

REGULAR MEETING

The HBPW Board of Directors met
April 10, 2023
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

Chair Thompson called the meeting to order at 4:01 p.m.

Members Present: PJ Thompson, Tim Hemingway, Beth Snyder, Paul Lilly, Carolyn Maalouf, City Council Liaison Nathan Bocks, and Ex Officio Member Keith Van Beek

Members Absent: Dave Couch

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Becky Lehman, Joel Davenport, Chuck Warren, Shawna Vander Yacht, Pieter Beyer, Mark Volkens, Chris Van Dokkumburg, Mike Radakovitz, Julie DeCook, Mark Gipson, Tracy York, Steve Bruinsma. **Guests:** Vince Duckworth and Ron Vander Veen from Cunningham Dalman. Bernie Merkle from CBWS Holland

23.190 **Approval of Agenda**

Board Member Hemmingway made a motion to approve the agenda. The motion was seconded by Board Member Lilly.

23.191 **Board Minutes – Regular Meeting Minutes of March 6, 2023, and Special Meeting Minutes of**

As part of the Consent Agenda, the Board of Directors approved the minutes as presented.

23.192 **Capital budget Amendment for Information Technology (IT) Work**

In August/September of 2022, capital planning for FY 2023 for the IT Department included several projects to refresh various technology hardware and software. Those plans included replacements for storage appliances, cameras, printers, and upgrades for operating systems, database software, and email applications. In our current planning process, it is often difficult to predict and plan for the products and features that will be available in a very fast-changing technical landscape. We often have base plans that evolve as the year progresses, and we also have capacity elements in our infrastructure that become clearer as the year plays out.

Fast forward to today, and our plans have evolved in order to meet both shifting capacity needs and evolving resiliency design. These changes are explained in each category as follows:

Servers – a new category – after completing multiple tabletop exercises regarding our Continuity of Operations Plan (COOP) and with a nod to Disaster Recovery (DR), we are altering our server infrastructure design with the goal of reducing our Return to Operations (RTO) number from a likely 24-48 hours to something like 1-2 hours instead. To do this, we will need to increase the capacity of our server platform we maintain at both the SC and the HEP data centers. We planned on part of this upgrade, but this change in our design increases the number of CPU's and memory needed.

Storage – this was a planned replacement of some aging systems we have today – primarily just a refresh of the appliance with promises of increasing the performance of these units by 5-10x and also to increase capacity by approximately 30%.

** Red italics indicate information or discussion added during the meeting and/or action taken.*

Cameras – this was a planned upgrade to the cameras and camera controllers in the Service Center Boardroom in order to stay current with technology and to increase resolution capability to current technology.

Operating System – this was a planned upgrade from our current standard operating system (O/S) to the latest available O/S in the Microsoft product scheme. The change in this line item is based on the increased capacity in the server platform where we simply need to increase the number of licenses that we own. In order to minimize the cost impact, we are purchasing the amount needed to set up the refreshed server platform for this fiscal year and will defer the remainder of the license purchase to a later fiscal year. The continual adherence to the Microsoft product life cycle is considered a best practice posture.

Database – this was a planned upgrade from our current standard DB installation to the latest available O/S in the Microsoft product scheme. We do this about every three years and would point to the same rationale as the O/S updates.

Email Application – this was planned as an upgrade from our current Exchange implementation to the latest available version. At the time of planning, the intent was to continue in an on-premise mode. Our recent determination to change to Microsoft 365 lessens the need for an on-premise function. It does not eliminate it--but lessens it greatly.

Printers – this was a planned replacement of three of our large format MFD (multi-function devices). Current MFD's were purchased in 2016; getting close to seven years' life from them is a favorable outcome.

Network Switches – a new category – we have been looking at upgrading the network switch stack at the Service Center this year but were holding off due to funding. Because of the disruption caused by the server build within the two data centers, it makes sense to add this to the project rather than trying to make a difficult fit with current hardware and then almost immediately go back in FY 2024 with a switch upgrade. This also reflects an ongoing commitment to redundancy within our network. Most major items have at least dual paths through the network, allowing for one side to go down with almost zero impact. We have seen multiple instances of this design working well in the past couple of years. The network expense is the total addition (\$75,000) being requested.

