

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 27, 2018 – 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, February 27, 2018, at 5:30 p.m.

Chairperson Tubandt called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Susan Eversmeyer, Steven Bradford, and Doyle Tubandt. Trustee Keith Porter was present by phone 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; Kristin Andrews and David Fee of Principal Financial Group; Erika Cox, Tim Reed, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the January 30, 2018, regular meeting were presented as previously submitted to all Board members in written form. Trustee Bradford moved, seconded by Trustee Eversmeyer, that the January 30, 2018, regular meeting minutes be approved as submitted. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for January 2018 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Eversmeyer moved, seconded by Trustee Bradford, to ratify payment of \$9,223,259.63 for the Electric Utility, \$642,571.36 for the Water Utility, and \$1,426,016.65 for the Communications Utility for a cumulative total of \$11,291,847.64. All Trustees voted aye. Motion carried.

Mr. LoBianco reminded the Board that the Pension Investment Policy requires that the Board review the Employee Pension Fund performance once a year. Mr. LoBianco introduced Kristin Andrews and David Fee from Principal Financial Group to provide the 2017 Pension Plan and Investment Report. Mr. Fee provided a general update of the current market trends and market expectations for 2018. He then discussed MP&W's portfolio and strategic asset allocations and investment earnings results. Mr. Fee finished his presentation with a review of the MP&W portfolio performance and the current asset manager watch list. Trustee McGinnis moved, seconded by Trustee Bradford, to receive and place on file the 2017 Employees' Pension Plan and Investment Advisory Report. All Trustees voted aye. Motion carried. The Principal Financial Group representatives left the meeting.

The next agenda item was a recommendation to set dates for the receipt of bids and conduct a public hearing for the Round Reservoir Rehabilitation Project. This project has been included in the budget since 2012 but has not progressed other years due to resources availability; the

project was once again approved with the 2018 Operating Budget and a plan is in place to move forward this year. The total expenditure for the project is \$543,000, which covers the rehabilitation of two 1.5 million-gallon round reservoirs. Rehabilitation includes cleaning and recoating the exterior and interiors of both tanks, installing elastomeric liners for the floor joints, repairing cracks in the floor, and recoating the domes. The published estimate for this Competitive Bid will be \$488,700. After discussion, the following resolution was submitted:

RESOLUTION 18-05

WHEREAS, plans and specifications have been prepared for Round Reservoir Rehabilitation Project; and,

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, Round Reservoir Rehabilitation Project is tentatively, approved; and,

BE IT RESOLVED, that the date of April 3, 2018, 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 April 24, 2018 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 Eversmeyer moved, seconded by Trustee Porter, that the said resolution should be passed, approved, and adopted this 27th day of February 2018. On roll call Trustees Porter, Eversmeyer, Bradford, McGinnis, and Tubandt voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco stated that the next agenda item was a Recommendation to Award Contract for Grandview Avenue Water Treatment Plant Expansion Project. This project was approved with the 2016 Operating Budget for a total expenditure of \$715,000. The project expenditure was subsequently revised to \$1,111,220 and approved with the 2018 Operating Budget. The construction portion of this project was estimated at \$901,200 which covers the expansion of the existing Grandview Avenue Water Treatment Plant as designed by HR Green, Inc. Specifications pertaining to the Grandview Avenue Water Treatment Plant Expansion project were mailed to 88 potential bidders. A total of 6 bids were received, opened publicly, and read aloud on February 6, 2018, at 3:00 p.m. Six bidders attended the opening. There were two math errors in the bids, one of which was material. Calacci Construction's bid contained

a clear \$110,000 error which raised their actual bid to \$963,700, which remained the low bid. Management and our consultant, HR Green, reviewed the bids and established conformance to the specifications with the evaluated low bidder being Calacci Construction. There were no exceptions or clarifications to the bid documents taken by the lower bidder. After discussion and review, the following resolution was submitted:

RESOLUTION 18-06

WHEREAS, it appears in a Grandview Avenue Water Treatment Plant Expansion Project, as submitted by Calacci Construction of Iowa City, Iowa, in the amount of \$963,700, 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 Calacci Construction of Iowa City, Iowa, in the amount of \$963,700, for the Grandview Avenue Water Treatment Plant Expansion 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 Porter moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 27th day of February 2018. On roll call Trustees McGinnis, Bradford, Porter, Eversmeyer, and Tubandt voted aye. Voting nay, none. Resolution carried.

