

**MINUTES OF THE
BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS TRUSTEES
AUDIT/FINANCE COMMITTEE MEETING
NOVEMBER 29, 2022 – 4:15 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, November 29, 2022 at 4:15 p.m.

Members of the Committee were present as follows: Committee Chairperson Susan Eversmeyer and Trustee Steven Bradford.

Present from Muscatine Power and Water (MPW) were Gage Huston, General Manager; Mark Roberts, MPW Director of Finance & Administrative Services; and Kelly Miller, Sr. Executive Coordinator; Tony Richardson & Cheri Weathers of Lockton joined the meeting remotely and took part in a portion of the meeting.

Trustee Eversmeyer called the meeting to order.

Mr. Roberts directed the Committee to the presentation provided in their packet and reviewed insurance premium costs for the coming year and stated all premiums would be increasing for various reasons; however, MPW will continue, with assistance from Lockton, to work toward reducing these costs. Mr. Roberts introduced Mr. Richardson, and Ms. Weathers from Lockton to provide an update. Mr. Richardson and Ms. Weathers reviewed the Property and Casualty Insurance Items presentation, which was provided to the Committee beforehand in the Audit/Finance Committee packet. Mr. Richardson reviewed updates to the Lockton Service team and reviewed the renewal timeline and expectations for the coming year. Trustee Bradford asked several questions related to potential catastrophic events and Trustee Eversmeyer inquired about cyber insurance related to factors that drive premiums.

After other discussion, Mr. Richardson & Ms. Weathers left the meeting at 5:00 pm.

The next section reviewed was the Identity Theft Program (related to FTC's "Red Flag Rules"). Mr. Huston stated the program, which focuses on theft or misuse of MPW customer data, is working and continues to be annually reviewed and includes annual staff training. He reviewed the red flags detected by staff in 2022 and stated all issues were resolved. Trustee Eversmeyer inquired to the number of red flags that were detected. The number is relatively small compared to the number of accounts. Mr. Huston stated that the new CIS software that is being implemented will include additional verification methods that will continue to strengthen the security processes and procedures.

The next agenda item was to review legal and tax issues that could have an impact on the Utility's financial statements. Mr. Huston informed the Committee that there are no Worker's Compensation Claims open at this time. He also gave a high-level review on a current patent claim under review by MPW Staff and also discussed the 3M Splice Failure settlement.

In other business, Mr. Roberts provided the Committee with an update on accounting treatments for Board Approval, including retirement of assets obligation. Trustee Bradford inquired about taking the action to the board. Mr. Roberts provided an update on the loan from the Electric Utility to the Water Utility. Trustee Eversmeyer confirmed total of loans from the Electric Utility and inquired about dates around financing the CHP unit. Mr. Roberts provided an update on additional accounting and finance issues, including Communications Utility accelerating its repayment schedule on the loan from the Electric Utility, better cash and investments returns, fixed asset retirements, and Electric and Water rates. Mr. Roberts also commented on Accounting and Finance staffing changes.

The meeting was adjourned at 5:20 p.m.

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

A handwritten signature in black ink, reading "Susan Eversmeyer". The signature is fluid and cursive, with the first name "Susan" and last name "Eversmeyer" clearly distinguishable.

Susan Eversmeyer
Audit/Finance Committee

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
NOVEMBER 29, 2022 – 5:28 P.M.**

The Board of Trustees conducted a public hearing in Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, November 29, 2022, at 5:28 p.m.

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

Also present were Gage Huston, General Manager of Muscatine Power and Water; Kelly Miller, Board Secretary; Erika Cox, Ryan Streck, Doug White and Mark Roberts of Muscatine Power and Water.

The purpose of the public hearing was to receive any citizens' comments regarding the 2023 Operating Budgets for the Electric, Water, and Communications Utilities.

Ms. Miller, Board Secretary, opened the public hearing at 5:28 p.m. to receive any citizens' comments regarding 2023 Operating Budgets for the Electric, Water, and Communications Utilities.

Ms. Miller stated the public hearing notice was published as required by the Code of Iowa and no written or oral comments were received regarding the Operating Budgets.

At 5:29 Secretary Miller closed the public hearing for the 2023 Operating Budgets for the Electric, Water, and Communications Utilities.

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

A handwritten signature in cursive script that reads "Kelly Miller".

Kelly Miller
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
NOVEMBER 29, 2022 – 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 29, 2022, at 5:30 p.m.

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

Also present were Gage Huston, General Manager of Muscatine Power and Water; Kelly Miller, Board Secretary; Erika Cox, Mark Roberts, Ryan Streck and Doug White of Muscatine Power and Water. Additional guests attending the meeting included Mark Yerington, Rabecka Jones, Jessica Brackett and Mark Odell.

Secretary Miller asked if there was anyone in attendance who wished to make any public comments.

No public comment was made.

