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 PJ Thompson, Tim Hemingway, Paul Lilly, Carolyn Maalouf, Beth Snyder, and Ex Officio Members

Present: 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>Total Cost</u>		
0		
0		
0		
0		

^{*} 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 Lilly

Agenda items

Second Snyder
Favor 5
Oppose 0

23.247 Communications from the Audience

None

23.248 Major Project Update

For information only

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23.249 Renewal Strategy for the FY 2024 Combined Property/Liability Insurance Program

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. Working with City and HBPW staff, Marsh has developed an FY 24 insurance coverage renewal strategy that includes changing coverage periods from the City/HBPW fiscal year basis to a November 1 - October 31 term.

The renewal for FY 24 will be a 2-step process. Approval at this meeting is requested for coverage and premium amounts for the interim period July 1 - October 31, 2023, and annual periods where noted, along with corresponding authority to bind coverage.

Information is shown in greater detail in the attachments to this recommendation.

Recommendation: The Board of Directors approved the City of Holland/Holland Board of Public Works Renewal Strategy and premium amounts as presented by Marsh USA, along with corresponding authority to bind coverage.

Motion to approve recommendation	Lilly
Second	Snyder
Favor	5
Oppose	0

23.250 FY 2024 Property Insurance Coverage for HBPW Energy Production Assets

Board approval of the FY 2024 insurance program provided through Marsh Inc. is requested.

The FY 2024 program involves five leading insurance companies, assuming various levels of risk, at a total maximum annual cost 21.54% greater than last year (FY 2023 \$968,842 vs FY 2024 \$1,177,579). Current quotes are for the same coverage structure as last year; however insurable values have increased about 13% from FY 2023 based on a recently completed valuation study. Also, Swiss Re has increased the deductible on HEP to \$500,000.

The carriers and coverage levels are summarized below:

Carrier		Quota Share	Premium
Munich Re		25%	\$ 217,355.00
AEGIS		25%	\$ 292,980.00
AIG		15%	\$ 326,600.00
Allianz		15%	\$ 142,194.00
Swiss Re		20%	\$ 198,450.00
	Total	100%	\$1,177,579.00

Since quotes are not yet final, staff also requests that the Board authorize the Finance Director to execute the documents necessary to bind coverage, as long the final total premium amount does not exceed \$1,200,000.

Recommendation: The Board of Directors approved the Marsh USA HBPW energy asset property insurance program for FY 2024, at a cost not to exceed \$1,200,000; and permit the HBPW Finance Director to execute the documents necessary to bind coverage as long as the cost condition is met.

Motion to approve recommendation	Lilly
Second	Maalouf
Favor	5
Oppose	0

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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.

Motion to approve recommendationLillySecondMaaloufFavor5Oppose0

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.

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- Section 17 Selection of Rates: Added no credits or back billed amounts will be issued to accounts when rate plans are changed. The new rate will become effective at the time of the change.
- Section 19 Temporary Services: Added temporary connections lasting more than one year must receive prior approval by HBPW as part of the application for service process. Temporary connections were previously limited to one year or less.
- Section 23.I Distributed Generation Program: Avoided cost removed from table and replaced with Distributed Energy Value for Category 3.

Recommendation: The Board of Directors approved the attached Terms of Service for Electric, Water, Wastewater, and Broadband and forward to City Council for approval.

Motion to approve recommendationMaaloufSecondSnyderFavor5Oppose0

23.253 Conclusion of Pilot Compensation Program

In 2018, the HBPW Board and City Council approved fundamental changes to the compensation program for HBPW management and professional (non-represented) employees. These changers were implemented as a five-year pilot program, with annual reporting of specific data back to the Board.

The pilot program replaced existing rigid, eight-step salary structures with more flexible wage rangers. The pilot program also replaced across-the-board "cost of living" increases with individualized performance-based compensation opportunities.

FY 23 PILOT PROGRAM DATA

As part of the pilot program review, the following data has been tracked and annually reported to the HBPW Board of Directors:

- 1.Distribution of annual overall performance ratings for covered employees.
- 2. The overall compa-ratio for each wage table (ratio of actual wage to market range midpoint).
- 3. Distribution of employee wage to range midpoint for covered employees.
- 4. Employee turnover rates.

This tracking data is reported below for FY 23.

1. Distribution of annual overall performance ratings for covered employees

The table below summarizes the distribution of "overall performance" ratings given to each covered employee. Data below is for performance reviews completed at the end of FY 2022. It includes 29 Management reviews and 57 Professional reviews.

"Overall Performance" Rating Distribution	Needs Improvement Now	Needs Consistency	Strong Performance	Leading Performance
Management (M)	0%	0%	79%	21%
Professional (P)	0%	2%	79%	19%

2. The overall compa-ratio for each pilot program wage table

The compa-ratio for a job classification is the ratio of actual wage paid vs. the market midpoint wage for that position. A compa-ratio of 100 means that the employee is being paid at market midpoint (i.e. 100% of midpoint). For the purposes of calculating the compa-ratio, the HBPW uses market midpoints developed with assistance from compensation consulting firm Rahmberg, Stover & Associates. These midpoints are formally reviewed and updated every three years.

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Average compa-ratio as of May 1

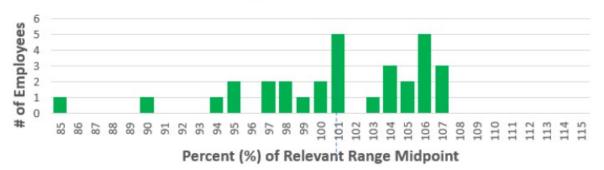
	2023	2022	2021	2020	2019
Management (M)	101.0	99.6	97.7	96.5	94.7
Professional (P)	99.8	100.8	98.8	100.2	98.4

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

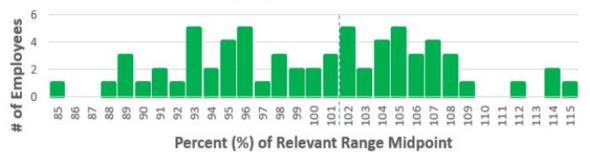
As of May 1, 2023, compensation of employees in the Management (M) wage table ranged from 85% to 107% of midpoint. This represented a slight increase in distribution from 2022, when compensation ranged from 89% to 106%. The following graph shows the distribution of current compensation from the Management (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.

Motion to approve recommendationHemingwaySecondMaaloufFavor5Oppose0

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 meetingn 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

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