

The HBPW Board of Directors met **Monday, February 8, 2010** at 4:00 p.m.  
 in the Service Center Board Room  
 625 Hastings Ave  
 Holland, Michigan

**Chair Jim Storey called the meeting to order at 4:03 p.m. A quorum was present.**

**Members Present:** Rich Cook, Paul Elzinga, Diane Haworth, Tim Hemingway, Jim Storey, and  
 Ex Officio Member Soren Wolff  
 City Council Liaison: Bob Vande Vusse

**Members Absent:** None

**Staff Present:** Loren Howard, Dave Koster, Dan Nally, Ellen Taub, John Van Uffelen, and Freda Velzen; Mike Radakovitz, and Loralyn Bunce

10.017 **Minutes not yet available**

10.018 **Communications from the Audience**

*There were no communications from the audience.*

10.019 **December 2009 Financial Statement**

*TO DO Need to change background colors of presentation to make print information readable on larger screens.*

*The water units are down by 10% showing the impact of the cooler and wetter summer.*

*The negative net income for December 2009 shows the write off of several projects, including Stone Mountain. Key influences impacting the HBPW revenue are the overall area economy.*

*TO DO Board of Directors' requested a comparison of volumes and rates.*

10.020 **Proposed Budget Fiscal Year 2011**

The electric, water, and wastewater budgets include proposed rate increases. The broadband/fiber optics rate will remain the same at this time.

Given the low interest rates in effect the investment earnings remain lower than the historical trend by approximately 50%. State legislation requiring investment in renewable energy and continued implementation of energy optimization plans have added revenue requirements to the Electric Utility. The proposed Electric Utility budget includes additional revenues of \$2,750,000 The Water Utility has limited cash reserves and necessary capital investment continues to diminish cash reserves. The Water Utility bonds issued in FY2005 require principal payments that result in continued cash demand. The proposed Water Utility budget includes additional revenues of \$420,000 for retail customers. The Wastewater Utility continues to have a shortfall in recovering operating expenses. In a concerted effort to cover operating expenses and keep the utility financially sound, additional revenue requirements of \$600,000 for retail customers is included in the proposed budget for the Wastewater Utility.

The following highlights of the proposed budget include:

The Electric Utility reflects operating revenues of \$76,027,538 with a projected net income of \$3,957,484.

The Water Utility reflects operating revenues of \$6,697,494 with a projected net income of \$159,931.

The Wastewater Utility reflects operating revenues of \$8,776,216 with a projected net income of \$46,892.

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

The proposed expense budget for FY2011 for all utilities combined is \$89,009,557 plus a ten percent contingency.

Fuel and purchased power is approximately \$43.8 million, 49.2% of the total expense budget.

The contribution to the City is proposed to be \$3,637,800. This is established based on 5.0% of actual calendar year 2009 sales revenues from the Electric Utility.

Budgeted wages and benefits represent 19.0% of the total expense budget. The unfunded liability for the pension plan is being spread over a five year period, representing an increase this year of \$1.2 million. Included in budgeted benefits is approximately \$110,000 to fund the Annual Required Contribution (ARC) for the Other Post Employment Benefits (OPEB) liability.

The Capital Budget for FY2010 is proposed to be \$32,103,290 and includes several improvements for each utility.

*TO DO Review why distribution expenses per retail customer vary [74.22 > 124.0]  
Find out if fiber optic expenses are included  
Issues to discuss with City – long term expenses of underfunding Defined Benefit– see the numbers; anticipated health insurance premium increases & rationale HBPW/City*

*The Board of Directors approved the proposed Holland Board of Public Works budget for Fiscal Year 2011 and submitted the budget to City Council for their adoption.*

Motion to approve proposed budget & forward to City Council	DH
Second	TH
Favor	5
Oppose	0

10.021 **Contract Modification with AI's Excavating**

On July 6, 2009, the Board approved a contract with AI's Excavating in the amount of \$166,077. An additional 10% (\$16,608) was approved for contingencies for a total contract allowance of \$182,685. Project funds were available from the associated fiscal year 2010 Capital Budget. With the exception of seed germination, the project was complete by October 31, 2009. However, additional costs of \$36,516 are associated with completing the project. The final cost of the construction is \$202,593.

