

**MINUTES OF THE
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES
AUDIT/FINANCE COMMITTEE MEETING
DECEMBER 18, 2014 – 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 18, 2014, at 4:30 p.m.

Members of the Committee were present as follows: Warren Heidbreder. Committee Chairperson Steven Bradford was absent due to previously scheduled travel plans.

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

Trustee Heidbreder called the meeting to order.

Mr. Gowey 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 casualty insurance program. Mr. Fleischel stated that there were no business or market changing events that caused changes to the insurance program; the only change was pricing. All premium increases were just under 10%. He also said that MP&W will once again receive a membership credit from FM Global; the 2014 credit will be \$81,828. After completing the insurance program review, Mr. Fleischel reminded the group that he had communicated his retirement at the end of 2015. He agreed to help Mr. Gowey develop a transition plan of the services he provides. 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. There were no new GASB statements issued recently, so no review on this agenda item was needed.

Next on the agenda was to discuss issues affecting the Audit/Finance Committee's responsibilities. The only discussion item was to evaluate 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 on January 1 to reflect the Electric Utility's investment opportunity cost. The rate was adjusted to 0.18% effective February 1, 2014 based on the Electric Utility's investment opportunity cost at that time. The total amount advanced from the Electric Utility to the Water Utility as of December 5, 2014 totals \$1,250,000. Staff recommends the rate on the borrowing arrangement remain at 0.18%.

Next on the agenda was a review of Identity Theft Program activities. Mr. LoBianco stated the program in place is working and continues to be reviewed and annual staff training is conducted.

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 with the major update being that the Supreme Court had overturned a lower court to uphold the CSAPR rule, which will now be replacing CAIR. The Utility is not yet able to determine the full impact of all the changing and new rules, and will continue to update the Committee. Trustee Heidbreder requested that Staff review the Audit/Finance Committee Charter and Checklist and provide appropriate updates at a future meeting.

In the Other Business section, the upcoming Electric Cost of Service Study was discussed, along with issues that Management would like reviewed and possibly have incorporated in the study; recommendations from the study will be reviewed at the March 2015 Board meeting. The next discussion item was a FEMA proposal for requiring an insurance policy for any entity that is eligible to receive FEMA funding following a federally declared disaster. APPA, representing utilities such as MP&W, has provided comments and asked for clarity on the proposed policy. The Committee will be updated once more information is available. The last discussion item was regarding customer uncollectable account write-offs and a recommended change to how this is presented to the Board. Currently, a yearly bad debt budget is set for accounts receivable write offs and 1/12 of this amount is accrued and expensed each month. At the end of the year the actual customer bad debts are written off against the accrual account and trued up to the income statement. The recommended change in this procedure is to write-off the actual customer bad debts quarterly (the process of accruing the expense each month will continue). A KPI will be established that will be included in the quarterly KPI report that is reviewed with the Board. The new procedure will be implemented in 2015.

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

OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
DECEMBER 18, 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 Thursday, December 18, 2014, at 5:30 p.m.

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

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

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

The minutes of the November 25, 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 minutes be approved and placed on file as submitted. All Trustees present 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 Tubandt moved, seconded by Trustee Eversmeyer, to ratify payments of \$8,358,130.04 for the Electric Utility, \$434,181.67 for the Water Utility, and \$791,878.24 for the Communications Utility for a total amount of \$9,584,189.95. All Trustees present voted aye. Motion carried.

Mr. LoBianco introduced the next meeting item, Write-off of 2014 Uncollectible Customer Accounts, and stated that 2014 gross write-offs for the utility are \$198,287.06; collections of previously written off accounts totaled \$107,476.92, making the net 2014 write-off amount \$90,810.14. He continued that there are many variables that are included in this number and 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 Board was previously provided a Customer Balance Timeline document that showed that there is a period of 80+ days that can pass before a customer can be disconnected for nonpayment. Trustee Heidbreder communicated that in the previously held Audit/Finance Committee meeting, the committee had approved a change in the way that the uncollectable accounts are reported to the Board; the reporting will now be done on a quarterly basis as a key performance indicator. Trustee Heidbreder moved, seconded by Trustee Tubandt, to approve the 2014 customer account write-offs for the Electric, Water, and Communications Utilities totaling \$198,287.06. All Trustees presented voted aye. Motion carried.

Mr. LoBianco next recommended to the Board that the 2015 December Board Meeting date be changed since the December Board meeting falls during the holiday week. It is recommended that the Board take action to reschedule the December Board meeting from Tuesday, December 29, 2015, to Thursday, December 17, 2015. Trustee Tubandt moved, seconded by Trustee Eversmeyer, that the December Board Meeting dates be changed as indicated. All Trustees present 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 McGinnis will complete her second year on the MAGIC Board December 31, 2014. The other current MP&W member is Trustee Bradford, who was appointed in December of 2013 and will serve through 2015. It was recommended that Trustee Eversmeyer be appointed to the MAGIC Board effective January 1, 2015, for a two-year term to represent Muscatine Power & Water, with her term ending December 31, 2016. Trustee McGinnis was thanked by Mr. LoBianco and the Board for her term of service on the MAGIC Board. Trustee Tubandt moved, seconded by Trustee Heidbreder to appoint Trustee Eversmeyer to the MAGIC Board effective January 1, 2015, for a two-year term. All Trustees present voted aye. Motion carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum to the Board regarding John Stolley being honored by the Midwest Reliability Organization (MRO) with a service award honoring his dedicated service through the years to the MRO and as his willingness to serve as the first Chairman of the MRO Compliance Committee when it was created. John, Manager System Control, announced his pending retirement in 2015 and will be missed both at MP&W and MRO.

The November Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the November financials for each Utility. Trustee Heidbreder moved, seconded by Trustee Eversmeyer to receive and place on file the November 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 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 Tubandt moved, seconded by Trustee Heidbreder, to receive and place on file the November departmental reports. All Trustees present 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 5:50 p.m.

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



Jerry Gowey
Board Secretary