

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
SEPTEMBER 30, 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, September 30, 2014, at 5:30 p.m.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; David Fee and Kristen Andrews, Principal Financial Group; Tim Reed, Erika Cox, and Brenda Christensen of Muscatine Power and Water (MP&W).

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

The minutes of the August 26, 2014, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Tubandt, that the August 26, 2014, public hearing and regular meeting minutes be approved as submitted. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for August 2014 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Tubandt moved, seconded by Trustee Bradford, to ratify payment of \$8,805,179.14 for the Electric Utility, \$578,697.31 for the Water Utility, and \$784,116.89 for the Communications Utility, for a cumulative total of \$10,167,993.34. All Trustees voted aye. Motion carried.

Chairperson McGinnis told the Board that Principal Financial Group representatives were in attendance to provide a semi-annual review of the pension plan and investments. Ms. Cox introduced David Fee, Sr. Investment Consultant, and Kristen Andrews, Sr. Relationship Manager, from the Principal Financial Group to provide an update on the status of the plan's 2014 semi-annual asset allocation, investment results, and market perspective.

Mr. Fee gave an update on current market trends and then directed the Board to the previously provided presentation submitted from Principal Financial Group. He reviewed the current portfolio and the allocation of strategic assets. He also reviewed the investment performance and Principal's upcoming market expectations. Trustee Heidbreder moved, seconded by Trustee Tubandt, that the annual 2nd Quarter 2014 Employees' Pension Plan and Investment Report be received and placed on file. All Trustees present voted aye. Motion carried.

David Fee and Kristen Andrews left the meeting at 5:45 p.m.

The next item on the agenda was a recommendation to approve a revised project summary form for Cedar Street, Parham to Logan – OH to UG Conversion of Electric Facilities Project. This project was submitted and approved with the 2013 Operating Budget at a total cost of \$190,000 to

replace the existing overhead electric facilities with underground utilities along Cedar Street from Parham Street to Logan Street. The revised project cost is \$337,100. Since the project was estimated, the scope of the project was changed to include a traffic circle (round-about) at the Logan Street and Cedar Street intersection and the project schedule was changed, both changes are causing cost increases. This work was planned as part of the City's Cedar Street road reconstruction project, with the City responsible for a portion of the project cost. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, to approve the revised project summary form for the Cedar Street, Parham Street to Logan Street – OH to UG Conversion of Electric Facilities with an increase of \$147,100, resulting in a new authorized expenditure of \$337,100. All Trustees voted aye. Motion carried.

In the General Managers Report, Mr. LoBianco reviewed his previously submitted memorandum that included that MPW Generation Staff had hosted a group of visitors from the Dominican Republic on Thursday, August 21st. Stanley Consultants is the design review firm for a coal-fired power plant being constructed by the Dominican Republic's state power holding company, Corporacion Dominicana de Empresas Electricas Estatales (CDEEE) and requested the visit. He also reviewed the rail issues that MP&W continues to have regarding coal delivery. The final discussion item in this section was the response to social media posts regarding the most recent outage caused by a raccoon.

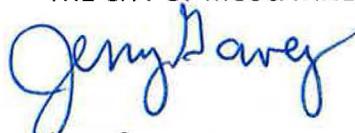
The August Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Tubandt, to receive and place on file the August Financial Operating Statements and Balance 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 form. There were no items for approval.

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

Chairperson McGinnis asked if there were any other items of business. With no other items of business, the meeting was adjourned at 6:10 p.m.

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



Jerry Gowey
Board Secretary

**MINUTES OF THE
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES
AUDIT/FINANCE COMMITTEE MEETING
SEPTEMBER 30, 2014 – 4:30 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, September 30, 2014 at 4:30 p.m.

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

Present from Muscatine Power & Water were Sal LoBianco, General Manager; Jerry Gowey, Director of Finance & Administrative Services; and Brenda Christensen, Executive Assistant. Russ Hissom, Baker Tilly Virchow Krause, LLP (BT) was present by phone.

Chairperson Bradford called the meeting to order.

Mr. Gowey introduced Mr. Russ Hissom to review the pre-audit presentation from BT. Mr. Hissom stated that the audit is a chance for BT to review and provide an opinion, as an outside source, on the reliability of the business processes at MP&W. He asked that if anyone has specific concerns or any information that they felt should be included in the audit, to please get in touch with him. Mr. Hissom next reviewed the Auditors required communication with those charged with governance and the audit work plan, along with proposed audit focus areas. Next, he reviewed several new GASB standards that might affect this and future audits, including GASB 65 regarding new reporting standards for certain assets and liabilities, GASB 67 and 68 regarding how to handle pension recordings, and GASB 69 regarding combinations and disposals of government operations. Mr. Hissom finished by stating that MP&W Staff always does an outstanding job preparing for the audit. After some additional discussion, Mr. Hissom ended the phone call.

The Audit/Finance Committee Checklist states that the key financial issues and risks, critical controls, important industry and financial reporting issues, and legal and regulatory requirements will be reviewed annually with new and existing Audit/Finance Committee members. Mr. Gowey started this review by covering a list of key financial policies, procedures and reporting mechanisms that are in place at the Utility and the frequency of their review. He also did a high level review of recent studies commissioned by the Utility and significant pending environmental and regulatory issues. Next the Committee reviewed the Utilities financing activities including timing and magnitude of any borrowing needed for each of the Utilities.

In other business, Mr. Gowey discussed the pending retirement of MP&W's long-term insurance advisor, Jim Fleischel. Mr. Fleischel has announced he will retire at the end of 2015. The Utility is evaluating options to replace Mr. Fleischel's role. Committee Chairperson Bradford agreed to provide an introduction to the advisor that HNI uses. The

final item in the other business section was the topic of the Communications Utility Fiber to the Home (FTTH) Business Plan. The Management team is finalizing the proposal to replace the aging infrastructure with FTTH technology (Committee meetings will be scheduled before the end of the year to update each committee on the recommendations of this plan.)

The meeting was adjourned at 5:25 p.m.

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A handwritten signature in black ink, appearing to read "Steven Bradford", with a long horizontal flourish extending to the right.

Steven Bradford
Audit/Finance Committee Chairperson