

**MINUTES OF THE
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES
AUDIT/FINANCE COMMITTEE MEETING
JUNE 23, 2013 – 8:00 A.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Monday, June 23, 2014 at 8:00 a.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; Jerry Gowey, Director Finance and Administrative Services; and Brenda Christensen, Executive Assistant.

Chairperson Heidbreder called the meeting to order.

The first agenda item was to review and assess the adequacy of the Audit Committee Charter. Chairperson Heidbreder stated that he had reviewed the charter and checklist and has no recommended changes. Trustee Bradford agreed that no changes were needed to either the charter or checklist.

Chairperson Heidbreder stated that the Board's Audit/Finance Committee is charged with evaluating the performance of MP&W's independent auditors, Baker Tilly Virchow Krause, LLP (BT) on an annual basis, along with a recommendation on the retention of the Auditors for the current year's audit. The 2013 Audit was the first year of a three-year agreement. After discussion on current vs. past pricing, the Committee agreed that the performance of the Auditors was good and that the memo recommending the retention of the Auditors for the 2014 Audit should be placed on the July Board meeting agenda.

The next discussion item was the Audit/Finance Committee self-assessment. Both Trustee Heidbreder and Trustee Bradford had reviewed the self-evaluation form and agreed that it showed the Committee was functioning as was intended and that no follow-up actions were needed.

The next agenda item was to review expected near-term financing requirements for each Utility. Mr. LoBianco stated that the financial projections for each Utility are currently being finalized and will be presented to the Board at a future Meeting. The updated projections reflect no additional borrowing for the Electric Utility over the next 10 years, subject to the impact of any major regulatory/environmental rules. He reminded the Committee that the \$5 million line of credit with the local banks that was put in place in June 2013 for the Electric Utility had been cancelled since current reserves are adequate. The projections for the Water Utility indicated that borrowings of approximately \$10 million would be needed over the next three years; he reminded the committee that there was a short term borrowing agreement of up to \$4.5 million in place between the

Electric Utility and Water Utility that was being used until longer term financing was arranged for the Water Utility. There was discussion on the State Revolving Loan Fund (SRF), which had been the expected source of funding for the water projects, but was now being reevaluated due to cost associated with meeting the SRF requirements. The initial projections for the Communications Utility indicate that this Utility will not need any additional borrowing, however the Communications Utility continues to be challenged and will need to set up borrowing if significant replacement of technology is needed.

There were no new financial reporting standards to review.

In other business, Mr. LoBianco stated that the Water Utility was in the process of a Water Cost of Service Study. One of the things the study will be looking at is implementing a differential rate for water service provided to customers outside of the city limits. The differential rate would generate some of the funds necessary to update system design issues and cover differential operating and maintenance expenses. He explained the cost difference between serving a customer within the city limits, vs. outside the city limits; he also discussed infrastructure and design issues that had developed due to the growth and differing developer standards.

The other business section also included discussion on recent, significant, environmental regulation changes and how these changes may affect MP&W.

The meeting was adjourned at 9:10 a.m. CST.

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



Warren Heidbreder
Audit/Finance Committee Chairperson

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS
TRUSTEES OF THE CITY OF MUSCATINE, IOWA
JUNE 24, 2014 – 5:28 P.M.**

The Board of Trustees conducted a public hearing in Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, June 24 2014 at 5:28 p.m.

The purpose of the public hearing was to receive any comments regarding the 2014 Water Main Replacement Projects

Chairperson Doyle Tubandt called the public hearing to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Warren Heidbreder, Steven Bradford, and Doyle Tubandt. Trustee Joan Axel was absent from the meeting due to previously scheduled commitments.

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

Board Secretary Gowey opened the public hearing at 5:28 p.m. to receive any comments regarding the 2014 Water Main Replacement Projects.

Chairperson Tubandt asked Secretary Gowey if publication and notice of hearing had been published as required by the Code of Iowa; Secretary Gowey replied that the hearing notice had been published.

Chairperson Tubandt asked Secretary Gowey if any written or oral comments had previously been received regarding this project; Secretary Gowey replied that no comments had been received regarding the project.

Secretary Gowey asked if there was anyone in attendance who wished to make a public comment. There were no public comments.

