

REGULAR MEETING

The HBPW Board of Directors met
May 10, 2021
at 4:00 p.m.
Via Zoom Teleconference

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

Members Present: Tim Hemingway (Holland, MI), Diane Haworth (arrived late, Holland, MI), Paul Lilly (Holland, MI), PJ 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: Sue Franz

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Ted Siler, Chuck Warren, Joel Davenport, Steve Bruinsma, Chris Van Dokkumburg, Jane Monroe, Julie DeCook, Pieter Beyer, Guests: Susan Reeves from Municipal Gas Authority of GA, and Steve Donkersloot from MPPA

21.218 **Approval of Agenda**

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

21.219 **Board Minutes – Regular Meeting Minutes of April 12, 2021, and Study Session Minutes of April 26, 2021**

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

21.220 **Action on Consent items:**

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Thompson</i>
Favor	<i>3</i>
Oppose	<i>0</i>

21.221 **Communications from the Audience**

None

21.222 **Major Project Update**

For information only

21.223 **Review of Prepaid Gas Transactions**

Over the past couple of years, the HBPW staff has presented information regarding prepayment bonds which allow municipal electric providers to receive gas supply at discounted rates. There are various elements that affect the potential discount that would be available. Those include, but are not limited to, projected escalation of gas prices and the arbitrage opportunity between tax-exempt and taxable debt.

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

Some of those market forces are again turning favorable and are allowing prepaid transactions that drive to over \$0.30 per million BTU. At our current gas prices, this is more than a 10% discount.

The Gas Authority of Georgia has provided structured natural gas prepayment transactions for many utilities in multiple states for several years. Susan Reeves, its CFO, will be joining us to discuss the structure of these transactions, how prepayment and discounted gas is coordinated with a utility's hedge program, and information about the ability for the Holland BPW to participate in a couple of upcoming transactions.

For reference, I have attached a document from November 2018, when our financial advisor Chris Lover from PFM made a presentation on this subject. Slide 10 discusses the scenario we are most likely to pursue, which is where Holland would be a participant in a larger transaction.

No approval needed at this time. For information only.

21.224 Utilization of a Direct Purchase Bond to Refund the Remaining Electric 2014A Bonds

\$91.09 million of the Electric Utility System Revenue Bonds, Series 2014A will be retired on July 1, 2021, leaving a balance of \$43.815 million at that time. HBPW had originally planned to retire this remaining balance over the following two year period using internally generated funds. However, the current low interest rate environment has provided an opportunity to refund the balance of the bonds on July 1, 2021, as well, utilizing a financing arrangement through Macatawa Bank. This arrangement, a direct purchase bond, will have an interest rate of 0.39% (TIC of 0.535% factoring in costs of issuance) compared to the weighted average rate of 3.76% of the refunded bonds. The significantly lower interest rate, coupled with the elimination of the debt service reserves associated with Series 2014A bonds, will result in a savings of over \$5 million. Debt service over the two year period will include \$32.8 million in principal and \$150,000 in interest.

Macatawa Bank provided the leading proposal in response to an RFI prepared and distributed on behalf of HBPW by Public Financial Management (PFM). In addition to Macatawa Bank, proposals were received from Huntington Bank, Bank of America, US Bank, Fifth Third Bank, PNC Bank, and JP Morgan. Terms and conditions varied among the proposals, with interest rates ranging from 0.39% to over 1.0 percent.

Recommendation: The Board of Directors approved the Supplemental Revenue Bond Resolution Authorizing Utility System Revenue Refunding Bonds

<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>Lilly</i>	<i>Y</i>
<i>Thompson</i>	<i>Y</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

21.225 Vegetation Management Services Agreement

The HBPW has contracted professional tree trimming services to trim or remove vegetation that encroaches the area near our electric lines and distribution equipment. Good tree trimming practices are critical to meet safety and reliability goals for the electric distribution system. As in the bidding of the previous vegetation management services contract, staff used a performance-based approach rather than a time and material approach.

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The new contract represents a 28.4% increase above the current three year agreement with Integrity Tree Services. Our bidders have noted that labor costs, combined with worker shortages in West Michigan, have pushed up costs. The staff solicited and received three acceptable bids. The lowest

evaluated bid was from Integrity Tree Services at \$3,100,933, for a three-year agreement. Integrity Tree Services holds the current contract for these services and was also awarded a contract for our system in FY 2006-2008. Integrity knows are system, is working under the performance-based approach in the current contract, and staff has been happy with their performance. The Integrity bid also falls within the FY22 expense budget for tree trimming services.

Vendor	Year 1	Year 2	Year 3	Total
Asplundh Tree Expert	\$1,557,505	\$1,600,041	\$1,644,137	\$4,801,684
Integrity Tree Services	\$1,010,869	\$1,033,271	\$1,056,793	\$3,100,933
Wright Tree Services	\$1,769,753	\$1,726,080	\$2,229,322	\$5,725,155
Treeworks Inc.	No Proposal			

Recommendation: The Board of Directors approved a contract with Integrity Tree Services for a three-year term for the total amount of \$3,100,933, pending approval as to form from the City Attorney.

<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>Lilly</i>	<i>Y</i>
<i>Thompson</i>	<i>Y</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

21.226 **Closed Door Session – Legal Opinion, Pending Litigation**

Motion to enter Closed Session @ 5:55 p.m.	<Name>
Made by Lilly	<Name>
Second: Haworth	
Favor 4	
Oppose 0	
<i>ROLL CALL: Hemingway, Haworth, Lilly, Thompson</i>	

Motion to re-enter Open Session @ 6:44 p.m.	<Name>
Made by Haworth	<Name>
Second Lilly	
Favor 4	<#>
Oppose 0	<#>

21.227 **General Manager Comments**

- This Friday, May 14, is the MPPA Virtual session
- Our next meeting is a Study Session scheduled for May 26
- The 26th Study Session is likely the last time the Board will meet virtually, depending on the

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decision from Ottawa County (May 27); it is very likely we'll once again meet, socially distanced, in the Service Center Boardroom.

- The June 7 Regular Meeting will likely be held in person in the Service Center Boardroom. We will keep all apprised of the final decision on location.

21.228 Board Comments

- Board Member Lilly asked for more details and a link to the MPPA's virtual conference scheduled for this Friday. Several Board Members have signed up, but the attendance link has not yet been e-mailed.

ADJOURNMENT

A motion to adjourn the meeting of *May 10, 2021*, was made by *Haworth* supported by *Thompson* and agreed upon by the Board of Directors present.

The Board Meeting of May 10, 2021, adjourned at *6:54 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board