The minutes of the October 25, 2022, Board meeting were presented as previously submitted to all Board members. Trustee Porter moved, seconded by Trustee Eversmeyer, the minutes from the October 25, 2022, Board meeting be approved. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for October 2022 were presented. Mr. Huston reviewed the expenditures, and after additional discussion Trustee Eversmeyer moved, seconded by Trustee McGinnis, to ratify payment of \$7,069,421.87 for the Electric Utility, \$425,414.71 for the Water Utility, and \$950,172.68 for the Communications Utility, for a cumulative total of \$8,445,009.26. All Trustees voted aye. Motion carried.

The next agenda item was a recommendation to adopt a Policy Establishing the "Public Purpose" of MPW activities and expenditures. In 2021, the office of the State Auditor investigated complaints against a municipal utility's spending and advertising practices. One recommendation from the resulting report was that the subject utility adopt a public purpose policy to align with the State Constitution and other relevant law. Adopting such a policy is defense against third party allegations that the municipal utility misused public funds. After reviewing the State Auditor's report, review of relevant code, Attorney General's Opinions and other reference materials, MPW's General Counsel recommends the Board adopt a policy confirming the Board's determination of what activities and expenditures align with MPW's public purpose. MPW has extensive policies and procedures governing budgeting, expenditures, travel, contracting and procurement. These existing policies and procedures supplement and support this new policy.

Trustee Fields recognized Brandy Olson for her time and effort in providing formalization of this process to MPW's policies and procedures.

The following resolution was submitted to adopt a Policy Establishing the "Public Purpose" of MPW activities and expenditures.

RESOLUTION 22-17

WHEREAS, MPW has a responsibility to ensure it handles public funds appropriately; and

WHEREAS, written, adopted financial policies and internal controls have many benefits in assisting Staff with the financial management of funds; and

WHEREAS, Counsel has recommended that MPW adopt financial and internal control policies that promote sound financial management practices; and

WHEREAS, MPW has extensive policies and procedures governing budgeting, expenditures, travel, contracting and procurement that support this new policy;

THEREFORE BE IT RESOLVED, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa adopt a policy establishing a public purpose of MPW activities and expenditures.

Passed this 29th day of November 2022.

Trustee Eversmeyer moved, seconded by Trustee Porter, that said resolution be passed, approved, and adopted this 29th day of November 2022. On roll call, Trustees Eversmeyer, McGinnis, Porter, Bradford, and Fields voted aye. Voting nay, none. Resolution carried.

Next on the agenda was a recommendation to authorize the Water Utility to enter into a Loan Agreement for \$2 Million from the Electric Utility. Mr. Huston stated the Water Utility's cash position is projected to fall below minimum levels in 2023. However, later in the 10-year projection period, the cash position is expected to improve. To provide funding for an intermediate term, the Electric Utility is positioned to loan those funds based on current cash balance projections and despite anticipated high capital expenditures for the Electric Utility's *Powering the Future* strategic initiative.

Staff proposes a \$2 million, 7-year loan at 4.5% interest from the Electric Utility to the Water Utility. Principal and interest payments would be semiannual, with the loan effective date of January 1, 2023.

This inter-utility loan is anticipated to provide adequate capital to the Water Utility based on current projections.

The following resolution was submitted for approval to authorize and provide for a loan from the Electric Utility to the Water Utility.

RESOLUTION 22-18*Resolution authorizing and approving a Loan Agreement*

WHEREAS, the City of Muscatine, in the County of Muscatine, in the State of Iowa (hereinafter referred to as the "City"), did heretofore establish three utilities to provide services to provide electricity, water and communications services to customers in or near the City; and

WHEREAS, the management and control of the utilities are vested in the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa (the "Board") doing business as Muscatine Power and Water; and

WHEREAS, the three utilities are referred to as the Water Utility, the Electric Utility and the Communications Utility; and

WHEREAS, the Board proposes to cause the Water Utility to enter into a loan agreement (the "Loan Agreement") in a principal amount of \$2,000,000, for the purpose of funding costs and expenses, making improvements and operating the Water Utility; and

WHEREAS, the Water Utility has determined a need to enter into the Loan Agreement with the Electric Utility and the Board is amenable to making that loan;

NOW, THEREFORE, Be It Resolved by the Board, as follows:

- Section 1. It is hereby determined that the Water Utility shall enter into a 7-year loan with the Electric Utility as lender (the "Lender") in the amount of \$2,000,000 at a 4.5% interest rate for the purposes set forth in the preamble hereof.

By this motion, the amortization schedule that immediately follows is established as the payment schedule.

This loan is an inter-utility loan between two utilities within Muscatine Power and Water. As such, it has no impact on the City.

- Section 2. So long as the Loan Agreement is outstanding, the Water System shall be maintained in good condition and operated in an efficient manner and at a reasonable cost as a revenue producing undertaking. The Board shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Water Utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Water Utility, which shall include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices but does not include allowances for depreciation in the valuation of physical property (which expenses are commonly referred to as operating expenses) and to leave a balance of net revenues sufficient to pay the annual payments of principal of and interest on the loan.
- Section 3. This loan obligation by the Water Utility to the Electric Utility is subordinate to any debt the Water Utility has, or will have, to third-party lenders. The Water Utility reserves the right to enter into and issue additional indebtedness payable from the Net Revenues of the Water Utility.
- Section 4. The provisions of this resolution shall constitute a contract between the Water Utility and the Lender set forth herein, and no change, variation or alteration of any kind of the provisions of this resolution shall be made that will adversely affect the Lender until all the payments shown in the amortization schedule are made.
- Section 5. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or

provision shall not affect any of the remaining provisions of this resolution.

