INDIANOLA MUNICIPAL UTILITIES

IMU

Electric • Communications • Water

IMU Board of Trustees
January 12, 2015
City Hall Council Chambers
5:30 p.m.

Agenda

1. Roll Call

2. Consent

   A. Claims

   B. Minutes

3. Reports

   A. General Manager

   B. Chairperson

   C. Quarterly Performance Report

4. Certificate of Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS) Deposit Placement Agreement with City State Bank

5. 2014 W IA Ave Water Main Project

   A. Supplemental Contract with Vanderpool Construction

   B. Certificate of Completion

6. 2013 Hwy 92 Transmission Relocation Project - Certificate of Substantial Completion

7. Discuss Electric Utility Capital Projects

   A. 2015 Electric Utility 5-Year Capital Improvement Plan draft

   B. Update on the W Hwy 92 Distribution Relocation Project

8. Other Business

9. Adjourn

IMU Regular Downstairs **2. A.**
Meeting Date: 01/12/2015

Information

Subject

Claims

Information

The January 5, 2015 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**
Meeting Date: 01/12/2015

Information

Subject

Minutes

Information

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – DECEMBER 22, 2014

The Board of Trustees met in regular session at 5:30 p.m. on December 22, 2014 in the City Hall Council Chambers. Chairperson Eric Vander Linden called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Pat Reding, Eric Vander Linden and Deb White.

The consent agenda consisting of the following was approved on a motion by Johnson and seconded by Hulen. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Eric Lane, Network Services Associate, was selected as the 2014/15 IMU Employee of the Year and was presented with a merit award.

December 8, 2014 minutes

December 15, 2014 claims

General Manager Todd Kielkopf and the Board of Trustees recognized Eric Vander Linden for serving on the IMU Board of Trustees from January 2, 2009 to January 2, 2015.

The discussion of the IMU Logo was pulled from the agenda.

A motion was made by Hulen and seconded by White to approve the Electric Transmission and Distribution Systems Inspection and Maintenance Plan. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Forrest Aldrich, Veenstra and Kimm, and Water Superintendent Lou Elbert discussed the 2015 Water Utility 5-Year Capital Improvement Plan. They reviewed the prioritized list of water main improvements and major plant repairs for the next five construction seasons.

It was moved by Johnson and seconded by Reding to approve Veenstra and Kimm's engineering services in an amount not to exceed $26,700 for the 2015 Water Main Improvements. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Board member White moved to issue the Notice for the Taking of Bids (January 20, 2015) for the Filter Building Demolition and to act upon the proposals at the January 26, 2015 Board of Trustee meeting. Board member Hulen seconded the motion. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Hulen moved and Reding seconded to approve the certificate of final completion from Vanderpool Construction for the Highway 92 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A motion was made by Johnson and seconded by White to approve the certificate of final completion from Michels Power for the Highway 92 and I-35 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

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Board member Reding moved to amend Exhibit E "Bill of Sale" to the MEC reimbursement agreement-amends the previously adopted bill of sale to only one pole, based on the final constructed route that was modified through previously adopted change orders. Board member White seconded the motion. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

It was moved by White and seconded by Hulen to approve the following as the 2015 Officers. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Pat Reding, Chairperson
Grant Johnson, Vice Chairperson

Meeting adjourned on a motion by Johnson and seconded by Reding.

______________________________________ Eric Vander Linden, Chairperson

____________________________________ Diana Bowlin, City Clerk

IMU Regular Downstairs **3. A.**
Meeting Date: 01/12/2015

Information

Subject

Administrative News Items

Information

Financial Impact
N/A

Staff Recommendation

Attachments

News Items

NEWS ITEMS

TO: IMU Trustees
FROM: IMU Administrative Staff
DATE: January 9, 2015

1. **MISO/Transmission Rate of Return:** The Federal Energy Regulatory Commission (FERC) ruled this week that Midcontinent Independent System Operator transmission owners are due a .5% adder to the rate of return calculation. While IMU is not technically a transmission owner since the 69kV system is classified as sub-transmission, IMU is covered in the FERC filing as a dues-paying member of the Midwest Municipal Transmission Group, who intervened on behalf of municipal systems like IMU.

   This adder is still dependent on FERC issuing a new, reduced, base rate of return that will be less than the current 12.38% return on system equity (ROE). As stated in prior news items, a reduction in the ROE results in somewhat balanced financial impacts to IMU at today's level of transmission investment. However, it is important to consistently retain rights for future investments and conditions.

2. **Prospect Meeting:** WCEDC arranged an introduction lunch between the yet-to-be-named ag services company locating to Indianola's Industrial Park in an existing building and the city & utility. The company requests withholding its name until remodeling and other permits are issued. They have not requested incentive funds to-date. IMU offered to update the last energy audit of the building if they are interested in making lighting or HVAC improvements.

3. **Weather:** IMU did not have significant weather-related events this week.

4. **NMPP/MEAN Meetings:** CEO candidate interviews for NMPP Energy, the umbrella affiliate organization of IMU's wholesale energy provider (the Municipal Energy Agency of Nebraska), will be held this coming week in Lincoln, NE. MEAN-related board and committee meetings will be held in N. Platte, NE the following week.

5. **MEAN Board:** Board-level executive committee positions are elected each January. The current Board Chair of the Municipal Energy Agency of Nebraska or MEAN, IMU's wholesale energy joint action agency, announced he is declining to be re-nominated. IMU General Manager Todd Kielkopf currently serves as the MEAN board Treasurer/Secretary and the NMPP board Vice-Chair, which also then serves on the committee that oversees the CEO and many administrative functions of NMPP Energy.

6. **City/IMU working group:** The periodic meeting of the Mayor, City Manager, 2 Council members, 2 Trustees and the General Manager is scheduled for Friday. The primary topic is to be on economic development activities. Trustees Heather Hulen and Pat Reding attend this group for Trustees and can provide insights.

7. **Irrigation Meter:** An irrigation meter that had not been relaying consumption electronically was discovered during an auditing process. This is difficult to detect because of intermittent use throughout the year and widely varying consumption based on owner preferences and weather patterns.

   The IMU Service Plan has been strictly enforced throughout the year for metered water (as the meter registered actual consumption, it just didn't provide a reading signal and billed). As per past practice and provisions in the Service Plan, the customer is being billed 12-months of actual consumption. This is the maximum back-bill allowed, though it is less than all probable consumption that hadn't been billed. The customer understands the situation and expressed appreciation that the utility works reasonably with customers.

   A suggestion has been made to charge a minimal monthly fee for irrigation meters so the auditing system can better cross-check between all irrigation meters paying the fee and those that haven't had consumption during the irrigation season.

IMU Regular Downstairs **3. C.**

Meeting Date: 01/12/2015

Information

Subject

Quarterly Performance Report

Information

Financial Impact

N/A

Staff Recommendation

Attachments

Report

Operational Review

FY 2015 2nd Quarter Update

The IMU Board of Trustees annually adopts a Strategic Plan complete with service objectives, operating strategies, and annual goals. Utility operations are divided into departments, all of which work to provide superior services to the citizens of Indianola.

This report provides a brief review of the various departmental activities and accomplishments in FY 2015. A graphical condition report and trend analysis for each departmental function is also included in this report. Condition analysis uses the following color codes:

Not applicable

Not meeting expectations or Poor

Deteriorating or Below Average

Meeting expectations

Improving or Above Average

Exceeding expectations or Excellent

In general, the following definitions apply:

Past Period: last report of the prior fiscal year unless otherwise stated

Present:

First Half- Budgeted amounts or planned activities

Second Half- Re-estimated budget amounts and planned activities

Outlook: Remainder of fiscal year, next fiscal year, or beyond as noted

- **Change in Status.** The section of this report is a summary of those areas that have seen a major change in status from the previous report.

  Exceeding last quarter's outlook expectations:

  Electric Utility: Rate Competitiveness – Direct billing comparisons that include new monthly adjustment clauses show that IMU's relative position has improved this year.

  Electric Utility: Outages & Reliability – The electric system's resiliency continues to show improvement during inclement weather conditions. This is a result of underground conversion projects, voltage conversion, and scheduling tree trimming over the past 5+ years.

  Water Utility: Rate Competitiveness – Des Moines Water Works announced wholesale (to the region's retail communities) and retail (to Des Moines customers) rate increases. IMU has not increased rates for 3+ years, with no plans to do so.

  Water Utility: Capital Expenditures – Prepared a revised 5-year Capital Improvement Plans for both treatment/storage and distribution system. Funding from current rates and fund balances appear adequate to meet system needs.

  Economic Development: Economic Gardening – Simpson College has received new commitments for continued funding from donors for its EMERGE@Simpson program, which provides support for on-campus ventures.

  Deterioration in expectations compared to last quarter:

  Electric Utility: Gross Margin & Return on Assets – Continued wholesale rate challenges will reduce cash-based gross margin in FY 2015. Funds will only be recovered through the Cost of Energy Adjustment over rolling 12-month billing periods.

  Electric Utility: Reserves & Liquidity Ratios – The utility's reserves are being reduced from a combination of minimal funding from annual rates and spending on capital projects (some required by IDOT) using prior years' reserves. This negatively impacts the outlook for ratios to meet bond ratings in FY 2016+, as the growth of reserves (needed as wholesale energy costs rise) will be minimal and the list of under-funded capital projects grows.

