



FINANCE COMMITTEE MEETING
LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
May 10, 2022 - 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910

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

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Finance Committee Meeting Minutes of February 22, 2022..... **TAB 1**
- 2. March YTD Financial Summary **TAB 2**
- 3. Retirement Plan Committee Updates
 - a. RPC Update..... **TAB 3a**
 - b. DB Investment Policy Statement Draft **TAB 3b**
 - c. DB Investment Policy Statement Resolution..... **TAB 3c**
 - d. VEBA Investment Policy Statement Draft **TAB 3d**
 - e. VEBA Investment Policy Statement Resolution **TAB 3e**
- 4. General Manager Recommendation for RPC Appointment Change
 - a. Retirement Plan Committee Appointment Change Resolution..... **TAB 4**
- 5. Drinking Water State Revolving Fund (DWSRF)
 - a. Project Plan Approval Resolution..... **TAB 5**
- 6. FY23 Operating Budget and FY23-28 Forecast Presentation..... **TAB 6**
 - a. Fiscal Year 2023-2028 Budget and Forecast Resolution **TAB 6a**
- 7. Internal Audit Status Report **TAB 7**

Other

Adjourn

FINANCE COMMITTEE Meeting Minutes February 22, 2022

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, February 22, 2022.

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

Present: Commissioners Tony Mullen, Beth Graham, Semone James, David Price and Sandra Zerkle. Also, present: Commissioners Tracy Thomas and Non-Voting Commissioners Douglas Jester (arrived @ 5:36 p.m.) and Larry Merrill (Delta Township)

Absent: None

The Interim Corporate Secretary declared a quorum.

Public Comments

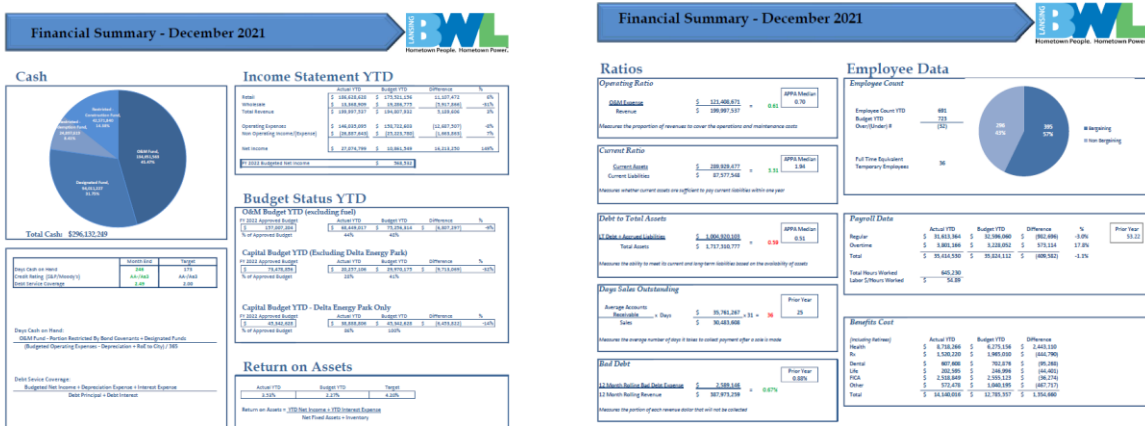
There were no public comments.

Approval of Minutes

Motion by Commissioner James, **Seconded** by Commissioner Graham to approve the Finance Committee meeting minutes of January 11, 2022.

Action: Motion Carried.

December YTD Financial Summary



CFO Heather Shawa gave a review of the December 2022 Year-to-date Financial Summary. CFO Shawa reported that Total Cash decreased from the prior month due to the semi-annual Return

on Equity payment and the use of bond proceeds for the continued construction of Delta Energy Plant (DEP). Days Cash on Hand remains strong. Retail sales is 6% above budget due to increased residential and commercial consumption and this off sets the under budget of industrial sales which is due to the GM chip shortage. Wholesale revenue is under budget due to the delay in commercial operation for DEP and an unplanned outage at Erickson. Operating expenses and budget are down due to depreciation associated with the delay of commercial operation of DEP and under budget departmental spending which includes outside consulting services. Capital budget is under budget due to some delay in the supply chain resulting in project schedule changes. Two of the five ratios are below target. Debt to Total Assets is driven by the debt incurred with the Delta Energy Plant. Days Sales Outstanding is affected by giving longer payment plans to customers and non-shutoff plans during the pandemic. Employee count and payroll data are consistent with previous data. The increase in overtime is due to the broken poles and train incident. Benefit costs are over budget due to medical costs for increased claims but will be offset by a stop loss payment for three large claims.

Commissioner Zerkle commended the decrease in bad debt ratio and asked if the employee benefit costs increased due to overtime and filling in for COVID absences. CFO Shawa responded that at the beginning of the pandemic non-emergency medical treatments were deferred and BWL's health care consultant advised that the benefits costs would increase when the non-emergency medical treatments were allowed. CFO Shawa added that the costs weren't expected to decrease for about a year. GM Peffley added that there would be two more pandemic relief fairs held, on March 9th at Grier Community Center and March 15th at Letts Community Center, that would bring in additional funding to decrease the costs.

Commissioner James asked why budgeted positions were not being filled by the temporary employees. CFO Shawa responded that as vacancies occur the hiring process begins and with turnover there is an average of 25 openings ongoing. CFO Shawa added that some positions are contract positions for specific projects. GM Peffley added that employees have about two weeks to try out a job which slows down the process. Chairperson Mullen asked whether a presentation could be presented on how benefits are provided to BWL employees. CFO Shawa responded that would be an excellent Human Resources Committee topic.

Capital Project Summary

Finance Manager, Scott Taylor, presented the Capital Project Summary.

Report as of December 31, 2021											
Projects Sorted by the Current Projection (Highest to lowest costs)											
Project Name	Current Phase	FY 22		Total Project				Project Period			
		Budget	Projected	Designed Budget Amount	Current Projection	\$ Variance	% Variance	Total Cost Incurred To-Date	% Total Cost Incurred To-Date	Start Date	Projected Completion Date
Top Ten Planned Projects											
Advanced Metering Infrastructure	Phase 4 - Construction	\$ 873,373	\$ 1,399,322	\$ 37,187,288	\$ 37,716,593	\$ 529,305	1.42%	\$ 37,011,834	98.13%	6/6/2014	6/30/2022
Stanley Substation	Phase 1 - Feasibility	\$ 804,904	\$ 357,113	TBD	\$ 34,920,108	\$ -	0.00%	\$ 74,399	0.21%	3/15/2021	12/9/2027
Wise Substation - Rebuild	Phase 3 - Design	\$ 8,554,408	\$ 2,510,951	TBD	\$ 25,781,235	\$ -	0.00%	\$ 1,028,437	3.99%	2/1/2020	6/30/2024
Rundle Substation	Phase 2 - Funding Readiness	\$ 500,000	\$ 735,417	TBD	\$ 24,429,851	\$ -	0.00%	\$ 142,518	0.58%	3/15/2021	10/25/2025
South Reinforcement - Transmission Line	Phase 3 - Design	\$ 2,980,991	\$ 2,318,539	TBD	\$ 20,921,628	\$ -	0.00%	\$ 3,168,088	15.14%	9/20/2017	11/29/2024
LGR Substation	Phase 1 - Feasibility	\$ 49,438	\$ 403,657	TBD	\$ 17,987,179	\$ -	0.00%	\$ 102,032	0.57%	3/15/2021	6/9/2026
Customer Information System	Phase 4 - Construction	\$ 1,550,764	\$ 3,479,838	\$ 17,425,255	\$ 16,069,659	\$ (1,355,596)	-7.78%	\$ 13,570,568	84.45%	4/30/2019	6/30/2022
Dye Dry Chemical Handling	Phase 3 - Design	\$ 714,061	\$ 1,199,816	TBD	\$ 13,707,307	\$ -	0.00%	\$ 581,991	4.25%	8/17/2020	8/31/2026
REO GM Hot Water Service	Phase 1 - Feasibility	\$ -	\$ 155,375	TBD	\$ 9,702,660	\$ -	0.00%	\$ 2,137	0.02%	11/15/2021	2/28/2025
ESRI Implementation	Phase 4 - Construction	\$ 300,000	\$ 555,492	\$ 6,520,417	\$ 6,875,503	\$ 355,086	5.45%	\$ 6,524,003	94.89%	7/1/2015	6/30/2022
Total Top Ten Planned Projects		\$ 16,327,839	\$ 13,115,521		\$ 208,111,722			\$ 62,206,007			
Project Watch List - Projects \$100k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
Total Project Watch List		\$ -	\$ -		\$ -			\$ -			
Remaining Planned											
Electric		\$ 13,695,033	\$ 12,848,394								
Water		\$ 2,317,000	\$ 1,974,072								
Steam		\$ -	\$ 482,671								
Chilled Water		\$ -	\$ -								
Common		\$ 3,098,404	\$ 3,460,263								
Total Remaining Planned		\$ 25,110,437	\$ 18,765,401								
Annual											
Electric		\$ 15,692,000	\$ 14,394,377			\$ 702,377	4.48%				
Water		\$ 9,234,050	\$ 8,457,262			\$ (776,788)	-8.41%				
Steam		\$ 1,746,132	\$ 1,437,696			\$ (308,526)	-17.67%				
Chilled Water		\$ 50,000	\$ 50,000			\$ -	0.00%				
Common		\$ 5,318,298	\$ 5,635,404			\$ 307,106	5.77%				
Total Annual		\$ 32,040,480	\$ 31,964,649								
Grand Total		\$ 73,478,856	\$ 63,845,570								

Note:
For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin error.
For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.
Variances highlighted in red are over the \$200k and 15% thresholds.

The top ten largest projects are portrayed in the top section of the Capital Project Summary. The summary is put together to determine if any of the projects are nearing budget exceedance. If the project reaches the \$200,000 and 15% threshold, it is brought to the Board with a Capital Exceedance resolution. Some projects are running a little over and some a little under due to shifting in the time of the projects. Mr. Taylor noted that the total projection is \$10 million under budget.

Commissioner James asked why eight of the projects are under budget. Mr. Taylor stated that for the Stanley Substation there is a delay in obtaining easements resulting in a delay in spending in construction. GM Peffley added that a delay in construction resulting in a delay of spending may cause an overbudget as delays are usually more expensive. Commissioner Zerkle commented that the incomplete projects would be placed in the 2023 budget and that there would be carryover to the next budget. CFO Shawa added that when a project is in Phase 3 – Design the budget is locked in and Phase 4 and Phase 5 are where capital exceedance requests are considered if needed.

