

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
OCTOBER 30, 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, October 30, 2018, at 5:30 p.m.

Acting Chairperson Tracy McGinnis called the meeting to order. Members of the Board were present as follows: Trustees Susan Eversmeyer, Doyle Tubandt, 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; Erika Cox, Gage Huston, Brandy Olson, Tim Reed, and Brenda Christensen of Muscatine Power and Water (MP&W).

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

The minutes of the September 25, 2018, regular meeting were presented as previously submitted to all Board members in written form. Trustee Eversmeyer moved, seconded by Trustee Tubandt, that the September 25, 2018, public hearing and regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried. The meeting minutes from the September 25, 2018, Audit/Finance Committee Meeting were received and placed on file.

The list of expenditures and transactions for September 2018 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Tubandt moved, seconded by Trustee Eversmeyer, to ratify payment of \$8,934,635.34 for the Electric Utility, \$942,685.36 for the Water Utility, and \$1,702,284.03 for the Communications Utility, for a cumulative total of \$11,579,604.73. All Trustees present voted aye. Motion carried.

The next item on the agenda was a Recommendation to Accept Contract Change Order No. 2 and Final Acceptance for the Round Reservoir Rehabilitation Project. Mr. LoBianco told the Board that this project was approved with the 2018 Operating Budget for a total expenditure of \$543,000 to furnish all labor, equipment and tools, materials, and supervision necessary for the rehabilitation of two 1.5 million-gallon round reservoirs. At the April 2018 Board Meeting, a contract was awarded to TMI Coatings, Inc., for the Round Reservoir Rehabilitation Project. He continued that Contract Change Order (CCO) No. 1 for \$59,200 was approved at the July 31, 2018, Board Meeting and introduced CCO No. 2 which covered replacement of two pressure pallet vents with gaskets with an increase to the amount of the contract by \$15,500. Mr. LoBianco said that even with this increase, the overall project is below budget and that MP&W Management recommends proceeding with ratifying Contract Change Order No. 2 and accepting as complete the contract with TMI Coatings, Inc., for the Round Reservoir Rehabilitation Project. After discussion and review, the following resolutions were submitted:

RESOLUTION 18-25

WHEREAS, Contract Change Order No. 2 has been prepared to said contract with TMI Coatings, Inc. for the Round Reservoir Rehabilitation Project in the increased total amount of \$15,500 and that said Contract Change Order was reviewed by the Board, and Muscatine Power and Water Management has recommended approval of said Contract Change Orders; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that said Contract Change Order No. 2 in the increased total net amount of \$15,500 be approved for an amended contract price of \$482,200 for the Round Reservoir Rehabilitation Project.

Trustee Tubandt moved, seconded by Trustee Eversmeyer, that said resolution be passed, approved, and adopted this 30th day of October 2018. On roll call, Trustees Eversmeyer, Bradford, Tubandt, and McGinnis, voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

RESOLUTION 18-26

WHEREAS, it appears in a written report from Muscatine Power and Water Management that the contract with TMI Coatings, Inc. for the Round Reservoir Rehabilitation Project in the final amount of \$482,200 has been substantially completed in accordance with the project specifications and the recommendation has been made that said contract be accepted by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the Round Reservoir Rehabilitation Project, furnished under the above-named contract be accepted and approved by the Board; and,

BE IT FURTHER RESOLVED, that five percent (5%) of the contract price be retained for a period of thirty-one (31) days from and after the date of resolution, all in accordance with the provisions of the Code of Iowa.

Trustee Tubandt moved, seconded by Trustee Eversmeyer, that said resolution be passed, approved, and adopted this 30th day of October 2018. On roll call, Trustees Eversmeyer, Bradford, Tubandt, and McGinnis, voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

The preliminary 2019 Annual Operating Budgets for the Electric, Water, and Communications Utilities were submitted under separate cover to all Board members. Mr. LoBianco stated that the Operating Budgets were being presented for information and comments, approval of the Budgets will be requested at the November Board meeting. He continued that the assumptions driving the Budgets were designed to support the medium-term achievement of financial targets, meet the needs of our customer/owners at the lowest possible cost, and support the Critical Issues identified in the Strategic Plan. He continued that the Budgets reflect ongoing efforts to keep expenses and capital expenditures at adequate levels in support of the Utility's core values of safety, customer service, and reliability. Mr. Gowey reviewed the budget information previously submitted to the Board which included general assumptions and the primary drivers for each Utility. The review was

based on major cash inflows and outflows for each of the Utilities, comparing 2019 Budget to the previous two years; the primary difference between these schedules and the Income Statements is that the schedules show borrowings, debt principal repayment, and capital expenditures, and exclude depreciation/amortization. A summary of 2019 budgeted capital expenditures and major expenses over \$135,000 was also included for review. Mr. LoBianco stated that if any of the Trustees had questions or comments to please contact Mr. Gowey or him.

