

OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
NOVEMBER 24, 2009 - 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 24, 2009, at 5:30 p.m., CST.

Chairperson Ingstad called the meeting to order. Members of the Board were present as follows: Trustees Warren Heidbreder, Doyle Tubandt, Gary Carlson and Scott Ingstad. Trustee Joan Axel was absent.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary; Duane J. Goedken, Board Attorney; Amy Cahill, Muscatine Journal; David Fee and Lacey Loewe of Principal Financial Group; Ray Danz, Gary Wieskamp, Erika Cox, Brandy Dulceak and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the October 27, 2009, regular meeting were presented as previously submitted to all Board members in written form. Trustee Carlson moved, seconded by Trustee Heidbreder, that the minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye.

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 Carlson, to ratify payments of \$5,157,347.43 for the Electric Utility, \$400,044.20 for the Water Utility, and \$910,248.40 for the Communications Utility for a total amount of \$6,467,640.03. Motion passed. All Trustees present voted aye.

Mr. LoBianco reminded the Board that at the January 2009 Board meeting, the Board requested that pension plan investment results be reviewed on a quarterly basis for a period of time due to the loss that was experienced in 2008. Mr. LoBianco introduced Erika Cox, Director of Customer and Employee Services, to introduce the Principal Financial Group guests. Ms. Cox introduced David Fee, Sr. Investment Consultant, and Lacey Loewe, Sr. Relationship Manager, from the Principal Financial Group to provide an update on the status of the plan's third quarter 2009 asset allocation, investment earnings results and funding status.

Mr. Fee directed the Board to the previously provided presentation submitted from Principal Financial Group. He gave a general overview of the current economic conditions along with a review of the current portfolio and the allocation of strategic assets. The Board expressed their thanks for the update. David Fee and Lacey Loewe left the meeting at 5:45 p.m. Chairperson Ingstad reminded the Board that there would be a year-end review from Principal Financial Group at the February Board meeting and the Board would then need to decide if they wanted Principal Financial Group to continue with quarterly or biannual reviews.

Mr. LoBianco stated the next agenda item was approval of the 2010 Operating Budget that had been presented for comments at the October 27, 2009, Board of Trustees meeting. Based on Board member feedback and updated information relating to health care premiums and projected overtime utilization, labor and associated fringe benefits, expenses have been reduced approximately \$700,000. Schedules showing the impact on each of the Utilities' income statement and cash ending balances were provided to each Board member in the Board packet. There was some conversation among the Board members and staff on the change in assumptions that changed the employee healthcare premium increase from three percent to no increase for 2010. Ms. Cox explained that each year Wellmark provides recommendations for premium changes based on past claims experience and trend projections. Existing premium rates were within final Wellmark's premium recommendations. Mr. LoBianco added that the Utility had put a lot of time and effort into promoting wellness programs and disease management, which seemed to be having a positive impact on healthcare costs.

Trustee Heidbreder moved, seconded by Trustee Tubandt, to approve the 2010 Operating Budgets for the Electric, Water and Communications Utilities. Motion passed. All Trustees present voted aye.

Mr. LoBianco stated that the next agenda item also pertained to the 2010 Operating Budgets and asked Mr. Kerker to review. Mr. Kerker stated that 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 revised budget certificate summary was presented as previously submitted in written form to all Board members. The budget summary was published on November 13, 2009, in the Muscatine Journal. Copies of the budget summary were available for review to the citizens at Muscatine City Hall, Musser Public Library, and at MP&W's Administrative/Operations Office. The budget hearing was conducted earlier in the evening. The following resolution was submitted.

#### **RESOLUTION 09-26**

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the annual budget for calendar year 2010, as set forth in Muscatine Power and Water's Utility's 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 Carlson moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted on this 24<sup>th</sup> day of November 2009 with the qualification that a footnote be added to the Charges for Services section explaining MISO membership in 2010. On roll call Trustees Heidbreder, Tubandt, Carlson and Ingstad voted aye. Voting nay, none. Trustee Axel was absent.

Next Mr. LoBianco advised that it was management's recommendation that prices for MPW Digital TV and MachLink services be increased effective January 1, 2010, and asked Mr. Wieskamp, Director of Utility Relations, to review the recommendation.

