

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 28, 2014 – 5:28 P.M.**

The Board of Trustees conducted a public hearing in Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, January 28, 2014, at 5:28 p.m.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, Brandy Olson, Tim Reed, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

The purpose of the public hearing was to receive any citizens' comments regarding the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects.

Mr. Gowey, Board Secretary, opened the public hearing at 5:28 p.m. to receive any citizens' comments regarding the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects.

Mr. Gowey stated that no written or oral comments were received regarding these projects, and that the public hearing notice was published as required by the Code of Iowa.

A resolution passed approving the final plans and specifications of the project.

RESOLUTION 14-01

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa has given tentative approval to plans and specifications for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects; and,

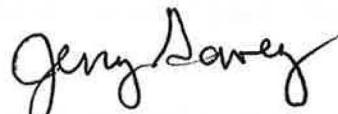
WHEREAS, bids have been received and there are no written or oral objections to proceeding with these projects; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects be adopted.

Trustee Bradford moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees Axel, Heidbreder, Bradford, McGinnis, and Tubandt voted aye. Voting nay, none. Resolution carried.

At 5:30 the Secretary closed the public hearing for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects.

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



Jerry Gowey
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 28, 2014 – 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 28, 2014, at 5:30 p.m.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, Brandy Olson, Tim Reed, Gage Huston, 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 public comments.

The minutes of the December 19, 2013, regular meeting, and the December 19, 2013, Audit/Finance Committee Meeting minutes were presented as previously submitted to all Board members in written form. Trustee Axel moved, seconded by Trustee McGinnis, that the minutes be approved as submitted. All Trustees voted aye. Motion carried. The Audit/Finance Committee Meeting minutes were received and placed on file.

The list of expenditures and transactions for December 2013 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Axel, to ratify payment of \$6,395,146.32 for the Electric Utility, \$394,658.91 for the Water Utility, and \$856,296.55 for the Communications Utility for a cumulative total of \$7,646,101.78. All Trustees voted aye. Motion carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the receipt and evaluation of bids for the two projects, Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field; revised project summary forms for these projects were approved at the December 2013 Board meeting. Specifications pertaining to the projects were mailed to seventeen (17) potential bidders. A total of three (3) bids were received, opened publicly, and read aloud on January 14, 2014, with all three (3) bidders at the opening. The total approved expenditure for these two projects is \$935,769; with a published estimate of \$629,982. The bids were reviewed and conformance of the low bidder to the specifications was established. MP&W Management recommended that the low bidder, Northway Well and Pump Company of Marion, Iowa, be awarded the contract for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects for the total contract price of \$593,223.45. The total price of this bid includes a \$3,400 increase to the base bid for the optional 6" steel casing and screens on

both test wells and a \$1,800 deduction for award of both wells to the same contractor. The contract also includes bonus payments for early completion which are capped at 10% of the contract liquidated damages for late completion of any well. Mr. LoBianco communicated that MP&W Management had met with both of the Utility's largest water customers regarding water usage needs for the summer, and it was determined that to meet the projected summer demand the wells were needed to meet immediate demand. After review of the project, the following resolution was submitted:

