

REGULAR MEETING

The HBPW Board of Directors met
June 17, 2019
at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave.
Holland, Michigan

Chair Hemingway called the meeting to order at 4:04 p.m.

Members Present: Tim Hemingway, Diane Haworth, Phil Miller, Sue Franz, Paul Lilly, and Ex Officio Members
Bob Shilander and Keith Van Beek

Members Absent: Brian Lynn

Staff Present: Dave Koster, Janet Lemson, John Van Uffelen, Joel Davenport, Becky Lehman, Ted Siler, Chuck Warren, Theo Van Aken, Sam Bender, Jane Monroe, Steve Bruinsma, Tracy Jousma, Mark Gipson, Julie DeCook, Andrew Reynolds, Alison El-Cassabgui, Jon Hofman

19.142 **Public Hearing
State Revolving Fund (SRF) Project Plan for Wastewater Systems Improvements**

In Fiscal Year 2018, staff completed a tactical action initiative to evaluate alternatives to mitigate the growing financial and operational risks associated with disposal of solids generated as part of the wastewater treatment process. The study found anaerobic digestion (AD) to be the preferred solution based on operational and financial analysis and recommended further evaluation of AD to confirm feasibility and cost.

In Fiscal Year 2019, HBPW retained engineering assistance to conduct AD pilot testing and to complete a more substantive conceptual design study. These efforts provided detail required to properly justify the investment of a full scale AD system; including capital, operating, and maintenance expenses as well as accounting for the full utilization of biogas produced.

In conjunction with the pilot testing and conceptual design study, staff has pursued funding through the SRF program administered by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) to provide financing assistance for the proposed solution. The SRF program provides low-interest loan funding (currently 2.0%) and an opportunity for Green Project Reserve (GPR) principal forgiveness for qualifying projects. The first step in the SRF process is to prepare and submit a project plan prepared per EGLE guidance by July 1.

A project plan has been prepared by HBPW staff which recommends the construction of an anaerobic digester and associated equipment at the WRF. In order to be eligible for SRF low-interest loan and GPR principal forgiveness from EGLE, the Board and Council must adopt the project plan by formal resolution.

Recommendation: the Board of Directors voted on a resolution to formally adopt the SRF Project Plan for Wastewater System Improvements and forward the draft Council resolution to the City for adoption at the June 19, 2019, Council meeting.

<i>Motion to approve recommendation</i>	<i>Miller</i>
<i>Second</i>	<i>Haworth</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

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

19.143 **Communications from the Audience**

None

19.144 **Board Minutes – Regular Meeting Minutes of May 6, 2019, Study Session Minutes of May 20, 2019, and Special Meeting Minutes of May 13, 2019**

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

19.145 **Declare One transformer, Located on the Property of 301 Fairbanks Avenue, Holland, MI Surplus, for Sale to Hope College**

Hope College desires to purchase one (1) transformer owned by HBPW, on the property that serves the DeWitt Tennis Facility at 301 Fairbanks and the Hope College Stadium at 313 Fairbanks. The present minimum value and sale price of the equipment is \$1,036.

The sale will allow Hope College to serve this facility from their DeVos primary metered electric service. The BPW will continue to serve the load from the building but with the load served through a single meter point. The BPW will continue to serve the load from the building but with the load served through a single meter point.

Declaring electric distribution equipment surplus for sale happens from time to time as customers choose to serve their own load with primary voltage. There is a cost savings for our customers when they combine loads and reduce service charges. The Electric Distribution team will work with Hope College to facilitate the change once the equipment is declared surplus and sold.

As part of the Consent Agenda, the Board of Directors declared the transformer, #5221, located on the property of 301 Fairbanks Avenue, surplus, and will allow Hope College to purchase it for \$1,036.

19.146 **Additional Field Support for Water Reclamation Facility (WRF) Primary Clarifier Improvements Project**

The construction for the WRF Primary Clarifier Improvements project began in October 2018 and is scheduled to continue until April 2020. The original project plan developed in 2017 assumed a BPW Planning Engineer would provide field support services to assist with construction field quality control and coordination with WRF operations. Planning Engineering's staff was then reduced to one engineer in 2018, and BPW staff added \$100,000 to the project budget in 2019 for contracted resources to perform the field support services.

