

Regular Meeting
 Board of Public Works
 Water Warehouse
 July 20, 2021

The regular meeting of the Board of Public Works Commission was held at the BPW Water Warehouse, 330 E. Washington, Tuesday, July 20, 2021. Chairperson Boerman called the meeting to order at 3:30 p.m.

PRESENT: Commissioners – Vice-Chairperson Cooney, Query, Dykstra and Walters
 ABSENT: Commissioners – Chairperson Boerman

Staff Present: General Manager Boatright, Electric T&D Manager DeKraker, Electric Power Supply & Market Operations Manager Mulder, Water Manager Levandoski, Utility Accounting & Finance Director Chrisman and City Clerk Holmes

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the minutes of the June 15, 2021 regular meeting. Motion carried. All voting aye.

Public Comment

No public comment given.

Safety Minute

The Safety Minute this month was regarding food and your mood.

21.061 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to approve the June, 2021 cash disbursements and the regular monthly transfers for the month of July, 2021 as follows:

Cash and Investments as of: June 30, 2021

	Electric	Water
Receiving	\$1,292,271	\$552,982
Accumulated Debt Service (in Receiving Fund)	-	-
Plant Improvements and Contingencies	\$27,567,660	\$12,439,526
Bond and Interest Payment Reserve*	-	-
Totals	<u>\$28,859,931</u>	<u>\$ 12,992,508</u>

* Reserve required per electric and water revenue bond ordinances.

Recommended Transfers for the Month: June, 2021

	Electric	Water
Receiving	(42,198)	(266,900)
Accumulated Debt Service	-	-
Plant Improvements and Contingency	-	266,900
General Fund (per charter provision)	42,198	-

Motion carried. All voting aye.

Boatright reported that Staff has consulted with Michigan Professional Insurance Authority (MPIA) insurance consultant Ken Bush to confirm the appropriateness of filing a claim against the Authority to cover the expenses associated with the Power Plant roof repairs and relocation of the Unit #7 exhaust stack to the exterior. This has been deemed an appropriate use of Zeeland BPW’s reserve funding. The attached memo from Katherine Chrisman formally notifies MPIA of our intention to file the claim and provides the scope of work and estimated costs. Note that a claim for damages resulting from fire will not be submitted against our property insurance coverage. With this action, we are notifying the Authority of only our intention to access our MPIA cash reserves to cover the costs

of the repairs and stack relocation construction work.

Although the fire on June 10 was promptly contained and extinguished, damage to the roof of the building was sustained, the estimated cost of which to repair was outlined in Mulder's Emergency Action & Expenditure Memorandum dated June 25, 2021. Subsequent to issuing that memorandum, ultrasonic testing inspection (UTI) of the muffler and stack was completed, and determined to be in good condition with no significant areas of deterioration or concern.

At the June 15, 2021 meeting of the BPW Board, the Board requested that staff investigate the cost of relocating the Unit #7 exhaust stack outside the plant to mitigate this potential hazard, and achieve consistency with the installation of the other units at the facility. Staff engaged Northern Boiler Mechanical Contractors to evaluate and provide this service, and received a proposal to complete the project for an estimated cost of \$116,300. Although significant, the estimated cost is less than staff had anticipated.

After due consideration, staff believes that this expenditure is warranted to reduce risk, maintain or improve the facilities appeal to insurance underwriters, and repair this area of the roof in a manner that will not require future repair when Unit #7 is retired from service. Because this unit is the oldest in the BPW's fleet, operates infrequently, and is likely the first to be retired, staff views this as an investment in the Plant and planning for the future, and not solely as an investment in this particular unit. As the BPW receives MISO capacity credit for the unit, the return on investment is estimated at less than two (2) years, based on recent Zonal Resource Credit (ZRC) capacity transactions executed through the Michigan Public Power Agency (MPPA).

Mulder provided an estimate for the total project including exhaust stack relocation, with allowances and contingency added for some materials and repairs yet to be determined. Staff anticipates that the estimate includes some overlap in scope between the roof repairs and stack relocation, and that some savings will be realized, although likely insignificant for budgeting purposes. However, these items will be identified and addressed as the project is fully planned and scheduled with contractors.

Based on contractor schedules and the availability of material, staff anticipates that this expansion in project scope could be performed with minimal impact or delay to the current roof repair schedule, although an additional mobilization cost for crane services would likely be incurred, and has been included in the estimate.

