

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 30, 2018 – 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, January 30, 2018, at 5:30 p.m.

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

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

The minutes of the December 21, 2017, regular meeting and December 21, 2017, Audit/Finance Committee meeting were presented as previously submitted to all Board members. Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the December 21, 2017, regular meeting minutes be approved as submitted and that the meeting minutes of the December 21, 2017, Audit/Finance Committee Meetings be received and placed on file. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for December 2017 was presented as previously submitted to all Board members. After review and discussion of the expenditures, Trustee Eversmeyer moved, seconded by Trustee Bradford to ratify payment of \$10,125,166.34 for the Electric Utility, \$816,519.31 for the Water Utility, and \$1,833,831.74 for the Communications Utility for a cumulative total of \$12,775,517.39. All Trustees present voted aye. Motion carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding a transfer of funds from the Electric Utility Revenue Fund into the Extraordinary Operation and Maintenance (EO&M) Account. He provided background information on the establishment and intended use of the EO&M Account and continued that for the year ending December 31, 2017, the Electric Utility increased its cash balance by \$17.5 million. He stated that the 2017 Operating Budget indicated a transfer of \$16 million from the Revenue Fund into the EO&M Fund; the current balance in the EO&M Fund is \$13.2 million. MP&W management is requesting authorization to transfer \$15 million from the Revenue Fund into the EO&M Fund to match the six-month O&M reserve target. Mr. LoBianco stated that this transfer was discussed with the Audit/Finance Committee previously. The impact of the transfers on the income statement and cash funds were provided to the Board in the

included Schedule I. After additional discussion, Trustee Bradford moved, seconded by Trustee McGinnis to authorize the Director of Finance and Administrative Services to transfer \$15 million from the Revenue Fund into the EO&M Account. All Trustees present voted aye. Motion carried.

Mr. LoBianco introduced the next item on the agenda as approval of Reimbursement Resolutions for all three Utilities, as recommended by Bond Counsel on an annual basis. The Ten-Year Electric, Water, and Communications Financial Projections indicate substantial capital expenditures which may require various borrowing needs in 2018 and beyond; the borrowings may be a combination of tax-exempt and taxable debt, depending on how the proceeds are to be used. The recommended Resolutions presented are similar to what the Board has adopted previously on an annual basis and are established to comply with the requirements of Treasury Regulations 1.150-2 (proceeds of bonds used for reimbursement). The Resolutions state that the Board reasonably expects to reimburse itself for capital expenditures that were paid out in the past 60 days or those to be incurred in the next year. The reimbursement will be made from the proceeds of future debt obligations. 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 3 years after the original expenditure is paid. The Reimbursement Resolutions do not obligate the Board to undertake a borrowing or to include all qualifying capital projects in a given debt issuance, but it does give the Board the ability to include those projects if they otherwise qualify and the economics warrant. After discussion and review, the following resolutions were submitted:

RESOLUTION 18-01

DECLARATION OF OFFICIAL INTENT OF THE CITY OF MUSCATINE, IOWA, ACTING BY AND THROUGH ITS BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, IOWA TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS FOR THE **ELECTRIC UTILITY**

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 MP&W Electric Utility (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 \$29,857,000 will be issued with respect to financing of the Projects and that certain of the proceeds of such debt obligations will be used to reimburse 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 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 the purpose of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Issue 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 Reimbursements Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the said resolution should be passed, approved, and adopted this 30th day of January 2018. On roll call Trustees Bradford, McGinnis, Eversmeyer, and Tubandt voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

RESOLUTION 18-02

DECLARATION OF OFFICIAL INTENT OF THE CITY OF MUSCATINE, IOWA, ACTING BY AND THROUGH ITS BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, IOWA TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS FOR THE **WATER UTILITY**

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 MP&W Water Utility (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 \$7,402,000 will be issued with respect to financing of the Projects and that certain of the proceeds of such debt obligations will be used to reimburse 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 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 the purpose of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Issue 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 Reimbursements Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee Bradford moved, seconded by Trustee Eversmeyer, that the said resolution should be passed, approved, and adopted this 30th day of January 2018. On roll call Trustees Bradford, McGinnis, Eversmeyer, and Tubandt voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

RESOLUTION 18-03

DECLARATION OF OFFICIAL INTENT OF THE CITY OF MUSCATINE, IOWA, ACTING BY AND THROUGH ITS BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, IOWA TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS FOR THE **COMMUNICATIONS UTILITY**

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 MP&W Communications Utility (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 \$11,333,000 will be issued with respect to financing of the Projects and that certain of the proceeds of such debt obligations will be used to reimburse 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 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 the purpose of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Issue 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 Reimbursements Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the said resolution should be passed, approved, and adopted this 30th day of January 2018. On roll call Trustees McGinnis, Bradford, Eversmeyer, and Tubandt voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

Mr. LoBianco next asked the Board for approval of the revised 2018 Critical Issues. He stated that he and Staff had reviewed the 2017 Critical issues and decided that the Business System Acquisition and Customer Engagement Critical Issues should be removed from the Critical Issue list for 2018; they will continue to move forward as initiatives, just not as a Critical Issue. The 2017 Critical Issues of Fiber to the Home, Continuous Improvement and Energy Policy and Regulation will remain on the 2018 Critical Issue list with slight scope adjustments. He continued that new Critical issues of Power Supply and Transmission and Information Technology have been added to the 2018 Critical Issue list. Trustee Bradford moved, seconded by Trustee McGinnis to approve the 2018 Critical Issues. All Trustees present voted aye. Motion carried.

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

The December Financial Operating Statements and Balance Sheets and the Quarterly Investment Report were presented as previously submitted to all Board members in the Board packet. Mr. LoBianco stated that 2017 Year-End Financials would be covered in the Key Performance Indicators presentation. Trustee Eversmeyer moved, seconded by Trustee McGinnis, to receive and place on file the December Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities, along with the Quarterly Investment Report. All Trustees present voted aye. Motion carried.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members. There were no items for approval.

Mr. LoBianco reviewed the Quarterly Project Status Report and Variance Analysis that was previously submitted to all Board members in the Board packet. Trustee Bradford moved,

seconded by Trustee Eversmeyer, to receive and place on file the Quarterly Project Status Report and Variance Analysis. All Trustees present voted aye. Motion carried.

The Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities were previously submitted to all Board members in the Board packet. Mr. LoBianco informed the Board that a condensed version of the presentation would be reviewed at the meeting but encouraged the Board to ask any questions that they had from the full version provided in the Board Packet. He then asked each Critical Issue leader to review the status of their Critical Issue and stated that Mr. Gowey would review the Key Performance Indicators sections. After review and discussion, Trustee Bradford moved, seconded by Trustee Eversmeyer, to receive and place on file the 2017 Year End Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The December Departmental Reports were presented as previously submitted to all Board members in the Board packet. Trustee McGinnis moved, seconded by Trustee Bradford, to receive and place on file the December Departmental Reports. All Trustees present voted aye. Motion carried.

The meeting was adjourned at 6:45 p.m.

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



Jerry Govey
Board Secretary