A comparison summary looks like this:

Component	Planned	Proposed	Difference
Hardware			
Servers		96,000	96,000
Storage	150,000	180,000	30,000
Cameras	45,000	25,000	<i>(20,000)</i>
Network Switches		75,000	75,000
Printers	35,000	15,000	<i>(20,000)</i>
Software			
Operating System	120,000	85,000	<i>(35,000)</i>
Database	55,000	22,000	<i>(33,000)</i>
Email Application	20,000	2,000	<i>(18,000)</i>
Total	\$425,000	\$500,000	\$75,000

Upon approval, most purchases should be readily available and completed in April, with implementation in May/June, and full functionality shortly thereafter.

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As part of the Consent Agenda, the Board of Directors approved a budget amendment reallocating previously approved funds into different categories as outlined in the table below and approve an additional amount of \$75,000.

23.193 **Sewer Condition Assessment Program Renewal**

In April of 2021, the Board approved a competitively bid contract with Plummer's Environmental for the first year of a four-year effort to clean and inspect HBPW's entire sanitary sewer system. Plummer's completed the first phase of work in the fall of 2021. This work included cleaning and assessment of 33% of the sewer system. In 2022, Plummer's contract was renewed; and they cleaned and inspected another 150,000 feet of sewer along with 670 manholes. For both years, HBPW staff found the work performed and inspection deliverables to be of high quality.

Based on the past years of performance, HBPW staff entered into discussions with Plummer's for another renewal of their contract to continue the condition assessment program. Plummer's Environmental has agreed to continue to perform work under the previous contract terms with only a 5-6% increase on unit pricing for the most common pay items in the contract. In comparison, the ENR construction cost index that BPW and others use as a benchmark for unit cost adjustments has increased by over 10% in the same time period.

There is also a significant benefit to continuing the condition assessment with the same contractor due to the subjective nature of the scoring of defects encountered during the inspection work. By maintaining the same inspection team, the assessment program ensures sewers are evaluated using a common baseline allowing for more effective scoring of assets against each other.

Due to good past performance, agreeing to essentially similar unit pricing, and allowing for the continuation of the assessment program with the same inspection team, HBPW staff recommends the renewal of the condition assessment contract with Plummer's Environmental Services. The HBPW purchasing policy allows for renewals of this nature for up to three years from the original contract date. The proposed project for CY 2023 would result in the cleaning and inspection of approximately 270,000 feet of sewer and 1,200 manholes at a cost of \$477,374.40. This would bring the total of the system inspected after three years to 80%. The remainder of the system would be inspected in the following year which would be the final year where renewal is allowed.

There are some remaining dollars in the FY 2023 budget for the work to start in the current fiscal year, but the bulk of the work will be funded from the proposed \$700k Sewer System Rehabilitation FY 2024 capital project budget.

As part of the Consent Agenda, the Board of Directors approved a contract with Plummer's Environmental Services in the amount of \$477,375, with a 10% contingency of \$47,738 for a total of \$525,113, pending approval as to form from the City Attorney.

23.194 **Ottawa County Drain Easement**

In order to best serve the Electric Distribution area on the north side of our service territory, a utility easement for underground electric lines from the property owner on Felch, just east of Beeline, has been granted. The property owner is the Ottawa County Drain Commission. Holland BPW plans to install new primary electric distribution from an existing transformer to a new transformer location on the corner of Felch and Beeline. This easement is approximately 300' of the total 410' for the project. This easement will eliminate the need to bore under Felch in two different locations and thus reduce the cost and complexity of the project.

As part of the Consent Agenda, the Board of Directors accepted a grant of utility easement with the Ottawa County Drain Commission.

23.195 **Valuation of Insurable Property**

As part of the insurance renewal process, HBPW has an obligation to provide an accurate inventory of insured assets along with reasonable estimates of values for those assets. To assist with this process, HBPW engaged Marsh LLC to conduct an insurable values study in 2018. In the intervening period from the study date to today, there have been unprecedented increases in costs caused by several factors, including the pandemic shutdowns, logistics challenges, and commodity shortages. Given these factors, it is prudent to update the study at this time. The City has also engaged Marsh LLC to conduct an insurable values study for City assets this year.

