REGULAR MEETING

The HBPW Board of Directors met March 7, 2022 at 4:00 p.m. 625 Hastings Ave. Holland, Michigan

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

PJ Thompson, Sue Franz, Paul Lilly, Carolyn Maalouf, City Council Liaison Nathan Bocks, and Ex Members

Present: Officio Members Bob Shilander and Keith Van Beek

Members Tim Hemingway Absent:

Staff Dave Koster, Janet Lemson, Ted Siler, Becky Lehman, Joel Davenport, Jon Hofman, Grant Koster,

Present: Pieter Beyer, Steve Bruinsma, City Attorney, Ron VanderVeen

22.148 **Approval of Agenda**

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

Member Maalouf.

22.149 Board Minutes - Regular Meeting Minutes of February 7, 2022

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

22.150 Action on Consent items:

> Motion to approve, accept, or adopt Consent Lilly

Agenda items

Second Maalouf Favor 4 0

Oppose

22.151 **Communications from the Audience**

None

22.152 **Major Project Update**

> Closeout Memos also presented for: College Avenue Reconstruction Electric Distribution College Avenue

10th Street Reconstruction

For information only

22.153 **Gas Pipeline Verification Dig Services**

The Holland BPW is required to conduct in-line inspections (ILI) on our gas pipelines every seven years as part of the Pipeline Integrity Management Program. The program also requires an ILI to be followed up by verification digs. Verification digs are a process of exposing sections of pipeline to allow for non-destructive examination (NDE) on a selection of features found during the ILI. The findings of the verification dig NDEs will be compared to the findings of the ILI tool allowing for

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verification that the ILI tool inspected the pipeline accurately. If both inspections result in similar findings, the remainder of the ILI report can be trusted as accurate. If there are discrepancies, further conversations with contractors and subject matter experts will be consulted for next steps. An ILI was conducted in October 2021, so verification digs need to be done, preferably before farmers begin working their fields this spring.

The scope of the verification digs have been split up by NDE services and excavation and pipeline coating services. The scope of this contract only includes the excavation and pipeline coating services for the seven verification dig locations (four for Line A and three for Line B).

R.L. Morris & Sons is responsible for excavation so that the feature is exposed and then removing the pipeline's coating for better NDE results. After completion of the NDE, R.L Morris & Sons will recoat the pipeline according to industry standards and backfill the hole as well as restore the grading of the dig site. Also included in the proposal is matting to reduce vehicle's impact on soil during transport from road to dig location. Estimated duration of the project is 18 work days (Monday-Saturday) but could be faster or shorter based on dig difficulties, weather, and duration of NDE.

All labor, management, equipment, and transport is included in R.L. Morris & Sons' \$336,981 proposal.

Bidder Name	Business Location	Quote Amount	Meets Specs	Previous Contracts
R.L. Morris & Sons Construction Co.	Kalkaska, MI	\$336,981	YES	YES
Miller Pipeline	Indianapolis, IN	\$391,650	YES	YES

Recommendation: The Board of Directors approved a contract with R.L. Morris & Sons Construction Co. in the amount of \$336,981 with an 11% contingency of \$38,019 for a total of \$375,000, pending approval as to form from the City Attorney.

Motion to approve recommendation	Lilly
Second	Franz
Favor	4
Oppose	0

22.154 FY 2023 Budget and Rate Recommendations

The budget for FY 2023 has been prepared by staff and reviewed in detail by the HBPW Board Budget Committee.

The FY 2023 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.

Electric Utility

The Electric utility major expense categories and respective portions of the \$82,873,143 operating expense budget are:

- 42.0% Fuel and Purchased Power
- 13.0% Non-fuel Production and Maintenance
- 7.2% External Resource Debt and O&M
- 7.0% Distribution Expenses
- 9.3% Wages and Benefits

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- 5.5% Other Expenses
- 16.0% Depreciation

Contribution to the City is budgeted at a total of \$8,456,856, slightly less than the FY 2022 budget of \$8,595,384.

Capital projects for FY 2023 total \$19.1 million, of which \$18.5 million (97%) is for distribution system improvements. Included in the \$18.5 million amount is \$8.5 million for a new substation, \$1.9 million for new underground lines and equipment, and \$1.1 million for bucket and service trucks. All of the capital projects are internally funded.