21.062 Approve Claim Against MPIA for Power Plant Roof Repairs and Unit #7 Stack Relocation

Motion was made by Commissioner Query and seconded by Commissioner Walters to approve filing a claim with the Michigan Professional Insurance Authority to access Zeeland BPW cash reserves to cover expenses associated with the Power Plant roof repairs and relocation of the Unit #7 exhaust stack to the exterior. Motion carried. All voting aye.

Credit Card Fees Discussion:

The BPW began absorbing credit card fees in March 2020 to encourage expanded use of credit cards to transact business, to mitigate foot traffic at the BPW offices and/or to accommodate timely bill payment in light of reduced office hours during COVID. After several months of the BPW absorbing fees for credit card transactions from our payment card vendor Invoice Cloud, we were informed that a significantly reduced fee structure could be implemented for utilities who elect to absorb these fees.

Pre-COVID, the costs incurred by the BPW were almost negligible in comparison to the periods that follow. With the BPW absorbing the fees, the per transaction cost averaged \$3.59 (April 2020-December 2020) under the traditional fee structure. With the new fee structure, the average per transaction cost decreased to \$1.04 (Jan 2021 to present). The BPW incurs no cost for customers who elect to use ACH bank draft which provides for the automatic payment of monthly utility bills. We understand that certain customers prefer to have control over when and how much they pay any given month and others prefer to have automatic monthly withdrawals for the payment of utility bills. There are several other payment methods also being offered by our payment card vendor in addition to credit

card payment such as payment by phone or text, E-Check, PayPal, Venmo, Apple Pay and Google Pay. There are nominal per transaction fees associated with these methods of payment which are included in the aforementioned average amounts.

There is a philosophical question as to whether the BPW should continue to absorb the transaction fees or revert back to having the customer accept the fees. Should all BPW customers bear these transaction costs to accommodate the approximately 2,500 of our 7,000 customers who transact using credit card or similar forms of payment?

The BPW has not included these costs in the rate base for rate recovery and if we continue to absorb the transaction fees, this expense should be included. Assuming an annual expense of \$24,000 for these fees (under the reduced fee structure) the cost per monthly utility bill is approximately \$0.27 or \$3.24 annually per utility bill. The BPW has established an excellent customer service reputation due to responsiveness, convenience, and low rates. Absorbing the credit card fees has been beneficial in terms of added convenience for customers. The BPW benefits from improved timeliness of utility bill payments which translates into fewer accounts in arrears. Staff recommends staying the course and continuing to absorb these fees. As an aside, the City of Zeeland is moving toward absorbing credit card fees on all transactions other than tax bill payments. Furthermore, Holland BPW is moving toward absorbing credit card fees and Grand Haven BLP currently absorbs said fees. Staff also recommends initiating an incentive program to encourage utility customers to migrate to automatic ACH payment to further mitigate the credit card fee expense. In the long-term, staff will build these transaction costs into the cost-of-service model thereby ensuring adequate revenue recovery for this expense. Boatright recommends we stay the course and the Board agrees.

Water Operations

Manager Levandoski reviewed the Water Department report and updated the Board on the Water projects.

Levandoski explained Utility Financial Solutions, Inc. (UFS) was retained by Zeeland BPW to perform a review of water connection fees. The reason for this review was to ensure that our current methodology of calculating water connection fees did not result on under or over recovery of costs through base rates. The basis for recovery of revenue through connection fees has become an issue in recent court proceedings involving municipal water systems in Michigan. The objective is to establish fee structures that can be justified through the “equity method” cost-of-service analyses thereby ensuring rates and fees sufficiently cover operating expenses as well as future renewals and replacement capital expenses. UFS has provided further guidance as follows:

The specific purpose of a connection fee (cost-of-service) study is to ensure new connections are put on the same equity basis as existing customers. A conservative average estimate of revenues received from all connection fees should be used as an offset to revenue requirements during the yearly budget process to help avoid double charging the recovery of costs with standard user rates.

