

**REGULAR MEETING**

The HBPW Board of Directors met  
**April 11, 2022**  
at 4:00 p.m.  
625 Hastings Ave.  
Holland, Michigan

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

**Members Present:** Tim Hemingway, PJ Thompson, Paul Lilly, City Council Liaison Nathan Bocks, and Ex Officio Member Bob Shilander

**Members Absent:** Sue Franz, Carolyn Maalouf, and Keith Van Beek

**Staff Present:** Dave Koster, Janet Lemson, Becky Lehman, Ted Siler, Chuck Warren, Joel Davenport, Pieter Beyer, Steve Bruinsma

22.171 **Approval of Agenda**

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

22.172 **Board Minutes – Regular Meeting Minutes of March 7, 2022, and Special Meeting Minutes of March 28, 2022**

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

22.173 **Standard & Poor's AA Rating for the Water Revenue Bonds Series 2022A**

Standard & Poor's was engaged to provide a credit rating to support the HBPW issuance of revenue bonds to fund the construction of the Lakewood Water Transmission Main. S&P Global Ratings assigned an AA long term rating to the HBPW \$16 million series 2022A water supply system revenue bonds. The rating also mentioned that the outlook for the Water Utility is stable.

Notable observations in the credit overview section of the report include:

- "...stable economy and financial position, demonstrated by affordable rates, strong all-in debt service coverage (DSC), and robust liquidity."
- DSC over 3.2 for the past 3 fiscal years
- Significant liquidity reserves
- "...strong management practices, including asset management and codified, well ingrained financial policies as a stabilizing credit factor."

*As part of the Consent Agenda, the Board of Directors Accept for information the March 9, 2022, credit rating report issued by Standard & Poor's for the 2022A water supply system revenue bonds.*

22.174 **Water Supply System Revenue Bonds Series 2022A Green Bonds Designation**

Kestrel Verifiers, a Climate Bonds Initiative Approved Verifier, has designated the Water Supply System Revenue Bonds Series 2022A as Green Bonds. Kestrel is qualified to verify transactions in all asset classes worldwide.

To form its opinion, Kestrel:

- examined the rationale driving the Lakewood Transmission Main project,

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

- evaluated the use and allocation of the bond proceeds,
- assessed the oversight and conformance of the bonds with the Green Bond Principals

The categories of Green Bond Principals that apply to the transmission main project bond are Climate Change Adaptation and Sustainable Water Management. The details and justification as to the applicability of these two categories are provided in the Kestrel Verifiers Second Party Opinion document.

Kestrel also mentions in their report that this project is helping to address United Nations Sustainable Development Goals 6 (clean water and sanitation), 7 (affordable and clean energy), 12 (responsible production and consumption), and 13 (climate action) by improving regional drinking water system resilience and reducing energy use of the system's pumping infrastructure.

The designation requires that HBPW produce and publish quarterly reports on the project construction until completion. The reports are to contain updates on project status, expenditures, budget, timeline, and long term progress on key performance indicators.

*As part of the Consent Agenda, the Board of Directors accepted for information the Second Party Opinion issued by Kestrel Verifiers designating the Water Supply System Revenue Bonds Series 2022A as Green Bonds.*

22.175

**Results of the Sale of the Water Supply System Revenue Bonds, Series 2022A (Green Bonds)**

Bids for the Water Supply System Revenue Bonds, Series 2022A (Green Bonds) closed at 11:30 a.m. EDT March 29, 2022. The process was overseen by a representative from the Municipal Advisory Council of Michigan. That representative commented that the number of bids received and the quality of the bidders was much better than they have seen for other offerings over the past several months. He attributed this to the nature of the project being financed and the strong credit of Holland Board of Public Works Water Supply System.

Bidding Firm	Bid Amount (\$)	True Interest Cost (%)
FHN Financial Capital Markets	\$ 16,890,222.90	3.167918
Huntington Securities, Inc.	17,798,970.71	3.172580
Fifth Third Securities, Inc.	17,272,549.80	3.200792
JP Morgan Securities LLC	17,257,310.15	3.209395
Robert W. Baird & Co., Inc.	17,232,873.15	3.223211
KeyBanc Capital Markets	16,901,601.80	3.332625

The annual debt service associated with the FHN Financial Capital Markets bid is in line with staff projections for the Water Utility.

