

STUDY SESSION

The HBPW Board of Directors met
January 22, 2024
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

Chair Thompson called the meeting to order at 4:00 p.m.

Members Present: PJ Thompson, Carolyn Maalouf, Beth Snyder, Paul Lilly, Brian Lynn, City Council Liaison Scott Corbin, and Ex Officio Member Keith VanBeek

Members Absent: Dave Couch

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Becky Lehman, Joel Davenport, Chuck Warren, Nate Johnson, Brian Richey, Piet Beyer, Tracy York, Julie DeCook

24.122 **Communications From the Audience**

None

QUARTERLY MONITORING REPORTS

24.123 Second Quarter FY 2024 Insurance Claims

Following are the claims submitted during Q2 FY 2024:

Name	Date of Loss	Incurred	Descr	Location	Date Reported	Pmt Approved
Timmer, Paul	11/20/23	\$1,500	Damage related to main cleaning	WW	12/19/23	Yes
Snoek, Donna	9/30/23	1,500	Leaking water meter seals	WW	10/19/23	Yes
River Group Properties	6/10/23	1,000	“Soot” from JDY demo	Elec	10/19/23	No
Wilkins, Melissa	9/30/23	300	Leaking water meter seals	WW	10/17/23	Yes

The Board accepted the report of Second Quarter FY 2024 damage claims for information.

24.124 **Meeder Public Funds Investment Strategy Update, Dated January 17, 2024**

Federal Funds:

- Year in Review
 - Fed Funds rate increased 4 times, to 5.375%, increasing restrictiveness as core PCE falls (with goal of reducing inflation further)
 - Fitch downgraded US credit rating to AA on August 1 (only the second downgrade in US history).
 - Several bank failures, including Signature Bank, Silicon Valley Bank, and First Republic Bank. 2yr/10yr yield curve remains inverted.

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

- Leading economic indicators have declined for a record 20 months.
- Federal Reserve Dot Plot consensus shows Fed Funds rates in the 5.25% to 5.50% range through 2025.
- Portfolio review:
 - Weighted average yield 3.62% (compared to 3.15% at June 30, 2023)
Weighted average maturity 1.37 years (compared to 0.53 years at June 30, 2023)
 - Total portfolio \$62,715,640 (compared to \$61,086,471 at June 30, 2023)
US Treasuries and US Government agencies comprise 95% of the portfolio.

The Board accepted for information the Meeder Public Funds Investment Strategy Update dated January 17, 2024.

24.125 **Energy Risk Management (ERM) Performance Summary Report for the Second Quarter FY 2024**

Minimum energy hedge requirements have been updated to reflect the values in the revised ERM policy approved by the Board on December 12, 2022. Note that this change now shows us deficient in all years versus the minimum energy hedge requirements. This was anticipated and is the reason why approval of the updated ERM policy also provided staff until June 30, 2024, to achieve full compliance with the new minimum energy hedging requirements.

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 4,848,085 dekatherms, at weighted average costs (sans basis) per dekatherm ranging from \$2.68 to \$3.75 for fiscal years 2024-2025. The total cost of the agreements, when exercised, will be \$33,404,595 (net of basis). The total cost of these agreements is approximately \$2,449,910 more than current market prices (at close of business December 31, 2023) for the same quantities and periods.

Including energy resources under contract through MPPA, and the natural gas purchase agreements described above, HBPW has hedges in place as a percentage of forecasted MWh dispatch as follows:

- FY 2024 90.0% (policy minimum 90.0%)
- FY 2025 85.1% (policy minimum 80.0%)
- FY 2026 60.8% (policy minimum 65.0%)
- FY 2027 15.9% (policy minimum 50.0%)

The natural gas hedges (purchase agreements) in place, as a percentage of forecasted natural gas burn, are:

- FY 2024 85.3%
- FY 2025 78.9%
- FY 2026 49.7%
- FY 2027 0.0%

The Board accepted for information the Energy Risk Management Performance Summary Report for the Second Quarter of FY 2024

24.126 **Second Quarter Key Performance Indicators (KPIs) FY 2024**

As per Governance Policy G002, Key Performance Indicators are reported to the Board of Directors as a quarterly agenda item. KPI reporting supports the Results Policies that are elements of the HBPW's strategic plan.

The Board of Directors accepted this report for information.

24.127 **Financial Update**

The Board of Directors accepted the November 2024 report for information.

STUDY ITEMS

24.128 **Annual Customer Satisfaction Survey**

For many years HBPW has used the Frost Institute at Hope College to perform our annual customer satisfaction survey. We have been happy with their performance, and this consistency of use gives us a great year-to-year comparison with ourselves of customer survey results.

Although our experience has been very good with the use of Frost, we are not able use the results to benchmark against other utilities. Great Blue Research conducts surveys of a large number of municipal, cooperative, and investor-owned utilities. Staff plans to use Great Blue this year to gain additional insights that peer benchmarking can provide. If all goes well, we may move to a cadence of alternating between Great Blue and Frost.

The Board of Directors accepted for information the presented questions intended to be used in the customer satisfaction survey this year.

24.129 **Water Utilities Discussion**

Staff continues a four-month series of presentations on the HBPW's Electric, Water, Wastewater, and Broadband Utility operations. Staff will highlight major issues affecting current operations and future planning.

Plans to address short- and long-term supply and delivery of services will be addressed along with high-level summaries of the capital plans.

The Board accepted for information the staff report on issues affecting the Water Utility.

24.130 **Key Performance Indicator Discussion**

Now that we've concluded reviewing and modifying the ends policies, we board is asked to consider the appropriateness of the key performance indicators that are presented on a quarterly basis. To start the conversation, staff presented the categories of KPIs that are currently used. Please see slide 11 of the attached strategic plan elements document.

The Board of Directors accepted the presentation for information. No action is needed.

24.131 **General Manager Comments**

- We will be presenting at the City Council Study Session on Holland City Fiber Broadband Wednesday, January 24.
- Our next meeting, a regular session, is February 12
- Budget subcommittee meetings planned for FY 2025 on February 14 and February 25

ADJOURNMENT

The Board Meeting of January 22, 2024, adjourned at **6:33 p.m.**

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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