

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 28, 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 Tuesday, February 28, 2017, at 5:30 p.m.

Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Doyle Tubandt, Keith Porter, and Susan Eversmeyer. Trustee Steven Bradford 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; Kristin Andrews and David Fee of Principal Financial Group; Erika Cox, Tim Reed, Gage Huston, 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 January 31, 2017, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Porter, that the January 31, 2017, public hearing and regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for January 2017 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Tubandt moved, seconded by Trustee McGinnis, to ratify payment of \$9,375,443.42 for the Electric Utility, \$3,290,843.82 for the Water Utility, and \$1,062,358.80 for the Communications Utility for a cumulative total of \$13,728,646.04. All Trustees present voted aye. Motion carried.

Mr. LoBianco reminded the Board that the Pension Investment Policy requires that the Board review the Employee Pension Fund performance once a year. Mr. LoBianco introduced David Fee from Principal Financial Group to provide the 2016 Pension Plan and Investment Report. Mr. Fee provided a general update of the current market trends and market expectations for 2017. He then discussed MP&W's portfolio and strategic asset allocations and investment earnings results. Mr. Fee finished his presentation with a review of the MP&W portfolio performance and the current asset manager watch list. Trustee Tubandt moved, seconded by Trustee Porter, to receive and place on file the 2016 Employees' Pension Plan and Investment Advisory Report. All Trustees present voted aye. Motion carried. The Principal Financial Group representatives left the meeting.

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 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, 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 on Lee, Howard, Jackson and Smith Streets. The published estimate for this Competitive Bid will be \$241,470. After discussion, the following resolution was submitted:

RESOLUTION 17-07

WHEREAS, plans and specifications have been prepared for the Lee St. Water Main Replacement and Howard, Jackson, Smith Water Main Replacements 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, Lee St. Water Main Replacement and Howard, Jackson, Smith Water Main Replacements Projects are tentatively, approved; and,

BE IT RESOLVED, that the date of March 15, 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 March 30, 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 McGinnis moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 28th day of February 2017. On roll call Trustees McGinnis, Porter, Tubandt, and Eversmeyer voted aye. Trustee Bradford was absent. Voting nay, none. Resolution carried.

Mr. LoBianco introduced the next item on the agenda as a recommendation to approve a revised Project Summary Form for the Mulberry Avenue Conversion of Overhead to Underground Project. The project was originally submitted and approved with the 2016 Operating Budget with an authorized expenditure of \$127,600 to replace the overhead electrical facilities with underground equipment from Houser Street to the telephone cell tower road perpendicular to Mulberry Avenue. The original project scope was based on plans submitted by the City of Muscatine and as the project progressed several scope changes were required to meet the needs of the project, resulting in a revised total project expenditure of \$250,764. Mr. LoBianco reviewed the major scope changes that drove the cost of the project above the initial projections. Trustee Tubandt moved, seconded by Trustee Porter, that the revised Project Summary Form for the Mulberry Avenue Conversion of Overhead to Underground Project with a revised expenditure cost of \$250,764 be approved. All Trustees present voted aye. Motion carried.

Next, Mr. LoBianco advised that, as included in the 2017 Communications Utility Operating Budget approved at the November 2016 Board of Trustees Meeting, a 7% revenue adjustment was budgeted for digital cable TV services to offset a portion of programming expense increases. Mr. LoBianco informed the Board that the rate adjustments for video services are not extra revenue to fund the FTTH project. He continued that to highlight the expense to provide local broadcast networks (CBS-4, NBC-6, ABC-8, and Fox 18), overall digital TV package rates have been reduced and a Broadcast Surcharge will be detailed on the bill. He explained that although this programming is free with an over-the-air antenna, cable and satellite operators are charged to provide this programming in their video line-up. This type of surcharge has become common in the industry and will help make MP&W digital TV rates look more competitive and comparable to other video providers. Mr. LoBianco continued that there were no internet rate increases recommended for MP&W internet packages and that the rate for the top internet package, Xtreme100, will be reduced by \$10 making this package more cost-effective for customers who want to upgrade to the highest speed. Mr. LoBianco closed with the comment that MP&W works to keep all utility rates competitive and strive to keep necessary rate increases to a minimum, however, the past and current increase in Digital TV rates are driven by escalating fees paid to content providers. MP&W continues to absorb a portion of the programming increases, resulting in declining gross margins on digital TV services. We believe we have absorbed as much of these increases as possible without jeopardizing the ability to accomplish financial targets and maintain sufficient cash flow to pay for ongoing capital expenditures and service debt. After some additional discussion, the following resolution was submitted:

RESOLUTION 17-08

WHEREAS, review of the financial condition of the Communications Utility has been completed and reviewed with the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed this information and determined that a revenue increase is necessary to keep the Communications 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 effective April 1, 2017, the Communications Utility's price structure for MP&W Digital TV will be reduced, in consideration of the addition of a Broadcast Network Surcharge. The price for MPW Digital TV Basic service shall be \$20.99 per month and Select service shall be \$69.99 per month.

BE IT FURTHER RESOLVED, that a Broadcast Surcharge of \$10.00 will be instituted and detailed on the customer bill to make MP&W prices and structure more comparable with other service providers and to show the expense to provide local broadcast networks (CBS-4, NBC-6, ABC-8, and Fox-18), although this programming is free with an over-the-air antenna, cable and satellite operators are charged to provide this programming in their video line-up; and

BE IT FURTHER RESOLVED, that the General Manager of Muscatine Power and Water shall continue to be responsible for approving price tiers, premium services, equipment fees, promotional packages, and discounts for all Muscatine Power and

Water's Communications services as deemed necessary to ensure the financial viability of the Communications Utility; and

BE IT FURTHER RESOLVED, that proper notice be given to consumers in accordance with the terms of the contracts, Federal Communications Commission (FCC) and Iowa State Code.

Trustee McGinnis moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 28th day of February 2017. On roll call Trustees McGinnis, Porter, Tubandt, and Eversmeyer voted aye. Trustee Bradford was absent. Voting nay, none. Resolution carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the MP&W Employee Informational Meetings that were held in February. He also discussed with the Board that the Unit 9 Turbine Overhaul Repair Project costs were going to be higher than anticipated due to additional repairs that were identified during inspection. He continued that although final costs for the project are not fully known at this time, some of the estimated costs in other areas of the project may come in lower than expected and will help offset some of the anticipated increases; it is expected that the project will come in over budget.

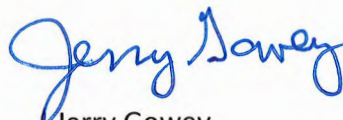
The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the January financials for each Utility. Trustee Tubandt moved, seconded by Trustee Porter, to receive and place on file the January Financial 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 format. There were no items for approval. The report was received and placed on file.

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

The meeting was adjourned at 6:15 p.m.

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Jerry Gowey
Board Secretary