  Electric Utility: Patterson Line – Inspections of the line from Patterson to the East Side substation show more deterioration than expected over its 20+ year life to-date.

Progress in fixing deficiencies or cautions identified in prior reports:

Water Utility: Source Attainment – Well repairs were made.

Economic Development: Regional coordination – IMU staff is working closer with WCEDC staff to focus on programming/activities that support overall Trustee goals.

Oversight & Regulatory: Coordination with Mayor & Council – Routine meetings held with the City Manager. A small working group formed to discuss particular issues on a quarterly basis.

Fiduciary Controls: Financial statements – Minimal progress to-date.

Professional Services: IAMU Electric Apprenticeships – New apprentices are progressing through the program. OJT hours will be gained throughout 2015 so that sufficient on-call personnel will be available as employees retire as long as retirements are backfilled.

Areas of continuing cautions/concerns as identified in prior reports:

Electric Utility: Peak Use – MEAN has formed an ad-hoc rate committee to develop an implementation plan that reduces peak use (demand) rates, which may help communities improve load factor by encouraging growth.

Electric Utility: Capital Expenditures – The amount annually available in future years is minimal compared to underground goals and lifespan of assets & equipment.

Electric Utility: Carbon Intensity – The U.S. Environmental Protection Agency has released proposed rules that sets carbon reduction targets for the electric utility industry. While IMU has been proactive in its voluntary purchases of wind and landfill gas sources to-date, the negative long-term outlook trend cannot be understated given tepid, at best, public support for additional purchases as per the IMU survey.

Network Services: Synergy – Focus will be on promoting retail sales and setting up the Partners program prior to investing time on synergistic opportunities.

Public Works: Pole Attachment Compliance – Mediacom has made slow progress. CenturyLink engaged IMU and city staff, and then retreated.

Technical & Programs: Safety Manual – The Occupational Safety and Health Administration (OSHA) has released new regulations that apply to electric utilities. IMU will need to seek additional outside guidance to best document new procedures and implement them. Staff's availability is highly thin due to an increased reliance on contracted safety services as other departmental needs have grown (GIS, telecom outside plant, meter reading auditing & testing, etc.).

Technical & Programs: Emergency Operations & Outage Response – Little attention being paid by the combined entity to proactive planning. The anticipated transition of the Fire Chief likely will delay new initiatives.

Management: Segregation of Duties & Organizational Structure – Staff is transitioning to being more involved in the telecom expansion and IMU Partners Program; Still have 20-hour per week budgeted position unfilled to meet needs.

Management: Customer Service Systems – Will need to have City Manager participation to make inroads on priorities.

Professional Services: IDNR Water Dept. Certifications – Lack of interest & progress among crews to progress into Grade 3 & Grade 4. Will become more of an issue as workforce ages.

- **Financial Performance.** The first graphical condition report is on overall financial performance for each utility. In general, the utility is in a stable financial condition with the electric utility having a cautionary outlook**.**

  Consumption of electricity ended December below budgeted levels. Wholesale energy costs per kWh were less than expected based on the combination of both lower demand & electricity. The gross margin (sales minus wholesale & other marginal costs) is running at expectations, however MEAN has already increased upcoming winter rates and imposed a one-time customer service charge (yet to be paid). Operating expenses and debt service costs are lower than expected due to budget reductions after its adoption. Other income (fees, refunds, scrap sales, etc.) meet expectations. Stabilization was achieved through imposing a cost of power adjustment. IDOT-related projects are using reserves that had been added to in previous fiscal years.

  The Water Utility had slightly higher sales volume and revenue than budgeted, and fund balances were ahead of budget.

  The Communications Utility met its budget target from MCG’s licensing revenue. Growth in signups is trending higher due to more signups in multi-dwelling units and new marketing resources.

  Overall, funds from rate revenue and other sources are reasonably adequate to meet medium-term replacement needs. A strategy for long-term replacement of local generation, the 69kV system, relocating the line shop to East Iowa Ave., and distribution systems (all utilities) will need to be developed and maintained over the next several years.

Criteria	Past Period	Present	Outlook	Notes
Financial Performance:				
Electric Utility-				
Peak Use				Room to improve load factor
Sales of Electricity (Volume)				Construction/hot spell/normal outlook
Sales Concentration				Good diversity
Sales of Electricity (Dollars)				Cost of Power Adjustment adopted
Other Revenue				Will receive new capacity sale starting in Jue
Gross Margin from Sales				Higher Cost of Power Adjustment to recoup
Operating Expenditures				Within budget expectations
Net Addition to Net Assets				Losses to-date in FY 2015
Capital Expenditures-				
Amount available				Lack of rate revenue & Hwy 92 projects
Expenditures vs. budget				Projects coming in on budget/few changes
Reserves & Liquidity Ratios				Adequate today; minimal in FY 2016+
Debt Svc & Fixed Oblig. Coverage				Minimal coverage vs. rating benchmarks
Debt/Asset ratio				Meeting industry benchmarks
Return on Assets				Declining trend due to pending losses
Write-offs as % of billings				Stable
Water Utility-				
Sales of Water (Volume)				Normal outlook
Sales of Water (Dollars)				Normal outlook
Sales Concentration				Diversity remains good for bond rating
Other Revenue				Collecting 2 Cell Tower lease fees
Operating Expenditures				Within budget expectations
Net Addition to Net Assets				Minimal but stable with future rate increase
Capital Expenditures-				
Amount available				Adequate but minimal given 4" mains
Expenditures vs. budget				Below budget; looking at future projects
Reserves				Stable and improving
Debt Coverage				Adequate
Debt/Assets				Short amortization schedule
Write-offs as % of billings				Stablizing of prior negative trend
Network Services-				
Number of customers & locations				New system and extensions adds capacity
Take rate				New system had low initial take rate
Monthly Sales				Growing / new marketing program
Monthly Revenue				Meeting break-even model
Operating Expenditures				Meeting budget expectations
Net Addition to Net Assets				Stable
Capital Expenditures				Few additions to the network planned
Reserves				Use of reserves for facility improvements
Debt Coverage				N/A
Debt/Assets				N/A

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress towards implementing operational strategies include:

  First Quarter-
  - Continued termination work on the Hwy 65/69 Conversion Project; reached substantial completion
  - Monitored construction of the W Hwy 92 / I-35 Transmission Relocation project
  - Monitored construction of the W Hwy 92 Transmission Relocation project; modified plans as needed
  - Worked on revised drafts for the W Hwy 92 Distribution Relocation project
  - Repaired storm damage to the 69kV line
  - Completed annual URGE tests following repairs to units

  Second Quarter-
  - Completed the Hwy 65/69 Conversion, W Hwy 92/I-35 Transmission Relocation, and W Hwy 92 Transmission Relocation projects
  - Continued re-designing the W Hwy 92 Distribution Relocation project and re-negotiating IDOT reimbursement estimates due to continued changes to IDOT roadway specifications
  - Installed wiring and temporary street lights on The Square; new black decorative lights were on back-order and will be set in the same sleeves as the temporary lights once they arrive

Criteria	Past Period	Present	Outlook	Notes
Electric Utility:				
Competitive Rates per Kwh-				
Surrounding Area				Average within group/more than MEC
Statewide				Comparative to averages
U.S. Average				Below average in all 3 price classes
Wholesale Electric Sourcing				Financial outlook neutral
Carbon intensity per kwh ratio				14% renewable; new regs possible
Capacity marketing				Higher prices expected in 2016+
Transmission				MEC wants to re-study the regional grid
Generation Capacity				Overall able to serve load in emergencies
Combustion Turbines				Able to serve capacitity
Downtown Plant				Decommission units limits future uncertainty
Substations / 69kV system-				CIPCO tie improved voltage & reliability
Patterson Line				New line energized, poles showing wear
East Side #1 & #2				Testing transformers & relays regularly
West Side				CIPCO Tie improves voltage/capacity
Distribution System Reliability				Underground conversion projects improving
Losses				4kV sub removals reduce losses
Outages				Managing vulnerabilities well
Recovery ability				Truck/manpower levels adequate
Regulatory & financial controls				New Title V Permit filed
Operations-				
Facility maintenance				Schedule being maintained w/budgets
Inventory management				Quarterly inventory balance within tolorance
Capital projects (quantity)				Shift to 69kV projects using reserves
Capital projects (quality)				Underground project monitoring

Water Utility. The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:

First Quarter-

- Substantially completed construction of the W. IA Ave. water main project
- Contracted for engineering services for proactive maintenance and planning for improvements at the water plant
- Monitored repairs to Well #12
- Completed work on the aerator replacement project at the water plant
- Relocated a section of water main for the N. Hwy 65/69 highway relocation project

Second Quarter-

- Proceeded with drafting specifications to demolish the old water treatment plant and build a vehicle storage building
- Completed work on the W. IA Ave. and Ann Parkway water main projects; drafted supplemental agreement for a small amount of restoration work
- Completed repairs to Well #12
- Prepared and presented information on 5-year capital improvement priority projects

Criteria	Past Period	Present	Outlook	Notes
Water Utility:				
Competitive Rates-				
Surrounding Area				DSM rates rising/no IMU increases
Statewide				Adequate/need to update surveys
Source attainment				FY 2014 well repairs; Proactively maintianing
Treatment ability				Proactive maintenance needed to maintain
Storage				Need to touch up Simpson Tower
Distribution system				Pace of 4" main replacements/aging system
Regulatory & financial controls				IDNR reports few suggestions
Operations-				Truck/manpower levels adequate
Facility maintenance				Schedule being maintained w/budgets
Inventory management				Quarterly inventory balance within tolorance
Capital projects (quantity)				Funding new 5-year plan
Capital projects (quality)				On time/budget

- **Communications Utility.** The communications utility (Network Services) provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and Internet services are offered to commercial customers through a contractual private/public licensing arrangement. Significant progress towards implementing operational strategies include:

  First Quarter-
    - Continued to connect new residential & commercial customers and address operational issues with MCG
    - Revised plans for W Hwy 92
    - Approved plans to proceed with the North Howard extension
    - Completed cutovers from older aerial fiber to underground fiber associated with the Hwy 65/69 electric project
    - Worked on conceptual plans with Verizon to extend fiber to small-cellular sites on power poles in congested areas.

