

**SPECIAL MEETING**

The HBPW Board of Directors met  
**July 27, 2020**  
at 4:00 p.m.  
Via Zoom Teleconference

**Chair Hemingway called the meeting to order at 4:00 p.m.**

**Members Present:** Tim Hemingway, Diane Haworth, Sue Franz, Paul Lilly, P.J. Thompson, and Ex Officio Members Bob Shilander and Keith Van Beek.

**Members Absent:** Nathan Bocks

**Staff Present:** Dave Koster, Janet Lemson, Ted Siler Becky Lehman, Joel Davenport, Chuck Warren, Anne Saliers, Chris Van Dokkumburg. Van Aken

21.012 **Communications from the Audience**  
*None*

**SPECIAL ACTION ITEM** **Resolution to Tentatively Award Anaerobic Digester Construction Contract**

21.013 In June of 2019, the Board and City Council adopted the SRF Project Plan and agreed to implement the recommended construction of an anaerobic digester and associated equipment at the Holland Area WRF. The Board and City Council also approved a resolution in June of 2020, authorizing the sale of bonds to reimburse a portion of project expenditures in an amount not to exceed \$30,000,000 for the project. Additionally, the BPW’s fiscal year 2021 approved budget includes an amount of \$32 million for the total project capital cost. A transfer from contingency of \$1.7 million is requested to increase the project budget to \$33.7 million to cover remaining project costs and contingencies.

A bid advertisement was published on the Michigan Infrastructure and Transportation Association’s (MITA) Ads site in June for general construction of the anaerobic digester project. Eight Michigan general contractors responded and attended the mandatory pre-bid meeting and plant walk-through. Bids were received on July 8th from five general contractors who were all qualified to perform the work. The table below summarizes the bids received.

Bidder Name	Business Location	Base Bid Amount	Alternates	Previous Contract
Davis Construction Company	Grand Rapids, MI	\$27,683,000	\$3,101,700	Y
Granger Construction	Lansing, MI	\$28,590,000	\$3,114,700	N
EV Construction	Holland, MI	\$28,837,869	\$3,517,045	Y
Erhardt Construction	Grand Rapids, MI	\$29,063,000	\$3,322,866	Y
Grand River Construction, Inc.	Hudsonville, MI	\$29,430,000	\$3,235,700	Y

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

The project team interviewed Davis Construction as the low bidder and verified that they had the lowest responsible bid. Their bid proposal also included six alternates summarized below.

Alternate	Description	Bid Amount
1	Tensile Membrane Cladding of the ESD	\$1,268,800
2	Digester Gas Engine Generator and Siloxane Removal	\$1,221,200
3	Redundant H2S Removal Vessel	\$189,500
4	Backup Post Aerobic Digestion Blower	\$240,000
5	Biogas Generator Maintenance Agreement	\$224,000
6	Grease Lubricated Circular Gravity Thickener	\$1,200

The team is recommending to include alternates 2, 3, 4 and 6 for \$1,608,900 in the contract for a total contract amount of \$29,291,900.

*Recommendation: The Board of Directors adopted a Resolution to Tentatively Award a Construction Contract for Wastewater System Improvements to Davis Construction, Inc. in the amount of \$29,291,900, with a contingency of \$1,400,000 pending approval as to form from the City Attorney. Final award shall be contingent upon successful financial arrangements with the Clean Water State Revolving Fund (SRF) Program and submit the approved resolution to Holland City Council for approval of the attached "Resolution of the City of Holland to Tentatively Award a Construction Contract for Wastewater System Improvements". Also approve a transfer from contingency for \$1.7 million to the project budget.*

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

**STUDY ITEMS**

**Revised Purchasing and Contracts Policy Discussion**

21.014

At the July 6, 2020, Regular meeting of the Board, staff presented a proposed revision to the Purchasing and Contracts Policy (R001). After considering the proposal, the Board requested additional information on annual purchasing activity.

Purchase orders:

- 4,522 PO's issued, for a total amount of \$24.9 million, issued in FY20
- PO's with a value less than \$1,000 represented
  - o 92% (4,159) of the total number of PO's
  - o 3% (\$0.8 million) of the total value of PO's

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Purchasing contracts:

- 52 contracts executed, for a total amount of \$20.1 million, executed during the two year period FY219-FY20
- 5 contracts were for amounts greater than or equal to \$1.0 million
  - o 10% of total contracts
  - o 54% of total \$ amount
- 11 contracts were for amounts greater than or equal to \$0.5 million
  - o 21% of total contracts
  - o 78% of total \$ amount
- 22 contracts were for all engineering services plus amounts greater than or equal to \$0.5 million. Typically, all major projects are initiated with engineering evaluations/designs.
  - o 42% of total contracts
  - o 82% of total \$ amount
- 15 contracts were for amounts greater than or equal to \$0.25 million
  - o 29% of total contracts
  - o 84% of total \$ amount

*Recommendation: For Board information and study session. Action on this item taken at a future meeting.*

21.015 **MERS Annual Actuarial Valuation Report**

Each year, MERS arranges for the completion of an annual actuarial valuation report of the combined City/HBPW defined benefit plan. The purposes of the valuation are to:

- Measure funding progress as of December 31, 2019,
- Establish contribution requirements for the fiscal year beginning July 1, 2021,
- Provide actuarial information in connection with applicable GASB statements, and
- Provide information to assist the City and HBPW with state reporting requirements.

