

REGULAR MEETING

The HBPW Board of Directors met
June 12, 2023
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

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

Members Present: PJ Thompson, Tim Hemingway, Paul Lilly, Carolyn Maalouf, Beth Snyder, and Ex Officio Members Dave Couch and Keith Van Beek

Members Absent: Nathan Bocks

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Ted Siler, Chuck Warren. Chris Van Dokkumburg, Pieter Beyer, Amy Yost, Steve Bruinsma, Julie DeCook, Jon Hofman, Alex Craigmile, Brian Richey Jodie DeVries, Marsh

23.243 **Approval of Agenda**

Board Member Hemingway made a motion to approve the agenda. The motion was seconded by Board Member Maalouf.

23.244 **Board Minutes – Regular Meeting Minutes of May 8, 2023, and Special Meeting Minutes of June 22, 2023**

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

23.245 **18th Street Private Side Lead Service Line Replacements**

The new Lead Copper Rule includes a mandate for the replacement of all lead service lines (LSL) over a 20-year period. In the City of Holland this includes both wholly galvanized services still connected to a lead gooseneck at the main, as well as those remaining private side only galvanized services where the right-of-way section and lead gooseneck have already been replaced with copper.

The proposed work is for a project to replace 172 of the remaining ~1,700 private side only LSLs. HBPW Staff selected 18th Street for this project as the water main and right-of-way lead service lines have been replaced, and there is a high density of remaining private side only lead service lines remaining.

Proposals were solicited from seven contractors, and four proposals were received as shown in the table below. HBPW Staff interviewed Unema Plumbing and verified the qualifications and details of the submitted proposal.

| <u>Bidder</u> | <u>Total Cost</u> |
|---------------|-------------------|
| Unema | \$ 819,953.40 |
| Van Der Kolk | \$ 875,200.00 |
| StraightLine | \$ 1,151,840.00 |
| Milbocker | \$ 1,764,640.00 |

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

The FY2024 expense budget for private side LSL replacements is \$780,000. Of that, \$190,000 has been allocated to the SW Heights water main replacement project. This leaves \$590,000 for the completion of this project.

The original project scope was based on service replacement costs over the past several years, which was already elevated relative to pre-COVID projects. The bid results indicate that pricing for this work continues to rise year over year and continued cost escalation may be expected. Due to the budget constraints staff has negotiated a reduced scope with the winning bidder of replacing 112 services instead of 172. The reduced scope will extend from Cleveland to Central. The new contract price for the reduced scope was calculated at \$579,158.40. HBPW staff recommends accepting the proposal with the reduced scope from Unema Plumbing.

As part of the Consent Agenda, the Board of Directors approved a contract with Unema Plumbing and Excavating, in the amount of \$579,158.40 pending approval as to form from the City Attorney.

23.246 **Engineering Design Contract for E. 32nd Street Water Main Replacement**

A 12-inch cast iron main was originally installed in E. 32nd Street in 1965. Due to a history of frequent failures, a phased replacement of the main was started in 2018 with a 1,000 ft. project from US-31 to the CSX railroad crossing. The proposed project will replace the remaining 5,000 ft. of water main under the CSX railroad to the City limits at Morningside Drive. The water mains in the adjoining Morningside Drive and Kenwood Drive will also be included for replacement, as that cast iron main was also installed in 1968, with a recorded 9 breaks.

Staff requested proposals from five separate local engineering consultants. Proposals were received from three of the firms. Holland Engineering provided the lowest cost proposal that meets the requested services provided. The received proposals are shown in the table below:

| <u>Consultant</u> | <u>Price</u> |
|---------------------|---------------|
| Holland Engineering | \$ 324,846.00 |
| Wightman | \$ 525,920.00 |
| Fleis & Vandenbrink | \$ 402,317.00 |

Although not a typical cost sharing partnership project with the City, after solicitation, the City requested additional services from HEI to complete a road width pavement replacement. The final cost of the contract reflects the additional costs for the City's request, which will be their responsibility. The project is spread over FY2024 and FY2025 with a total capital budget of \$3.85M

As part of the Consent Agenda, the Board of Directors approved a contract with Holland Engineering Inc. in the amount of \$342,093.00 with a 10% contingency of \$34,209.30 for a total of \$376,302.30, pending approval as to form from the City Attorney.

