

**MINUTES OF THE  
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES  
AUDIT/FINANCE COMMITTEE MEETING  
DECEMBER 19, 2013 – 4:30 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Thursday, December 19, 2013, at 4:30 p.m.

Members of the Committee were present as follows: Committee Chairperson Warren Heidbreder and Trustee Steven Bradford.

Present from Muscatine Power & Water were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Govey, Director of Finance & Administrative Services; and Brenda Christensen, Executive Assistant. Jim Fleischel with Risk Solutions, LLC was also present.

Chairperson Heidbreder called the meeting to order.

Mr. LoBianco informed the Committee that Mr. Jim Fleischel of Risk Solutions LLC, MP&W insurance advisor, was joining the meeting to review the Utilities' property and causality insurance program. Mr. Fleischel stated that there were no changes to the program except for pricing; the biggest premium increase was a 10% increase in the cost of Excess Liability coverage. He stated that the Workers Compensation Claims had been low the past few years and that Jeff Herington, Safety Manager and his staff, along with Erika Cox, Director Employee and Community Relations, had done a great job of keeping on top of claims and managing them. As in the past two years, the FM Global Property Program premium increased due to additional flood insurance requirements, but the program continues to be superior to what is available from other insurance companies. He also said that for the fifth time in the past 10 years MP&W will receive a membership credit from FM Global; the 2013 credit will be \$69,322. After answering a few questions, Mr. Fleischel left the meeting.

Mr. LoBianco told the Committee that the next agenda item was to review new accounting, financial reporting and auditing standards. Mr. Govey reviewed GASB Statement No. 71, which is a clarification to Statement No. 68 issued previously, and how it would affect the Utility when it goes into effect in 2015. He also reviewed Statement on Audit Standards 127 regarding auditor reporting, which will not affect MP&W.

Mr. LoBianco stated the next agenda item was to discuss issues affecting the Audit/Finance Committee's responsibilities. The first item of discussion was a recommended adjustment to the interest rate charged in the Water Utility's borrowing agreement with the Electric Utility; the agreement provides the option to adjust the rate annually to reflect the Electric Utility's investment opportunity cost. The interest rate is currently

0.10% and Management recommends that the rate be adjusted a rate of 0.18% effective January 1, 2014. The Audit/Finance Committee agrees with the adjustment and this item will be taken to the full Board at the January meeting.

The next discussion item was regarding the Communications Utility debt restructuring. Mr. Gowey presented and reviewed several options for restructuring this debt. The Committee requested that several questions and issues raised be investigated and responses be provided to the Committee at the next meeting along with a final recommendation.

Next on the agenda was a review of Identity Theft Program activities. Since the update provided on the MP&W Identity Theft Program in December 2012, one customer notified MP&W of being a victim of identity theft and this incident is under further investigation by the customer. Forty-one accounts were red flagged by staff, most of them being improper identification or more verification needed. The program continues to be reviewed and additional action may be needed in the future to limit customer identity theft and Utility exposure.

The next agenda item was to review legal and tax issues along with any other regulatory matters that could have a material impact on the Utility's financial statements as identified by the Director, Legal & Regulatory Services. This section included an update on environmental regulations that had been reviewed at past meetings, which currently had no major updates. There was also a summary of issues with recorded phone calls and video surveillance in the past year that has been resolved, along with the results of a recent internal audit done on the Public Informational File (PIF) that we are required to keep per the FCC. The last item of discussion was the litigation settlement with AKA Properties regarding a property damage claim in the case of AKA Properties vs. City of Muscatine, MP&W, and Nelson Electric that had been filed in Muscatine County.

The final agenda item was an update regarding the negotiations of a Renewable Energy/Wind Power Purchase Agreement that would be reviewed in more detail at the full Board meeting during closed session.

The meeting was adjourned at 5:28 p.m.

BOARD OF WATER, ELECTRIC, AND  
COMMUNICATIONS TRUSTEES OF  
THE CITY OF MUSCATINE, IOWA



Warren Heidbreder  
Audit/Finance Committee Chairperson



OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
DECEMBER 19, 2013 - 5:30 P.M.

The Board of Trustees met in regular session at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Thursday, December 19, 2013, at 5:30 p.m.