A resolution passed approving the final plans and specifications of the project.

RESOLUTION 14-14

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa has given tentative approval to plans and specifications for the 2014 Water Main Replacement Projects; and,

WHEREAS, bids have been received and there are no written or oral objections to proceeding with this project; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications for the 2014 Water Main Replacement Projects be adopted.

Trustee McGinnis moved, seconded by Trustee Heidbreder, that the said resolution should be passed, approved, and adopted this 24th day of June 2014. On roll call Trustees McGinnis, Heidbreder, Bradford and Tubandt voted aye. Voting nay, none. Resolution carried. Trustee Axel was absent from the meeting.

At 5:29 the Secretary closed the public hearing for the 2014 Water Main Replacement Projects.

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



Jerry Gowey
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JUNE 24, 2014 – 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 Tuesday, June 24, 2014, at 5:30 p.m.

Chairperson Doyle Tubandt called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Warren Heidbreder, Steven Bradford, and Doyle Tubandt. Trustee Joan Axel was absent from the meeting due to previously scheduled commitments.

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

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

The minutes of the May 27, 2014, public hearings and regular meeting were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Bradford, that the minutes from the May 27, 2014, public hearings and regular meeting be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for May 2014 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee McGinnis moved, seconded by Trustee Bradford to ratify payment of \$8,880,916.79 for the Electric Utility, \$639,811.19 for the Water Utility, and \$905,396.37 for the Communications Utility, for a cumulative total of \$10,426,124.35. All Trustees present voted aye. Motion carried.

The next item on the agenda was a recommendation to approve revised project summary forms for three water main replacements projects. The Water Main Replacement Projects were submitted and approved with the 2014 Operating Budget. The Palm Street Water Main Replacement Project and the Park Avenue Water Main Replacement Project were subsequently revised and approved at the April 2014 Board Meeting and are now being revised again to reflect actual bid costs. The three projects have a combined expenditure of \$512,200. The scope of the projects have since been thoroughly defined and estimated to include the correct type of material, quantity of pipe and service, and Utility labor/materials. The Palm Street Water Main Replacement Project cost has a revised expenditure of \$130,100 (decrease of \$30,590), the Park Avenue Water Main Replacement Project has a revised expenditure of \$183,400 (decrease of \$12,750), and the Geneva Drive

Water Main Replacement Project has a revised expenditure of \$198,700 (increase of \$38,980) for a combined net decrease of \$4,360 and combined project total of \$512,200. After additional discussion, Trustee Bradford moved, seconded by Trustee McGinnis, that the revised project summary forms for the Palm Street Water Main Replacement Project, Park Avenue Water Main Replacement Project, and Geneva Drive Water Main Replacement Project be approved. All Trustees present voted aye. Motion carried.

Next, Mr. LoBianco reminded the Board that at the May 2014 Board meeting, the Board rejected all bids due to costs in excess of the project estimate on the 2014 Water Main Replacement Projects. He stated that the projects include construction of 4,492 feet of 6-8" Ductile Iron Pipe (DIP) and High Density Polyethylene (HDPE) water mains. The project was bid again with bid packets mailed to 19 potential bidders for the projects. A total of 4 Bids were received, opened publically and read aloud on June 12, 2014. The bids were reviewed and conformance of the low bidder to the specifications was established. MP&W Management recommended that the low bidder, Sulzberger Excavating, Inc. of Muscatine, Iowa, be awarded the contract for the 2014 Water Main Replacement Projects for a total price of \$680,558. After additional review of the project, the following resolution was submitted:

RESOLUTION 14-15

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid 2014 Water Main Replacement Projects, as submitted by Sulzberger Excavating, Inc. of Muscatine, Iowa, in the amount of \$680,558, was the best and lowest bid received; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal from Sulzberger Excavating, Inc. of Muscatine, Iowa, in the amount of \$680,558 for the 2014 Water Main Replacement Projects were hereby accepted as submitted; and,

BE IT FURTHER RESOLVED, that the General Manager and Secretary of the Board were hereby authorized, empowered, and directed to execute a contract in the sum approved by the Board of Water, Electric, and Communications Trustees.

