

**REGULAR MEETING**

The HBPW Board of Directors met  
**March 11, 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, and Council Liaison Scott Corbin - late

**Members Absent:** Beth Snyder, Ex Officio Members Dave Couch and Keith Van Beek

**Staff Present:** Dave Koster, Aleesa Hounshell, Becky Lehman, Ted Siler, Joel Davenport, Chuck Warren, Nate Johnson, Pieter Beyer, Brian Richey, Steve Bruinsma, Grant Koster, Max Sunter, Phil Leerar, Janet Lemson, Julie DeCook, Theo Van Aken

24.151 **Approval of Agenda**

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

24.152 **Communications From the Audience**

Frank Boersma of 185 Glendale Avenue, Holland MI 49423 stated that he would like to see documentation regarding the 13% water rate increase.

24.153 **Board Minutes – Regular Meeting Minutes of February 12, 2024, and Special Meeting Minutes of February 26, 2024**

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

24.154 **Water Treatment Plant High Service Pump #2 Repairs**

An inspection of high service pump #2 at the repair shop revealed the need for unexpected repairs beyond the initial plan. The pump requires a shaft replacement, which wasn't originally anticipated. This additional work necessitates a capital budget amendment, as the project scope and budget were based on the repairs completed on high service pump #3 in FY23. It's important to note that both these pumps, installed in 1998, have served as the main high service pumps for the past 25 years.

*As part of the Consent Agenda, the Board of Directors approved an amendment to the Fiscal Year 2024 WTP capital budget for the High Service Pump #2 Rebuild project in the amount of \$10,000, for a revised project budget of \$45,000.*

24.155 **SW Heights Engineering Services Contract Contingency Increase**

In April of 2022, the Board approved a contract with Holland Engineering in the amount of \$328,500, with a contingency of \$23,850, for the design and construction inspection of the SW Heights water main replacement project.

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

In October of 2023, the Board approved a \$96,300 change order to incorporate additional storm sewer and road work identified by and paid by the City Transportation Department, plus a small section of water main replacement where the Transportation Department planned storm sewer improvements outside of the original area of work. This change order exceeded the established contingency and, therefore, Board approval was required to establish a new contract value of \$334,800.

During the construction of the project, additional engineering and inspection time was required by Holland Engineering. This was due to the construction taking two weeks longer than originally estimated and additional time spent on concerns with the quality of the new pavement. Holland Engineering was diligent with their time spent, and HBPW staff believes that these additional costs are justified. These additional construction phase engineering services totaled \$38,200.

Since the addition of \$38,200 of work exceeds the previously approved \$334,800 amount, Board approval is required for the change order. The cost of the additional services will be split between the City and HBPW according to the respective proportions of work performed during the project.

*As part of the Consent Agenda, the Board of Directors approved an increase to the contract for Holland Engineering in the amount of \$38,200, increasing the approved amount for the engineering services contract from \$334,800 to \$373,000.*

24.156 Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Maloouf</i>
Second	<i>Lilly</i>
Favor	<i>4</i>
Oppose	<i>0</i>

24.157 **Major Project Update**

*For information only*

24.158 **FY 2025 Budget and Rate Recommendations**

The budget for FY 2025 has been prepared by staff and reviewed in detail by the HBPW Board Budget Committee.

The FY 2025 budget includes proposed rate adjustments for each of the corresponding utilities. During the process of developing the budget, the operating and capital needs of the utilities were evaluated, and a financial plan established to meet those specific needs.

For FY 2025, the major expense categories and respective portions of the consolidated expense budget are:

- 39.0% Fuel and Purchase Power
- 19.1% Wages & Benefits
- 14.9% Depreciation
- 9.3% Other Operating Expenses
- 7.1% Maintenance Supplies/Services
- 6.6% Contribution to the City
- 1.7% Conservation Programs – Electric
- 1.6% Insurance
- 0.7% Interest on Bonds

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Electric Utility

FY 2025 revenues are expected to increase by 11.6% over the FY 2024 budget, primarily due to LG related volumetric increases. Fuel and purchased power costs are expected to increase about 34.9%. All other expenses are expected to increase about 6.7%, primarily in the non-fuel production and maintenance and distribution areas. Capital projects for FY 2025 total \$22.29 million, of which \$11.5 million are for LGES related distribution system improvements. All of the capital projects are internally funded.

No FY25 base rate increase is proposed.

Broadband

The Holland City Fiber project is now underway. FY 2025 revenues are expected to increase by 46.6% over the FY 2024 budget, primarily due to new HCF customers. Operating costs are budgeted to increase about 23.3% as staff capacity is ramped up to facilitate system expansion. Capital expenditures for FY 2025 are budgeted at \$11.0 million, with all but \$400k slated for the expanded service.

