

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

Chairperson Porter called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Steven Bradford, Susan Eversmeyer, Kevin Fields, and Keith Porter.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Russ Hissam, Baker Tilly Virchow Krause, LLP (BT); Charles Potter, Muscatine Journal; Erika Cox, Tim Reed, Gage Huston, Brandy Olson, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the February 26, 2019, regular meeting were presented as previously submitted to all Board members. Trustee Bradford moved, seconded by Trustee Fields, that the February 26, 2019, regular meeting minutes be approved. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for February 2019 was presented as previously submitted to all Board members. After review and discussion of the expenditures, Trustee Fields moved, seconded by Trustee McGinnis to ratify payment of \$9,213,150.33 for the Electric Utility, \$371,114.54 for the Water Utility, and \$1,129,531.17 for the Communications Utility for a cumulative total of \$10,713,796.04. All Trustees voted aye. Motion carried.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to award a contract for the A/O Center Main Lobby Remodel Construction Project. This project was approved with the 2019 Operating Budget for a total expenditure of \$624,800.00 with a published estimate of \$425,925.00. A total of three bids were received, opened publicly, and read aloud on March 7, 2019, at 3:30 p.m. The bids received were higher than the published estimate due to a change made to the electrical design issued in Addendum No. 1 of the Bid Documents: this addendum addresses wiring structure changes that were discovered during the pre-bid meeting, which will require a new electrical panel and circuits for the lobby. Staff has reviewed the impact of the higher cost contract award on the total project budget and believe that the total project costs (including direct purchases such as furnishings) will be within the project budget. Mr. LoBianco continued that Management and CBRE|Heery, Inc., reviewed the bids and established conformance to the specifications and recommend the award of the contract be made to the low bidder, Woodruff Construction, LLC of Tiffin, IA, for a total price of \$518,000. The following resolution was submitted:

RESOLUTION 19-06

WHEREAS it appears in a written report from Muscatine Power and Water Management that the bid for the A/O Center Main Lobby Remodel Construction Project, as submitted by Woodruff Construction, LLC of Tiffin, IA for a total price of \$518,000, 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 Woodruff Construction, LLC of Tiffin, IA for a total price of \$518,000, for the A/O Center Main Lobby Remodel Construction 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 Eversmeyer moved, seconded by Trustee Bradford that said resolution should be passed, approved, and adopted on this 26th day of March 2019. On roll call Trustees Eversmeyer, Fields, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Resolution carried.

Mr. LoBianco stated that the next agenda item was to receive and place on file the 2018 Audit for the Electric, Water, and Communications Utilities. Mr. LoBianco introduced Baker Tilly Virchow Krause, LLP (BT) Partner Russ Hissam to review the recently completed independent audit for MP&W covering the calendar year 2018. Mr. Hissam thanked the Board for allowing BT to have been MP&W's audit firm over the past several years and then directed the Board to the previously submitted material regarding Muscatine Power and Water's 2018 Audit. This material included a PowerPoint presentation prepared by the auditors that covered the audit overview and auditor's communication with those Charged with Governance. A copy of the Management Representation Letter to the Auditors was also included in the packet. He continued that the audit was performed in accordance with all Generally Accepted Auditing Standards. He continued that MP&W Staff had provided full transparency and opened all records and that the audit team examined all internal controls in all key areas. He stated that the MP&W Audit went well, and that the MP&W team was well prepared and provide anything the Auditors asked for. Mr. Hissam said the Electric and Communications financial statements received an Unqualified Opinions, he pointed out one instance that was restated in the 2017 Electric financial statements for the landfill liability in accordance with GASB 18. As has happened in the past, the Water Utility received a Qualified Opinion based on GASB Statement No. 68 which is regarding timing of when MP&W received the IPERS Pension Report. He continued that MP&W was in compliance with all State auditing standards. Mr. Hissam did point out that there was a significant deficiency noted related to the journal entry process and said that a fix is already being investigated by the MP&W accounting department. Trustee Eversmeyer communicated that the Audit/Finance Committee, which consists of Trustee Bradford and herself, had held a meeting prior to the Board meeting and reviewed the audit results in detail. After review of the Audit Presentation, Trustee McGinnis moved, seconded by Trustee Eversmeyer, to receive and place on file the 2018 Audit of the Electric, Water, and Communications Utilities. All Trustees

voted aye. Motion carried. Mr. Hissom left the meeting at 5:45 p.m.