The equity method is one standard methodology according to AWWA. The reasons for a connection fee study are to help ensure:

- 1. There is a formal methodology documented on how the connection fee is calculated - connection fees are increasingly being challenged in Michigan.*
- 2. There is a consistent fee by meter size connection – the meter is what restricts the max flow; and basing charges on meter size helps ensure consistency between customers.*
- 3. There is simplicity on the amount of fees customers are charged at connection – many utilities can have multiple charges and it is not easily identifiable what the charges are for and avoid cross subsidization (in other words, giving credence to the likelihood of cross-subsidization).*

The end result is a recommendation to eliminate the Front Foot, Trunkage, and Tap charges and instead assess a per-meter connection fee. The Front Foot and Trunkage fees are based on parcel size which does not always correlate to the ultimate volume of water consumed at the corresponding development. An example of this is in the case of a recent connection for single dwelling consisting of a warehouse with one restroom.

Under the recommended fee structure Levandoski presented, charges correlate more closely to the ultimate volume of water to be consumed at the site using meter size as the basis, as opposed to parcel size. Staff recommends replacement of the Front Foot, Trunkage, and Tap connection fee structure with the perimeter connection fee structure. The fee structure will be comprised of two (2) fee schedules – one for service to a single dwelling to be served from existing water main, the other for service to a subdivision or development where the water main is to be supplied and installed by the developer.

The proposed fee structure is defensible, easy to administer, and reflective of the actual costs to provide water service. Also included as an attachment is a cost comparison for all water service providers in Ottawa County including the Zeeland BPW’s current and proposed fee structures. Our fees compare favorably. Since the water connection fees are codified in the Zeeland Code, approval of an ordinance (No. 1003) is necessary to enact the changes.

21.063 Ordinance 1003 – Water Connection Fee Structure

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to approve the proposed water connection fee cost of service study performed by Utility Financial Solutions pending City Council approval at their August 2, 2021 meeting. Motion carried. All voting aye.

Levandoski and Utility Accounting & Finance Manager Chrisman compared FY2021 O&M activity to FY2022 requested budget. After comparing recent activity, identifying changes in personnel hours, sales and future spending, twelve accounts have been identified that require a budget amendment.

		2021-22 Approved Budget	REQUESTED Amendment
Income			
591-000-646.000	Utility Sales - Residential	\$ 631,296	\$ 573,453
591-000-647.000	Utility Sales - Commercial	\$ 1,226,963	\$ 1,220,575
591-000-647.001	Industrial Sales - Contractual	\$ 3,102,380	\$ 2,859,859
591-000-650.000	Fire Protection Charges	\$ 153,316	\$ 140,660
Expenses			
591-538-703.002	Wages/Part-Time Maintenance	\$ 14,483	\$ 24,000
591-538-704.002	Wages/Overtime Maintenance	\$ 16,141	\$ 30,000
591-546-703.001	Wages/Part-Time Operating	\$ 1,425	\$ 5,076
591-546-820.000	Contractual Services – Other	\$ 16,000	\$ 19,348
591-547-702.001	Wages/Full-Time Operating	\$ 96,579	\$ 128,888
591-547-850.000	Communications	\$ 3,625	\$ 5,465
591-547-890.000	Community Contr./Projects		\$ 6,250
591-547-940.001	Office Rental		\$ 4,200

21.064 Water Department Budget Amendment - TABLED

The Water Department Budget Amendment was tabled until further conversations with City Staff.

Levandoski gave an update on the AMI bid process. Three were received back and two met the specs. There was a lot of information to review and Levandoski is hoping to come before the Board at the next meeting with a recommendation.

Electric Transmission & Distribution

Manager DeKraker reviewed the Electric Department report and updated the Board on the Electric projects.

DeKraker explained the Service Truck is replaced every 5 years due to the amount it is driven and used. Staff looked into purchasing an Electric Vehicle this time as we have seen some demonstrations on them. They are a typical Ford Chassis but the battery operates the climate control in the cab as well as the boom operation. The cost of going to an electric vehicle puts the cost out of our budget. Plus, the one option from ETI is a relatively new option in Michigan. We are recommending that we wait for the next replacement cycle for the Service Truck to give them time to get the bugs out before we move into this since this is our only small bucket and we can then budget accordingly. The Electric Fund has budgeted \$150,000 for this purchase. Three bids were received with Altec of Grand Rapids being the low bidder of \$153,855.00.

21.065 Electric Service Truck Purchase

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the purchase of a service truck without any electric options for a total price of \$153,855.00. Motion carried. All voting aye.

