

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
NOVEMBER 25, 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, November 25, 2014 at 5:28 p.m.

Board Chairperson Tracy McGinnis called the public hearing to order. Members of the Board were present as follows: Trustees Warren Heidbreder, Susan Eversmeyer, Doyle Tubandt and Tracy McGinnis. Trustee Steven Bradford was present by phone.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, 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 2015 Operating Budgets for the Electric, Water, and Communications Utilities.

The Board Secretary opened the public hearing at 5:28 p.m. to receive any citizens' comments regarding the 2015 Operating Budgets for the Electric, Water, and Communications Utilities.

Chairperson McGinnis asked Secretary Gowey if publication and notice of hearing had been published as required by the Code of Iowa; Secretary Gowey replied that the hearing notice had been published.

Chairperson McGinnis asked Secretary Gowey if any written or oral comments had previously been received regarding this project; Secretary Gowey replied that no comments had been received regarding the 2015 Operating Budgets.

Secretary Gowey asked if there was anyone in attendance who wished to make a public comment. There were no public comments.

At 5:29 Secretary Gowey closed the public hearing for the 2015 Operating Budgets for the Electric, Water, and Communications Utilities.

BOARD OF WATER, ELECTRIC, AND
COMMUNICATIONS TRUSTEES OF
THE 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
NOVEMBER 25, 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, November 25, 2014, at 5:30 p.m.

Chairperson Tracy McGinnis called the meeting to order. Members of the Board were present as follows: Trustees Warren Heidbreder, Susan Eversmeyer, Doyle Tubandt and Tracy McGinnis. Trustee Steven Bradford was present by phone.

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

Chairperson McGinnis asked if there was anyone in attendance who wished to make any public comments. There were no comments.

The minutes of the October 28, 2014, regular meeting were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Tubandt, that the minutes be approved and placed on file as submitted. All Trustees present voted aye. Motion carried.

The list of October expenditures and transactions was presented as previously submitted in written form to all Board members. After review, Trustee Tubandt moved, seconded by Trustee Eversmeyer, to ratify payments of \$9,587,603.24 for the Electric Utility, \$489,445.68 for the Water Utility, and \$908,573.02 for the Communications Utility for a total amount of \$10,985,621.94. All Trustees present voted aye. Motion carried.

The next agenda item was approval of the 2015 Operating Budgets that had been presented for comments at the October Board of Trustees meeting. Mr. LoBianco stated that there were no revisions made to the budgets that were presented and reviewed at the October 28, 2014, Board of Trustees meeting. Trustee Heidbreder moved, seconded by Trustee Bradford, to approve the 2015 Operating Budgets for the Electric, Water, and Communications Utilities. All Trustees present voted aye. Motion carried.

Mr. LoBianco stated that the next agenda item also pertained to the 2015 Operating Budgets; Muscatine Power and Water is required by the Iowa Code to submit a summary of the Operating Budgets to the City Clerk, who then forwards the budget summary to Muscatine County for submittal to the State of Iowa Auditor. The budget certificate summary was presented as previously submitted in written form to all Board members. Copies of the budget summary were also available for review by the citizens at Muscatine City Hall, Musser Public Library, and at MP&W's Administrative/Operations Office before the

November Board meeting. The budget hearing was conducted earlier in the evening. The following resolution was submitted:

RESOLUTION 14-22

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the annual budgets for calendar year 2015, as set forth in the Utility's revised Budget Estimate Summary showing the revenue and expenditure estimates for said calendar year is adopted, and the Secretary is directed to file the same with the Clerk of the City of Muscatine, Iowa.

Trustee Tubandt moved, seconded by Trustee Eversmeyer, that said resolution be passed, approved, and adopted this 25th day of November 2014. On roll call, Trustees Tubandt, Eversmeyer, Heidbreder, Bradford, and McGinnis voted aye. Voting nay, none. Resolution carried.