Retirement Plan Committee (RPC) Updates

CFO Heather Shawa presented the Retirement Plan Committee (RPC) investment and administrative activity updates. Quarterly meetings were held with advisor ACG for the DB and VEBA plans and the quarterly performance reports as of December 31, 2021 were reviewed.

Public Act 202 of 2017 was discussed which established uniform assumptions of retirement systems. One change being recommended is reducing the rate of return and discount rate from 7% to 6.85% for the VEBA plan. Mr. Taylor and actuarial Mark Miller are running the numbers to determine the impact of a 6.85% rate and a 6.5% rate. An update to the investment policy statement will be provided if needed and brought to the Board. The quarterly meeting with Nationwide will be held the first week of March. A voluntary correction program (VCP) was sent to the IRS and compliance statements were received. Notification needs to be sent on or before June 26, 2022 to 46 affected participants that the overpayments they rolled over were not eligible for tax free rollover treatment.

Drinking Water State Revolving Fund (DWSRF)

Mr. Taylor introduced BWL Water Principal Engineer, Mr. Michael Lehtonen, who presented information on the Drinking Water State Revolving Fund (DWSRF). DWSRF is a State of Michigan program to assist water suppliers in meeting the requirements of the Safe Water Drinking Act through low interest loans. Eligible projects are new projects that improve reliability, water quality or compliance with an enforcement action, and replacement or upgrade of existing assets that are past the end of useful life. The program offers low interest 20-year loans for 1.85% or 30-year loans for 2.125% with a potential principal forgiveness of 4% - 30% for a Disadvantaged Community. There is a high likelihood that funds from the Federal Infrastructure Bill will be administered through this program. BWL participated in SRF through the City of Lansing's Combined Sewer Overflow (CSO) projects prior to 2008 and currently is self-funding CSO projects. BWL applied to DWSRF for the funding of three CSO projects but was ranked 61 out of 109 projects where the cut off range was 53. To better understand the scoring criteria, BWL met with EGLE and plans to add more diverse projects to maximize points. Mr. Lehtonen provided project plan updates and the project plan schedule for 2022 to submit to EGLE.

Commissioner Zerkle asked whether the 20-year loan was being considered and whether any funds from the Federal Infrastructure Bill would lower the loan. CFO Shawa responded that the 20-year loan was the preferable loan to consider and federal funding would be applied to the loan.

Commissioner Thomas asked whether the next meeting would be virtual or in person and for the length of the meeting. CFO Shawa responded that the EGLE consultant would determine the meeting specifics.

Commissioner Zerkle asked whether any of the drinking water funding could be used for the Erickson water issue. GM Peffley responded that if it is deemed that the increased boron levels were from the coal ash pond that would pertain to the electric part of utility service and not water.

CFO Shawa stated that updates will be provided in the monthly executive highlights and a resolution to adopt a project plan, which is due under EGLE by July 1, 2022, will be provided in the May 2022 Finance Committee meeting. If EGLE approves the loan for the project plan it will be brought before the Board again for approval.

Commissioner Mullen asked if there was additional funding available through the Federal Infrastructure plan. CFO Shawa responded that as more federal funding is going to water infrastructure at this time, the DWSRF funding proposal was updated to include replacing aging water mains, water production facilities and supply wells, plus building a 2-3 million gallon elevated storage or reservoir tank.

Commissioner Jester commented on the federal investment and jobs act in the infrastructure bill called Justice40 that states 40% of spending on climate and energy is to go to communities that have a combination of low income and low education. He stated that there will be a competitive advantage for BWL for making proposals that target those parts of the community. CFO Shawa responded the BWL is working with the City of Lansing and the community response cabinet on grant writing.

Internal Auditor Status Report

Interim Internal Auditor Brian Schimke presented the Internal Auditor Status Report and requested approval of the Internal Audit Plan.

Proposed (Revised) FY 2022 Audit Plan

1. Planned Audits

- Time Recording, Payroll Processing, Payment of Overtime and Review Access to Employee Master File (Human Resources: Last Audit - October 2017)
- Manage Mobile Devices (Information Technology: Last Audit - October 2017)

2. Alternate Audits

- Enterprise Information Management/Records Retention Management (Legal: Last Audit - March 2014)
- Outage Management System (Operations: Last Audit - April 2015 [Prior OMS System])

**Please note – Alternate audits may only be implemented if there is ample time left in the fiscal year to commence or if circumstances prevent IA from commencing a planned audit.*



IA Status Report 02/22/2022

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Proposed (Revised) FY 2022 Audit Progress Report

Audit Engagements and Activities in Audit Plan Completed, Active, Scheduled to Start, or Changed.

1. Payroll Audit – Audit Status: Active, commenced preliminary work back on 08/23/2021
2. Mobile Devices Audit – Audit Status: Scheduled to start after receiving approval of the proposed (revised) FY22 Audit Plan

**Please note: A FY22 Audit Plan has NOT been approved, however, IA was given permission to engage in audit work related to the FY22 Payroll Audit.*



IA Status Report 02/22/2022

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Other Items Internal Audit's Addressing

1. **FY22 IIA Required Peer Review**
 - Required to be completed every five years to maintain compliance with IIA standards. The last Peer Review was completed in FY2017
2. **Working on completing FY22 Goals**
 - Established to improve the efficiency and efficacy of Internal Audit
3. **Composing an Audit Universe for Board of Commissioners**
 - Will provide the Commissioner's with a comprehensive list of previous audits and breadth of the universe



Commissioner Mullen asked if additional help would be required or obtained to complete the audits. Mr. Schimke responded that additional help was requested for the extensive cybersecurity audit and that he has plenty of templates and guidance from previous audits to complete the proposed planned and alternate audits.

Commissioner Jester inquired whether the outage management system audit would include looking at the capacity of the system during a large outage. Mr. Schimke responded that he would review the audit that was completed during the ice storm and conduct an audit with those issues and measures in mind. He added that a third party may be required to conduct a simulation.

Commissioner Zerkle asked which audits could be completed by June. Mr. Schimke responded he would conduct the payroll audit first, then the Enterprise Information Management Records Retention Management, and then the mobile management devices audit. Additional preparation will be conducted with the IT department for the mobile management devices audit.

Mr. Schimke stated that preliminary work has been started with an audit engagement letter for the payroll audit and requested approval for the proposed audit plan.

Chairperson Mullen recommended putting the prepared audit information into the Commissioners' dashboard in Smartsheet. Commissioner Price added that a lot of the audit information has already been placed in the Commissioners' dashboard Smartsheet but may need some fine tuning.

Commissioner Jester inquired about the audit universe to be provided. Mr. Schimke responded that the information would be provided from previous audits as a comparison and explanation of and for current audits being conducted.

Commissioner Zerkle asked if older audits would be updated and if information could be provided of the reasons why updates were completed or not. Mr. Schimke responded that a baseline of audits and the importance of each proposed audit would be provided for ease of review.

Motion by Commissioner Zerkle, **Seconded** by Commissioner James to forward the proposed Internal Audit Plan to the full Board for consideration.

Action: Motion Carried.

Other

Commissioner Zerkle inquired about the rate of return and would like a presentation to be given to the Commissioners by the City of Lansing. She also asked to be provided the amount that would be given at each rate of return and an explanation of the results. CFO Shawa responded the information would be provided to the Commissioners.

Commissioner Merrill requested information on the benchmarking of national averages of percentage of revenue return for utilities be provided and that he would like to see BWL toward the average rather than on the high end of the average of revenue return.

Commissioner Mullen and Commissioner Zerkle requested information on the amount of the payment in lieu of taxes, if it was a reasonable amount, and if a lower amount would be better for the customer rate payers.

GM Peffley stated that he spoke with the mayor regarding an increase in the rate on the Return on Equity proposal and requested that the item be discussed at the March 8, 2022 COW meeting. CFO Shawa stated that the information on the Return on Equity proposal would be provided to the Commissioners as soon as it was received back from the City of Lansing.

Adjourn

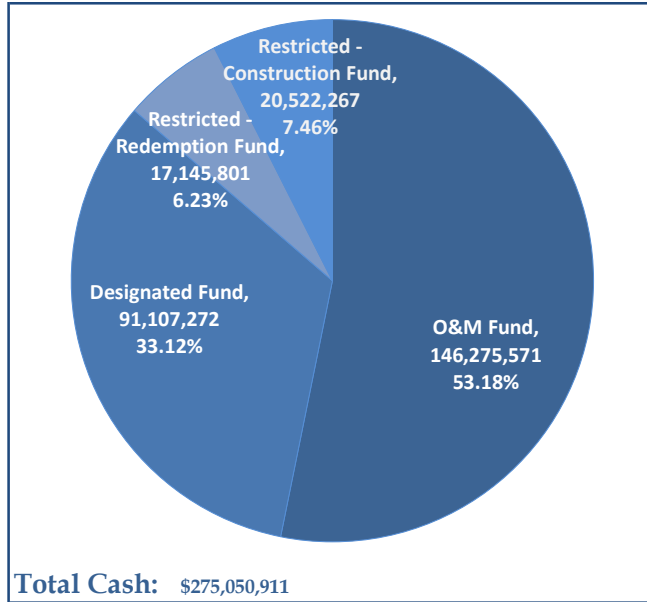
Chairperson Tony Mullen adjourned the meeting at 6:52 p.m.

Respectfully submitted
Tony Mullen, Chairperson
Finance Committee

Financial Summary - March 2022



Cash



Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 270,825,923	\$ 257,499,530	13,326,392	5%
Wholesale	\$ 28,492,065	\$ 39,280,100	(10,788,035)	-27%
Total Revenue	\$ 299,317,988	\$ 296,779,631	2,538,357	1%
Operating Expenses	\$ 225,344,143	\$ 252,700,698	(27,356,555)	-11%
Non Operating Income/(Exp)	\$ (43,933,218)	\$ (38,075,006)	(5,858,212)	15%
Net Income	\$ 30,040,627	\$ 6,003,927	24,036,701	400%
FY 2022 Budgeted Net Income		\$ 568,532		

Budget Status YTD

O&M Budget YTD (excluding fuel)				
FY 2022 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 157,007,204	\$ 105,527,500	\$ 117,797,059	\$(12,269,559)	-10%
% of Approved Budget	67%	75%		
Capital Budget YTD (Excluding Delta Energy Park)				
FY 2022 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 73,478,856	\$ 30,194,969	\$ 47,721,819	\$(17,526,850)	-37%
% of Approved Budget	41%	65%		
Capital Budget YTD - Delta Energy Park Only				
FY 2022 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 45,342,628	\$ 46,482,689	\$ 45,342,628	\$ 1,140,061	3%
% of Approved Budget	103%	100%		

	Month End	Target
Days Cash on Hand	257	173
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.49	2.00

Days Cash on Hand:

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

Debt Service Coverage:

Budgeted Net Income + Depreciation Expense + Interest Expense
 Debt Principal + Debt Interest

