

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
OCTOBER 25, 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, October 25, 2016, at 5:30 p.m.

Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Susan Eversmeyer, Tracy McGinnis, and Steven Bradford. Trustees Keith Porter and Doyle Tubandt were 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; Erika Cox, Brandy Olson, 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 public comments.

The minutes of the September 27, 2016, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Bradford, that the September 27, 2016, public hearing and regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried. The meeting minutes from the September 26, 2016, Audit/Finance Committee Meeting were received and placed on file.

The list of expenditures and transactions for September 2016 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 McGinnis, to ratify payment of \$10,979,136.01 for the Electric Utility, \$486,167.83 for the Water Utility, and \$908,927.08 for the Communications Utility, for a cumulative total of \$12,374,230.92. All Trustees present voted aye. Motion carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to award a contract for the Above Grade Construction and Relay Panel Installation Phase of the South Substation Project. This project was approved with the 2013 Operating Budget with a total expenditure of \$3,475,000 and revised and approved at the May 2016 Board meeting, increasing the approved expenditure to \$4,072,000. This portion of the project covers the work for above grade construction and relay panel installation. The published estimate for this portion of the project was \$427,500, with an estimated total expenditure of \$475,000. Specifications pertaining to the Above Grade Construction and Relay Panel Installation project were mailed to 16 potential bidders. A total of 2 bids were received, opened publicly, and read aloud on Tuesday, October 11, 2016, at 3:00 p.m. One bidder attended the opening. It is recommended that the low bidder, M.J. Electric, LLC of Greenville, WI, be awarded the contract for a total price of \$392,965.00. After additional discussion, the following resolution was submitted:

RESOLUTION 16-25

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid for the Above Grade Construction and Relay Panel Installation Phase of the Install 134 MVA Autotransformer at South Substation Project, as submitted by M.J. Electric, LLC of Greenville, WI, in the amount of \$392,965.00, 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 M.J. Electric, LLC of Greenville, WI, in the amount of \$392,965.00, for the Above Grade Construction and Relay Panel Installation Phase of the Install 134 MVA Autotransformer at South Substation 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 Bradford moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 25th day of October 2016. On roll call Trustees Bradford, McGinnis, and Eversmeyer voted aye. Voting nay, none. Trustees Porter and Tubandt were absent. Resolution carried.

The next agenda item was a recommendation to approve a project summary form for the WiMax/Long Term Evolution (LTE) Conversion Project with an authorized expenditure of \$181,000. This project will replace the current WiMax wireless internet system with a 4G/LTE system. This project includes replacing all customer radios, base stations and associated equipment, along with installation labor and testing necessary to place the new LTE system in service. Mr. LoBianco continued that the current WiMax system was installed in 2011 to serve MP&W customers that could not be traditionally served through our wired MachLink® services and that over the last 12 months, WiMax customers have been experiencing operational issues including slow speeds and connectivity issues due to the obsolescence of the current WiMax system. Replacement of the WiMax wireless internet system with a LTE system will resolve these issues. He continued that financial projections indicate a three-year payback for the capital investment. After additional discussion, Trustee McGinnis moved, seconded by Trustee Bradford, to approve the WiMax/LTE Conversion Project with an authorized expenditure of \$181,000. All Trustees present voted aye. Motion carried.

The preliminary 2017 Annual Operating Budgets for the Electric, Water, and Communications Utilities were submitted under separate cover to all Board members. Mr. LoBianco stated that the Operating Budgets were being presented for information and comments, approval of the Budgets will be requested at the November Board meeting. He continued that the assumptions driving the Budgets were designed to support the medium term achievement of financial targets, meet the needs of our customer/owners at the lowest possible cost, and support the Critical Issues identified in the Strategic Plan. Mr. Govey stated that the Budgets reflect ongoing efforts to keep expenses and capital expenditures at conservative levels in response to the ongoing economic conditions; capital expenditures in all three Utilities are at levels needed to address 2017 infrastructure projects in support of the core values of safety, customer service, and reliability. Mr. Govey provided a review of the general assumptions used and then gave a high-level review

of each Utility's budget and reviewed the primary drivers for each Utility that were previously submitted to all Board members. He stated that that the drivers are based on major cash inflows and outflows for each of the Utilities, comparing 2017 to the previous two years; the primary difference between these schedules and the Income Statements is that the schedules show borrowings, debt principal repayment, and capital expenditures, and exclude depreciation/amortization. A summary of 2017 budgeted capital expenditures and major expenses over \$135,000 was also included for review. Mr. LoBianco stated that if any of the Trustees had questions or comments to please contact Mr. Govey or him.

