

STUDY SESSION

The HBPW Board of Directors met
April 28, 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, Paul Lilly, Brian Lynn, Kyle Engbers, and Ex Officio Member Dave Couch

Members Absent: Keith Van Beek, Scott Corbin

Staff Present: Dave Koster, Janet Lemson, Chuck Warren, Becky Lehman, Ted Siler, Joel Davenport, Amy Yost, Rebecca Cuellar, Nate Johnson, Alex Craigmile, Tracy York, Julie DeCook, Frost Institute: Shanna Corner, Assistant Director, Brian Phillips and Michael Hansen, Fishbeck

25.198 **Communications From the Audience**

STUDY SESSION

25.199 **Customer Satisfaction Survey Results Fiscal Year 2025**

Frost Research Center at Hope College was contracted by HBPW to conduct a survey of business and residential customers regarding satisfaction with various aspects of their utility services and relationship with HBPW. The survey includes a dashboard which provides aggregated and disaggregated customer responses to each question in an interactive format.

The survey resulted in overall satisfaction ratings achieved of 92% better than neutral for residential customers and 93% better than neutral for business customers.

Frost Research Center will review the methodology and high-level results of the survey. The HBPW staff will review activities undertaken as a result of past survey results and summarize the current survey customer comments.

Presented for information only. No Board action required.

25.200 **Water Treatment Plant Second Intake Feasibility Study**

The Water Treatment Plant (WTP) is currently supplied by a single 42-inch diameter concrete intake pipe that extends approximately 4,450 linear feet into Lake Michigan. The existing intake pipe was constructed in the 1950's and utilizes a siphon style design with an original design capacity of 20 million gallons per day (MGD). A vacuum priming system was installed to ensure continuous adequate suction pressures under elevated demand periods, increasing the capacity of the intake to the current rated capacity of 38.5 MGD.

Over the past 20 years, average demand for water from the WTP has increased approximately 13% while maximum daily demand (MDD) remained relatively stable. Based on the historical peak MDD of 35 MGD, the existing intake system would be unable to satisfy existing maximum

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system demands without the vacuum system. Additionally, if HBPW were to see a meaningful increase in water usage, the water system demands could exceed the existing intake capacity even with the vacuum system.

HBPW has redundancy of most critical infrastructure throughout the treatment plant but the aging intake represents a potential single point of failure. The existing intake would significantly impact the water system if it were damaged, blocked, or the vacuum system became inoperable for any reason. These factors underline the importance for HBPW to plan for additional water supply and intake capacity so that demands can reliably be met now and long into the future.

The HBPW retained Fishbeck to conduct a feasibility study and study the construction of a second surface water intake to improve system reliability, redundancy, and increase the intake and low service capacity of the WTP to allow for future growth and treatment expansion.

Fishbeck will provide a presentation on the findings of the study.

Accept the WTP Second Intake Study presentation for information.

QUARTERLY MONITORING REPORTS

25.201 **Insurance Claims Received During FY 2025 Third Quarter**

The following claims were received January 1 - March 31, 2025 (First 2 claims were received after 12/31/24):

Insurance Claims Third Quarter FY 2025				
Claim #	Date of Loss	Incurred Total	Paid Total	Description
P011-24-00582	12/8/24	\$ 264.12	0.00	Leaking water meter gaskets
P011-24-00583	12/19/24	Not reported	0.00	Underground directional drilling for new electric line damaged sewer lines
P011-25-00585	1/31/25	<u>\$ 250.00</u>	0.00	Basement flooding due to broken water main
P011-25-00584	2/14/25	Not reported	0.00	Broken water service line due to freezing
P011-25-00588	3/3/25	<u>\$ 800.00</u>	0.00	Fiber optic installer scratched wood flooring with heavy fiber spool

Accept the report of damage claims received during FY 2025 Third Quarter.

25.202 **Meeder Public Funds Investment Strategy Update as of March 31, 2025**

Highlights:

- Federal Reserve continues expected to lower the Fed Funds rate 50 basis points in 2025. The futures market is pricing in approximately 70 basis points cuts in 2025 (compared to 30 basis points last month).
- CPI has been increasing the past few months and is currently 2.8% on a year-on-year basis. Bloomberg expecting a YoY average of 2.8% in 2025 (compared to 2.5% last month).