DeKraker reported a PHM-11 switch cabinet is need for the Perry 5 Circuit. Four bids were received with IRBY being the low bid of \$13,165.00

21.066 Perry 5 Switchgear Purchase

Motion was made by Commissioner Query and seconded by Commissioner Walters to award the purchase of one PMH switch cabinet to IRBY for a total price of \$13,165.00. Motion carried. All voting aye.

DeKraker is requesting underground 500 copper wire for the construction of the new Perry 5 circuit. The wire will get the circuit from the new switchgear on Perry to the overhead line on State St. giving us a new feed to this area. This was a recommendation in the last Electric System Study. Not only will it improve reliability for this area by giving us some switching options, but it will also help us unload some of the other substation transformers. The exact cost could change due to the price of copper potentially rising, but the three quotes DeKraker received, all have the same escalation clause.

21.067 Perry Circuit 5 Wire Purchase

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to award the purchase of underground 500 copper wire to Power Line Supply for a total price of \$135,440.10 with the potential for appropriate added cost due to the escalation clause on copper costs. Motion carried. All voting aye.

DeKraker explained as part of our transmission and substation system improvements, we are planning on installing the new transformer at Perry Substation that was moved from Fairview Substation. As part of our five-year substation maintenance program, the oil valve was identified as the cause for a slow oil leak. This leak should be repaired before this transformer is energized to ensure safe and proper operation.

Staff is recommending one (1) Oil Valve Replacement. This scope of work is for replacement of the oil valve from Perry Transformer #2, by partially draining the oil and removing the radiator fins to access and replace the valve. Drained oil from the tank and fins will be filtered before refilling the tank. Two bids were received with Shermco Industries being the low bid.

21.068 Perry Transformer #2 Oil Valve Replacement

Motion was made by Commissioner Query and seconded by Commissioner Walters to award the purchase of the Perry Substation Transformer #2 oil valve replacement to Shermco Industries for a total price of \$10,985.00. Motion carried. All voting aye.

DeKraker stated the underground padmount capacitor bank is for our RY-3 circuit that we are finding we need additional capacitance on for our system integrity. It was recommended in our System Study to add capacitance to this circuit due to the industrial load and lack of KVARs on the circuit. This is a 2400 kVar unit which is twice as large as the units we installed last year. Staff is planning to add controls to this unit as we did last year on three of our new capacitors as part of our distribution automation plan with the new AMI system. This will give our operators the ability to turn the capacitor unit on and off as they need it based on the load on the circuit.

Power Line out of Reed City provided quotes; one for Eaton which is a one cabinet unit and Hubbell which is for two units. Due to the fact that this will be located along the distribution system and near customer buildings/property, we would prefer one cabinet instead of two taking up less space. Also, the Eaton unit will have one controller that will come installed for us. The Hubbell units are requiring us to purchase the controller/radio separately and install ourselves. This is another reason we are recommending the Eaton option. The Eaton unit will allow for us to stage the capacitor meaning we can turn on just 1200 kVAR at a time as needed.

21.069 Underground Capacitor

Motion was made by Commissioner Walters and seconded by Commissioner Query to award the purchase of an underground padmount capacitor bank to Power Line Supply from Eaton for a total price of \$61,856.00. Motion carried. All voting aye.

DeKraker explained the Zeeland Board of Public Works has made substantial upgrades to the transmission and distribution systems with operational technology and new infrastructure. Load flow analysis software allows us to utilize the data from GIS, SCADA, and AMI to optimize our system and ensure we are operating efficiently. This software will allow for more accurate protective device coordination, switching configurations, power factor optimization, load balancing, and circuit loading.

Three bids were received for one (1) floating license of CYME for the Zeeland BPW. CYME is an Eaton product and has the best support for transferring our GIS and AMI data into their system. This software also allows for analysis of substations and AMI meter data for any past date/time interval.

21.070 CYME Distribution System Analysis Software

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to award the purchase of the Electric Transmission and Distribution Load Flow Software to CYME (Eaton) for a total price of \$28,500.00. Motion carried. All voting aye.

Electric Power Supply & Market Operations

Mulder updated the Board on current operations status, activities and projects.