Mr. LoBianco continued that the State of Iowa requires that a Budget Summary for all three Utilities be prepared and a public hearing conducted on the Budget Summary to provide the public an opportunity to review and present any comments regarding the published Budget Summary. It is management's recommendation that the public hearing be set for November 27, 2018, at 5:28 p.m. The following resolution was submitted:

RESOLUTION 18-24

WHEREAS, the Budget Summary of the combined Electric, Water, and Communications Utilities is being prepared for the 2019 calendar year, and it is recommended that a public hearing be established for the review of said Budget Summary; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the Budget Estimate Summary of the combined Electric, Water, and Communications Utilities be placed on file at the office of the City Clerk and at the City Library, along with MP&W Offices, for any resident, taxpayer, or consumer to view; and,

BE IT FURTHER RESOLVED, that a public hearing be held on the 27th day of November 2018 at 5:28 p.m. in the Board Room of Muscatine Power and Water's Administration/ Operations Building located at 3205 Cedar Street, Muscatine, Iowa, and the notice of said hearing shall be published once in the Muscatine Journal, a newspaper of general circulation published daily in the City of Muscatine, Iowa, not less than ten (10) nor more than twenty (20) days prior to said hearing, all as required by the Code of Iowa.

Trustee Bradford moved, seconded by Trustee Tubandt, that said resolution be passed, approved, and adopted this 30th day of October 2018. On roll call, Trustees Eversmeyer, Bradford, Tubandt, and McGinnis, voted aye. Voting nay, none. Trustee Porter was absent. Resolution carried.

Included with the Board's meeting materials was a condensed version of Ten-Year Financial Projections for 2019 through 2028 for the Electric, Water, and Communications Utilities with a summary in graphical format. Mr. Gowey reviewed the graphs that summarized major revenue and expense drivers, and each Utility's financial targets and the projected results in achieving those targets. Cost drivers are consistent with past projections. He continued that there is a continued focus on financial targets, which we believe are important in securing the Utilities' long-term success. The targets drive projected price increases and the need for borrowings. Consistent with the projections provided in the previous years, all three of the Utilities' projections include a recommended cash reserve level. The recommended reserve level provides approximately 90 days of operating cash in each of two funds, an operating fund and a reserve fund. Expenses continue to be monitored and controlled; lean initiatives are being utilized to assist in the continuing efforts to control and reduce expenses and increase efficiencies. After discussion, Trustee Eversmeyer moved, seconded by Trustee Bradford, to receive and place on file the Ten-Year Financial Projections for 2019 through 2028. All Trustees present voted aye. Motion carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the upcoming MP&W Power Breakfast to be held on November 7th and invited all Trustees to attend. He also reviewed a thank-you letter received from the Mount Pleasant Municipal Utilities for sending a line crew in August in response to a mutual aid request from Mount Pleasant for assistance with post storm electric system restoration efforts. The next item reviewed was the IAMU, Individual Achievement Award that he received at the October IAMU Annual Energy Conference as a result of being nominated for the award by Staff. The last item reviewed was MP&W's participation in the United Way Day of Caring where a team from MP&W helped by readying a greenhouse at MCC for use in the college's Pollinator Project.

The next item on the agenda was to receive and place on file the YTD and September Financial Operating Statements and Balance Sheets for each Utility and the Quarterly Investment Report. After review by Mr. Gowey, Trustee Tubandt moved, seconded by Trustee Eversmeyer, that the YTD and September Financial Operating Statements and Balance Sheets for the Electric, Water, and Communications Utilities and the Quarterly Investment Report be received and placed on file. All Trustees present voted aye. Motion carried.

The Quarterly Project Status Report and Variance Analysis were presented as previously submitted to all Board members in written form and reviewed by Mr. LoBianco. Trustee Tubandt moved, seconded by Trustee Eversmeyer, to receive and place on file the Quarterly Project Status Report and Variance Analysis. 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. There were no items for approval.

The Critical Issues and Key Performance Indicators Presentation for the Electric, Water, and Communications Utilities was the next agenda item. Mr. LoBianco suggested that due to time already spent on previous presentations that the Trustees ask any questions that they may have regarding the information provided in the Critical Issues and Key Performance Indicators Presentation. After review and discussion on several items, Trustee Bradford moved, seconded by Trustee Eversmeyer, to receive and place on file the 2018 Third Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

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

The meeting was adjourned at 7:00 p.m.

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



Jerry Gowey
Board Secretary