At the end of 2019, HBPW had 57 active employees in the defined benefit plan, 133 retirees/beneficiaries receiving benefits, and 29 vested former employees who have not yet begun receiving pension disbursements. HBPW had 173 full time permanent employees at the end of 2019. The findings in the report are based on data and other information through December 31, 2019, and are used to establish the contribution requirements for the fiscal year beginning July 1, 2021. The report shows that the 2019 funding of HBPW's three pension groups (non-union, clerical and union) at 89.3%, 91.4% and 88.4% respectively. While healthy, these levels are significantly less than the 2018 funding levels of 93.5%, 96.05, and 94.0%. However, this compares favorably with the Michigan municipal funding average of 67% (according to a Pew Charitable Trusts report issued in July 2019).

Two of the primary reasons for the deterioration of funding levels are:

- Beginning in 2019, MERS has reduced its long term investment rate of return assumption from 7.75% to 7.35%, and
- The smoothed actuarial rate of return for 2019 was 4.77%, about 38% below the 7.75% target. The actual market rate of return for 2019 was 13.41%, however MERS smooths each year's investment gains and losses over a five year period in an effort to minimize year to year pension funding requirements.

These factors were partially offset by a favorable change in the wage inflation assumption, a reduction from 3.75%/year to 3.00%.

The result of the above was an increase in the Unfunded Accrued Liability (UAL) of HBPW's three DB groups from \$3.5 million in 2018 to \$6.7million in 2019. These numbers can be found in Tables 8-11, 8-13, and 8-14 in the attached report.

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Each year's change in UAL is "layered" into a division specific amortization schedule using a 10 year amortization period. The Normal Cost (the annual cost attributed to the current year of service) and annual UAL amortization amounts that will apply for fiscal year 2022 are shown in following table:

	FY22 Normal Cost	FY22 UAL
Division 11 – Union	\$ 176,340	\$ 620,268
Division 13 – Non-union	90,780	479,088
Division 14 - Clerical	19,968	41,568
FY22 Total	\$2 87,088	\$ 1,140,924

Based on these amounts, our FY22 MERS contributions will need to be at least \$1,428,012 (\$287,088 + \$1,140,924). This is an increase of \$473k (49.5%) over the FY21 required contribution.

*Recommendation: For Board information and study session. No action required.*

**21.016 Energy Waste Reduction and Renewable Energy Plan 2019 Annual Summary Report**

Michigan Public Act 295 (PA 295) passed in 2008, and amended by PA 341 and 342 in 2016, requires utilities to file annual reports on their EWR and REP programs.

- The 2019 HBPW PA 295 Energy Waste Reduction Annual Report was filed with the Michigan Public Service Commission on May 31, 2020. No further action is required.
- The 2019 HBPW PA 295 Renewable Energy Plan Annual Report was filed with the Michigan Public Service Commission on June 30, 2020. No further action is required.

Pursuant to the legislation, an Annual Summary Report must be presented to the utility's governing body and the same report must be made available to its residential customers and placed on its website. The Annual Summary Report includes key results and information drawn from each 2019 Annual Report.

*Recommendation: For Board information and study session. No action required.*

**21.017 HBPW Board of Directors Self-Assessment Analysis**

Governance Policy G-008 Governance Evaluation and Support requires that the Board evaluate its performance concurrent with the redevelopment of the strategic plan. The Board survey was conducted in May, and an analysis of the results will be presented and discussed at the July special meeting. The PowerPoint presentation includes four categories of findings with recommendations for improvements to both the Board and staff.

*Recommendation: For Board information and study session. No action required.*

**21.018 Preview of the Key Performance Indicator (KPI) Dashboard**

*Recommendation: For Board information and study session. No action required.*

**BOARD COMMENTS**

*Our next regular meeting is scheduled for August 10.*

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ADJOURNMENT

A motion to adjourn the meeting of *July 27, 2020*, was made by *Haworth* supported by *Franz* and agreed upon by the Board of Directors present.

The Board Meeting of July 27, 2020, adjourned at *6:29 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board