



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS  
FINANCE COMMITTEE MEETING  
Tuesday, July 11, 2023 – 6:00 P.M.  
Board of Water & Light Headquarters – REO Town Depot  
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Dusty Horwitt, Committee Chairperson; Semone James; David Price; and Sandra Zerkle; Alternates: Anthony Mullen, Tracy Thomas; Non-Voting: Robert Worthy, Brian Pillar

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 May 9, 2023 .....**TAB 1**
- 2. May YTD Financial Summary.....**TAB 2**
  - a. Capital Project Report .....**TAB 2a**
- 3. Drinking Water State Revolving Fund (DWSRF) Bond Resolution .....**TAB 3**
- 4. Retirement Plan Committee (RPC) Update.....**TAB 4**
- 5. Bi-Annual Internal Audit Open Management Responses Update .....**TAB 5**
- 6. P-Card Procedure Modifications Resolution.....**TAB 6**

Other

Adjourn

**FINANCE COMMITTEE**  
**Meeting Minutes**  
**May 9, 2023**

Finance Committee: Dusty Horwitt, Committee Chairperson; Semone James; David Price; and Sandra Zerkle; Alternates: Anthony Mullen, Tracy Thomas; Non-Voting: Commissioners Douglas Jester, Larry Merrill, Maggie Sanders.

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, May 9, 2023.

Finance Committee Chairperson Dusty Horwitt called the meeting to order at 7:40 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Dusty Horwitt, Semone James, David Price, and Sandra Zerkle, Alternate: Tracy Thomas; also present: Commissioner DeShon Leek and Non-Voting Commissioner Larry Merrill.

Absent: None

The Corporate Secretary declared a quorum.

**Public Comments**

Jan Simpson, St. Johns, Michigan, president of the BWL Retirees' Association, commended the BWL Retirement Plan Committee (RPC) and Human Resources for contacting more than six-hundred and seventy-nine participants in the DB and VEBA plans regarding any needed forms and substantiation documentation, leaving only five participants remaining. GM Peffley thanked Jan Simpson for her work.

**Approval of Minutes**

**Motion** by Commissioner David Price, **Seconded** by Commissioner Sandra Zerkle, to approve the Finance Committee Meeting minutes of March 16, 2023.

**Action:** Motion Carried.

**March YTD Financial Summary**

CFO Heather Shawa presented the March YTD Financial Summary. Commissioner Zerkle asked about employee vacancy postings and the cost of benefits claims. GM Peffley stated typically in a year, BWL hires about 40 to 45 employees; last year BWL hired 100 employees.

**Retirement Plan Committee (RPC) updates**

CFO Heather Shawa presented the RPC updates.

Commissioner Zerkle asked if the five participants that are still receiving benefits and hadn't provided the necessary substantiation documentation was because they hadn't received the proper information to return. CFO Shawa stated that the employees require some assistance locating the documentation and are receiving assistance from Human Resources.

### **Drinking Water State Revolving Fund (DWSRF) Bond Resolution**

Accounting, Finance & Planning Director, Scott Taylor, presented the Drinking Water State Revolving Fund Bond and requested approval of the revenue bond issuance resolution. A notice of intent for the revenue bond issuance will be published in the Lansing State Journal upon approval of the bond resolution. Mr. Taylor reiterated that a resolution to authorize CFO Shawa to issue the revenue bonds will be presented to the Board in July 2023.

In response to Commissioner Zerkle's question, GM Peffley stated the bond revenue would be mainly used for the construction of a water tower at the corner of Wood Street and Lake Lansing Road and used for water main replacements.

**Motion** by Commissioner Semone James, **Seconded** by Commissioner Sandra Zerkle, to forward the Resolution for the Drinking Water State Revolving Fund (DWSRF) to the full Board for consideration.

**Action:** Motion Carried.

### **FY24 Operating Budget and FY24-29 Forecast Presentation**

CFO Heather Shawa and Accounting, Finance & Planning Director, Scott Taylor, presented the FY24 Operating Budget and FY24-29 Forecast Presentation. Strategic objectives, key budget and forecast assumptions, sales volume history and forecast by utility, operating budget and forecast, capital budget and forecast, and next steps were presented. BWL was selected as Corporate Partner of the Year by United Way was noted.

Commissioner James asked what could improve the BWL credit rating from high to the best rating. CFO Shawa responded that cash metrics helped maintain BWL's credit rating during COVID, the City of Lansing's financial position as it relates to their OPEB is the biggest pressure, and the customer base used to be General Motors dependent but now there is diversity. Commissioner James asked how much the City's OPEB was underfunded and what was being done to get to the targeted funding status. GM Peffley responded that the amount was about \$500 million and that the mayor will increase some efficiencies and obtain grants and is hoping BWL will land a large customer. Commissioner James also asked what could be done regarding the reduced amount of the 6% rate on the Return on Equity (ROE) and being unable to give the amount forecasted due to Delta Energy Park delays and costs. GM Peffley responded that the first two quarters were strong, the fourth quarter is expected to be strong with additional revenue projected, and BWL is still in the positive by about \$1 million for the amount. Commissioner Zerkle added that BWL provides 20% of the City's budget.

Commissioner Horwitt asked what the response would be to a request for a greater than 6% ROE to the city. General Counsel Mark Matus responded that the percentage is determined by what is deemed acceptable and comparable to Returns of Equity for utilities in the country. CFO Shawa responded that business is growing to increase the amount provided to the city at the 6% rate rather than increasing the ROE rate.

In response to Commissioner Zerkle asking whether the current authorization for the substations would prevent the rolling blackouts during the summer GM Peffley stated the rolling blackouts would be driven by the energy shortage of an outside entity.

In response to Commissioner James asking why the 5% inflation rate wasn't used instead of 2.4%, Mr. Taylor responded that the lower rate is the forecast inflation rate published by the congressional budget office.

In response to Commissioner Zerkle's question of how a 50% rate increase for water over 4 years was justified, GM Peffley stated that there is no backup for water as there is for electric and the BWL needs to stay compliant with our cost of service objectives.

Commissioner Price asked how BWL's water rate compares with other municipalities in the state. GM Peffley responded that the water rates are in the middle of other municipalities and obtains its water from deep wells that incur greater pumping costs and chemical treatments, but BWL has good tasting and quality water.

Commissioner Horwitt asked if the water rates could be reduced with a combination of grants and the lower rate policy for the first two CCFs of water usage per month which is about 1500 gallons. GM Peffley affirmed and stated that a household of two should have no problem staying under 1500 gallons. GM Peffley will follow up on the water usage amount for a two-person household.

Commissioner James asked if BWL provides information on ways to conserve water and cost saving apparatus. GM Peffley responded that campaigns, mailers, and social media are provided to customers. CFO Shawa added that there is also information on the BWL website.

**Motion** by Commissioner Semone James, **Seconded** by Commissioner Sandra Zerkle, to forward the Resolution for the FY2024-2029 Budget and Forecast to the full Board for consideration.

**Action:** Motion Carried.

### **Removal of the Designation on Funds for Coal Inventory Fluctuation and Release for Unrestricted Use Resolution**

Accounting, Finance & Planning Director, Scott Taylor, presented and requested approval of the resolution for the removal of the designation on funds for coal inventory fluctuation and release for unrestricted use.

**Motion** by Commissioner David Price, **Seconded** by Commissioner Sandra Zerkle, to forward the Resolution for the Removal of the Designation on Funds for Coal Inventory Fluctuation and Release for Unrestricted Use to the full Board for consideration.

