

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
MARCH 29, 2016 – 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, March 29, 2016, at 5:30 p.m.

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

Also present were: Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Ryan O'Donnell, Baker Tilly Virchow Krause, LLP (BT); Charles Potter, Muscatine Journal; Erika Cox, Tim Reed, Gage Huston, Brandy Olson, 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 comments.

The minutes of the February 23, 2016, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the February 23, 2016, public hearing and regular meeting minutes be approved, with noted changes. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for February 2016 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 Tubandt, to ratify payment of \$6,811,939.28 for the Electric Utility, \$431,221.34 for the Water Utility, and \$832,526.95 for the Communications Utility for a cumulative total of \$8,075,687.57. All Trustees voted aye. Motion carried.

The next item on the agenda was a Recommendation for Final Acceptance for the Units 8 and 9 ACI (Activated Carbon Injection) Installation Projects. Mr. LoBianco told the Board that these projects were approved with the 2013 Operating Budget for a total combined expenditure of \$2,800,000 to reduce mercury emissions at Unit 8 and Unit 9 to comply with the U.S. EPA Mercury and Air Toxics Standards (MATS) rule. The project budget was revised and a new project summary form was approved at the July 2015 Board meeting with a new combined project budget of \$3,160,000. The portion of work for the installation of the ACI equipment included in this contract acceptance recommendation was estimated at \$1,300,000 with a published estimate of \$1,170,000. A contract was awarded to TEI Construction Services, Inc. of Duncan, South Carolina, for a contract price of \$1,073,888. Mr. LoBianco continued that some of the additional charges incurred for the installation contract were a result of some delays and minor deficiencies from the equipment supplier, which is under a separate contract. Staff is working with the equipment supplier to recoup an appropriate share of these additional charges and even with these increases, this portion of the work will be completed below the construction

cost estimate of \$1,300,000. The portion of work covered by this contract is complete and has been reviewed by MP&W Management and found to be in accordance with the specifications. Contract Change Orders were submitted and MP&W Management recommends approval by the Board of Trustees for a total net increase in the amount of \$114,218.22 for a new final contract price of \$1,188,106.22. MP&W Management recommends proceeding with final acceptance and release of retainage.

After discussion and review, the following resolutions were submitted:

RESOLUTION 16-09

WHEREAS, Contract Change Order Nos. 1-4 have been prepared for the Units 8 and 9 ACI (Activated Carbon Injection) Installation Projects in the increased total net amount of \$114,218.22 and said Contract Change Orders were reviewed by the Board, and Muscatine Power and Water Management has recommended approval of said Contract Change Orders; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that said Contract Change Order Nos. 1-4 in the increased total net amount of \$114,218.22 be approved for an amended contract price of \$1,188,106.22 for the Units 8 and 9 ACI (Activated Carbon Injection) Installation projects.

Trustee Heidbreder moved, seconded by Trustee Eversmeyer that said resolution should be passed, approved, and adopted on this 29th day of March 2016. On roll call Trustees Heidbreder, Tubandt, McGinnis, Eversmeyer, and Bradford voted aye. Voting nay, none. Resolution carried.

RESOLUTION 16-10

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the contract with TEI Construction Services, Inc. of Duncan, South Carolina, for the Units 8 and 9 ACI (Activated Carbon Injection) Installation Projects in the final amount of \$1,188,106.22 has been completed in accordance with the project specifications and the recommendation has been made that said contract be accepted by the Board of Water, Electric, and Communications Trustees 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 Units 8 and 9 ACI (Activated Carbon Injection) Installation Projects, furnished under the above named contract be accepted and approved by the Board; and,

BE IT FURTHER RESOLVED, that five percent (5%) of the contract price be retained for a period of thirty-one (31) days from and after the date of resolution, all in accordance with the provisions of the Code of Iowa.

Trustee Eversmeyer moved, seconded by Trustee Tubandt that said resolution should be passed, approved, and adopted on this 29th day of March 2016. On roll call Trustees Eversmeyer, McGinnis, Tubandt, Heidbreder, and Bradford voted aye. Voting nay, none. Resolution carried.

At 5:35 p.m. Russ Hissom of BT joined the meeting by telephone for Audit Report review.

The next item on the agenda was a recommendation to receive and place on file the 2015 Audit for the Electric, Water, and Communications Utilities. Mr. Gowey introduced BT Audit manager Ryan O'Donnell and BT Partner Russ Hissom of BT and stated that Mr. O'Donnell would review the recently completed independent audit for MP&W covering the calendar year 2015. Mr. O'Donnell directed the Board to the previously submitted material regarding Muscatine Power and Water's 2015 Audit. This material included a PowerPoint presentation prepared by the auditors that covered the audit overview and auditor's communication with those Charged with Governance. A copy of the Management Representation Letter to the Auditors was also included in the packet. Mr. O'Donnell told the Board that the Board's Audit/Finance Committee, which includes Trustees Heidbreder and Eversmeyer, had met with the General Manager, the Director of Finance and Administrative Services, along with himself and Mr. Russ Hissom by phone, on Tuesday, March 29, 2016, prior to the full Board meeting to discuss the audit in detail. He continued that the audit was performed in accordance with all Generally Accepted Auditing Standards and that MP&W Staff had provided full transparency and opened all records. He continued that internal controls in all key areas were examined and that the audit was performed in accordance with all Generally Accepted Auditing Standards. He stated that the MP&W Audit went well; no adjusting entries were required of the Utility financial statements and MP&W was in compliance with all State auditing standards with no exceptions noted. The MP&W Electric and Communications Utility financial statements received an Unqualified Opinion, with the Water Utility receiving a Qualified Opinion due to timing of the release of IPERS data required for GASB 68. After review of the Audit Presentation, Trustee Heidbreder moved, seconded by Trustee McGinnis, to receive and place on file the 2015 Audit of the Electric, Water, and Communications Utilities. All Trustees voted aye. Motion carried. Mr. LoBianco and the Board both thanked the Accounting Staff and Management for all their work during the audit process.