Donohue currently has an engineering services contract for the project that includes minimal time for on-site field support. Their personnel are best suited to provide the additional field support due to their project knowledge and current involvement in the construction activities. The field support services will be determined by the project demands and executed as needed. This change order is within the project budget and will revise Donohue's total contract amount to \$294,230.

As part of the Consent Agenda, the Board of Directors approved a change order to Donohue's engineering services contract for additional construction observation services for a not-to-exceed amount of \$64,560.

19.147 **Action on Consent items:**

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Haworth</i>
Favor	<i>5</i>
Oppose	<i>0</i>

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19.148 **Financial Review – April 2019**

For information only

19.149 **Major Project Update**

For information only

19.150 **Insurance Coverage Proposal for FY 2020**

AJG, as the City/HBPW agent of record, has marketed the insurance package for FY 2020 and has presented their proposal as a combined package with the City and the HBPW. The total package premium is \$1,511,439. In general the overall premium has increased by \$72,316, approximately 5%. Boiler & Machinery increased 39%, Auto Liability increased by 18% and Auto Physical Damage increased by 21%. These increases were partially offset by a reduction in Workers' Compensation cost of 8% due to reductions in rates and in the experience modification factor from 1.22 to 1.20.

The service fee to AJG remains the same and is a flat fee of \$75,000 to be allocated equally between the City and the HBPW. HBPW also incurs a service fee of \$50,000 for the Holland Energy Park insurance services.

A more detailed explanation of the FY 2020 premium cost compared to FY 2019 is provided in the attached memorandum from AJG. In summary, the premium increases were the result of higher rates (the product of significant insurance losses the past several years) and increases in the total insured value (TIV) at both the City and HBPW. The most significant increases from last year are:

- Boiler & Machinery
 - TIV increased 6.91%
 - Rate increased 30.45%
 - Overall increase \$47,659 (39.46%)
- Auto Physical Damage
 - Exposure (# of units) did not increase
 - Rate increased 20.64%
 - Overall increase \$4,076 (20.64%)
- Auto Liability
 - Exposure (# of units) increased 3.03%
 - Rate increased 14.05%
 - Overall increase \$14,848 (17.5%)
- Excess Property
 - TIV increased 6.55%
 - Rate increased 3.92%
 - Overall increase \$19,615 (10.78%)

Recommendation: The Board of Directors approved the proposal from (AJG) for insurance coverage for FY 2020. The package includes policies for \$10,000,000 liability, \$422,320,792 property, and up to \$405,980,796 boiler and machinery/equipment breakdown, in addition to coverage for auto, pollution, cyber liability and workers compensation. The premium allocation for the Holland Board of Public Works' (HBPW) portion is \$1,086,679.

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Motion to approve recommendation
Second
Favor
Oppose

Haworth
Miller
5
0

19.151 **Approval of Updated Electric and Water Terms of Service Rate Books**

Several updates were made to improve clarity and eliminate deficiencies but do not change the terms of service provided by the HBPW and are not pointed out in this report. The revisions that change terms of service and warrant the consideration and approval of the Board of Directors and City Council follow:

Electric Rate book:

- Revision to Section 9.5 Security Lighting to increase the minimum number of months a customer must agree to pay the monthly rate from 24 months to 48 months. It takes at least 48 months to recover the installation cost.
- Revisions to Section 12.2 Use of poles and equipment were made to accommodate changes to rules and regulations from Senate Bill 637 that require HBPW to allow 5G communication providers to install equipment on utility poles. The revisions to the rate book note that pole attachment application processes and pole make-ready processes are to be followed and that the necessary applications and agreements are available upon request.
- Revision to Section 8.6 Account Security Deposits to add a deposit requirement for customers who have been disconnected more than three times over the past three years for non-payment that equals six months of use.
- Replacement of Sections 13 Distributed Generation Program for Customer-Owned Generation; Section 14 Renewable Generation - Less than 550 kW - Net Metering Program; and Section 15 Customer-Owned Generation Large Renewable Generation and Co-Generation - Greater than 550 kW with new Section 13 PURPA Qualifying Facilities; and Section 14 Distributed Generation Program. The new sections were the result of a tactical action group to develop a strategy for customer owned distributed generation and to assure compliance with PURPA regulations. The proposed language accomplishes both.

