

SPECIAL MEETING

The HBPW Board of Directors met
March 28, 2022
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

Chair Hemingway called the meeting to order at 4:02 p.m.

Members Present: Tim Hemingway, Paul Lilly, Carolyn Maalouf, PJ Thompson, Sue Franz, City Council Liaison Nathan Bocks (arrived late), and Ex Officio Members Bob Shilander and Keith Van Beek

Members Absent: None

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Chuck Warren (via Zoom), Joel Davenport, Pieter Beyer, Pete Hoffswell, Tracy York, Julie DeCook, Zoom guest Bethany Ryers from Baker Tilly

22.160 **Communications from the Audience**

None

22.161 **Approval of Agenda**

Board Member Thompson made a motion to approve the agenda. The motion was seconded by Board Member Franz.

22.162 **Financial Review**
February 2022

SPECIAL ACTION ITEM
Pine Avenue Construction

22.163 In 2008, HBPW installed a new transmission main crossing under Lake Macatawa. The study and design of this transmission main recommended that after construction of the lake crossing the main should be extended to the east to Pine Avenue and then to the north in Pine Avenue to tie it in with the River Avenue transmission main crossing. This would significantly improve system hydraulics through the looping of the northern and southern transmission systems and provide redundancy in the event that the River Avenue crossing would need to be closed. Work has been progressing toward this goal with the recent extension of the transmission main east to Pine Avenue as part of the 19th Street reconstruction project.

The City Transportation Department has identified a need to reconstruct Pine Avenue due to pavement deterioration and for stormwater drainage improvements. This provides an opportunity for a collaborative project where HBPW constructs the final component of the transmission main loop in Pine Avenue.

There were concerns about material availability for the proposed 24" transmission main extension. The project was designed with additional distribution main replacement in adjacent roadways to supplement the transmission work. This was done with the knowledge that if the transmission main pipe was available, the distribution work would need to be removed from the scope of the project to keep within approved budgets.

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

The work was bid in February, and the following bids were received:

- Milbocker - \$7,713,309
- Jackson-Merkey - \$7,896,025
- Diversco - \$8,607,804
- Wyoming Exc. - \$9,278,261

Milbocker was the low bidder; and after discussions with suppliers, they were able to procure all of the 24" pipe needed for the project. As a result, ~\$1M of the additional distribution system and road work was removed from the project scope to bring the project in line with HBPW and City transportation budgets. The resulting project will replace 3,200 feet of distribution and transmission main with new 24" ductile iron transmission main, separate joint lateral services in the sewer system, and replace 19 galvanized water services. The adjusted project cost after removal of the work is \$6,327,866.65.

The approved HBPW water and wastewater capital budget for this project is \$3.35M; and the revised project scope has been configured to utilize the full budget amount for the HBPW components of the project, with the remainder of the project costs being the responsibility of the City Transportation Department.

Recommendation: The Board of Directors approved a contract with Milbocker & Sons, Inc., in the amount of \$6,327,866.65 with a 10% contingency of \$632,786.67, for a total of \$6,960,653.32, pending approval as to form from the City Attorney.

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

**STUDY
ITEMS**

22.164

Discussion Regarding Adoption of GASB Statement No. 62 - Regulated Operations, To Account For Contributions in Aid of Construction (CIAC), and Major Repairs and Maintenance Projects

Governmental Accounting Standards Board (GASB) No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements - Regulated Operations provides guidance for utilities to match revenues or expenses to rate recovery. Any utility subject to federal, state, or local oversight of rates can follow GASB 62. The Statement recognizes that in some cases revenues intended to cover specific costs are provided either before or after costs are incurred, and it provides a mechanism for deferring either expenses or revenues as assets or liabilities to allow for recognition in the same period. Under GASB 62, if a regulatory body provides assurance incurred costs will be recovered in the future, the utility can record the costs as an asset. If there are revenues incurred in the current period relating to future costs, the utility can recognize the receipt of the revenues as a liability or a deferred inflow of resources. These requirements are specifically driven by the regulated rate recovery for such costs.

Regulatory accounting applies to business activities that are regulated. The standards define regulated operations as those that meet all three of the following criteria:

1. Rates are established by or subject to approval by an independent, third party regulator, or by the governing board empowered by statute or contract to establish rates that bind customers.
2. The regulated rates are designed to recover the costs of providing the regulated services or products.
3. Based on information about the demand for service as well as competition, it is reasonable that cost-based rates can be charged and collected from customers.