*As part of the Consent Agenda, the Board of Directors accepted for information the summary of bids and bond amortization schedule for the Water Supply System Revenue Bonds, Series 2022A (Green Bonds), resulting from the bids received at the bidding close at 11:30 am EDT March 29, 2022.*

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22.176 **Administrative Amendments to Purchasing and Contracts Policy D014-1**

The following amendments to Purchasing and Contracts Policy D014-1 are recommended:

1. Define fees and other charges/assessments as Intangible items that require payment by HBPW but are not procured in the traditional sense. Examples include regulatory and license fees and charges for standby letters of credit.
2. Exempt fees and other charges/assessments from the purchase order requirement
3. Exempt fees and other charges/assessments from the competitive procurement requirement
4. Require purchase orders for Services with a total value greater than \$1,000

Typically, fees and other charges/assessments are assessed by regulatory and other agencies, and are not "procured" in the traditional sense. However, these items still require payment and there was some confusion on how the Purchasing and Contacts policy applied.

The purchase order requirement for services was inadvertently removed during the last revision of this policy.

These changes are red-lined in the attached policy document.

*As part of the Consent Agenda, the Board of Directors approved Revision 4 of Purchasing and Contracts Policy D014-1 with revision stated below.*

22.177 **2022 Sewer and Manhole Condition Assessment Project**

In April of 2021, the Board approved a competitively bid contract with Plummer's Environmental for the first year of a four-year effort to clean and inspect HBPW's entire sanitary sewer system. Plummer's completed the first phase of work in the fall of 2021; and HBPW staff found the work performed and inspection deliverables to be of high quality. This work included cleaning and assessment of 33% of the sewer system.

Based on this past performance, HBPW staff entered into discussions with Plummer's for the renewal of their contract to continue the condition assessment program. Plummer's Environmental has agreed to continue to perform work under the previous contract terms with only a 1-2% increase on unit pricing for the most common pay items in the contract. The ENR construction cost index that is typically used as a benchmark for unit cost adjustments has increased by 8% in the same time period.

There is also a significant benefit to continuing the condition assessment with the same contractor due to the subjective nature of the scoring of defects encountered during the inspection work. Maintaining the same inspection team, the assessment program ensures sewers are evaluated using a common baseline allowing for more effective scoring of assets against each other.

Due to the good past performance, agreeing to substantially similar unit pricing, and allowing for the continuation of the assessment program with the same inspection team, HBPW staff recommends the renewal of the condition assessment contract with Plummer's Environmental Services. The proposed project for CY 2022 would result in the cleaning and inspection of approximately 150,000 feet of sewer and 670 manholes at a cost of \$246,318.65. This would bring the total of the system inspected after two years to 50%. The remainder of the system would be inspected over the following two years.

The work will be funded from the \$800k Sewer System Rehabilitation FY 22 capital project budget. When added to other FY 22 contracts funded from this project budget, this recommendation would result in a total of \$657,964.16 from this \$800k budget being committed.

*\* 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 a contract with Plummer's Environmental Services in the amount of \$246,318.65, with a 10% contingency of \$24,631.87 for a total of \$270,950.52, pending approval as to form from the City Attorney.*

22.178 **2022 Manhole Rehabilitation Project**

HBPW staff have identified 47 manholes to be rehabilitated due to degradation from root intrusion, infiltration, corrosion, or structural deterioration. The majority of the manholes exhibited failure due to groundwater infiltration and hydrogen sulfide (H<sub>2</sub>S) corrosion. HBPW engineers evaluated three different approaches to renewing the manholes including full replacement, lining with a cured-in-place liner, and a proprietary process in which a new manhole is poured inside the existing manhole. The cured-in-place liner and poured-in-place rehabilitation approaches each only have one regional vendor providing the respective service. Plummer's Environmental Services is the only regional installer of cured-in-place lining for manholes, and Monoform LLC is the only installer for the poured-in-place solution.

HBPW engineers reviewed the condition of each manhole and selected the most appropriate rehabilitation technology based on the site-specific need. The cured-in-place liner was recommended for manholes with infiltration and minor structural deterioration, whereas the poured-in-place was recommended for the manholes that have severe root intrusion, deteriorated mortar, or other significant structural issues.

