

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 26, 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, January 26, 2016, at 5:30 p.m.

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

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, 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 December 17, 2015, regular meeting and December 17, 2015, Audit/Finance Committee meeting were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Heidbreder, that the December 17, 2015, regular meeting minutes be approved as submitted and that the meeting minutes of the December 17, 2015, Audit/Finance Committee Meetings be received and placed on file. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for December 2015 was presented as previously submitted to all Board members. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, to ratify payment of \$9,926,675.61 for the Electric Utility, \$449,484.39 for the Water Utility, and \$2,527,716.61 for the Communications Utility for a cumulative total of \$12,903,876.61. All Trustees voted aye. Motion carried.

The next agenda item was a recommendation to tentatively approve plans and specifications for the Construct Foundations at South Substation Phase of the Install 134 MVA Autotransformer at South Substation Project 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 2013 Operating Budget; this portion of the project covers the transformer and 69 kV circuit breaker foundations, with an estimated total expenditure of \$110,000. After discussion, the following resolution was submitted:

RESOLUTION 16-01

WHEREAS, plans and specifications have been prepared for the Construct Foundations at South Substation Phase of the Install 134 MVA Autotransformer at South Substation Project; and,

WHEREAS, said proposed plans and specifications and proposed form of contract were now on file with the Secretary of the Board and the Board finds the same were in substantial conformity with the requirements necessary to carry out said plans; now therefore, the Construct Foundations at South Substation Phase of the Install 134 MVA Autotransformer at South Substation Project plans and specifications were tentatively approved; and,

BE IT FURTHER RESOLVED, that the date of February 9, 2016, at 3:00 p.m., was hereby set for receipt of bids on said project at which time the Board's duly appointed representative was hereby authorized, empowered, and directed to receive, open and read aloud all sealed bids, and receive and record all oral bids, and keep a written record of said proceedings and notice to bidders be published not less than four (4) 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 in the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on February 23, 2016, 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 Heidbreder moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 26th day of January 2016. On roll call Trustees Eversmeyer, McGinnis, Tubandt, Heidbreder, and Bradford voted aye. Voting nay, none. Resolution 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 and Water Financial Projections indicate substantial capital expenditures which may require various borrowings in 2016 and beyond. 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 future debt issuance. 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 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 16-02

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 **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 \$25,000,000 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 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 Reimbursements Expenditures with respect to the Projects.

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

The undersigned hereby certifies that the foregoing is a full, true, and correct copy of the declaration of the Board of said Issuer duly made at a meeting held on January 26, 2016, and that said declaration has not been amended, modified, or revoked by said Board of Water, Electric, and Communications Trustees.

Trustee Heidbreder moved, seconded by Trustee Tubandt, that the resolution should be passed, approved, and adopted this 26th day of January 2016. On roll call Trustees Heidbreder, McGinnis, Eversmeyer, Tubandt and Bradford voted aye. Voting nay, none. Resolution carried.

RESOLUTION 16-03

**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 **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 \$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 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 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 Reimbursements Expenditures with respect to the Projects.

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

The undersigned hereby certifies that the foregoing is a full, true, and correct copy of the declaration of the Board of said Issuer duly made at a meeting held on January

26, 2016, and that said declaration has not been amended, modified, or revoked by said Board of Water, Electric, and Communications Trustees.

Trustee Heidbreder moved, seconded by Trustee Tubandt, that the resolution should be passed, approved, and adopted this 26th day of January 2016. On roll call Trustees Heidbreder, McGinnis, Eversmeyer, Tubandt and Bradford voted aye. Voting nay, none. Resolution carried.

RESOLUTION 16-04

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 \$15,000,000 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 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 Reimbursements Expenditures with respect to the Projects.

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

The undersigned hereby certifies that the foregoing is a full, true, and correct copy of the declaration of the Board of said Issuer duly made at a meeting held on January 26, 2016, and that said declaration has not been amended, modified, or revoked by said Board of Water, Electric, and Communications Trustees.