Small adjustments are proposed for Rate D (Public Lighting/Security Lighting) due to increased operating and capital costs. Rate S has been adjusted to reflect increased chemical costs. No other rate changes are proposed for Electric.

Broadband

The Broadband utility continues to grow, primarily in the shared gigabit and dark fiber areas. Operations and maintenance costs, at 63% of total operating expenses, are down 7.1% from the FY 2022 budget.

Capital project outlays are budgeted at \$810,000, a 71% increase over the FY 2022 budget; \$330,000 of capital outlays will be for GPON services in the Campustown project. The capital projects are internally funded.

No rate increase is proposed for FY 2023.

Water

The Water utility will expend about 53% of its operating budget on chemicals, production, and distribution expenses. This is up slightly from last year and due largely to increased chemical costs related to supply disruptions and diminishing manufacturer capacities. Lead service line replacements and inspection costs are expected to be \$760,000, a 248% increase over FY 2022 budget. Inspections to verify lead service line installations is \$300,000 of that total. The replacements and inspections are State-mandated, unfunded costs.

The capital plan totaling \$11.4 million includes \$750,000 for an onsite electrical generation project, \$740,000 for chemical storage improvements, \$4.4 million for the completion of a new transmission main, and \$4.9 million in for several smaller distribution system replacements/ upgrades. The new transmission line project, at a total cost of \$14.5 million, is being funded by newly issued debt in FY 2022.

A 2.0% rate increase is proposed for FY 2023.

Wastewater

The Wastewater utility will expend 53% of its operating budget on chemicals, treatment, and collections expenses, the same as the FY 2022 budget.

Capital projects will total about \$11.3 million in FY 2023. The major portion of this amount, \$8.0 million, is for the continued construction of the anaerobic digester project, which will cost about \$33.7 million when complete. This project is largely funded by a \$30 million State Revolving Fund loan which closed in October 2019. The remaining \$3.7 million will be provided by Wastewater equipment replacement funds; \$2.0 million will be expended on collection system improvements, including \$1.0 million for lift station rehabilitation and controls.

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In accordance with the rate plan approved in FY 2019, a 3.7% rate increase is proposed for FY 2023 for Wastewater.

Summary

(\$000)	Revenue	Operating Expense	Net Income	Capital
Electric	96,373	82,873	2,110	19,138
Broadband	1,951	1,463	488	810
Water	13,137	9,633	3,153	11,352
Wastewater	12,927	12,740	7,203	11,333
Admin				971

Wages and benefits across all utilities represent 18.5% of combined total expenses, up slightly from the FY 2022 budget of 18.1%.

The contribution to the City is proposed at \$8,456,856, a decrease of \$138,528 from FY 2022. 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 2023 operating and capital budget documents, along with amended Rate Sheets, are attached.

Recommendation: The Board of Directors approved the FY 2023 budget and associated rate adjustments and forward to the City Council for inclusion in their resolution approving the budget for FY 2023.

Motion to approve recommendation

Second

Franz

Favor

Oppose

Lilly

Franz

4

0

0

22.155 Closed Door Session – Review Status of Labor Negotiations and Discuss a Written Legal Opinion With the City Attorney (Action to follow)

Motion to enter Closed Session @ 5:56 p.m.

Made by
Second:
Favor
Oppose

Sistem p.m.

All Name > Na

ROLL CALL: Franz, Lilly, Maalouf, Thompson

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22.156 Labor Agreement with UWUA

Recommendation: The Board of Directors approved the labor agreement between the HBPW and UWUA Local 610 effective April 1, 2022, through March 31, 2025.

Motion to approve recommendationLillySecondFranzFavor4Oppose0

22.157 General Manager Comments

- March 9 City Council Session on Broadband, Training Room on Second Floor of City Hall
- March 28 our Study Session we will review the Broadband Business Plan
- Regulatory Accounting
- Review of Electric Resource Portfolio at April 11, the next Regular Meeting

22.158 Board Comments

None

ADJOURNMENT

A motion to adjourn the meeting of *March 6*, *2022*, was made by *Maalouf* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of March 7, 2022, adjourned at 6:55 p.m.

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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