**Action:** Motion Carried.

**P-Card Administration**

GM Peffley stated that the revising of the BWL employee purchasing card procedure was in progress, management review and training will be conducted, the completion date is set at July 1, 2023, and the information will be provided to the Commissioners when completed. Chairperson Horwitt stated that review and revision of the Board appointee purchasing card procedure will also be completed and requested assistance. GM Peffley stated that assistance would be provided.

**Other**

A copy of the Board of Commissioners budget for fiscal years 2024 through 2029 was provided for review.

**Adjourn**

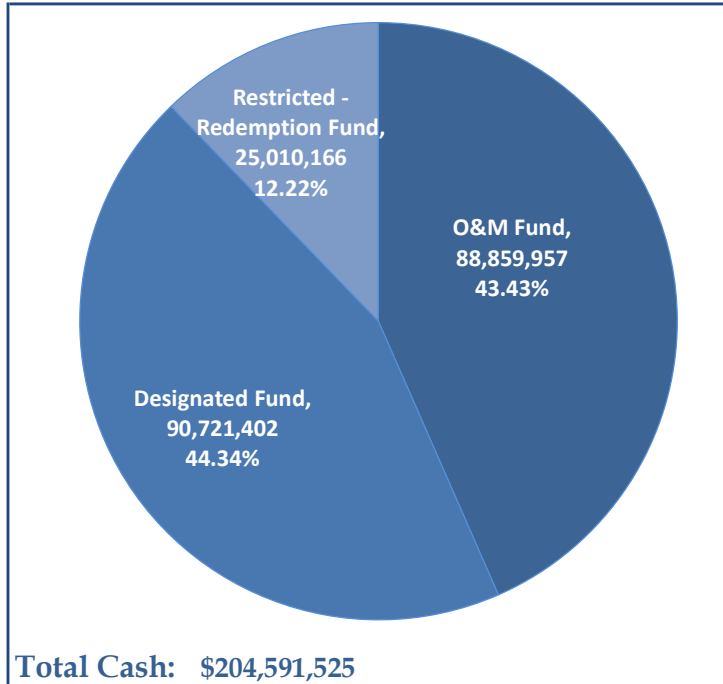
Chairperson Dusty Horwitt adjourned the meeting at 9:28 p.m.

Respectfully submitted,  
Dusty Horwitt, Chairperson  
Finance Committee

# Financial Summary - May 2023 - FY23



## Cash



## Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 341,745,753	\$ 301,409,649	40,336,104	13%
Wholesale	\$ 65,254,667	\$ 85,844,387	(20,589,719)	-24%
<b>Total Revenue</b>	<b>\$ 407,000,421</b>	<b>\$ 387,254,036</b>	<b>19,746,385</b>	<b>5%</b>
Operating Expenses	\$ 345,542,267	\$ 335,137,810	10,404,457	3%
Non Operating Income/(Exp)	\$ (43,051,742)	\$ (45,912,914)	2,861,173	-6%
<b>Net Income</b>	<b>\$ 18,406,412</b>	<b>\$ 6,203,313</b>	<b>12,203,099</b>	<b>197%</b>
<b>FY 2023 Budgeted Net Income</b>		<b>\$ 5,867,605</b>		

## Budget Status YTD

### O&M Budget YTD (excluding fuel)

FY 2023 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 162,258,289	\$ 151,932,920	\$ 151,963,049	\$ (30,129)	0%
% of Approved Budget	94%	94%		

### Capital Budget YTD

FY 2023 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 71,804,326	\$ 66,406,139	\$ 59,627,382	\$ 6,778,756	11%
% of Approved Budget	92%	83%		

	Month End	Target
Days Cash on Hand	169	166
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.41	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:

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

## Return on Assets

Actual YTD	Budget YTD	Target
3.25%	2.51%	4.01%
Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense}}{\text{Net Fixed Assets} + \text{Inventory}}$		

## Ratios

### Operating Ratio

<u>O&amp;M Expense</u>	\$	281,679,096	=	0.69	APPA Median
Revenue	\$	407,000,421			0.74

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

### Current Ratio

<u>Current Assets</u>	\$	222,440,455	=	2.77	APPA Median
Current Liabilities	\$	80,413,852			1.80

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

### Debt to Total Assets

<u>LT Debt + Accrued Liabilities</u>	\$	959,742,436	=	0.57	APPA Median
Total Assets	\$	1,675,053,774			0.54

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

### Days Sales Outstanding

Average Accounts Receivable	x Days	\$	31,866,872	x 31 =	31	Prior Year
Sales		\$	32,237,129			28

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

### Bad Debt

<u>12 Month Rolling Bad Debt Exp</u>	\$	2,019,845	=	0.46%	Prior Year
12 Month Rolling Revenue	\$	438,338,639			0.73%

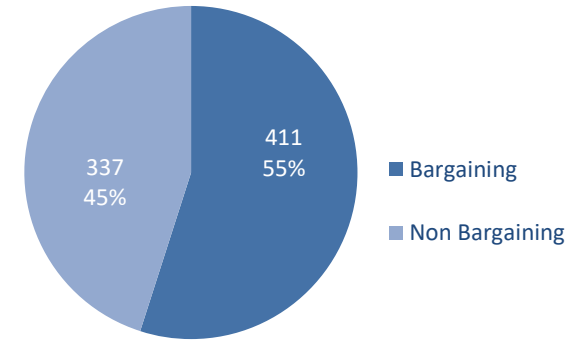
Measures the portion of each revenue dollar that will not be collected

## Employee Data

### Employee Count

Employee Count YTD	748
Budget YTD	756
Over/(Under) #	(8)

Full Time Equivalent	20
Temporary Employees	



### Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 65,081,493	\$ 66,207,444	\$ (1,125,952)	-1.7%	\$ 56.48
Overtime	\$ 6,706,410	\$ 7,347,064	\$ (640,655)	-8.7%	
Total	\$ 71,787,902	\$ 73,554,508	\$ (1,766,606)	-2.4%	

Total Hours Worked	1,245,024
Labor \$/Hours Worked	\$ 57.66

### Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 14,559,517	\$ 18,036,391	\$ (3,476,874)
Rx	\$ 3,063,702	\$ 3,248,198	\$ (184,496)
Dental	\$ 1,208,355	\$ 1,315,668	\$ (107,313)
Life	\$ 451,015	\$ 521,587	\$ (70,572)
FICA	\$ 5,308,405	\$ 5,153,052	\$ 155,353
Other	\$ 982,285	\$ 1,874,358	\$ (892,073)
Total	\$ 25,573,278	\$ 30,149,254	\$ (4,575,976)