Return on Assets

Actual YTD	Budget YTD	Target
4.68%	2.38%	4.20%
Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense}}{\text{Net Fixed Assets} + \text{Inventory}}$		

Financial Summary - March 2022



Ratios

Operating Ratio

<u>O&M Expense</u>	\$ 188,357,170	=	0.63	APPA Median 0.70
Revenue	\$ 299,317,988			

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

Current Ratio

<u>Current Assets</u>	\$ 288,462,977	=	3.98	APPA Median 1.94
Current Liabilities	\$ 72,500,432			

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

Debt to Total Assets

<u>LT Debt + Accrued Liabilities</u>	\$ 988,425,342	=	0.58	APPA Median 0.51
Total Assets	\$1,703,781,844			

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

Days Sales Outstanding

<u>Average Accounts Receivable</u> x Days	\$ 40,242,476	x 31 =	40	Prior Year 29
Sales	\$ 31,074,850			

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

Bad Debt

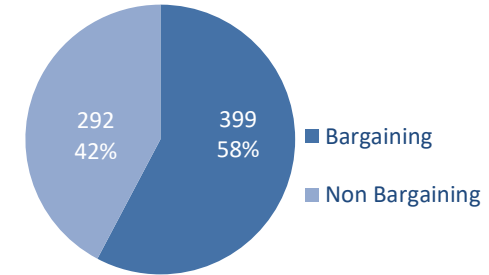
<u>12 Month Rolling Bad Debt Expe</u>	\$ 2,815,453	=	0.72%	Prior Year 0.77%
12 Month Rolling Revenue	\$ 390,673,881			

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

Employee Data

Employee Count

Employee Count YTD	691
Budget YTD	722
Over/(Under) #	(31)



Full Time Equivalent	28
Temporary Employees	

Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$49,900,620	\$50,106,766	\$ (206,146)	-0.4%	53.80
Overtime	\$ 5,790,362	\$ 4,966,234	\$ 824,128	16.6%	
Total	\$55,690,982	\$55,073,000	\$ 617,982	1.1%	
Total Hours Worked	977,699				
Labor \$/Hours Worked	\$ 56.96				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$12,234,975	\$10,318,869	\$1,916,106
Rx	\$ 2,158,161	\$ 2,920,050	\$ (761,889)
Dental	\$ 921,690	\$ 1,067,868	\$ (146,178)
Life	\$ 303,071	\$ 370,494	\$ (67,423)
FICA	\$ 4,117,879	\$ 4,144,229	\$ (26,350)
Other	\$ 1,272,767	\$ 1,687,510	\$ (414,743)
Total	\$21,008,543	\$20,509,019	\$ 499,524

* All APPA Median Numbers Are For Utilities With Greater Than 100,000 Customers As Obtained From The Most Recent "APPA Financial And Operating Ratios Of Public Power Utilities Report" Published In 2021.



RETIREMENT PLAN COMMITTEE

Investment Activity Updates for Finance Committee: 5/10/2022

Investment Activity Update

- **DB & VEBA**
 - The RPC has recently completed a periodic review of the plan investment policy statements and has the following recommendations for the Board for consideration:
 - Reduce the target return for the DB Plan from 6.5% to 6%
 - Reduce the target return for the VEBA Plan from 7% to 6.5%
 - Revise certain language to better represent the role of our plan advisor as well as the delegations to the RPC
- **Defined Contribution & Deferred Compensation Plans**
 - Nothing noteworthy since last update



RETIREMENT PLAN COMMITTEE

Administrative Activity Updates for Finance Committee: 5/10/2022

Administrative Activity Update

- Defined Contribution & Deferred Compensation Plans
 - With regard to our VCP Submission to the IRS for our 401(a) plans, the final steps of our corrective action plan have now been completed. The required notifications have been sent to the affected participants.
 - The RPC is reviewing the restatement of Nationwide's 401(a) prototype plan documents which are preapproved by the IRS. The IRS requires Plan Sponsors using preapproved plan documents to be restated every 6 years to incorporate all legislative and regulatory changes in the law. The updated 401(a) plan documents for DC Plan 2 will be brought to the Board for approval in July.
- DB & VEBA
 - Nothing noteworthy since last update

**LANSING BOARD OF WATER AND LIGHT
DEFINED BENEFIT PLAN AND TRUST
FOR EMPLOYEES' PENSIONS**

**STATEMENT OF INVESTMENT POLICIES,
PROCEDURES AND OBJECTIVES**

Effective Month DD, 2022

Deleted: May 26, 2020

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

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Introduction

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

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

Updates to Statement

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

Trustees' and Commissioners' Delegation of Duties

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

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

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

Deleted: Consultants

Purpose of the Plan

The Plan was established for the purpose of providing retirement benefits to eligible employees and their beneficiaries. The Plan was closed to new employees hired after December 31, 1996. The Plan is a governmental, defined-benefit pension plan which provides retirement, early retirement, disability, termination, and death benefits based upon a formula that includes final average compensation, years of credited service, and a pension benefit percentage. To this end, an investment portfolio is maintained to invest employer contributions and to reinvest income.

Investment Philosophy

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

Delegation of Responsibilities

Retirement Plan Committee

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

Specifically, the Committee's responsibilities include:

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

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- b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
- 9. Monitoring all costs associated with the administration of the Plan's investments to ensure that the costs are reasonable with market averages.
- 10. Reviewing any program that may mitigate or offset costs.
- 11. Appointing or removing third party administrators, as deemed prudent.
- 12. Facilitating required communications to Plan participants and third-party administrators.
- 13. Altering the Plan's design to address changes in business needs and industry practices.
- 14. Amending the Plan for compliance purposes due to changes in law.
- 15. Taking any action necessary to carry out the terms of the Plan.

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

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

- 1. Establish standards/requirements/appropriateness of services.
- 2. Identify appropriate candidates for the position.
- 3. Solicit bids and proposals.
- 4. Conduct interviews.
- 5. Check references.
- 6. Make reasoned decisions based on all information, including:
 - a) Philosophy/Goals (i.e., Mission Statement)
 - b) Ownership/Management/Organizational Structure/Turnover
 - c) Operational History/Growth Plan
 - d) Infrastructure: Resources/Tools-of-the-Trade
 - e) Financial Condition
 - f) Educational Background/Industry Experience
 - g) Professional Qualifications
 - h) Risk Controls/ Insurance
 - i) Criminal, Civil, Regulatory History
 - j) Fees
 - k) Liquidity
- 7. Document the decision process.
- 8. Verify compliance with federal and state laws; specifically, Act 314, and investment guidelines.
- 9. Establish standards of conduct, terms and conditions of relationship (Written Contract/Agreement).

Investment Advisor

In carrying out its delegated responsibilities, the Committee considers the services of an Advisor as appropriate to assist in the placement of investment funds. The primary role of the Advisor is to provide independent, objective, third-party advice and counsel that

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will enable the Committee to make well-informed and timely decisions regarding the investment of the Plan's assets.

The Advisor's role is that of an advisor to the Plan. The Advisor acknowledges its responsibilities as a Fiduciary under Act 314. The Advisor acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act.

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Investment advice concerning the investment management of Plan assets will be offered by the Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Advisor are as follows:

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1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Provide advice regarding optimal allocation of assets, based on all of the above.

Providing a Range of Capabilities

The Advisor is a third party retained by the Committee to assist in several key areas of the management of financial assets.

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The Advisor may be asked to:

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1. Gather and evaluate statistical information on the financial assets, investment needs, and risk parameters.
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total return and investment risk.
3. Maintain data on the universe of available professional investment managers. Categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.
4. Provide periodic Asset Allocation studies and updates.
5. Conduct periodic trustee educational workshops.
6. Provide information with respect to alternate investments.
7. Monitor the investment of the Plan's assets for compliance with Act 314.
8. Analyze and evaluate the Plan's investment performance, and the performance of its investment managers, both past and ongoing.
9. Make specific and timely recommendations for the consideration of the Committee during each phase of the investment management process.
10. Monitor all costs associated with the administration of the Plan's investments to ensure that they are reasonable with market averages.

Making Recommendations

Investment Policy - The Advisor may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending

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investment objectives and guidelines that adhere to the goals and tolerance for risk. The Advisor may be asked to provide an appropriate model of Asset Allocation composed of equity, fixed-income, money market instruments or Alternative Investments designed to meet the established objectives.

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

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Manager Performance Review and Evaluation

The Advisor shall provide the Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are maintained.

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

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

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

Investment Manager(s)

Each Manager acknowledges its responsibility as an investment Fiduciary under Act 314. Each Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

Adherence to Policy Guidelines and Objectives

The assets of the Plan are to be managed in accordance with the policy guidelines and objectives expressed herein as well as any additional guidelines provided separately. Assets shall be invested in strict compliance with Act 314. Each Manager shall manage its individual portfolio in compliance with Act 314.

Discretionary Authority

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

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

Communications

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

Reporting

Each Manager is expected to provide:

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

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

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

Custodian

The primary responsibilities of the custodian ("Custodian") are to:

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

Plan Investment Policy

The Plan is maintained to provide retirement benefits for the participants and their beneficiaries. The Plan is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by PA 314.

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

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

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Plan Investment Objectives

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

The Plan's overall investment objective is to earn an average, annual return of 6.0% over five-year rolling periods. Achievement of this objective is likely to result in stable to declining future contribution rates and ensure its ability to pay retirement benefits for all plan participants.

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

Asset Allocation Policy

This Strategic Asset Allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on the expected long-term returns, individual reward/risk characteristics, and correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with PA 314 of 1965 and amendments thereof is also considered.

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

Target Asset Allocation

<u>Asset Class</u>	<u>Manager Role</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Total Equity	Active/Passive	40 to 70%	55%
US Large Cap Equity	Active/Passive	20% to 30%	25%
US SMID Cap Equity	Active	5% to 15%	10%
Non-U.S. Equities	Active, Broad or Focused	15 to 25%	20%
Total Fixed Income	Active/Passive Core, Active Opportunistic, Intermediate Diversified	20 to 50%	40%
Core Fixed Income	Active/Passive Core, Intermediate Diversified	10 to 30%	20%
Multi-Sector Fixed Income	Active Fixed Income	5 to 15%	10%
Liquid Absolute Return Fixed Income	Active Fixed Income	5 to 15%	10%
Real Estate	Core	0 to 10%	5%
Cash Equivalents	Active, money market fund	0 to 5%	0%
	Total Fund		100.0%

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

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

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

Administrative and Investment Review Procedures

Review of Policies

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

General Review

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

Review of Investment Performance

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

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Each performance evaluation will include:

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

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

Individual Investment Manager Objectives

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

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

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

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

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

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

Rebalancing Policy – Overall Fund Allocation

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

Review of Investment Management

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

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

Proxy Voting

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

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

Directed Brokerage

Regarding directed brokerage, the Trustees do not require the Manager(s) to trade

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securities through an individual or set of broker-dealers. The Trustees wish to give the Manager(s) full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances.

