

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 31, 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, January 31, 2017, at 5:30 p.m.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Eric Oberg, Bear Communications; 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 December 20, 2016, regular meeting and December 20, 2016, Audit/Finance Committee meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Porter, that the December 20, 2016, regular meeting minutes be approved as submitted and that the meeting minutes of the December 20, 2016, Audit/Finance Committee Meetings be received and placed on file. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for December 2016 was presented as previously submitted to all Board members. After review and discussion of the expenditures, Trustee Bradford moved, seconded by Trustee McGinnis to ratify payment of \$9,812,720.53 for the Electric Utility, \$593,703.66 for the Water Utility, and \$1,543,379.27 for the Communications Utility for a cumulative total of \$11,949,803.46. All Trustees voted aye. Motion carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to award a contract for the Design and Construction of a Fiber to the Home (FTTH) System Project. This project was approved with the 2015 Operating Budget for a total expenditure of \$8,700,000 to replace the current Communications Utility Hybrid Fiber Coax system. The project scope and budget was subsequently revised to \$15,896,000 and approved with the 2017 Operating Budget. This portion of the project covers the construction of the outside plant, residential and commercial premise wiring, and installation of equipment at residential and commercial premises. Materials provided by MP&W include fiber optic cable, set top boxes, and optical network terminals (ONT's). Bidders will furnish all construction equipment, specified materials, labor, supervision, and incidental items necessary to construct a FTTH system from MP&W's headend location to

the end user. The estimated total expenditure for the above work is \$7,743,000.

Specifications pertaining to the Construction of a Fiber to the Home System were provided to 26 potential bidders. To provide additional time for Bidders to respond, the date to receive bids was adjusted from January 4, 2017 at 3:30 p.m. to Monday, January 9, 2017, at 1:00 p.m. A total of seven bids were received, opened publicly, and read aloud. One bidder attended the bid opening. Management reviewed the bids and established conformance to the specifications with the evaluated low bidder of Atlantic Engineering Group, Inc., of Braselton, GA. Exceptions and clarifications to the bid documents taken by Atlantic Engineering Group, Inc. were reviewed and accepted by the Director, Legal and Regulatory Services. Atlantic Engineering Group, Inc. provided several cost saving alternatives for MP&W's consideration. Management and staff reviewed the alternatives and selected an option to modify installation parameters for fiber service drops that will reduce unit adjustment prices. Extending the revised unit adjustment prices provides a cost savings of \$1,144,513.21 and a new total extended bid price of \$7,541,567.79. Additional alternatives are under consideration and if selected will be processed as Contract Change Orders after award. Therefore, it is recommended that award of the contract for the Construction of a Fiber to the Home System project be made to Atlantic Engineering Group, Inc., of Braselton, GA for a total price of \$7,541,567.79.

RESOLUTION 17-02

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the bid for the Design and Construction of a Fiber to the Home (FTTH) System Project, as submitted by Atlantic Engineering Group, Inc. of Braselton, GA, in the amount of \$7,541,567.79, 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 Atlantic Engineering Group, Inc. of Braselton, GA in the amount of \$7,541,567.79, for the Design and Construction of a Fiber to the Home (FTTH) System 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 or Water, Electric, and Communications Trustees.

Trustee Tubandt moved, seconded by Trustee Porter, that the said resolution should be passed, approved, and adopted this 31st day of January 2017. On roll call Trustees McGinnis, Bradford, Tubandt, Porter, and Eversmeyer voted aye. 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 Unit 9 Boiler Roof Replacement Project. Mr. LoBianco reviewed the previously

submitted memorandum to all Board members explaining that the overall 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 existing roof system and five roof drains. The existing roof materials will be removed and disposed of and the area will then be re-roofed using a two-ply bitumen roof system over new insulation, with five new roof drain systems connected to existing roof drain piping. Both roof and drain systems will be seal tested by contractor at completion of installation. This portion of the project includes a total estimated expenditure of \$275,000. After discussion, the following resolution was submitted:

RESOLUTION 17-03

WHEREAS, plans and specifications have been prepared for the Unit 9 Boiler Roof Replacement 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, the Unit 9 Boiler Roof Replacement Project plans and specifications are tentatively, approved; and,