RESOLUTION 14-02

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects, as submitted by Northway Well and Pump Company of Marion, Iowa, in the amount of \$593,223.45, 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 Northway Well and Pump Company of Marion, Iowa, in the amount of \$593,223.45 for the Construct Well 44 at Main Well Field and Construct Well 45 at Progress Park Well Field Projects were 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 Heidbreder moved, seconded by Trustee Axel, that the resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees McGinnis, Bradford, Axel, Heidbreder, and Tubandt voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco introduced the next item on the agenda as approval of Unit 8A Reboilers Tube Replacement Project with an expected expenditure of \$1,250,000. This project involves the complete replacement of all tubes in the two (2) Reboilers at the Generation Site. Over the last 12 months, MP&W has been experiencing operational issues with the Reboiler system. Fouling of the exterior side of the tubes was suspected due to instances of poor water quality coming back from GPC's process. As described in the project justification included with the memo, an investigation into the issue led to the discovery that the exterior side of the Reboiler tubes (i.e. the GPC side) has a significant amount of scaling due to poor water quality. This scaling has decreased the operating efficiency of the Reboiler system and led to pitting of the tubes, which ultimately leads to tube failure. The expenditure associated with this project is subject to cost sharing with Grain Processing Corporation (GPC) per the first amendment to the Steam Sales Contract between MP&W and GPC. The costs associated with the project will be allocated 80% to GPC and 20% to MP&W. This allocation is a variance from that which was prescribed in Section 8.08 of the First Amendment, however, both Parties have mutually agreed that operating conditions have varied from what was prescribed in the Contract and thus warranted a change in the contractually specified cost

allocation. GPC's portion of the project cost will be amortized with interest over the remaining term of the existing contract and recovered through the ongoing per-unit cost of steam during that term. At the agreed to cost allocation, the estimated cost impact to MP&W is \$250,000. After review and discussion, Trustee Axel moved, seconded by Trustee McGinnis, to approve the Unit 8A Reboilers Tube Replacement Project. All Trustees voted aye. Motion 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 \$400,000. 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 0.18% on all cash, money market and invested funds. At the December 2013 Audit/Finance Committee meeting, Management recommended an increase of the interest rate from 0.10% to 0.18% on the short-term borrowing arrangement between the Water and Electric Utility to be effective January 1, 2014. The Audit/Finance Committee concurred with this approach and recommended going to the full Board for approval.

RESOLUTION 14-03

***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 0.10% to 0.18% effective January 1, 2014, 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 28, 2014, and that said declaration has not been amended, modified, or revoked by

said Board of Water, Electric and Communications Trustees.

Trustee Bradford moved, seconded by Trustee McGinnis, that the resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees McGinnis, Bradford, Axel, Heidbreder, and Tubandt 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 borrowing needs in 2014 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 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 a future debt issue. 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 three (3) years after the original expenditure is paid. The Reimbursement Resolutions do not obligate the Board to include all qualifying capital projects in the debt issues, but it does give the Board the ability to include them if they otherwise qualify and the economics warrant.

After discussion and review, the following resolutions were submitted.

RESOLUTION 14-04

***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 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 \$21,000,000 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 Issue to make any expenditure, incur any indebtedness, or proceed with the Projects.
- Section 3. The Issuer hereby declares itself 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 Heidbreder moved, seconded by Trustee Bradford, that the resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees McGinnis, Bradford, Axel, Heidbreder, and Tubandt voted aye. Voting nay, none. Resolution carried.

RESOLUTION 14-05

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 \$11,000,000 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 Issue to make any expenditure, incur any indebtedness, or proceed with the Projects.
- Section 3. The Issuer hereby declares itself 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 Axel moved, seconded by Trustee McGinnis, that the resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees McGinnis, Bradford, Axel, Heidbreder, and Tubandt voted aye. Voting nay, none. Resolution carried.

RESOLUTION 14-06

***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 \$5,000,000 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 Issue to make any expenditure, incur any indebtedness, or proceed with the Projects.
- Section 3. The Issuer hereby declares itself 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 Heidbreder moved, seconded by Trustee Bradford, that the resolution should be passed, approved, and adopted this 28th day of January 2014. On roll call Trustees McGinnis, Bradford, Axel, Heidbreder, and Tubandt voted aye. Voting nay, none. Resolution carried.

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 2013 Year-End Financials would be covered in the Key Performance Indicators presentation. Trustee Axel 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.

The Quarterly Project Status Report and Variance Analysis 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 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 format. Mr. LoBianco 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 McGinnis moved, seconded by Trustee Axel, to receive and place on file the 2013 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 Heidbreder moved, seconded by Trustee

Axel, to receive and place on file the December departmental reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 7:10 p.m.

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



Jerry Gowey
Board Secretary