

SPECIAL MEETING

The HBPW Board of Directors met
October 28, 2024
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, Carolyn Maalouf, Paul Lilly, Brian Lynn, Kyle Engbers, City Council Liaison Scott Corbin, and Ex Officio Members Dave Couch and Keith Van Beek

Members Absent:

Staff Present: Dave Koster, Janet Lemson, Joel Davenport, Becky Lehman, Ted Siler, Steve Bruinsma, Tamara Black, Tracy York **Visitors:** Paul Matz, Rehmann Robson, John Hurley, Marsh (virtual)

25.075 **Approval of Agenda**

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

25.076 **Communications From the Audience**

None

SPECIAL ACTION ITEMS

25.077 **Audited Financial Report for FY 2024**

Rehmann Robson LLC was retained by the City and HBPW to perform the audit for FY 2024. 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 accepted the audited financial statements and related independent auditor's report issued by Rehmann Robson LLC regarding the FY 2024 financial position of HBPW. Final action on our audited year-end financial statements will take place at the November 11 regular meeting.

25.078 **Combined Property/Liability Insurance Program for the City of Holland/Holland Board of Public Works Effective November 1, 2024 - October 31, 2025**

Marsh was selected as the new broker for the City of Holland and Holland Board of Public Works for property, casualty, and financial product line coverages in February 2022. This year marks the second full year of coverage that begins on a November 1 start date as opposed to the previous July 1 commencement.

Overall, we are very happy to report that the HBPW will see overall less than a .1% increase (\$1,040), while maintaining the levels of liability coverage and increasing its cyber insurance

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

policy from \$2 Million to \$5 Million. This is partly due to a significant reduction in the Workers Compensation allocation to the HBPW based on separate policy quotations.

Additional comments from Marsh associated with the specific coverages are included on the attached presentation.

Recommendation: The Board of Directors approved the City of Holland/Holland Board of Public Works insurance program as presented by Marsh USA with a total cost estimated to not exceed \$2,062,164 (plus applicable state taxes and fees) and an allocation to HBPW estimated not to exceed \$1,250,074.

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

25.079 **FY 2024 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 2024, 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 FY 2024 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 2024 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 organization's strategic objectives. The April 2022 labor agreement renewal included an increase to a possible 3.5% beginning in FY 2023 from the 3.0% specified in previous years. Consistent with this program, the performance-based compensation result achieved in FY 2024 for union employees is 3.2% of a possible 3.5%.

FY 2025 corporate metrics and tactical actions are also attached for reference.

The Board of Directors accepted the FY 2024 strategic plan results and approved the associated performance-based compensation payments.

<i>Motion to approve recommendation</i>	<i>Maalouf</i>
<i>Second</i>	<i>Engbers</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

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

25.080 **FY 2024 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 2024.

During the past fiscal year, these performance goals and objectives included six areas of organizational performance and five 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 2024 for the General Manager during the time period specified above is 10.7% out of a possible 12%.

The Board of Directors accepted the FY 2024 strategic plan results relating to the General Manager's performance-based compensation and approved a performance salary payment of 10.7% for the General Manager.

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

STUDY ITEMS

25.081 **Meeder Public Funds Investment Strategy Update as of October 11, 2024**

Highlights:

- Two more 0.25% Fed Funds rate cuts expected this year
- Core PCE (Fed's preferred inflation gauge) declined to 2.7%, and expected by FED to hit 2.2% in 2025
- GDP growth rate expected to be 3.1% in Q3 2024, declining to 2.0% in 2025
- Job growth slowing, with unemployment rate expected to be 4.4% in 2025
- Two-year Treasury yields fell 125 basis point from the October 2023 cycle high but are still about 200 basis points higher than the average of the past 20 years

The HBPW portfolio has been divided into long term and short-term segments in order to help align investment maturities with anticipated needs. For example, operating cash needs are more immediate while insurance reserves are, hopefully, never needed. New investments in the long-term segment will have 3–5-year maturities and will be made as current holdings in that segment mature.

Weighted average combined portfolio yield was 4.24% as of September 30, 2024, with total portfolio balance at \$64,727,740.

As a study item, the Board accepted for information the Meeder Public Funds Investment Strategy Update dated October 11, 2024.

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

25.082 **Energy Risk Management (ERM) Performance Summary Report for the First Quarter FY 2025**

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 15,870,147 dekatherms as of October 1, 2024. These natural gas hedge purchases were secured in accordance with Delegation Policy D015-1 (Energy Risk Management) for consumption in fiscal years 2025-2028. The total cost of the agreements, when exercised, will be \$61,284,039. The total cost of these agreements is approximately \$5,814,359 more than current market prices (net of basis) for the same quantities and periods.

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

- FY 2025 87.2%
- FY 2026 69.4%
- FY 2027 57.2%
- FY 2028 35.6%
- FY 2029 0.0%

HBPW's total hedged energy includes forecasted generation from the natural gas purchases described above, ownership entitlements in external resources, and Power Purchase Agreements (PPAs). HBPW has hedges in place as a percentage of forecasted MWh dispatch as follows:

- FY 2025 90.4% (policy minimum 90.0%)
- FY 2026 75.0% (policy minimum 80.0% by December 31)
- FY 2027 60.0% (policy minimum 65.0% by December 31)
- FY 2028 45.0% (policy minimum 50.0% by December 31)
- FY 2029 16.7% (Policy Minimum 35.0% by December 31)

Credit risk for counterparties is currently evaluated annually by staff based on the procedure outlined in Appendix D of Delegation Policy D015-1. HBPW is in the process of transitioning to a third party (ACES) to perform the credit risk evaluations and assist in the establishment of credit limits for counterparties. The transition to the third-party service is intended to be implemented as part of proposed updates to the Delegation Policy D015-1 planned to be presented to the Board in the 3rd quarter of FY25.

As a study item, the Board accepted for information the Energy Risk Management Performance Summary Report for the First Quarter FY 2025

25.083 **First Quarter Key Performance Indicators (KPIs) FY 2025**

Governance Policy G002 (Agenda Planning) requires the quarterly reporting of Key Performance indicators (KPIs) to the Board of Directors. This topic further supports the Results Policies through the regular review of the KPIs and associated benchmarks that define the success of the organization's performance.

As a study item, the Board accepted the most recent KPI report for the first quarter of FY 25 for information.

25.084 **General Manager Comments**

- Our next meeting, a regular meeting, is scheduled for November 11
- The General Manager reported on a battery project, where we may possibly join in on a grant request to from the Federal Government to demonstrate long-duration energy storage; Jolt Energy would be the potential partner
- The November 25 Study session will include the electric utility discussion
- EPA – Our General Manager had a personal meeting with the new Director of EGLE regarding the Lead/Copper rule

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

ADJOURNMENT

A motion to adjourn the meeting of *October 28, 2024*, was made by *Lilly* supported by *Engbers* and agreed upon by the Board of Directors present.

The Board Meeting of October 28, 2024, adjourned at *5:38 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board