

REGULAR MEETING

The HBPW Board of Directors met
March 8, 2021
at 4:00 p.m.
Via Zoom Teleconference

Chair Hemingway called the meeting to order at 4:01 p.m.

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

Members Absent: None

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Chuck Warren, Joel Davenport, Becky Lehman, Tamara Black, Tracy York, Pieter Beyer, Pete Hoffswell, Chris Van Dokkumburg, Julie DeCook, Nate Johnson, Aleesa Hounshell, Grant Koster, Andrew Reynolds, Jon Hofman

21.168 **Approval of Agenda**

Board Member Haworth made a motion to approve the agenda. The motion was seconded by Board Member Lilly.

21.169 **Board Minutes – Regular Meeting Minutes of February 8, 2021, and Study Session Minutes of February 22, 2021**

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

21.170 **Holland Energy Park Water Treatment Room Roof Access**

There are several pieces of equipment on the roof of HEP's Water Treatment Room. This equipment needs periodic maintenance and there is no permanent access to the roof. A piece of equipment or a tall extension ladder are needed to gain access to the roof and equipment. Both options are exterior methods of access and can be made less safe by weather or the traffic from the nearby south entrance to the site. Neither of these options can be utilized as quickly or safely as a permanent access ladder to the roof from within the facility. For these reasons, the capital budget for fiscal year 2021 included \$25,000 to install a fixed ladder and a hatch in the Water Treatment Room to allow access to the roof.

Proposals were requested from two contractors that have done past similar work for HBPW. Both contractors came in just above the current budgeted amount.

Bidder Name	Business Location	Quote Amount	Meets Specifications	Previous Contracts
EV Construction Co.	Holland, MI	\$ 25,675.00	YES	YES
W. Soule Co.	Portage, MI	\$ 25,800.00	YES	YES

The requested \$5,000 from contingency would increase the project budget from \$25,000 to \$30,000. This would allow the project to continue and leave additional funds in the project budget for any unanticipated costs that may arise during the installation.

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

As part of the Consent Agenda, the Board of Directors approved a transfer from contingency of \$5,000 to the HEP Water Treatment Room Roof Access capital project budget, for a new total budget of \$30,000.

21.171 **Holland Energy Park Mezzanine Stairs Change Order #1**

EV Construction has been contracted to design, fabricate, and install the HEP Mezzanine Stairs. Part of the project included an engineering review of the existing structure to determine necessary modifications to adequately support the new loading due to the stairs. The engineers reviewing the structure determined that large I-beams would need to be added to the existing roof structure to properly support the load.

Costs for additional supports were included in the contract, however, those costs were based on the assumption that angle bracing would be adequate rather than additional I-beams. The cost built into the original contract for the additional supports is sufficient to address the additional materials but not the associated equipment and labor for installation. Due to the size and location of the new I-beams, additional equipment and labor are necessary to install them. This change order would cover those additional equipment and labor costs.

The existing contract with EV Construction was approved in the amount of \$143,550 with a 15% contingency of \$21,450, aligning with the current project budget of \$165,000. The cost of Change Order #1 is \$32,000 and exceeds the current project contingency and budget by \$10,550. The transfer of \$25,000 to project contingency would cover the costs of Change Order #1 and leave an additional \$14,450 in new project contingency to address any unforeseen issues during construction. The transfer would also bring the project's total budget to \$190,000.

As part of the Consent Agenda, the Board of Directors approved a transfer from contingency of \$25,000 to the HEP Mezzanine Stairs project budget, bringing the total budget to \$190,000.

21.172 **Sanitary Sewer Flow Metering Contract**

HBPW is seeking to identify sources of excessive inflow and infiltration (I&I) into the wastewater collection system. For a large portion of the collection system flows measured at lift stations can be used to identify areas of increased I&I; however, approximately 40% of the collection system flows via gravity to the treatment plant without flow metering. A review of historical data indicates that this gravity-fed system contributes a disproportionately high level of I&I to total system flows. To investigate the level and location of I&I in the gravity fed system, a flow monitoring program is therefore proposed that would result in the installation of 12 flow meters over a period of 12 months. The 12 meters would allow measurement of flow at a neighborhood level throughout the gravity system, and a 12-month period was selected in order to capture the full range of seasonal changes in groundwater on I&I rates.