Section 6. All resolutions and orders or parts thereof in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed.

Section 7. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Chairperson Fields asked the finance committee if they discussed this issue, committee members Eversmeyer and Bradford confirmed discussion at the Audit/Finance Committee meeting.

Trustee McGinnis moved, seconded by Trustee Bradford, that said resolution be passed, approved, and adopted this 29th day of November 2022. On roll call, Trustees Porter, McGinnis, Bradford, Eversmeyer, and Fields voted aye. Voting nay, none. Resolution carried.

The next agenda item was approval of the Accounting for Asset Retirement Obligations (Power Plant). As discussed at the October Board meeting and as was addressed in the 10 Year Financial Projections book, we are planning to change the way we recognize asset retirement obligations for the power plant. Mr. Roberts stated that these are the largest retirement obligations MPW has that are related to decommissioning and demolishing Plant 1 and Unit 9. Until this planning cycle, we were planning to expense these large costs as incurred. Assets listed in the request were discussed by the board.

Trustee Bradford moved, seconded by Trustee Eversmeyer, to approve Accounting for Asset Retirement Obligations (Power Plant). All Trustees voted aye. Motion carried.

The next agenda item was approval of the 2023 Operating Budgets. There were no changes to the budgets reviewed at the October 2022 Board Meeting. No comments were received from the public. Trustee Bradford moved, seconded by Trustee Eversmeyer, to approve the 2023 Operating Budgets for the Electric, Water and Communications Utilities. All Trustees voted aye. Motion carried.

Mr. Huston stated the next agenda item also pertained to the 2023 Operating Budgets; 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 budget certificate summary was presented to all Board members and copies of the budget summary were also available for review by the citizens at Muscatine City Hall, Musser Public Library, and at MPW's Administrative/Operations Office before the November Board meeting. The budget public hearing was conducted earlier in the evening. The following resolution was submitted:

RESOLUTION 22-19

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the annual Budget for the calendar year 2023, as set forth in the Utility's Budget Estimate Summary and in the detailed budget in support thereof showing the estimated revenue and expenditure for said budget year is adopted, and the Secretary is directed to file the same with the Clerk of the City of Muscatine, Iowa.

Trustee Porter moved, seconded by Trustee McGinnis, that said resolution be passed, approved, and adopted this 29th day of November 2022. On roll call, Trustees Eversmeyer, Bradford, McGinnis, Porter, and Fields voted aye. Voting nay, none. Resolution carried.

Mr. Huston recommended Trustee Tracy McGinnis be appointed to the MAGIC Governing board effective January 1, 2023, for a two-year term to represent Muscatine Power and Water, with her term ending December 31, 2024. Trustee Porter was thanked by Mr. Huston and the Board for his term of service on the MAGIC Board, which ends December 31, 2022. Trustee Eversmeyer moved, seconded by Trustee Porter, to appoint Trustee McGinnis to the MAGIC Board effective January 1, 2023, for a two-year term. All Trustees voted aye. Motion carried.

In the General Manager's report, Mr. Huston introduced Mark Yerington who shared a Demo of the 5 Year Capital Plan GIS Map Overview discussion. Mr. Huston reported that MPW received two APPA Excellence in Public Power Communications Awards, the team received a first-place award in the Video Category for the "I AM MPW" series. The team won a second-place award in Web and Social Media category for the Powering the Future Web Page/Micro-Site. Next Mr. Huston reviewed the Sustainability Presentation that was provided at the Bayer Sustainability Workshop in October. Mr. Huston also provided an update on the Muscatine Solar 1 project, noting that MPW held a signing event on November 15th announcing it is expanding its renewable energy portfolio by entering into a Purchase Power Agreement with Nokomis Energy.

The October Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members. Mr. Roberts reviewed the MPW dashboard and the Financial Results Summary for each Utility.

Mr. Huston stated there were no entries on the Competitive Quotes for Public Improvements Report.

Mr. Huston reviewed the Monthly Project Status Report and Variance Analysis report. Mr. Huston noted that there were three Board-level projects closed out in October.

The November Departmental Reports were presented as previously submitted to all Board members. Mr. Huston provided a high-level review of the reports. Ms. Cox shared a CIS Project update. Mr. White reviewed the Powering the Future Monthly Status Report. There were no public comments made regarding the Powering The Future report.

Trustee Eversmeyer moved, seconded by Trustee Bradford to receive, and place on file the November 2022 Utility Reports. All Trustees present voted aye. Motion carried.

The meeting of the Board of Trustees was adjourned at 6:40 p.m.

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

A handwritten signature in cursive script that reads "Kelly Miller".

Kelly Miller
Board Secretary