

SPECIAL MEETING

The HBPW Board of Directors met
October 24 2022
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, Tim Hemingway, Paul Lilly, Beth Snyder, Carolyn Maalouf

Members Absent: Keith Van Beek, Nathan Bocks

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Joel Davenport, Ted Siler, Tamara Black, Alex Craigmile, Chris Van Dokkumburg, Julie DeCook, Tracy York; Visitors: Paul Metz, Rehmann Robson, Jacob Hook, ERM

23.077 **Approval of Agenda**

Board Member Snyder made a motion to approve the agenda. The motion was seconded by Board Member Hemingway.

23.078 **Communications from the Audience**

None

SPECIAL ACTION ITEMS

23.079 **Audited Financial Report for FY 2022**

Rehmann Robson LLC was retained by the City and HBPW to perform the audit for FY 2022. The HBPW Board of Directors Audit Committee met with the auditors prior to this presentation to facilitate closure of the audit process and to provide the Board an opportunity to directly and independently communicate with the auditors. The Committee reviewed and discussed the results of the audit with the auditors. Paul Metz presented the audited financials.

Recommendation: The Board of Directors accepted the audited financial statements and related independent auditor's report issued by Rehmann Robson LLC regarding the FY 2022 financial position of HBPW.

<i>Motion to approve recommendation</i>	<i>Hemingway</i>
<i>Second</i>	<i>Maalouf</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

23.080 **JDY and Unit 6 Abatement and Demolition Services Contract**

Under separate purchasing agreement, ERM has already been providing environmental assessments, engineering, planning, demolition work scope (called Project Manual), and bidding for the abatement and demolition of the JDY and Unit 6 sites. Within that work, ERM prequalified five potential bidders, solicited bids, and evaluated the returned bids, culminating with a

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recommended contractor for the demolition work. Five bids were received and evaluated with Bierlein becoming ERM's recommended contractor.

As an extension of that work, we commissioned ERM to develop a management oversight work scope outlining permitting and notifications, decontamination and decommissioning, the demolition itself, and accompanying documentation. Execution of this turnkey decontamination, decommissioning, and demolition services for all structures in the Project Area also includes site clearing and managing environmental aspects in a safe work environment. The management oversight services include directing, supervising or controlling the work, supplying all necessary labor, equipment, materials, and services to complete the project detailed in the Project Manual. ERM will also maintain project records and provide us a summary report of the work performed. Jacob Hook from ERM answered questions and provided additional information.

Recommendation: The Board of Directors approved a contract with ERM in the amount of \$5,681,006, with a 10% contingency of \$568,100, for a total of \$6,249,106 pending approval as to form from the City Attorney.

Motion to approve recommendation
Second
Favor
Oppose

Hemingway
Snyder
5
0

23.081

FY 2022 HBPW Organizational Results

Since 1995, the HBPW has included a variable component in its professional employee compensation package. Known initially as The Opportunity Program, this compensation component has provided annual lump-sum compensation opportunities of up to 6% of base wage for participants when the organization and the individual meet or exceed specific performance criteria.

In FY 2022, the HBPW achieved 11 of its 12 corporate metric targets and all 10 of its organization-level tactical actions. These corporate metrics and tactical actions are summarized on an attachment to this recommendation. The corporate metrics cover the areas of customer satisfaction, service reliability, environmental quality, regulatory compliance, cost control and a safe work environment. The tactical actions address a variety of organizational initiatives and were developed to align with and support the HBPW's Critical Issues and Goals.

Based upon the corporate metric and tactical action results, the performance-based compensation result achieved in FY 2022 for eligible professional employees (excluding Executive Staff) is 5.75% out of a possible 6.0%.

In December 2010, the Performance Based Compensation program for HBPW Executive Staff (Director-level employees) was amended by Board and Council action, in conjunction with moving these employees to an "at will" employment status. Consistent with this program, the performance-based compensation result achieved in FY 2022 for Executive Staff is 9.38% out of a possible 10%.

In April 2012, a Performance Based Compensation program was adopted for HBPW union employees as part of a labor agreement renewal. This program is based solely upon HBPW Corporate Metrics and helps to align all HBPW employees with the organization's strategic objectives. Consistent with this program, the performance-based compensation result achieved in FY 2022 for union employees is 2.75% of a possible 3%.

FY 2023 corporate metrics and tactical actions are also attached for reference.

Recommendation: The Board of Directors accepted the FY 2022 strategic plan results and approved the associated performance-based compensation payments.

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<i>Motion to approve recommendation</i>	<i>Snyder</i>
<i>Second</i>	<i>Hemingway</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

23.082 **FY 2022 Performance-Based Compensation Determination for the General Manager**

Consistent with the General Manager's employment agreement, the Board of Directors, through its Board President, has previously defined the performance goals and objectives needed to determine the General Manager's performance salary for FY 2022.