Flow monitoring in sewer systems can be challenging due to the variation in hydraulic conditions experienced in the manholes where meters are typically placed. Most level-sensing flow meters can achieve accurate flow measurement during normal flow conditions; however, Page 1 of 2 during periods of heavy I&I conditions may require the application of multiple types of technologies to obtain accurate flow measurements. The Hach Flodar flow meter is the only meter known to staff that combines ultrasonic level sensors for normal flow conditions, radar velocity sensors for high flow conditions, and pressure transducers for extreme flows where manholes become surcharged.

The Hach meters are also able to integrate with other Hach software products that HBPW already uses for operational data management and historization. Staff obtained a proposal from Hach in the amount of \$141,930 for the installation of 12 meters for a 12-month period.

Staff requested that Hach provide evidence of a recent competitively bid project to verify that the proposed fee was competitively priced, and also found two other publicly available Hach proposals for

similar services through independent research. All proposals indicated that the proposal received from Hach is a competitive proposal.

The proposal cost of \$141,390, with a 5% contingency of \$7,070, is within the \$150,000 approved project budget for the FY 21 Inflow and Infiltration Control project.

As part of the Consent Agenda, the Board of Directors approved a contract with Hach in the amount of \$141,390, with a 5% contingency of \$7,070 for a total of \$148,460, pending approval as to form from the City Attorney.

21.173 Construction Services Contract for WTP Flow Meter Improvements

The WTP Flow Meter Improvements project will replace the plant’s two existing venturi flow meters with insertion style flow meters for improved accuracy and ease of ongoing maintenance. The work scope includes the installation of a digital flow meter on each plants two transmission mains and access vaults for maintenance access to the meters. Bids were received in February 2021 from three qualified contractors. The following table summarizes the received bids.

Bidder Name	Business Location	Bid Amount	Meets Specification	Previous Contracts
Davis Construction, Inc.	Grand Rapids, MI	\$122,375	Yes	Yes
Jackson-Merkey Contractors, Inc.	Muskegon, MI	\$127,970	Yes	Yes
Kamminga & Roodvoets, Inc.	Grand Rapids, MI	\$138,700	Yes	Yes

BPW staff interviewed Davis Construction, Inc. as the apparent low bidder. Based on the bid review, staff recommends awarding the contract to Davis as the lowest responsible bidder.

Engineering services for the project totaled \$39,500, and the total being requested for construction and contingency in this recommendation is \$134,675. The total combined cost is within the approved capital project budget of \$175,000.

As part of the Consent Agenda, the Board of Directors approved a contract with Davis Construction, Inc. in the amount of \$122,375 and a 10% contingency of \$12,300, pending approval as to form from the City Attorney.

21.174 2021 Lift Station Rehabilitation Engineering

Utilizing the recently completed Lift Station Assessment and historical maintenance issues, HBPW Staff identified the Cherry Walk, Beechwood, and Steketee Lift Stations as being in need of extensive rehabilitation. An RFP for engineering services was issued to four potential consultants. Proposals were received from three of those consultants. The proposals are summarized in the table below:

2021 Lift Station RFP Opening

	Addendum		Price
Prein & Newhof	Y	\$	195,500
Moore & Bruggink	Y	\$	217,000
Fleis & Vandenbrink	Y	\$	108,200

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A post bid interview was conducted with Fleis & Vandenbrink to understand the significant price difference between the proposals. The difference was revealed to be primarily due to the other two consultants utilizing the same electrical design sub-consultant that provided a high quote for the electrical component of the work. Fleis & Vandenbrink proposed to use a different, lower cost electrical sub-consultant. Fleis & Vandenbrink is also able to take advantage of efficiencies gained through familiarity with the lift stations due to their involvement with the recent lift station assessment. Based on this, staff is comfortable recommending Fleis & Vandenbrink for the work.