Pricing was obtained from both vendors and compared to the cost of traditional full replacement from construction bids received for other 2022 HBPW construction projects. In both instances, the rehabilitation technologies were more economical than full replacement, with the cured-in-place liner being the cheaper of the two options. Because of this, the use of the cured-in-place liner was maximized where possible; and the poured-in place approach was reserved only for manholes requiring the more structural rehabilitation approach.

Based on the specific manhole needs and the cost of the two rehabilitation approaches, 36 manholes are recommended to be rehabilitated with the cured-in-place liner by Plummer's Environmental; and the remaining 11 manholes are recommended to be rehabilitated by Monoform using the poured-in-place approach.

The work to be performed by Plummer's Environmental Services totals \$215,623.84; and the work to be performed by Monoform LLC totals \$85,035.50, for a grand total of \$300,659.34.

The work will be funded from the \$800k Sewer System Rehabilitation FY 22 capital project budget. When added to other FY 22 contracts funded from this project budget, this recommendation would result in a total of \$657,964.16 from the \$800k budget being committed.

*As part of the Consent Agenda, the Board of Directors approved a contract with Plummer's Environmental Services Inc. in the amount of \$196,021.67, plus a 10% contingency of \$19,602.17, for a total of \$215,623.84, pending approval as to form from the City Attorney. Approve a contract with Monoform LLC in the amount of \$77,305.00, plus a 10% contingency of \$7,730.50, for a total of \$85,035.50, pending approval as to form from the City Attorney.*

22.179 **28th Street and Wildwood Drive Water Main Replacement Engineering Contract**

The Holland Board of Public Works (BPW) requested proposals to provide engineering services for the design of water main replacement in the 28th Street and Wildwood Drive neighborhoods. The project limits include the area bound by 28th Street and 32nd Street from Michigan Avenue to Ottawa Avenue. The project need is driven by an increasing frequency of water main breaks that have occurred in this area over the past several years. The area includes 8,000 feet of water main needing replacement.

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Construction is scheduled to be split across two construction seasons (CY 2023 and 2024) to accommodate capital budget constraints. As such, this recommendations is for the design of the full 8,000 foot scope of work but construction oversight for only the first year of work which will address 3,000 feet of pipe. This is solely a water main replacement project, and there is no other utility or street work included. Upon completion of the construction in 2024, the work will also result in the replacement of 120 galvanized lead service lines.

Proposals were solicited and received from two engineering firms as provided below. Holland Engineering submitted the lowest fee. After a review of their project assumptions and qualifications, HBPW staff recommend the award of the work to Holland Engineering.

<b>Firm</b>	<b>Proposed Fee</b>
Holland Engineering, Inc.	\$238,500
Prein&Newhof	\$343,300

The HBPW-approved budget for this project is \$1.2M. It is named the Corroded Water Main Replacement Program.

*As part of the Consent Agenda, the Board of Directors approved a contract with Holland Engineering, Inc. in the amount of \$238,500, with a 10% contingency of \$23,850 for a total of \$262,350, pending approval as to form from the City Attorney.*

22.180

**Bill of Sale and Termination of Water Utility Easement for LG Energy Solution Michigan**

In February 2022 the HBPW Board of Directors and City Council approved an amendment to the 2010 Development Agreement with Compact Power, now LG Energy Solution Michigan (LGES), for a number of items related to the LGES planned expansion. One of these items dealt with the transfer of ownership for the existing HBPW water piping, valves and hydrants located on the LGES property.

LGES needs to relocate and expand the norther portion of this water system in order to construct new buildings and facilities as part of their Phase II expansion. HBPW agrees that the best option to meet the LGES construction schedule, as well as expectations for future operations, is to transfer ownership of the HBPW water utilities to LGES. HBPW ownership of assets on an industrial property is not typical for the water system and LGES will have more flexibility with construction and operation of the system if they obtain ownership. This system was installed by LGES during the construction of the existing facility and deeded to the HBPW for ownership and operation. Easements needed to operate and maintain the system on LGES property were also granted.

In order to comply with the Development Agreement amendment, HBPW needs to execute a bill of sale for the water utility assets in question and terminate the water utility easement on LGES property.

