

REGULAR MEETING

The HBPW Board of Directors met
March 10, 2025
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, Brian Lynn, Paul Lilly, City Council Liaison Scott Corbin

Members Absent: Kyle Engbers, Keith Van Beek, Dave Couch

Staff Present: Dave Koster, Janet Lemson, Joel Davenport, Becky Lehman, Chuck Warren, Ted Siler, Pieter Beyer, Brian Richey, Julie DeCook, Nate Johnson, Adam Assink. Ashley Williams

25.165 **Approval of Agenda**

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

25.166 **Communications From the Audience**

25.167 **Board Minutes – Regular Meeting Minutes of February 10, 2025, and Special Meeting Minutes of February 24, 2025.**

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

25.168 **Budget Amendment for 48th Street Water Injection Pumps Monorail Project**

The Board approved a capital budget of \$25,000 for this project as part of the FY25 budget. However, competitive quotes received by the bidders listed below indicate the project was underbudgeted. Staff is requesting a budget amendment of \$15,000, which will increase the overall project budget to \$40,000. The budget increase is intended to cover the supply and installation of the monorail and hoist per the pricing below, as well as corresponding freight charges, and the electrical work required to power the hoist.

| Bidder Name | Business Location | Quote Amount | Meets Specifications | Previous Contracts |
|--------------------|--------------------------|---------------------|-----------------------------|---------------------------|
| Kona Cranes | Portage MI | 33,542.01 | yes | yes |
| The Crane Company | Woodland MI | 34,500.00 | yes | yes |

This project at 48th Street is one of two hoist-related capital improvement projects included in the budget for Electric Production in FY25. The other project came in substantially under its budgeted amount. As a result, although this request is for an increase in the budget for this project, the overall capital spend between the two projects will be less than the total original budgeted amount.

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

As part of the Consent Agenda, the Board of Directors approved an amendment to the Electric Production capital budget in the amount of \$15,000 for a total project budget of \$40,000

25.169

Water Treatment Plant (WTP) Industrial Dehumidifier Replacement

The pipe gallery at the Water Treatment Plant (WTP) is a conditioned space that houses all of the process piping for the filtration process, as well as critical analytical equipment used for monitoring compliance with turbidity regulations. This space experiences large swings in humidity due to the difference in temperature between the air and the pipe surfaces, often resulting in condensation forming on cold surfaces if the space is not actively heated and/or dehumidified. The existing dehumidification system has reached the end of its service life and it is no longer financially feasible to maintain. As part of the WTP capital improvement plan, replacement of this unit is planned for this fiscal year.

Four mechanical and HVAC contractors were solicited for proposals for the industrial dehumidifier replacement, and three returned qualified proposals. Pricing in the lowest two proposals was competitive with a \$11,794 difference between the two lowest bidders.

HBPW staff evaluated the proposals and found them to be competitive with the lower priced proposal acceptable. Clarifications were requested from the Contractor to ensure the scope and fee was understood. After thorough evaluation of the proposals, the low bidder, Lee Contracting, had the best overall proposal for the intended project.

A summary of the evaluated bid results are as follows:

| Contractor | Location | Quote Amount |
|----------------------------|------------------|---------------------|
| Peerbolts, Inc. | Zeeland, MI | \$149,450 |
| Allied Mechanical Services | Grand Rapids, MI | \$311,000 |
| Lee Industrial Contracting | Grand Rapids, MI | \$137,656 |
| Quality Air, Inc. | Grand Rapids, MI | No Bid |

BPW Staff recommends that an equipment procurement and installation contract for replacement of the industrial dehumidification system be issued to Lee Industrial Contracting. This project is included in the approved FY 2025 budget.

As part of the Consent Agenda, the Board of Directors approved a contract with Lee Industrial Contracting, Inc., in the amount of \$137,656, with a 10% contingency of \$13,765, for a total of \$151,421, pending approval as to form from the City Attorney.

25.170

Declaration of Surplus Material Third Quarter

The HBPW has identified materials and equipment which are no longer pertinent for use. The attached list shows the items determined as excess, obsolete, or uneconomical to repair. 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)

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

- 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 list of items as surplus.

Action on Consent items:

| | |
|--|----------------|
| Motion to approve, accept, or adopt Consent Agenda items | <i>Lilly</i> |
| Second | <i>Maalouf</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

25.171 **Major Project Update**

For information only

25.172 **Financial Update (January 2025)**

For information only

25.173 **SW Heights Water Main Improvements Project Phase 2**

This project is the second phase of an effort to replace all water main in the Southwest Heights neighborhood, which has experienced frequent main breaks over the last several years. Approximately half of the water mains were replaced under the first phase of water main replacement in 2023.

The Board approved a contract with Holland Engineering at the October 7, 2024, meeting for the engineering and design of the replacement of all remaining water mains in the Southwest Heights neighborhood (not previously designed in phase 1). The design includes 9,000 feet of water main replacement as well as replacement of some fragile orangeburg sanitary services that easily collapse from construction activities.

The project was competitively bid, and two (2) bids were received:

| Contractor | Cost |
|--------------------------|----------------|
| Milbocker & Sons, Inc. | \$5,058,037.02 |
| Brenner Excavating, Inc. | \$6,717,169.05 |

Based on the bids received, Milbocker & Sons, Inc. was the lowest bid. Milbocker has completed several successful water main replacement projects for HBPW in the past. After a review of their bid and qualifications, HBPW staff recommends the work be awarded to Milbocker & Sons, Inc.

At the direction of the City, this project also includes shared costs with the Transportation Department to incorporate drainage and roadway improvements. Approximately \$1M of the \$5.06M bid price is the Transportation Department's responsibility, resulting in an HBPW cost of \$4.06M. The FY25 approved capital budget for this project is \$4.5M and HBPW's portion of the work falls under the approved budget amount.