Tenure

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

In General Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Statement. All Managers are expected to be familiar with and follow the investment guidelines established under Michigan PA Act 314 with amendments.

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

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

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

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

1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.
2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security).
4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.

5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

Total Plan Performance

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

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

- 1) Earn a rate of return after all expenses that equals or exceeds the current actuarial assumed rate of return of 6.0%
- 2) The Plan's total return should exceed the total return of the Policy index comprised of the following:

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Index	Percent
Russell 1000	25%
Russell 2500	10%
MSCI ACWI ex-US	20%
BloomBar US Aggregate	40%
NFI ODCE (net) Index	5%

- 3) The Plan's total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.
- 4) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

Conclusion

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

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

Glossary of Investment Terms

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

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

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

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

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

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

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

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

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

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

Proposed Resolution

Revised Defined Benefit Plan Investment Policy Statement

WHEREAS, the Lansing Board of Water & Light (the “Sponsor”) sponsors the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions (the “Defined Benefit Plan”); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of Defined Benefit Plan assets, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the Defined Benefit Plan be reduced from 6.5% to 6%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statement, formally known as the Statement of Investment Policies, Procedures and Objectives, for the Defined Benefit Plan and, as the result of its most recent review, recommends revisions to the language within the Defined Benefits Plan’s investment policy statement; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

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

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

***STATEMENT OF INVESTMENT POLICIES,
PROCEDURES AND OBJECTIVES***

Effective Month DD, 2022

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STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

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Introduction

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

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

Updates to Statement

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

Trustees’ and Commissioners’ Delegation of Duties

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

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

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

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Purpose of the Plan

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

Investment Philosophy

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

Delegation of Responsibilities

Retirement Plan Committee

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

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

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

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- b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
- 9. Monitoring all costs associated with the administration of the Plan's investments to ensure that the costs are reasonable with market averages.
- 10. Reviewing any program that may mitigate or offset costs.
- 11. Appointing or removing third party administrators, as deemed prudent.
- 12. Facilitating required communications to Plan participants and third-party administrators.
- 13. Altering the Plan's design to address changes in business needs and industry practices.
- 14. Amending the Plan for compliance purposes due to changes in law.
- 15. Taking any action necessary to carry out the terms of the Plan.

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

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

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

Investment Advisor

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

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

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Investment advice concerning the investment management of Plan assets will be offered by the Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Advisor are as follows:

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1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Provide advice regarding optimal allocation of assets, based on all of the above.

Providing a Range of Capabilities

The Advisor is a third party retained by the Committee to assist in several key areas of the management of financial assets.

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The Advisor may be asked to:

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

Making Recommendations

Investment Policy - The Advisor may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The

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Advisor may be asked to provide an appropriate model of Asset Allocation composed of equity, fixed-income, money market instruments or Alternative Investments designed to meet the established objectives.

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

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Manager Performance Review and Evaluation

The Advisor shall provide the Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are maintained.

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

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

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

Investment Manager(s)

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

Adherence to Policy Guidelines and Objectives

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

Discretionary Authority

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

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

Communications

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

Reporting

Each Manager is expected to provide:

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

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

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

Custodian

The primary responsibilities of the custodian ("Custodian") are to:

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

Plan Investment Policy

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

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

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

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Plan Investment Objectives

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

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

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

Asset Allocation Policy

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

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

Target Asset Allocation

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

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

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

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

Administrative and Investment Review Procedures

Review of Policies

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

General Review

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

Review of Investment Performance

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

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Each performance evaluation will include:

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

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

Individual Investment Manager Objectives

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

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

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

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

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

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

Rebalancing Policy – Overall Fund Allocation

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

Review of Investment Management

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

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

Proxy Voting

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

A summary of votes cast shall be submitted to the Committee on an annual basis. This

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summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against the Committee's recommendation), and justification.

Directed Brokerage

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

Tenure

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

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

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

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

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

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

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

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

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

Total Plan Performance

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

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

- 1) Earn a rate of return after all expenses that equals or exceeds the current actuarial assumed rate of return of 6.5%
- 2) The Plan's total return should exceed the total return of the Policy index comprised of the following:

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Index	Percent
Russell 1000	30%
Russell 2500	10%
MSCI ACWI ex-US	20%
BloomBar US Aggregate	25%
NFI ODCE (net) Index	15%

- 3) The Plan's total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.
- 4) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

Conclusion

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

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

Glossary of Investment Terms

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

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

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

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

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

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

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

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

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

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

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Proposed Resolution
Revised VEBA Investment Policy Statement

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

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of VEBA assets, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the VEBA be reduced from 7% to 6.5%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statement, formally known as the Statement of Investment Policies, Procedures and Objectives, for the VEBA and, as the result of its most recent review, recommends revisions to language within the VEBA’s investment policy statement; and

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

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

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives.

Proposed Resolution
Retirement Plan Committee Appointment Change

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the (a) Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions; (b) Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light; (c) Lansing Board of Water and Light Defined Contribution Plan and Trust 1; (d) Lansing Board of Water and Light Defined Contribution Plan and Trust 2; and (e) Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust (collectively the "Plans"); and

WHEREAS, the Sponsor created a formal committee effective September 27, 2016, the name of which is the "Retirement Plan Committee" (the "Committee"), to which the Sponsor delegated discretionary authority and responsibility for the discharge of certain duties, and the Sponsor appointed the following individuals to serve on the Retirement Plan Committee: Chief Financial Officer, Executive Director of Human Resources, and the Manager of Finance. Each Retirement Plan Committee member is appointed to serve on the Committee until his or her resignation or removal from the Committee; and

WHEREAS, due to a recent organizational change, the Sponsor has decided to replace the appointment of the Manager of Finance on the Committee with the appointment of the Director of Accounting, Finance, and Planning.

THEREFORE, it is:

RESOLVED, that the Sponsor replaces the appointment of the Manager of Finance on the Committee with the appointment of the Director of Accounting, Finance, and Planning on the Committee.

FURTHER RESOLVED, that the Sponsor now recognizes the following individuals as appointed to serve on the Committee: Chief Financial Officer (Committee Chair), Executive Director of Human Resources, and the Director of Accounting, Finance and Planning.

Proposed Resolution

A Resolution Adopting a Final Project Plan for Water System Improvements and Designating an Authorized Project Representative

WHEREAS, the Lansing Board of Water & Light (“BWL”) is seeking low interest funding to assist in its efforts to improve existing raw water supply, water treatment and distribution systems through the State of Michigan, Department of Environmental Quality’s (“EGLE”) Drinking Water State Revolving Fund (“DWSRF”); and

WHEREAS, as a requirement of the DWSRF Loan Program, municipalities applying for DWSRF loans are required to submit to EGLE an adopted Project Plan (“Project Plan”) describing the proposed improvement to existing water treatment and distribution systems program projects; and

WHEREAS, the purpose of the Project Plan is for raw water supply, water treatment plant and distribution system improvement projects located within the City of Lansing. The projects have several benefits, which include reducing potential safety hazards, as well as improvements to reliability, water quality, and flow efficiencies to ultimately increase public health protection; and

WHEREAS, the Project Plan for the majority of the water main replacement projects will be in partnership with the City of Lansing’s Combined Sewer Overflow project among other City of Lansing street rehabilitation projects. Raw water supply and water treatment projects will be done on BWL property; and

WHEREAS, the BWL authorized Hubbell, Roth, & Clark, Inc. to prepare a Project Plan, which recommends the construction of the following:

Water Treatment Plant Upgrades

- Dye WCP – convert ammonia system to aqueous form
- Dye WCP – chemical handling project
- Wise Rd WCP – new chemical building

Operational System Improvements

- Elevated storage tank – feasibility study and installation
- Well drilling to replace aging wells

Water Distribution Improvements

- Multiple location of water main replacement projects throughout BWL jurisdiction that includes approximately 14 miles of water main replacement.
- Raw water main extension to connect a recently drilled well

WHEREAS, the estimated total project cost of the projects listed above is \$46.2 Million; and

WHEREAS, a Public Hearing to receive public comment on the proposed Project Plan was held on May 9, 2022; and

NOW THEREFORE BE IT RESOLVED that the Lansing Board of Water & Light formally adopts the Project Plan and agrees to implement the selected alternative.

BE IT FURTHER RESOLVED, that the Water Distribution Principal Engineer, a position currently held by Michael Lehtonen, P.E., is designated as the authorized representative for all activities associated with the projects referenced above, including the submittal of said Project Plan as the first step in applying to the State of Michigan for a Drinking Water State Revolving Fund Loan to assist in the implementation of the selected alternative.

Motion by Commissioner _____, **Seconded** by Commissioner _____ to approve the Resolution for Adopting a Final Project Plan for Water System Improvements and Designating an Authorized Project Representative.

Yeas (names of Members voting Yes): _____

Nays (names of Members voting No): _____

I certify that the above Resolution was adopted by Board of Water & Light Board of Commissioners (the governing body of the applicant) on _____.

BY: _____
Name (please print or type)

Title

Signature

Date

Budget & Forecast

FY 2023–2028

Finance Committee Meeting

May 10, 2022

Board Meeting

May 24, 2022



Overview

- Strategic Objectives
- Key Budget & Forecast Assumptions
- Sales Volume History & Forecast by Utility
- Operating Budget & Forecast
- Capital Budget & Forecast
- Next Steps

FY 2022 Accomplishments

- Strategic Objectives

- BWL Year in Review

- Target Metrics

- Budget & Forecast Cycle Focus

- ISO 55000 Certification at REO Plant (P₄:S₃)
- Commercial Operation of Delta Energy Park (P₁:S₂)
- Customer Resource Fairs (P₁:S₃)
- Ultium Cells Battery Plant (P₁:S₄)
- Increased Customer Satisfaction (P₁:S₁)
- APPA Smart Energy Provider Designation (P₃:S₂)
- APPA RP₃ Diamond (P₄:S₂)
- BSmart Program Close Out (P₁:S₂)
- 80MW Solar (P₃:S₂)

LEGEND FOR STRATEGIC PLAN REFERENCES

(Priority # : Strategy #)

- Strategic Objectives
 - BWL Year in Review
 - Target Metrics
 - Budget & Forecast Cycle Focus

- Maintain high **credit rating**
 - BWL is currently rated AA- (S&P) and Aa3 (Moody's) with stable outlooks
- Generate adequate **return on assets (RoA)**
 - Adequate RoA is essential to municipal utilities
 - Ensures current rate payers are not deferring costs to future generations and infrastructure is invested in to maintain exceptional levels of service
 - An appropriate RoA recovers two main items:
 - Interest expense
 - Inflationary increase of infrastructure replacement costs
 - Regular calculations required by the Board of Commissioners (Resolution 2016-07-08)
 - Return on Assets FY 2023-2028 Target: **4.01%**
 - **We are forecasted to reach this target for all utilities by FY2028**
- Ensure adequate **liquidity**
 - BWL must be able to pay current obligations
 - Minimum cash reserve requirement per policy: **166 days**
 - Debt service coverage minimum target: **2.00 x**