Mr. O'Donnell and Mr. Hissom left the meeting at 5:45 p.m.

Mr. LoBianco next advised the Board that they had been provided with updated/revised copy of the Service Rules for the Electric, Water, and Communications Utilities. He told the Board that updates were highlighted and that no action was being requested at this meeting, but approval will be requested at the April Board meeting.

Mr. LoBianco reviewed the previously submitted memorandum to the Board members regarding designating the week of May 1-7, 2016, as Drinking Water Week. Mr. LoBianco stated that the week is a unique opportunity for both Water Utility professionals and the communities they serve to join together in recognizing the vital role water plays in our daily lives. The following resolution was submitted:

RESOLUTION 16-11
DRINKING WATER WEEK MAY 1-7, 2016

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa wish to recognize its customers and employees during Drinking Water Week; and,

WHEREAS, the citizens of Muscatine are both owners and consumers of Muscatine Power and Water which provides our homes, businesses, farms, and local government agencies with reliable and cost-effective water by employing sound business practices designed to ensure the best possible service at the lowest possible rate; now therefore,

BE IT RESOLVED, that the Board of Trustees request that the Mayor and City Council designate the week of May 1-7, 2016, as Drinking Water Week in Muscatine, in order to honor Muscatine Power and Water, its consumer-owners, and its employees, who work together to provide the best possible water services; and,

BE IT FURTHER RESOLVED, that Muscatine has joined hands with other communities across the nation to celebrate the benefits of a consumer-owned water utility for our local and national progress.

Trustee McGinnis moved, seconded by Trustee Tubandt that said resolution should be passed, approved, and adopted on this 29th day of March 2016. On roll call Trustees Tubandt, McGinnis, Eversmeyer, Heidbreder, and Bradford voted aye. Voting nay, none. Resolution carried.

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

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

The meeting was adjourned at 6:00 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
MARCH 29, 2016 – 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, March 29, 2016, at 4:30 p.m.

Members of the Committee were present as follows: Committee Chairperson Warren Heidbreder and Trustee Susan Eversmeyer.

Present from Muscatine Power & Water were Sal LoBianco, General Manager; Jerry Gowey, Director Finance and Administrative Services; and Brenda Christensen, Executive Assistant. Ryan O'Donnell of Baker Tilly Virchow Krause, LLP (BT) was in attendance and Russ Hissom of BT was present by telephone for the Audit Report review.

Chairperson Heidbreder called the meeting to order.

Mr. Gowey introduced BT Audit Manager Ryan O'Donnell and BT Partner Russ Hissom. Mr. O'Donnell directed the Committee to the previously submitted material regarding Muscatine Power and Water's 2015 Audit. This material provided to the Audit Finance Committee included a PowerPoint presentation prepared by the auditors that covered the audit overview and auditor communications with those charged with governance. The Committee was also provided a copy of the MP&W Management Representation Letter to the Auditors. Mr. O'Donnell reviewed the auditor's responsibilities. He communicated that the total audit hours were approximately 400 hours, up from previous year due to implementation of new GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. Internal controls in all key areas were examined and he continued that the audit was performed in accordance with all Generally Accepted Auditing Standards and that MP&W Staff had provided full transparency and opened all records. He stated that the MP&W Audit went well; no adjusting entries were required of the Utility financial statements and MP&W was in compliance with all State auditing standards with no exceptions noted. The MP&W Electric and Communications Utility financial statements received an Unqualified Opinion, with the Water Utility receiving a Qualified Opinion due to the timing of the release of IPERS data revised for GASB 68. Next, Mr. O'Donnell reviewed key audit areas and the audit process conducted at MP&W. At 4:50 p.m., Chairperson Heidbreder asked MP&W Management to leave the room so that the Committee could talk privately with Mr. O'Donnell and Mr. Hissom.

Mr. LoBianco, Mr. Gowey, and Ms. Christensen were called back into the room at 5:00 p.m. Mr. Hissom expressed BT's thanks to the MP&W Accounting Staff and Management who had participated in the audit. Mr. O'Donnell and Mr. Hissom left the meeting at 5:05 p.m.

The next item on the agenda was to discuss significant financial risks and exposures facing the Utility and assess management steps to minimize them. Several items were reviewed by Mr. LoBianco and Mr. Gowey, including updates on progress on both the 2016 Power Supply Study and the 2016 Pension Study.

The final agenda item for this meeting was Other Business. This section included an update on the GPC Steam Sales Contract, the Well Field Land Purchase, and the Water Cost of Service Study. The final item in this section was a discussion regarding the Communications Utility.

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

BOARD OF WATER, ELECTRIC, AND
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A handwritten signature in blue ink, appearing to read "Warren Heidbreder", with a long, sweeping underline.

Warren Heidbreder
Audit/Finance Committee Chairperson