

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 24, 2015 – 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, February 24, 2015, at 5:30 p.m.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; David Fee and Kristin Andrews of Principal Financial Group; Charles Potter, Muscatine Journal; Erika Cox, Tim Reed, Gage Huston, 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 January 27, 2015 regular meeting were presented as previously submitted to all Board members in written form. Trustee Eversmeyer moved, seconded by Trustee Heidbreder, that the January 27, 2015, regular meeting minutes be approved as submitted. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for January 2015 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 \$10,936,482.71 for the Electric Utility, \$827,019.60 for the Water Utility, and \$2,635,081.25 for the Communications Utility for a cumulative total of \$14,398,583.56. All Trustees voted aye. Motion carried.

Mr. LoBianco reminded the Board that the Pension Investment Policy requires that the Board review the Employee Pension Fund performance once a year. Ms. Cox introduced David Fee and Kristen Andrews from the Principal Financial Group. Mr. Fee provided the Board with an overview of the current market trends and market expectations for 2015. Mr. Fee then provided an update of the plan's 2014 yearend asset allocation and investment earnings results; he also reviewed the MP&W portfolio performance, along with the portfolio and strategic asset allocation and the current asset manager watch list. Ms. Andrews gave a brief update on the pension plan performance. Trustee Eversmeyer moved, seconded by Trustee Heidbreder, to receive and place on file the 2014 Employees' Pension Plan and Investment Advisory Report. All Trustees voted aye. Motion carried. The Principal Financial Group representatives left the meeting.

The next item on the agenda was a recommendation to approve a revised Project Summary Form for the Colorado Street Water Main Replacement Project with a revised expenditure cost of \$355,206. This project was originally submitted and approved with the 2012 Operating Budget, with an expenditure of \$241,000, to replace water main on Colorado Street due to a history of main breaks in the area. Mr. LoBianco stated that this project was done in conjunction with the city road project; he continued that a number of items affected the final cost of the project between the time the project was designed and construction completed. Changes to the street elevation required additional granular backfill and in some areas the water main was found to be deeper than anticipated requiring additional granular backfill. Other changes to the project included the need for additional valves, modifications to customer services, and the number of fittings needed due to piping configuration changes. As this project was partially funded by the IDOT, it required compliance with sourcing U.S. made materials and the Davis-Bacon Act regarding prevailing wages. After additional discussion, Trustee Tubandt moved, seconded by Trustee Bradford, that the revised Project Summary Form for the Colorado Street Water Main Replacement Project be approved in the amount of \$355,206. All Trustees voted aye. Motion carried.

Mr. LoBianco introduced the next item on the agenda as a recommendation to approve a revised Project Summary Form for the Grand Avenue Water Main Replacement Project with a revised expenditure cost of \$172,530. This project was originally submitted and approved with the 2013 Operating Budget with a project cost of \$95,700 to replace water main on Grand Avenue due to a history of main breaks in the area; the project was also previously revised to \$129,585. The original project was to be completed using internal labor and constructed with HDPE pipe using the Utility's horizontal direction drilling equipment; prior to construction it was determined that the project was in a leaking underground storage tank (LUST) site and therefore HDPE pipe is not acceptable for construction. The project was completed by a contractor resulting in higher project costs than anticipated. After additional discussion, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, that the revised Project Summary Form for the Grand Avenue Water Main Replacement Project be approved in the amount of \$172,530. All Trustees voted aye. Motion carried.

The next item on the agenda was a recommendation to approve a revised Project Summary Form for the West Hill Sewer Separation Water Main Replacement Project with a revised expenditure cost of \$1,061,000. This project was originally submitted and approved with the 2015 Operating Budget, with an expenditure of \$219,200, to replace water mains in the 5th Street and Chestnut Street area in conjunction with the City's sewer separation project. This area is known as the Phase 3A project area and is scheduled for construction in 2015. Phase 3B and 3C are scheduled for construction in 2016 and 2017, respectively. Mr. LoBianco continued that in order to maximize the efficiency of construction and project management, MP&W is jointly bidding these projects with the City of Muscatine with the intention of awarding the work to one contractor. In addition, the City is bidding all three years' projects at one time, so the MP&W Project Summary Form has been revised to include the costs for water main replacement for Phases 3A, 3B,

and 3C. In addition, after the Project Summary Form was submitted and the final plans were completed, some work in future phases has been shifted to Phase 3A. This has resulted in the cost for Phase 3A increasing from \$219,200 to \$320,300. The costs for Phase 3A will be incurred in 2015, the costs for Phase 3B which will be incurred in 2016, and the costs for Phase 3C which will be incurred in 2017 will be included in the respective year's budgets. After additional discussion, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, that the revised Project Summary Form for the West Hill Sewer Separation Water Main Replacement Project be approved in the amount of \$1,061,000. All Trustees voted aye. Motion carried.

Next Mr. LoBianco advised that, as included in the 2015 Communications Utility Operating Budget and approved at the November 2014 Board of Trustees Meeting, an 8% revenue adjustment was budgeted for cable TV services. At the time the budget was prepared, several major programming contract negotiations had not been completed. He continued that programming rates in those contracts were significantly higher than expected and budgeted, with new programming costs in excess of 15%. Therefore, Staff is recommending an overall 10.2% revenue adjustment effective April 1, 2015, for MPW Digital TV packages and services. Although the amount is higher than budgeted, a 10% adjustment only partially offsets actual programming increases experienced since September 2013, when the last increase was implemented. A price decrease was approved in May of 2014 to reflect the removal of Viacom channels. Mr. LoBianco closed with the comment that MP&W regrets the need to adjust pricing and understands the impact to our customers; the Utility will continue to make adjustments to ensure financial stability remains while also being fair to customers. After some additional discussion, the following resolution was submitted:

RESOLUTION 15-04

WHEREAS, review of the financial condition of the Communications Utility has been completed and reviewed with the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed this information and determined that a revenue increase is necessary to keep the Communications Utility in a sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that effective April 1, 2015, the Communications Utility's price structure for MPW Digital TV Basic service shall be \$26.99 per month and Select service shall be \$68.99 per month; and,

BE IT FURTHER RESOLVED, that the General Manager of Muscatine Power and Water shall continue to be responsible for approving price tiers, premium services, equipment fees, promotional packages, and discounts for all Muscatine Power and Water's Communications services as deemed necessary to ensure the financial viability of the Communications Utility; and

BE IT FURTHER RESOLVED, that proper notice be given to consumers in accordance with the terms of the contracts, Federal Communications Commission (FCC) and Iowa State Code.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the IAMU Leadership and Business Meeting that he attended; he also updated the Board on the Employee Information Meetings that were held in February and discussed a House Economic Growth Meeting where he was a presenter.

The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the January financials for each Utility. Trustee Bradford moved, seconded by Trustee Tubandt, to receive and place on file the January 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 January 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 January departmental reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 6:20 p.m.

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



Jerry Gowey
Board Secretary