Construction of the lift stations is planned to start with Cherry Walk in the fall of 2021 (pending favorable bids) and Beechwood and Steketee following in the spring of 2022.

As part of the Consent Agenda, the Board of Directors approved a contract with Fleis & Vandenbrink in the amount of \$108,200, with a 10% contingency of \$10,820 for a total of \$119,020, pending approval as to form from the City Attorney.

21.175 Spyglass Condominiums AMI System Installation – License Agreement

HBPW is in the process of installing a new advanced metering infrastructure (AMI) system for the new Park Township retail area. This requires installing strategically placed Data Collector Units (DCUs) that collect usage data from the individual water meters. Because the Spyglass Condominium Association's property is located on one of the highest points in Park Township, it is an extremely favorable location for a DCU installation.

The Spyglass Condominium Association has agreed to allow the installation of a DCU on one of their garages, as well as supply power for the DCU. This agreement details the location of the installation, defines a bill credit to compensate for the electricity used by the DCU, and clarifies liabilities associated with the equipment and work performed on the property. The agreement will repeat annually unless terminated with 90-day notice by either party.

As part of the Consent Agenda, the Board of Directors approved a license agreement with the Spyglass Condominium Association for the installation of water metering infrastructure on one of their buildings, pending approval as to form from the City Attorney.

21.176 Consumers Energy Natural Gas Interconnect Agreement

The Consumers Energy natural gas interconnection provides a backup to our connection with the ANR pipeline and also provides us with the ability to use a small volume of natural gas storage with Consumers. The storage agreement is separate from this interconnection agreement. HBPW entered into the current natural gas interconnection agreement with Consumers Energy in 2016. That agreement is set to expire on May 21, 2021 and will be replaced by this restated agreement. The language of the restated agreement is largely identical to the current agreement with Consumers with the only changes of note being:

- The current agreement had a 5-year term with no automatic renewal. The term in the restated agreement is only a single year but language has been added to state that it will automatically roll over each year if not terminated by either party.
- Consumers modified language about how the BTU content of the gas is determined to align with current practices. HBPW staff has no objections to the proposed modifications and thus recommends approval of the restated agreement.

As part of the Consent Agenda, the Board of Directors Approve the restated natural gas interconnection agreement with Consumers Energy subject to approval as to form from the City Attorney.

21.177 **Affirm Delegation Policies D014 – D015-1**

Governance Policy G001 Governing Philosophy establishes the attributes of leadership and the specific practices that the Board intends to demonstrate. Through this policy, the Board Members are called upon to lead proactively and be faithful to the BPW’s core purpose and core values.

This policy further calls upon the Board to periodically evaluate and discuss its process and performance with respect to Governance and Delegation Policies. Delegation Policies were last reviewed in the 2008 Strategic Planning Process. Delegation Policies D014 through D015-1 were presented for discussion at the February 22, 2021, Study Session.

At this time, Policies D014, D014-1, D014-3 and D015 are presented for approval, and D014-2 and D015- 1, although recently approved, are presented for affirmation.

As part of the Consent Agenda, the Board of Directors approved and affirmed Delegation Policies D014 through D015-1.

21.178 Action on Consent items:

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

21.179 **Communications from the Audience**

None

21.180 **Major Project Update**

For information only

21.181 **Broadband Premises Wiring Agreement**

As HBPW has constructed and expanded the GPON Broadband network in the downtown area, we have occasionally run into barriers that don't allow customers to take advantage of this new offering. Older buildings, and some newer buildings, do not have the proper inside wiring needed to take advantage of a high-speed broadband offering. Broadband staff worked with the City Attorney to evaluate our ability to provide updated premises wiring to buildings with proper customer interest in HBPW Broadband service and develop an agreement to protect our investment and the rights of the building owners and HBPW. Similar to electric, Broadband applies a four year net revenue test to ensure our investment is repaid with revenue from the customers seeking the building improvement.