As part of the Consent Agenda, the Board of Directors approved the Marsh USA LLC Statement of Work for an updated valuation of certain HBPW property assets, at a cost of \$17,000 plus expenses and administrative support services.

23.196 **Declaration of Surplus Material**

The HBPW has identified materials and equipment which are no longer pertinent for use. The attached lists show the items determined as excess, obsolete, or uneconomical to repairs. Once declared surplus, the items will be disposed of in the following order:

1. Offered to other City Departments
2. Sell to companies specializing in inventory disposal
3. Auction (utilizing GovDeals online portal)
4. Public auction (in limited cases)
5. Donation
6. Recycling or waste disposal

As part of the Consent Agenda, the Board of Directors approved the attached lists of items as surplus.

23.197 Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Snyder</i>
Favor	<i>5</i>
Oppose	<i>0</i>

23.198 **Communications from the Audience**

David Swan, 345 Griffith, Saugatuck, MI, Saugatuck Dunes Coastal Alliance. Mr. Swan is interested in the 24 acre parcel along Lake Michigan (Hillside Drive). He spoke on behalf of the conservation community and environmental purposes. They are interested in purchasing the property at a "fair price", similar to what we'd purchased it. He encouraged the Board to work in conjunction with the State of Michigan (SDCA incorporated as a nonprofit since 2007).

23.199 **Major Projects Update**

For information only

23.200 **Beechwood Lift Station Rehabilitation**

The Beechwood Lift Station was built in 1978 near the intersection of Beechwood Street and South Shore Drive. The station is in need of rehabilitation to replace pumps, controls, some structural work, and the addition of a generator. The rehabilitation will result in the conversion of the station into the new HBPW standard specification duplex submersible station with smart pumps and a smaller aboveground controls footprint.

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Three bids were received for the work, as tabulated below:

Jackson - Merkey - \$594,862.00
Kamminga & Roodevoets - \$598,295.00
Wadel Stabilization - \$632,435.00

Jackson-Merkey was contacted to discuss their bid and approach to the project, and staff recommends the award of the work to them.

In addition to the construction, an engineering contract was issued to Fleis & Vandenbrink for this project. The total project cost including the construction, engineering, as well as a 10% construction contingency, totals \$697,658.20.

The approved capital budget for this project is \$625,000. The total anticipated project cost is therefore \$72,658.20 above the approved budget. Because of this, a second recommendation is required for a FY 2023 capital budget amendment for the additional amount. The cost being over budget is largely due to the increase in cost of control parts since budget approval and a bid environment where many contractors already have a lengthy backlog of work which is putting upward pressure on construction costs.

Recommendation: The Board of Directors approved a contract with Jackson-Merkey Contractors, Inc. in the amount of \$594,862 with a 10% contract contingency of \$59,486 for a total of \$654,348, pending approval as to form from the City Attorney.

The Board further approved a FY 2023 capital budget amendment in the amount of \$72,658.20 for costs beyond the approved project budget.

<i>Motion to approve recommendation</i>	<i>Hemmingway</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

23.201 **Holland Energy Park (HEP) CO and NOx Catalysts**

There are currently no funds budgeted for this project in FY 2023. Funds are budgeted for FY 2024; but because of the current seven-month lead time on the NOx catalysts, an order will need to be placed prior to the beginning of FY 2024.

CO and NOx catalysts are installed in the HRSGs for each combustion turbine generating unit at HEP. The purpose is to reduce the concentration of CO and NOx in the exhaust gas from the combustion turbines to below the levels required by the air permit issued by the State of Michigan.

Both the CO and NOx catalysts are the original catalysts that were installed during the construction of HEP and have been in operation since 2017 and will have approximately 6 ½ years of service by the time they will be replaced in early 2024. Typical lifespan for catalysts is approximately seven years.

