

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
OCTOBER 27, 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, October 27, 2015, at 5:30 p.m.

Chairperson Steven Bradford called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Warren Heidbreder, Susan Eversmeyer, and Steven Bradford. Trustee Doyle Tubandt 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, Brandy Olson, Tim Reed, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the September 29, 2015, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Heidbreder, that the September 29, 2015, public hearing and regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried. The meeting minutes from the September 29, 2015 Audit/Finance Committee Meeting were received and placed on file.

The list of expenditures and transactions for September 2015 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, to ratify payment of \$10,345,260.92 for the Electric Utility, \$517,012.20 for the Water Utility, and \$959,384.93 for the Communications Utility, for a cumulative total of \$11,821,658.05. All Trustees present voted aye. Motion carried.

Mr. LoBianco introduced the next item on the agenda as approval of a Reimbursement Resolution for the Water Utility. Bond Counsel, David Grossklaus with Dorsey & Whitney, has recommended that the Water Utility adopt an updated reimbursement resolution since the Ten-Year Water Financial Projections indicate substantial capital expenditures. These expenditures may require various borrowing needs in 2015 and beyond to acquire land, construct, improve, furnish and equip extensions, improvements and other capital projects related to the municipal waterworks plant and system. The borrowings may be a combination of tax-exempt and taxable debt, depending on how the proceeds are to be used. Generally, tax-exempt debt is available for capital projects. Debt funding operating reserves or capital projects exceeding IRS private activity limits does not qualify for tax-exempt treatment. The recommended resolutions are similar to what the Board has adopted in past years and state that the Board reasonably expects to reimburse itself or pay for capital expenditures from the proceeds of a future debt issue. The Board may then issue tax-exempt debt for capital

projects paid within 60 days prior to passage of the resolution or paid after passage of the resolution. Reimbursement must be completed within 18 months of (a) the original expenditure; or (b) the date the project is in service, but in no event more than three (3) years after the original expenditure is paid. The Reimbursement Resolution does not obligate the Board to include all qualifying capital projects in the debt issuance, but it does give the Board the ability to include them if they otherwise qualify and the economics warrant.

After discussion and review, the following resolution was submitted.

RESOLUTION 15-21
PROCEEDS OF INDEBTEDNESS

WHEREAS, the City of Muscatine, Iowa, (the "Issuer") acting by and through its Board of Water, Electric, and Communications Trustees (the "Board") intends to acquire land, construct, improve, furnish and equip extensions, improvements and other capital projects related to the municipal waterworks plant and system (collectively the "Projects"); and

WHEREAS, the Issuer expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with the Projects prior to the issuance of indebtedness for the purpose of financing costs associated with the Projects on a long-term basis; and

WHEREAS, the Issuer reasonably expects that debt obligations in an amount not expected to exceed \$13,800,000 will be issued with respect to financing of the Projects and that certain of the proceeds of such debt obligations will be used to pay the Reimbursement Expenditures; and

WHEREAS, the Issuer desires to comply with the requirements of Treasury Regulation 1.150-2 (the "Regulations") with respect to the Projects;

NOW, THEREFORE, It is hereby resolved by the Board of the Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, as follows:

- Section 1. The Issuer finds and determines that the foregoing recitals are true and correct.
- Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Issuer to make any expenditure, incur any indebtedness, or proceed with the Projects.
- Section 3. The Issuer hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures with respect to the Projects.
- Section 4. This declaration shall take effect from and after its adoption.

Trustee Heidbreder moved, seconded by Trustee McGinnis, that said resolution be passed, approved, and adopted this 27th day of October 2015. On roll call, Trustees

Eversmeyer, Heidbreder, McGinnis, and Bradford voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

The preliminary 2016 Annual Operating Budgets for the Electric, Water, and Communications Utilities were submitted under separate cover to all Board members. Mr. LoBianco stated that the Operating Budgets were being presented for information and comments, approval of the Budgets will be requested at the November Board meeting. He continued that the assumptions driving the Budgets were designed to support the medium term achievement of financial targets, meet the needs of our customer/owners at the lowest possible cost, and support the Critical Issues identified in the Strategic Plan. Mr. Gowey stated that the Budgets reflect ongoing efforts to keep expenses and capital expenditures at conservative levels in response to the ongoing economic conditions; capital expenditures in all three utilities are at levels needed to address 2016 infrastructure projects in support of the core values of safety, customer service, and reliability. He then gave a high-level review of each Utility's budget and reviewed the primary drivers for each Utility that were previously submitted to all Board members. He stated that the drivers are based on major cash inflows and outflows for each of the Utilities, comparing 2016 to the previous two years; the primary difference between these schedules and the Income Statements is that the schedules show borrowings, debt principal repayment, capital expenditures and exclude depreciation/ amortization. A summary of 2016 budgeted capital expenditures and major expenses over \$135,000 was also included for review. Mr. LoBianco stated that if any of the Trustees had questions or comments to please contact Mr. Gowey or him.

