

SPECIAL MEETING

The HBPW Board of Directors met
June 22, 2020
at 4:00 p.m.
Via Zoom Teleconference.

Chair Hemingway called the meeting to order at 4:02 p.m.

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

Members Absent: None

Staff Present: Dave Koster, Janet Lemson, John Van Uffelen, Joel Davenport, Becky Lehman, Ted Siler, Chuck Warren, Jon Hofman, Theo Van Aken,

20.160 **Communications From the Audience**

None

20.161 **Financial Update**

For information only

SPECIAL ACTION ITEMS FY 2020-2021 Insurance Program

20.162 Arthur J. Gallagher & Co. has been the insurance agent of record for COH and HBPW for the past five years. They have prepared a package of combined coverage for the COH and HBPW for the coming fiscal year 2020-2021. The overall cost of coverage in the combined package is less than last year, largely attributable to the transfer of about \$100 million in power generation assets to the Holland Energy Park/Electric Generation policies.

The cost of the base all risks policy is up 2.5% (\$9,737) and excess liability is up 12% (\$6,127). Excess property and boiler and machinery are down 35% and 75% respectively, primarily due to the removal of the power generation assets. This removal not only reduced the value of assets being insured, but also resulted a 67% reduction premium rate due to the lower risk.

Workers Compensation is 10.4% lower (\$17,217) due to lower rates and improved experience modification factor. Auto liability is 10% higher (\$9,988) and physical damage 14.9% (\$3,552) higher. Pollution coverage did not change, as coverage is in the second year of a two year policy. Cyber liability is 18.55% (\$6,757) lower.

A renewal of the third-party administrator (TPA) services with Alternative Services Concepts (ASC) is included in the program recommendation with a minimum annual cost of \$19,600, as well as an agreement with Gallagher Bassett for claims administration (no additional cost).

The attached documents provide a summary of the program for FY2020-2021, as well as costs for each of the coverage categories. HBPW share is \$846,869, including the prorated AJG fee. The insurance program and related agreements were approved by COH at its June 17, 2020, Council meeting.

As part of the Special Action Agenda, the Board of Directors approved the FY 2020-2021 insurance program as provided through AJG, with an allocated cost to HBPW of \$809,369. This approval includes a one year broker of record service/fee agreement with AJG, at fee of \$75,000 (shared equally between

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COH and HBPW). It is further recommended the Board approve an agreement with Alternative Service Concepts (ASC), at a total minimum cost of \$19,600 (shared equally between COH and HBPW), for third party administration services.

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Miller</i>
<i>Lilly</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Miller</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Hemingway</i>	<i>Y</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

20.163 **Insurance Coverage For Holland Energy Park (HEP) and Peaking Units**

Marsh USA is the newly appointed insurance broker of record for the HBPW energy production assets. These assets consist of the Holland Energy Park, 48th Street peaking station, 6th Street peaking station, the transmission line from HEP to the James Street Substation, and the three mile gas transmission line from HEP to the City of Holland gas main. The coverage to be arranged by Marsh USA is for property risk only. HBPW liability risk coverage is included in the combined City of Holland/HBPW insurance policies.

Marsh USA was appointed Broker of Record on June 8, 2020, providing only 22 days to organize coverage. The dynamics of a hardening insurance market and increasingly critical underwriting criteria have added complexity and challenge to Marsh's assignment. As of June 18, Marsh has held discussions with numerous insurance providers including Aegis, Swiss Re, SCOR, Aspen, AIG, HSB, and the London Market, among others. Significant interest has been expressed in the all-risk coverage for HEP, the transmission line from HEP to the James Street Substation, and the three mile gas transmission line from HEP to the City of Holland gas main. The results for the peaking units have been mixed. The goal is to have the peaking units included in the HEP all-risk coverage, saving the cost of insuring them in a separate program.

Given the short timeframe Marsh has to work with, it is unlikely program structure and cost will be known much before June 30, 2020. Given this extraordinary circumstance, management requests the Board's permission for the General Manager to authorize Marsh USA to bind coverage on or before June 30, 2020. This authorization is contingent on the provision of an insurance program with a structure and cost acceptable to management.

The Board of Directors accepted for information the update on the FY 2021 insurance program, provided through Marsh USA, and provided the HBPW General Manager the authority to authorize Marsh USA to bind coverage on or before June 30, 2020.

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Miller</i>
<i>Lilly</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Miller</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Hemingway</i>	<i>Y</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

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20.164 **WRF Landfill Disposal Contract Extension**

WM currently disposes of the WRF solids at the Autumn Hills Landfill in Zeeland Township under a contract with effective dates 7/1/2017 through 6/30/2020. When WRF staff reached out to WM to get pricing for another contract term, they were informed that WM was no longer able to accept WRF solids at the Autumn Hills Landfill. This is due to the moisture content of the waste (75% moisture) which makes it difficult to manage in a landfill without sufficient dry waste to mix with it.