- Strategic Objectives

- BWL Year in Review
- Target Metrics
- Budget & Forecast Cycle Focus

FY2022-2027 (Current)

- COVID-19 Recovery
- DEP Commissioning
- Increased Capital Investment
- New Billing System (CIS)
- Continued Strategic Plan Execution

FY2023-2028 (Upcoming)

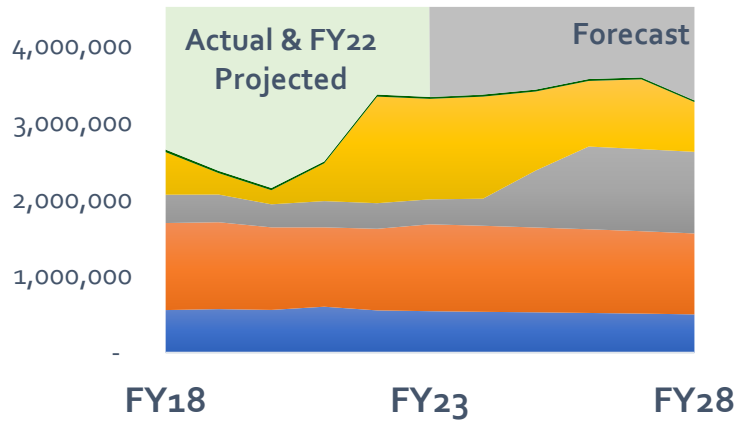
- Operational Efficiencies
- Lansing Energy Tomorrow
- Water Main Investment
- Rate Structure Refinement
- Coal Plant Decommissioning
- Develop Plan for Achieving Carbon Neutrality with Known Load Growth
- Workforce Engagement
- Generative Safety Culture
- Pursue Infrastructure Grants

Key Budget & Forecast Assumptions

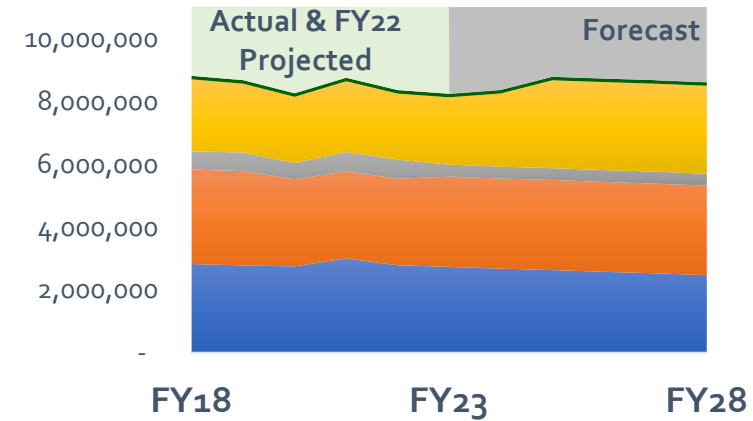
- Current strategic plan is supported by this budget & forecast.
- Water main replacements achieve 8 miles per year in FY2028.
- Defined Benefit and Voluntary Employees' Beneficiary Association (DB & VEBA) investment returns are meeting targets.
- Our final coal plant, Erickson, closes in FY2023.
- Rate changes and rate structure refinement - November 2022.
- Return on Equity assumes 6% of total revenue, less inter-utility sales.
- Potential grant funding not included.

Sales Volume History and Forecast

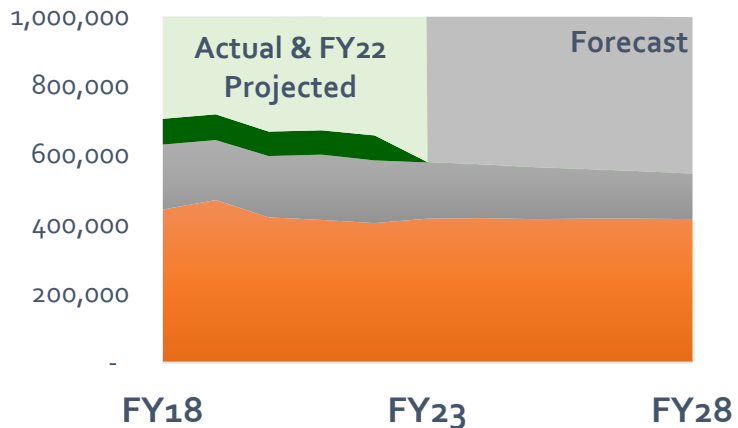
Electric - Consumption Volume (MWH)



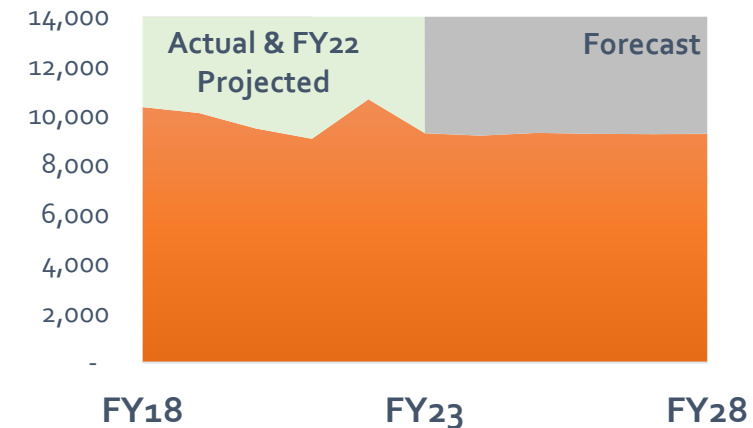
Water - Consumption Volume (CCF)



Steam - Consumption Volume (M.LB)



Chilled Water - Consumption Volume (M.THR)