101 North Centennial Property Transfer:

The proposed North Warehouse building plan calls for the building footprint to encroach upon the parcel that houses the People Product Progress monument sign located on the northeast corner of N. Centennial and E. Washington Avenue (101 N. Centennial). A site plan has been included in the packet for reference. This parcel was purchased by the City of Zeeland in 1980 at a price of \$25,000. Considering the parcel ownership by the City and the fact that the footprint of proposed warehouse will occupy a portion of this parcel, staff feels that the BPW should acquire the parcel and ultimately combine the parcel with that occupied by the Washington Ave. Generating Station. Staff recently met with CM Klunder, ACM Plockmeyer, and Community Development Director Maday to discuss transfer of the property in question. There is agreement to transfer the property based on the following terms and conditions:

- The land is to be transferred at no cost to the BPW. This would be in acknowledgement of many years of the BPW absorbing costs to maintain the property including signage, landscaping, lawn mowing, irrigation, and utilities at no charge to the City of Zeeland for many years.
- The People Product Progress sign and maintenance thereof is to remain the responsibility of the BPW
- The electric and water utilities are to remain the responsibility of the BPW
- The landscape maintenance and mowing are to remain the responsibility of the BPW
- That there will be a sign located within the property boundaries, and
- That removal of the sign would require City Council approval.

Staff has requested the services of City Attorney Donkersloot to develop legal documents to perform the property transfer. These documents consist of a Resolution for consideration by the Board of Commissioners, a Resolution for consideration by Zeeland City Council, a Warranty Deed and a Property Transfer Affidavit.

21.071 Resolution - Transfer of 101 N. Centennial from the City of Zeeland to the Zeeland BPW

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the Resolution accepting the transfer of the parcel at 101 N. Centennial from the City of Zeeland subject to the terms and conditions specified in the Resolution. Motion carried. All voting aye.

Board Meeting Date Revision Discussion

The question about when the Board of Commissioner’s monthly meeting can take place has come up recently. This issue has to do with the lag of up to two weeks or more from the time of Board approval to City Council ratification of Board approved items. This time lag can delay the start of important projects or procurements because notice-to-proceed cannot be issued until City Council has ratified the Board’s actions. This time lag has, on occasion, made it necessary to request City Council authority before obtaining Board of Commissioner approval on action items that are of a time sensitive nature. Staff has been evaluating options for revising the date of the monthly Board meeting to reduce this lag time. We have reviewed the Zeeland Charter which states, (Chapter 13, Section 7) “The Board shall hold regular stated meetings for the transaction of business, at such times and places within the city as it shall describe, one of which shall be held in each month.” We have polled the City of Zeeland leadership to ascertain knowledge of any prohibition in revising the monthly meeting date. We have inquired with City Attorney Donkersloot as well about this matter. There are apparently no restrictions or regulations that stipulate the date or time of day of the monthly Board meetings.

With the current Board monthly meeting date of the third Tuesday, there are generally only two times in a calendar year when the Board meeting occurs before the third Monday which is when City Council meets. On these occasions, Board-approved items are provided timely and prompt City Council approval. Staff has determined that revising the monthly Board meeting to the second Tuesday of the month, would ensure City Council consideration at their third Monday meeting thereby reducing the lag time in approval except for a couple of months in the calendar year. In these cases, the first day of the month occurs on Tuesday which means that City Council’s first meeting of the month would be the day before the Board meeting, thus the next City Council meeting would be 13 days lagging.

Staff can only identify one down-side to revising the meeting date to the second Tuesday of the month and this would be that published financial reports would lag by one month. For example, the financial reports for October would be provided at the December meeting, November’s financials would be presented in January, December’s in February, and so on. This lag in financial reporting would be beneficial to staff as it would allow more time for all data to be gathered and verified before publication. As it is today, staff is often working right up to packet deadline in developing reports.

Staff would like the Board to consider revising the monthly Board meeting date to the second Tuesday of the month effective on December 14, 2021. This would allow for a four-week time period from the November Board meeting (November 16, 2021).

IT Services On-going Projects Update:

Boatright submitted the IT Projects List in the Board Packet for their review.

Customer Service Utility Building Metrics:

Boatright included the Utility Payment Statistics in the Board Packet for their review.

Upcoming Events

- **Next Regular ZBPW Board Meeting, August 17, 2021, 3:30 p.m., Water Warehouse Meeting Space**
- Michigan Energy Providers Conference, Thursday, July 29 – Friday, July 30, 2021 Mackinac Island.

Motion was made and supported that the regular meeting be adjourned at 6:03 p.m. Motion carried. All voting aye.

Pamela Holmes, City Clerk