While Autumn Hills is not currently an option, WM has offered to continue handling the WRF solids in other landfills. A maximum of 10,000 tons/year of waste will be accepted. 2,500 tons can be accepted at the Hastings Landfill in Hastings, MI. 7,500 tons can be accepted at the Earthmovers Landfill in Elkhart, IN. With the new disposal sites, costs will be increasing substantially as outlined later in this recommendation.

Republic Services was also contacted and had initially indicated that volume exists for the WRF’s dewatered solids at the Central Sanitary Landfill (CSL) in Pierson, MI. However, due to unknowns surrounding PFAS, Republic ultimately declined to accept the WRF’s solids at this time but has indicated that disposal at CSL and/or Ottawa County Farms Landfill in Coopersville may become a possibility in the future. WRF staff plans to continue to pursue this issue with Republic but at this time is recommending proceeding with WM to assure that the only viable option we currently have for landfill disposal remains available.

The table below outlines the impact of the pricing change relative to Fiscal Year 2020 actual costs and Fiscal Year 2021 budget costs for landfill disposal. The calculated values are based on full utilization of the 10,000 tons per year allowed by Waste Management. However, WRF staff continues to pursue other options for disposal of wastewater residual solids, including diverting more of the solids to land application rather than landfill disposal. Sending more solids to land application will mitigate a portion of this cost increase as land application is a lower cost alternative than these new landfill rates. However, it should be noted that the exact volume to be diverted is not known at this time as it is dependent on constraints such as land availability, onsite storage capacity, and regulations governing land application.

Landfill Cost Summary

	Disposal Cost (\$/ton)	Hauling Cost (\$/load)	Overall Landfill Cost* (\$/Year)
FY20 Actual	\$27.58	\$159.13	\$355,365
FY21 Budget	\$36.75	\$163.90	\$452,500
FY21 Proposal	\$57.61	Hastings - \$954.24 Elkhart - \$1,053.33	\$1,090,404

It should also be noted that the planned anaerobic digester project is expected to reduce the total solids volume (and associated disposal costs) from the WRF site by approximately 50%. The project is currently out to bid with construction planned to commence in the fall. Until the digester is operational, it is anticipated that the WRF will have to continue disposing of solids via both land application and landfill as neither route can handle all of the solids currently produced.

As a part of the Special Action Agenda, the Board of Directors approved a Change Order to Waste Management’s contract (executed 6/26/2017) extending the contract for FY21 (July 1, 2020 – 6/30/2021).

*Motion to approve recommendation
Second*

*Lilly
Haworth*

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Lilly	Y
Franz	Y
Miller	Y
Haworth	Y
Hemingway	Y
Favor	5
Oppose	0

**STUDY
ITEMS**

Holland Board of Public Works Purchasing Policy

20.165 Material differences between existing Purchasing and Contracts Policy R001 and draft Purchasing and Contracts Policy D019:

- Changing policy classification from Results to Delegation. The current policy does not fit into the ends/results definition established by Carver's Policy Governance Model. Ends policies, according to Carver, never describe the organization itself or its activities. The activities described in the Purchasing and Contracts Policy more closely align with definition of a Means policy under the Carver Model. Staff is recommending that the new policy be classified as a Delegation policy (fitting the Means definition under Carver) since certain authority is being delegated by the Board to senior management.
- Providing management the authority to execute contracts without specific Board approval. Again, following the Carver Model, the Board has adopted various Results Policies, including Fiscal Stewardship R011, setting the Board's expectation for the results of HBPW management and staff actions. Working within the framework of the Model, it appears to be redundant to request specific Board approval for actions that have already been approved via the budgeting process. The new Policy does include requirements for reporting certain purchasing and contracting actions that exceed specified monetary limits.
- Including new provisions:
 - Code of Conduct, incorporating the Fraud and Financial Misuse Policy R015
 - Sustainable Stewardship provision, requiring, where practicable, purchase of materials and services that are environmentally and socially preferable
 - Local Vendor Preference, encouraging purchase of goods and services from Holland-based businesses
 - Contract Approvals, providing that, after approval as to form by the City Attorney, the General Manager shall have the authority to sign all contracts. Contracts would no longer need to be routed to the City for approval/signature.
- Clarifying specifically when purchase orders and contracts are required.
- Establishing threshold (\$1000) below which purchase orders are not required.
- Providing for negotiated procurements when competitive sealed bids are not possible. The current Policy requires City Resolution for negotiated procurements.