Report as of May 31, 2023

Projects Sorted by the Current Projection (Highest to lowest costs)											
		FY 23		Total Project				Project Period			
Project Name	Current Phase <sup>1</sup>	Budget	Projected	Designed Budget Amount	Current Projection	\$ Variance <sup>2</sup>	% Variance <sup>2</sup>	Total Cost Incurred To-Date	% Total Cost Incurred To-Date	Start Date	Projected Completion Date
<b>Top Ten Planned Projects</b>											
Stanley Substation	Phase 1 - Feasibility	\$ 508,243	\$ 53,457	TBD	\$ 34,747,523	\$ -	0.00%	\$ 131,896	0.38%	3/15/2021	12/9/2027
South Reinforcement - Transmission Line <sup>3</sup>	Phase 3 - Design	\$ 824,671	\$ 1,227,576	TBD	\$ 31,804,949	\$ -	0.00%	\$ 4,895,742	15.39%	9/20/2017	8/31/2025
Wise Substation - Rebuild	Phase 4 - Construction	\$ 17,893,687	\$ 11,934,883	\$ 31,520,194	\$ 30,951,786	\$ (568,408)	-1.80%	\$ 9,669,390	31.24%	2/1/2020	12/31/2024
Rundle Substation	Phase 2 - Funding Readiness	\$ -	\$ 61,477	TBD	\$ 24,430,511	\$ -	0.00%	\$ 534,543	2.19%	3/15/2021	6/30/2029
LGR Substation	Phase 2 - Funding Readiness	\$ 1,791,866	\$ 1,020,792	TBD	\$ 17,889,334	\$ -	0.00%	\$ 358,694	2.01%	3/15/2021	6/9/2026
REO CTG	Phase 4 - Construction	\$ -	\$ 15,852,549	\$ 14,600,000	\$ 15,472,549	\$ 872,549	5.98%	\$ 12,348,591	79.81%	6/14/2022	9/29/2023
Elevated Storage	Phase 3 - Design	\$ -	\$ 1,612,682	TBD	\$ 13,377,773	\$ -	0.00%	\$ 611,102	4.57%	11/22/2022	2/1/2025
REO GM Hot Water Service	Phase 3 - Design	\$ 551,185	\$ 194,873	TBD	\$ 11,866,341	\$ -	0.00%	\$ 213,944	1.80%	11/15/2021	2/28/2026
Dye/Cedar Dry Chemical Handling	Phase 4 - Construction	\$ 1,350,400	\$ 1,140,847	\$ 13,707,307	\$ 5,012,217	\$ (8,695,090)	-63.43%	\$ 2,048,539	40.87%	8/17/2020	8/31/2024
Magnolia Ave. - 4160V Sub Cutover and Retirement	Phase 3 - Design	\$ 1,014,930	\$ 1,179,307	TBD	\$ 4,203,130	\$ -	0.00%	\$ 2,458,442	58.49%	5/28/2019	6/30/2026
<b>Total Top Ten Planned Projects</b>		<b>\$ 23,934,982</b>	<b>\$ 34,278,443</b>	<b>\$ 189,756,113</b>				<b>\$ 33,270,885</b>			
<b>Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)</b>											
<b>Total Project Watch List</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				<b>\$ -</b>			
<b>Remaining Planned</b>											
Electric		\$ 5,446,563	\$ 6,717,177								
Water <sup>5</sup>		\$ 2,156,762	\$ 1,268,427								
Steam		\$ -	\$ 139,413								
Chilled Water		\$ -	\$ -								
Common		\$ 2,303,908	\$ 559,574								
<b>Total Remaining Planned</b>		<b>\$ 9,907,233</b>	<b>\$ 8,684,591</b>								
<b>Annual</b>											
Electric		\$ 21,270,000	\$ 24,016,445			\$ 2,746,445	12.91%				
Water <sup>5</sup>		\$ 9,372,000	\$ 11,182,923			\$ 1,810,923	19.32%				
Steam		\$ 1,245,900	\$ 2,460,496			\$ 1,214,596	97.49%				
Chilled Water		\$ 51,500	\$ 161			\$ (51,339)	-99.69%				
Common		\$ 6,022,711	\$ 8,148,939			\$ 2,126,228	35.30%				
<b>Total Annual</b>		<b>\$ 37,962,111</b>	<b>\$ 45,808,964</b>								
<b>Grand Total</b>		<b>\$ 71,804,326</b>	<b>\$ 88,771,998</b>								

Notes:

<sup>1</sup> For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin of error.

<sup>1</sup> 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.

<sup>2</sup> Variances highlighted in red are over the \$200k and 15% thresholds.

<sup>3</sup> A portion of the projected fiscal year overage is carry over from the prior fiscal year.

<sup>4</sup> The following exceedances have been approved for annual budgets: Water - \$12,090,735, Steam - \$2,680,360, Common - \$8,148,939

<sup>5</sup> Projects included in the approved DWSRF project plan are eligible for \$20M in principal forgiveness. These projects were approved in FY23 to utilize the funding opportunity but do contribute to the overbudget capital projections.



**RESOLUTION #2023-\_\_-\_\_**

**Lansing Board of Water and Light**

**SECOND SUPPLEMENTAL  
UTILITY SYSTEM REVENUE BOND RESOLUTION  
TO AUTHORIZE JUNIOR LIEN BONDS**

**A RESOLUTION TO AUTHORIZE:**

- Junior Lien Utility System Revenue Bonds to finance water supply system improvements;
- Junior Lien Bonds to be sold to the Michigan Finance Authority through the Drinking Water State Revolving Fund loan program administered by the Authority and the Michigan Department of Environment, Great Lakes and Energy;
- Chief Financial Officer to sell Bonds without further Board approval.

**PREAMBLE**

WHEREAS, the City of Lansing (the “City”) acting through the governing body of the Lansing Board of Water and Light, from time to time issues its utility system revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility system (the “System”) under the provisions of Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”); and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City and the users of the System to acquire and construct water supply system improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines, storage, treatment and related utility system facilities for water supply, together with any appurtenances and attachments thereto and any related site acquisition or improvements (collectively, the “Project”); and

WHEREAS, on Friday, May 26, 2023, the Board published in the *Lansing State Journal* a Notice to Electors of the City of Lansing of Intent to Issue Revenue Bonds for Water Supply System Improvements and Right to Petition for Referendum describing utility system revenue bonds to be issued in an amount not-to-exceed Thirty-Two Million Two Hundred Twenty Thousand Dollars (\$32,220,000) to finance costs of the Project, and no petitions requesting referendum as described in the Notice were filed with the City Clerk during the referendum period provided by Act 94; and

WHEREAS, in order to finance costs of the Project, the Board now desires to authorize the issuance and sale of the UTILITY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2023 (the “Series 2023 Bonds”) pursuant to the provisions of Act 94.

NOW, therefore, be it resolved:

Section 1. Definitions. Whenever used in this Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) “Act 94” means Act 94, Public Acts of Michigan 1933, as amended.
- (b) “Additional Junior Lien Bonds” means any additional junior lien bonds of equal standing with the Bonds issued pursuant to Section 17 of this Resolution.
- (c) “Authorized Officer” means severally the Chief Financial Officer, her designee, the Chairperson, and the Corporate Secretary.
- (d) “Board” or “Issuer” means the Board of Water and Light established pursuant to Section 5-201 of Chapter 2 of the City Charter of the City.
- (e) “Chief Financial Officer” means the Board’s Chief Financial Officer.
- (f) “City” means the City of Lansing, Michigan.
- (g) “EGLE” means the Michigan Department of Environment, Great Lakes and Energy, or any successor agency which administers loans from the State of Michigan Drinking Water State Revolving Fund (DWSRF) program.
- (h) “Issuer” or “Board” means the Board of Water and Light established pursuant to Section 5-201 of Chapter 2 of the City Charter of the City.
- (i) “Junior Lien Bonds” and “Junior Lien Notes” means any bonds or series of bonds (including the Series 2023 Bonds) or bond anticipation notes issued under Act 34, Public Acts of Michigan, 2001, as amended, or other obligations which may be issued or incurred by the Board to provide funds for any lawful purpose of the System which are of junior standing and priority of lien with respect to the Net Revenues to the claim of the Senior Lien Bonds.
- (j) “Net Revenues” means the Revenues remaining after deducting the reasonable expenses of administration, operation, and maintenance of the System.
- (k) “Prior Resolution” means Amended and Restated Bond Resolution 2018-03-03, as amended by Resolution 2019-03-03 and Resolution 2020-11-05, and as supplemented by First Supplemental Resolution #2019-11-04.
- (l) “Purchase Contract” means the Purchase Contract to be entered into between the Michigan Finance Authority and the Issuer relating to the purchase by the Michigan Finance Authority of the Series 2023 Bonds.
- (m) “Resolution” means the Prior Resolution as supplemented by this Resolution, and any other resolution amendatory or supplemental thereto.
- (n) “Revenues” means the income derived from the rates charged for the services, facilities, and commodities furnished by the System, earnings on investment of

