

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

Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Steven Bradford, Keith Porter, and Susan Eversmeyer. 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, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the October 25, 2016, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee Bradford moved, seconded by Trustee McGinnis, that the October 25, 2016, public hearing and regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for October 2016 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Bradford moved, seconded by Trustee Porter, to ratify payment of \$8,587,846.95 for the Electric Utility, \$447,256.76 for the Water Utility, and \$895,043.84 for the Communications Utility, for a cumulative total of \$9,930,147.55. All Trustees present voted aye. Motion carried.

The next agenda item was approval of the 2017 Operating Budgets that had been presented for comments at the October Board of Trustees meeting. Mr. LoBianco stated that there was one adjustment made to the Communications Utility Capital Expense Budget that was presented and reviewed at the October 25, 2016, Board of Trustees meeting. No changes were made to either the Water or Electric Utility Budgets that were presented at the October 2016 Board of Trustees meeting. Trustee Porter moved, seconded by Trustee McGinnis, to approve the 2017 Operating Budgets for the Electric, Water, and Communications Utilities. All Trustees present voted aye. Motion carried.

Mr. LoBianco stated that the next agenda item also pertained to the 2017 Operating Budgets; Muscatine Power and Water is required by the Iowa Code to submit a summary of the Operating Budgets to the City Clerk, who then forwards the budget summary to Muscatine County for submittal to the State of Iowa Auditor. The budget certificate summary was presented as previously submitted in written form to all Board members. Copies of the budget

summary were also available for review by the citizens at Muscatine City Hall, Musser Public Library, and at MP&W's Administrative/Operations Office before the November Board meeting. The budget hearing was conducted earlier in the evening. The following resolution was submitted:

***RESOLUTION 16-27***

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the annual Budget for the calendar year 2017, as set forth in the Utility's Budget Estimate Summary showing the revenue and expenditure estimates for said calendar year is adopted, and the Secretary is directed to file the same with the Clerk of the City of Muscatine, IA.

Trustee Porter moved, seconded by Trustee McGinnis, that said resolution be passed, approved, and adopted this 29<sup>th</sup> day of November 2016. On roll call, Trustees McGinnis, Bradford, Porter, and Eversmeyer voted aye. Voting nay, none. Trustee Tubandt was absent. Resolution carried.

The next agenda item was a recommendation to tentatively approve and issue plans and specifications for the Design and Construction of a Fiber to the Home (FTTH) System and to set dates for the receipt of bids and conduct a public hearing. Mr. LoBianco reviewed the previously submitted memorandum to all Board members explaining that the overall project was approved with the 2015 Operating Budget at a total expenditure of \$8,700,000 for the design and construction of a FTTH system to replace the current Communications Utility Hybrid Fiber Coax system. The project scope and budget has been subsequently revised to \$15,896,000 and a revised project summary form covering these changes was included with the submittal of the 2017 Communications Utility Operating Budget. This portion of the project covers the construction of the outside plant and installation of equipment at existing residential and commercial customers' premises. The estimated total expenditure for the above work is \$7,743,000. After discussion, the following resolution was submitted:

***RESOLUTION 16-28***

WHEREAS, plans and specifications have been prepared for the Design and Construction of a Fiber to the Home (FTTH) System Project,

WHEREAS, said proposed plans and specifications and proposed form of contract are now on file with the Secretary of the Board and the Board finds the same are in substantial conformity with the requirements necessary to carry out said plans; now therefore, the Design and Construction of a Fiber to the Home (FTTH) System Project plans and specifications are tentatively, approved; and,

BE IT RESOLVED, that the date of January 4, 2017, at 3:30 p.m., is hereby set for receipt of bids on said project at which time the Board's duly appointed representatives are hereby authorized, empowered and directed to receive, open and read aloud all sealed bids, and keep a written record of said proceedings and notice to bidders is published not less than thirteen (13) days

nor more than forty-five (45) days prior to said date for receipt of bids all as required by the Code of Iowa; and,

BE IT FURTHER RESOLVED, that the hearing on said plans and specifications and proposed form of contract as provided by statute, be held at the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa on January 31, 2017 at 5:28 p.m., and notice to bidders be published not less than four (4) days nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Bradford moved, seconded by Trustee Porter, that said resolution should be passed, approved, and adopted this 29<sup>th</sup> day of November 2016. On roll call, Trustees McGinnis, Bradford, Porter, and Eversmeyer voted aye. Voting nay, none. Trustee Tubandt was absent. Resolution carried.