  Second Quarter-
    - Cabinet components were ordered and installed for the North Howard project
    - Relocated the Iowa Network Services feed connection at the IMU Westside Substation
    - Installation of the fiber cabinet and fiber strands (into existing conduit) was completed for the North Howard project
    - Re-designed the W Hwy 92 extension/replacement project

Criteria	Past Period	Present	Outlook	Notes
Network Services:				
Competitive Rates-				
Surrounding Area				Telecom 15% less than private
Statewide				Statewide is lower than surrounding area
Source attainment				Duel INS feeds + Iowa Health network
Distribution system				Pace of expansion slowing
Regulatory & financial controls				Licnensing rules/regs seen as a model
Operations-				
Facility maintenance				Underground conversion projects slowing
Inventory management				No known issues
Capital projects (quantity)				Increasingly higher community expectations
Capital projects (quality)				In-house design/underground
System synergy with electric svc.				Need to research DSM & outage abilities
Cyber security systems				Need to study but no known issues

- **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

  Public works activities primarily involve co-managing the public right of way. IMU also supports economic development and community betterment activities. Third, there are utility-specific services such as technical activities, safety, and utility programming. Last are the governance and professional services associated with oversight, regulatory actions, general management, human resources, fiduciary controls, public notifications and information systems, and legal compliance & risk management.

Public Works-

First Quarter-

- Continued removing IMU poles
- Mediacom bored conduit in priority areas; cable installation is progressing

Second Quarter-

- Continued removing IMU poles, particularly on East Hwy 92
- Mediacom installed cable in the new conduit

Economic Development & Community Betterment-

First Quarter-

- Continued EMERGE Hub planning with design team
- EMERGE@Simpson College direction set for remainder of 2014 & 2015
- Completed IMU Partners Program scope of management services agreement with the IDA for FY 2015
- Simpson College planning to dedicate Dunn Library space for the EMERGE@Simpson program (Gerald R. Edwards Center) and allocate that endowment for continuing on-campus support
- Annual support provided to WCEDC

Second Quarter-

- Researched the potential for a 2nd USDA Revolving Loan Fund
- Simpson held their planned dedication at Dunn Library and announced that one venture team successfully launched a mobile app; fundraising of multi-year commitments by Simpson donors to continue the program was successfully launched
- A prospect working with the IDA, and another with WCEDC, approached IMU about developing a local co-working, data center, and business incubator center
- Continued involvement with the WCEDC Business Retention and Expansion Committee

Criteria	Past Period	Present	Outlook	Notes
Public Works:				
Locate volume/response times				Underground conversion project
Streetlight construction/repairs				Hwy 92 completed + Downtown project
Pole Attachment Compliance				Issues on removal of poles in ROW
Vegetation Management				Rotation plan on schedule
Econ. Development & Community:				
Regional coordination				Emerge & GroWarreNow participation
Direct incentives programs				
EMERGE				EMERGE@Simpson program launched
Development web site content				WCEDC Redesign near completion
Community betterment projects				Assist as needed
Community event participation				Increased Chamber participation
Interaction w/ city departments				No operational issues
Sustainability integration				New strategies being formulated

Technical Services & Programs-

First Quarter-

- Held meeting of IMU Partners, reviewed draft program guides, and discussed potential FY 2015 activities.
- Worked with MCG on new marketing materials
- Continued participating as a member of the design team on an IAMU community solar (proposed to US Dept. of Energy, local match by the IA Energy Center) grant project
- Held community sustainability planning forums
- Reviewed new OSHA and other safety regulations that will impact electric utility workers

Second Quarter-

- IMU hosted a Chamber of Commerce "Morning Mingle", which started the 125th year of public power in Indianola
- Worked to develop an advertising video in conjunction with a project spearheaded by the Indianola Chamber
- Developed and distributed a press release pertaining to MCG's announcement that "Gigabit" service will be available on the IMU network in January, 2015
- Sponsored and installed the holiday tree lighting display on the NE corner of The Square for the season
- Met with key account customers and distributed materials
- Received designation (again) as having "Best Practices" by the Iowa Municipalities Workers' Compensation Association
- Compiled information for, and revised, the Electric Transmission and Distribution Systems Inspection and Maintenance Plan
- Continued meetings on sustainability planning

Criteria	Past Period	Present	Outlook	Notes
Technical & Programs:				
Safety program-				
Safety manual				Periodic reviews being done/new OSHA regs
Safety committee meetings				Monthly meetings held
In-house Training				IAMU contract/good attendance
Facility Inspections				Being performed
OSHA & other filings				Being made
Incidents				Returing to average, reviewing trend
IMWCA Claims vs. Premium				5-year positive trend returning to average
Reviews				Being completed as scheduled
Security/disaster preparedness-				
Systems				Adequate security given risks
Emergency operations planning				Exersice held; needs to continue
Outage response planning				Planning to improve manual systems
Metering-				
Electric installations/testing				Continuing to monitor warranty issues
Water installations/testing				Improvement to tracking problems
Error detection				Need to interact with new billing system
Auditing systems				Need to interface w/ new billing system
Mapping-				
Software/GIS Committee				
Data layer improvement				
Safety & efficiency education-				
Project 700				Limited use/need
Backflow prevention				
Time of Use / DSM				Needs reviewed with MEAN rate structure
Customer interaction/events				Events held; new focus on marketing
Alternate energy promotion				
Wind				Currently 3-4%; voluntary donation program
Landfill Natural Gas				FY 2014 project for 4%; CO2 reduction more
Energy efficiency				
Conservation education				Bill stuffers, newsletter, Sustainability
Rebates				Stable yet declining demand
KWH avoidance				OEI project identified major areas
Audits				Commercial areas identified & completed
Network Services Partners-				
Formation & management				Progress on business planning
Collaborative accomplishments				Conceptual plan needs refined
Customer experiences				"Growing pains" at MCG being resolved

Governance and Professional Services-

First Quarter-

- Implemented a Cost of Power Adjustment for bills issued starting July 1, 2014
- Monitored EPA pronouncements pertaining to new rules on carbon reduction targets for existing power plants
- Held joint committee meeting with the Mayor/City Council and city staff
- Conducted required public meeting pertaining to MISO filings for transmission ownership credits
- IMU staff attended numerous NMPP Energy meetings to address wholesale power issues and costs

Second Quarter-

- Held small-group meetings with Council/Mayor/city staff
- Prepared information pertaining to wholesale energy contract terms; received a presentation from NMPP Energy staff about wholesale energy challenges
- Drafted and reviewed the annual Strategic Plan, information about the status of Underground & Voltage conversion projects, and fiber network extension planning
- Performed analysis of past Annual Disclosure activities

Criteria	Past Period	Present	Outlook	Notes
Oversight & Regulatory:				
Electric service plan				Up to date
Water service plan				Up to date
Network Services licensing				May need to evolve expectations
Rate-setting & Cost Recovery				Electric rates need to recover long-term costs
Strategic planning				Semi-annual review & updates being made
Budget-				
CIP				Compiled/adopted by Trustees
O&M				Compiled/adopted by Trustees
Monthly Reporting				Variance Reports & Scorecard development
Policy setting				Board reviewing as needed
Annual report to City Council				Continued timing delays
General Mgr review process				Criteria-based process
Coord. with Mayor, Council				More meetings planned
Management:				
Segregation of duties				Higher-level financial duties clarified
Organizational structure				Stable
Orientations				Needs done in conjunction w/city
Annual evaluations				Implemented feedback on forms
Operating plan & reporting				Prioritized system
Industry participation				MEAN, MMTG, APPA, IAMU safety, etc.
Bond Rating / Disclosure				Potential for outlook to go negative
Customer Service Systems-				
Signups				Expectations raised for Internet-based
Dispute resolution				Good process
Disconnections				Firm yet fair implementation of rules
Work orders				Need all city depts. to be fully effective
Inquiries				Phone system gets calls to people
Permits/New construction				Need to change from paper-based permits
System extensions planning				Need clearer definition of criteria
Contractor relations				No known issues
Professional Services:				
HR information systems				Few ongoing issues
Regulatory compliance				New health insurance regs forthcoming
Compensation structure				Reviewing perf/comp balance
Benefit coverage & adm costs				Health Ins + W/C costs increasing
Health Ins. Reserves				Runout + 2 above ave. years in reserves
Employment policies				Adopted revised manuals
IAMU Electric Apprenticeships				2 new hires progressing through the program
IDNR Water Dept. training				Need more participation for higher grades
Other training & development				Training being pursued when needed