funds and accounts of the System required to be deposited in the Receiving Fund pursuant to this Resolution and other revenues derived from or pledged to the operation of the System.

- (o) “Senior Lien Bonds” means any Bonds or series of Bonds so designated and payable from Net Revenues, which are secured by a statutory first lien on the Net Revenues established by the Prior Resolutions and which are senior and superior in all respects to any Junior Lien Bonds secured by the statutory second lien established by this resolution, including the outstanding portion of the Utility System Revenue Refunding Bonds, Series 2013A, the Utility System Revenue Refunding Bonds, Series 2017A, the Utility System Revenue Bonds, Series 2019A, the Utility System Revenue Refunding Bonds, Series 2019B, Utility System Revenue Bonds, Series 2021A, and the Utility System Revenue Bonds, Series 2021B, and any Additional Bonds of equal standing hereafter issued.
- (p) “Series 2023 Bonds” means the Utility System Junior Lien Revenue Bonds, Series 2023 issued pursuant to this Resolution.
- (q) “Series 2023 Project” means the water supply system improvement project described in the Notice of Intent published in the Lansing State Journal on May 26, 2023, including, but not limited to, construction, improvement, and renovation of transmission and distribution lines, storage, treatment and related utility system facilities for water supply, together with any appurtenances and attachments thereto and any related site acquisition or improvements (the “System Improvements Project”).
- (r) “Series 2023 Project Fund” means the 2023 Junior Lien Revenue Bonds Project Fund established pursuant to this Resolution.
- (s) “Sufficient Government Obligations” means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the interest as it comes due on the Bonds or Junior Lien Bonds and the principal and redemption premium, if any, on the Bonds or Junior Lien Bonds as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if any of the Bonds or Junior Lien Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds or Junior Lien Bonds for redemption shall be given.
- (t) “Supplemental Agreement” means the supplemental agreement among the Issuer, the Michigan Finance Authority and EGLE relating to the Series 2023 Bonds.

- (u) “System” means the complete facilities of the Board for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, and all additions, extensions and improvements thereto existing or hereafter acquired by the Board.
- (v) “Transfer Agent” means the transfer agent and bond registrar for the Junior Lien Bonds as appointed from time to time by the Issuer as provided in Section 6 of this resolution and who or which shall carry out the duties and responsibilities as set forth in Section 6 of this resolution.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Series 2023 Project in accordance with the plans and specifications prepared by the engineer for the Series 2023 Project, and on file with the Issuer, which plans and specifications are hereby approved. The Series 2023 Project qualifies for the Drinking Water State Revolving Fund financing program being administered by EGLE and the Michigan Finance Authority, whereby bonds of the Issuer will be sold to the Michigan Finance Authority and bear interest at a fixed rate of 1.875% per annum, with 62% of the principal borrowed qualifying for principal forgiveness.

Section 3. Costs; Useful Life. The total cost of the Series 2023 Project is estimated to be \$32,220,000 including the payment of incidental expenses as specified in Section 4 of this resolution, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Series 2023 Project is estimated to be not less than forty (40) years.

Section 4. Payment of Cost; Bonds Authorized; Effect of Prior Resolutions. To pay costs of acquiring and constructing the Series 2023 Project, including legal, engineering, financial and other expenses incident to the issuance and sale of the Series 2023 Bonds, it is hereby determined that the Issuer borrow the sum of Thirty-Two Million Two Hundred Twenty Thousand Dollars (\$32,220,000), or such lesser amount as shall have been advanced to the Issuer pursuant to the Purchase Contract and the Supplemental Agreement, and that the Series 2023 Bonds be issued therefor pursuant to the provisions of Act 94. The remaining cost of the Series 2023 Project shall be defrayed from Issuer funds on hand legally available for such use.

Except as amended by or expressly provided to the contrary in this resolution, all of the provisions of the Prior Resolutions shall apply to the Series 2023 Bonds issued pursuant to this resolution, the same as though each of said provisions were repeated in this resolution in detail; the purpose of this resolution being to authorize the issuance of revenue bonds of subordinate lien to the Senior Lien Bonds.

Section 5. Series 2023 Bond Details. The Series 2023 Bonds are authorized to be issued in one or more series in the aggregate principal sum of not to exceed Thirty-Two Million Two Hundred Twenty Thousand Dollars (\$32,220,000) as finally determined by order of EGLE for the purpose of paying part of the cost of the Series 2023 Project, including the costs incidental to the issuance, sale and delivery of the Series 2023 Bonds. The Series 2023 Bonds shall be

designated as the “UTILITY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2023” with such additional or other designations as determined by an Authorized Officer. The Series 2023 Bonds shall be payable solely out of the Net Revenues, as set forth more fully in Section 7 hereof, provided that the Series 2023 Bonds shall be subordinate to the prior lien with respect to the Net Revenues in favor of the Senior Lien Bonds. Each series of the Series 2023 Bonds shall be in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount thereof, dated as of the date of delivery, payable in principal installments as finally determined by the order of EGLE at the time of sale of the Series 2023 Bonds and approved by the Michigan Finance Authority and an Authorized Officer. Principal installments of the Series 2023 Bonds shall be payable on such payment dates and in such amounts as determined in the Purchase Contract, provided that the final principal payment of the Series 2023 Bonds shall be due and payable in not-to-exceed 40 annual installments.

The payment schedule shown in Section 8 below shows payment of \$32,220,000 of principal; the Michigan Finance Authority has advised the Board that \$20,000,000 of this amount is eligible for Principal Forgiveness and it is anticipated that the Loan Amount to be Repaid will be \$12,220,000. The Series 2023 Bonds shall bear interest at a rate or rates to be determined by an Authorized Officer at the time of execution of the Purchase Contract, anticipated to be 1.875%, payable semiannually on such dates as determined in the Purchase Contract. In addition, if required by the Michigan Finance Authority, the Series 2023 Bonds will bear additional interest, under the terms required by the Michigan Finance Authority, in the event of a default by the Issuer in the payment of principal or interest on the Series 2023 Bonds when due.

The principal amount of the Series 2023 Bonds is expected to be drawn down by the Issuer periodically, and interest on each installment of the principal amount shall accrue from the date such principal installment is drawn down by the Issuer. Principal installments of the Series 2023 Bonds will be subject to prepayment prior to maturity as permitted by the Michigan Finance Authority and approved by an Authorized Officer.