BE IT RESOLVED, that the date of February 28, 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 5:28 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 the said resolution should be passed, approved, and adopted this 31st day of January 2017. On roll call Trustees McGinnis, Bradford, Tubandt, Porter, and Eversmeyer 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, Water, and Communications Financial Projections indicate substantial capital expenditures which may require various borrowing needs in 2017 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 following are similar to what the

Board has adopted in the past. The Resolutions state that the Board reasonably expects to reimburse itself or pay for capital expenditures from the proceeds of future debt issuance. 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 3 years after the original expenditure is paid. The Reimbursement Resolutions do not obligate the Board to undertake a borrowing or to include all qualifying capital projects in a given debt issuance, but it does give the Board the ability to include those projects if they otherwise qualify and the economics warrant. After discussion and review, the following resolutions were submitted:

RESOLUTION 17-04

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 \$25,786,000 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

Issuer to make any expenditure, incur any indebtedness, or proceed with the Projects.

Section 3. The Issuer hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee Tubandt moved, seconded by Trustee Porter, that the said resolution should be passed, approved, and adopted this 31st day of January 2017. On roll call Trustees McGinnis, Bradford, Tubandt, Porter, and Eversmeyer voted aye. Voting nay, none. Resolution carried.

RESOLUTION 17-05

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 \$17,996,000 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

Issuer to make any expenditure, incur any indebtedness, or proceed with the Projects.

Section 3. The Issuer hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee Tubandt moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 31st day of January 2017. On roll call Trustees McGinnis, Bradford, Tubandt, Porter, and Eversmeyer voted aye. Voting nay, none. Resolution carried.

RESOLUTION 17-06

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 \$18,014,000 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

Issuer to make any expenditure, incur any indebtedness, or proceed with the Projects.

Section 3. The Issuer hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures with respect to the Projects.

Section 4. This declaration shall take effect from and after its adoption.

Trustee McGinnis moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 31st day of January 2017. On roll call Trustees McGinnis, Bradford, Tubandt, Porter, and Eversmeyer voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco next asked the Board for approval of the revised 2017 Critical Issues. He stated that he and Staff had reviewed the current Critical issues and was decided that many of the 2016 Critical Issues was still considered a current, high priority issue and should remain on the list for 2017. The Critical Issues for overall Employee Benefit Management and Generation Resource Utilization were removed from the list, they are still important issues but are considered daily business as usual right now. He continued that one additional Critical Issue was added regarding the need to add some focus to customer engagement and communications. Trustee Tubandt moved, seconded by Trustee Porter to approve the 2017 Critical Issues. All Trustees voted aye. Motion carried.

In the General Manager's Report, Mr. LoBianco stated that during the process of taking Unit 9 offline to repair a problem with the ash system, the #2 turbine bearing instrumentation indicated a potential, significant problem with the bearing. He continued that since it would not be prudent to restart the turbine without inspecting the bearing, and that process is a minimum of two weeks, it was decided to pull the turbine overhaul scheduled for fall forward to now. Mr. LoBianco thanked Staff for the significant time and effort to coordinate the schedule change of a very significant and complex project. He also advised that this timing change would create substantial variances in the wholesale revenue and operation maintenance budgets.

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 2016 Year-End Financials would be covered in the Key Performance Indicators presentation. Trustee Porter moved, seconded by Trustee Bradford, 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. Trustee McGinnis moved, seconded by Trustee Tubandt, to receive and place on file the Competitive Quotes for Public Improvements Report. All Trustees voted aye. Motion carried.

Mr. LoBianco reviewed the Quarterly Project Status Report and Variance Analysis that was previously submitted to all Board members in written form. Trustee Porter moved, seconded

by Trustee McGinnis, 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 form. Mr. LoBianco informed the Board that a condensed version of the presentation would be reviewed at the meeting, but encouraged the Board to ask any question that they had from the full version provided in the Board Packet. He then asked each Critical Issue leader to review the status of their Critical Issue and stated that Mr. Govey would review the Key Performance Indicators sections. After review and discussion, Trustee Porter moved, seconded by Trustee Tubandt, to receive and place on file the 2016 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. Trustee Porter moved, seconded by Trustee McGinnis, to receive and place on file the December departmental reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 7:05 p.m.

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



Jerry Govey
Board Secretary