

STUDY SESSION

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

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

Members Present: Carolyn Maalouf, Paul Lilly, Kyle Engbers, City Council Liaison Scott Corbin, and Ex Officio Member Keith VanBeek

Members Absent: PJ Thompson, Brian Lynn, Dave Couch

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Pete Hoffswell, Becky Lehman, Joel Davenport, Chuck Warren, Bill Badran, Tracy York, Julie DeCook

25.014 **Communications From the Audience**

None

QUARTERLY MONITORING REPORTS

25.015 **Damage Claims at the end of the FY 2024 Fourth Quarter**

A report of damage claims outstanding as of June 30, 2024, is provided for the Board of Directors review.

Accept the report of damage claims outstanding at 6/30/2024

25.016 **Meeder Public Funds Investment Strategy Update June 2024**

Highlights:

- Most likely only one 0.25% Fed Funds rate cut this year
- Not expected to hit 2% inflation target until 2025-2026
- GDP growth rate continues to slow, expected to drop to 1.6% in Q4 this year
- Job growth slowing, with unemployment rate continuing to climb over 4%
- Intermediate and longer-term interest rate yields have peaked

The HBPW portfolio has been divided into long term and short-term segments, in order to help align investment maturities with anticipated needs. For example, operating cash needs are more immediate while insurance reserves are, hopefully, never needed. New investments in the long-term segment will have 3–5-year maturities and will be made as current holdings in that segment mature.

Weighted average combined portfolio yield was 4.064% as of June 30, 2024, with total portfolio balance at \$63,931,337.

Accept for information the Meeder Public Funds Investment Strategy Update dated June 2024.

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

25.017 **Energy Risk Management (ERM) Performance Summary Report for the Fourt Quarter FY 2024**

Noteworthy items in the June hedge status report include:

- Hedge purchase with Constellation for FY 26
- Hedge purchases with BP for FY 27 and 28
- June 30 Minimum Total Energy Hedge targets have been met for FY25-28

Accept for information the Energy Risk Management Performance Summary Report for the Fourth Quarter FY 2024.

25.018 **Fourth Quarter Key Performance Indicators (KPIs) FY 2024**

Governance Policy G002 (Agenda Planning) requires the quarterly reporting of Key Performance Indicators to the Board of Directors. This topic further supports the Results Policies through the regular review of the KPIs and associated benchmarks that define the success of the organization's performance.

For information only

25.019 **Financial Update**

For information only

STUDY TOPICS

25.020 **Holland City Fiber Project Update**

The Holland City Fiber project provided internet service to the first customers in June. The Broadband team will provide an update on the project including the construction schedule, customer drop construction, number of new customers, and project expectations for the rest of the calendar year.

Study session topic. Accept for information.

25.021 **Prepaid Gas Transaction Update**

A prepaid natural gas transaction is an arrangement where a municipal conduit issuer issues tax-exempt bonds on behalf of municipal gas and electric utilities to prepay future deliveries of natural gas. The issuer transfers the bond proceeds to a gas supplier in exchange for the delivery of gas over the life of the bonds (typically 20-30 years). The issuer then sells the gas it purchases to municipal gas and electric utilities at a discount. The value of that potential discount varies over time based on factors such as the projected escalation of natural gas prices and the arbitrage opportunity between tax-exempt and taxable debt.

After extensive investigation of potential prepaid gas transactions by staff, the Board of Directors approved a North American Energy Standards Board (NAESB) base agreement and prepaid natural gas transaction agreement with the Municipal Gas Authority of Georgia ("Gas Authority") in February of 2024. The Gas Authority is the largest non-profit natural gas joint action agency in the United States, serving 83 members in Georgia, Alabama, Pennsylvania, Tennessee, and Florida. The Gas Authority also serves as the manager of Main Street Natural Gas, Inc. ("Main Street"), which acts as a municipal conduit issuer on prepaid natural gas transactions serving Gas Authority members and other public systems. Due to their nature as a municipal joint-action agency, the Gas Authority structures prepaid transactions in a manner that HBPW staff found to be more favorable

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to a municipal electric utility than other potential counterparties. This included more flexibility in layering the prepay transaction discount onto HBPW's existing hedge program, more flexibility in handling potential future loss of load, and the ability to terminate the deal early if minimum discounts are not met.

The transaction approved by the Board in February has since taken effect, with HBPW now receiving a discount of \$0.53 per million British thermal units (MMBtu) of natural gas purchased under the transaction (4,000 MMBtu/day). This represents a savings of approximately \$774,000 per year. Staff will provide the Board with an update on implementation of the existing transaction and details of another transaction currently planned to be marketed by the Gas Authority in September.

No action required. For information only.

25.022

General Manager Comments

- Our next regular meeting is August 12, 2024

25.023

Board Comments

- Member Lilly asked if we had any issues with the large security breach that happened Friday, July 19 and whether it affected the HBPW in any way. Our customer portal is hosted on a Microsoft Platform that was affected by the Crowd Strike breach. We saw an interruption on our customer portal for about half a day before it was up and running normally again.
- The Energy Saving Tree Program is coming up in September on the 14th and will be distributed from the Service Center parking lot.

ADJOURNMENT

The Board Meeting of July 22, 2024, adjourned at *6:05 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board