The Series 2023 Bonds shall not be convertible or exchangeable into more than one fully-registered bond per series. Principal of and interest on the Series 2023 Bonds shall be payable as provided in the Series 2023 Bonds as executed.

The Chairperson and Corporate Secretary are authorized to execute the Series 2023 Bonds by manual or facsimile signature. At least one signature on the Series 2023 Bonds shall be a manual signature. Any Authorized Officer is hereby authorized to deliver the Series 2023 Bonds in accordance with the delivery instructions of the Michigan Finance Authority.

Section 6. Registration and Transfer. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Series 2023 Bonds, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books any bond presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

The Series 2023 Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person

or by his duly authorized attorney, upon surrender of such Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Series 2023 Bond. At the time of such transfer the Transfer Agent shall note on the Series 2023 Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of the bond or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange the bond or portion thereof so selected for prepayment. In the event any bond is called for prepayment in part, the transfer agent upon surrender of such bond shall note on the bond the principal amount prepaid and shall return the bond to the registered owner thereof together with the prepayment amount on the prepayment date.

The Chief Financial Officer or her designee is hereby appointed to act as Transfer Agent with respect to the Series 2023 Bonds. If and at such time any Series 2023 Bond is transferred to or held by any registered owner other than the Michigan Finance Authority, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar with respect to the bond, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the bond.

Section 7. Payment of Series 2023 Bonds; Security; Priority of Lien. Principal of and interest on the Series 2023 Bonds shall be payable solely from the Net Revenues. There is hereby recognized the statutory lien upon the whole of the Net Revenues created by this resolution which shall be a lien that is junior and subordinate to the lien of the outstanding Senior Lien Bonds created by the Prior Resolutions and to any Senior Lien Bonds hereafter issued, to continue until payment in full of the principal of and interest on all Series 2023 Bonds, or until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all Series 2023 Bonds then outstanding, principal and interest, to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. Upon deposit of cash or Sufficient Government Obligations for the Series 2023 Bonds, the statutory lien shall be terminated with respect to the Series 2023 Bonds, the holders of the Series 2023 Bonds shall have no further rights under this resolution except for payment from the deposited funds, and the Series 2023 Bonds shall no longer be considered to be outstanding under this resolution.

Section 8. Series 2023 Bond Form. The Series 2023 Bonds shall be in substantially the form shown on the following pages, with such revisions, additions and deletions as the Board may deem advisable or necessary to comply with the final terms of the Series 2023 Bonds established upon sale thereof:

***[Beginning of Bond Form]***

Bond No. R-\_\_

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTIES OF INGHAM AND EATON

CITY OF LANSING  
LANSING BOARD OF WATER AND LIGHT

UTILITY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2023  
DWSRF #7538-01

Registered Owner: Michigan Finance Authority

Principal Amount: [amount]

Date of Original Issue: [date]

The City of Lansing, Counties of Ingham and Eaton, State of Michigan (the “City”), acting through the governing body of the Lansing Board of Water and Light (the “Issuer”), acknowledges itself to owe and for value received hereby promises to pay to the Michigan Finance Authority (the “Authority”), or registered assigns, only from the Net Revenues of the System as hereinafter provided, the Principal Amount shown above, or such portion thereof as shall have been advanced to the Issuer pursuant to a Purchase Contract between the Issuer and the Authority and a Supplemental Agreement by and among the Issuer, the Authority and the State of Michigan acting through the Department of Environment, Great Lakes and Energy, in lawful money of the United States of America.

During the time the Principal Amount is being drawn down by the Issuer under this bond, the Authority will periodically provide to the Issuer a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the Issuer of its obligation to repay the outstanding Principal Amount actually advanced (subject to any principal forgiveness as provided for in Schedule A), all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this bond.

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth on Schedule I attached hereto and made a part hereof, as Schedule I may be adjusted if less than \$[amount] is disbursed to the Issuer, or if the Issuer prepays a portion of the Principal Amount as provided below with the prior written consent of the Authority, with interest on the principal installments from the date each installment is delivered to the holder hereof until paid at the rate of [rate]% per annum. Interest is first payable on [date], and semiannually thereafter, and principal is payable on the first day of [month] commencing [date] (as identified in the Purchase Contract executed for sale of this bond) and annually thereafter.

Principal installments of this bond are subject to prepayment by the Issuer prior to maturity only with the prior written consent of the Authority and on such terms as may be required by the Authority.

Notwithstanding any other provision of this bond, as long as the Authority is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at [Bank], or at such other place as shall be designated in writing to the Issuer by the Authority (the “Authority’s Depository”); (b) the Issuer agrees that it will deposit with the Authority’s Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority’s Depository has not received the Issuer’s deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority’s administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this bond shall be given by the Issuer and received by the Authority’s Depository at least 40 days prior to the date on which such redemption is to be made.

#### Additional Interest

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the “additional interest”) at a rate equal to the rate of interest which is two percent above the Authority’s cost of providing funds (as determined by the Authority) to make payment on the bonds of the Authority issued to provide funds to purchase this bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Issuer’s default. Such additional interest shall be payable on the interest payment date following demand of the Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Authority) the investment of amounts in the reserve account established by the Authority for the bonds of the Authority issued to provide funds to purchase this bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the Authority issued to fund such account, the Issuer shall and hereby agrees to pay on demand only the Issuer’s pro rata share (as determined by the Authority) of such deficiency as additional interest on this bond.

For the prompt payment of principal and interest on this bond, the revenues received by the Issuer from the operations of the Issuer’s facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the “System”) after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the “Net Revenues”), are irrevocably pledged and a statutory lien thereon has been created to secure the payment of the principal of and interest on this bond when due, subject to the first lien in favor of Utility System Revenue Refunding Bonds, Series 2013A, the Utility System Revenue Refunding Bonds, Series 2017A, the Utility System Revenue Bonds, Series 2019A, the Utility System Revenue Refunding Bonds, Series 2019B,



Utility System Revenue Bonds, Series 2021A, and the Utility System Revenue Bonds, Series 2021B.

This bond is a single, fully-registered, non-convertible bond issued for the purpose of constructing water supply system improvements. This bond is issued in the Principal Amount pursuant to an Amended and Restated Utility System Revenue Bond Resolution adopted by the Issuer on March 27, 2018, as amended and supplemented from time to time, including by a Second Supplemental Resolution adopted by the Issuer on July 25, 2023 (collectively, the “Bond Resolution”), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”).

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of superior and equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Bond Resolution. Reference is hereby made to the Bond Resolution and any and all supplements thereto and modifications and amendments thereof, if any, and to Act 94, for a more complete description of the pledges and covenants securing the bonds of this issue, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the bonds of this issue with respect thereto and the terms and conditions upon which the bonds of this issue are issued and may be issued thereunder.

THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION, AND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY FROM THE NET REVENUES OF THE SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE BOND RESOLUTION. THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

**The Issuer has reserved the right, on the conditions stated in the Resolution, to issue additional bonds of prior and senior or equal standing and priority of lien with this bond as to the Net Revenues.**

The Issuer has covenanted and agreed, and covenants and agrees, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the principal of and interest on the bonds of this issue and any other bonds payable from the Net Revenues as and when the same shall become due and payable, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Bond Resolution.

This bond is transferable only upon the books of the Issuer by the registered owner in person or the registered owner’s attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Issuer, duly executed by

the registered owner or the registered owner's attorney, and thereupon a new bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Bond Resolution, and upon payment of the charges, if any, therein prescribed.