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- GDP growth expected to slow to 2.1% in 2025, down from an estimated 2.7% for 2024 (consistent with last month).
- Weekly initial jobless claims remain near historically low levels, but continuing claims continue to rise. Current unemployment is 4.1%.
- The two-year Treasury yield has risen about 40 basis points from last September's 3.54% low (compared to 80 basis points last month).

[This recommendation was written 4/4/25. Lots of market activity this day, related primarily to newly announced tariffs. The two-year Treasury yield now at 3.57%, nearly back to the September low. Uncertainty in equities drove up bond prices, which reduces yield. JP Morgan is forecasting a 60% chance of US recession by the end of calendar 2025.]

Portfolio overview:

- Current Portfolio (shorter term operating expense needs)
 - Balance at 3/31/2025 \$39,515,539
 - Weighted average maturity 1.47 years
 - Weighted average yield 4.31%
- Long-Term Portfolio
 - Balance at 3/31/2025 \$26,309,227
 - Weighted average maturity 2.08 years
 - Weighted average yield 4.32%
- HCF Project Funds (City moved oversight of these funds to HBPW, but funds remain on City's books)
 - Balance at 3/31/2025 \$13,857,232
 - Weighted average maturity 0.34 years
 - Weighted average yield 4.28%

Accept for information the Meeder Public Funds Investment Strategy Update dated April 3, 2025

25.203

Energy Risk Management (ERM) Performance Summary Report for the Third Quarter FY 2025

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 16,674,164 dekatherms as of April 21, 2025. These natural gas hedge purchases were secured in accordance with Delegation Policy D015-1 (Energy Risk Management) for consumption in fiscal years 2025-2029. The total cost of the agreements, when exercised, will be \$62,868,402. The total cost of these agreements is approximately \$1,055,217 more than current market prices for the same quantities and periods.

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

- FY 2025 87%
- FY 2026 80%
- FY 2027 61%
- FY 2028 45%
- FY 2029 23%

HBPW's total hedged energy includes forecasted generation from the natural gas purchases described above, ownership entitlements in external resources, and Power Purchase Agreements (PPAs). HBPW has hedges in place as a percentage of forecasted MWh dispatch as follows:

- FY 2025 90% (policy minimum 90.0%)
- FY 2026 80% (policy minimum 80.0% by December 31)
- FY 2027 65% (policy minimum 65.0% by December 31)
- FY 2028 50% (policy minimum 50.0% by December 31)
- FY 2029 35% (Policy Minimum 35.0% by December 31)

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HBPW Is required to demonstrate capacity necessary to meet the standard set by MISO (Midcontinent Independent System Operator), the organization responsible for operating the power grid that HBPW operates in. MISO requires a net capacity demonstration of at least 95% of HBPW's Planning Reserve Margin Requirement (PRMR). HBPW has demonstrated net capacity in excess of this requirement for all years through FY 2029.

Credit risk for counterparties is evaluated annually by staff based on the procedure outlined in Appendix D of Delegation Policy D015-1. HBPW will transition to a third party (ACES) to perform the credit risk evaluations and assist in the establishment of credit limits for counterparties. The transition to the third-party service is intended to be implemented as part of proposed updates to the Delegation Policy D015-1 planned to be presented to the Board in the third quarter of FY25.

Accept for information the Energy Risk Management Performance Summary Report for the third quarter of FY 2025.

25.204 **Third Quarter Key Performance Indicators (KPI's) FY 2025**

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 came out of the Strategic Planning process.

Quarterly monitoring report. No action needed.

25.205 **Financial Update**

For information only, FY 2025 Third Quarter financials were presented to the Board

25.206 **General Manager Comments**

- Next month will be just one Board meeting, a combined regular and study session on May 12

25.207 **Board Comments**

- Have there been any updates on the Strategic Development Team from the City? If we started in June, it would likely be a June to November timeframe. Keith Van Beek should be able to confirm this plan and timeframe soon.
- The Water System Advisory Council meeting took place immediately before our Board meeting This afternoon. We welcomed John Van Uffelen's return as a member on this council.

ADJOURNMENT

The Board Meeting of April 28, 2025, adjourned at *6:27 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board