). The Board, per the Lansing City Charter, is delegated administrative, executive and policy-making authority over the operation of the BWL, which includes the full and exclusive management of water, heat, steam and electric services and such additional services of the City of Lansing as may be agreed upon by the Board and City Council.

WHEREAS, per the Lansing City Charter, the Board has appointed three individuals, Director (also known as the General Manager), Internal Auditor (also known as the Director of Internal Audit) and Secretary (also known as the Corporate Secretary), who report directly to the Board and serve at the Board's pleasure. The General Manager is also responsible to the Board for carrying out the duties assigned by the Board, which includes but is not limited to the operation and management of the BWL.

WHEREAS, the Board's role as the governing body for the BWL includes certain fiduciary duties such as acting in the BWL's best interest, protecting and enhancing the BWL as owned by its rate payers, exercising reasonable care, loyalty and good faith in actions and decisions, meeting legal and regulatory requirements, and assuring the General Manager, Director of Internal Audit and Corporate Secretary are effective with adequate support and resources.

WHEREAS, while the Administrative Rules of Procedure as approved by Lansing City Council in accordance with Section 5-105 identifies how the Board will conduct business and is organized for fulfilling its policymaking responsibilities necessary for the operation of the BWL, it desires to better define the understanding between individual Board members on day to day dealings.

WHEREAS, the Board recognizes the need for a self-evaluation but deems that an evaluation conducted every year is unnecessary and that conducting an evaluation every two years is sufficient in determining the ways in which efficiency and effectiveness can be improved

RESOLVED, the Board amends the Governance policy relating to the period of time that the Board will conduct a self-evaluation from each year to every two years; with the next evaluation to be conducted in 2020.

Motion by Commissioner McCloud, Seconded by Commissioner Graham, to amend the Board of Commissioners Governance Policy from conducting a self-evaluation each year to every two years.

Action: Motion Carried.

MANAGER'S REMARKS

General Manager Dick Peffley recognized Lansing City Attorney, Jim Smiertka. Mr. Smiertka stated that he will be attending future Regular Board meetings in order to fulfill Lansing City Charter responsibilities as the chief legal officer for all boards and authorities.

GM Peffley provided an Organizational Update to be effective February 2019. Mr. Peffley stated that due to the retirement of George Stojic, Executive Director of Planning and Development, General Counsel Brandie Ekren is being promoted to the Executive Director of Strategic Planning and Development. As part of Ms. Ekren's new position, a Marketing Department will be created. General Manager Peffley also stated that he is recommending Mark Matus, the current Deputy General Counsel, to be promoted to General Counsel.

GM Peffley recognized George Stojic for his 42 years of public service—30 years at the Public Service Commission and 12 years at the BWL. GM Peffley listed some of the career accomplishments provided to the BWL by Mr. Stojic: long term planning, environmental compliance, engineering efficiency, renewable energy programs, major customer projects, project engineering, market operations, plus budget and planning at the REO plant and the Delta Energy Park.

Mr. Stojic stated that it was a privilege to work at the BWL and commended the BWL for its great leadership. Mr. Stojic thanked GM Peffley for allowing him to pursue projects that he thought would make BWL a better utility for the future. Mr. Stojic thanked the BWL and the citizens in the community for exercising informed and competent judgments on complex tasks in ways that preserved public welfare, that promoted economic growth, and that are getting Lansing ready for the future.

COMMISSIONERS' REMARKS

Board Chair David Price thanked George Stojic for his years of service.

Commissioner Zerkle congratulated Ms. Ekren on her new position as well as Mr. Stojic for his service and for always being well informed. Commissioner Zerkle recognized GM Peffley for the lifetime service award he received at the Martin Luther King Jr. luncheon on January 21, 2019. GM Peffley responded that the BWL employees are the ones deserving of the award as they went to Flint to help the citizens and gave them a glimmer of hope for clean drinking water.

Commissioner Thomas echoed the compliments of Commissioner Zerkle for the Keeper of the Dream Award given to GM Peffley and noted it was the first time it has been awarded. Commissioner Thomas commended Michael Flowers, BWL Executive Director of Human Resources, for his participation on the commission that

produced the Martin Luther King Jr. luncheon and program. Commissioner Thomas also congratulated Ms. Ekren on her new position and Mr. Stojic on his retirement and for his years of service.