- Operating Budget & Forecast

- FY 2023 Income Statement

- FY 2023 Operating Expenses by Category

- 6-Year Income Statement

- 6-Year Return on Assets

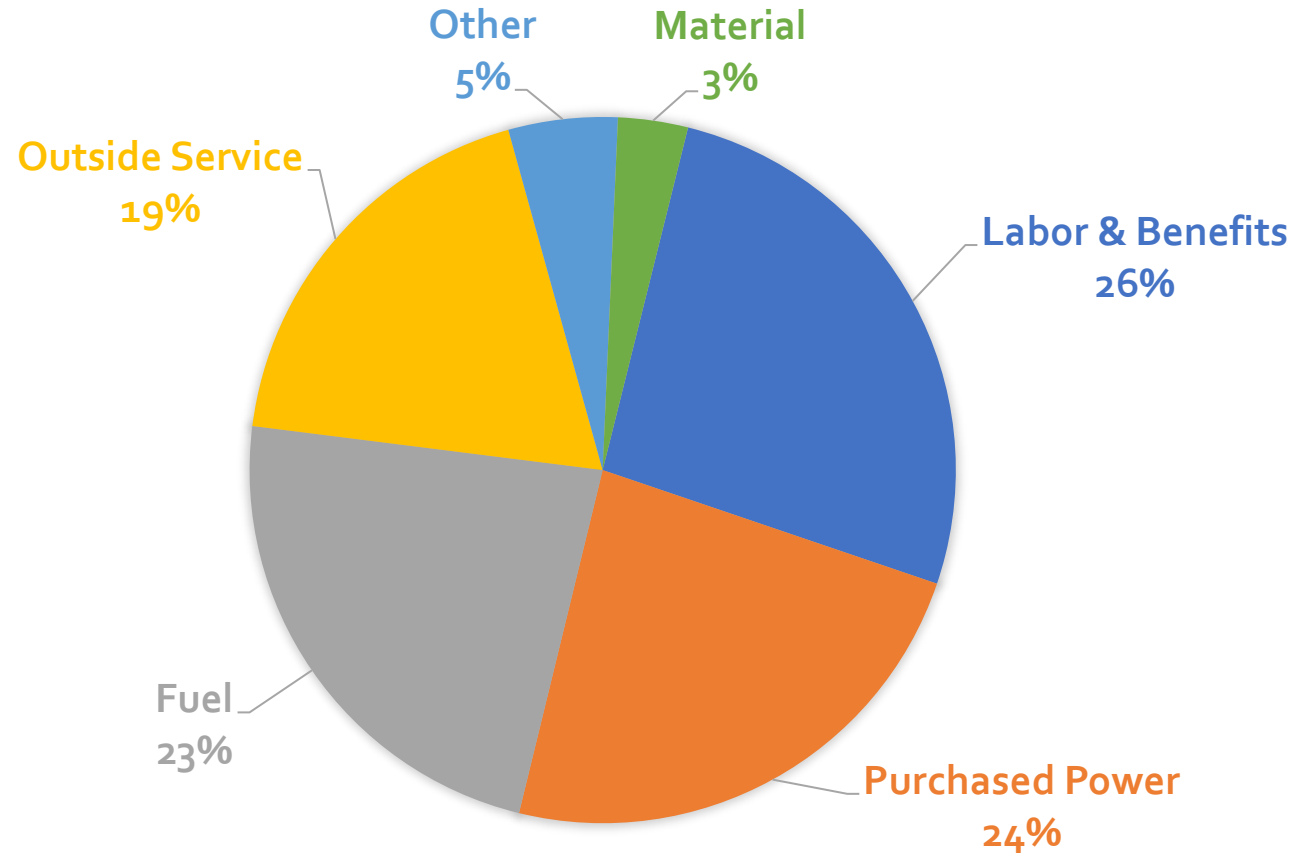
- 6-Year Cash Flow

- 6-Year Bonded Debt Service

FY 2023 Income Statement	Electric	Water	Steam	Chilled Water	Total
Sales (MWh, ccf, Mlb, ton-hrs)	3,330,219	8,241,032	579,159	9,284	
Operating Revenue					
Residential	\$ 82,397,876	\$ 20,285,434	\$ 16,345	\$ -	\$ 102,699,655
Commercial	\$ 130,401,758	\$ 16,647,724	\$ 9,622,011	\$ 5,837,807	\$ 162,509,300
Industrial	\$ 37,880,677	\$ 1,796,479	\$ 2,725,188	\$ -	\$ 42,402,344
Wholesale	\$ 86,397,402	\$ 4,127,965	\$ -	\$ -	\$ 90,525,368
Other	\$ 16,663,488	\$ 7,432,641	\$ 18,652	\$ -	\$ 24,114,781
Total Operating Revenue	\$ 353,741,202	\$ 50,290,243	\$ 12,382,195	\$ 5,837,807	\$ 422,251,447
Operating Expenses					
Fuel & Purchased Power	\$ (133,562,005)	\$ (5,401,005)	\$ (3,641,642)	\$ -	\$ (142,604,652)
Depreciation	\$ (55,409,905)	\$ (9,808,953)	\$ (3,778,721)	\$ (1,687,589)	\$ (70,685,168)
Other Operating Expenses	\$ (107,307,817)	\$ (31,780,277)	\$ (5,784,279)	\$ (4,885,911)	\$ (149,758,283)
Total Operating Expenses	\$ (296,279,727)	\$ (46,990,235)	\$ (13,204,641)	\$ (6,573,500)	\$ (363,048,103)
Total Operating Income	\$ 57,461,475	\$ 3,300,008	\$ (822,446)	\$ (735,693)	\$ 59,203,344
Non Operating Income/(Expenses)					
Return on Equity to City	\$ (20,847,485)	\$ (2,963,819)	\$ (729,736)	\$ (344,047)	\$ (24,885,087)
Interest Expense	\$ (22,861,557)	\$ (1,503,961)	\$ (1,764,566)	\$ (248,860)	\$ (26,378,943)
Other Non Operating Income/(Expenses)	\$ (2,818,611)	\$ 691,116	\$ (209,407)	\$ 265,193	\$ (2,071,708)
Total Non Operating Income/(Expenses)	\$ (46,527,653)	\$ (3,776,664)	\$ (2,703,708)	\$ (327,714)	\$ (53,335,739)
Total Net Income/(Loss)	\$ 10,933,823	\$ (476,656)	\$ (3,526,154)	\$ (1,063,407)	\$ 5,867,605
Forecasted Rate Increase	2.05%	9.50%	9.95%	4.00%	
Return on Assets	3.88%	0.33%	-2.74%	-4.46%	2.63%
Target Return on Assets	4.01%	4.01%	4.01%	4.01%	4.01%

- Operating Budget & Forecast
 - FY 2023 Income Statement
 - **FY 2023 Operating Expenses by Category**
 - 6-Year Income Statement
 - 6-Year Return on Assets
 - 6-Year Cash Flow
 - 6-Year Bonded Debt Service

FY 2023 Operating Expenses by Category

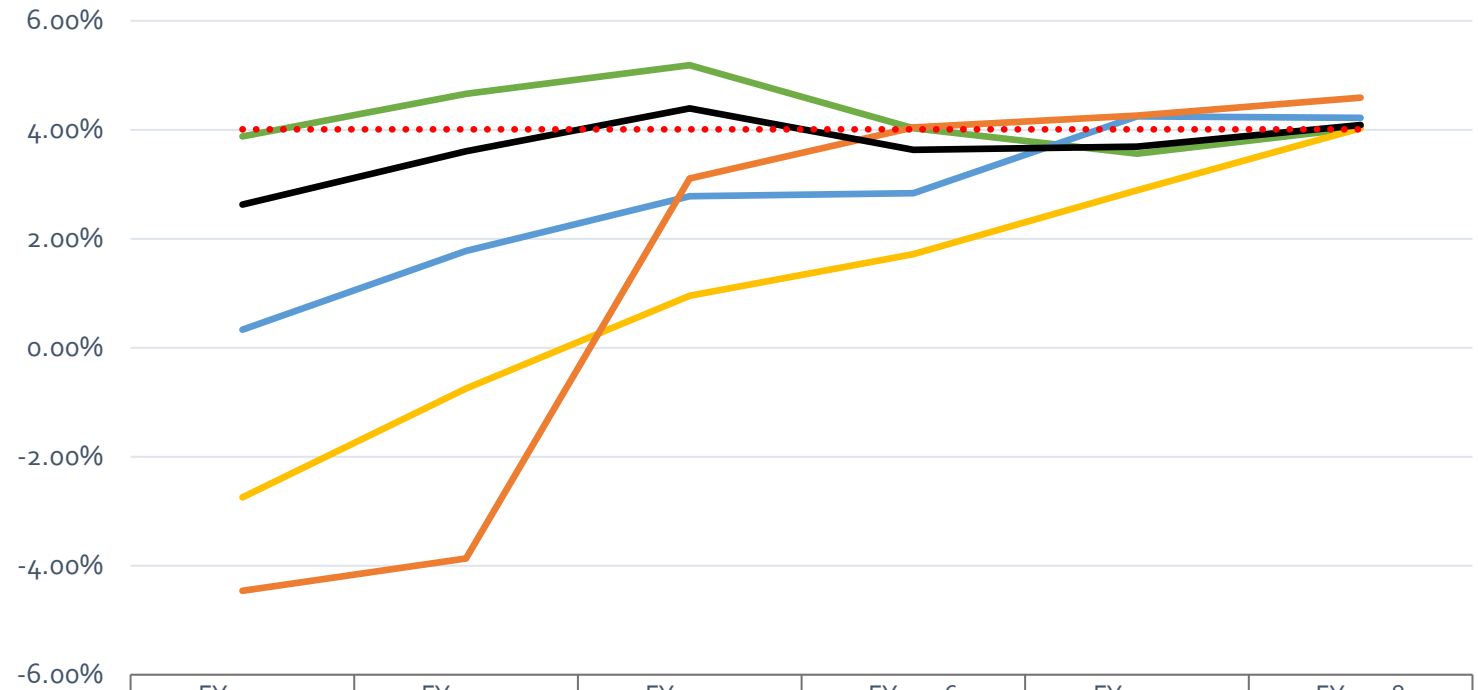


- Operating Budget & Forecast
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 - 6-Year Cash Flow
 - 6-Year Bonded Debt Service

6-Year Income Statement	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Operating Revenue						
Electric	\$ 353,741,202	\$ 350,628,808	\$ 356,089,227	\$ 367,877,389	\$ 376,205,889	\$ 381,620,905
Water	\$ 50,290,243	\$ 55,175,209	\$ 61,046,989	\$ 66,590,063	\$ 72,697,463	\$ 76,084,702
Steam	\$ 12,382,195	\$ 12,928,203	\$ 13,750,731	\$ 14,918,686	\$ 16,255,851	\$ 17,573,255
Chilled Water	\$ 5,837,807	\$ 6,068,139	\$ 6,324,615	\$ 6,582,365	\$ 6,679,944	\$ 6,681,770
Total Operating Revenue	\$ 422,251,447	\$ 424,800,359	\$ 437,211,562	\$ 455,968,504	\$ 471,839,147	\$ 481,960,633
Operating Expenses						
Fuel & Purchased Power	\$ (142,604,652)	\$ (135,734,560)	\$ (132,811,880)	\$ (140,284,572)	\$ (147,557,634)	\$ (144,409,086)
Depreciation	\$ (70,685,168)	\$ (64,956,899)	\$ (62,216,495)	\$ (63,125,049)	\$ (64,652,253)	\$ (66,402,214)
Other Operating Expenses	\$ (149,758,283)	\$ (150,017,616)	\$ (160,061,940)	\$ (177,969,271)	\$ (180,684,836)	\$ (187,833,198)
Total Operating Expenses	\$ (363,048,103)	\$ (350,709,075)	\$ (355,090,316)	\$ (381,378,892)	\$ (392,894,723)	\$ (398,644,497)
Total Operating Income	\$ 59,203,344	\$ 74,091,284	\$ 82,121,247	\$ 74,589,612	\$ 78,944,424	\$ 83,316,135
Non Operating Income/(Expenses)						
Return on Equity to City	\$ (24,885,087)	\$ (25,038,022)	\$ (25,782,694)	\$ (26,908,110)	\$ (27,860,349)	\$ (28,467,638)
Interest Expense	\$ (26,378,943)	\$ (25,152,682)	\$ (25,358,392)	\$ (24,900,955)	\$ (25,480,202)	\$ (25,274,954)
Other Non Operating Income/(Expenses)	\$ (2,071,708)	\$ (5,179,522)	\$ (2,631,759)	\$ (2,599,651)	\$ (4,967,287)	\$ (3,734,562)
Total Non Operating Income/(Expenses)	\$ (53,335,739)	\$ (55,370,225)	\$ (53,772,844)	\$ (54,408,716)	\$ (58,307,838)	\$ (57,477,153)
Total Net Income	\$ 5,867,605	\$ 18,721,059	\$ 28,348,402	\$ 20,180,896	\$ 20,636,586	\$ 25,838,982
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Return on Assets	2.63%	3.61%	4.39%	3.63%	3.69%	4.09%
Target Return on Assets	4.01%	4.01%	4.01%	4.01%	4.01%	4.01%
Debt Service Coverage Ratio	2.41	2.33	2.86	2.67	2.52	2.68
Days Cash on Hand	194	186	190	189	186	185
Minimum Cash Reserve Requirement	166	179	177	168	167	177
Full Time Employees	727	722	725	725	725	724
Rate Increases	Forecast					
Electric	2.05%	2.05%	2.05%	2.05%	3.15%	3.15%
Water	9.50%	9.50%	9.50%	9.50%	9.50%	2.50%
Steam	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%
Chilled Water	4.00%	4.00%	4.00%	4.00%	0.00%	0.00%

- Operating Budget & Forecast
 - FY 2023 Income Statement
 - FY 2023 Operating Expenses by Category
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 - **6-Year Return on Assets**
 - 6-Year Cash Flow
 - 6-Year Bonded Debt Service

6-Year Return on Assets (%)