Next, Mr. LoBianco advised that, as included in the 2018 Communications Utility Operating Budget approved at the November 2017 Board of Trustees Meeting, a 7% revenue adjustment was budgeted for digital cable TV services to offset a portion of programming expense increases. At the time the budget was approved, negotiations with local broadcast providers were in process (CBS-4, NBC-6, Fox 18, and ABC-8). MP&W successfully renewed those contracts during very one-sided negotiations. New rates in those contracts were slightly higher than budgeted and include new required networks (Laff, Grit, Bounce, and Escape) for the Basic Tier with new fees. While the contract renewals secure rates for three years, significant cost increases were front-loaded, so the brunt of the impact will be felt in 2018. With all national programming and local broadcast expenses considered, 2018 costs will be more than 10% higher than 2017 costs. Staff is recommending an overall revenue adjustment of 8% effective April 1, 2018, which is essentially a pass through of programming cost increases to preserve margin for operation and maintenance expenses as well as staff to support the service. Mr. LoBianco continued that Staff is not recommending price adjustments for MachLink® Internet services. The last pricing adjustment for MachLink Internet services was in 2012. MachLink Internet customers were “Next Leveled” for free in April 2016. New MachLink Fiber Internet rates published in 2017 will not change. Approval is also being recommended for the General Manager continuing to be responsible for approving tier pricing, premium services, equipment fees, promotional packages, and discounts to assure the financial viability of the Communications Utility.

Ms. Cox stated that despite cost increases, cable TV packages continue to be a good overall value (bundling of many different types of content) and extremely easy for the customer (one remote, one TV input, one subscription to manage). Additionally, MPW DigitalTV and MachLink Fiber TV customers can stream over 80 networks and 50 music channels via WatchTVEverywhere, for no extra charge. She continued that a Fiber Fun Night was held and new fiber customers that attended were able to work with staff and get familiar with changes and new offerings. Ms. Cox also stated that customers who bundle MPW TV and Internet (entry level products excluded) receive a \$5 bundling discount off their MPW communications services (TV and Internet). A triple play bundle discount of \$10 will be available when phone services are launched. Trustee Bradford asked if Staff felt that a \$5 bundling discount was adequate, or should it be more? Trustee Eversmeyer expressed frustration that although we continue to lose market share in the cable business, prices continue to increase and was specifically frustrated that the increase was even more than budgeted. Mr. LoBianco reiterated that the Utility is faced with rising and sometimes unreasonable programming costs that the Utility has no choice but to accept or drop the station potentially causing the loss of more customers. He concluded with the adjustment is a pass through of costs from the programmers and that close to 80% of our cable costs are programming costs, leaving little room to absorb any additional costs.

RESOLUTION 18-07

WHEREAS, review of the financial condition of the Communications Utility has been completed and reviewed with the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed this information and determined that a revenue increase is necessary to keep the Communications 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 effective April 1, 2018, the price for MPW Digital TV Basic service shall be \$20.99 per month and Select service shall be \$73.99 per month; and

BE IT FURTHER RESOLVED, that the Broadcast Surcharge shall be \$13.00; and

BE IT FURTHER RESOLVED, that a Facilities Charge of \$2.87 will be instituted and detailed on the customer bill, this charge will be limited to one charge per Machlink Fiber Service customer per account per month; and

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

BE IT FURTHER RESOLVED, that proper notice be given to consumers in accordance with the terms of the contracts, Federal Communications Commission (FCC) and Iowa State Code.

Trustee Bradford moved, seconded by Trustee Porter, that the said resolution should be passed, approved, and adopted this 27th day of February 2018. On roll call Trustees McGinnis, Bradford, Porter, Eversmeyer, and Tubandt voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco stated that although there was nothing reported in the General Managers Report, he wanted to let the Board know that a revised project summary form for a Coal Dozer Power Train Rebuild Project for increased costs would be seen at a future meeting; he continued that it is hard to know what cost will be until the equipment is taken apart and you can see what issues may be that need attention.

The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the January financials for each Utility. Trustee Eversmeyer moved, seconded by Trustee Bradford, to receive and place on file the January 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 format. There were no items for approval. The report was received and placed on file.

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

The meeting was adjourned at 6:20 p.m.

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



Jerry Gowey
Board Secretary