No rate increase is proposed for FY 2025.

Water

Water utility revenues are expected to increase 11.1% over the FY 2024 budget. Operating expenses are budgeted be about even with FY24. Lead service line replacements have been decreased by about \$400k from FY24 levels to offset higher chemical and O&M costs in FY25. The Water utility will expend about 47% of its operating budget on chemicals, production, and distribution expenses. The capital plan, totaling \$11.4 million, includes \$2.6 million for continued work on alternative chemical storage solutions for the water treatment plant, \$7.0 million for distribution system replacements/improvements, and \$950k for water meter replacements.

A 13% rate increase is proposed for FY 2025, primarily adequate funds for capital debt service needs.

Wastewater

The Wastewater utility is expected to see a 1.9% increase in operating revenues over the FY 2024 budget, mostly due to small volumetric increases in industrial and wholesale sales. The utility will expend 50.7% of its operating budget on chemical, treatment, and collections expenses, down from 54.4% in the FY 2024 budget. Capital projects will total about \$10.4 million in FY 2025. About 36% of this amount, \$3.8 million, will be spent on reclamation facility improvements. The remaining \$6.6 million is for collection system improvements/rehab/repairs including \$2.0 million for LG related sewer upsizing, \$1.8 million for lift station improvements, and \$950k for new meters.

No rate increase is proposed for FY 2025.

<b>Summary of Operating and Capital Budgets (\$000)</b>				
	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Net Income</b>	<b>Capital</b>
<b>Electric</b>	<b>\$ 116,464</b>	<b>\$ 101,732</b>	<b>\$ 6,768</b>	<b>\$ 22,290</b>
<b>Broadband</b>	<b>3,223</b>	<b>2,769</b>	<b>459</b>	<b>11,000</b>
<b>Water</b>	<b>15,439</b>	<b>10,805</b>	<b>4,275</b>	<b>11,400</b>
<b>Wastewater</b>	<b>13,696</b>	<b>14,662</b>	<b>(825)</b>	<b>10,400</b>
<b>Administration</b>				<b>1,327</b>

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The contribution to the City is proposed at \$9,163,402, a decrease of \$5% from FY 2024. This amount is calculated at 6.25% of the average of the prior three calendar years' retail electric revenues plus 50% of the prior year electric wholesale net marginal income.

Detailed FY 2025 operating and capital budget documents are attached.

*Recommendation: The Board of Directors approved the FY 2025 budget and associated rate adjustments and forwarded to the City Council for inclusion in their resolution approving the budget for FY 2025.*

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

24.159

**Notice of Intent to Sell Water Utility Bonds**

HBPW has plans to initiate several critically needed Water Utility infrastructure projects FY25. These projects include:

- Installing approximately 8,900 new residential, commercial, and industrial water meters and Advance Metering Infrastructure (AMI) telemetry devices throughout the System service area,
- Constructing a new approximately 2,700 square foot chemical storage addition to the filter building at the Water Treatment Plant including, but not limited to, (a) improvements within the footprint of the existing filter building, (b) rehabilitation of approximately 545 square feet of the existing fluoride room, (c) extension of the existing personnel elevator to the third floor, and (d) demolition of the existing, freight elevator and chemical storage facilities on the third floor,
- Sliplining approximately 3,200 feet of the 24-inch Macatawa Lake crossing water transmission line from the north corner of Park and Holland Township to the city on the south side of the lake.

The total cost of these projects is estimated to be approximately \$10,000,000, an amount that exceeds internally available funds at the Water Utility. Therefore, approval is requested to issue tax exempt revenue bonds in an amount not to exceed \$10,000,000. The first step in this funding process is to issue a resolution declaring official intent to reimburse project expenditures with bond proceeds and requesting publication of notice to intent to issue bonds.

*Recommendation: The Board of Directors approved the resolution declaring official intent to reimburse project expenditures with bond proceeds, in an amount not to exceed \$10,000,000, and requesting publication of notice of intent to issue tax-exempt revenue bonds.*

<i>Motion to approve recommendation</i>	<i>Lynn</i>
<i>Second</i>	<i>Maalouf</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

24.160

**Unit 8 Combustion Inspection Service**

Unit 8 combustion turbine last had a hot gas path inspection in 2016. It is now due for a combustion inspection based on the amount of starts the unit has accumulated since that inspection.

A combustion inspection requires that the combustion section of the turbine be disassembled, components tested and inspected, repairs made, and then components reassembled. The combustion section includes parts that mix air and fuel, ignite the mixture, and funnel it towards the

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