Staff requested quotes for both types of catalysts from the vendors listed below, and the lowest evaluated bids resulted in a recommendation for BASF to supply the CO catalysts and for CERAM to supply the NOx catalysts. The catalysts installed originally were supplied by BASF and CERAM to Vogt, who is the manufacturer of the HRSGs.

This project will also require removal of the existing catalysts and installation of the new catalysts by a separate contractor to be recommended to the Board at a later date.

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emissions versus load balancing energy from the grid. However, HBPW also is seeking to understand longer-term impacts. To assist in this, HDR's scope includes determining the potential for Unit 9 to combust hydrogen now and in the future.

In addition to the feasibility review of the combined cycle option, the HDR scope also includes an updated market analysis on battery storage for utility applications. That analysis will include items such as technology overview, cost trends, and timeline from concept to commercial operation. This information will help HBPW to better understand the current market and better prepare us for potential implementation of a local battery storage project.

Finally, the scope of services also includes two optional scopes of service. These services relate to a technical review of unused, pre-owned equipment that could be utilized as part of a combined cycle conversion. Usage of this type of equipment has the potential to make a conversion more cost effective but comes with risks since warranties are highly unlikely. HBPW is aware of a pre-owned steam turbine that may be a good fit for this application and has also been informed that a pre-owned HRSG may similarly be available. If the combined cycle conversion seems feasible, further analysis including technical review by HDR would be desirable to determine if the pre-owned equipment is worth pursuing. These services would be awarded via amendment if determined needed.

Because the work is limited to a study and does not contain any design or construction aspects, the work is being awarded via Purchase Order (PO). HDR has proposed some modifications to HBPW's standard PO Terms and Conditions which are attached. Modifications have been reviewed and approved by the City Attorney. In the event that this work were to progress to an actual design project, a professional services contract would be sought at that time.

Recommendation: The Board of Directors approved issuance of a Purchase Order in the amount of \$133,000 to HDR, subject to approval as to form of any modifications to Terms and Conditions by the City Attorney.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Maalouf</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

23.203

Lease of a Portion of the 49 West 3rd Street Building to Magna Services of America, Inc.

The current lease for the building at 49 West 3rd Street expires on April 30, 2023. Under that lease, Magna Services of America (Magna) occupies the entire building. HBPW operating needs have changed since the expiring lease was negotiated, now requiring use of about 45% of the building going forward. Accordingly, a new lease has been negotiated with Magna, effective June 1, 2023, for about 55% of the building. The lease provides for an initial five-year term, with the option to renew for two additional five-year periods. HBPW reserves the right to not renew the lease if it requires the premises for its own use.

The initial base rent is \$121,968 per year, payable monthly, with annual increases of 3.5%. Building operating expenses (e.g., janitorial, utilities, maintenance, etc.) will be shared by Magna and HBPW based on their pro-rata share of occupied space. Magna's share of these expenses is estimated at \$92,333 during the first year of the lease. Operating expenses are also to be paid monthly. The operating expenses will be recalculated at each year end, with any needed true-up amounts carried into the subsequent year. Magna will also be responsible for any property taxes assessed on their occupied portion of the building. HBPW will request a reassessment of property taxes to reflect HBPW's occupancy. Any reassessment will not be effective until calendar year 2024.

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Recommendation: The Board of Directors approved the Lease Agreement, beginning June 1, 2023, with Magna Services of America, Inc. for approximately 15,246 square feet of the HBPW-owned building at 49 West 3rd Street, Holland, MI, for an initial amount of \$121,968 annually plus operating expenses and property taxes.

Motion to approve recommendation Snyder
Second Hemingway
Favor 5
Oppose 0

23.204 **Appointment of Special Counsel to Assist With Power Supply Transactions**

HBPW performs fuel and power supply transactions in order to mitigate price volatility, meet the goals of Holland's Community Energy Plan, and assure reliable supply of power for its customers. Preparation and review of contract documents for these transactions requires a deep familiarity with the complex fuel and power supply markets and associated regulations. Clark Hill has an experienced team of attorneys that specialize in legal issues within the energy sector. This is expertise that staff feels will be invaluable as we continue to navigate these contracts. Issues in particular that the Special Counsel would assist with include the following:

- Renewable Energy and Battery Storage resource development
- New and/or amended Power Purchase Agreements (PPAs)
- Fuel procurement contracts
- Legal assistance relative to development of new rate tariffs to mitigate risk due to large customers

The proposed engagement for Clark Hill is for a 12-month period. This will allow for HBPW to get through the issues currently anticipated. It also will allow for a reasonable period for HBPW and the city attorney to gauge the success of the relationship. Any services past the 12-month period would require a new authorization from HBPW's Board and the City Council.

