### **REGULAR MEETING**

The HBPW Board of Directors met

March 6, 2023

at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

# Chair Thompson called the meeting to order at 4:00 p.m.

Members PJ Thompson, Tim Hemingway, Carolyn Maalouf, Paul Lilly, and Ex Officio Member Keith Van

Present: Beek

Members Beth Snyder, Dave Couch, Nathan Bocks

Absent:

Staff Dave Koster, Janet Lemson, Ted Siler, Becky Lehman, Chuck Warren, Joel Davenport, Tracy

**Present:** York, Shawna VanderYacht, Chris VanDokkumburg

23.172 Approval of Agenda

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

Board Member Lilly.

23.173 Board Minutes - Regular Meeting Minutes of February 6, 2023, and Study Session Minutes

of February 27, 2023

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

23.174 Action on Consent items:

Motion to approve, accept, or adopt Consent Lilly

Agenda items

Second Maalouf Favor 4

Oppose 0

23.175 Communications from the Audience

None

23.176 Major Project Update

For information only

23.177 40 Ton Condenser Unit Replacement and Ice Bank Storage Removal

The existing condenser unit at the Service Center is past its useful life and needs to be replaced. The estimate we received when budgeting for this replacement in the fall of 2021 was approximately \$85,000, so the approved budget reflected what we knew at the time. The price of a new 40-ton condensing unit is now significantly higher because of inflation. In speaking with the vendors, they anticipate that the costs will continue to go up over the next few years. The chart below shows the bid results.

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

Vendor	Business Location	Quote Amount	Meets Specs	Previous Contracts
Protemps	Holland, MI	Did not bid		No
Pleune Service Co.	Grand Rapids, MI	\$137,745.86	Yes	Yes
Grand Rapids Industrial Service Process Inc.	Grandville, MI	\$130,190.00	Yes	No
Peerbolts	Holland, MI	Did not bid		No

This project also includes the removal of the ice bank. That part of the system is also past its useful life and would be too costly to replace in the current design. In working with the engineers from Trane, we concluded that the best course of action would be to upsize the condenser and remove the ice bank altogether. An added bonus from this decision is that we will reclaim valuable floor space in the warehouse.

Recommendation: The Board of Directors approved a contract with Grand Rapids Industrial Process Service, Inc. in the amount of \$130,190, with a 10% contingency of \$13,019 for a total of \$143,209, pending approval as to form from the City Attorney; and approve a budget amendment in the amount of \$58,209.

Motion to approve recommendation

Second

Favor

Oppose

Lilly

Maalouf

4

0

## 23.178 FY 2024 Budget and Rate Recommendations

The budget for FY 2024 has been prepared by staff and reviewed in detail by the HBPW Board Budget Committee.

The FY 2024 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 2024, the major expense categories and respective portions of the consolidated expense budget are:

- 36% Fuel and Purchased Power
- 19% Wages & Benefits
- 15% Depreciation
- 12% Other Operating Expenses
- 7% Maintenance Supplies/Services
- 7% Contribution to the City
- 2% Conservation Programs Electric
- 1% Insurance
- 1% Interest on Bonds

# **Electric Utility**

FY 2024 revenues are expected to increase by 8.3% over the FY 2023 budget, due to rate and volumetric increases. Fuel and purchased power costs are expected to increase about 7.5%. All other expenses are expected to increase about 16.8%, with two of the big drivers being external resource debt and O&M (MPPA) up 75.9% due to reconfiguring the Belle River coal plant to burn natural gas, and the decommissioning costs of the Campbell plant, and internal plant maintenance

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costs up 13.1%. Capital projects for FY 2024 total \$17.6 million, of which \$9.5 million (54%) are for distribution system improvements. All of the capital projects are internally funded.

A 3.5% rate increase is proposed.

#### **Broadband**

With the recent millage approved for expansion of the shared gigabit service, the Broadband utility expects a rapid increase in new customers. Operating costs are budgeted to increase about 56% as staff capacity is ramped up to facilitate system expansion. Capital expenditures for FY 2024 are budgeted at \$9.3 million, with all but \$700k slated for the expanded services.

No rate increase is proposed for FY 2024.

### Water

Water utility revenues are expected to increase 5.8% over the FY 2023 budget. Operating expenses are budgeted to increase 12.4%, driven by higher unit volume and significant chemical cost increases. The Water utility will expend about 51% of its operating budget on chemicals, production, and distribution expenses. Included in this amount is \$780k for lead service line replacements. The capital plan, totaling \$8.4 million, includes \$1.3 million for initial work on alternative chemical storage solutions for the water treatment plant, \$6.1 million for distribution system replacements/improvements, and \$240k for new field vehicles.

A 5.0% rate increase is proposed for FY 2024

#### **Wastewater**

The Wastewater utility is expected to see a 4% increase in operating revenues over the FY 2023 budget, mostly due to a proposed 3.6% rate increase. The utility will expend 46% of its operating budget on chemicals, treatment, and collections expenses, down slightly from the FY 2023 budget. Capital projects will total about \$9.4 million in FY 2024. About 68% of this amount, \$6.4 million, will be spent on reclamation facility improvements and the final effort on the anaerobic digester. The remaining \$3 million is for collection system rehab/repairs including \$1.9 million related to lift stations.

A 3.6% rate increase is proposed for FY 2024.

Summary of Operating and Capital Budget (\$000)							
	Operating Revenue	Operating Expense	Net Income	Capital			
Electric	\$ 104,354	\$ 93,385	\$ (1,074)	\$ 17,579			
Broadband	2,198	2,246	(34)	9,263			
Water	13,893	10,813	2,749	8,373			
Wastewater	13,445	12,715	900	9,354			
Administration				1,199			

The contribution to the City is proposed at \$9,641,232, an increase of \$1,184,376 over FY 2023. 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 2024 operating and capital budget documents are attached.

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Recommendation: The Board of Directors approved the FY 2024 budget and associated rate adjustments and forward to the City Council for inclusion in their resolution approving the budget for FY 2024.

Motion to approve recommendation
Second
Lilly
Favor
4
Oppose
0

## 23.179 General Manager Comments

- MPPA Stakeholders meeting at Frederik Meijer Garden on May 18, Thursday
- APPA June 16 21, 2023, in Seattle
- ACE23 AWWA Conference for Water June 11 14, 2023, in Toronto
- Next meeting likely be changed to a Special Meeting, March 27. Topics will include Health-Safety-Regulatory Updates, parts procurement for Holland City Fiber, and a sales agreement with realtor, Bernie Merkle, for the property on Hillside Trail.

### 23.180 **Board Comments**

• Thank you to the staff for all their efforts in putting together the annual fiscal budget

### **ADJOURNMENT**

A motion to adjourn the meeting of *March* 6, 2023, was made by *Lilly* supported by *Maalouf* and agreed upon by the Board of Directors present.

The Board meeting of March 6, 2023, adjourned at 6:05 p.m.

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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