

**OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
DECEMBER 20, 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, December 20, 2016, at 5:30 p.m.

Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Doyle Tubandt, Keith Porter, and Susan Eversmeyer. Trustee Steven Bradford was 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, Tim Reed, Gage Huston, Daphney Daniel, and Jenn Stover 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 November 29, 2016, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis 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 expenditures and transactions for November 2016 was presented as previously submitted in written form to all Board members. After review, Trustee Tubandt moved, seconded by Trustee Porter, to ratify payments of \$10,040,735.48 for the Electric Utility, \$471,163.68 for the Water Utility, and \$823,955.73 for the Communications Utility for a total amount of \$11,335,854.89. All Trustees present 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 \$2,900,000. The LOC keeps borrowing costs to a minimum until financing needs are better defined and long-term financing can be arranged and helps contribute 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 0.23% on all cash, money market and invested funds. At the December 2016 Audit/Finance Committee meeting, Management recommended an increase in the interest rate from 0.15% to 0.23% on the short-term borrowing arrangement between the Water and Electric Utility to be effective January 1, 2017. The Audit/Finance Committee concurred with this approach and recommended going to the full Board for approval.

***RESOLUTION 16-30******Amend the 2013 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 0.15% to 0.23% effective January 1, 2017, 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 December 20, 2016, and that said declaration has not been amended, modified, or revoked by said Board of Water, Electric and Communications Trustees.

Trustee McGinnis moved, seconded by Trustee Tubandt, that the resolution should be passed, approved, and adopted this 20<sup>th</sup> day of December 2016. On roll call Trustees Porter, McGinnis, Eversmeyer, and Tubandt voted aye. Voting nay, none. Trustee Bradford was absent. Resolution carried.

Mr. LoBianco next recommended to the Board that the March 2017 Board Meeting date be changed to accommodate those that normally attend the GMCCI Annual Meeting and Dinner, which is scheduled on the same night as the regularly scheduled Board meeting. It is recommended that the Board take action to reschedule the March Board meeting from Tuesday, March 28, 2017, to Thursday, March 30, 2017. In addition, the regularly scheduled December 2017 Board Meeting date is December 26, 2017, which is between the Christmas and New Year's holidays. It is recommended that the Board take action to reschedule the December Board meeting from Tuesday, December 26, 2017, to Thursday, December 21, 2017. Trustee McGinnis moved, seconded by Trustee Tubandt, that the March and December Board Meeting dates be changed as indicated. All Trustees present voted aye. Motion carried.

Mr. LoBianco reminded the Board that the MAGIC Board is comprised of two representatives each from the Board of Water, Electric, & Communications Trustees, the Muscatine City Council, and the Muscatine County Board of Supervisors. Trustee Eversmeyer will complete her second year on the MAGIC Board December 31, 2016. The other current MP&W member

is Trustee Tubandt, who was appointed in December of 2015 and will serve through 2017. It was recommended that Trustee Porter be appointed to the MAGIC Board effective January 1, 2017, for a two-year term to represent Muscatine Power & Water, with his term ending December 31, 2018. Trustee Eversmeyer was thanked by Mr. LoBianco and the Board for her term of service on the MAGIC Board. Trustee Porter moved, seconded by Trustee McGinnis, to appoint Trustee Porter to the MAGIC Board effective January 1, 2017, for a two-year term. All Trustees present voted aye. Motion carried.

In the General Manager's Report, Mr. LoBianco stated that the South Fork Wind Farm began commercial operation this month. This project has been a long time coming, with the original project negotiations beginning in December 2012. Staff is very pleased to see this project is online and producing renewable energy for the benefit of our customer/owners.

The November Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the November financials for each Utility. After review and discussion, Trustee Tubandt moved, seconded by Trustee Porter, to receive and place on file the November Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. 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. Trustee Porter moved, seconded by Trustee McGinnis, to receive and place on file the Competitive Quotes for Public Improvements Report. All Trustees present voted aye. Motion carried.