With the expansion of the GPON system north on Central Avenue, multiple tenants in the Downtown Place building have requested HBPW Broadband service. The Downtown Place Condominium Board has agreed in principle to the terms of the premises wiring agreement. Once approved, HBPW can direct the installation of the needed wiring improvements to serve the 10+ condominium owners in the building requesting GPON service.

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Recommendation: The Board of Directors approved a premises wiring agreement template and memorandum for use with customers that need assistance with building wiring upgrades that allow HBPW to provide Broadband service. Approve a premises wiring agreement and memorandum with Downtown Place Condominium Association for the installation of wiring to allow HBPW to serve multiple tenants.

<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>

21.182 **FY 2022 Budget and Rate Recommendations**

The budget for FY 2022 has been prepared by staff and reviewed in detail by the HBPW Board Budget Committee.

The FY 2022 budget includes proposed rate adjustments for each of the corresponding utilities. During the process of developing the budget, the operating and capital needs of the utilities were evaluated and a financial plan established to meet those specific needs.

For FY 2022, the major expense categories and respective portions of the operating budget are:

- 32.4% Fuel and Purchased Power
- 26.2% Other Expenses
- 18.1% Wages and Benefits
- 16.5% Depreciation
- 7.4% Contribution to the City

Electric Utility

Capital projects for FY 2022 total \$12.3 million, of which \$10.9 million (88%) are for distribution system improvements. All of the capital projects are internally funded.

A small rate increase, totaling less than \$10,000, is proposed for certain LED street lights due to increased operating and capital costs. A significant rate decrease across all customer classes, of about \$9.9 million (9.7% of total revenues), is proposed. Continued operating efficiencies of HEP, along with the early retirement of over \$91 million of the debt incurred to build the plant, are largely responsible for this decrease. In these especially challenging times, HBPW is very pleased to be able to offer this level of rate relief to our customers.

Broadband

The Broadband utility continues to grow, especially in shared gigabit services. No rate increase is scheduled for FY 2022. Operations and maintenance costs, at 66% of total operating expenses, are up slightly from the FY 2021 budget. Capital project outlays are budgeted at \$475,000, 53% of which is for system expansion. The capital projects are internally funded.

Water

The Water utility will expend about 51% of its operating budget on chemicals, production and distribution expenses. This is up slightly from last year, and due largely to increased chemical costs

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related to increased water turbidity caused by high lake water levels. Lead service line replacements are expected to cost \$306k, the same as budgeted for FY 2021.

The capital plan totaling \$17.4 million includes \$763k for high service pump replacements, \$1.25 million for an onsite electrical generation project, \$9.0 million for the initial phase of a new transmission main, and \$6.4 million in for several smaller distribution system replacements/upgrades. The new transmission line project, at a total cost of \$14.5 million will be funded by newly issued debt.

No increase to rates is proposed for FY 2022, other than a small increase in water hydrant rates.

Wastewater

The Wastewater utility will expend 53% of its operating budget on chemicals, treatment and collections expenses, up slightly from the FY 2021 budget. Capital projects will total about \$17.3 million in FY 2022. The major portion of this amount, \$13 million, is for the first phase of the anaerobic digester project, which will cost about \$33.7 million to complete. This project is largely funded by a \$30 million State Revolving Fund loan which closed in October 2019. The remaining \$3.7 million will be provided by Wastewater equipment replacement funds. \$2.7 million will be expended on collection system improvements and \$900k on treatment plant clarifier replacements.

In accordance with the rate plan approved in FY 2019, a 3.6% rate increase is proposed for FY 2022.

Summary of Operating and Capital Budget (\$000)				
(\$000)	Operating Revenue	Operating Expense	Net Income	Capital
Electric	\$95,137	\$ 79,618	\$ 3,027	\$ 12,320
Broadband	1,757	1,491	268	475
Water	12,675	8,379	3,428	17,397
Wastewater	12,378	12,392	504	17,318
Administration				697

Wages and benefits across all utilities represent 18.1% of combined total expenses down slightly from the FY 2021 budget of 18.8%, FY 2020 budget of 18.3% and FY 2019 budget of 18.5%.