Mr. Wieskamp reviewed the previously submitted memorandum to all Board members. He stated that pursuant to the review of the 2010 Communications Utility Financial Projection and Annual Operating Budget, it is recommended that the price for MPW Digital TV service be adjusted effective January 1, 2010. The requirement for an increase is primarily due to continued increases in programming costs, debt service requirements and other inflationary factors. Programming costs alone are budgeted to increase 9.6 % per subscriber for 2010. It is recommended that the price for Basic service be increased \$1.49 per month from our current price of \$18.50, to a total of \$19.99 per month. It is also recommended that the current price for Select service be adjusted from \$52.79 to \$54.49, or an increase of \$1.70. Mr. Wieskamp reviewed pricing of MP&W and its' competitors, showing that MP&W is still value priced. Mr. Wieskamp continued with a review of box options that customers will have available as the Communications Utility moves to an all digital format; each T.V that receives service over and above Basic service will require customers to rent a MP&W digital box at a price of \$4.00 per box per month for a standard digital box, \$11.99/month for an advanced box, which includes DVR service or \$.99/per month (promotional price) for a Digital Adaptor. It was also recommended that the General Manager continue to be responsible for establishing price tiers, promotional packages, premium services, and discounts to assure the financial viability of the Communication Utility. A number of prices for packages and tiers will be adjusted by the General Manager so that an overall 5.5% revenue increase from MPW Digital TV services is realized consistent with the assumptions in the 2010 budget. Trustee Heidbreder asked about the 43 additional HD channels that will be offered in 2010; he wondered how the channels are chosen and if there is more capacity for future channel additions since competitors still are showing more channels in HD than MP&W. Mr. LoBianco explained that the new HD channels were chosen based both on cost, as some channels can be added at no cost, and based on customer requests. Mr. LoBianco also explained that with the digital transition a significant amount of capacity has been freed up and the Utility anticipates adding more HD channels and video on demand in HD.

Mr. Wieskamp reminded the Board that in mid-December MP&W MachLink Internet customers will be experiencing enhanced speeds for all high speed internet products. In conjunction with increasing the Internet speeds, it is recommended that a new level of pricing be established for customers who do not subscribe to both the MP&W Digital TV and MachLink products. Customers taking both products will enjoy new speeds and will not see an increase in their monthly price. Customers who have not taken advantage of bundling our Internet service and MPW Digital TV will see a monthly increase of \$5.00 for our MachLink Lite, Turbo and Mega products.

The following resolution was submitted:

#### **RESOLUTION 09-27**

BE IT RESOLVED, by the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa, that effective January 1, 2010, the Communications Utility's price structure for MPW Basic service shall be \$19.99 per month and MPW Digital TV Select service shall be \$54.49 per month; and,

BE IT FURTHER RESOLVED, by the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa, that effective January 1, 2010, the

Communications Utility's price structure for unbundled MachLink Lite service shall be \$26.95 per month, MachLink Turbo service shall be \$44.99 and MachLink Mega service shall be \$64.95 and,

BE IT FURTHER RESOLVED, that the General Manager of Muscatine Power and Water shall be responsible for establishing price tiers, promotional packages, premium services, and discounts for all Muscatine Power and Water's Communications services as deemed necessary to ensure the financial viability of the Communications Utility.

Trustee Heidbreder moved, seconded by Trustee Carlson, that the said resolution should be passed, approved, and adopted this 24<sup>th</sup> day of November 2009. On roll call Trustees Heidbreder, Tubandt, Carlson and Ingstad voted aye. Voting nay, none. Trustee Axel was absent.