Recommendation: The Board of Directors approved the engagement with Clark Hill to assist HBPW on power supply transactions, subject to City Attorney's approval of the engagement agreement.

Motion to approve recommendation Lilly
Second Hemingway
Favor 5
Oppose 0

23.205 **Closed Door Session – Legal Opinion With Possible Action to Follow**

Motion to enter Closed Session @ 5:02 p.m. <Name>
Made by Lilly <Name>
Second: Hemingway
Favor 5
Oppose 0
*ROLL CALL: Maalouf, Lilly, Hemingway,
Thompson, Snyder*

Motion to re-enter Open Session @ 5:59 p.m. <Name>
Made by Maalouf <Name>
Second Lilly
Favor 5 <#>
Oppose 0 <#>

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23.206 **Retention of Special Counsel for Pursuit of Insurance Claim**

Based on legacy insurance policies that were issued on a per occurrence basis, there is a possibility that the Holland Board of Public Works (HBPW) could have coverage to support costs that were incurred in the clean-up of the James De Young site. To date, more than \$3.5 Million has been expended on clean-up of coal and ash at the site.

The City Attorney's office has reviewed the potential engagement with Eisenstein Malanchuck, a firm with experience pursuing recovery in similar situations. The City Attorney's office and HBPW staff both recommend the engagement of Eisenstein Malanchuck as special counsel on a contingency fee basis.

Other than some limited staff time, we don't expect any other costs to be incurred by the HBPW.

Recommendation: The Board of Directors appointed the firm of Eisenstein Malanchuck, LLP as special counsel on a contingency fee basis for the pursuit of insurance coverage of costs associated with coal and ash clean up at the James De Young site.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Snyder</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

Other Business

23.207 **Listing Agreement For the Sale of 4036 Hillside Trail Property**

The property at 4036 Hillside Trail was acquired by HBPW several years ago in anticipation of expanding water treatment/production in the area south of Holland. Over the intervening years, the production needs did not materialize, and City Council approved a resolution on August 3, 2022, to sell the property. The issue was placed on the November 8, 2022, ballot, and the voters approved the disposal of the property. During the last several months, various surveys have been conducted to aid in the preparation of the documents necessary to facilitate the sale.

HBPW is now ready to proceed with the sale and requests to engage JB Team/Bernie Merkle, through CBWS Holland, to conduct the sale of the property. Mr. Merkle has handled several real estate sales and purchases for both HBPW and the City, and HBPW staff are confident he has the necessary experience and skills to successfully market the property.

Recommendation: The Board of Directors approved the West Michigan Regional Listing Agreement engaging CBWS Holland to use its best efforts to find a buyer for the 4036 Hillside Trail property.

<i>Motion to approve recommendation</i>	<i>Snyder</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

23.208 **General Manager Comments**

- Asset tours April 20 (HEP and electric assets), meeting at 9:00 at HEP. These tours are also open to City Council members.
- There will be Tulip Time open hours at HEP. Tuesday May 9 hours are in the morning, and the Wednesday May 10 hours are in the afternoon.
- Our next Board meeting is a Study Session scheduled for April 24.

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- APPA's e-reliability tracker award was again presented to the HBPW for being in the 2022 Certificate of Excellence top quartile

23.209

Board Comments

- Dave Koster will be participating on a panel at the Wake Up West Michigan (Chamber) with the topic of sustainability. The event is April 11.

ADJOURNMENT

A motion to adjourn the meeting of *April 10, 2023*, was made by *Hemingway* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of April 10, 2023, adjourned at *6:15 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board