

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
MARCH 30, 2017 – 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 Thursday, March 30, 2017, at 5:30 p.m.

Chairperson 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; Ryan O'Donnell and Russ Hissom (present by telephone), 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 Eversmeyer asked if there was anyone in attendance who wished to make any public comments. There were no comments.

The minutes of the February 28, 2017, regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Porter, that the February 28, 2017, regular meeting minutes be approved. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for February 2017 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 \$7,915,439.19 for the Electric Utility, \$503,096.53 for the Water Utility, and \$1,052,288.35 for the Communications Utility for a cumulative total of \$9,470,824.07. All Trustees present voted aye. Motion carried.

Chairperson Eversmeyer stated that the agenda item to receive and place on file the 2016 Audit for the Electric, Water, and Communications Utilities was being moved forward in the agenda. Mr. Gowey introduced BT Audit manager Ryan O'Donnell and BT Partner Russ Hissom (present by phone) and stated that Mr. O'Donnell would review the recently completed independent audit for MP&W covering the calendar year 2016. Mr. O'Donnell directed the Board to the previously submitted material regarding Muscatine Power and Water's 2016 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 he and Mr. Hissom (by phone) had met with the Board's Audit/Finance Committee, which includes Trustees Eversmeyer and Bradford, had met with the General Manager, the Director of Finance and Administrative Services, on Thursday, March 30, 2017, prior to the regular 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. He stated that the MP&W Audit went well; no adjusting entries were required of the Utilities 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; the Water Utility received a Qualified Opinion due to a timing issue regarding the IPERS annual report that provides required information to apply the GASB 68 standard for calculating pension liability. Mr. O'Donnell next reviewed GASB Statement No. 72 that went into effect January 1, 2016; this statement had minimal impact to MP&W. After review of the Audit Presentation, Trustee Porter moved, seconded by Trustee McGinnis, to receive and place on file the 2016 Audit of the Electric, Water, and Communications Utilities. All Trustees present 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 5:40 p.m.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to award a contract for the Lee St. Water Main Replacement and Howard, Jackson, Smith Water Main Replacements Projects. These projects were approved with the 2017 Operating Budget and were combined for bidding purposes. Expenditures of \$91,300 and \$177,000 respectively, and were approved for a total expenditure of \$268,300. Construction involves installation of 490 feet of 8-inch PVC pipe, 1,300 feet of 6-inch PVC pipe, and 34 service connections. The published estimate was \$241,470. Specifications pertaining to the projects were mailed to 21 potential bidders. A total of 5 bids were received, opened publicly, and read aloud on March 15, 2017, at 3:00 p.m. Four bidders attended the opening. The evaluated low bid of McClintock Trucking & Excavating contained a minor math error. The total extended price is \$284,860. Management reviewed the bids and established conformance to the specifications with the evaluated low bid of McClintock Trucking & Excavating of Colona, IL. There were no exceptions or clarifications to the bid documents taken by the low bidder. Therefore, it is recommended that award of the contract for the Lee St. Water Main Replacement and the Howard, Jackson, Smith Water Main Replacement Projects be made to McClintock Trucking & Excavating, Colona, IL, for a total price of \$284,860. The following resolution was submitted:

RESOLUTION 17-11

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid for the Lee St. Water Main Replacement and Howard, Jackson, Smith Water Main Replacements Projects, as submitted by McClintock Trucking & Excavating, Colona, IL, in the amount of \$284,860, was the best and lowest bid received; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal from McClintock Trucking & Excavating of

Colona, IL, in the amount of \$284,860, for the Lee St. Water Main Replacement and Howard, Jackson, Smith Water Main Replacements Projects was hereby accepted as submitted; and,

BE IT FURTHER RESOLVED, that the General Manager and Secretary of the Board were hereby authorized, empowered, and directed to execute a contract in the sum approved by the Board of Water, Electric, and Communications Trustees.