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If it is probable that future revenues will be recognized through charging rates to recover deferred costs or revenues and there is a clear link between the future rate recovery and the previously incurred costs or recognized revenues, a utility may use GASB 62 for these items.

Common application of GASB 62 assets and liabilities:

- Regulatory assets
 - Extraordinary non-routine maintenance
 - Loss on early retirement of assets
 - Future recoverable costs
 - Future pension liabilities
 - Future OPEB liabilities
 - Decommissioning costs
 - Unreimbursed storm damage
 - Debt issuance costs
 - Capitalized interest
- Regulatory liabilities
 - Refunds
 - Grant revenues
- Deferred inflows of resources
 - Revenues from contributed assets
 - Rate Stabilization Governing body approval of GASB 62 items is required. This can be accomplished item by item or via blanket resolution.
- Detailed approach
 - Specific item that will receive GASB 62 treatment
 - Purpose of the GASB 62 treatment
 - Recovery period through utility rates of the GASB 62 item
- Blanket approach Resolution by the Board approving common transactions receiving GASB 62 treatment
 - Minimum threshold amounts established
 - Makes the process of recording GASB 62 items more efficient and timely
 - GASB 62 items reported to the Board on a regular (quarterly/annual) basis

Staff recommends the blanket approach and minimum thresholds of \$500,000 for the electric utility and \$250,000 for the water and wastewater utilities.

The Board accepted for information the February 25, 2022, memorandum, from top ten advisory, tax, and assurance firm BakerTilly describing the benefits and application of regulatory accounting to certain projects of Holland Board of Public Works

22.165

Fillmore Township Retail Water Agreement

The 2020 Holland Board of Public Works Strategic Plan placed prioritization on regional efforts to grow services. Since that time, staff has explored and proposed multiple initiatives. In 2020, Park Township's water service territory north of Lake Macatawa was converted from wholesale to retail. Residents and businesses in that area now received full retail water service from the Holland BPW at rates uniform with all areas currently served by the HBPW.

Now another opportunity has arisen, thanks in part to the collaboration of Fillmore and the City of Holland, to reach a tentative conditional land use transfer agreement, otherwise known as a 425 agreement. An element of the proposed 425 agreement is that the current retail water service area, established in March 2010, would be enlarged to encompass areas of Fillmore Township that are north of I-196. The water service agreement would only be restated upon successful adoption of the 425 agreement. This essentially tie-bars the two documents.

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Staff will review the key provisions within the proposed agreement and spell out the timeline of action steps for both the HBPW Board and Holland City Council.

The Board accepted for information the staff presentation on the proposed restated retail water agreement with Fillmore Township.

22.166 **Broadband Utility Issues Discussion**

Staff wraps up a four-month series of presentations on the HBPW's electric, water, wastewater, and broadband utility operations. Staff will highlight major issues that affect the current operations and future planning.

Plans to address short and long term broadband build as well as the Holland City Fiber Initiative will be discussed, along with high-level summaries of the capital plans.

The Board accepted for information the staff report on issues affecting the Broadband Utility, recent history, and future growth.

22.167 **Power Supply Update**

Staff provided a presentation outlining the anticipated impact to BPW's existing power supply as a result of upcoming planned and potential changes to the resource portfolio and the large energy and demand growth anticipated from LG Energy Solution's expansion.

The Board accepted the power supply update presentation for information.

22.168 **General Manager Comments**

- Our next regular Board meeting is scheduled for April 11
- The bids are due March 29, Tuesday, at 11:30, for the HBPW's \$15.6M Water Supply System Revenue Bonds Series 2022A (Green Bonds)

22.169 **Board Comments**

- Both Franz and Maalouf are unable to attend the April 11 meeting

22.170 **Other Comments**

- Julie DeCook, BPW's Communication Specialist, announced that we have received our fifth consecutive RP3 Diamond level rating!

ADJOURNMENT

A motion to adjourn the meeting of *March 28, 2022*, was made by *Lilly* supported by *Franz* and agreed upon by the Board of Directors present.

The Board Meeting of March 28, 2022, adjourned at *7:26 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board