Criteria	Past Period	Present	Outlook	Notes
Fiduciary Controls:				
Accounting systems				New computer system reached potential
Policy & controls				New(er) staff learning internal systems
Investment Porfolio Returns				Persistent low interest rates for reinvest.
Audited financial statements				Complilation needs to be timely
Public Information:				
IT systems				Coord. Improving systems + MCG integration
Web site				Updated site & video player planned
Cablecast systems/TV updates				No issues / future MCG integration
Telephone systems				No issues
Publications/content				Presentations & video content available
Public presentations				Periodic reports to various classes/groups
Legal & Risk Management:				
Insurance coverage				Healthy self-funded dedcutible levels
Access to attorneys & legal info.				Access to general & specialized as needed

Information

Subject

Certificate of Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS) Deposit Placement Agreement with City State Bank

Information

City State Bank was awarded the primary banking account/institution last year under a Request for Proposal process. Both city and IMU fund reserve balances are on deposit in a joint primary checking account.

The vast majority of reserves are invested by BTC Capital in US Treasury and agency securities (as allowed under state law and the investment policy) held directly by IMU and the City of Indianola in a pooled account. Other investment options allowed under that policy include in CDs at local institutions and money market funds offered by the Iowa Public Agency Investment Trust.

City State Bank is offering a new program for FDIC-insured Certificate of Deposits for large accounts through a syndicate of banks as another investment option. The City Council approved the attached agreement at its January 5, 2015 meeting.

Financial Impact

N/A

Staff Recommendation

Attachments

CDARS Agreement

ICS Agreement

CDARS® Deposit Placement Agreement

You, the undersigned, and City State Bank (referred to in this agreement as "we" and "us") are entering into this agreement to set forth the terms and conditions under which we will assist you from time to time in placing your funds in time deposits with depository institutions (each an "Insured Institution") whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). Through an arrangement with Promontory Interfinancial Network, LLC ("Promontory"), we will endeavor to place your funds in time deposits ("CDs") issued by Insured Institutions through Promontory's Certificate of Deposit Account Registry Service®, or CDARS®. These CDs will be issued only in principal amounts that, when aggregated with interest to accrue over the term of the CD, will not exceed the Standard Maximum Deposit Insurance Amount ("SMDIA") for deposits of one depositor at one Insured Institution ($250,000). We also will act as the custodian with respect to your CDs pursuant to the custodial agreement that we have separately entered into with you ("Custodial Agreement"). The terms of our custodial relationship with you are set forth in the Custodial Agreement. Funds held in accounts with us pending placement through CDARS or resulting from payments on CDs may be subject to the FDIC insurance limits applicable to those deposits and therefore may not be fully insured by the FDIC[1].

CDARS is a proprietary process owned by Promontory that reviews requests submitted by participating financial institutions (e.g., banks and registered broker-dealers) on behalf of their customers to allocate the customers' funds to Insured Institutions for placement by the participating financial institution in CDs at those Insured Institutions ("Orders"). Orders must be submitted by a specified date ("Order Date"), and Promontory will process the Orders and propose allocations of funds to Insured Institutions that are willing to accept deposits on a specified "Order Allocation Date," which currently is the same as the Order Date. Your funds will be placed, and CDs will be issued to you, on the "Settlement Date," which is the day after the Order Allocation Date.

CDARS offers different types of transactions through which we may place your funds with Insured Institutions. In a "CDARS Reciprocal℠ Transaction," we receive funds for deposit from other participating financial institutions in an amount equal to the amount of funds that we have placed for you using CDARS on a Settlement Date, and we do not receive a fee. In a "CDARS One-Way℠ Transaction," we do not receive funds for deposit, but we may receive a fee from one or more Insured Institutions that received deposits using CDARS on that Settlement Date. Funds that we place for you through a CDARS transaction may be placed at an Insured Institution without regard to whether the Insured Institution is participating in CDARS on that Order Date through a CDARS Reciprocal Transaction or through a CDARS One-Way Transaction or otherwise. **We will place your funds through a CDARS Reciprocal Transaction unless we notify you that we will place your funds through a CDARS One-Way Transaction and you consent to our doing so. If you wish to have us place your funds only through a CDARS Reciprocal Transaction, you may check a box provided for this purpose at the end of this Agreement. If you do not check this box we will not place your funds through a CDARS One-Way Transaction without your consent.**

This agreement sets forth important information about the placement process. By signing this agreement you agree to be bound by its terms each time that you submit funds to us for placement. Please read it carefully. Some of the features of the CDs and the placement process are:

- When we place your funds, you will be issued CDs by Insured Institutions that have entered into agreements with Promontory.
- We will act as your custodian with respect to those CDs.
- The CDs issued to you by Insured Institutions will have the interest rates and annual percentage yields ("APY") you have agreed to with us.
- You will not be charged a fee in connection with CD placements.
- You select the maturities and payment terms of your CDs from those that are available through CDARS at the time that you submit your funds for placement.
- You may designate any Insured Institution as ineligible to receive your funds.
- No secondary market for the CDs currently exists, but early withdrawal of any CD you purchase will be available, subject to penalties that may be substantial.

[1] See Section 4(b) below for a description of FDIC insurance coverage of funds held in accounts with us pending placement using CDARS or resulting from payments on CDs previously placed using CDARS.

Section 1. Your Relationship With Us

(a) Agency and Custodial Relationship

We have entered into a contract with Promontory pursuant to which we will use CDARS to assist us in endeavoring to place your funds at other Insured Institutions that have also entered into contracts with Promontory. Pursuant to our contract with Promontory, we will adhere to Promontory's policies and procedures in placing your funds.

We will act as your agent in connection with the placement of your funds in CDs. As set forth above, we will place your funds through a CDARS Reciprocal Transaction unless you agree to having your funds placed through a CDARS One-Way Transaction. **Although we will act as your agent in connection with the placement of your funds, we are not acting as your investment adviser and have no obligation to advise you of alternative investments available through CDARS or otherwise. Further, we make no representations with respect to the interest rates on deposits available on an Order Date through us or through CDARS, and we may receive greater benefits when we place your funds through one type of CDARS transaction than when we do so through another type of CDARS transaction or than we would if you instructed us to make a deposit other than through a CDARS transaction.**

We will act as your custodian with respect to your CDs acquired through CDARS. We have entered into an agreement with The Bank of New York Mellon to act as our sub-custodian with respect to the CDs for which we are acting as your custodian. No physical certificates evidencing the CDs will be issued. Each CD for which we act as your custodian (i) will be recorded on the records of the Insured Institution that issues the CD in the name of our sub-custodian, (ii) will be recorded on the records of the sub-custodian in our name, and (iii) will be recorded on our records in your name, all in a manner that will permit your CD to be FDIC insured to the same extent as if you held it directly with the Insured Institution. The records of the sub-custodian will also identify you as the owner of the CDs based on information provided to The Bank of New York Mellon by us. You will receive from us a written confirmation of the issuance of your CDs and periodic account statements that will reflect your ownership of your CDs. The confirmation of CD issuance and the account statement(s) will be the only evidence that you will receive of your ownership of the CDs. You should retain the confirmation and the account statement(s) for your records.

While we are acting as your custodian, (i) all payments with respect to the CDs by the Insured Institutions that issue the CDs will be made to us, and we will credit the funds to an account or accounts you maintain with us or disburse the funds pursuant to your instructions, and (ii) you can enforce your rights in the CDs through us. You may not transfer the CDs directly to another custodian. At your election, you may dismiss us as custodian, and your ownership of a CD may be recorded in your name on the books of the Insured Institution that issued the CD. If you choose to have the CD maintained in your name on the books of the Insured Institution that issued the CD, you will be able to enforce your rights in the CD directly against that Insured Institution.

(b) Fees

You will not pay a fee in connection with your placement of funds. If we place your funds through a CDARS Reciprocal Transaction, we will pay a fee to Promontory for using the CDARS order allocation services and certain other services. If we place your funds through a CDARS One-Way Transaction, we and Promontory will receive fees from one or more Insured Institutions receiving deposits through CDARS in respect of that Order Date. We may, in our discretion, waive some or all of our fee, and Promontory may, in its discretion, waive some or all of its fee. We and Promontory may receive different fees from different Insured Institutions in connection with the same transaction.

(c) Limits on Placements

Although we, through our arrangement with Promontory, will endeavor to place your funds, Promontory is not obligated to allocate Orders in a way that results in the placement of some or any of your funds. If any of your funds are not placed, the unplaced funds will be returned to you. You may ask us to submit a new Order for the placement of unplaced funds on another Order Date. Please review Section 2(b) concerning limitations in the CDARS allocation process.

