

**SPECIAL MEETING**

The HBPW Board of Directors met  
**October 26, 2020**  
At 4:00 p.m.  
Via Zoom Teleconference

**Chair Hemingway called the meeting to order at 4:03 p.m.**

**Members Present:** Tim Hemingway (phoning in from Holland, MI), Diane Haworth (from Holland, MI), Sue Franz (from Allegan, MI), Paul Lilly (from Holland, MI), P.J. Thompson (from Holland, MI), City Council Liaison Nathan Bocks (from Holland, MI), and Ex Officio Members Bob Shilander (from Park Twp., MI) and Keith Van Beek (from Holland, MI)

**Members Absent:** None

**Staff Present:** Dave Koster, Janet Lemson, Chuck Warren, Ted Siler, Becky Lehman, Joel Davenport, Chris Van Dokkumburg, Jon Hofman, Pieter Beyer, Steve Bruinsma, Pete Hoffswell, Tamara Black, Tracy York, Julie DeCook

21.075 **Approval of the Agenda**

*A motion to approve the agenda was made by Haworth, seconded by Thompson. 5 yeas, 0 nays*

21.076 **Communications from the Audience**

*None*

**SPECIAL ACTION ITEMS** **Audited Financial Report for FY2020**

21.077 Rehmann Robson LLC was retained by the City and HBPW to perform the audit for FY2020. The HBPW Board of Directors Audit Committee met with the auditors prior to this presentation to facilitate closure of the audit process and to provide the Board an opportunity to directly and independently communicate with the auditors. The Committee reviewed and discussed the results of the audit with the auditors. Paul Metz from Rehmann Robson presented an overview of the audit to the Board.

*Recommendation: The Board of Directors accepted as information the audited financial report and opinion issued by Rehmann Robson LLC regarding the FY2020 financial position of the HBPW.*

<i>Motion to accept as information</i>	<i>Haworth</i>
<i>Second</i>	<i>Franz</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>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

21.078 **FY2020 HBPW Organizational Results**

Since 1995, the HBPW has included a variable component in its professional employee compensation package. Known initially as The Opportunity Program, this compensation component has provided annual lump-sum compensation opportunities of up to 6% of base wage for participants when the organization and the individual meet or exceed specific performance criteria.

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

In FY2020, the HBPW achieved 11 of its 12 corporate metric targets and all 10 of its organization-level tactical actions. These corporate metrics and tactical actions are summarized on an attachment to this recommendation. The corporate metrics cover the areas of customer satisfaction, service reliability, environmental quality, regulatory compliance, cost control and a safe work environment. The tactical actions address a variety of organizational initiatives and were developed to align with and support the HBPW's Critical Issues and Goals.

Based upon the corporate metric and tactical action results, the performance-based compensation result achieved in FY2020 for eligible professional employees (excluding Executive Staff) is 5.75% out of a possible 6.0%.

In December 2010, the Performance Based Compensation program for HBPW Executive Staff (Director-level employees) was amended by Board and Council action, in conjunction with moving these employees to an "at will" employment status. Consistent with this program, the performance-based compensation result achieved in FY2020 for Executive Staff is 9.38% out of a possible 10%.

In April 2012, a Performance Based Compensation program was adopted for HBPW union employees as part of a labor agreement renewal. This program is based solely upon HBPW Corporate Metrics and helps to align all HBPW employees with the organizations strategic objectives. Consistent with this program, the performance-based compensation result achieved in FY2020 for union employees is 2.75% of a possible 3%.

FY2021 corporate metrics and tactical actions are also attached for reference.

*Recommendation: The Board of Directors accepted the FY2020 strategic plan results and approved the associated performance-based compensation payments.*

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

21.079 **Performance-Based Compensation Determination for the General Manager**

Consistent with the General Manager's employment agreement, the Board of Directors, through its Board President, has previously defined the performance goals and objectives needed to determine the General Manager's performance salary for FY 2020.

During the past fiscal year, these performance goals and objectives included six areas of organizational performance and seven specific tactical action areas. These items, their status, and the percentages of performance salary attributable to them, are summarized in the attachment to this report.

Based upon the HBPW's organizational performance and the General Manager's individual performance, the performance salary achieved in FY 2020 for the General Manager during the time period specified above is 9.5% out of a possible 12%.

*Recommendation: The Board of Directors accepted the FY 2020 strategic plan results relating to the General Manager's performance-based compensation and approved a performance salary payment of 9.5% for the General Manager.*

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

**STUDY  
ITEMS**

**Quarter 1, FY2020, Financial Statements**

21.080

During this past quarter, HBPW operations were still being affected by the actions being undertaken to control the impact of the pandemic. A summary of operating results is below:

<b>ELECTRIC (\$000)</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance \$</b>	<b>Variance %</b>
Revenue	\$30,177	\$30,319	(\$142)	( 0.5%)
Operating Expense	17,647	19,408	(1,761)	( 9.1%)
Operating Income	12,529	10,911	1,618	14.83%
Other Income/Expense	( 3,496)	( 2,698)	( 799)	29.61%
Net Position	\$ 9,033	\$ 8,213	\$ 819	9.97%

