

REGULAR MEETING

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

Chair Hemingway called the meeting to order at 4:04 p.m.

Members Present: Tim Hemingway, Sue Franz, Paul Lilly, PJ Thompson, Carolyn Maalouf and Ex Officio Member Keith Van Beek

Members Absent: Bob Shilander, Nathan Bocks

Staff Present: Dave Koster, Janet Lemson, Joel Davenport, Becky Lehman, Ted Siler, Chuck Warren, Phil Leerar, Steve Bruinsma
Visitor: Greg King, Lakeshore Advantage

22.133 **Approval of Agenda**

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

22.134 **Board Minutes – Regular Meeting Minutes of January 10, 2022, and Study Session Minutes of January 24, 2022**

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

22.135 **Declaration of Surplus Material**

The HBPW has identified materials and equipment which are no longer pertinent for use. The attached lists show the items determined as excess, obsolete, or uneconomical to repairs. Once declared surplus, the items will be disposed of in the following order:

1. Offered to other City Departments
2. Sell to companies specializing in inventory disposal
3. Auction (utilizing GovDeals online portal)
4. Public auction (in limited cases)
5. Donation
6. Recycling or waste disposal

As part of the Consent Agenda, the Board of Directors approved, and forwarded to City Council for approval, the list of items ready to be declared as surplus.

22.136 **Action on Consent items:**

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Thompson</i>
Favor	<i>5</i>
Oppose	<i>0</i>

22.137 **Communications from the Audience**

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

Judy Visscher, 143 E. 19th Street, Holland Judy, a former employee of the HBPW, spoke up on proposing a design on the biodigester, a Darwin tulip in the BPW's colors. This cheerful icon could be a gateway to the WTP. She made several suggestions on artists for its design, like Holland's local favorite, Carolyn Stitch. Judy plans to start a Go Fund Me page for this project as well as present to City Council in the near future as well as the Downtown Development Authority.

22.138 **Major Project Update**

For information only

22.139 **First Amendment to the Development Agreement with LG Energy Solution Michigan**

Since 2010, LG Energy Solution Michigan (LG) has been an important corporate figure in our community. When the original facility was being developed, many public investments and commitments were made including but not limited to the extension of new utility services, execution of a 425 agreement with Fillmore Township that transferred land in to the City, and the creation of an Alternative Energy Renaissance Zone. The City of Holland (City) and Holland BPW (HBPW) used a local development agreement to capture the obligations of all parties.

LG has now indicated its intent to make a \$1.7 Billion investment that would add 1,200 jobs and increase battery production from the current 5 gigawatt-hour (GWh) capacity up to 25 GWh. Once again, there are significant City and HBPW investments and commitments that are necessary to facilitate and serve this development. Therefore, an amendment to the prior development agreement is being recommended. The amendment contains sections covering the following commitments.

Construction of the Plant

LG will construct the facilities in accordance with the development and site plans that are submitted and approved by City.

Boundary Adjustment

To facilitate the creation of a new and separate renaissance zone, the new development must be in a separate tax parcel. This section commits LG to certain zoning obligations and future property conveyance limitations in order to facilitate the parcel split.

Zoning

LG will construct and operate the facility in compliance with the City's Unified Development Ordinance (UDO) provisions.

Storm Sewer Easement

LG will comply with the City's stormwater ordinances, obtain necessary permits, and enter into a maintenance agreement with the City prior to commencing construction.

Water Infrastructure and Easements

The original development agreement in 2010 called for the HBPW to construct, at the company's expense, a public water system loop, with associated easements, around the facility. Please note that this is not a normal practice. Now, the placement of that water loop interferes with LG's plans for this new development. If the HBPW were to maintain ownership, its movement of the line would require State of Michigan Public Water System Construction permit approvals. Given the backlog of activity, this could take multiple months. The proposed solution in the amendment calls for isolating the public water system at three points and transferring to LG the assets inside of those delineation points. The easements would also be abandoned.