Chairperson Tubandt called the meeting to order. Members of the Board were present as follows: Trustees Doyle Tubandt, Tracy McGinnis, Warren Heidbreder, Steven Bradford, and Joan Axel.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Duane Goedken, Board Attorney; Charles Potter, Muscatine Journal; Erika Cox, Brandy Olson, Tim Reed, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

Chairperson Tubandt asked if there was anyone in attendance who wished to make any public comments. There were no comments.

The minutes of the November 26, 2013, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee Bradford moved, seconded by Trustee McGinnis, that the minutes be approved and placed on file as submitted. All Trustees voted aye. Motion carried.

The list of November expenditures and transactions was presented as previously submitted in written form to all Board members. After review, Trustee Axel moved, seconded by Trustee Heidbreder, to ratify payments of \$6,688,907.82 for the Electric Utility, \$401,489.90 for the Water Utility, and \$845,270.17 for the Communications Utility for a total amount of \$7,935,667.89. All Trustees voted aye. Motion carried.

Mr. LoBianco stated that the next item on the agenda was a recommendation to approve a revised project summary form for the Construct Well 44 at Main Well Field Project with an authorized expenditure of \$551,467; the project was originally submitted and approved with the 2012 Operating Budget and consisted of a well construction project to replace an older well utilizing existing water mains. Mr. LoBianco stated the scope of the project has changed in an effort to address water quality issues and now includes test wells and additional costs for water transmission main piping. The project also includes costs for liquidated damages/bonus to encourage the project be completed and online as soon as possible to meet 2014 water demand. After additional discussion, Trustee Heidbreder moved, seconded by Trustee Bradford, that the revised project summary form for the Construct Well 44 at Main Well Field Project be approved in the amount of \$551,467. All Trustees voted aye. Motion carried.

Mr. LoBianco next introduced a recommendation to approve a revised project summary form for the Construct Well 45 at Progress Park Well Field Project with an authorized expenditure of \$384,302; the project was originally submitted and approved with the 2014 Operating Budget and was for a well construction project in a new well field. Due to the need to meet existing water demand, the scope of the project has changed to constructing the well in an existing well field; costs now include a test well and additional costs for water transmission main piping. The project also includes costs for liquidated damages/bonus to encourage the project be completed and online as soon as possible to meet 2014 water demand. Trustee Heidbreder moved, seconded by Trustee Bradford, that the



revised project summary form for the Construct Well 45 at Progress Park Well Field Project be approved in the amount of \$384,302. All Trustees voted aye. Motion carried.

The next agenda item was a recommendation to tentatively approve plans and specifications of the Construct Well 44 at Main Well Field Project and the Construct Well 45 at Progress Park Well Field Project and set dates for the receipt of bids and to conduct a public hearing for the Construct Well 44 at Main Well Field Project and the Construct Well 45 at Progress Park Well Field Project. Mr. LoBianco reviewed the previously submitted memorandum to all Board members explaining that these projects include labor, materials, and equipment necessary to construct two wells and the associated work. After discussion, the following resolution was submitted.

#### **RESOLUTION 13-29**

WHEREAS, plans and specifications have been prepared for the Construct Well 44 at Main Well Field Project and the Construct Well 45 at Progress Park Well Field Project; and,

WHEREAS, said proposed plans and specifications and proposed form of contract were now on file with the Secretary of the Board and the Board finds the same were in substantial conformity with the requirements necessary to carry out said plans; now therefore, Construct Well 44 at Main Well Field Project and the Construct Well 45 at Progress Park Well Field Project plans and specifications were tentatively approved; and,

BE IT FURTHER RESOLVED, that the date of January 14, 2014, at 3:00 p.m., was hereby set for receipt of bids on said project at which time the Board's duly appointed representative was hereby authorized, empowered, and directed to receive, open and read aloud all sealed bids, and receive and record all oral bids, and keep a written record of said proceedings and notice to bidders be published not less than four (4) days nor more than forty-five (45) days prior to said date for receipt of bids all as required by the Code of Iowa; and,