The FY26 proposed HBPW budget includes an additional \$1M of funding for this project for a total of \$5.5M of HBPW budget. This additional funding request was made after additional areas were added to the project for the drainage and roadway improvements, but prior to the favorable bid

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

from Milbocker being received. A portion of this additional FY26 funding will still be needed in FY26 for construction inspection services; however, we do not anticipate needing to use the full amount. The construction inspection services work will be brought to the Board at a future meeting.

Recommendation: The Board of Directors approved a contract with Milbocker & Sons, Inc., for the SW Heights Water Main Improvements Project Phase 2, in the amount of \$5,058,037.02 with a 10% contingency of \$505,803.70 for a total of \$5,563,840.72, pending approval as to form from the City Attorney.

| | |
|---|----------------|
| <i>Motion to approve recommendation</i> | <i>Maalouf</i> |
| <i>Second</i> | <i>Lynn</i> |
| <i>Favor</i> | <i>4</i> |
| <i>Oppose</i> | <i>0</i> |

25.174 **FY 2026 Budget and Rate Recommendations**

The budget for FY 2026 has been prepared by staff and reviewed in detail by the HBPW Board Budget Committee.

The FY 2026 budget includes proposed rate adjustments for each of the corresponding utilities. During the process of developing the budget, the operating and capital needs of the utilities were evaluated and a financial plan established to meet those specific needs.

For FY 2026, the major expense categories and respective portions of the consolidated expense budget are:

- 36.5% Fuel and Purchased Power
- 20.5% Wages & Benefits
- 15.3% Depreciation
- 9.8% Other Operating Expenses
- 7.1% Maintenance Supplies/Services
- 6.2% Contribution to the City
- 1.8% Conservation Programs - Electric
- 1.8% Insurance
- 1.0% Interest on Bonds

Electric Utility

FY 2026 revenues are expected to decrease by 3.7% from the FY 2025 budget, primarily due to LG related volumetric decreases. Fuel and purchased power costs are expected to decrease about 2.7%. All other expenses are expected to decrease about 4.5%, primarily in the non-fuel production and maintenance and external debt and O&M areas. Capital projects for FY 2026 total \$16.2 million. All the capital projects are internally funded.

No FY26 base rate increase is proposed.

Broadband

The Holland City Fiber project continues. FY 2026 revenues are expected to increase by 12.4% over the FY 2025 budget, primarily due to new HCF customers. Operating costs are budgeted to increase about 3.8%. Capital expenditures for FY 2026 are budgeted at \$12.6 million, with all but \$750k slated for the expanded services.

No rate increase is proposed for FY 2026.

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

Water

Water utility revenues are expected to increase 9.7% over the FY 2025 budget. Operating expenses are budgeted to increase 4.6% over the FY25 budget. The Water utility will expend about 48.1% of its operating budget on chemicals, production, and distribution expenses. The capital plan, totaling \$13.2 million, includes \$3.5 million for continued work on alternative chemical storage solutions for the water treatment plant, \$7.6 million for distribution system replacements/improvements, and \$1.1 million for water meter replacements.

A 13% revenue enhancement is proposed for FY 2026, primarily through the continued application of volumetrically tiered residential rates and adjustments to business irrigation rates. The adjustments are necessary to provide adequate funds for capital projects and debt service coverage, while also serving as a cost-of-service based incentive to manage peak water utilization.

Wastewater

The Wastewater utility is expected to see a 0.7% increase in operating revenues over the FY 2025 budget, mostly due to small volumetric increases in industrial and residential sales, offset by decreases in wholesale and surcharge revenues. The utility will expend 49.7% of its operating budget on chemicals, treatment, and collections expenses, just slightly over the FY 2025 budget. Capital projects will total about \$11.7 million in FY 2026. About 48% of this amount, \$5.6 million, will be spent on reclamation facility improvements. The remaining \$6.1 million is for collection system improvements/rehab/repairs including \$1.1 million for customer meters and \$3.6 million for lift station rehabilitations.

A 3% rate increase is proposed for FY 2026.

| Summary of Operating and Capital Budgets (\$000) | | | | |
|--|-------------------|-------------------|------------|-----------|
| | Operating Revenue | Operating Expense | Net Income | Capital |
| Electric | \$ 112,193 | \$ 97,978 | \$ 7,607 | \$ 16,205 |
| Broadband | 3,624 | 2,875 | 749 | 12,619 |
| Water | 16,929 | 11,301 | 4,942 | 13,182 |
| Wastewater | 13,785 | 14,301 | (216) | 11,688 |
| Administration | | | | 1,487 |

The contribution to the City is proposed at \$8,396,016, a decrease of 8.4% from FY 2025. This amount is calculated at 6.25% of the average of the prior three calendar years retail electric revenues plus 50% of the prior year electric wholesale net marginal income.

Detailed FY 2026 operating and capital budget documents are attached.

Recommendation: The Board of Directors approved the FY 2026 budget and associated rate adjustments and forward to the City Council for inclusion in their resolution approving the budget for FY 2026.

*Motion to approve recommendation
Second
Favor
Oppose*

*Lilly
Maalouf
4
0*

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

25.175

General Manager Comments

- Next meeting, March 24, will change to a Special Meeting, reviewing PA 95 (Energy assistance bill) and potential terms of service for large concentration customer loads
- MPPA on May 1 at Frederick Meijer Gardens; it is a half day, lunch, the program in the afternoon.

25.176

Board Comments

- Water Resources Forum for Ottawa County March 21. It will be held at the Pinnacle Center in Hudsonville, cost: free.

ADJOURNMENT

A motion to adjourn the meeting of *March 10, 2025*, was made by *Maalouf* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of March 10, 2025, adjourned at *5:48 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board