Electric Service

This section confirms that the HBPW has received and is relying upon a service request for 71 Megawatts (MW) of demand for the new facility. To meet this need, the HBPW will construct a new substation, estimated at \$10 Million. LG commits that it will compensate the HBPW up to a

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cap, should the revenues from electricity sales over time be insufficient to cover the substation investment. Finally, the HBPW makes available its published Economic Development Incentive Rider (EDIR) and pledges to work with LG on the submittal and approval of the EDIR application.

Easements

LG will provide easements to the HBPW as needed to provide services to the facilities.

This amendment will go forward to Holland City Council for consideration at its meeting on February 16, 2022.

Recommendation: The Board of Directors approved and forwarded to City Council the attached First Amendment to the 2010 Development Agreement with LG Energy Solution, pending final approval as to form by the City Attorney's office.

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

22.140

East Point Substation Engineering Services Proposal

The Electric Distribution capital budget includes \$750,000 in FY2022 for property procurement and engineering services for a new substation to serve customer growth on the southeast side of our service territory. The project will include the installation of three new transformers and necessary distribution components.

The new substation's design and equipment will be based on the recently completed Pine Avenue Substation. Staff requested a proposal from Theka for engineering services based on the scope of work they provided for the Pine Avenue Substation. The quote Theka provided is within the 3.5% inflation rate of their bid for the Pine Avenue Substation. Changes from our standard substation design include a third transformer and associated equipment along with increased space for a crew location that can also house the backup Electric Distribution SCADA monitoring station.

Staff recommends issuing an engineering services agreement to Theka for the East Point Substation based on their cost advantage and familiarity with the project needs because of their recent design and construction administration for both the Greenly and Pine Avenue Substations. Theka's knowledge of the project scope and our system provides efficiencies to the project and is reflected in their cost proposal for this new substation scope of work.

For reference, the table below compares the engineering bids received for the Greenly Substation relative to Theka's current proposal.

Recommendation: The Board of Directors approved an Engineering Services Agreement with Theka Associates in the amount of \$332,950, with a 10% contingency in the amount of \$33,295, for a total of \$366,245 pending approval as to form from the City Attorney.

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

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This purchase is contingent on HBPW also acquiring the vacant 782 Waverly Ct. parcel and successful survey and inspection outcomes. Contingency is requested, as the final purchase price may vary depending on the ALTA survey results and actual area of land acquired.

Recommendation: The Board of Directors approved a buy/sell agreement with Koning Family, LLC for approximately 0.7 acres of 750 Waverly Ct., Holland, MI 49423 for \$35,000, with a \$10,000 contingency for a total of \$45,000, pending successful property survey and inspection outcomes.

*Motion to approve recommendation Franz
Second Thompson
Favor 5
Oppose 0*

22.143

Water Treatment Plant Generators Engineering Services Agreement

The Generator project at the WTP is intended to install two new generators at the site that would provide emergency power supply in the event of loss of power at the site and provide WTP staff with the ability to save on annual electric costs by utilizing the generators for peak shaving in the summer months.

A request for proposals was sent to six firms for engineering services on the project with only two supplying proposals as summarized below. The limited response was due to the existing workloads of the other firms that did not allow for them to support the project at this time.

Firm	Proposed Fee
Theka Associates	\$135,432
Prein & Newhof	\$145,000

Staff recommends issuing an engineering services agreement to Theka for the generators based on several factors. The primary factor is their cost advantage amongst the bids received. Second is their familiarity with the project needs based on their design and construction administration for several successful projects with other HBPW departments. Finally, Theka’s knowledge of the project scope provides additional efficiencies to the project and HBPW, as is reflected in their lower price.

The Board approved \$1,250,000 in the Fiscal Year 2022 capital budget for the design, procurement, and installation of new natural gas generators at the Water Treatment Plant. The cost from Theka is within the expected costs for design and construction phase engineering included in that budget.