The additional costs on original bid items can be attributed to additional damage resulting from the severe storms of January and June of 2009 that occurred between the original survey (December 2008) and the start of construction (July 2009). In order to address the additional erosion, adjustments were made in the field to ensure protection of the sanitary sewers.

As part of the current fiscal budget, the City has allocated funds to participate in 25% (\$23,955) of the construction costs associated with two sites within the project.

This contract modification will cover all additional costs associated with this project and finalize the contract between the Holland Board of Public Works and AI's Excavating. The contract modification will be formalized by staff upon Board approval.

*Board members asked questions about creek bed maintenance and who to contact when work is needed. Wolff recommended first contacting Syens at the Transportation Department.*

*The Board of Directors approved a contract modification with AI's Excavating in the amount of \$36,516 which is \$19,908 more than the contingency originally approved for the contract.*

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Motion to approve modification	PE
Second	TH
Favor	5
Oppose	0

10.022 **Contract Modification with OMM Engineering**

On December 8, 2008, the Board approved a contract with OMM Engineering in the amount of \$160,992. An additional 5% (\$8,050) was approved for contingencies for a total budget of \$169,042. Funds were made available from the associated FY2010 Capital Budget.

Shortly thereafter, the City approached the impacted residents to finalize the scope of the project. The City, Central Avenue and Colonial Court residents were in agreement. However, the 40<sup>th</sup> Street residents raised issues and concerns about the project plan that led the City to delay the 40<sup>th</sup> Street portion of the project for one year.

With the exception of seed germination, Central Avenue and Colonial Court reconstruction was complete around October 31, 2009. During that time, OMM Engineering revised the plans for the 40<sup>th</sup> Street portion of the project. This process resulted in additional charges equaling \$77,090. The City has agreed to pay these costs in their entirety. The previously approved contingency (\$8,050) will allow staff to address any additional reimbursable expenses that arise during CCA.

*The Board of Directors approved a contract modification to the 40<sup>th</sup> Street / Central Avenue / Colonial Court Reconstruction Engineering & Construction Contract in the amount of \$77,090 to reimburse OMM Engineering for additional services requested by and paid the City.*

Motion to approve modification	DH
Second	PE
Favor	5
Oppose	0

10.023 **Policy for Winter Protection Payment Legislation**

The section of Public Act 171 that requires the requested Board action reads as follows:

4) SUBJECT TO THE REQUIREMENTS OF SECTIONS 9S AND 9R, A PROVIDER'S GOVERNING BODY SHALL ESTABLISH A POLICY TO ALLOW A CUSTOMER THE OPPORTUNITY TO ENTER INTO A PAYMENT PLAN FOR AN AMOUNT OWED TO THE PROVIDER THAT IS NOT IN DISPUTE, IF THE CUSTOMER CLAIMS AN INABILITY TO PAY IN FULL.  
 A PROVIDER IS NOT REQUIRED TO ENTER INTO A SUBSEQUENT PAYMENT PLAN WITH A CUSTOMER UNTIL THE CUSTOMER HAS COMPLIED FULLY WITH THE TERMS OF AN EXISTING OR PREVIOUS PAYMENT PLAN UNLESS THE CUSTOMER DEMONSTRATES A SIGNIFICANT CHANGE IN ECONOMIC CIRCUMSTANCES AND REQUESTS A MODIFICATION OF THE PAYMENT. A PROVIDER IS NOT REQUIRED TO ENTER INTO A SUBSEQUENT PAYMENT PLAN WITH A CUSTOMER WHO DEFAULTED ON THE TERMS AND CONDITIONS OF A PAYMENT PLAN WITHIN THE LAST 12 MONTHS.

The HBPW has maintained a practice of working with customers on payment plans for many years. The action of the Board will formalize the existing policy and assure compliance with Public Act 171.

*The Board of Directors adopted a resolution which formally establishes a policy allowing winter protection payment plans in compliance with Public Acts 171, 152, and 174 of 2009.*

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Motion to adopt the resolution	RC
Second	PE
Favor	5
Oppose	0

10.024 **OAISD System**

In 2003, OAISD contracted HBPW to build a joint fiber network between several schools in Ottawa and Allegan counties. The build for this project was completed several years ago, but there have been lingering disputes as to fiber maintenance, ownership, and use rights. Negotiations between the two parties have resulted in a successful resolution that requires the approval of the following three documents.