Trustee Heidbreder moved, seconded by Trustee Bradford, that the resolution should be passed, approved, and adopted this 24th day of June 2014. On roll call Trustees McGinnis, Heidbreder, Bradford, and Tubandt voted aye. Voting nay, none. Resolution carried. Trustee Axel was absent from the meeting.

Mr. LoBianco explained to the Board that the memo from the Board Audit/Finance Committee memo was submitted as a recommendation for Baker Tilly Virchow Krause, LLP (BT) to continue as the auditors for the MP&W 2014 Audit. Trustee Heidbreder told the Board that the 2013 audit was MP&W's eleventh year with this firm and was the first year of a three-year agreement. He continued that the auditor's performance was discussed at the Audit/Finance Committee meeting that had preceded the Board meeting and that the Audit/Finance Committee recommends continuing the engagement of BT for the 2014

audit. Trustee Heidbreder stated that management and the Committee believe the fees were reasonable and that the audits were completed in a timely and professional manner. Trustee Bradford moved, seconded by Trustee McGinnis, that Baker Tilly Virchow Krause LLP continue to be engaged for the 2014 Annual Audit. Motion carried. All Trustees present voted aye.

Mr. LoBianco stated at the May 15, 2014, City Council meeting, Mayor Hopkins appointed Susan Eversmeyer to the MP&W Board of Trustees for a six-year term beginning July 1, 2014 through June 30, 2020 and the City Council ratified the appointment. Trustee McGinnis moved, seconded by Trustee Heidbreder, to receive and place on file the Certificate of Appointment for Susan Eversmeyer to the Board of Trustees for a period of July 1, 2014 through June 30, 2020. All Trustees present voted aye. Motion carried.

Mr. LoBianco stated that the Board of Trustees usually elects new officers at the June meeting for the following year. It was recommended that Trustee McGinnis be elected Chairperson and Trustee Bradford be elected Vice-Chairperson for the 2014/2015 term, beginning July 1, 2014. As part of the process of electing new Board officers, the Board Secretary is also appointed; it was recommended Mr. Gowey continue as Board Secretary. Trustee Heidbreder and Mr. LoBianco thanked Chairperson Tubandt for his service as Chairperson. Trustee Tubandt moved, seconded by Trustee Heidbreder, that Trustee McGinnis be elected Chairperson, Trustee Bradford be elected Vice-Chairperson, and that Secretary Gowey continue as Board Secretary for the 2014/2015 term. All Trustees present voted aye. Motion carried.

The next item on the agenda was a recommendation for a resolution recognizing Trustee Axel for fourteen years of service as a Board member, from January 1, 2000 to June 30, 2014. Mr. LoBianco thanked Ms. Axel for her support of MP&W and the community and citizens of Muscatine and stated that Ms. Axel would attend the July Board meeting to receive her recognition plaque. The following resolution was submitted:

RESOLUTION 14-16

WHEREAS, Ms. Joan U. Axel served as a member of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa for the period of January 1, 2000 through June 30, 2014, during which time Trustee Axel willingly contributed her knowledge and personal time toward the betterment and efficient operation of the municipal Water, Electric, and Communications Utilities of the City of Muscatine, Iowa; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the appreciation of the Board of Trustees and of the citizens of Muscatine, Iowa to Trustee Axel be evidenced by forwarding a copy of this resolution to her duly signed on behalf of this Board; and,

BE IT FURTHER RESOLVED, that the resolution be included in the minutes of the Board.

Trustee Bradford moved, seconded by Trustee McGinnis, that said resolution recognizing Trustee Joan U. Axel for service as a Trustee of the Board of Water, Electric, and Communications for the City of Muscatine, Iowa, be passed, approved, and adopted this 24th day of June 2014. On roll call Trustees McGinnis, Heidbreder, Bradford, and Tubandt voted aye. Voting nay, none. Resolution carried. Trustee Axel was absent from the meeting.

There were no items to review in the General Managers Report.

The May 2014 Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. After review, Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the May 2014 Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Bradford, to receive and place on file the Competitive Quotes for Public Improvements Report. All Trustees present voted aye. Motion carried.

The May 2014 Departmental Reports were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the May 2014 Departmental Reports. All Trustees present voted aye. Motion carried.

The meeting of the Board of Trustees was adjourned at 6:55 p.m.

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



Jerry Gowey
Board Secretary