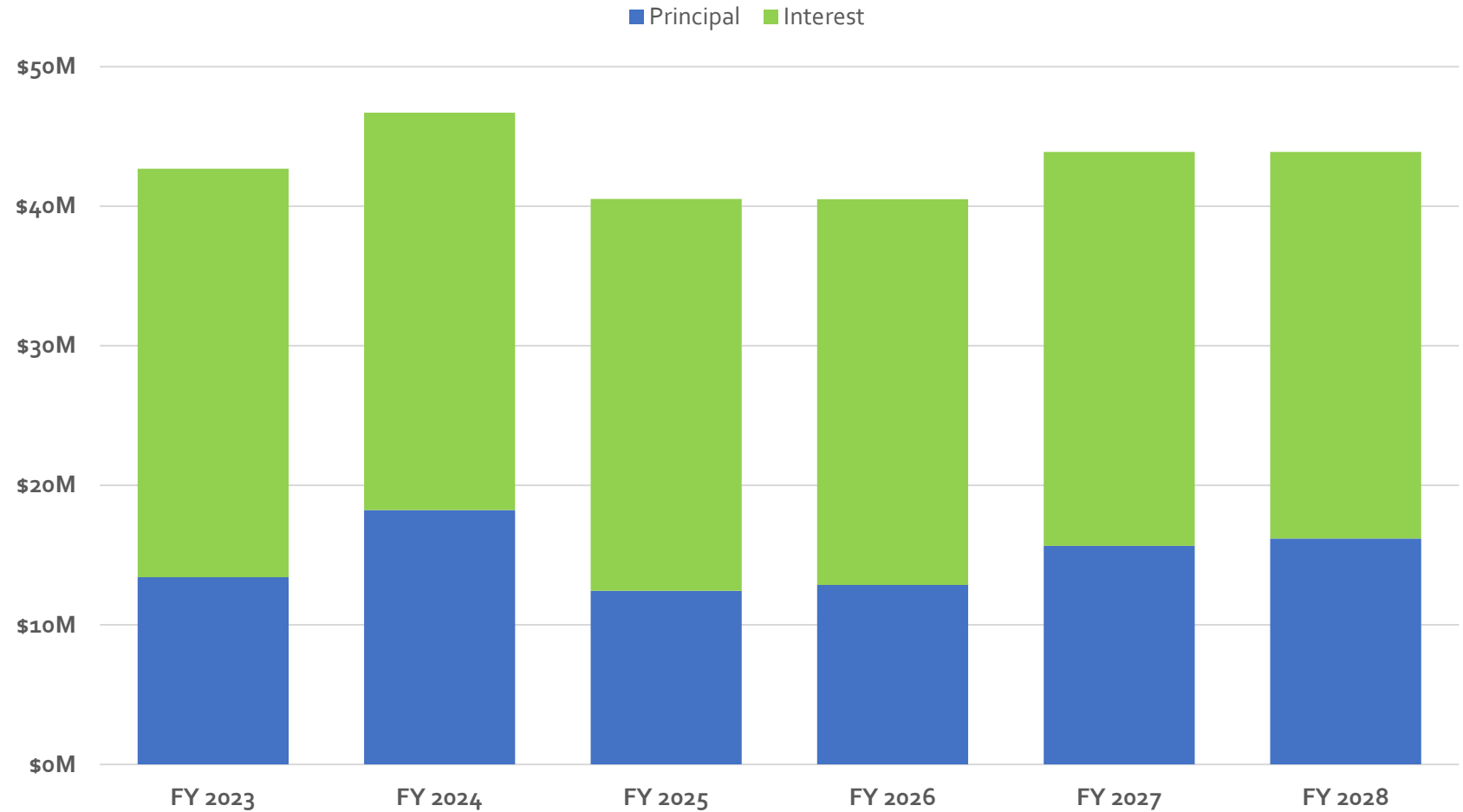
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
— Electric	3.88%	4.66%	5.19%	4.03%	3.56%	4.04%
— Water	0.33%	1.78%	2.78%	2.84%	4.25%	4.22%
— Steam	-2.74%	-0.75%	0.95%	1.72%	2.89%	4.03%
— Chilled Water	-4.46%	-3.86%	3.11%	4.04%	4.26%	4.59%
— Total	2.63%	3.61%	4.39%	3.63%	3.69%	4.09%
•••• Target	4.01%	4.01%	4.01%	4.01%	4.01%	4.01%

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6-Year Cash Flow	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Cash (O&M & Receiving Fund)	\$ 132,524,878	\$ 111,538,894	\$ 100,743,694	\$ 106,664,942	\$ 112,676,264	\$ 117,583,957
Net Income	\$ 5,867,605	\$ 18,721,059	\$ 28,348,402	\$ 20,180,896	\$ 20,636,586	\$ 25,838,982
Depreciation	\$ 70,685,168	\$ 64,956,899	\$ 62,216,495	\$ 63,125,049	\$ 64,652,253	\$ 66,402,214
Loss on Disposal of Assets	\$ 5,292,113	\$ 8,442,113	\$ 6,042,113	\$ 6,042,113	\$ 8,442,113	\$ 7,242,113
DB and VEBA	\$ (16,605,094)	\$ (15,923,205)	\$ (11,067,089)	\$ 1,448,068	\$ (1,409,037)	\$ (235,362)
Commodity Cost Adjustment	\$ 602,838	\$ 1,019,367	\$ 3,545,998	\$ (842,924)	\$ 896,154	\$ (5,133,424)
Environmental	\$ (4,681,464)	\$ (860,861)	\$ (10,209)	\$ 277,283	\$ 258,196	\$ 271,504
Gas Pipeline Payment Refunds	\$ 7,001,546	\$ 7,001,546	\$ 7,001,546	\$ 7,001,546	\$ 7,001,546	\$ -
Total Sources of Cash	\$ 68,162,711	\$ 83,356,918	\$ 96,077,255	\$ 97,232,031	\$ 100,477,810	\$ 94,386,027
Principal Payments on Bonds	\$ (13,410,000)	\$ (18,220,000)	\$ (12,440,000)	\$ (12,860,000)	\$ (15,655,000)	\$ (16,185,000)
Principal Payments on Other Debt (CSO)	\$ (808,533)	\$ (819,630)	\$ (777,433)	\$ (766,149)	\$ (712,200)	\$ (531,945)
Capital Expenditures	\$ (71,804,326)	\$ (68,835,752)	\$ (73,057,719)	\$ (73,691,597)	\$ (72,849,578)	\$ (71,591,478)
REP	\$ (275,838)	\$ (276,735)	\$ (280,856)	\$ (302,964)	\$ (353,338)	\$ (410,110)
Decommissioning	\$ (2,850,000)	\$ (6,000,000)	\$ (3,600,000)	\$ (3,600,000)	\$ (6,000,000)	\$ (4,800,000)
Total Uses of Cash	\$ (89,148,696)	\$ (94,152,117)	\$ (90,156,008)	\$ (91,220,709)	\$ (95,570,116)	\$ (93,518,533)
Net Cash Increase (Decrease)	\$ (20,985,985)	\$ (10,795,199)	\$ 5,921,248	\$ 6,011,322	\$ 4,907,694	\$ 867,494
Ending Cash (O&M & Receiving Fund)	\$ 111,538,894	\$ 100,743,694	\$ 106,664,942	\$ 112,676,264	\$ 117,583,957	\$ 118,451,451
Days Cash on Hand	194	186	190	189	186	185
Minimum Cash Reserve Requirement	166	179	177	168	167	177

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 - 6-Year Return on Assets
 - 6-Year Cash Flow
 - 6-Year Bonded Debt Service

6-Year Bonded Debt Service



- Capital Portfolio Budget & Forecast

- Capital Portfolio Spending by Utility and Location

- Capital Portfolio Major Projects and Annuals

- Capital Portfolio Gates and Phases

- Capital Portfolio Designed Budget Amounts

6-Year Capital by Utility and Location							
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Forecast Total
Utility							
Electric	\$ 48,749,960	\$ 42,282,331	\$ 48,138,534	\$ 47,079,164	\$ 45,009,986	\$ 41,594,924	\$ 272,854,899
Water	\$ 12,879,162	\$ 15,914,519	\$ 14,501,390	\$ 17,046,000	\$ 18,298,000	\$ 19,334,819	\$ 97,973,890
Steam	\$ 1,797,085	\$ 1,898,605	\$ 3,452,557	\$ 3,074,241	\$ 3,316,253	\$ 2,076,741	\$ 15,615,482
Chilled Water	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 1,247,889	\$ 1,521,309
Common	\$ 8,326,619	\$ 8,687,252	\$ 6,910,602	\$ 6,435,917	\$ 6,167,375	\$ 7,337,106	\$ 43,864,870
Total Capital Portfolio	\$ 71,804,326	\$ 68,835,752	\$ 73,057,719	\$ 73,691,597	\$ 72,849,578	\$ 71,591,478	\$ 431,830,450
Location							
REO Plant	\$ 2,261,832	\$ 1,500,000	\$ 2,956,400	\$ 4,708,500	\$ 1,500,000	\$ 1,500,000	\$ 14,426,732
Delta Energy Park	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 12,000,000
Water Production	\$ 3,269,162	\$ 3,594,519	\$ 3,601,855	\$ 2,410,365	\$ 2,715,097	\$ 2,052,386	\$ 17,643,384
Electric T&D	\$ 43,221,038	\$ 37,270,831	\$ 38,461,967	\$ 36,047,004	\$ 31,159,860	\$ 24,191,411	\$ 210,352,111
Water T&D	\$ 9,150,000	\$ 12,320,000	\$ 10,899,535	\$ 14,635,635	\$ 15,582,903	\$ 17,282,433	\$ 79,870,506
Steam T&D	\$ 1,245,900	\$ 1,849,527	\$ 3,452,557	\$ 3,074,241	\$ 2,016,253	\$ 2,076,741	\$ 13,715,219
Chilled Water T&D	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703	\$ 333,123
Other	\$ 10,604,894	\$ 10,247,830	\$ 11,630,769	\$ 10,759,577	\$ 17,817,501	\$ 22,428,805	\$ 83,489,376
Total Capital Portfolio	\$ 71,804,326	\$ 68,835,752	\$ 73,057,719	\$ 73,691,597	\$ 72,849,578	\$ 71,591,478	\$ 431,830,450

- Capital Portfolio Budget & Forecast
 - Capital Portfolio Spending by Utility and Location
 - Capital Portfolio Major Projects and Annuals
 - Capital Portfolio Gates and Phases
 - Capital Portfolio Designed Budget Amounts

6-Year Major Capital Projects and Annuals							
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Forecast Total ³
Planned Projects							
Rundle Substation ¹	\$ -	\$ 2,594,746	\$ -	\$ 10,644,324	\$ 10,589,860	\$ -	\$ 23,828,930
Wise Substation ¹	\$ 17,893,687	\$ 4,675,343	\$ 160,313	\$ -	\$ -	\$ -	\$ 22,729,343
LGR Substation ¹	\$ 1,791,866	\$ 77,467	\$ 8,006,382	\$ 8,083,680	\$ -	\$ -	\$ 17,959,395
South Reinforcement - Transmission Line ¹	\$ 824,671	\$ 10,383,115	\$ 5,567,859	\$ -	\$ -	\$ -	\$ 16,775,645
Dye/Cedar Dry Chemical Handling	\$ 1,350,400	\$ 2,166,519	\$ 3,362,855	\$ 2,165,365	\$ 1,854,097	\$ 1,240,386	\$ 12,139,622
Stanley Substation ¹	\$ 508,243	\$ 1,026,924	\$ 3,585,402	\$ -	\$ -	\$ 2,835,527	\$ 7,956,096
Cedar Street - Sub Cutover ¹	\$ -	\$ 500,000	\$ 2,303,000	\$ 1,086,000	\$ 2,293,000	\$ 1,651,000	\$ 7,833,000
REO - Stack Heat Recovery	\$ -	\$ -	\$ 1,000,000	\$ 2,400,000	\$ -	\$ -	\$ 3,400,000
Electric System Protection	\$ -	\$ -	\$ -	\$ 573,000	\$ 1,250,000	\$ 1,250,000	\$ 3,073,000
Magnolia Ave. - 4160V Cutover & Retirement	\$ 1,014,930	\$ 847,260	\$ 814,610	\$ -	\$ -	\$ -	\$ 2,676,800
Total Major Planned Projects	\$ 23,383,797	\$ 22,271,374	\$ 24,800,421	\$ 24,952,369	\$ 15,986,957	\$ 6,976,913	\$ 118,371,831
Annual Projects ²							
Electric	\$ 21,270,000	\$ 18,800,000	\$ 18,808,000	\$ 18,983,000	\$ 18,850,000	\$ 18,850,000	\$ 115,561,000
Water	\$ 9,372,000	\$ 12,548,000	\$ 11,138,535	\$ 14,880,635	\$ 15,843,903	\$ 13,754,433	\$ 77,537,506
Steam	\$ 1,245,900	\$ 1,849,527	\$ 3,452,557	\$ 3,074,241	\$ 2,016,253	\$ 2,076,741	\$ 13,715,219
Chilled Water	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703	\$ 333,123
Common	\$ 6,022,711	\$ 5,867,049	\$ 5,820,602	\$ 5,171,313	\$ 5,036,976	\$ 5,156,363	\$ 33,075,014
Total Annual Projects	\$ 37,962,111	\$ 39,117,621	\$ 39,274,330	\$ 42,165,464	\$ 41,805,097	\$ 39,897,239	\$ 240,221,861

¹ These projects support the Lansing Energy Tomorrow initiative.