It is hereby certified and recited that all acts, conditions and things required by law to be done precedent to and in the issuance of this bond have been done and performed in regular and due time and form as required by law.

IN WITNESS WHEREOF, the City, acting through the Lansing Board of Water and Light, has caused this bond to be signed in its name by the Chairperson and Corporate Secretary of the Issuer, all as of the Date of Original Issue.

LANSING BOARD OF WATER AND LIGHT

By [definitive bond to be signed at delivery]  
Chairperson

Countersigned:

By [definitive bond to be signed at delivery]  
Corporate Secretary

Name of Issuer: Lansing Board of Water and Light  
 Project No.: DWSRF 7538- 01  
 Approved Amt: \$32,220,000\*  
 Loan Amount Forgiven: \$20,000,000  
 Loan Amount to be Repaid: \$12,220,000

SCHEDULE I

Based on the schedule provided below unless revised as provided in this paragraph, repayment of principal of the bond shall be made until the full amount advanced to the Issuer is repaid. In the event the Order of Approval issued by the Department of Environment, Great Lakes and Energy (the “Order”) approves a principal amount of assistance less than the amount of the bond delivered to the Authority, the Authority shall only disburse principal up to the amount stated in the Order. In the event (1) that the payment schedule approved by the Issuer and described below provides for payment of a total principal amount greater than the amount of assistance approved by the Order, or (2) that less than the principal amount of assistance approved by the Order is disbursed to the Issuer by the Authority, or (3) that any portion of the principal amount of assistance approved by the Order and disbursed to the Issuer is forgiven pursuant to the Order, the Authority shall prepare a new payment schedule which shall be effective upon receipt by the Issuer.

Due Date	Amount of Principal Installment Due	Due Date	Amount of Principal Installment Due
April 1, 2024	\$565,000	April 1, 2044	\$ 825,000
April 1, 2025	575,000	April 1, 2045	840,000
April 1, 2026	585,000	April 1, 2046	855,000
April 1, 2027	600,000	April 1, 2047	870,000
April 1, 2028	610,000	April 1, 2048	890,000
April 1, 2029	620,000	April 1, 2049	905,000
April 1, 2030	635,000	April 1, 2050	920,000
April 1, 2031	645,000	April 1, 2051	940,000
April 1, 2032	655,000	April 1, 2052	955,000
April 1, 2033	670,000	April 1, 2053	975,000
April 1, 2034	685,000	April 1, 2054	995,000
April 1, 2035	695,000	April 1, 2055	1,010,000
April 1, 2036	710,000	April 1, 2056	1,030,000
April 1, 2037	720,000	April 1, 2057	1,050,000
April 1, 2038	735,000	April 1, 2058	1,070,000
April 1, 2039	750,000	April 1, 2059	1,090,000
April 1, 2040	765,000	April 1, 2060	1,110,000
April 1, 2041	780,000	April 1, 2061	1,130,000
April 1, 2042	795,000	April 1, 2062	1,155,000
April 1, 2043	810,000		

Interest on the bond shall accrue on that portion of principal disbursed by the Authority to the Issuer which has not been forgiven pursuant to the Order from the date such portion is disbursed, until paid, at the rate of 1.875% per annum, payable April 1, 2024, and semi-annually thereafter.

The Issuer agrees that it will deposit with U.S. Bank Trust Company National Association, or at such other place as shall be designated in writing to the Issuer by the Authority (the “Authority’s Depository”) payments of the principal of, premium, if any, and interest on this bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. In the event that the Authority’s Depository has not received the Issuer’s deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority’s administrative costs and lost investment earnings attributable to that late payment.

\* Not to exceed amount. Loan reductions at close out will result in a proportional decrease.

***[End of Bond Form]***

Section 9. Management. The operation, repair and management of the System shall be under the supervision and control of the Board.

Section 10. Charges. The rates to be charged for service furnished by the System and the methods of collection and enforcement of the collection of the rates shall be those permitted by law and established by the Board and in effect on the date of adoption of this Resolution and thereafter as established by the Board.

Section 11. No Free Service. No free service shall be furnished by the System to any person, firm or corporation public or private, or to any public agency or instrumentality.

Section 12. Rate Covenant. The Board will at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the System which, together with other income, are reasonably expected to be sufficient to provide for payment of the principal of and interest on the Bonds payable from the Net Revenues of the System, as and when the same shall become due and payable, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Resolution.

Section 13. Operating Year. The System shall continue to be operated on the basis of an operating year commencing on July 1st and ending on the 30th day of the following June.

Section 14. Funds and Accounts: Flow of Funds Junior Lien Bond and Interest Redemption Fund. All funds belonging to the System and all Revenues of the System shall continue to be set aside as collected and credited to the Utility System Receiving Fund established by the Prior Resolutions (the "Receiving Fund"), except as provided in this resolution. The Revenues credited to the Receiving Fund are pledged for the purposes of the funds and accounts established by the Prior Resolutions and this resolution and shall be transferred or debited from the Receiving Fund periodically in the manner and at the times and in the order of priority specified in the Prior Resolutions and this resolution.

*Funding Existing Funds and Accounts*. Out of the Revenues in the Receiving Fund there shall be transferred and debited the amounts required by the Prior Resolutions to be deposited into the existing Operation and Maintenance Fund, the existing Bond and Interest Redemption Fund (including the Bond Reserve Account), and the Rebate Fund created pursuant to the Prior Resolutions.

*Junior Lien Bond and Interest Redemption Fund*. There is hereby established and there shall be maintained a separate depository account designated JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND (the "Junior Lien Redemption Account"). Except as otherwise provided herein, the moneys on deposit therein from time to time shall be used for the purpose of paying the principal of and interest on any Junior Lien Bonds.

Out of the Revenues remaining in the Receiving Fund, after provision for the Operation and Maintenance Fund and the existing Bond and Interest Redemption Fund (including the Bond Reserve Account), there shall be set aside periodically in the Junior Lien Redemption Account a

sum sufficient to provide for the payment when due of the current principal of and interest on the Junior Lien Bonds, including any amounts necessary to maintain any reserve account established within the Junior Lien Redemption Account.

The amount to be set aside for the payment of principal and interest on any date shall not exceed the amount which, when added to the money on deposit in the Junior Lien Redemption Account, including investment income thereon and on any bond reserve account which may be established on a future date, is necessary to pay principal and interest due on the Revenue Bonds on the next succeeding principal payment date.

The Issuer may establish separate bond reserve accounts in the Junior Lien Redemption Account to provide for the payment of any series of Junior Lien Bonds.

Section 15. Series 2023 Bond Proceeds. The proceeds of the sale of the Series 2023 Bonds as received by the Issuer shall be deposited in one or more separate accounts in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94, designated as the 2023 JUNIOR LIEN REVENUE BONDS PROJECT FUND (the "Project Fund"). Moneys in the Project Fund shall be applied solely in payment of the cost of the Series 2023 Project and any engineering, legal and other expenses incident thereto and to the financing thereof. If monies other than proceeds of the Series 2023 Bonds is deposited into the Project Fund, then the monies constituting proceeds of the Series 2023 Bonds shall be accounted separately from such other funds or monies.

Any unexpended balance of the proceeds of sale of the Series 2023 Bonds remaining after completion of the Series 2023 Project may in the discretion of the Issuer be used for further improvements, enlargements and extensions to the System. Any remaining balance after such expenditure shall be paid into the Junior Lien Redemption Account and used as soon as is practical for the prepayment of installments of the Series 2023 Bonds.