The Common Route Shared Use and Maintenance Agreement is the document that establishes the relationship between the City of Holland and the OAISD relating to the fiber that was constructed by Turnkey Network Solutions from the Interconnect Point to Jenison. This document acknowledges that the HBPW owns 24 of the 144 fiber strands in the OAISD fiber cable sheath. The agreement addresses various issues relating to ownership and costs; permitting and licensing; title to the respective fiber; and other issues relating to the joint fiber system. This document does require a payment of \$2500 from the HBPW to the OAISD.

The Bill of Sale for fiber relates to the construction of the fiber network system by the HBPW for the sum of \$621,489.61. This document would specifically transfer the City of Holland’s interest in the fiber strands and designated equipment. The Bill of Sale requires a final payment of \$62,149 to HBPW from the OAISD.

The First Amendment to Shared Use, Purchase, Installation, and Maintenance Agreement is an amendment to the October 15, 2003 Agreement relating to the uses of the fiber by the OAISD. This Amendment grants the HBPW the right to purchase fiber strands which are requested to be used by third parties from the OAISD with a right of first refusal in the document. Essentially, this amendment mirrors the rights of the HBPW under the Common Route Shared Use and Maintenance Agreement.

*The Board of Directors approved the Common Route Shared Use and Maintenance Agreement, the Bill of Sale and the First Amendment to Shared Use, Purchase, Installation, and Maintenance Agreement documents to complete the OAISD and HBPW joint fiber build, and forward to City Council for approval.*

Motion to approve final documents	RC
Second	PE
Favor	5
Oppose	0

10.025 **Volt Switchgear and Arcflash Study**

Generating Units 4 and 5 at the Holland Board of Public Works (HBPW) James De Young (JDY) Power Station were made operational in 1960 and 1968 respectively. Due to the age of the 2400 Volt station power switchgear, operational reliability, potential safety hazards that modern gear helps to mitigate in the way of faster opening breakers, and more accurate and sensitive protective relays the HBPW is recommending that the existing switchgear for both Units 4 and 5 be replaced.

The first engineering phase will be to perform an electrical modeling study on all plant electrical equipment from units 3, 4, & 5 generator breakers (12.47 kilovolt) down to the equipment at the 480 volt level. The purpose of this study is to make an accurate assessment of the electrical distribution equipment in the plant to verify the correct protective relay settings for the new switchgear. The study will also determine safe working boundaries around electrical switchgear, motor control centers, and other electrical panels in the plant. This study will be comprised of three different components: short circuit/fault current study, a protective device coordination study, and the arc flash

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study.

Concurrent to the arc flash study the engineer will prepare technical bid documents for the purchase of the new switchgear and for the demolition of the old and installation of the new switchgear. The engineer will also assist in evaluating the bids as well as providing technical support during the installation of the switchgear. When the switchgear is installed the engineer will also be responsible for configuring and testing the protective relays, functional testing of the switchgear, and assisting plant personnel in placing the new switchgear in operation.

Theka Engineering has previously worked for the HBPW by performing protective relay calibrations for its units 7 & 8 generators. Staff has also found favorable experiences for Theka regarding work similar to what is recommended here.

Staff is requesting a transfer from contingency to cover the difference between the amounts budgeted in FY2010 for the arc flash study alone and the cost for this engineering study. That difference is included in the budget for FY2011. The switchgear is tentatively scheduled to be changed out in spring of 2011 and due to the long lead time of switchgear it is important that the engineering study begin as soon as possible.

*The Board of Directors approved a contract with Theka Engineering, pending city attorney approval, for engineering services to replace the 2400 volt electrical switchgear in Units 4 and 5 at the James De Young Power Station in the amount of \$117,100 and an associated transfer from contingency in the amount of \$80,000 which includes a 15% contingency.*

Motion to approve agreement	<i>PE</i>
Second	<i>TH</i>
Favor	<i>5</i>
Oppose	<i>0</i>

ANNOUNCEMENTS

*Reminder - Joint Study Session Monday, February 22, 2010 4 p.m. at Double Tree Great Lakes Room for additional study results from Black & Veatch.*

ADJOURNMENT

A motion to adjourn the meeting of February 8, 2010 was made by *Cook* supported by *Haworth* and agreed upon by the Board of Directors present.

The Board Meeting of February 8, 2010 adjourned at *5:55 p.m.*

Minutes respectfully submitted by,

Loralyn A Bunce  
Secretary to the Board

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