

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 22, 2011 – 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 22, 2011, at 5:30 p.m.

Chairperson Gary Carlson called the meeting to order. Members of the Board were present as follows: Trustees Doyle Tubandt, Warren Heidbreder, Scott Ingstad and Gary Carlson. Trustee Joni Axel was absent from the meeting.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary, Duane Goedken, Board Attorney; Charles Potter, Muscatine Journal; David Fee and Lacey Loewe of Principal Financial Group; Ray Danz, Gary Wieskamp, Erika Cox, Jeff Beer, Brandy Olson and Brenda Christensen of Muscatine Power and Water (MP&W); Also present were Helen Van Hoozer, Don Paulson and Sherri Leonard.

Chairperson Carlson asked if there was anyone in attendance who wished to make any public comments. Ms. Van Hoozer and Mr. Paulson asked about the Utility's emission control equipment and alternative energy activities; Mr. LoBianco reviewed conversions and improvements made to each unit in the past few years. Mr. Danz stated that the Utility is in compliance with all state and federal emission standards. Mr. LoBianco also stated that the Utility had reviewed projects that look at other energy sources, but currently the Utility has excess capacity and MP&W is a low cost producer, giving our customers some of the lowest rates in Iowa and the nation. Ms. Van Hoozer commented that the Utility seems to be very aware of environmental issues and that she has lived in the community for nine years without a single loss of power. Ms. Leonard expressed concerns about the water quality at her home, especially manganese. Ms. Olson explained MP&W is in compliance with state standards and that manganese is part of the natural ground water. There were no additional public comments.

The minutes of the January 25, 2011, public hearing and regular meeting minutes were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Heidbreder, that the January 25, 2011, public hearing minutes and regular meeting minutes be approved as submitted. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for January was presented as previously submitted to all Board members in written form. Mr. LoBianco commented that expenditures for January included the transfer of approximately \$13,000,000 for the Electric Utility debt service payment. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Ingstad, to ratify payment of \$17,491,807.03 for the Electric Utility, \$280,597.53 for the Water Utility, and \$1,565,864.92 for the Communications Utility for a cumulative total of \$19,338,269.48. Motion carried. All Trustees present voted aye.

Mr. LoBianco reminded the Board that the Pension Investment Policy requires that the Board review the Employee Pension Fund performance once a year. Ms. Cox reviewed the memo previously provided to the Board and introduced David Fee and Lacey Loewe from the Principal Financial Group to provide an update of the plan's 2010 year end asset allocation, and investment earnings results. Mr. Fee of Principal reminded the Board that Principal focuses on long-term asset allocation strategies with the goal of providing optimal return and risk scenarios to help meet the plan's goals. Mr. Fee reviewed the portfolio performance, along with the portfolio and strategic asset allocation. After some additional discussion Trustee Ingstad moved, seconded by Trustee Heidbreder, to receive and place on file the 2010 Investment Advisory Report from Principal.

Mr. LoBianco introduced the next item on the agenda, asking for approval of a Water Utility Reimbursement Resolution. He said that this resolution was similar to other resolutions the Board had acted on in the past when the need for external financing was forecasted for capital expenditures. Mr. Kerker told the Board that to include the current 2011 capital projects as part of tax-exempt financing the Board needs to adopt a reimbursement resolution. After discussion and review, the following resolution was submitted.

RESOLUTION 11-06

WHEREAS the City of Muscatine, Iowa (the "Issuer"), acting by and through its Board of Water, Electric and Communications Trustees (the "Board"), now desires to finance improvements and additions to the municipal waterworks plant and system, including without limitation the projects listed in Section 1 below; and

WHEREAS all or a portion of the expenditures relating to such Projects (the "Expenditures") (i) have been paid within the sixty days prior to the passage of this Resolution or (ii) will be paid on or after the passage of this Resolution from the Water Revenue Fund; and

WHEREAS the Issuer reasonably expects to reimburse itself or pay for the Expenditures with the proceeds of an obligation;

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 reasonably expects to reimburse or pay the Expenditures with proceeds of an obligation. Projects include but are not limited to:

- Construct Well 42 at Main Wellfield
- Valve Insertions
- Replace Backhoe
- Replace Fire Hydrants and Small Valves
- Replace 4X4 Pickup Truck
- Other Capital Project and Improvements related to the municipal waterworks plant and system
- Variable Frequency Drive and Premium Motor Installations (West Hill Pumping Station)

Section 2. The maximum principal amount of the obligations expected to be issued for the Projects is \$1,200,000.

Section 3. All actions of the officers, agents and employees of the Issuer or the Board that are in conformity with the purposes and intent of this Resolution, whether taken before or after the adoption hereof, are hereby ratified, confirmed and adopted.

Section 4. This Resolution shall be in full force and effect immediately upon its adoption.

Trustee Ingstad moved, seconded by Trustee Tubandt, that said resolution be passed, approved, and adopted this 22nd day of February 2011. On roll call Trustees Ingstad, Heidbreder, Tubandt and Carlson voted aye. Voting nay, none. Trustee Axel was absent from the meeting.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding agreements signed with Tenaska Power Services Company for the sale of excess capacity for July and August of 2011. Mr. LoBianco also showed a video titled Consumer's Guide to Electricity 2011 produced by the IAMU to educate consumers on the rising cost of electrical energy and the issues driving the increase.

The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. LoBianco gave a brief update on each utility. After review, Trustee Tubandt moved, seconded by Trustee Ingstad, to receive and place on file the January Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written form. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Tubandt, to approve the January Competitive Quotes for Public Improvements Report. Motion carried. All Trustees present voted aye.

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

Chairperson Carlson asked if there were any other items of business. With no other items of business, the meeting was adjourned at 6:40 p.m.

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

A handwritten signature in black ink, appearing to read "Donald W. Kerker". The signature is fluid and cursive, with the first name "Donald" being the most prominent part.

Donald W. Kerker
Board Secretary