(d) Each CD Will Be an Obligation of the Issuer
Each CD will be a deposit obligation of the Insured Institution that issued the CD and will not be, either directly or indirectly, our obligation or an obligation of Promontory. Your CD will not be issued until the issuing Insured Institution receives and accepts your funds.

(e) APY
If you are not a "consumer" for purposes of the Truth-in-Savings Act ("TSA"), or if our communication with you in connection with your placement of funds through CDARS is not an "advertisement" for purposes of TSA, we are not obligated to provide you with an APY on your CDs.

(f) Mutual Institution Voting and Subscription Rights
If a CD is issued to you by an Insured Institution that is formed as a mutual organization (i.e., the depositors have an ownership interest in the organization) ("Mutual Institution") for funds placed for you through CDARS, you may receive through us a notice of a meeting of the depositor members of that mutual institution. Because your CD will be identified on the books of the Mutual Institution in the name of the sub-custodian and not in your name, you will not be entitled to attend the meeting or vote by proxy. Under our agreement with the sub-custodian, the sub-custodian will forward meeting notices to us (for delivery to you) but it will not attend the meeting or vote by proxy.

It is possible that the Mutual Institution also may send notice of its intention to convert to a stock institution, and provide for priority, nontransferable subscription rights for depositor members of the Mutual Institution to purchase stock in the conversion. Because your CD will be identified on the books of the Mutual Institution in the name of the sub-custodian and not in your name, you will not be entitled to exercise any subscription right to purchase the stock, or to vote on the conversion. The sub-custodian will not purchase any stock in the conversion.

Accordingly, if you wish to receive meeting notices directly, attend meetings and vote (to convert from the mutual to stock form of ownership, form a mutual holding company or otherwise) with respect to a CD you have acquired from a Mutual Institution through CDARS, or if you wish to receive subscription rights in the event the Mutual Institution converts from mutual to stock form, you will have to dismiss us as custodian prior to the applicable record date (a date usually at least a year in advance from the date the Mutual Institution's board of directors adopts a plan of conversion) and have your ownership of the CD recorded in your name directly on the books of the Mutual Institution that issued the CD.

Section 2. Promontory
(a) General
Promontory is not your agent and is responsible solely to us for performing the services for which we have retained it. Promontory uses the proprietary process included in CDARS to allocate Orders submitted on a specified Order Date by Insured Institutions to other Insured Institutions that are willing to accept deposits through CDARS.

On an Order Allocation Date, Promontory uses the CDARS allocation process to propose placements of funds with Insured Institutions wishing to receive funds, subject to your approval as set forth in the procedures described in Section 3 of this agreement ("Placement Procedures"). CDs for funds placed through CDARS will be issued to you on the business day immediately following the Order Allocation Date (the "Settlement Date"). A "business day" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, are authorized or required by law or regulation to close.

In addition to the fees payable to it in connection with CDARS Reciprocal Transactions and CDARS One-Way Transactions, Promontory may realize profits or incur losses in connection with the placement of your funds at one or more Insured Institutions on the terms you have selected.

(b) Factors Affecting the CDARS Allocation Process
Promontory is not obligated to allocate Orders. Furthermore, the allocation process utilized by Promontory may reflect considerations of federal and state law, funding needs of Insured Institutions, general economic conditions, Promontory's objectives, or other factors determined by Promontory in its sole discretion. Promontory may allocate the placement of your funds in a manner that enhances Promontory's profits without increasing the interest rate available to you.

(c) CDARS Reciprocal Transaction
When we notify Promontory that we wish to submit your funds for placement through a CDARS Reciprocal Transaction on an Order Date, we will agree to accept for deposit an equal or greater amount of deposits through CDARS. On the Settlement Date, CDs will be issued to you and we will accept deposits placed by other participating institutions.

Your funds may be placed at Insured Institutions that are submitting funds for placement through a CDARS Reciprocal Transaction or at Insured Institutions that have requested deposits through CDARS with respect to the same Order Date. When your funds are placed through a CDARS Reciprocal Transaction, we may make or receive payments based upon the difference between the interest rate we have agreed upon with you for your CDs and the interest rate we pay on CDs that we issue to customers of other Insured Institutions. These payments will be calculated pursuant to a formula that uses the projected volume-weighted average interest rate for deposits placed through CDARS Reciprocal Transactions on the same day your funds are placed. These payments are intended to provide us with the same interest cost on the CDs we issue to depositors of other Insured Institutions through a CDARS Reciprocal Transaction as we would have incurred had we issued the CDs directly to you.

Any payments made or received by us, or fees received by Promontory, will not change the terms we have agreed upon with you for your CDs.

(d) CDARS One-Way Transaction
On any Order Date, Promontory may receive commitments from Insured Institutions wishing to receive funds through a CDARS One-Way Transaction. Based on these commitments, Promontory communicates to us the maximum amount of funds that can be submitted for placement through CDARS One-Way Transactions in each CD maturity on that Order Date. Within the CDARS allocation procedures One-Way Transaction funds and Reciprocal Transaction funds are fungible, and One-Way Transaction funds may be placed at Insured Institutions that are submitting funds for placement through CDARS Reciprocal Transactions or that have requested funds for deposit on that Order Date.

If we place your funds through a CDARS One-Way Transaction, we will not receive deposits on the Settlement Date, and we will not make or receive payments as described under "CDARS Reciprocal Transactions" above. Your funds may be placed at Insured Institutions that are submitting funds for placement through CDARS Reciprocal Transactions or that have requested funds for deposit on that Order Date.

As set forth above, we and Promontory each will receive a fee when we place your funds through a CDARS One-Way Transaction, and we or Promontory may waive all or part of this fee.

Any fees received by us or Promontory will not change the terms we have agreed to with you for your CDs.

Section 3. Placement Procedures
(a) Order Dates and Terms of CDs
Each time you notify us that you wish to place funds through CDARS, we will inform you of (i) the available Order Dates, (ii) the CD maturities and payment terms available on each Order Date, (iii) the penalties that will be imposed on you for early withdrawal, (iv) any limits with respect to placing funds, and (v) whether we intend to submit the funds for placement through a CDARS One-Way Transaction.

The terms and conditions available for CDs may change from time to time. Each CD issued by an Insured Institution will have a principal amount that, when aggregated with interest to accrue during the term of the CD, will not exceed the SMDIA. You may obtain information about the terms of the CDs made available through CDARS on an Order Date at www.CDARS.com/products.

The interest rates and APYs for the CDs we offer to obtain for you through CDARS will be agreed upon by you and us. For placements through CDARS Reciprocal Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY we are willing to pay, after paying a fee to Promontory. For placements through CDARS One-Way Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY that Insured Institutions requesting funds through CDARS One-Way Transactions for that Order Date are willing to pay after paying fees to Promontory and us.

Interest on your CDs will compound daily. Payment options may vary based on the maturity of the CD. You may have the option with some CDs to choose between monthly payments of interest and payment of interest at maturity, or other available interest payment terms. In addition, depending on the terms and conditions of a particular CD, you may be able to change the payment terms of the CD during the term of the CD. If you choose to have interest paid to you during the term of the CD, you may not be able to re-invest the interest you are paid at an interest rate as favorable to you as the interest rate paid on the CD.

Each CD will earn interest from the day your funds are deposited at the Insured Institution that issues the CD up to, but not including, the day your CD matures. If the date on which a payment with respect to a CD is due is not a business day, that payment will be made on the previous business day.

(b) Presumption of CDARS Reciprocal Transaction
We will submit an Order for a CDARS Reciprocal Transaction unless we inform you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so.

If you are a public funds depositor or a nonprofit institution submitting funds for placement and wish your funds to be placed only in a CDARS Reciprocal Transaction, please inform us by checking the box at the end of this agreement.

(c) List of Insured Institutions
Each time you notify us that you desire to place funds through CDARS, you may obtain from us a list of Insured Institutions at which your funds may be placed. Not all of these Insured Institutions may be available to issue CDs with respect to an Order Date, and, before the list is provided to you, we may have designated some Insured Institutions as ineligible to receive funds from our depositors. You should review the list provided to you and inform us of the name(s) of any Insured Institution(s) at which you do not want to make a deposit, for any reason. At your option, you may also provide us with the names of Insured Institutions not then on the list at which you do not want to make a deposit. Once you have informed us of the name of an Insured Institution at which you do not want to make a deposit, your funds – whether submitted for placement through CDARS at the time you sign this agreement or in the future – will not be placed at that Insured Institution until you notify us in writing that funds may be placed in the Insured Institution. (For your convenience, at the time you sign this agreement you may indicate to us on Schedule 1 the names of Insured Institutions at which you do not want to make a deposit.) Upon your request, we will obtain from Promontory the list it maintains of Insured Institutions at which you do not wish to make a deposit. As set forth below, you are responsible for monitoring your deposits at each Insured Institution for purposes of FDIC insurance coverage.

(d) Request for Placement of Funds
When you request that we place your funds using CDARS, we will submit an Order to Promontory, which will include the type of CDARS transaction, the Order Date, the amount of funds to be placed, and the terms (including interest rate and APY) of the CDs you are seeking. The Order will be in a form established by Promontory. In order for us to submit an Order, you must provide us with all information required by Promontory no later than the time specified in paragraph 1 of Schedule 2.