Commissioner Long also recognized Mr. Stojic and commended him for his knowledge both on the Public Service Commission and at the BWL.

Commissioner Price commented that some cities are claiming that city buildings are going to be 100% renewable in terms of their energy by a certain date and asked if the BWL could offer that service to the city of Lansing. GM Peffley responded that BWL can offer that to the city of Lansing for city buildings with the addition of 1.3 cents per kW added to their bill.

MOTION OF EXCUSED ABSENCE

Excused Absence

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

Action: Motion Carried

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Price adjourned the meeting at 5:58 p.m.

Data from form "E-mail BWL Commissioners" was received on 2/6/2019 5:32:47 PM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	Brenda Shedrick
Address	1214 w. Maple st Lansing MI. 48915
email	brendasweeney54@gmail.com
E-mail Subject	water meter freezing
Message	charged 250.00 for water meter and had my water turned off for hours when my bill was not late .or even billed yet. My meter did not freeze . I did not neglected or cause any actions for it to freeze. the space is heated outside of the meter and the vent .the door was not close. the new meters are a piece of JUNK that should not be used in Michigan. I cannot get any kind of Spec on the water meter. I want it in writing from the commissions as I'm putting in a request now. Telling me it's my responsibility if a water meter fails. I have other proof of the condition of my basement . As many bad meter that in saw at your station, should tell you there is a problem. but if you just pass the buck i guess it doesn't matter

Email "water meter freezing" originally sent to mdg@lbwl.com from noreply@lbwl.com on 2/6/2019 5:32:47 PM.

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 Managers 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 Lazic 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

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.

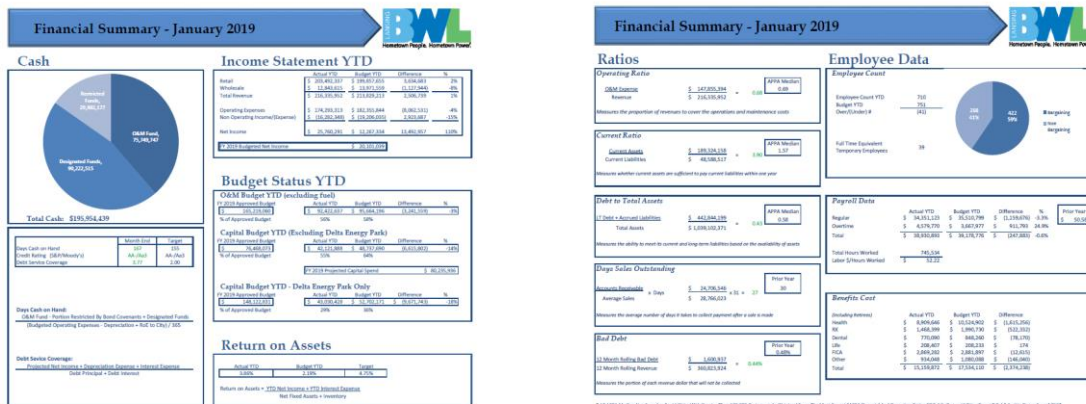
Approval of Minutes

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

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



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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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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.



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Other

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

**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.

Lansing Board of Water and Light

RESOLUTION TO AMEND 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 _____ and that the following Commissioners were absent _____.

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

We further certify that the following Commissioners voted for adoption of said resolution _____ and that the following 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.

Chairperson

Corporate Secretary

Lansing Board of Water and Light

RESOLUTION TO AMEND 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; or
- (ii) 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.) equal semi-annual installments beginning on the date which is 180 days following the Ratings Downgrade Event; or
- (iii) transferring moneys to the Bond Reserve Account from proceeds of Additional Bonds within 180 days of the Ratings Downgrade Event; or
- (iv) purchasing a letter of credit

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 _____ and that the following Commissioners were absent _____.

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

We further certify that the following Commissioners voted for adoption of said resolution _____ and that the following 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.

Chairperson

Corporate Secretary