BE IT FURTHER RESOLVED, that the hearing on said plans and specifications and proposed form of contract as provided by statute, be held in the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on January 28, 2014, at 5:28 p.m., and notice to bidders be published not less than four (4) days nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Bradford moved, seconded by Trustee Axel, that said resolution should be passed, approved, and adopted on this 19<sup>th</sup> day of December 2013. On roll call Trustees McGinnis, Axel, Heidbreder, Bradford, and Tubandt voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco introduced the next item on the agenda as approval of Unit 9 Deaerator South Head Replacement Project with an expected expenditure of \$170,000 to replace the south end (aka "head") of the Unit 9 Deaerator (DA). He continued that during the last two maintenance outages, inspections have identified some delamination of the metal on the south head; repairs were made to the areas to maintain structural integrity, however the inspection company has recommended that the DA head be replaced within the next six months due to the fact that the delaminations continue to spread. There was a \$100,000 line item in the 2014 Operating Budget for this work, but after receiving the recommendation, staff put together comprehensive technical specifications and the quotes received had an increase of \$70,000 from the budgeted amount. After review and discussion,



Trustee Heidbreder moved, seconded by Trustee McGinnis, to approve the Unit 9 Deaerator South Head Replacement Project. All Trustees voted aye. Motion carried.

Mr. LoBianco introduced the next item on the agenda as a request to transfer monies to the Electric Utility Extraordinary Operation and Maintenance (EO&M) Account and reviewed the memo previously provided to the Board. He reminded the Board that transfers are authorized by the Board into and out of the EO&M Account to decrease or increase revenues (net income and debt service coverage), in the year so designated by the Board. This provision gives the Board flexibility to mitigate large swings in revenues and expenses. The 2013 Operating Budget included a transfer of \$7.1 million from the revenue fund to the EO&M Account; after reviewing cash flow, an amount of \$7 million can be transferred and still maintain adequate levels of cash in the Revenue Fund. Mr. Gowey reviewed the transfer of funds on the schedules provided to the Board, along with the impact of the transfer on the income statement and balance sheet. Trustee McGinnis moved, seconded by Trustee Axel to transfer \$7 million from the Revenue Fund to the Extraordinary O&M Account in December 2013. All Trustees voted aye. Motion carried.

Mr. LoBianco indicated that the next meeting item pertained to 2013 uncollectible customer accounts. Mr. LoBianco continued that the gross write-offs decreased by about \$28,709.98 compared to a year ago, for a total write-off of \$152,033.72. Ms. Cox reviewed the drivers for the increase, there were many variables and she assured the Board that staff continuously works with customers to make payment plans for customers that need them, but that it does not always work and write-offs are necessary. The write-offs consisted of \$137,051.22 for uncollectible Electric, Water, and Communications service accounts, \$9,242.83 for non-returned Communications equipment billings, and \$5,739.67 for miscellaneous service charges such as accidents causing damage to Utility property; collections for the year on accounts previously written off totaled \$75,851.60, leaving net write-offs for 2013 at \$76,182.12. After some discussion, Trustee McGinnis moved, seconded by Trustee Bradford, to approve the write-off of the 2013 Electric, Water, and Communications uncollectible customer accounts in the total amount of \$152,033.72. All Trustees voted aye. Motion carried.

Mr. LoBianco next recommended to the Board that the 2014 March and December Board Meeting dates be changed. The GMCCI Annual Meeting and Dinner is scheduled on the same night as the MP&W March Board meeting, causing conflicts for several Board members. The December Board meeting falls during the holiday week. It is recommended that the Board take action to reschedule the March Board meeting date from Tuesday, March 25, 2014 to Thursday, March 27, 2014 and to reschedule the December Board meeting from Tuesday, December 30, 2014 to Thursday, December 18, 2014. Trustee McGinnis moved, seconded by Trustee Heidbreder, that the March and the December Board Meeting dates be changed as indicated. All Trustees voted aye. Motion carried.

Mr. LoBianco reminded the Board that the MAGIC Board is comprised of two representatives each from the Board of Water, Electric, & Communications Trustees, the Muscatine City Council, and the Muscatine County Board of Supervisors. Trustee Heidbreder will complete his second year on the MAGIC Board December 31, 2013. The other current MP&W member is Trustee McGinnis, who was appointed in December of 2012 and will serve through 2014. It was recommended that Trustee Bradford be appointed to the MAGIC Board effective January 1, 2014 for a two-year term to represent Muscatine Power & Water, with his term ending December 31, 2016. Trustee Heidbreder was thanked by Mr. LoBianco and the Board for his term of service on the MAGIC Board. Trustee Heidbreder moved, seconded by Trustee Axel to appoint Trustee Bradford to the MAGIC Board effective January 1, 2014 for a two-year term. All Trustees voted aye. Motion carried.