Action on Consent items:

| | |
|--|---------------|
| Motion to approve, accept, or adopt Consent Agenda items | <i>Lilly</i> |
| Second | <i>Snyder</i> |
| Favor | <i>5</i> |
| Oppose | <i>0</i> |

23.247 **Communications from the Audience**

None

23.248 **Major Project Update**

For information only

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23.251 **Wastewater Lift Station SCADA System and IE&C Hardware Replacement - Change Order**

In February 2023, the Board approved the Wastewater Lift Station SCADA System and Instrumentation, Electrical & Controls (IE&C) Hardware Replacement Project. This project consists of two phases starting with the previously approved SCADA implementation and followed by hardware replacement and standardization. The work was awarded based on the selected vendor's (UIS Inc.) ability to efficiently address the needs of both project phases.

During the first phase of the project, the consultant performed a hardware assessment of each lift station. The intent of this evaluation was to identify IE&C hardware replacement needs and standardizations for each station. Upon completion of the evaluations, the consultant provided a change order of needed improvements. These improvements include replacing programming logic controllers (PLCs), installation of radar level sensors, replacing communications hardware, installation of flow meters (at select stations), and installation of a standard backup float system. These improvements would bring control systems to a modern standard across all stations and significantly improve the reliability of the lift station control systems. The proposed work was reviewed by HBPW staff and needs were discussed and finalized with UIS.

The HBPW approved budget for the SCADA system implementation and hardware replacement is \$1M. The contract approved previously with UIS was valued at \$188,545, with a 10% contract contingency approval of \$18,855 for a total of \$207,400. Approval of the proposed \$528,965 change order with a respective 10% contingency of \$52,896 for a total of \$581,861 would bring the total contingent project cost to \$789,261.

Recommendation: The Board of Directors approved a change order to the contract with UIS SCADA, for the Lift Station SCADA Integration Project, in the amount of \$528,965 and additional contingency of \$52,896 for a total contract value of \$789,261, pending approval as to form by the City Attorney.

| | |
|---|----------------|
| <i>Motion to approve recommendation</i> | <i>Lilly</i> |
| <i>Second</i> | <i>Maalouf</i> |
| <i>Favor</i> | <i>5</i> |
| <i>Oppose</i> | <i>0</i> |

23.252 **Fiscal Year 2024 Terms of Service Updates**

Terms of Service documents for each of our utilities are reviewed regularly and updated to improve clarity, eliminate deficiencies, and add revisions to meet changing industry standards and customer needs. The largest noticeable change this year is a standardization of the General Terms of Service that apply to all utilities and a reformatting of each document. Below are more specific changes for approval to implement for FY 2024.

- General Terms of Service that apply to Electric, Water, Wastewater, and Broadband were consolidated and included in the beginning of all Terms of Service. Repeating language was removed from each individual terms of service.
- City Attorney reviewed Social Security Number and E-Services Privacy, Terms and Conditions Policies and feels that the identified language appears to properly inform customers that HBPW will comply with applicable law and will otherwise employ best efforts to protect personal information unless the law requires disclosure.
- Section 5.F.6: Account Security Deposits shall be credited to the account rather than automatically refunded upon a minimum completion of twelve (12) consecutive months of good credit history or upon the termination of utility service.
- Section 5.F.7: Account Security Deposits: An addition that HBPW will pay simple interest accrued on account security deposits held annually or when the deposit is returned to the customer. The interest rate used to calculate interest will be determined

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by the Federal Deposit Insurance Corporation (FDIC) National Deposit Rate for Savings as of June of the current year rather than a flat rate.

- Right-of-Way and Easement Restoration section added to address access to utility equipment and restoration requirements.