Theka and HBPW staff will work together for the major equipment selection and place the order to lessen the impacts of long lead times on these items.

Recommendation: The Board of Directors Approve an Engineering Services Agreement with Theka Associates in the amount of \$135,432 with a 10% contingency of \$13,543, for a total amount of \$148,975 pending approval as to form from the City Attorney.

*Motion to approve recommendation Thompson
Second Lilly
Favor 5
Oppose 0*

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22.144

Authorization to Appoint New Agent of Record for the City/HBPW Property, Casualty, and Worker's Compensation Program Effective July 1, 2022

The current insurance Agent of Record, Arthur J. Gallagher & Co., was appointed on July 1, 2015, under a three-year agreement and has been operating under one-year agreements since July 1, 2018. Given the length of time the incumbent agency has been in place and the dynamic and challenging risk environment the City/HBPW are operating in, the City and HBPW Finance Directors determined that it is in the City/HBPW's best interests to determine if improvements to the insurance program could be made. Accordingly, on November 11, 2021, the City/HBPW

issued a Request for Qualifications to identify the insurance agency best suited to meet the needs of the City/HBPW for the next several years. The RFQ was publicized through the Michigan Intergovernmental Trade Network (MITN) and the Bids and RFPs page on the City's website.

Inquiries for the RFQ package were received from 11 agencies, with five agencies subsequently providing timely responses. The responses were reviewed by staff and management at the City/HBPW. The top two candidates, determined by the review process, were Marsh USA Inc. and Arthur J. Gallagher & Co. Both finalists made oral presentations, via teleconference, to City/HBPW staff and management on January 20-21, 2022. The finalist firms are both leaders in the insurance industry:

- Marsh USA Inc., established in 1871, has over 40,000 employees in over 130 countries, and a local presence through their Grand Rapids office. They serve over 500 public entity clients and 2,000 power and utility clients.
- Arthur J. Gallagher & Co. was established in 1927, and has over 32,000 employees in over 150 countries, and a Michigan presence through their St. Clair Shores office. Their public sector practice serves over 19,700 clients.

Since both firms currently provide services to the City/HBPW (AJG as the agent of record on the combined City/HBPW property, casualty, and worker's comp coverages and Marsh as the agent of record for property coverage on HBPW electric peaking units and Holland Energy Park) discussions focused primarily on the evolving risk and coverage issues faced by both the City and HBPW. Both firms have:

- competency in the municipal and utility spaces,
- experienced and competent staff,
- access and coverage in the insurance markets to ensure robust coverage for City/HBPW risks,
- a Michigan presence,
- agreed to work on a fixed fee, versus commission, basis.

The primary differentiator comes down to service. Both AJG and Marsh have great credibility in this area. However, experience of the past few years at the City/HBPW, in conjunction with the responses garnered during the 1/20-1/21 oral sessions, compel City/HBPW staff to unanimously recommend the appointment of Marsh USA Inc. as the Agent of Record for the combined City/HBPW property, casualty, and worker's comp insurance program.

Marsh has proposed a three-year agreement, with a two-year extension, at an initial annual fee of \$90,000 and base increase of 3% annually. The existing Agent of Record and fee relationship between Marsh and HBPW for the peaking stations and HEP remain separate and in place.

Recommendation: The Board of Directors appointed Marsh USA Inc. Agent of Record for the City and HBPW property, casualty, and worker's compensation insurance program effective July 1, 2022

22.146

General Manager Comments

- The Board Budget Subcommittee will meet to review the FY 2023 budget on February 21, 23, and 25 (if needed)
- PJ Thompson will chair the March 7 meeting, as Tim Hemingway will be out of town.
- The February 28 Study Session has been cancelled due to anticipated absences
- The next Board meeting is scheduled for March 7, 2022

22.147

Board Comments

- None

ADJOURNMENT

A motion to adjourn the meeting of *February 7, 2022*, was made by *Franz* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of February 7, 2022, adjourned at *6:03 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board