Mr. LoBianco introduced the next subject as the 2014 Strategic Plan. Mr. LoBianco reminded the Board that the 2014 Strategic Plan had been presented for information and review at the November



Board meeting. There was no additional input from the Board of Trustees; it is requested that the Board approve the 2014 Strategic Plan. Trustee Axel moved, seconded by Trustee Bradford to approve the 2014 Strategic Plan. All Trustees voted aye. Motion carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum to all Board members. He reminded the Board that after 43 years of service as the Board Attorney for Muscatine Power and Water, this will be Attorney Goedken's last Board Meeting. Mr. LoBianco recommended that a resolution to recognize Attorney Goedken for all of his contributions to the success and growth of Muscatine Power and Water be passed by the Board. The following resolution was submitted.

#### **RESOLUTION 13-30**

WHEREAS, Mr. Duane Goedken has provided dedicated service to Board of Water, Electric, and Communications Trustees since 1971; and

WHEREAS, his 43 years of service have been beneficial to the success of the municipal Water, Electric, and Communication Utilities of the City of Muscatine Iowa. Mr. Goedken has willingly contributed his expertise, knowledge, and time toward the betterment of the Community and of the Utility; now therefore,

BE IT RESOLVED, that the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, meeting at Muscatine Power and Water's Administration/Operation Building on this 19<sup>th</sup> day of December, 2013, does hereby commend Mr. Duane Goedken for his contributions to Muscatine Power and Water, on behalf of the Board of Trustees, the Employees of Muscatine Power and Water, and of the citizens of Muscatine, Iowa; and,

BE IT FURTHER RESOLVED that this resolution be included in the minutes of the Board Meeting and that a copy be presented to Mr. Duane Goedken as a token of the Board's appreciation and thanks.

Chairperson Tubandt gave personal and business thanks to Duane and communicated that all of the Board felt it has been an honor and privilege to work with Attorney Goedken throughout the years on Utility business. Chairperson Tubandt presented Attorney Goedken a plaque on behalf of the Board and the Utility. Trustee Axel moved, seconded by Trustee Bradford, that the said resolution should be passed, approved, and adopted on this 19<sup>th</sup> day of December 2013. On roll call Trustees McGinnis, Axel, Heidbreder, Bradford, and Tubandt voted aye. Voting nay, none. Resolution carried.

The November Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Govey reviewed the November financials for each Utility. Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the November Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. All Trustees voted aye. Motion carried.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval. The report was received and placed on file.

The November departmental reports were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Axel, to receive and place on file the November departmental reports. All Trustees voted aye. Motion carried.

Next, Mr. LoBianco reviewed the recommendation for the Board to enter into Closed Session for the purpose of discussing the status of a potential Wind Power Purchase Agreement. The specifics of the documents pertain to competitive and confidential information protected under Iowa Code 21.5 (closed meetings) and 388.9 (protecting competitive information). Trustee McGinnis moved, seconded by Trustee Axel, that the meeting be closed to the public for the purpose of discussing a potential Wind Power Purchase Agreement. On roll call, Trustees McGinnis, Heidbreder, Bradford, Axel, and Tubandt voted aye. Voting nay, none. Motion carried.

The meeting was closed to the public at 6:19 p.m.

Trustee Axel left the meeting at 7:00 p.m.

Trustee Bradford moved, seconded by Trustee Heidbreder, to reconvene the meeting to open session. All Trustees present voted aye. Trustee Axel was absent from the meeting. Motion carried. At 7:07 p.m., the meeting was reconvened to open session.

Trustee Heidbreder moved, seconded by Trustee McGinnis to authorize the General Manager to enter into the proposed Wind Power Purchase Agreement. All Trustees present voted aye. Trustee Axel was absent from the meeting. Motion carried.

Chairperson Tubandt asked if there were any other items of business. With no other items of business, the meeting was adjourned at 7:10 p.m.

BOARD OF WATER, ELECTRIC, AND  
COMMUNICATIONS TRUSTEES OF THE CITY OF  
MUSCATINE, IOWA



Jerry Gowey  
Board Secretary