The Board of Directors accepted for review the draft Purchasing and Contracts Policy D-019

20.166 **Compensation Program Metrics**

1. Distribution of annual overall performance ratings for covered employees

The table below summarizes the distribution of "overall performance" ratings given to each covered employee. Data below is for performance reviews completed at the end of FY2019. It includes 25 Management reviews and 53 Professional reviews.

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<i>“Overall Performance” Rating Distribution</i>	<i>Needs Improvement Now</i>	<i>Needs Consistency</i>	<i>Strong Performance</i>	<i>Leading Performance</i>
Management (M)	0%	0%	88%	12%
Professional (P)	0%	2%	79%	19%
Combined (M + P)	0%	1%	82%	17%

In addition to the “Overall Performance” rating, each performance review includes the following specific performance areas upon which the employee is evaluated (arranged alphabetically): Accountability, Continuous Improvement, Customer Focus, Employee Fulfillment, Empowerment, Integrity, Open Communications, Professional Development, Safety. These areas represent the HBPW’s core values. The ratings for these specific performance areas were aggregated for all employees covered by each wage table, and are reported below.

<i>Specific Performance Area Rating Distribution</i>	<i>Needs Improvement Now</i>	<i>Needs Consistency</i>	<i>Strong Performance</i>	<i>Leading Performance</i>
Management (M)	0%	2%	76%	22%
Professional (P)	0%	3%	71%	26%
Combined (M + P)	0%	3%	73%	24%

2. The overall compa-ratio for each wage table

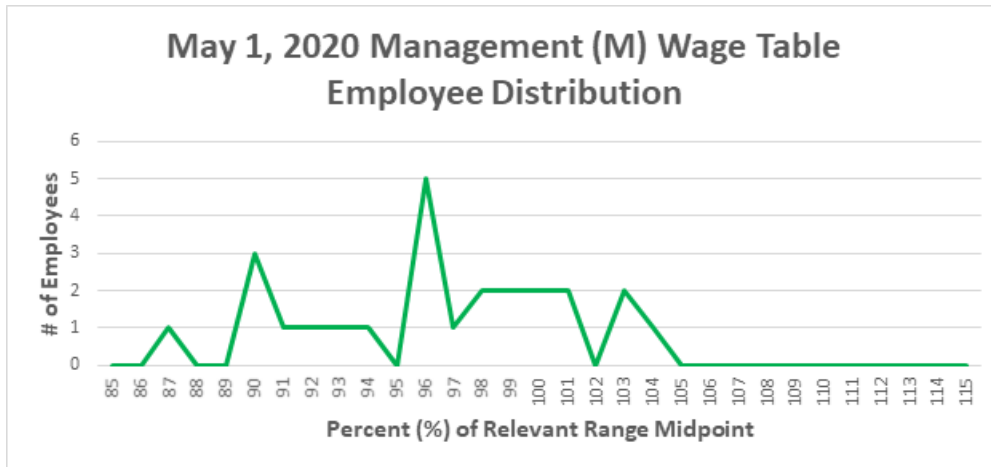
The compa-ratio for a job classification is the ratio of actual wage paid vs. the market midpoint wage for that position. A compa-ratio of 100 means that the employee is being paid at market midpoint (i.e. 100% of midpoint). For the purposes of calculating the compa-ratio, the HBPW has used the market midpoints developed by Rahmberg, Stover & Associates as part of its FY2017 compensation market analysis. These midpoints are escalated annually using relevant data from the Salary Budget Survey performed by the World at Work professional association. Midpoints were escalated by 2.2% in July 2019, and will be escalated by 2.1% in July 2020.

As of May 1, 2020, the average compa-ratio for employees in the Management (M) wage table was 96.5, and Professional (P) wage tables was 100.2. These numbers represent a competitive improvement over the May 1, 2019 compa-ratios which were 94.7 and 98.4, respectively. The average compa-ratio of a group will vary over time based upon turnover and labor market forces. Factors impacting the May 1, 2020 average compa-ratio include slightly increased turnover rates and a tight job market (thru March 2020). It is anticipated that over time, the average compa-ratio for both wage tables will range from 97 and 103.