Water Terms of Service

- Section 14.C Service Interruption: Added water service may be restricted or discontinued for repairs to water mains, fire hydrants, Customer's service connection, or associated appurtenances.
- Section 16.A Temporary Metering: Added temporary construction metering receives the benefit of avoiding trunkage fees, however, assessments may still be required.
- The following sections removed from Terms of Service and moved to HBPW Design and Construction Standards:
 - o Acceptable Manufacturers for Meter Horns and Ball Valves
 - o Rules and Regulations for Meter Horns
 - o Meters for Sprinkling and Other Seasonal Uses
 - o Water System Extensions
 - o Service Line Standards and Specifications
 - o Installation of Service Lines details
 - o Rules and Regulations for Fire Service Installation
- Details added to Section 18.A Installation of Service Lines regarding the following:
 - o All locations of water service lines shall be approved by HBPW.
 - o Each separate building must have its own water service connection to the distribution main and deviations must have approval by HBPW.
 - o All water service facilities work performed in the public right-of-way or dedicated easement must be inspected and approved by HBPW. Installation of water service lines shall be done in accordance with HBPW specifications.
 - o Water lines from the house to the main shall not be backfilled until inspections and approval has been given by the local licensed plumbing inspector.
 - o As encountered, a customer, plumber, or contractor working on a private side service replacement or repair will be billed for any damage and removal of sand and debris from customers meters after restoration of water service.

Wastewater Terms of Service

- The following sections' language updated to stay consistent with Water Terms of Service meter requirements:
 - o Section 16.C Well Supply Meters
 - o Section 16.D Maintenance of Meter, Meter Connections, and MTUs
- Sewer System Extensions section removed from Terms of Service and moved to HBPW Design and Construction Standards.

Broadband Terms of Service:

- Reorganization of sections.
- General terms moved to general terms of service section.
- Agreements added as appendices.

Electric Terms of Service:

- Section 14.A.2 Available Voltages: Added three-phase residential services are available at HBPW discretion.
- Section 16.E Multiple Occupancy Buildings: Added that if identification changes after meter installation or verification does not occur, any billing discrepancies are the responsibility of the owner.
- Section 16.J Transformer Purchase Procedure: A 10% service charge added to replacement of transformers provided by HBPW due to failure of customer owner transformer.

Average compa-ratio as of May 1

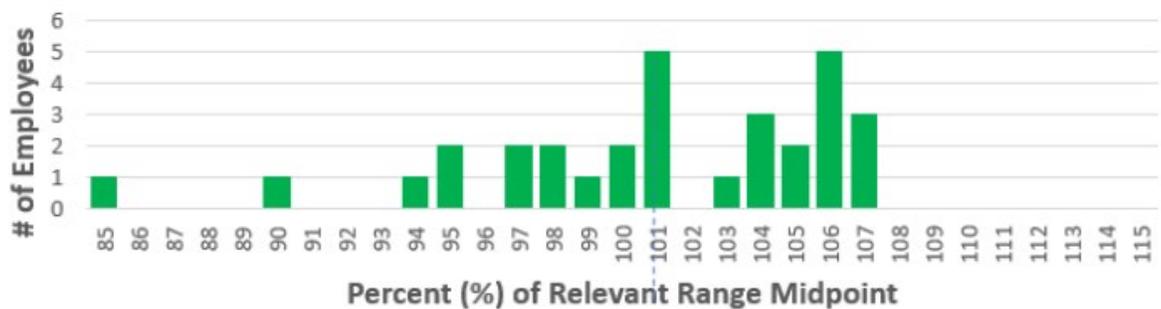
| | 2023 | 2022 | 2021 | 2020 | 2019 |
|------------------|-------|-------|------|-------|------|
| Management (M) | 101.0 | 99.6 | 97.7 | 96.5 | 94.7 |
| Professional (P) | 99.8 | 100.8 | 98.8 | 100.2 | 98.4 |

The average compa-ratio of a group will vary over time based upon turnover and labor market forces. It is anticipated that over time, the average compa-ratio for both wage tables will range from 97 and 103.

3. Distribution of employee wage to range midpoint for covered employees

As of May 1, 2023, compensation of employees in the Management (M) wage table ranged from 85% to 107% of midpoint. This represented a slight increase in distribution from 2022, when compensation ranged from 89% to 106%. The following graph shows the distribution of current compensation from the Management (M) wage table. It can be read as follows: Four management employees are currently at 100% of their respective wage range midpoints.