After completion of the Series 2023 Project and disposition of remaining proceeds, if any, of the Series 2023 Bonds pursuant to the provisions of this Section, the Project Fund shall be closed

Section 16. Bondholders' Rights; Receiver. The holder or holders of the Junior Lien Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the Issuer, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest upon the Junior Lien Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Issuer and under the direction of the court, and by and

with the approval of the court to perform all of the duties of the officers of the Issuer more particularly set forth herein and in Act 94.

The holder or holders of the Junior Lien Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Junior Lien Bonds and the security therefor.

Section 17. Additional Junior Lien Bonds. The Issuer may issue Additional Junior Lien Bonds of equal standing with the Junior Lien Bonds for the following purposes and subject to the following conditions:

(a) To complete a project financed with junior lien bonds in accordance with the plans and specifications therefor. Such bonds shall not be authorized unless the engineers in charge of construction shall execute a certificate evidencing the fact that additional funds are needed to complete the project in accordance with the plans and specifications therefor and stating the amount that will be required to complete the project. If such certificate shall be so executed and filed with the Issuer, it shall be the duty of the Issuer to provide for and issue additional revenue bonds in the amount stated in said certificate to be necessary to complete the project in accordance with the plans and specifications plus an amount necessary to issue such bonds or to provide for part or all of such amount from other sources.

(b) For subsequent repairs, extensions, enlargements and improvements to the System or for the purpose of refunding part or all of the Bonds then outstanding and paying costs of issuing such additional Junior Lien Bonds. Junior Lien Bonds for such purposes shall not be issued pursuant to this subparagraph (b) unless the Adjusted Net Revenues of the System for the then last two (2) preceding twelve-month operating years or the Adjusted Net Revenues for the last preceding twelve-month operating year, if the same shall be lower than the average, shall be equal to at least one hundred percent (100%) of the maximum amount of principal and interest thereafter maturing in any operating year on the then outstanding Senior Lien Bonds, Junior Lien Bonds and on the Additional Junior Lien Bonds then being issued. If the additional Junior Lien Bonds are to be issued in whole or in part for refunding outstanding Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Bonds to be refunded from the proceeds of the additional Junior Lien Bonds. For purposes of this subparagraph (b) the Issuer may elect to use as the last preceding operating year any operating year ending not more than sixteen months prior to the date of delivery of the additional Junior Lien Bonds and as the next to the last preceding operating year, any operating year ending not more than twenty-eight months prior to the date of delivery of the additional Junior Lien Bonds. Determination by the Issuer as to existence of conditions permitting the issuance of additional Junior Lien Bonds shall be conclusive. No additional Junior Lien Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in this subparagraph if the Issuer shall then be in default in making its required payments to the Operation and Maintenance Fund, the Redemption Fund or the Junior Lien Redemption Fund.

(c) For refunding a part or all of the Bonds then outstanding and paying costs of issuing such additional Junior Lien Bonds including deposits which may be required to be made to the bond reserve account, if any, for such Junior Lien Bonds. No additional Junior Lien Bonds

shall be issued pursuant to this subsection unless the maximum amount of principal and interest maturing in any operating year after giving effect to the refunding shall be less than the maximum amount of principal and interest maturing in any operating year prior to giving effect to the refunding.

Section 18. Covenant Regarding Tax Exempt Status of the Series 2023 Bonds. The Issuer shall, to the extent permitted by law, take all actions within its control necessary to maintain the exemption of the interest on the Series 2023 Bonds from general federal income taxation (as opposed to any alternative minimum or other indirect taxation) under the Internal Revenue Code of 1986, as amended, including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditure and investment of Series 2023 Bonds proceeds and moneys deemed to be Bond proceeds.

Section 19. Negotiated Sale; Application to EGLE and Michigan Finance Authority; Execution of Documents. The Issuer determines that it is in the best interest of the Issuer to negotiate the sale of the Series 2023 Bonds to the Michigan Finance Authority because the Drinking Water State Revolving Fund financing program provides significant interest savings to the Issuer compared to competitive sale in the municipal bond market. The Authorized Officers are hereby authorized to apply to the Michigan Finance Authority and to EGLE for placement of the Series 2023 Bonds with the Michigan Finance Authority. The actions taken by the Authorized Officers with respect to the Series 2023 Bonds prior to the adoption of this resolution are ratified and confirmed. The Authorized Officers are each severally authorized to execute and deliver the Purchase Contract, the Supplemental Agreement, and the Issuer's Certificate in the forms provided by the Michigan Finance Authority. Any Authorized Officer is further authorized to execute and deliver such contracts, documents and certificates as are necessary or advisable to qualify the Series 2023 Bonds for the Drinking Water State Revolving Fund. Prior to the delivery of the Series 2023 Bonds to the Michigan Finance Authority, any Authorized Officer is hereby authorized to make such changes to the form of the Series 2023 Bonds contained in this resolution as may be necessary to conform to the requirements of the Michigan Finance Authority or Act 227, Public Acts of Michigan 1985, as amended ("Act 227"), including, but not limited to changes in the principal maturity and interest payment dates and references to additional security required by Act 227.

Section 20. Approval of Bond Details; Authorization of Other Actions. The Authorized Officers are each hereby authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transaction authorized herein, and in pursuance of the foregoing are authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) of Act 94, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, and other matters, provided that the principal amount of Series 2023 Bonds issued shall not exceed the principal amount authorized in this resolution, the interest rate per annum on the Series 2023 Bonds shall not exceed 1.875% per annum, and the Series 2023 Bonds shall mature in not more than forty (40) annual installments.

The Authorized Officers are each hereby authorized and directed to take all other actions necessary or advisable to enable the sale and delivery of the Series 2023 Bonds as contemplated



herein, including applying for and paying the related fees for ratings and making such other filings with and paying related fees to any parties.

Section 21. Other Actions. In the event that the Chief Financial Officer is not available at the time that it becomes necessary to take actions directed or authorized under this resolution, then a person designated by the Chief Financial Officer is authorized to take such actions. The officers, administrators, agents and attorneys of the Board are authorized and directed to take all other actions necessary and convenient to facilitate issuance, sale and delivery of the Series 2023 Bonds within the parameters of this resolution, and to execute and deliver all other agreements, documents and certificates and to take all other actions necessary or convenient in accordance with this resolution, and to pay costs of issuance.

Section 22. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are rescinded as of the effective date of this Resolution.

Section 23. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 24. Publication and Recordation. In accordance with the provisions of Section 6 of Act 94, this resolution shall be published once in full in the *Lansing State Journal*, a newspaper of general circulation in the City qualified under State law to publish legal notices, and shall be recorded in the minutes of the Board and such recording authenticated by the signatures of the Chairperson and Corporate Secretary of the Board.

Section 25. Effective Date. This resolution is hereby determined to be immediately necessary for the preservation of the public peace, property, health and safety of the City and the users of the System. In accordance with the provisions of Section 6 of Act 94, this resolution shall become effective immediately upon its adoption.

We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Regular meeting held on Tuesday, July 25, 2023 at 5:30 p.m., Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that the following Commissioners were present at said meeting \_\_\_\_\_  
\_\_\_\_\_ and that the following  
Commissioners were absent: \_\_\_\_\_.

