

STUDY SESSION

The HBPW Board of Directors met
April 24, 2023
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, Carolyn Maalouf, City Council Liaison Nathan Bocks, and Ex Officio Member Keith Van Beek

Members Absent: Beth Snyder, Dave Couch

Staff Present: Dave Koster, Janet Lemson, Amy Yost, Chuck Warren, Becky Lehman, Ted Siler, Joel Davenport, Daryl Van Tongeren, Frost Center for Social Science Research (of Hope College)

23.210 **Communications From the Audience**

None

QUARTERLY MONITORING REPORTS

23.211 **YTD Third Quarter Preliminary Financials**

The preliminary financial statements for the third quarter of FY 2023 were reviewed.

Study Session topic. No Board action required.

23.212 **Insurance Claims FY 2023 through March 31, 2023**

A report summarizing FY 2023 damage claims activity for FY 2023 through March 31, 2023, was submitted for Board of Directors review.

No claims were submitted during Q3. A total of four claims have been submitted for the year through March 31, 2023. Three of those claims have been denied due to determination HBPW is not responsible for the losses. One claim, for damages attributed to a sewer main backing, was settled for \$5,648.54.

Study Session topic. No Board action required.

23.213 **Meeder Public Funds Investment Strategy Update Dated April 11, 2023**

Highlights from the Meeder Report:

- Fed Funds
 - Federal Reserve Dot Plot consensus shows Fed Funds rates in the 5.0% to 5.5% range for the remainder of calendar 2023, falling to the 4.0% - 4.5% range the first half of calendar 2024.
 - Market Fed Funds expectations are about 1.0% less for each of these periods.
- Labor market remains tight, with nonfarm payrolls exceeding expectations.

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

- Inverted yield curve (historical indicator of pending recession) continues, with 3-month yields continuing to far exceed 10-year yields.
- Short-term rates appear to be topping out; will start to look at longer term investments when possible.

Portfolio review:

- Weighted average yield 2.61% (compared to 0.70% at June 30, 2022)
- Weighted average maturity 0.72 years (compared to 0.93 years at June 30, 2022)
- Total portfolio \$60,791,286 (compared to \$60,062,149 at June 30, 2022).

Additional information:

- About 57% of the investments with maturities of 1 year or less will be used for retiring/servicing debt:
 - Electric revenue refunding bonds \$20,000,000 7/1/2023
 - Water Supply System refunding bonds \$1,285,000 7/1/2023
 - Pension bond \$1,490,722 12/1/2023
- Remaining short-term maturities will be used for various capital improvement projects.

Study Session topic. No Board action required.

23.214

Energy Risk Management (ERM) Performance Summary

Minimum energy hedge requirements have been updated to reflect the values in the revised ERM policy approved by the Board on December 12, 2022. Note that this change now shows us deficient in all years vs. the minimum energy hedge requirements. This was anticipated and is the reason why approval of the updated ERM policy also provided staff until June 30, 2024, to achieve full compliance with the new minimum energy hedging requirements.

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 6,920,137 dekatherms, at weighted average costs (sans basis) per dekatherm ranging from \$2.60 to \$2.76 for fiscal years 2023-2025. The total cost of the agreements, when exercised, will be \$19,921,286 over the three-year period. The total cost of these agreements is approximately \$2,572,693 less than current market prices (at close of business March 31, 2023) 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 89.0% (policy minimum 90.0%)
- FY2024 88.4% (policy minimum 80.0%)
- FY2025 41.8% (policy minimum 65.0%)
- FY2026 22.7% (policy minimum 50.0%)
- FY2027 19.8% (policy minimum 35.0%)

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

- FY2023 78.5%
- FY2024 83.5%
- FY2025 18.3%
- FY2026 0.0%
- FY2027 0.0%

Study Session topic. No Board action required.

23.215 **Third Quarter Key Performance Indicators (KPIs) FY 2023**

As detailed in 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.

Study Session topic. No Board action required.

STUDY ITEMS

23.216 **Customer Satisfaction Survey Results**

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 service 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 91.8% better than neutral for residential customers and 94.6% better than neutral for business customers.

A number of written comments were received; and where requested, we will follow up with survey respondents on any questions they had about a particular topic.

Comments about rates and online payment issues continue to be common. To reach more customers, we will be developing a new bill stuffer, adding more information to the website, and emailing customers addressing our rate competitiveness. Online payment improvements are also in process, and budget has been approved for FY 2024 for a new customer portal.

Modifications to bill presentment to outline individual charges and units for each line item are being developed to help clarify cost and usage calculations.

Study Session topic. No Board action required.

23.217 **Strategic Planning Renewal Preparation**

In accordance with established policy and past practice, the Board of Public Works regularly reviews and updates its strategic plan. Most recently revised in 2020, the strategic plan forms the basis for desired outcomes that stakeholders of the HBPW should experience in the succeeding 5-year time horizon. The strategic plan also creates a framework and foundation for staff's work in the establishment of business goals and action plans that move the organization toward achievement of those outcomes.

In addition to a short presentation outlining the framework of our strategic planning process, the specific policies that speak to the Board's commitments (G-002 and G-008) and its expectations of the General Manager (D-009) are attached for reference.

This discussion will help solidify plans for the renewal process, currently planned for this September.

Study Session topic. No Board action required.

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23.218

General Manager Comments

- The next regular meeting of the HBPW Board of Directors is Monday, May 8, which will include a closed session to review a written legal opinion with the City Attorney
- Five bids were received and are currently being evaluated for design/build services for Holland City Fiber
- City Council is hosting an open house to engage residents on the property sale ballot question associated with Waterfront Holland on Wednesday, April 26, 2023 from 6-8 pm in City Council Chambers at City Hall. City Manager Keith Van Beek will make a presentation at 7 pm
- Staff continues to evaluate repair options for the center lake crossing transmission main with the hope of reviewing a definitive plan at a Board Meeting in the near future
- New recently introduced bills in the Michigan Senate seek to codify many elements of the MI Health Climate Plan
- Invitations will be coming soon for Tim Hemingway's Board of Directors Retirement Celebratory Dinner planned for June 13, 2023

23.219

Board Comments

- Energy Risk Management clarifications were requested by a Board member; it is likely this may be Addressed at a Closed Session
- How teams function on HBPW projects, whether they are cross-functional, how this impacts the strategic planning effort. Cross functional teams also work together on tactical actions.
- A Wall Street Journal article discussed items at the Federal level being proposed for elimination of CO2. How are we at the HBPW staying abreast of this?

ADJOURNMENT

The Board Meeting of April 24, 2023, adjourned at *5:56 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board