

**SPECIAL MEETING**

The HBPW Board of Directors met  
**October 25, 2021**  
at 4:00 p.m.  
625 Hastings Ave.  
Holland, Michigan

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

**Members Present:** Hemingway, Thompson, Franz, Lilly, City Council Liaison Bocks, and Ex Officio Members  
Shilander, Van Beek

**Members Absent:** Maalouf

**Staff Present:** Koster, Lemson, Lehman, Warren, Siler, Davenport, Black, Hofman

22.071 **Approval of Agenda**

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

**SPECIAL ACTION ITEMS**

**Audited Financial Report for FY 2021**

22.072

Rehmann Robson LLC was retained by the City and HBPW to perform the audit for FY 2021. 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.

*Recommendation: The Board of Directors approved the HBPW's FY 2021 annual audit as presented by the representative from Rehmann Robson LLC.*

<i>Motion to approve recommendation</i>	<i>Franz</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

22.073

**FY 2021 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.

In FY 2021, the HBPW achieved 11 of its 12 corporate metric targets and all 11 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.

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

Based upon the corporate metric and tactical action results, the performance-based compensation result achieved in FY 2021 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 FY 2021 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 FY 2021 for union employees is 2.75% of a possible 3%.

FY 2022 corporate metrics and tactical actions are also attached for reference.

*Recommendation: The Board of Directors accepted the FY 2021 strategic plan results and approved the associated performance-based compensation payments.*

<i>Motion to approve recommendation</i>	<i>Thompson</i>
<i>Second</i>	<i>Lilly</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

22.074

**FY 2021 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 2021.

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 2021 for the General Manager during the time period specified above is 10.6% out of a possible 12%.

*Recommendation: The Board of Directors accepted the FY 2021 strategic plan results relating to the General Manager's performance-based compensation and approved a performance salary payment of 10.6% for the General Manager.*

<i>Motion to approve recommendation</i>	<i>Hemingway</i>
<i>Second</i>	<i>Franz</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

22.075

**Communications from the Audience**

*None*

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QUARTERLY  
MONITORING  
REPORTS

**FY 2022 Financial Statements, YTD First Quarter Preliminary**

The financial statements, along with supplemental information, for the first quarter of FY2022 are being presented.

22.076

*Accept for information. No Board action necessary.*

20.077

**Energy Risk Management (ERM) Performance Summary - FY 2022 First Quarter**

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 10,065,000 decatherms, at weighted average costs (sans basis) per decatherm ranging from \$2.40 to \$2.70 for fiscal years 2022-2025. The total cost of the agreements, when exercised, will be \$25,168,583 over the four-year period. The total cost of these agreements is approximately \$13,033,351 less than current market prices (at close of business September 30, 2021) for the same quantities and 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 as follows:

- FY2022 91.0% (policy minimum 80.0%)
- FY2023 77.4% (policy minimum 70.0%)
- FY2024 76.0% (policy minimum 30.0%)
- FY2025 55.5% (policy minimum 10.0%)
- FY2026 37.3% (policy minimum 0.0%)

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

- FY2022 84.2%
- FY2023 62.8%
- FY2024 61.6%
- FY2025 55.5%
- FY2026 0.0%

One new natural gas purchase agreement was entered into this quarter: On 9/1/2021, 760,640 decatherms for FY 2024 with DTE.

*Accept for information. No Board action necessary.*

20.078

**Damage Claims Q1 FY 2022**

HBPW had four reported claims totaling \$8,647 during the first quarter of FY 2022. All of these claims are still in review by the claims manager.

*Accept for information. No Board action necessary.*

20.079

**Investments Update, FY 2022, First Quarter**

As can be seen in the attached report, Fed funds forward guidance shows rates expected to begin rising in 2022. While short term US Treasury yields are still in the sub 5 basis point area, 2-5 year Treasury yields have more or less doubled from this time last year. For example, 5-year yields that were just under 0.4% at this time last year are now approaching 1.0% (still far below 2.49% yields in September 2019).

The current portfolio has a weighted average maturity of 1.35 years and weighted average yield of 0.81%. The majority of the investments are in US Treasuries or Agencies. Due to the flat yield curve for the past year, funds from maturing investments (that were not needed for operations or debt refundings) have been kept in a US government obligations fund money market. Now

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that the yield curve is improving, we will begin investing free cash in 2½ to 5 year maturities, depending on anticipated cash needs.

*Accept for information. No Board action necessary.*

20.080 **FY 2022 First Quarter Key Performance Indicators (KPI's)**

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 regularly scheduled reporting of these KPI's.

KPI Reporting further supports the Results Policies that came out of the Strategic Planning process.

*Accept for information. No Board action necessary.*

20.081 **Board Comments**

● Chair Hemingway asked to review the dates of Board meetings for the remainder of the 2021 calendar year be conducted. The agenda of meetings was updated as detailed below. Further, the Board Secretary was asked that all relevant persons be notified of these date changes and updated dates be posted accordingly:

- November 8 Regular meeting (as originally posted)
- November 22 Study session moving to November 30, Tuesday, at 4 p.m.
- December 6 Regular meeting (as originally posted)
- December 27 Study session moving to December 13 at 4 p.m.

**ADJOURNMENT**

A motion to adjourn the meeting of *October 25, 2021*, was made by *Thompson* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of October 25, 2021, adjourned at *5:37 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board