

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 26, 2019 – 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 26, 2019, at 5:30 p.m.

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

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

The minutes of the January 29, 2019, regular meeting and February 5, 2019, special meeting were presented as previously submitted to all Board members in written form. Trustee Fields moved, seconded by Trustee Eversmeyer, that the January 29, 2019, regular meeting and February 5, 2019, special meeting be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for January 2019 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 \$9,671,393.42 for the Electric Utility, \$523,281.60 for the Water Utility, and \$1,493,425.76 for the Communications Utility for a cumulative total of \$11,688,100.78. All Trustees present 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, Eric Howard and David Fee from Principal Financial Group to provide the yearend 2018 Pension Plan and Investment Report. Mr. Fee provided a general update of the current market trends and market expectations for 2019. 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 requested to review the 10-year Portfolio Performance Review which was provided by Mr. Fee. After discussion on the 10-year performance, Trustee Bradford asked about allocations and how changes are decided upon to which Mr. Fee explained that no changes had been made recently, but there were discussions held with the MPW Investment Committee at least annually. Ms. Andrews explained to the Board that some changes were being made at Principal and that her MP&W account responsibilities were being transferred to Eric Howard. Mr. Howard introduced

himself and reviewed his background and experience with the Board. Trustee Eversmeyer moved, seconded by Trustee Fields, to receive and place on file the 2018 Employees' Pension Plan and Investment Advisory Report. All Trustees present voted aye. Motion carried. The Principal Financial Group representatives left the meeting at 5:55 p.m.

The next agenda item was a motion to appoint Gage Huston to the position of the General Manager. Acting Chairperson McGinnis stated that at the February 5, 2019, special Board meeting, the Board took action to authorize the Board Chairperson to extend an offer to Gage Huston for the position of General Manager at MP&W. Mr. Huston has accepted the position of General Manager effective April 1, 2019. Trustee Eversmeyer moved, seconded by Trustee Bradford, to approve the appointment of Gage Huston to General Manager effective April 1, 2019. All Trustees present voted aye. Motion carried. Mr. Huston expressed his appreciation to be placed in the position and stated that he hoped to continue all the good things happening at the Utility.

Next, Mr. LoBianco advised that, as included in the 2019 Communications Utility Operating Budget approved at the November 2018 Board of Trustees Meeting, a 7% revenue adjustment was budgeted, and is now being recommended for Digital TV services to offset programming expense increases. He continued that programming and broadcast network retransmission expenses continue to be the significant driver of Digital TV services rate increases. 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 the adjustment is a pass through of costs from the programmers and that close to 80% of our Digital TV costs are programming costs, leaving little room to absorb any additional expenses. Trustee Eversmeyer reiterated that it is extremely important that as our rates continue to increase, our reliability needs to be second to none. Mr. LoBianco stated that Staff is not recommending price adjustments for MachLink® Internet or VoIP/phone services. The last pricing adjustment for legacy Internet services was in 2012, and customers were "Next Leveled" in speeds with no rate increase in April 2016. MachLink Fiber Internet rates were established in 2017 and phone rates were established in 2019. Approval is also being recommended for the General Manager to continue to be responsible for approving tier pricing, premium services, equipment fees, promotional packages, and discounts to assure the financial viability of the Communications Utility. After discussion, the following resolution was submitted:

RESOLUTION 19-05

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, 2019, the price for MPW Digital TV Basic service shall be \$21.99 per month and Select service shall be \$76.99 per month; and

BE IT FURTHER RESOLVED, that the Broadcast Surcharge shall be \$15.00; 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 Eversmeyer, that the said resolution should be passed, approved, and adopted this 26th day of February 2019. On roll call Trustees Fields, Bradford, Eversmeyer, and McGinnis voted aye. Voting nay, none. Resolution carried. Trustee Porter was absent.

Mr. LoBianco reminded the Board that on February 19th a ribbon cutting was held to officially open the reinforced Network Operations Center (NOC). GMCCI employees and Ambassadors, along with Mayor Diana Broderson and other community members were on hand for the ceremony.

The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Govey reviewed the January financials for each Utility. Trustee Eversmeyer moved, seconded by Trustee Fields, to receive and place on file the January 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 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. After additional discussion about AEG's performance on the FTTH Project and Unit 9 post-outage turbine performance, Trustee Fields moved, seconded by Trustee Eversmeyer, to receive and place on file the January departmental reports. All Trustees present voted aye. Motion carried.

The meeting was adjourned at 6:25 p.m.

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Jerry Govey
Board Secretary