The contribution to the City is proposed at \$8,595,384, an increase of \$626,483 over FY 2021. This amount is calculated at 6.25% of the average of the prior three calendar years retail electric revenues plus 50% of the prior year electric wholesale net marginal income.

Detailed FY 2022 operating and capital budget documents are attached.

Recommendation: The Board of Directors approved the FY 2022 budget and associated rate adjustments and forward to the City Council for inclusion in their resolution approving the budget for FY 2022.

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Lilly</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>

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Thompson Y
Favor 5
Oppose 0

21.183 **Redemption of Certain City of Holland Electric Utility System Revenue Bonds Series 2014A**

When the Series 2014A bonds were initially sold (in an amount of \$158,840,000) in 2014 to fund construction of the Holland Energy Park, the potential for early redemption was considered. This is the over-riding reason the bonds were issued, and priced, with a seven-year call provision. The plant's operating efficiencies, effective natural gas hedging program, and favorable natural gas prices have provided the cash surplus necessary to redeem early \$91.09 million of the Series 2014A bonds.

HBPW management requests the Board to authorize the General Manager or Director of Finance to issue irrevocable instructions to call the bonds to be redeemed on July 1, 2021, and to take all steps necessary to accomplish the redemption. The authority and duties of the General Manger and Director of Finance are delineated in the resolution the Board is requested to approve.

The Board is also requested to approve the Resolution Approving Redemption of 2014A Electric Bonds, which is a recommendation to City Council to also approve the redemption.

Recommendation: The Board of Directors approved two resolutions: (1) a resolution authorizing early redemption City of Holland Electric Utility System Revenue Bonds, Series 2014A., such Resolution authorizing the General Manager or Director of Finance to give irrevocable instructions to call the Bonds to be redeemed for redemption on July 1, 2021. (2) a resolution to recommend adoption by the City Council of the City of Holland a resolution approving redemption of the City of Holland Electric Utility System Revenue Bonds, Series 2014A.

Motion to approve recommendation Lilly
Second Haworth
Hemingway Y
Haworth Y
Franz Y
Lilly Y
Thompson Y
Favor 5
Oppose 0

21.184 **Closed Door Session – Strategy Connected With Negotiation of a Collective Bargaining Agreement**

Motion to enter Closed Session @ 6:28 p.m. <Name>
 Made by Haworth <Name>
 Second: Lilly
 Favor 5
 Oppose 0
ROLL CALL: Hemingway, Haworth, Franz, Lilly, Thompson

Motion to re-enter Open Session @ 6:37 p.m. <Name>
 Made by Haworth <Name>
 Second Lilly
 Favor 5 <#>
 Oppose 0 <#>

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21.185 **Union Contract**

The Board approved a one-year extension with the Utility Workers Union of America with a new termination date of March 31, 2022. All language remains the same except the addition of a new wage classification table representing a 2.75% increase on July 1, 2021. This extension will be presented to Holland City Council later this month.

Recommendation: The Board of Directors approved a one-year extension to the CBA with the Utility Workers Union of America Local 610 with a new termination date of March 31, 2022. All language remains the same except the addition of a new wage classification table representing a 2.75% increase on July 1, 2021.

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Lilly</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>

21.186 **General Manager Comments**

- A reminder Wednesday, March 10, at 5:50 p.m. a Joint Study Session will take place with City Council via Zoom. Main topic of discussion will be our Broadband efforts and the Broadband Task Force recommendations
- Our next HBPW Board Meeting is a Study Session scheduled for March 22
- May 14 is the MPPA Stakeholder Meeting which will be held virtually from 9:00-12 noon. Contact the General Manager if you need more details

21.187 **Board Comments**

- Mayor Bocks extended his personal invitation to the virtual Study Session Wednesday and looks forward to the contributions by our Board jointly with City Council members

ADJOURNMENT

A motion to adjourn the meeting of *March 8, 2021*, was made by *Lilly* supported by *Haworth* and agreed upon by the Board of Directors present.

The Board Meeting of March 8, 2021, adjourned at *6:44 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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