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

We further certify that the following Commissioners voted for adoption of said resolution \_\_\_\_\_  
\_\_\_\_\_ and that the following  
Commissioners voted against adoption of said resolution: \_\_\_\_\_.

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

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Corporate Secretary



# Retirement Plan Committee (RPC)

Investment Activity Updates for Finance Committee: 7/11/2023

# Investment Activity Update

- Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration Plan (VEBA)
  - VEBA - Portfolio Rebalancing - Real Assets
    - Market value changes have brought the real assets back within the target range however due to the extended time requirements from liquidity constraints associated with rebalancing real assets, RPC will continue forward with the rebalancing until the target value of 15% has been reached.
    - Proposals received from an RFP for custodial services for defined benefit plan and VEBA plan assets are under evaluation.
- Defined Contribution 401(a) & Deferred Compensation 457(b) Plans
  - No significant activity.



# Retirement Plan Committee (RPC)

Administrative Activity Updates for Finance Committee:  
7/11/2023

# RPC Members

- Chief Financial Officer - Chair
- Executive Director of Human Resources
- Director of Accounting, Finance and Planning
- Union Representative IBEW Local 352
- Retiree Representative
- Two Board of Commissioners Representatives

# Administrative Activity Update

- **Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration Plan (VEBA)**
  - VEBA - The quarterly calculation for the period ended March 31, 2023, was made under the terms of the VEBA Administrative Services Agreement. Investment returns and funded status were sufficient to provide for reimbursement of \$6,607,900 for the quarter. Through the 3<sup>rd</sup> quarter of the fiscal year, investment returns and funded status have been sufficient to reimburse the full \$8,194,644 in benefits paid by the Employer.
  - DB & VEBA Participant Communications
    - As a reminder, changes have been made for administrative compliance; changes relate to how payments will appear in participant's accounts, how payments will be reported for tax purposes, and what forms and substantiation will be required for payment.
    - Human Resources continues to work with participants to ensure collection of all necessary documentation.
      - As of 7/5/23, the necessary documentation has been collected from all but 3 participants.
- **Defined Contribution & Deferred Compensation Plans**
  - No significant activity.

## Glossary

- **DB Defined Benefit Plan** - The plan is a noncontributory single-employer defined benefit pension plan for employees of the BWL. The Defined Benefit Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan.
- **VEBA Voluntary Employee Benefit Administration** - The Post-Retirement Benefit Plan is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL.
- **DC 401(a) Defined Contribution Plan** - The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997. The Defined Contribution Plan operates as a money purchase pension plan and meets the requirements of Sections 401(a) and 501(a) of the IRC of 1986, as amended from time to time. For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all nonbargaining employees. No participant contributions are required.
- **DC 457(b) Deferred Compensation Plan** - The Deferred Compensation Plan covers substantially all full-time employees. The BWL contributes \$1,000 on behalf of each participant as of the first pay period of each year. Additionally, the BWL will provide a 100% match for each participant's contributions annually, up to \$1,500.
- **ASA Administrative Services Agreement** - The administrative services agreement is an agreement between the BWL and the VEBA trust regarding the payment of VEBA plan benefits. The agreement calls for the BWL to handle the processing of benefit payments and allows for the reimbursement for payment from the VEBA trust if certain conditions are satisfied. These conditions include both funding status and investment performance measures.



# Follow-up to Internal Audit Findings & Recommendations

Finance Committee 7/11/2023



Hometown People. Hometown Power.

# Resolution #2018-07-05

## Board Policy on Follow-up to Internal Audit Findings & Recommendations

### Internal Audit

- Perform audits, report findings, provide recommendations, records management responses, verify completion of corrective actions

### Management

- Responds to findings and recommendations, identify and execute appropriate and timely corrective actions

### Follow-up of Open Management Responses to Audit Findings

- An open action item list is maintained for progress tracking by Internal Control.
- Management reports progress to the Finance Committee semi-annually (Jan. & July)

# Audit Finding & Recommendation Update

- PA 95 Audit- (Status-Closed)
  - Management has opted-in to PA 95 which will take effect November 1, 2023. We will monitor the impact the program will have on customers as it progresses.

# Audit Finding & Recommendation Update

- Retirement Plan Committee
  - Recommendation #1- To provide the Board more frequent and in-depth updates on Plan and Fund activity and balances. (Status-Closed)
    - Per Board Resolution #2023-05-08 , the RPC will submit quarterly custodian fund accounts statements to the Board.
  - Recommendation #2- Draft and adopt a formal Retirement Plan Committee Charter. (Status- Open)
    - Per Resolution #2023-05-08, the RPC will draft and adopt a formal charter to be approved by the Board. The charter is expected to be completed by June 2024.

# Audit Finding & Recommendation Update

- Recommendation #3- Remove indemnification and hold harmless protections for negligent behavior and actions of the Board, the General Manager, and the RPC to include all corresponding governing members. (Status- Closed)
  - For various reasons, including avoidance of waiving or altering governmental immunity, it has been determined that the recommendation will not be implemented.

# Audit Finding & Recommendation Update

- Retirement Plan Committee
  - Recommendation #4- Increase the RPC from three members to seven members. (Status- Closed)
    - Per Resolution#2023-05-08, The Board has appointed the following additional voting and non-voting members to serve on the committee: one voting member of the Board who shall serve as a voting member of the RPC, one voting member of the Board who shall not serve as a voting member of the RPC except at meetings at which the Board voting member is not present or to break a tie vote, one BWL retiree to be chosen by the retirees who shall serve as a voting member, and one IBEW Local Union 353 bargaining employee to be chosen by the IBEW Local Union 352 who shall serve as a voting member.



**Thank you!**

**Draft Resolution For Discussion at July 11, 2023 BWL Finance Committee Meeting**

RESOLVED, that Board of Water and Light Board of Commissioners (“Board”) **RESOLUTION 2015-07-04** is hereby amended to add the following:

- 1) The Chairperson of the Board’s Finance Committee and a second Finance Committee member shall review the P-Card expense reports of each Board Appointee (“Appointee”) in accordance with the Purchasing Card (P-Card) Procedure. If either or both commissioners have questions about one or more transactions, the two commissioners shall attempt to resolve the issue with the appointee. If they are unable to resolve the issue, the full Finance Committee shall resolve the issue.
- 2) If an Appointee’s P-Card expense report is not approved by both members of the Finance Committee by 5:00 p.m. on the 18<sup>th</sup> calendar day of each month, the Finance Committee Chair and Board Chair shall be notified via email and shall contact the P-Card Administrator for guidance consistent with the Purchasing Card (P-Card) Procedure.
- 3) Within five business days of approval of the expense report by the two members of the Finance Committee, each Appointee shall circulate the Appointee’s approved P-Card expense report via email to the entire Board.
- 4) Appointees shall report their non-P-Card-related expenditures to the Board consistent with other BWL procedures including procedures in the Travel and Reimbursement Policy and procedures in their employment contracts.
- 5) P-Card Spending Limits for Board Appointees [LIMITS ARE UNCHANGED EXCEPT FOR A MODIFICATION FOR THE INTERNAL AUDITOR]

Employee Classification	Cycle (Monthly) Amount Limit
General Manager	\$100,000
Corporate Secretary	\$25,000
Internal Auditor	<del>\$25</del> 10,000

- 6) The changes in this resolution shall be reflected in the Purchasing Card (P-Card) Procedure, on the Commissioner’s dashboard, and in any other relevant BWL documents.