<b>BROADBAND (\$000)</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance \$</b>	<b>Variance %</b>
Revenue	\$438	\$421	\$ 17	4.0%
Operating Expense	402	386	( 16)	(-4.0%)
Operating Income	36	35	1	3.0%
Other Income/Expense	( 0)	( 1)	1	100.0%
Net Position	\$ 36	\$ 34	\$ 2	5.9%

<b>WATER (\$000)</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance \$</b>	<b>Variance %</b>
Revenue	\$ 4,469	\$ 4,327	\$ 142	3.3%
Operating Expense	1,678	2,322	644	27.8%
Operating Income	2,791	2,005	786	39.3%
Other Income/Expense	888	866	22	2.5%
Net Position	\$ 3,679	\$ 2,871	\$ 808	28.2%

<b>WASTEWATER (\$000)</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance \$</b>	<b>Variance %</b>
Revenue	\$ 3,202	\$ 3,131	\$ 71	2.2%
Operating Expense	2,780	3,029	249	8.2%
Operating Income	422	102	320	311.9%
Other Income/Expense	59	( 147)	206	140.5%
Net Position	\$ 481	(\$ 45)	\$ 526	1183.5%

*The Board accepted for information the financial statements for the quarter ended September 30, 2020.*

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21.081 **Energy Risk Management (ERM) Performance Summary**

As detailed in the attached report, under the ERM program, HBPW has natural gas purchase agreements in place for a total of 10,450,810 decatherms, at weighted average costs per decatherm ranging from \$2.40-\$2.48, for fiscal years 2021-2024. The total cost of the agreements when exercised will be \$26,544,695 over the four-year period. This total cost is approximately \$3.3 million less current futures market prices for the same 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 planned MWh dispatch:

- FY2021 87%
- FY2022 85%
- FY2023 73%
- FY2024 45%
- FY2025 34%

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

- FY2021 79%
- FY2022 76%
- FY2023 59%
- FY2024 15%
- FY2025 0%

Charts showing the natural gas hedge transactions versus historical values for FY2021-FY2024 have also been provided.

A structured objective approach for entering into natural gas hedges is required by the ERM Policy. Attached is the evaluation of purchasing triggers for October 2020. The evaluation shows that while no time based triggers have been met, there are value-based triggers in each of the fiscal years 2020-2024.

*The Board accepted for information the Energy Risk Management Performance Summary Report.*

21.082 **Key Performance Indicators (KPIs)**

The Board of Directors recently approved modifications to Governance Policy G002 Agenda Planning. As part of the policy update, Key Performance Indicators (KPI) Reporting was added as a quarterly agenda item. This item serves as the first regularly scheduled reporting of these KPI's.

Further, KPI Reporting supports the Results Policies that came out of the Strategic Planning process that concluded earlier this year.

*As a study item, the Board accepted this report for information.*

21.083 **Unit 12 Long-Term Service Agreement**

Major maintenance of the combustion turbines (Units 10 and 11) at Holland Energy Park (HEP) is performed under a long-term service agreement with the original equipment manufacturer, Siemens. The Long Term Program (LTP) agreement that this work is performed under was negotiated shortly after the purchase of the units from Siemens.

Unlike the combustion turbines, the steam turbine (Unit 12) at HEP was not included in the original LTP. The intent at that time was instead to contract maintenance of the unit when needed. Unit 12 is tentatively scheduled for its first maintenance overhaul in May of 2021. In anticipation of that outage, Electric Production staff have reevaluated the benefits of shifting maintenance of that unit to a long-term service agreement. Staff will present the results of that evaluation in anticipation of a future

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recommendation for a change order to the existing LTP with Siemens to incorporate Unit 12 into that agreement.

*As a study item, the Board accepted this report for information.*

21.084 **New Water Transmission Main Route**

In November 2019 staff reviewed with the Board a study by FTC&H to identify and evaluate alternatives for construction of a parallel water main to the existing 36" water transmission main that runs from the water treatment plant along the north side of Lake Macatawa. This redundant water main will ensure continued reliability of the BPW's water system.

Staff would like to review with the Board an extension of the selected route that provides redundancy to a final short section of the original transmission main that wasn't included in the 2019 FTC&H report.

*As a study item, the Board reviewed a proposed extension and route for the new water transmission main project.*

21.085 **Communication from the General Manager**

- Park Township had some confusion over the rate change and supplier. An e-mail blast went out regarding this situation today. The HBPW has received a great many customer calls.
- COVID state laws are coming out to replace the Governor's Executive Orders. This will likely cause the HBPW to reexamine its guidelines for employees regarding the virus.
- Our next meeting is scheduled for November 9, 2020, and will be held via Zoom.

21.086 **Communications From The Board**

*None*

**ADJOURNMENT**

A motion to adjourn the meeting of *October 26, 2020*, was made by *Haworth* supported by *Franz* and agreed upon by the Board of Directors present.

The Board Meeting of October 26, 2020, adjourned at *6:54 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board