(e) Approval of Proposed Placements
We will not know the name(s) of Insured Institution(s) at which your funds will be placed at the time we submit an Order. On each Order Allocation Date for which we submitted an Order, we will make available to you a list of the names of Insured Institutions at which your funds are proposed to be placed, the proposed deposit amount at each Insured Institution and the names of proposed alternate Insured Institutions at which your funds may be placed. You may obtain that list from us on the Order Allocation Date at or after the time specified in paragraph 3 of Schedule 2, and at any time prior to the time specified in paragraph 4 of Schedule 2, you may notify us of the name or names of any of the proposed or proposed alternate Insured Institutions at which you do not want to make a deposit. Although you may direct us not to place funds at a proposed or alternate proposed Insured Institution, you cannot direct us to place funds at a specific Insured Institution or specify the amount to be placed at any Insured Institution.

If you eliminate one or more of the proposed or proposed alternate Insured Institutions from the list, or if one or more of them becomes unavailable for placement for any reason, your funds will be placed at the Insured Institutions that were not eliminated. If a sufficient number of proposed and proposed alternate Insured Institutions are eliminated or become unavailable so that not all of your funds can be placed, only as much of your funds will be placed as can be deposited at the remaining Insured Institutions in CDs with principal amounts that, when aggregated with interest to accrue during the term of the CDs, will not exceed the SMDIA. Your remaining funds will not be allocated on the Order Allocation Date. In such case, we will inform you of the amount of your funds that will not be placed, and you may request that we resubmit an Order for your unplaced funds on another Order Date by repeating the procedure outlined above.

If in connection with any placement of your funds using CDARS, you eliminate a proposed or proposed alternate Insured Institution in accordance with the above procedures, funds that you subsequently submit for placement will not be placed in that Insured Institution until you notify us otherwise in writing.

(f) Your Consent to Placement
Your funds will not be placed unless you have consented to their placement. You will be deemed to have consented to the placement of your funds at the proposed or proposed alternate Insured Institutions as of the time specified in paragraph 4 of Schedule 2 if by that time you:

(i) communicate your approval to us;
(ii) do not request the list of proposed and proposed alternate Insured Institutions from us;
(iii) request the list of proposed and proposed alternate Insured Institutions from us, but do not respond to the proposed list; or
(iv) respond to the list of proposed and proposed alternate Insured Institutions by eliminating one or more of the Insured Institutions, in which case you will be deemed to have consented to the placement of your funds at those Insured Institutions that you have not eliminated.

(g) Time by Which We Must Have Your Funds; Settlement of Transactions
Unless we have made other arrangements, each time that you agree to a placement of funds under this agreement you also agree that, by the time specified in paragraph 5 of Schedule 2, you will have in a deposit account with us immediately available funds, which under applicable law are irreversible and are not subject to any lien, claim or encumbrance, equal to the amount of funds you have informed us that you are seeking to place. On the Settlement Date, your funds will be deposited at Insured Institutions, payments to be made in connection with the placement of CDs will be made, and the CDs will be issued.

(h) Additions and Early Withdrawal
No additions or amendments may be made to any CD. Insured Institutions impose a penalty on withdrawal of a CD prior to its maturity. However, no penalty will be charged for early withdrawal upon the death of an individual who is the sole account holder or joint account holder of the CD. This exception applies to an individual who is the named account holder as well as an individual who is the sole current mandatory or discretionary income beneficiary of a trust, including the sole current beneficiary of a unitrust or annuity trust. Written verification acceptable to the Insured Institution that issued the CD may be required in such an event. We will inform you of the early withdrawal penalties applicable to your CDs when you submit funds for placement. For a CD with a term of 4 or 13 weeks, the early withdrawal penalty is equal to 28 or 90 days, respectively, of simple interest calculated at the CD rate. The penalties for early withdrawal of 4 or 13 week CDs are equivalent to substantially all of the interest that would have been earned over the full term and will invade principal. For a CD with a term of 26 weeks or longer, the early withdrawal penalty is equal to simple interest calculated at the CD rate for approximately half the number of days in the full term. The penalties for early withdrawal of CDs with a term of 26 weeks and longer are equivalent to half of the interest that would have been earned over the full term and may invade principal. The current schedule of products available and applicable early withdrawal penalties may be viewed at www.CDARS.com/products.

Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an Individual Retirement Account ("IRA") (but not a Roth IRA) may incur a penalty if the beneficiary does not begin making withdrawals from the IRA after age 70-1/2. A CD held in an IRA is not eligible for early withdrawal without penalty simply because the beneficiary must withdraw the CD to avoid a tax penalty.

Early withdrawal of a CD may be made only in whole, not in part. You may request early withdrawal by contacting us, at which time you may specify which of your CDs you would like us to withdraw. If you choose not to specify which of your CDs to withdraw, early withdrawals will be made using an automated process that generates random selections based on amount. In general, early withdrawal proceeds will be available to you two business days after we receive your early withdrawal request.

Neither we nor Promontory will advance funds in connection with early withdrawals, and early withdrawal proceeds will not be available to you until they are paid to us by the Insured Institution that issued the CD being withdrawn.

(i) No Automatic Renewal or Rollover
The CDs will mature on the date shown on the confirmation of CD issuance. Upon maturity, the principal amount of, and unpaid accrued interest on, the CD will be paid to you. The CDs will not be automatically renewed or rolled over, and interest on the CDs will not continue to accrue after the maturity date. If upon maturity you wish to re-deposit your funds in CDs through CDARS, you must instruct us to re-submit the funds as a new placement or you must take advantage of our preauthorized re-submission process as described in Section 3(j).

(j) Preauthorized Re-submission
At the time you submit funds to us for placement through CDARS, you may enter into a written agreement with us to preauthorize terms for re-submission of those funds for placement through CDARS upon the maturity of your CDs. Unless we have entered into such a written re-submission arrangement with you, if you wish to re-submit your funds upon maturity of your CDs you must contact us before we re-submit your funds through CDARS to establish the new terms (including interest rate and APY) and the other specifics of your Order for your re-submitted funds.

(k) No Physical Certificates
As set forth in Section 1, no physical certificate evidencing a CD will be issued. You should not purchase a CD through CDARS if you need to take physical possession of a certificate.

Section 4. Important Considerations
(a) Compare Features
You should compare the rates of return and other features of a CD to other available deposit accounts before deciding to purchase CDs using CDARS. Although the CDs are issued by other Insured Institutions, the rates of interest paid on the CDs are determined by us based on (i) the interest rates and APYs we are willing to pay on deposits that we accept through CDARS on the Settlement Date (if your funds are placed by us through a CDARS Reciprocal Transaction) or (ii) the interest rate and APY that Insured Institutions that have requested funds through CDARS One-Way Transactions for that Settlement Date are willing to pay after paying fees to Promontory and us (if your funds are placed by us through a CDARS One-Way Transaction). **These rates may be higher or lower than the rates on CDs available through a CDARS One-Way Transaction (if we are placing your funds using a CDARS Reciprocal Transaction) or a CDARS Reciprocal Transaction (if we are placing your funds using a CDARS One-Way Transaction) or on comparable deposits available directly from us, from Insured Institutions that issue the CDs using CDARS, from other Insured Institutions, or from insured depository institutions not participating in CDARS.**

(b) Uninsured Deposits With Us
(i) Except for funds you hold in certain noninterest-bearing transaction accounts as explained in paragraph (ii) below, funds you hold in one or more deposit accounts with us before placement using CDARS, or as a result of payments of interest or principal on CDs previously placed using CDARS, will be aggregated for FDIC insurance purposes with all other deposits you hold in deposit accounts with us in the same insurable capacity. As a result, the FDIC may not fully insure such funds if the aggregate amount exceeds the SMDIA. You should discuss with us the options for holding your funds before placement and for having the payments on the CDs deposited with us or elsewhere. See Section 5 below, "FDIC Insurance Information." If you cannot accept the risk associated with uninsured deposits in these or other circumstances, it will be your responsibility to make arrangements with us to have such funds collateralized, protected by a properly executed repo sweep arrangement, or otherwise adequately protected, in a manner consistent with applicable law. You should consult your legal advisor to determine whether a particular collateralization arrangement is consistent with applicable law.
(ii) From December 31, 2010, through December 31, 2012, the FDIC will fully insure funds you hold in a noninterest-bearing transaction account with us, without regard to the SMDIA, if (A) interest is neither accrued nor paid on the account, (B) the account is one from which we permit you to make withdrawals for the purpose of making payments or transfers to third parties, and (C) we do not reserve the right to require advance notice of an intended withdrawal from the account.

(c) Insolvency of an Insured Institution
In the event an Insured Institution approaches insolvency or becomes insolvent, the Insured Institution may be placed in a regulatory conservatorship or receivership in which the FDIC is typically appointed as conservator or receiver. The FDIC may thereafter pay off the CDs issued by that Insured Institution prior to maturity or transfer the CDs to another insured depository institution. See Section 5 below, "FDIC Insurance Information."