Trustee McGinnis moved, seconded by Trustee Eversmeyer, that the resolution should be passed, approved, and adopted this 26th day of January 2016. On roll call Trustees Heidbreder, McGinnis, Eversmeyer, Tubandt and Bradford voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco reviewed the previously submitted memorandum regarding the request for approval for an amendment to the 2013 Borrowing Arrangement between the Water Utility and the Electric Utility. In 2013 the Water Utility entered into a \$4.5 million Line of Credit (LOC) with the Electric Utility at an interest rate of 0.10%. Currently the amount advanced from the Electric Utility to the Water Utility totals \$2,900,000. The LOC keeps borrowing costs to a minimum, until financing needs are better defined and long-term financing can be arranged, and contributes to Utility liquidity requirements. The interest rate on this LOC may be adjusted by the Board each January to reflect the Electric Utility's investment opportunity cost. Currently, the Electric Utility is earning an average rate of return of 0.15% on all cash, money market and invested funds. At the December 2015 Audit/Finance Committee meeting, Management recommended a decrease in the interest rate from 0.18% to 0.15% on the short-term borrowing arrangement between the Water and Electric Utility to be effective January 1, 2016. The Audit/Finance Committee concurred with this approach and recommended going to the full Board for approval.

RESOLUTION 16-05

***Amend the Borrowing Agreement between the
Water Utility and the Electric Utility***

WHEREAS, the City of Muscatine, Iowa, acting by and through its Board of Water, Electric, and Communications Trustees (the "Board") approved an Advance borrowing arrangement between the Water Utility and the Electric Utility on January 29, 2013; and

WHEREAS, the interest rate on the Advance may be adjusted January 1, 2014 and annually thereafter, to reflect the Electric Utility's investment opportunity cost; and

WHEREAS, the Board reviewed the Electric Utility's investment opportunity costs and determined an amendment to the interest rate on the Advance is warranted

NOW, THEREFORE, it is hereby resolved by the Board that the Advance is amended, as follows:

1. It is directed that the interest rate on the Advance is adjusted from 0.18% to 0.15% effective January 1, 2016, to reflect the Electric Utility's investment opportunity cost.

2. All other terms of the Advance remain as originally stated.

The undersigned hereby certifies that the foregoing is a full, true, and correct copy of the declaration of the Board duly made at a meeting on January 26, 2016, and that said declaration has not been amended, modified, or revoked by said Board of Water, Electric and Communications Trustees.

Trustee McGinnis moved, seconded by Trustee Tubandt, that the resolution should be passed, approved, and adopted this 26th day of January 2016. On roll call Trustees Heidbreder, McGinnis, Eversmeyer, Tubandt and Bradford voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco next asked the Board for approval of the revised 2016 Critical Issues. He indicated to the Board that each of the 2015 Critical Issues was still considered a current, high priority issue and will remain as Critical Issues for 2016. He continued that an additional Critical Issue was added regarding the need to evaluate generation resources and develop a plan for the future with respect to the changing regulatory and fuel landscape. Trustee Tubandt moved, seconded by Trustee McGinnis to approve the 2016 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 written form. Mr. LoBianco stated that 2015 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 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.

Mr. LoBianco reviewed the Quarterly Project Status Report and Variance Analysis that was previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Eversmeyer, to receive and place on file the Quarterly Project Status Report and Variance Analysis. All Trustees 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 written form. 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 question 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. Govey would review the Key Performance Indicators sections. After review and discussion, Trustee Eversmeyer moved, seconded by Trustee Tubandt, to receive and place on file the 2015 Year End Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees voted aye.

The December departmental reports were presented as previously submitted to all Board members in written form. After discussion, Trustee Tubandt moved, seconded by Trustee McGinnis, to receive and place on file the December departmental reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 6:30 p.m.

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

A handwritten signature in black ink, appearing to read "Jerry Govey". The signature is fluid and cursive, with the first name "Jerry" written in a larger, more prominent script than the last name "Govey".

Jerry Govey
Board Secretary