Trustee Porter moved, seconded by Trustee Bradford that said resolution should be passed, approved, and adopted on this 30th day of March 2017. On roll call Trustees McGinnis, Porter, Bradford, and Eversmeyer voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to award a contract for the Unit 9 Boiler Roof Replacement Project. This project was approved with the 2017 Operating Budget, for a total expenditure of \$300,000, to furnish all labor, equipment and tools, materials, and supervision to replace an approximate 12,000 square foot area of the existing roof system and five roof drains with a published estimate of \$247,500. Specifications pertaining to the Unit 9 Boiler Roof Replacement Project were mailed to 8 potential bidders. A total of 3 bids were received, opened publicly, and read aloud on February 28, 2017, at 3:00 p.m. One bidder attended the opening. Management reviewed the bids and established conformance to the specifications with the evaluated low bid from T & K Roofing Company, Inc. of Ely, IA. There were exceptions and clarifications to the bid documents taken by the low bidder, which were evaluated and found acceptable by management. It is recommended that award of the contract for the Unit 9 Boiler Roof Replacement Project be made to T & K Roofing Company Inc. of Ely, IA for a total price of \$215,000. The following resolution was submitted:

RESOLUTION 17-12

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid for the Unit 9 Boiler Roof Replacement Project, as submitted by T & K Roofing Company, Inc. of Ely, IA, in the amount of \$215,000, was the best and lowest bid received; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal from T & K Roofing Company, Inc. of Ely, IA, in the amount of \$215,000, for the Unit 9 Boiler Roof Replacement Project was hereby accepted as submitted; and,

BE IT FURTHER RESOLVED, that the General Manager and Secretary of the Board were hereby authorized, empowered, and directed to execute a contract in the sum approved by the Board of Water, Electric, and Communications Trustees.

Trustee McGinnis moved, seconded by Trustee Bradford that said resolution should be passed, approved, and adopted on this 30th day of March 2017. On roll call Trustees McGinnis, Porter,

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

The next agenda item was a recommendation for issuing of plans and specifications for performing the work, and to set dates for the receipt of bids and conduct a public hearing for the New Well Field Water Main Transmission Line and Transmission Line Portion of Construct Well 49 Projects. The project for the construction of a Water Main Transmission Line was originally approved with the 2014 Operating Budget with an authorized expenditure of \$816,000 and was subsequently revised and reapproved with the 2017 Operating Budget with an authorized expenditure of \$1,538,400. The project to Construct Well 49 at a New Well Field, which included additional transmission piping, was approved with the 2017 Operating Budget with an authorized expenditure of \$390,000. The estimated cost included in this project for the construction of the additional transmission piping is \$79,900. The water main transmission line and new well transmission line construction are being combined into one project. This portion of the work covers labor, equipment, and materials to install 6,190 feet of 30-inch and 1,290 feet of 12-inch ductile iron transmission pipe to connect three new wells and the new well field to the existing water transmission system. The estimated total expenditure for this work is \$1,618,300 with the published estimate for this Competitive Bid being \$1,456,470. After discussion, the following resolution was submitted:

RESOLUTION 17-13

WHEREAS, plans and specifications have been prepared for New Well Field Water Main Transmission Line and Transmission Line Portion of Construct Well 49 Projects,

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, New Well Field Water Main Transmission Line and Transmission Line Portion of Construct Well 49 Projects are tentatively, approved; and,

BE IT RESOLVED, that the date of April 13, 2017, at 3:00 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 receive and record all oral 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 April 25, 2017 at 5:24 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 McGinnis moved, seconded by Trustee Porter that said resolution should be passed, approved, and adopted on this 30th day of March 2017. On roll call Trustees McGinnis, Porter, Bradford, and Eversmeyer voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding a recommendation for issuing of plans and specifications for performing the work, and to set dates for the receipt of bids and conduct a public hearing for Construct Wells 47, 48, 49 at New Well Field Projects. These projects were approved with the 2015 & 2017 Operating Budgets to construct Wells 47, 48, and 49 at New Well Field with expenditures of \$312,100, \$312,100, and \$390,000 respectively; for a total expenditure of \$1,014,200. The project to construct Well 49 included cost to construct a transmission line extension (\$79,900) that was combined with the New Well Field Water Main Transmission Line Project. This portion of the work covers labor, materials, and equipment necessary to construct the three wells and all associated appurtenances for a total expenditure of \$915,440; the published estimate for this Competitive Bid is \$823,896. After discussion, the following resolution was submitted:

RESOLUTION 17-14

WHEREAS, plans and specifications have been prepared for Construct Wells 47, 48, 49 at New Well Field Projects,

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, Construct Wells 47, 48, 49 at New Well Field Projects are tentatively, approved; and,