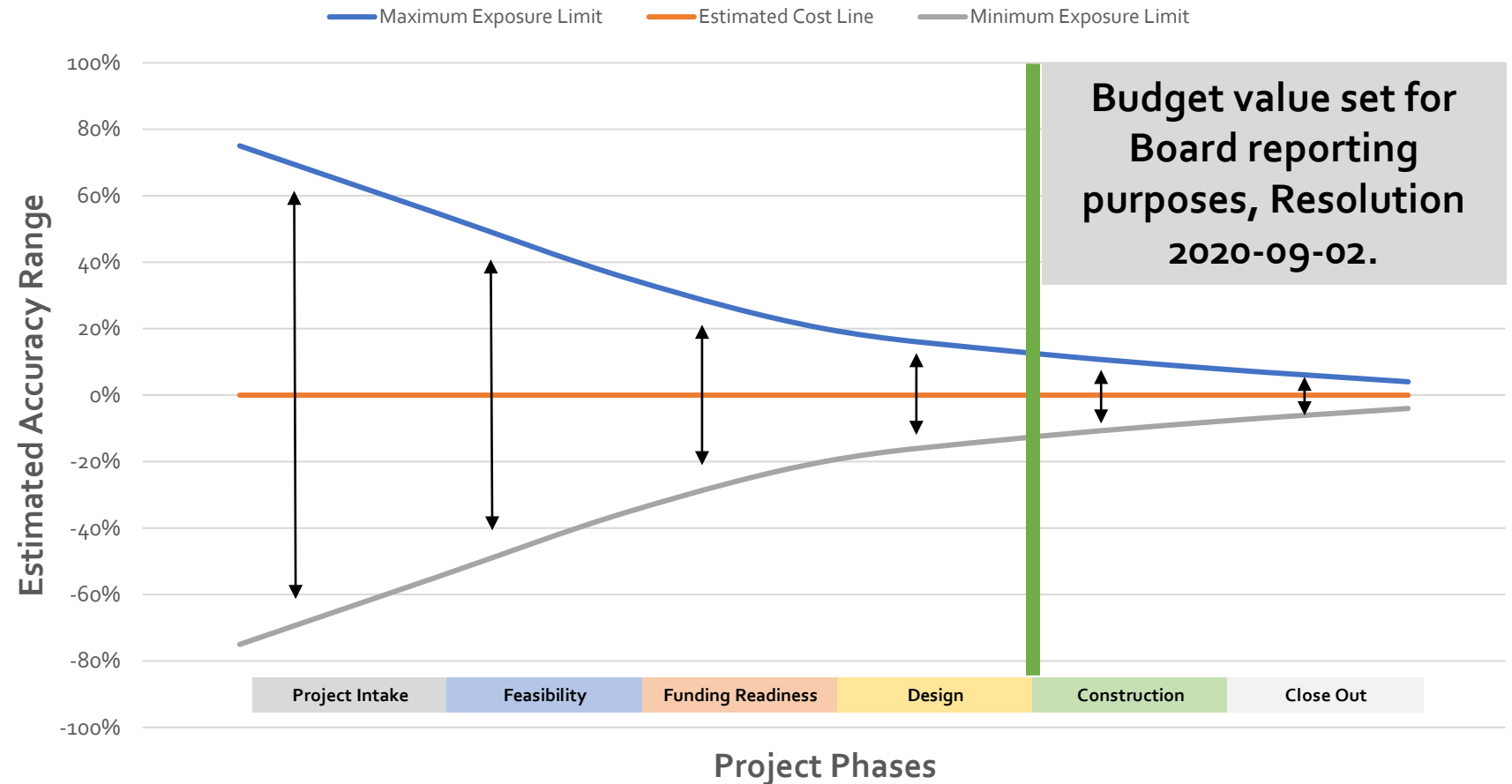
² Annual projects have some level of spending each year.

³ The forecast total represents 6-year spending. Spending before or after the 6-year period is not reflected in this total.

10 Largest Planned Projects make up 63% of Total Planned Capital

- Capital Portfolio Budget & Forecast
 - Capital Portfolio Spending by Utility and Location
 - Capital Portfolio Major Projects and Annuals
 - Capital Portfolio Gates and Phases
 - Capital Portfolio Designed Budget Amounts

Estimating Accuracy by Phase



Board of Commissioners amended the Capital Project Exceedance Approval Policy (Resolution #2020-09-02) based on the portfolio approach.

- Capital Portfolio Budget & Forecast
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 - Capital Portfolio Designed Budget Amounts

Designed Budget Amounts by Latest Estimate			
Project Name	Designed Budget	Latest Estimate	Current Phase
Advanced Metering Infrastructure	\$ 37,187,288	\$ 37,708,129	Construction
Customer Information System	\$ 17,425,255	\$ 16,106,520	Construction
ESRI Implementation	\$ 6,520,417	\$ 6,863,542	Construction
ADMS - Advanced Distribution Management System ¹	\$ 6,315,943	\$ 6,259,609	Construction
Magnolia Ave. - 4160V Sub Cutover and Retirement	\$ 4,262,000	\$ 2,938,846	Construction
MP - Tainter Gate Trunnion Pin Replacement	\$ 2,010,909	\$ 2,003,099	Close Out
Central Distribution	\$ 2,440,611	\$ 1,980,575	Close Out
Eckert 13 & 15 Cutover	\$ 1,882,818	\$ 1,788,534	Construction
College H919 - Distribution	\$ 1,291,467	\$ 1,289,358	Construction
Erickson River Water Pump and Ash Pump Switchgear	\$ 1,583,468	\$ 1,153,229	Close Out
Dye Sludge Transfer Pumps 1 and 2 Replacement	\$ 1,139,725	\$ 1,141,961	Construction
SCADA Network Upgrade Phase 2	\$ 989,867	\$ 941,912	Construction
Fluoride Tank Replace	\$ 834,367	\$ 762,701	Construction
Substation Modernization - Distribution	\$ 635,848	\$ 714,085	Construction
ESRI Release 4	\$ 696,365	\$ 696,365	Construction
Dye Calciner Transformer Protection	\$ 441,500	\$ 380,790	Close Out
Wellfield Asset Management	\$ 298,474	\$ 248,677	Construction
Eckert 13.2kV Compressor Project	\$ 164,169	\$ 183,305	Construction
Enterprise Sub - Howard Line DFR Input Integration	\$ 198,534	\$ 161,215	Close Out
Davis Ave. Substation - Transient Recorder Replacement	\$ 375,310	\$ 131,594	Construction
Davis Substation Hydrogen Sensor	\$ 98,538	\$ 69,043	Construction

*Projects latest estimate and current phase as of March 2022
 *Projects exceeding the designed budget amount by \$200k & 15% are subject to Board reporting
¹ This was reported as an exceedance in September 2021. The revised budget amount is shown here

Next Steps



November 2021 – February 2022

- Budget Process Start
- Prepare Capital Budget
- Set Financial Targets
- Request Department Budgets
- Revenue Projections



March 2022 – April 2022

- Compile Budget & Forecast
- Internal Review and Approval



May 2022

- Finance Committee to accept, as presented, the Operating and Capital Forecast for FY 2023 – 2028 and recommend for Board of Commissioners' approval on May 24, 2022.
- Board of Commissioners to approve, as presented, the FY 2023 annual budget and file with the City Clerk within 10 days of approval.
- Board of Commissioners to accept, as presented, the Operating and Capital Forecast for FY 2023 – 2028 and submit the Capital Forecast to the Mayor prior to October 1, 2022.

Proposed Resolution
Fiscal Year 2023-2028 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2023 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2024-2028 is hereby accepted as presented; and

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

Staff Comments:

Staff recommends an operating and maintenance budget of \$363.0M and a capital budget of \$71.8M for Fiscal Year 2023.

The Operating and Capital Budget and Forecast for Fiscal Years 2023-2028 includes forecasted rate increases. The forecast rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 24, 2022 board meeting.



Internal Audit Status Report Finance Committee Meeting May 10th, 2022

Provided by:

Brian W. Schimke, Interim Director/Principal
Auditor-Internal Audit

Overview

- 1. Proposed (Revised) FY22 Audit Plan - Progress Report**
- 2. FY2023 Risk Assessment and Audit Plan**
- 3. Peer Review Update**

Proposed (Revised) FY 2022 Audit Progress Report

Audit Engagements and Activities in Audit Plan Completed, Active, Scheduled to Start, or Changed.

- 1. Payroll Audit – Audit Status: Active, currently reviewing information and documenting work papers.**
- 2. Mobile Devices Audit – Audit Status: Engagement letter to be issued soon.**

FY23 Risk Assessment and Audit Plan

- 1. Currently engaged in the Risk Assessment process in an effort to compile a draft FY23 audit plan.**
- 2. Will likely include audit's that were alternates in my revised FY22 audit plan and new audit's that comprise high risk.**

FY22 Peer Review Update

- 1. Working with the IIA to find and select an independent expert to commence our FY22 Peer Review in May.**
- 2. Had discussions with the former Director of IA, Mr. Perkins, soliciting advisement and helping to foster expectations since the 2017 Peer Review.**
- 3. Familiarized myself with the IIA's updated standards and performing a "dry run" of the review as suggested by the former Director and the IIA.**

Any questions, comments, or concerns?

Thank you kindly, for your time.