(d) Reinvestment Risk
If your CD is paid prior to maturity as a result of the issuing Insured Institution's insolvency or a voluntary early withdrawal (see Section 3(h) above, "Additions and Early Withdrawal"), you may not be able to reinvest your funds at the same interest rate that you received on the original CD. Neither we nor Promontory is responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

(e) Investment Restrictions
If you are subject to restrictions with respect to the placement of funds in depository institutions, it is your responsibility to determine whether the placement of your funds by us using CDARS satisfies those restrictions. For example, when placing funds for deposit using CDARS, some governmental unit depositors may be required by law or policy to place funds only using a CDARS Reciprocal Transaction, in which the institution placing the funds for deposit using CDARS receives funds for deposit in an amount equal to the amount of funds that was placed by the depositor using CDARS with respect to the corresponding Order Date. When we place funds for deposit using a CDARS One-Way Transaction, we will not receive matching funds using CDARS.

Section 5. FDIC Insurance Information
(a) Deposit Insurance Coverage
In general, and except as explained in Section 4(b) above, all accounts and deposits that you maintain with an Insured Institution in the same insurable capacity (whether you are acting directly or through an intermediary) would be aggregated for purposes of the SMDIA. Insurable capacities include individual accounts, joint accounts and individual retirement accounts. A tax identification number is not evidence of, and does not establish, an insurable capacity that is separate from another tax identification number used by the same person or entity. Upon request, we will provide you with a copy of the FDIC brochure "Your Insured Deposits – FDIC's Guide to Deposit Insurance Coverage." You may also obtain information about deposit insurance coverage by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by telephone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100), or by e-mail (dcainternet@fdic.gov), or by visiting the FDIC website at www.fdic.gov. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity.

FDIC deposit insurance coverage applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you in the same insurable capacity at a single Insured Institution. The records maintained by the Insured Institution, us and our sub-custodian regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments in respect of CDs issued through CDARS. Accordingly, it is necessary that you immediately report to us any changes in the CD ownership information that you originally provided to us in connection with the submission of your Order. We will inform the sub-custodian of any changes in ownership of the CD, thereby assuring that the sub-custodian will have accurate information to provide to the FDIC in the event of the closure of the Insured Institution that issued the CD. However, the FDIC could require you to provide additional documentation before insurance payments would be released to you.

(b) Government Unit Deposits
The requirements for deposit insurance coverage of the deposits of the United States government, state, county and municipal governments and their political subdivisions; the District of Columbia and the Commonwealth of Puerto Rico are specifically set forth in regulations of the FDIC (12 C.F.R. 330.15). In general, and except as explained in Section 4(b) above, such deposits will be insured up to the SMDIA, and individual departments and political subdivisions within a governmental unit may be eligible for separate insurance if certain requirements are met. The use of separate tax identification numbers by different departments or political subdivisions of the same governmental unit will not by itself cause the deposits of such departments or political subdivisions to be eligible for separate FDIC insurance.

It is the obligation of each governmental entity to determine whether the requirements for deposit insurance have been met. Neither we, Promontory, nor the Insured Institutions issuing CDs to you are responsible for uninsured losses resulting from placement of funds that are not eligible for deposit insurance.

(c) Deposit Insurance Payments

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount plus accrued interest to the date of the closing of the relevant Insured Institution, as prescribed by law, subject to the limits on FDIC deposit insurance coverage. No interest is earned on deposits from the time an Insured Institution is closed until insurance payments are received. We will notify you if we receive any payments from the FDIC with respect to your CDs.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. At that time you may be permitted to withdraw your funds from the transferred account without an early withdrawal penalty. Subject to insurance verification requirements and the limits on FDIC deposit insurance coverage, the healthy institution may assume your CD under its original terms or offer you a choice between either receiving early payment of the CD without penalty or maintaining the CD at a different rate. If you choose to accept a new interest rate on the CD you must terminate your custodial relationship with us with respect to that CD and establish the CD directly with the acquiring institution. Thereafter, you will have no relationship with us with respect to the CD and will receive payments on the CD directly from the acquiring institution. We will advise you of your options in the event of a deposit transfer.

As with all federally insured deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make the insurance payments available. Neither we nor Promontory will be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to a CD, (ii) your receipt of a decreased interest rate on an investment replacing a CD that is repaid prior to its scheduled maturity, or (iii) payment in cash of the principal and accrued interest of a CD prior to maturity in connection with the liquidation of an Insured Institution or the assumption of all or a portion of its deposit liabilities. Also, neither we nor Promontory will be obligated to advance funds to you prior to payment from the FDIC.

Section 6. Responsibility to Monitor Deposits at Insured Institutions; Publicly Available Information

Funds we submit for placement on your behalf on any Settlement Date are placed in CDs at enough different Insured Institutions to prevent the principal amount and any interest to accrue over the term of each CD placed on that Settlement Date from exceeding the FDIC insurance limit. It is your responsibility, however, to monitor the total amount of deposits that you hold with each Insured Institution in order for you to determine the extent of FDIC deposit insurance coverage available to you on deposits at that Insured Institution, including the CDs issued through CDARS. See Section 5 above, "FDIC Insurance Information," for more information on FDIC insurance coverage. The Insured Institution at which a deposit is made is responsible for the full amount deposited with it, and neither we nor Promontory is responsible for any insured or uninsured portion of any CD or any other deposit.

Publicly available financial information concerning the proposed and proposed alternate Insured Institutions can be obtained by you at the website of the National Information Center of the Federal Reserve System maintained at www.ffiec.gov/nic/. Neither we nor Promontory guarantees the financial condition of any Insured Institution or the accuracy of any publicly available financial information about the Insured Institution.

Section 7. Confidentiality of Information

We will provide your name, tax identification number and other pertinent identifying information to Promontory, our sub-custodian, and other parties providing services in connection with the placement of your funds and the issuance and holding of your CDs. We may also release such information to (i) an Insured Institution that has issued a CD to you, but only to the extent necessary to comply with any applicable law, rule, regulation or a judicial order, and (ii) the FDIC in connection with a claim for deposit insurance on your CD. You hereby consent to the release of that information to and its use by (a) Promontory, our sub-custodian, and other parties providing services in connection with the placement of your funds and the issuance and custodying of your CDs, (b) Insured Institutions that have issued CDs to you to the extent necessary to comply with any applicable law, rule, regulation or judicial order, and (c) the FDIC in connection with a claim for deposit insurance on your CDs. The information will not be disclosed to other Insured Institutions except as set forth herein and will not be used by Promontory, our sub-custodian, or any other parties to whom we release the information for any other purpose except as set forth herein or directed by you. Nothing in this section shall be deemed to prevent us from disclosing information to a third party if required by law.

Section 8. Disputes

Any disputes arising out of or in connection with this agreement will be governed by the dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs related to dispute provisions, if any, contained in your Custodial Agreement with us under which we act as custodian for your CDs.

Section 9. Miscellaneous

Any information we are required to deliver to you pursuant to this agreement may be given to you by mail, facsimile or other electronic transmission.

Except as otherwise provided herein, this agreement:

- constitutes the entire agreement between us relating to the placement of deposits through CDARS and the other matters contained herein,
- supersedes all prior contracts or agreements relating to the placement of funds through CDARS, whether oral or written, and
- may not be amended by any oral representation made or oral agreement reached after the execution of this agreement.

We may amend this agreement or any related document prospectively by modifying or rescinding any of its existing provisions or by adding any new provisions at any time by sending written notice of the amendment to you. As provided in Section 3(h), no additions or amendments may be made to any CD. We will provide written notice of an amendment to this agreement by means of a letter, an entry on your account statement or other means. Any amendment will be effective as of the date established by us in the written notice of the amendment, subject to applicable law, provided that any amendment may not become effective until ten days after the written notice has been sent by us.

This agreement is not assignable, in whole or in part, by either party except by operation of law or as required by law.

The headings in this agreement are inserted for convenience and identification only, and are not intended to describe, interpret, define or limit the scope or intent of this agreement or any clause hereof.

[remainder of page intentionally left blank]

By signing below, you acknowledge that you have received this agreement, that the information you have provided us is correct, that you have read and understood this agreement and that you were given the opportunity to ask us any questions you may have had with respect to this agreement, the transactions contemplated by it, the CDs and FDIC insurance coverage of the CDs and deposits maintained with us.

☐ **Check this box if you are a governmental unit or other depositor and wish your funds to be placed only through CDARS Reciprocal Transactions.**

DEPOSITOR(S)

Name of Depositor: City of Indianola

By: ____________________

Name: ____________________

Title: ____________________

Depositor U.S. Tax ID: 42-6004797

Tax ID Type: TIN

If you do not have a U.S. Tax ID, enter an alternate ID*: ____________________

Alternate ID Type: ____________________

Signed this ________ day of ____________________, 20________

Name of Depositor: ____________________

By: ____________________

Name: ____________________

Title: ____________________

Depositor U.S. Tax ID: ____________________

Tax ID Type: ____________________

If you do not have a U.S. Tax ID, enter an alternate ID*: ____________________

Alternate ID Type: ____________________

Signed this ________ day of ____________________, 20________

DEPOSITORY INSTITUTION

City State Bank

(Print Name of Institution)

By: ____________________

Name: David N Lester

Title: Cashier/Trust Operations Manager

Acknowledged this ______ day of ____________________, 20________

* If you do not have a U.S. Tax ID you must use this same alternate ID for all CDARS transactions with all institutions. If you subsequently obtain a U.S. Tax ID you must promptly inform us and other institutions so that your correct information can be recorded for tax reporting, CDARS document tracking and FDIC purposes.