At the October Board of Trustees meeting, management presented a proposed water utility revenue adjustment with the 2010 Water Utility's annual Operating Budget. The recommendation was for an overall revenue adjustment increase of three percent (3%) effective with the April 1, 2010, water consumption. Mr. LoBianco stated that the major drivers for the revenue increase were the costs for labor, electricity, and chemicals. Additional drivers for the revenue increase included the need to make capital investments to replace aging infrastructure, to provide adequate fire protection, and to serve the growth in the community. The Board was provided schedules showing the impact of selected operating and financial indicators for the recommended revenue adjustment, as well as a summary of the cost-of-service design results for the three percent revenue increase; this revenue adjustment of three percent will increase the average residential customer monthly cost by forty-three cents. All major customers have been contacted regarding the adjustments. 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 09-28**

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 a revenue increase is 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 three percent (3.0%) effective with water usage starting April 1, 2010; and,

BE IT FURTHER RESOLVED, that said increase be effected by adoption of the rate classes and rates proposed by management,

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

Trustee Tubandt moved, seconded by Trustee Carlson, that the said resolution should be passed, approved, and adopted this 24<sup>th</sup> day of November 2009. On roll call Trustees Heidbreder, Tubandt, Carlson and Ingstad voted aye. Voting nay, none. Trustee Axel was absent.

Mr. LoBianco reviewed with the Board the 2010 Strategic Plan that had been included under separate cover with the November Board packet and reminded the Board that approval would be requested at the December 22, 2009, Board meeting. Mr. LoBianco stated that the strategic plan has been updated for the 2010-2014 timeframe utilizing survey results and feedback from Trustees and employees, along with many hours of input and review by the Directors. Mr. LoBianco reviewed the new critical issues and all major changes made to the strategic plan document.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the Greater Muscatine Chamber of Commerce & Industry's (GMCCI) Economic Develop Committee meeting at the Iowa Department of Economic Development in Des Moines that Mr. LoBianco had attended in October 2009, along with an update of the new Facebook business pages that highlight MPW Digital TV, MachLink and Muscatine Power and Water.

Mr. LoBianco requested that the December Board Meeting date be changed from Tuesday, December 29<sup>th</sup> to Tuesday, December 22<sup>nd</sup> due to December 29<sup>th</sup> falling between the Christmas and New Year's holidays.

Trustee Heidbreder moved, seconded by Trustee Tubandt, to change the December Board meeting date to Tuesday, December 22, 2009 at 5:30 p.m. Motion passed. All Trustees present voted aye.

The October Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Kerker, Director of Finance and Administrative Services, reviewed monthly financial statements for all three utilities.

Mr. Kerker stated that the Electric Utility's Change in Net Assets was \$6.8 million below what was budgeted. Native system sales revenues were 8.4% lower than budget, this along with continued softness of wholesale sales and a lower than average sales price resulted in electricity sales being \$15.2 million less than projected. Steam sales exceeded budget by about \$1.7 million, due mostly to a pass through of NOx costs charged to GPC. Production Fuel and Purchased Power Expense showed positive results of over \$3.6 million compared to budget, due mostly to lower than projected coal prices and fewer tons burned. Overall Operation and Maintenance expenses showed better than projected results of \$1.9 million compared to budget due to the deferral of projects and reduced labor costs.

The Water Utility's Year-to-Date financials showed that water usage is down an average of 14% among all customer classes, resulting in \$307,283 lower revenue compared to budget. Operating expenses were \$80,047 less than budget, a good portion of that being lower fuel/power purchased, lower chemical costs and lower labor costs. Maintenance costs were over budget due mostly to costly main repairs on Isett Avenue. The Change in Net Assets for the Water Utility was \$144,842 below budget.

Mr. Kerker stated the Communications Utility Year-to-Date Financials indicated that the data/internet revenue was \$72,084 higher than budget due to more subscribers, this along with

greater than budgeted pay-per-view and video-on-demand buys of \$56,672 were able to offset most of the less than budgeted advertising revenue of \$146,989. Lower than budgeted digital conversion expenses, promotional expenses, travel expenses and deferred customer survey and customer service training helped the operating expenses come in at \$64,135 less than budget. Maintenance was close to budget. Overall there was an improvement of \$213,109 to the Change in Net Deficit compared to budget.

Trustee Tubandt moved, seconded by Trustee Heidbreder, to receive and place on file the October Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval. The report was received and placed on file.

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. Motion carried. All Trustees present voted aye.

Trustee Tubandt moved, seconded by Trustee Heidbreder, to adjourn the November 24, 2009, Board Meeting. Motion carried. All Trustees present voted aye. The meeting was adjourned at 6:40 p.m.

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

Donald W. Kerker  
Board Secretary