Next, Mr. LoBianco reminded the Board that at the October Board meeting, the approved 2017 Water Utility's Annual Operating Budget includes a revenue adjustment of five and a half percent (5.5%) and it is recommended that the adjustment be effective April 1, 2017. The recommended increase is consistent with the assumptions included in the Water Utility's Ten-Year Financial Projection and 2017 Operating Budget. Management believes the adjustment is necessary to maintain the long-term financial stability of the Utility. Mr. LoBianco continued that the proposed rate increase is cost of service based and is the result of a Water Utility Cost of Service and Rate Design Study by Stanley Consultants completed in October 2014, and updated by the Finance and Accounting Department. The projection shows capital expenditures of \$22.0 million, through 2026, which is a major driver of the projected revenue adjustments; the rate adjustment has been discussed with the Utility's large contract customers. The magnitude of the projected capital expenditures is driven by projects identified by the Water System Infrastructure Assessment completed in 2011 and in the Water Source Expansion Evaluation and Design completed in 2012, including the projected \$6.5 million for the new wellfield, including the associated transmission main, wells, and treatment facility expansion. External financing of \$11.3 million is projected to be needed in 2017, \$1.3 million in 2018, and \$2.4 million in 2019, and annual borrowings thereafter through 2023. There has been a reluctance to issue any significant amounts of new debt, due to the large concentration of sales to one major water consumer, which consumes over 70% of the water distributed to paying consumers, however without the budgeted and projected borrowings it would be impossible to address the improvements identified by the Studies. With the borrowings, the Utility stays close to its conservative Equity/Capitalization financial target.

Mr. LoBianco stated that even with this increase, MP&W rates still rank very low within the state of Iowa. The following resolution was submitted:

**RESOLUTION 16-29**

WHEREAS, certain studies have been made of the financial condition of the Water Utility and presented to the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined that revenue increases are necessary to keep the Water 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 water revenue be increased by five and a half percent (5.5%) effective with water usage starting April 1, 2017; and,

BE IT FURTHER RESOLVED, that said increase be effected by adoption of the rate classes and rates based on the 2014 Cost-of-Service and Rate Design Study completed by Stanley Consultants, Inc., and updated by staff; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Bradford moved, seconded by Trustee McGinnis, that said resolution should be passed, approved, and adopted this 29<sup>th</sup> day of November 2016. On roll call, Trustees McGinnis, Bradford, Porter, and Eversmeyer voted aye. Voting nay, none. Trustee Tubandt was absent. Resolution carried.

Mr. LoBianco stated that the negotiations with the International Brotherhood of Electrical Workers, Local 55.10, were held in early November and a tentative agreement was reached after two days of negotiations. The Union approved the agreement with the understanding that the Board of Trustees must also vote to accept/ratify the agreement. Mr. LoBianco recognized both teams in the successful negotiations even though the climate of negotiations was less aligned than in the past with new Union team members and leadership, and the cloud of anticipated changes with Generation operations and staffing. He reviewed the high-level terms of the agreement; questions and discussion were conducted on the agreement. The Board congratulated the negotiating team for achieving a voluntary, multi-year settlement with reasonable wage increases, health cost containment changes, and other modifications. Trustee McGinnis moved, seconded by Trustee Porter, to approve the three-year agreement with the International Brotherhood of Electrical Workers, Local 55.10, as previously outlined and discussed. Motion carried. All Trustees present voted aye.

In the General Manager's Report, Mr. LoBianco reviewed the recent Budget Explainer Video created by the MP&W Marketing Department to help MP&W customer/owners better understand the very complicated Utility budget process. He also reviewed the BrandMuscatine Project that MP&W is participating in that will help re-establish and refresh the branding efforts that have been in place for the City of Muscatine for some time.

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

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

Chairperson Eversmeyer 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