Mr. Gowey continued that the State of Iowa requires that a Budget Summary for all three Utilities be prepared and a public hearing conducted on the Budget Summary to provide the public an opportunity to review and present any comments on the published Budget Summary. Prior to the November Board of Trustees meeting, the Budget Summary and Public Hearing Notice will be published in the Muscatine Journal. The Budget Summary will also be posted at City Hall and at Musser Public Library, along with the MP&W offices for information and review by citizens. After approval of the Budget Summary by the Board of Trustees, the Budget Summary will be provided to the City of Muscatine for submittal to the State of Iowa as an attachment to the City of Muscatine's Budget. It was management's recommendation that the public hearing be set for November 24, 2015, at 5:28 p.m. The following resolution was submitted:

RESOLUTION 15-22

WHEREAS, the Budget Summary of the combined Electric, Water, and Communications Utilities is being prepared for the 2016 calendar year, and it is recommended that a public hearing be established for the review of said Budget Summary; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the Budget Estimate Summary of the combined Electric, Water, and Communications Utilities be placed on file at the office of the City Clerk and at the City Library, along with MP&W Offices, for any resident, taxpayer, or consumer to view; and,

BE IT FURTHER RESOLVED, that a public hearing be held on the 24th day of November 2015 at 5:28 p.m. in the Board Room of Muscatine Power and Water's Administration/Operations Building located at 3205 Cedar Street, Muscatine, Iowa, and the notice of said hearing shall be published once in the Muscatine Journal, a newspaper of general circulation published daily in the City of Muscatine, Iowa, not less than ten (10) nor more than twenty (20) days prior to said hearing, all as required by the Code of Iowa.

Trustee McGinnis moved, seconded by Trustee Eversmeyer, that said resolution be passed, approved, and adopted this 27th day of October 2015. On roll call, Trustees Eversmeyer, Heidbreder, McGinnis, and Bradford voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

Included with the Board's meeting materials was a condensed version of Ten-Year Financial Projections for 2016 through 2025 for the Water, Electric, and Communications Utilities in graphical format. Mr. Govey reviewed the graphs that summarized major revenue and expense drivers, and each Utility's financial targets and the projected results in meeting those targets. The financial targets are based upon data from Fitch for A and AA rated Utilities. After discussion Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the Ten-Year Financial Projections for 2016 through 2025. All Trustees present voted aye. Motion carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the Utility's recent participation in the United Way Day of Caring.

The next item on the agenda was to receive and place on file the YTD and September Financial Operating Statements and Balance Sheets for each Utility and the Quarterly Investment Report. Mr. LoBianco stated that the September financial Operating Statements for the Electric, Water, and Communications Utilities would be reviewed in detail during the Third Quarter Critical Issue and Key Performance Indicator presentation. Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the YTD and September Financial Operating Statements and Balance Sheets for the Electric, Water, and Communications Utilities and the Quarterly Investment Report be received and placed on file. All Trustees present voted aye. Motion carried.

The Quarterly Project Status Report and Variance Analysis were presented as previously submitted to all Board members in written form and reviewed by Mr. LoBianco. Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the Quarterly Project Status Report and Variance Analysis. 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. There were no items for approval.

The Critical Issues and Key Performance Indicators Presentation for the Water, Electric, and Communications Utilities was the next agenda item. Mr. LoBianco asked each critical issue leader to review the status of their critical issue and Mr. Govey to review the key performance indicators. After review and discussion, Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the 2015 Third Quarter Critical Issues and Key

Performance Indicators for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

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

Chairperson Bradford asked if there were any other items of business. With no other items of business, the meeting was adjourned at 7:35 p.m.

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

A handwritten signature in black ink that reads "Jerry Gowey". The signature is written in a cursive, flowing style.

Jerry Gowey
Board Secretary