BE IT RESOLVED, that the date of April 13, 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 receive and record all oral 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 April 25, 2017 at 5:26 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 on this 30th day of March 2017. On roll call Trustees McGinnis, Porter, Bradford, and Eversmeyer voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

The next agenda item was a recommendation for issuing of plans and specifications for performing the work, and to set dates for the receipt of bids and conduct a public hearing for 2017 Southeast Parking Lot Improvements Project. Mr. LoBianco stated that this project was approved with the 2017 Operating Budget for a total expenditure of \$216,700 to remove all existing pavement in the southeast parking lot and construct a new parking lot with concrete pavement. The estimated expenditure for this work is \$166,000, with the published estimate for this Competitive Bid being \$149,400. After discussion, the following resolution was submitted:

RESOLUTION 17-15

WHEREAS, plans and specifications have been prepared for 2017 Southeast Parking Lot Improvements 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, 2017 Southeast Parking Lot Improvements Project are tentatively, approved; and,

BE IT RESOLVED, that the date of April 13, 2017, at 2:30 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 receive and record all oral 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 April 25, 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 McGinnis moved, seconded by Trustee Bradford that said resolution should be passed, approved, and adopted on this 30th day of March 2017. On roll call Trustees McGinnis, Porter, Bradford, and Eversmeyer voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

Mr. LoBianco stated that information for the next agenda item was previously distributed to all Board members in the Board packet regarding the Cost-of-Service/Rate Design Study for the Electric Utility, completed by Dave Berg Consulting (DBC). Mr. Dave Berg was engaged to complete a Cost of Service and Rate Design Study and had reviewed the results of the Study with the Audit/Finance Committee on March 21, 2017. Mr. LoBianco continued that Management is recommending a 2% electric revenue increase, to be effective August 1, 2017, and a similar increase effective August 1, 2018. Muscatine Power and Water's last

rate increase was 4% effective August 1, 2016. The recommended rate adjustments are based on overall revenue and cash reserve requirements of the Utility and the results of the recently completed cost-of-service study. The 2017 10-Year Projections included a 4% rate increase in 2017, followed by an additional 2% increase in 2018. The recommended 2017 increase was reduced to 2% based on current and projected cash reserves even though net income is projected to be negative. Management believes increases are necessary in order to ensure adequate cash reserves to maintain the long-term financial stability of the Utility. The results of the 2017 Cost-of-Service Study indicate that since the last study completed in 2015, the cost to serve the various customer classes has not changed significantly, therefore a 2% adjustment was applied to all rate classes. As indicated in the comparative graphs included in the report, even with the recent and proposed rate increases, MP&W's rates remain competitive and below State and National averages. Mr. LoBianco continued that this evening's presentation is for information only and action will be requested at the April Board of Trustees meeting.

Next Mr. LoBianco reviewed the previously submitted memorandum to the Board members requesting that the Mayor and City Council designate the week of May 7-13, 2017, 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 17-16
DRINKING WATER WEEK MAY 7-13, 2017

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 7-13, 2017, 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 Porter that said resolution should be passed, approved, and adopted on this 30th day of March 2017. On roll call Trustees McGinnis, Porter, Bradford, and Eversmeyer voted aye. Trustee Tubandt was absent. Voting nay, none. Resolution carried.

In the General Manager's report, Mr. LoBianco reviewed an update provided by Ms. Olson on her attendance and the issues that were discussed at the APPA Legislative Rally that took place in March. He also provided a recap regarding the damages MP&W's electric and communications systems caused by the March 6, 2017 tornado and MP&W personnel's service restorations customers. The Board thanked all employees for the hard work and effort put forth in restoring services in a fast and efficient manner. Lastly, Mr. LoBianco reminded the board of the April 12, 2017, Fiber to the Home Groundbreaking Ceremony to celebrate the FTTH Project's outside plant construction.

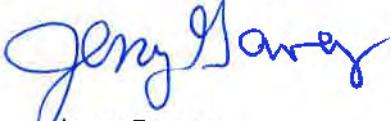
The February Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the February financials for each Utility. Trustee Porter moved, seconded by Trustee McGinnis, to receive and place on file the February Financial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

The meeting was adjourned at 6:25 p.m.

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



Jerry Gowey
Board Secretary