**May 1, 2023 Management (M) Wage Table
Employee Distribution**



As of May 1, 2023, compensation of employees in the Professional (P) wage table ranged from 85% to 115% of midpoint. This also represents an increase from 2022, when compensation ranged from 89% to 114% of midpoint.

**May 1, 2023 Professional (P) Wage Table
Employee Distribution**



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4. Employee turnover rates

Turnover occurs through retirement, voluntary separation, and employment termination. During the year ending May 1, 2023, the HBPW experienced the following turnover rates among employees compensated in the Management (M) and Professional (P) wage tables.

| | |
|------------------------------------|-----------------------|
| Management (M) employee turnover | 3.2% (1 individual) |
| Professional (P) employee turnover | 10.6% (7 individuals) |

Of these departures, only one was due to retirement. Voluntary non-retirement departures underscore the need for the HBPW to continue its efforts to maintain an attractive culture and a competitive wage and benefit package.

Pilot Program Summary

This report marks the fifth year of HBPW experience with the updated Management and Professional employee wage tables. The flexibility that is built in to both of these wage tables – allowing individual employee compensation to range from 85% to 115% of relevant market midpoint – has allowed the HBPW to retain talent internally (through promotions), as well as to source new talent successfully from outside the organization.

Structure Adjustment for FY 24

During the first three years of this pilot program, the professional and managerial wage tables were adjusted annually using information available from the World at Work association. Midpoints were escalated by 2.2% in July 2019, 2.1% in July 2020, and 2.1% in July 2021. Unfortunately, the World at Work information lags the market considerably.

World at Work collects compensation trend data from employers annually in May and releases that data in August. The HBPW then used that data to increase its wage tables the subsequent July 1. So, by the time the World at Work survey data impacted HBPW wage tables, it was 14 months old.

This delay is not problematic during times of economic stability. However, last year we experienced significant inflationary pressures in the United States. These pressures, combined with low unemployment and a post-pandemic labor shortage, resulted in significant salary budget and wage range increases that were not reflected in the World at Work survey number of 2.5%.

Because of this, in July 2022, the HBPW departed from its practice of using an escalation percentage obtained from the World at Work. In consultation with Rahmberg, Stover & Associates, the HBPW adopted a 3.5% salary structure adjustment.

Given the continued inflationary pressures, the HBPW will again be using a 3.5% salary structure adjustment in July 2023.

Recommendation: The Board of Directors accepted this final FY 23 pilot program report for information and adopt this performance-based compensation program for continued use with HPW management and professional employees.

| | |
|---|------------------|
| <i>Motion to approve recommendation</i> | <i>Hemingway</i> |
| <i>Second</i> | <i>Maalouf</i> |
| <i>Favor</i> | <i>5</i> |
| <i>Oppose</i> | <i>0</i> |

23.254 **Customer Concentration Risk Analysis**

Phase II of LG Energy Solutions could potentially require a 42% increase in annual electric energy needs. The customer concentration poses a potential financial risk to an organization that might find itself trying to secure long-term electric energy and capacity.

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Staff explored many options, including a risk-sharing market-based rate approach to mitigate the financial risk that a customer of this size poses to the organization.

The Board of Directors accepted for information only; development of policy for future consideration.

23.255

General Manager Comments

- The Board was willing to cancel the June 26 study session; this means our next meeting is a Regular meeting on July 10
- Paul Lilly was reappointed for another five-year term on the BOD effective July 1, 2023
- Brian Lynn was appointed by Mayor Bocks and will step in to serve on the Board upon Tim Hemingway's retirement at the end of the month.
- 2008 Tim Hemingway began his service on the BOD – 14.5 years ago! GM listed the accomplishments and moves forward by the HBPW under his guidance as Chair of our Board of Directors.

23.256

Board Comments

- Tim shared very positive comments on his positive learning experience on the HBPW Board
- PJ Thompson shared the learning experience, diligence, and professionalism Tim Hemingway has shared on the Board
- Early/mid August is the anticipated timeframe for the JDY implosion

ADJOURNMENT

A motion to adjourn the meeting of *June 12, 2023*, was made by *Hemingway* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of June 12, 2023, adjourned at *6:37 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board