*As part of the Consent Agenda, the Board of Directors approved termination of the Water Utility Easement and approve a Bill of Sale for water utility assets located in the easement for LG Energy Solution Michigan subject to approval as to from by the City Attorney.*

22.181

**Electric Underground Power Line Easement for 3601 John F. Donnelly, LLC and Westshore Development**

Greenly Street used to extend west from US31 to 136th Avenue. During the 1980s, a section of Greenly was abandoned by the Ottawa County Road Commission; and the property yielded over to the parcel owners on the north and south side of the former Greenly Street right of way. Easements were created to permit the utilities to remain in their existing locations, which were understood to be within the previous right of way corridor.

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Recently, during the Magna expansion, it was discovered our electric line in this area was actually located outside of the recorded easements and former right of way. The property owners have worked with HBPW to formalize an easement that allows HBPW to remain in their current installed location. The easement also allows for a “buildable area” which will permit a structure that Magna had built some time ago and are in the process of expanding. HBPW's engineers have reviewed the plans for this new structure, and care has been taken to protect our infrastructure.

*As part of the Consent Agenda, the Board of Directors approved an underground power line easement with 3601 JOHN F. DONNELLY, LLC, a Michigan limited liability company, as to an undivided 87.5% interest, and WESTSHORE DEVELOPMENT, LLC, a Michigan limited liability company, as to an undivided 12.5% interest, as tenants in common (collectively, hereinafter the “Grantor”) for the parcel located south of Greenly Street between Bill Baker Drive and John F. Donnelly Drive, with compensation in the amount of \$10.00 for property owner(s), pending approval as to form by the City Attorney.*

22.182 **Declaration of Surplus Material**

The HBPW has identified materials and equipment which are no longer pertinent for use. The attached lists show the items determined as excess, obsolete, or uneconomical to repairs. 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)
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 lists of items as surplus.*

22.183 **Appointment to the Water System Advisory Council**

The Water System Advisory Council was established by ordinance in December 2018 and organized with Bylaws in March 2019 with the purpose of advising and reporting to the Directors of the HBPW relating to public awareness of lead in drinking water and compliance with new administrative requirements for the Lead and Copper Rule (LCR) adopted by the State of Michigan in June 2018. The Bylaws established five-year terms for the council members with initial terms tiered from one to five years, so that a single member's term expires annually.

The recommendation for reappointment of Joel Davenport maintains the practice of maintaining one HBPW Director and one HBPW Superintendent (Pieter Beyer) on the Council. This practice assures appropriate staff presence on the Council in order to keep them informed on current treatment and distribution activities to comply with the LCR and associated communications with customers.

*As part of the Consent Agenda, the Board of Directors reappointed Joel Davenport, HBPW Operations Director, to a new five-year term on the Water System Advisory Council with an expiration date of March 11, 2027.*

22.184 Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Thompson</i>
Favor	3
Oppose	0

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

22.185 **Communications from the Audience**

*None*

22.186 **Major Project Update**

*For information only*

22.187 **Retail Water Agreement with Fillmore Township**

As part of a negotiated conditional land transfer agreement, otherwise termed a 425 agreement, the City of Holland has indicated a willingness to extend water service to areas of Fillmore Township, north of I-196. Over the past several months, staff has developed a draft agreement to effectuate this. The agreement builds upon a previously executed agreement from 2010 which came about as part of a land transfer to facilitate the first LG Energy Solution development (then Compact Power).

The restated agreement is modeled after the recently adopted retail water agreement with Park Township. Some of the key provisions are highlighted below:

- Service territory depicted in Exhibit A would include all township area north of I-196, as well as the existing area along Blue Star Highway from the 2010 agreement.
- Term of 30 years, with automatic 30-year renewals, triggers upon reaching 10 years remaining on the original or extended term.
- HBPW would have exclusive right to sell retail water within the service territory.
- Rates will be uniform with those charged to customers in the City of Holland.
- Requires the township or developers to meet design standards for the extension of new mains to be dedicated to the HBPW for retail operation.
- No service connections larger than 2" or for agricultural use without HBPW approval.
- Fillmore grants use of the rights of ways for future water transmission line needs.

As indicated before, this agreement is tie-barred to the conditional land transfer agreement and will only become effective upon that agreement's successful approval and execution.