Next Mr. LoBianco introduced two resolutions regarding amending the loan agreement between the Communications Utility and the Electric Utility. The 2015 Electric and Communications Utilities Operating Budgets and Ten-Year Projections included modifications to the existing loan arrangements that start January 1, 2015; modifications include lowering the interest rate to 0.5% from 3.53%, reducing the amortization period from 30 years to 20 years, and adjusting the principal repayment amount to \$10,000,000 (\$35,327,000 minus debt forgiveness of \$25,327,000). Two resolutions governing the loan arrangements and amending the terms to reflect the modifications included in the budget and projection were introduced as follows:

RESOLUTION 14-23

**AMENDING TERMS OF A LOAN FROM THE ELECTRIC UTILITY
TO THE CITY COMMUNICATIONS UTILITY**

WHEREAS, the City of Muscatine, Iowa (the "City") established a municipal electric light and power plant and system (the "Electric Utility") and the management and control of the Electric Utility is vested in the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa (the "Board"); and,

WHEREAS, the City established a municipal communications system (the "City Communications Utility") and the management and control of the City Communications Utility is vested in the Board; and,

WHEREAS, the City Communications Utility previously requested the Electric Utility to lend funds to the City Communications Utility in an aggregate amount not-to-exceed \$35,327,000 for the purpose of financing the initial construction and expansion of the City Communications Utility; and,

WHEREAS, pursuant to such request the amount of \$35,327,000 was loaned by the Electric Utility to the City Communications Utility for such purpose pursuant to Resolutions No. 98-36, 98-37, 00-71, 00-72, 01-39, 01-40, 02-09, 02-10, 02-63, 02-64, 03-26, 03-27, 04-21, 04-22, 06-72, 06-73, 08-39 and 08-40 of this Board; and,

WHEREAS, this Board has determined that the terms of the loan, including interest rate on the loan, amount of the loan, and annual principal repayment schedule, should be amended;

NOW THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, IOWA AS FOLLOWS:

- Section 1. The interest rate on the loan shall be fixed at the current rate of 0.50%.
- Section 2. The loan amount be amended to \$10,000,000 (\$35,327,000 minus a loan forgiveness of \$25,327,000) with principal payments beginning January 1, 2016, and shall be as set forth in the attached amortization schedule.
- Section 3. All or any portion of the \$10,000,000 loaned by the Electric Utility to the City Communications Utility may be prepaid at any time and from time-to-time by the City Communications Utility without penalty.
- Section 3. All actions of the officers, agents, and employees of 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. Management is hereby directed to prepare the necessary instruments to accomplish and document such loan and the terms for the repayment thereof.
- Section 5. This Resolution shall be in full force and the effect immediately upon its adoption.
- Section 6. That all orders or resolutions or parts of orders or resolutions in conflict herewith be and the same are hereby repealed.

Trustee Heidbreder moved, seconded by Trustee Bradford, that said resolution be passed, approved, and adopted this 25th day of November 2014. On roll call, Trustees Tubandt, Eversmeyer, Heidbreder, Bradford, and McGinnis voted aye. Voting nay, none. Resolution carried.

RESOLUTION 14-24

ACCEPTING AMENDED TERMS OF A LOAN FROM THE ELECTRIC UTILITY
TO THE CITY COMMUNICATIONS UTILITY

WHEREAS, the City of Muscatine, Iowa (the "City") established a municipal electric light and power plant and system (the "Electric Utility") and the management and control of the Electric Utility is vested in the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa (the "Board"); and,

WHEREAS, the City established a municipal communications system (the "City Communications Utility") and the management and control of the City Communications Utility is vested in the Board; and,

WHEREAS, the City Communications Utility previously requested the Electric Utility to lend funds to the City Communications Utility in an aggregate amount not-to-exceed \$35,327,000 for the purpose of financing the initial construction and expansion of the City Communications Utility; and,