Chairperson Eversmeyer continued that the State of Iowa requires that a Budget Summary for all three Utilities be prepared and a public hearing conducted on the Budget Summary to provide the public an opportunity to review and present any comments on the published Budget Summary. It is management's recommendation that the public hearing be set for November 29, 2016, at 5:28 p.m. The following resolution was submitted:

RESOLUTION 16-26

WHEREAS, the Budget Summary of the combined Electric, Water, and Communications Utilities is being prepared for the 2017 calendar year, and it is recommended that a public hearing be established for the review of said Budget Summary; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the Budget Estimate Summary of the combined Electric, Water, and Communications Utilities be placed on file at the office of the City Clerk and at the City Library, along with MP&W Offices, for any resident, taxpayer, or consumer to view; and,

BE IT FURTHER RESOLVED, that a public hearing be held on the 29th day of November 2016 at 5:28 p.m. in the Board Room of Muscatine Power and Water's Administration/Operations Building located at 3205 Cedar Street, Muscatine, Iowa, and the notice of said hearing shall be published once in the Muscatine Journal, a newspaper of general circulation published daily in the City of Muscatine, Iowa, not less than ten (10) nor more than twenty (20) days prior to said hearing, all as required by the Code of Iowa.

Trustee Bradford moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 25th day of October 2016. On roll call Trustees Bradford, McGinnis, and Eversmeyer voted aye. Voting nay, none. Trustees Porter and Tubandt were absent. Resolution carried.

Included with the Board's meeting materials was a condensed version of Ten-Year Financial Projections for 2017 through 2026 for the Electric, Water, and Communications Utilities in graphical format. Mr. Govey reviewed the graphs that summarized major revenue and expense drivers, and each Utility's financial targets and the projected results in meeting those targets. Cost drivers are consistent with past projections. There is a continued focus on financial targets, which we believe are important in securing the Utilities' long term success. The targets drive projected price increases and the need for borrowings. The financial targets are generally based upon information from Fitch for A and AA rated utilities. Consistent with the projections provided in the previous years, all three of the Utilities' projections include a recommended cash reserve level. The recommended reserve level provides approximately 90 days of operating cash in each of two

funds, an operating fund and a reserve fund. Expenses continue to be monitored and controlled; lean initiatives are being utilized to assist in the continuing efforts to control and reduce expenses and increase efficiencies. After discussion, Trustee McGinnis moved, seconded by Trustee Bradford, to receive and place on file the Ten-Year Financial Projections for 2017 through 2026. All Trustees present voted aye. Motion carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the recent MP&W 5k Walk/Run. The event was held on October 8th and concluded the Utility's Public Power Week celebration.

The next item on the agenda was to receive and place on file the YTD and September Financial Operating Statements and Balance Sheets for each Utility and the Quarterly Investment Report. After review by Mr. Gowey, Trustee McGinnis moved, seconded by Trustee Bradford, that the YTD and September Financial Operating Statements and Balance Sheets for the Electric, Water, and Communications Utilities and the Quarterly Investment Report be received and placed on file. All Trustees present voted aye. Motion carried.

The Quarterly Project Status Report and Variance Analysis were presented as previously submitted to all Board members in written form and reviewed by Mr. LoBianco. Trustee McGinnis moved, seconded by Trustee Bradford, to receive and place on file the Quarterly Project Status Report and Variance Analysis. 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 form. There were no items for approval.

The Critical Issues and Key Performance Indicators Presentation for the Electric, Water, and Communications Utilities was the next agenda item. Chairperson McGinnis suggested that due to time already spent on previous presentations that the Trustees ask any questions that they had on any sections in the Critical Issues and Key Performance Indicators Presentation. After review and discussion, Trustee Bradford moved, seconded by Trustee McGinnis, to receive and place on file the 2016 Third Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

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

Chairperson Eversmeyer asked if there were any other items of business. With no other items of business, the meeting was adjourned at 7:05 p.m.

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



Jerry Gowey
Board Secretary

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
OCTOBER 25, 2016 – 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, October 25, 2016, at 5:28 p.m.

Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Susan Eversmeyer, Tracy McGinnis, and Steven Bradford. Trustees Keith Porter and Doyle Tubandt were 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; Erika Cox, Brandy Olson, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

The purpose of the public hearing was to receive any citizens' comments regarding the Above Grade Construction and Relay Panel Installation Phase of the South Substation Project.

Mr. Gowey, Board Secretary, opened the public hearing at 5:28 p.m. to receive any citizens' comments regarding the Above Grade Construction and Relay Panel Installation Phase of the South Substation Project.

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

The following resolution was submitted:

RESOLUTION 16-24

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 Above Grade Construction and Relay Panel Installation Phase of Install 134 MVA Autotransformer at South Substation Project; and,

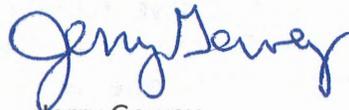
WHEREAS, bids have been received and there are no written or oral objections to proceeding with these projects; now therefore,

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 Above Grade Construction and Relay Panel Installation Phase of Install 134 MVA Autotransformer at South Substation Project be approved.

Trustee Bradford moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 25th day of October 2016. On roll call Trustees Bradford, McGinnis, and Eversmeyer voted aye. Voting nay, none. Trustees Porter and Tubandt were absent. Resolution carried.

At 5:29 p.m., the Secretary closed the public hearing for the Above Grade Construction and Relay Panel Installation at South Substation Project.

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



Jerry Gowey
Board Secretary