Water Rate Book

- Adds authorization to shut off water to a customer who refused to cooperate as necessary for HBPW to comply with the Lead and Copper Rule in Section 5.9.2 General Requirements
- Adds Section 10.7 Water Service Line Replacement as Required by the Lead and Copper Rule to comply with rules adopted in 2018 by the State of Michigan to replace lead service lines

Recommendation: The Board of Directors approved the attached drafts of the electric and water rate books with the 2019 updates and forwarded to City Council for their approval.

Motion to approve recommendation
Second
Favor
Oppose

Miller
Lilly
4
0

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19.152 **FY2020 Salary Structure Adjustment**

Through its strategic planning process, the HBPW has identified Workforce as a critical organizational issue. Annually, the HBPW evaluates and adjusts its salary structures as part of its efforts to provide a rewarding and compelling workplace for utility professionals.

In recent years, the HBPW has used survey data from WorldatWork, an international compensation consulting firm, as a basis for annual adjustments to its M and P salary structures. This data is more representative of actual compensation structure adjustments than is the CPI-U, which represents changes in the cost of consumer goods, not changes in compensation. The HBPW uses salary structure adjustment data from Central United States utilities as a basis for its structure adjustments. Please note that WorldatWork only collects survey data on non-union compensation structures.

Adjustments to the P, M, and D salary structures do not immediately or uniformly impact employee base wages. Base wage adjustments for management and professional employees are made on an individual basis, and there is no annual across-the-board "cost of living" adjustment for management and professional employees.

The amount of each base wage adjustment depends upon the individual's performance, and how their current compensation compares to the midpoint of their respective wage range. An employee who is performing well and is currently compensated below their position's market midpoint will be eligible for a larger base wage adjustment than an employee who is already at, or above, their market midpoint. The HBPW's performance-based compensation program allows for individual base wage adjustments of 0% to roughly 9% for professional, managerial, and director-level employees, within the relevant wage range.

In addition to recommending adjustment of the M and P wage structures, the HBPW is requesting approval to increase the wage ranges for two job classifications. Due to their uniqueness, both of these classifications - Utility Billing Coordinator and Electric Production Maintenance Planner - are challenging to price in the compensation marketplace. Based upon a detailed internal review of these job classifications, the HBPW is recommending that each position be increased to the next wage range in the P wage structure.

Job Title	Current Range	Proposed Range <i>(includes 7/1/19 2.2% structure adjustment)</i>
Billing Coordinator	P-01 (\$34,616 - \$46,833)	P-02 (\$38,031 - \$51,453)
Maintenance Planner	P-07 (\$54,665 - \$73,959)	P-08 (\$60,058 - \$81,254)

As part of its compensation efforts, the HBPW engages a consultant every three years to perform a comprehensive compensation study. This study evaluates each job classification individually and recommends a median wage appropriate for each job classification based upon relevant factors (comparable job titles, industry sector, geographic region, organization size). The HBPW most recently performed this comprehensive study in 2017. It will be updating this study during the upcoming fiscal year. Recommendations from the study will be brought to the Board in the spring of 2020.

Recommendation: The Board of Directors approved increasing the P, M, and D salary structures by 2.2% effective July 1, 2019, and adjust the mid-points and wage ranges of the Billing Coordinator and Maintenance Planner job classifications as detailed.

<i>Motion to approve recommendation</i>	<i>Miller</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

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19.153 BOARD COMMENTS

Our next Board meeting, a Study Session, is scheduled for June 24, 2019. Main topics is the continuation of our strategic planning visioning process.

July 8 is our next Regular meeting. The General Manager proposed we cancel the July 22 Study Session. It was agreed upon by those present

General Manager represented the BPW in Public Power Magazine and on a discussion panel at the APPA National Conference in Austin earlier this month.

The HBPW was well represented at the MMEA/MPPA spring meeting in Grand Rapids.

Sue Franz and Paul Lilly joined John Van Uffelen and Jim Van De Wege in Denver at ACE19

ADJOURNMENT

A motion to adjourn the meeting of *June 17, 2019*, was made by *Miller* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of June 17, 2019, adjourned at *6:33 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board