Mr. LoBianco stated that information for the next agenda item was previously distributed to all Board members in the Board packet regarding the Cost-of-Service/Rate Design Study for the Electric Utility, completed by Dave Berg Consulting (DBC). Mr. Dave Berg was engaged to complete a Cost of Service and Rate Design Study and had reviewed the results of the Study with the Audit/Finance Committee prior to the Board meeting. Mr. LoBianco continued that Management is recommending a 2% electric revenue increase, to be effective August 1, 2019, and a similar increase effective August 1, 2020, both of which were included in the 2019 10-Year Projections. The recommended rate adjustments are based on overall revenue and cash reserve requirements of the Utility and the results of the recently completed cost-of-service study. Management believes increases are necessary in order to ensure adequate cash reserves to maintain the long-term financial stability of the Utility. Mr. LoBianco continued that the primary drivers necessitating the increases are continued depressed wholesale energy margins, increases in coal and coal transportation expenses, increases in operating and maintenance costs, and capital expenditures required to maintain and improve Utility infrastructure and facilities. The Electric Utility continues to be debt free and all expenditures closely scrutinized. He continued that as indicated in the comparative graphs included in the report, even with the recent and proposed rate increases, MP&W's rates remain competitive and below State and National averages. Mr. LoBianco reminded the Board that this evening's presentation is for information only and action will be requested at the April Board of Trustees meeting.

The next agenda item which was a resolution recommending that Gage Huston be named authorizing officer, along with Jerry Gowey, allowing both to execute documents and agreements that may be necessary to transact business with the three local banks.

RESOLUTION 19-07

BE IT RESOLVED, that the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, utilize the services of First National Bank of Muscatine, CBI Bank and Trust, Muscatine, and Community Bank and Trust, Muscatine ("Depositories") for the deposit of public funds belonging to the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, or coming into its possession, pursuant to a duly executed Agreement to Receive and Repay Deposits of Public Funds. The maximum amount which may be thus deposited in any of the above listed Depositories without further approval of this Board is twenty million dollars (\$20,000,000).

BE IT RESOLVED, that as of April 1, 2019, the following officers are hereby authorized and directed to execute said Agreement, to execute and deliver signature authorization cards to Depositories concurrently therewith, and to execute all drafts, checks and other documents and correspondence regarding any accounts of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, at Depositories:

<u>NAME</u>	<u>OFFICE</u>
Gage Huston	General Manager
Jerry Gowey	Director, Finance & Administrative Services

BE IT RESOLVED, that the officers described above are hereby authorized and directed to take action and execute documents and agreements as may be necessary to secure the repayment of the deposits of public funds authorized hereunder, including, but not limited to: Security Agreements, Notices, and any documents or instruments supplemental or incidental thereto.

BE IT RESOLVED, that the Secretary forward a certified copy of this Resolution to Depositories, and any other parties which may request it for purposes of effectuating the deposit of public funds authorized hereunder or any security therefore, together with a certificate attesting to the names and signatures of the present holders of the offices described above; and that the Secretary further certify to Depositories or other parties from time-to-time the signatures of any successors in office of any of the present office holders.

Trustee McGinnis moved, seconded by Trustee Eversmeyer that said resolution should be passed, approved, and adopted on this 26th day of March 2019. On roll call Trustees Eversmeyer, Fields, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Resolution carried.