*Recommendation: The Board of Directors approved the restated retail water agreement with Fillmore Township, pending successful approval and execution of the associated land transfer agreement between the City of Holland and Fillmore Township.*

<i>Motion to approve recommendation</i>	<i>Thompson</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>3</i>
<i>Oppose</i>	<i>0</i>

22.188 **Electric Distribution Underground and Broadband Fiber Construction Services Agreement**

A construction services agreement is managed by HBPW and covers the installation of electric underground equipment and fiber optic overhead and underground equipment. The current agreement with Utility Contracting Services (UTC), formerly Precision Trenching, expires on June 30, 2022.

Three companies were invited to bid with two submitting bids for the new agreement. The bids are unit price bids and are based on estimated yearly quantities of materials installed by HBPW over the previous three years. This agreement is for a term of 36 months, beginning July 1, 2022, and running through June 30, 2025. The agreement may be extended two times for periods of 12 months at the sole option of HBPW.

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- Legion Park & Birchwood total cost per foot for 8" water main = \$352
- Pine Ave reconstruction total cost per foot for 8" water main = \$380

Based on the unit pricing extended by Milbocker, the total cost for the replacement of the 3,800 feet of water main is estimated to be \$1,491,981. This total includes \$154,520 of expense to replace 41 lead service lines, resulting in a capital cost allocation of \$1,337,461.

This capital cost estimate does include some construction allowances for unknown site conditions as well as conservatively estimated quantities that are not typically fully utilized. The additional cost will be covered in a FY 23 capital budget amendment recommendation.

*Recommendation: The Board of Directors approved a change order to the construction contract with Milbocker & Sons, Inc., for the Country Club Road project, in the amount of \$1,491,981.00 with a 10% contingency of \$149,198, for a total of \$1,641,179, for replacement water main on Legion Park Drive, Legion Park Court, and Birchwood Avenue.*

<i>Motion to approve recommendation</i>	<i>Thompson</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>3</i>
<i>Oppose</i>	<i>0</i>

22.190 **FY 2023 Water Distribution Capital Budget Amendment**

During the creation of the FY 2023 capital budget for Water Distribution, the approved budget for the Pine Avenue project was reduced to \$3,000,000 from the FY 2022 approved \$3,200,000. Recent bids for Pine Avenue resulted in a reduced scope because of increased costs, and a contract was approved that will require the FY 2023 capital budget to include \$3,100,000 to complete the project, an increase of \$100,000 from the Board approved FY 2023 budget. Recent bids for water main replacement in the area of Legion Park Drive have also resulted in an increased budget need of \$50k. This will increase the FY 2023 amended capital budget line item for this project to \$1,350,000.

In order to remain cash outflow neutral for FY 2023, the budget for the water main replacement for 28th Avenue and Wildwood Drive will be reduced from \$600,000 to \$450,000.

This reduced amount will be enough to complete engineering and early construction work on the project. This area is a multiyear project, and total capital outlay will be adjusted in future year budget approvals.

Summary of changes:

<u>Project</u>	<u>Board Approved FY2023</u>	<u>Amended FY2023</u>	<u>Difference</u>
Pine Ave	\$3,000,000	\$3,100,000	\$100,000
Legion Park Dr.	\$1,300,000	\$1,350,000	\$50,000
28th Ave and Wildwood Dr.	\$600,000	\$450,000	(\$150,000)

*Recommendation: The Board of Directors approved an amendment to the FY 2023 capital budget for Water Distribution as presented and forward to City Council through the regular FY 2023 budget approval process.*

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Thompson</i>
<i>Favor</i>	<i>3</i>
<i>Oppose</i>	<i>0</i>

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22.191

**General Manager Comments**

- MPPA Stakeholder's Meeting on Friday, May 20, in Grand Rapids (Frederick Meijer Gardens); we'll e-mail this info to BOD and Council
- Quarterly updates, regulatory and safety update, exploration of results policies and metrics, customer satisfaction survey results at our April 25 Study Session (KPI Reports ahead of time)

22.192

**Board Comments**

- Interested in a tour of the anaerobic digester in the near future before the next construction phase
- Update on our solar power commitments
- Next BOD meeting is a Study Session on April 25
- GM will send out a Doodle Poll regarding touring the biodigester

**ADJOURNMENT**

A motion to adjourn the meeting of *April 11, 2022*, was made by *Lilly* supported by *Thompson* and agreed upon by the Board of Directors present.

The Board Meeting of April 11, 2022, adjourned at *5:20 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board