WHEREAS, pursuant to such request the amount of \$35,327,000 was loaned by the Electric Utility to the City Communications Utility for such purpose pursuant to Resolutions No. 98-36, 98-37, 00-71, 00-72, 01-39, 01-40, 02-09, 02-10, 02-63, 02-64, 03-26, 03-27, 04-21, 04-22, 06-72, 06-73, 08-39 and 08-40 of this Board; and,

WHEREAS, this Board has determined that the interest rate on the loan, amount of the loan and annual principal repayment schedule, should be amended;

NOW THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, IOWA AS FOLLOWS:

- Section 1. That the amendment to the loan to the City Communications Utility by the Electric Utility, as referred to in the preamble hereof, is hereby accepted by the City Communications Utility on the terms and conditions set forth in Resolution No. 14-23 of the Board.
- Section 2. All actions of the officers, agents, and employees of 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 3. This Resolution shall be in full force and the effect immediately upon its adoption.
- Section 4. That all orders or resolutions or parts of orders or resolutions in conflict herewith be and the same are hereby repealed.

Trustee Tubandt moved, seconded by Trustee Eversmeyer, that said resolution be passed, approved, and adopted this 25th day of November 2014. On roll call, Trustees Tubandt, Eversmeyer, Heidbreder, Bradford, and McGinnis voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco reminded the Board that at the October Board meeting, the 2015 Water Utility's annual Operating Budget that was presented included a price adjustment. Consistent with what was included in the Budget and based on an updated Cost of Service Study, a revenue adjustment of five and a half percent (5.5%) is recommended effective with April 1, 2015, and a similar rate increase effective April 1, 2016, water consumption. Mr. LoBianco continued that the proposed rate increases are cost of service based and are the result of a Water Utility Cost of Service and Rate Design Study by Stanley Consultants completed in October. The new rates include a 15% surcharge for customers outside the city limits which is to address and recover a number of cost issues related to providing water service outside the city limits, including operations and maintenance expense to serve less dense service areas and non-standard system design, which includes materials of construction, pipe sizing, and lack of looped supply.

Mr. LoBianco stated that the major drivers for the revenue increase were the projected operating costs, maintenance costs, and capital requirements over the next ten years, along with ensuring adequate bonding capacity for future debt requirements. The Board was provided schedules showing the impact of the recommended revenue adjustment on selected operating and financial indicators, as well as a summary of the cost-of-service rate design results for the five and a half percent (5.5%) revenue increase. Mr. LoBianco stated that even with this increase, MP&W rates still rank very low within the state of Iowa. The following resolution was submitted:

RESOLUTION 14-25

WHEREAS, certain studies have been made of the financial condition of the Water Utility and presented to the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined that revenue increases are necessary to keep the Water 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 water revenue be increased by five and a half percent (5.5%) effective with water usage starting April 1, 2015, and April 1, 2016; and,

BE IT FURTHER RESOLVED, that said increase be effected by adoption of the rate classes and rates proposed by Stanley Consultants, Inc. Cost-of-Service and Rate Design Study dated October 30, 2014; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Heidbreder moved, seconded by Trustee Tubandt, that said resolution be passed, approved, and adopted this 25th day of November 2014. On roll call, Trustees Tubandt, Eversmeyer, Heidbreder, Bradford, and McGinnis voted aye. Voting nay, none. Resolution carried.

There were no items to review in the General Managers Report.

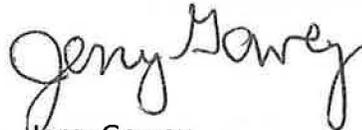
The October Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Eversmeyer, to receive and place on file the October Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. 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 October departmental reports were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Tubandt to receive and place on file the October Departmental Reports. All Trustees voted aye. Motion carried.

Chairperson McGinnis asked if there were any other items of business. With no other items of business, the meeting was adjourned at 5:55 p.m.

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

A handwritten signature in cursive script that reads "Jerry Gowey".

Jerry Gowey
Board Secretary