Next Mr. LoBianco reviewed the previously submitted memorandum to the Board members approve a resolution requesting that the Muscatine Mayor and City Council designate the week of May 5-11, 2019, as Drinking Water Week. Mr. LoBianco said that for more than 40 years the American Water Works Association and its members have celebrated Drinking Water Week; the week is a unique opportunity for both water professionals and the communities they serve to promote the vital role water plays in our daily lives. He continued that MP&W would be participating in Drinking Water Week through public awareness activities. The following resolution was submitted:

RESOLUTION 19-08
DRINKING WATER WEEK MAY 5-11, 2019

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa wish to recognize its customers and employees during Drinking Water Week; and,

WHEREAS, the citizens of Muscatine are both owners and consumers of Muscatine Power and Water which provides our homes, businesses, farms, and local government agencies with reliable and cost-effective water by employing sound business practices designed to ensure the best possible service at the lowest possible rate; now therefore,

BE IT RESOLVED, that the Board of Trustees request that the Mayor and City Council designate the week of May 5-11, 2019, as Drinking Water Week in Muscatine, in order to honor Muscatine Power and Water, its consumer-

owners, and its employees, who work together to provide the best possible water services; and,

BE IT FURTHER RESOLVED, that Muscatine has joined hands with other communities across the nation to celebrate the benefits of a consumer-owned water utility for our local and national progress.

Trustee Eversmeyer moved, seconded by Trustee Fields that said resolution should be passed, approved, and adopted on this 26th day of March 2019. On roll call Trustees Eversmeyer, Fields, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Resolution carried.

Chairperson Porter introduced the next item stating that the March 26, 2019 Board Meeting was Mr. LoBianco's last meeting as General Manager. He gave a brief history of Sal's career and said that he was recommending the Board approve a resolution to recognize Sal for his 39 years of service at MP&W and to the Muscatine Community. The following resolution was submitted:

RESOLUTION 19-09

WHEREAS, Mr. Sal LoBianco has provided dedicated service to Muscatine Power and Water in many capacities since 1980; and

WHEREAS, his 39 years of service have been dedicated, productive and conducive to the development of the municipal Water, Electric and Communication Utilities of the City of Muscatine Iowa. Mr. LoBianco has willingly contributed his knowledge and time toward the betterment of the community and of the Utility; now therefore,

BE IT RESOLVED, that the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa, meeting at Muscatine Power and Water's Administration/Operation Building on this 26th day of March, does hereby commend Mr. Sal LoBianco for his contributions to Muscatine Power and Water, on behalf of the Board of Trustees, the Employees of Muscatine Power and Water and of the citizens of Muscatine, Iowa; and,

BE IT FURTHER RESOLVED that this resolution be included in the minutes of the Board Meeting and that a copy be presented to Mr. Sal LoBianco as a token of the Board's appreciation and thanks.

Trustee Eversmeyer moved, seconded by Trustee Fields that said resolution should be passed, approved, and adopted on this 26th day of March 2019. On roll call Trustees Eversmeyer, Fields, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Resolution carried.

In the General Manager's report, Mr. LoBianco told that Board that on March 14, 2019, he had been honored to receive the Broadband Vanguard Award at the IAMU Municipal Broadband Conference held in Des Moines, IA. Mr. LoBianco also reminded the Board

about the service line, sewer line, and interior service line warranty program through Service Line Warranty of America (SLWA) that had previously been discussed with the Board; he stated that introductory letters would soon go out to customers from SLWA explaining the program. Ms. Cox next showed the first in a new series of customer testimonial videos that MP&W Marketing had produced and would be using as advertising pieces.

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

The February Departmental Reports were presented as previously submitted to all Board members. Mr. LoBianco provided an update on the ramping up of the FTTH Project and several outages that would be coming for fiber splicing that would affect customers. Mr. Huston also provided details on the upcoming 161kV Transmission Line Study and Project to the Board. Trustee Eversmeyer moved, seconded by Trustee Fields, to receive and place on file the February Departmental Reports. All Trustees voted aye. Motion carried.

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

BOARD OF WATER, ELECTRIC, AND
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CITY OF MUSCATINE, IOWA

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

Jerry Gowey
Board Secretary