During the past fiscal year, these performance goals and objectives included six areas of organizational performance and seven specific tactical action areas. These items, their status, and the percentages of performance salary attributable to them, are summarized in the attachment to this report.

Based upon the HBPW's organizational performance and the General Manager's individual performance, the performance salary achieved in FY 2022 for the General Manager during the time period specified above is 10% out of a possible 12%.

Recommendation: The Board of Directors accepted the FY 2022 strategic plan results relating to the General Manager's performance-based compensation and approve a performance salary payment of 10% for the General Manager.

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

QUARTERLY MONITORING REPORTS

23.083 **YTD First Quarter Preliminary Financials, FY 2023**

The preliminary financial statements for the first quarter of FY2023 were reviewed.

Presented for information. No Board action needed.

23.084 **Insurance Claims Q1 FY 2023**

Only one claim (#P011-22-00507-01) was received during the quarter, for a sewer service line backing caused by tree roots. Since service lines are the responsibility of the property owner, the claim was denied.

Presented for information. No Board action needed.

23.085 **Meeder Public Funds Investment Strategy Update FY 2023 1st Quarter**

Highlights from the Meeder Economic Report and related news releases:

- The September 2022 Fed Summary of Economic Projections (SEP) forecasts the Fed Funds Rate at 4.50% by August 2023, 75 basis points higher than the SEP forecast for that date 90 days ago
- Unemployment rate of 3.8% up slightly from June 2022
- Job openings still exceed the number of unemployed workers by a ratio of nearly 2 to 1, continuing pressure on wages

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- Year over year CPI at 8.3% in September, down from 9.1% in June.
- 2 year/10 year US Treasury yield inversion continues, increasing to 38 basis points from 22 basis points in June.

Highlights from the Meeder Portfolio Review:

- Total portfolio at 9/30/2022 \$60,194,161
- Weighted average maturity 1.05 years
- Weighted average yield 1.76% (compared to 0.70% on June 30)
 - o \$10mm 2-year T-bills yielding 3% purchased in early August
 - o Current yield on \$14mm government "money market" 2.8%
- Additional pertinent information (not in the Meeder report)
 - o About 70% of the investments with maturities of 1 year or less will be used for retiring debt:
 - Electric 2021 Revenue Refunding bonds
 - \$12,760,000 due 7/1/2023
 - Water Supply System Refunding Bonds approximately \$1,285,000 due July 1, 2023
 - Pension Bond
 - \$1,448,452 due 12/01/2022
 - \$1,490,722 due 12/1/2023
 - o Remaining short-term maturities will be used for various capital improvement projects.

Presented for information. No Board action needed.

23.086

Energy Risk Management (ERM) Performance Summary

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 6,427,600 dekatherms, at weighted average costs (sans basis) per dekatherm ranging from \$2.40 to \$2.60 for fiscal years 2023-2025. The total cost of the agreements, when exercised, will be \$16,212,855 over the three-year period. The total cost of these agreements is approximately \$17,681,822 less than current market prices (at close of business September 30, 2022) for the same quantities and periods. Including energy resources under contract through MPPA, and the natural gas purchase agreements described above, HBPW has hedges in place as a percentage of forecasted MWh dispatch as follows:

- FY2023 82.1% (policy minimum 80.0% by 12/31/22)
- FY2024 69.0% (policy minimum 70.0% by 12/31/22)
- FY2025 43.2% (policy minimum 30.0% by 12/31/22)
- FY2026 26.8% (policy minimum 10.0% by 12/31/22)
- FY2027 26.4% (policy minimum 0.0% by 12/31/22)

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

- FY2023 66.2%
- FY2024 56.3%
- FY2025 22.3%
- FY2026 0.0%
- FY2027 0.0%

Presented for information. No Board action needed.

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23.087 **First Quarter Key Performance Indicators (KPIs) FY 2023**

As per Governance Policy G002, Key Performance Indicators (KPIs) are reported to the Board of Directors as a quarterly agenda item. KPI reporting further supports the Results Policies that came out of the Strategic Planning process.

Presented for information. No Board action needed.

23.088 **General Manager Comments**

- The question of selling the Laketown Lake Michigan waterfront (Rosenberg) property will be on the City's ballot November 8. We have completed a FAQ section about this on our website.
- Our next regular meeting is November 7
- November 2 Andrew Reynolds will be presenting the annual report of the CEP Steering Committee at the City Council Regular Meeting
- Due to several scheduling conflicts, Sue Franz's appreciate lunch will be held in the Spring of 2023

ADJOURNMENT

A motion to adjourn the meeting of *October 24, 2022*, was made by *Hemingway* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of October 24, 2022, adjourned at *5:43 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board