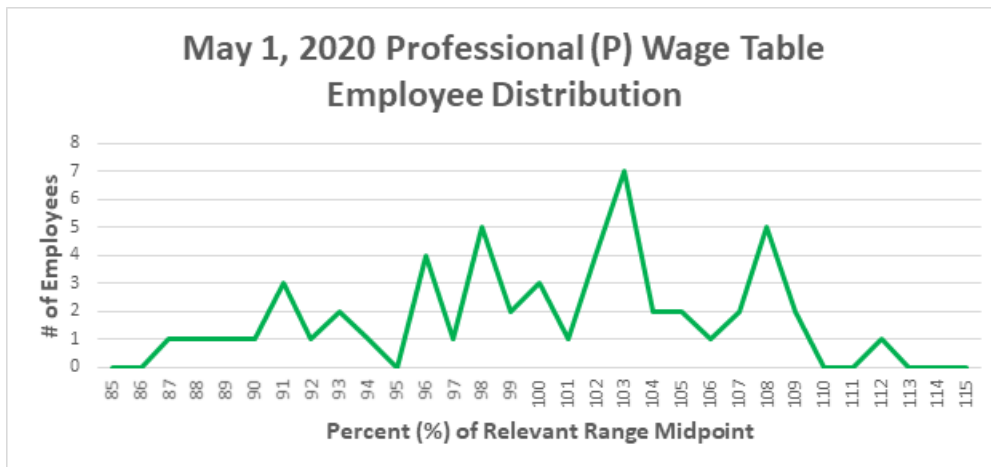
3. Distribution of employee wage to range midpoint for covered employees

As of May 1, 2020, compensation of employees in the Management (M) wage table ranged from 87% to 104% of midpoint. This represented almost no change from 2019, when compensation ranged from 86% to 104%. The following graph shows the distribution of current compensation from the Management (M) wage table. It can be read as follows: Five management employees are currently at 96% of their respective wage range midpoints.

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As of May 1, 2020, compensation of employees in the Professional (P) wage table ranged from 87% to 112% of midpoint. This represents a slight narrowing of distribution from 2019, when compensation ranged from 85% to 115% of midpoint. The next graph shows the distribution of current compensation from the Professional (P) wage table. The graph can be read as follows: Three employees are currently at 100% of their relevant wage range midpoint.



4. Employee turnover rates

Turnover occurs through retirement, voluntary separation, and employment termination. During the year ending May 1, 2020, the HBPW experienced the following turnover rates among employees compensated in the Management (M) and Professional (P) wage tables.

Management (M) employee turnover	12.5% (3 individuals)
Professional (P) employee turnover	10.7% (6 individuals)

During the past year, two of the three management departures were due to voluntary retirements. Three of the six professional employee departures were due to employees pursuing competitive employment opportunities (i.e. voluntary non-retirement separations). These types of departures underscore the need for the HBPW to continue its efforts to maintain an attractive culture and a competitive total compensation package.

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Summary

There has been some discussion in prior years regarding the general lack of “Needs Improvement Now” and “Needs Consistency” ratings in the HBPW’s performance reviews. It is very rare for an employee to receive either of these ratings as their “Overall Performance” rating on their fiscal year-end review. These ratings are more likely to be used to describe an employee’s performance in specific organizational value areas.

This is not due to a lack of performance expectations, or a lack of rigor in the completion of performance reviews. Rather, it reflects the HBPW’s practice of addressing performance shortcomings as they occur, rather than waiting for a formal, year-end review. As such, most performance-related issues are resolved in advance of the annual review process. Employees who don’t meet HBPW expectations of performance and productivity – despite the direction, support and encouragement of supervision and management – are respectfully separated from employment. This management action has the effect of concatenating the low end of the ratings curve, giving the impression that rating inflation is taking place.

This report marks the second full year of HBPW experience with the updated Management and Professional employee wage tables. As anticipated, we are seeing the average compa-ratio of each wage table improve over time. The flexibility that is built in to both of these wage tables – wage ranges of 85% to 115% of relevant market midpoint – has allowed the HBPW to retain talent internally (through promotions), as well as to source new talent successfully from outside the organization.

Study Session Topic. No Board action required.

20.167 BOARD COMMENTS

Today is Phil Miller’s last formal meeting as a member of the HBPW’s Board of Directors. He has generously served two full terms on our Board, equaling 10 years. The Board Chair, General Manager, and other Board Members thanked him for his dedicated, professional service. Phil expressed pride and thanks for the opportunity to serve and to quote “finds the BPW as professional an organization as it gets. Very proud to be a part of our Board.”

The HBPW Lobby will reopen on July 6. Customer Service Reps will be working half their day at the the windows, and the other half on the phones.

PJ Thompson will join the Board as Phil Miller’s replacement effective July 1, 2020. Mayor Bocks approved his appointment at City Council’s June 17, 2020, session.

Today was John Van Uffelen’s last Board meeting before his retirement June 30. He gave a heartfelt tribute to his time at the BPW and all he had learned and had the opportunity to give to the citizens of Holland through his service. He has worked and contributed to the Holland Board of Public Works for 1/3 of the years it has been in existence. He also gave a brief rundown of the Top Ten Highlights of his career with us. All thanked him sincerely for his 43 years of dedicated service.

ADJOURNMENT

A motion to adjourn the meeting of *June 22, 2020*, was made by *Miller* supported by *Haworth* and agreed upon by the Board of Directors present.

The Board Meeting of June 22, 2020, adjourned at *6:48 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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