The November departmental reports were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Porter, to receive and place on file the November 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 5:50 p.m.

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



Jerry Gowey  
Board Secretary

**MINUTES OF THE  
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES  
AUDIT/FINANCE COMMITTEE MEETING  
DECEMBER 20, 2016 – 4:30 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, December 20, 2016, at 4:30 p.m.

Members of the Committee were present as follows: Committee Chairperson Susan Eversmeyer. Trustee Steven Bradford was absent due to previously scheduled travel plans.

Present from Muscatine Power & Water were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Director of Finance & Administrative Services; and Jenn Stover, Administrative Assistant. Eric Larson of Cottingham and Butler was also present.

Trustee Eversmeyer called the meeting to order.

Mr. Gowey informed the Committee that Eric Larson of Cottingham and Butler, MP&W's insurance advisor, was joining the meeting to review the Utilities' property and casualty insurance program. Mr. Gowey gave a high-level overview of the property and casualty insurance program and then asked Mr. Larson to review the program more in-depth. Mr. Larson reviewed the AEGIS excess liability program structure and premiums; worker's compensation claim experience and premiums; FM Global Property Program; and Chub/Travelers Fiduciary Liability. Next he reviewed total premiums and rates for the previous five years. Trustee Eversmeyer thanked Mr. Larson for the explanation of the programs. After answering a few questions, Mr. Larson left the meeting.

Mr. Gowey told the Committee that the next agenda item was to review new accounting, financial reporting, and auditing standards. There were no new GASB statements issued recently, so no review on this agenda item was needed.

Next on the agenda was to discuss issues affecting the Audit/Finance Committee's responsibilities. The only discussion item was to evaluate the interest rate charged in the Water Utility's borrowing agreement with the Electric Utility; the agreement provides the option to adjust the rate annually on January 1 to reflect the Electric Utility's investment opportunity cost. The rate is currently 0.15%, set on January 1, 2016, based on the Electric Utility's investment opportunity cost at that time. The amount advanced from the Electric Utility to the Water Utility currently totals \$2,900,000. At this time, the Electric Utility is earning an average rate of return of 0.23% on all cash, money market and investment funds; based on that, staff recommends the rate on the borrowing arrangement between the Water Utility and the Electric Utility be adjusted to 0.23%. After some additional discussion, the Committee concurred with the recommendation to have the Board approve the adjustment.

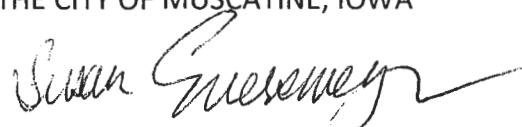
Next on the agenda was a review of Identity Theft Program activities. Mr. Gowey stated the program in place is working and continues to be reviewed and annual staff training is conducted. He reviewed the red flags that were detected by staff in 2016 and the resolutions.

The next agenda item was to review legal and tax issues along with any other regulatory matters that could have a material impact on the Utility's financial statements as identified by the Director, Legal & Regulatory Services. There are no new legal or tax issues since the last Audit Finance meeting, so no review on this agenda item was needed.

In the Other Business section, Mr. Gowey reviewed the electric cost of service study. Management engaged Dave Berg Consulting (DBC) to perform the Study with the intent to use it as a basis for adjusting rates. Mr. Gowey reviewed several cost of service and rate design issues that we will be discussed with DBC to determine how, when, and if they should be incorporated. Management's recommendations, based on the results of the Study, are scheduled to be reviewed at the March, 2017 Board meeting. Mr. Gowey also updated the Committee on the status of contract negotiations with Canadian Pacific (CP) Railway that began in the spring of 2016. Negotiations are ongoing and the goal is to have an agreement with CP by the end of January 2017.

The meeting was adjourned at 5:20 p.m.

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Susan Eversmeyer  
Audit/Finance Committee Chairperson