SCHEDULE 1

INITIAL LIST OF INSURED INSTITUTIONS AT WHICH YOU DO NOT WANT TO MAKE A DEPOSIT (ATTACH ADDITIONAL PAGES AS NECESSARY)

Please include the city and state of the institution's main office (rather than the city and state of a branch location). You may include the institution's routing number and/or FDIC certificate number, if you have this information.

Name of Institution	City and State

SCHEDULE 2

IMPORTANT TIMES AND DEADLINES IN CONNECTION WITH THE PLACEMENT OF YOUR FUNDS

This schedule contains important times and deadlines with respect to the placement of your funds. These times may change from time to time or on any particular Order Date or Order Allocation Date (which are currently the same business day), and we will inform you of any change in times, as applicable, before you submit your funds for placement. You may also obtain information about any changes to times set forth in paragraphs 2, 3 and 4 below or about any scheduling change resulting in the Order Allocation Date taking place on the business day immediately following an Order Date at www.CDARS.com/products.

1. Time and day by which your request to have your funds placed must be submitted:
   10:00 a.m. CT on Wednesdays.
2. Time and day by which we must submit your Order to Promontory:
   1:00 p.m. ET on the Order Date.
3. Time and day at or after which you may obtain the list of names of the Insured Institutions at which your funds are proposed to be placed:
   3:00 p.m. ET on the Order Allocation Date.
4. Time and day by which you must inform us of the name or names of any proposed Insured Institution at which you do not want to make a deposit:
   4:00 p.m. ET on the Order Allocation Date.
5. Time and day by which we must have your available funds on account:
   9:00 a.m. CT on Thursdays.

Custodial Agreement

GENERAL AGREEMENT FOR CUSTODY OF CERTIFICATES OF DEPOSIT FOR INDIVIDUAL(S), TRUSTS, BUSINESS ENTITIES AND OTHERS

To: [Depository Institution]
City State Bank
801 Main Street
Norwalk, Iowa 50211

Please hold in safekeeping, and act as custodian with respect to, all time deposits including, but not limited to, certificates of deposit (all such time deposits will be referred to herein as "CDs") issued pursuant to the CDARS Deposit Placement Agreement between you and the undersigned for funds of the undersigned placed through the Certificate of Deposit Account Registry Service®. It is agreed between us as follows:

For purposes of Article 8 of the Uniform Commercial Code as adopted in Iowa, you will act as the undersigned's securities intermediary with respect to, and will treat as financial assets, any CDs you hold for the undersigned.

You are authorized to collect for account of the undersigned all interest and other payments of income or principal pertaining to the CDs unless they are payable directly to the undersigned; to surrender for payment maturing CDs and those called for redemption; to endorse on behalf of the undersigned for the above purposes all checks and other instruments requiring endorsement; to cause the CDs to be registered in your name or in the name of your nominee if you consider it desirable; to deliver or transfer the CDs to another account with you as the undersigned may from time to time instruct; to receive the CDs for account of the undersigned; to place orders for the purchase of the CDs, on the instructions of the undersigned and to pay for the same provided the undersigned has funds on deposit with you or arranges to make funds available in advance for such purpose; and to execute and deliver or file on behalf of the undersigned all appropriate receipts and releases and other instruments, including whatever certificates may be required from custodians or may be necessary to obtain exemption from taxes and to name the undersigned when required for the purpose of the instrument.

Instructions may be given orally or in writing. The following are authorized to give instructions on behalf of the undersigned. (Check all that apply.)

The undersigned (individual or partnership).

Any of the following individuals. (List names and legal capacities.)

Any ______ of the following officers and their respective successors in office. (List names and their titles.)

The undersigned, or the undersigned's account, is one of the following:

[ ]	Individual	[ ]	Custody (including guardian, agent, nominee or conservator)
[ ]	Joint______	[ ]	Payable Upon Death Account
[ ]	Sole Proprietorship	[ ]	Irrevocable Trust
[ ]	Partnership	[ ]	Other______
[ ]	Corporation		
[✓]	Public Unit Depositor		

You may comply with any writ of attachment, execution, garnishment, tax levy, restraining order, subpoena, warrant or other legal process that you believe (correctly or otherwise) to be valid. You may notify the undersigned of such process by telephone, electronically or in writing. If you are not fully reimbursed for your records, research, photocopying and handling costs by the party that served the process, you may charge such costs to the undersigned's account, in addition to any minimum fee you charge for complying with legal processes.

You may honor any legal process that is served personally, by mail, or by facsimile transmission at any of your offices or an office of your agent (including locations other than where the funds, records or property sought is held), even if the law requires personal delivery at the office where the undersigned's account or records are maintained.

You shall have no liability to the undersigned for any action taken or omitted by you hereunder in good faith.

The undersigned agrees to indemnify you and your nominees against, and to hold you and them harmless from, all expenses (including counsel fees), liabilities and claims arising out of the holding, delivery or transfer of the CDs and compliance with any legal process that you believe (correctly or otherwise) to be valid. The undersigned agrees to pay any service charges imposed by you on this custodial account.

This agreement may be terminated at any time at the option of either party, provided, however, that any termination by you will not become effective until the end of the term of any CD in your safekeeping at the time you notify the undersigned of your intention to terminate this agreement.

DEPOSIT ACCOUNT TITLE

Name of Depositor / Account Title: City of Indianola
By: ______
Name: ______
Title: ______

Signed this ______ day of ______, 20 ______

Name of Depositor / Account Title: ______
By: ______
Name: ______
Title: ______

Signed this ______ day of ______, 20 ______

DEPOSITORY INSTITUTION

City State Bank
(Print Name of Institution)

By: ______
Name: David N Lester
Title: Cashier/Trust Operations Manager
Acknowledged this ______ day of ______, 20 ______

[NOTE: If the depositor is a corporation, the following certificate should be signed by an appropriate officer of the depositor other than the one signing the form of custodial agreement.]

I ______[name], ______[title of office] of the above named corporation signing the foregoing custodial agreement, hereby certify that: I am personally familiar with all instruments and records relating to the organization and operation of the corporation and the meetings and proceedings of its stockholders and all boards and committees entrusted with authority in the management of its affairs; by corporate action taken in conformity with such instruments and records and appearing from said records to be still in force, the foregoing custodial agreement was authorized to be signed and delivered on behalf of said corporation; and each of the persons signing on behalf of said corporation is the qualified holder of the office given opposite his/her signature and was authorized to sign the said custodial agreement in that capacity.

Signature: ______

ICS Deposit Placement Agreement

INSURED CASH SWEEP.

You, the undersigned, enter into this ICS Deposit Placement Agreement (this "Agreement") with [City State Bank] ("*we*" or "*us*"). This Agreement states the terms and conditions on which we (as your "*Relationship Institution*") will transfer, or "sweep," funds from a transaction account that you (as the "Depositor") maintain with us (a "*Transaction Account*"). The funds will be placed in deposit accounts at other depository institutions (each a "*Destination Institution*"), the deposits of which are insured by the Federal Deposit Insurance Corporation ("*FDIC*").

We will endeavor to place your funds at Destination Institutions using ICS℠, the Insured Cash Sweep® service of Promontory Interfinancial Network, LLC ("*Promontory*"). The amount of your funds that we place in the deposit accounts that have been established for the placement of your funds at Destination Institutions (your "*Deposit Accounts*" and each a "*Deposit Account*") will not exceed the FDIC standard maximum deposit insurance amount ("*SMDIA*"), currently $250,000,[1] at any one Destination Institution.

We offer placement of funds through ICS to businesses, nonprofit entities, and, subject to applicable law, public entities. We may also choose to place funds through ICS for individuals with a demonstrated need to maintain large cash balances (e.g., $500,000 or more) over a 12-month period. You must be capable of using, and you agree to use, the ICS Depositor Control Panel ("*DCP*"), an online tool described in this Agreement, to review proposed placements and for other purposes. You also agree to receive notices concerning ICS deposits on the DCP and by email.

Funds in your Deposit Accounts will be "deposits," as defined by federal law,[2] at the Destination Institutions.

Each Deposit Account at a Destination Institution in which your funds will be placed using ICS will be a demand deposit account ("*DDA*").

1. Your Relationship With Us

1.1. *Agency and Custodial Relationship*

(a) We will act as your agent in placing your funds in Deposit Accounts through ICS and, under our separate custodial agreement with you (the "*Custodial Agreement*"), as your custodian for the Deposit Accounts. We will not act as your investment adviser, and we will have no obligation to advise you of alternative investments. The Bank of New York Mellon ("*BNY Mellon*") will act as our sub-custodian, settlement agent, reconciliation agent, and recordkeeper. BNY Mellon will also act as recordkeeper for Destination Institutions at which your Deposit Accounts are established, maintaining certain deposit account records for those Destination Institutions.

(b) Each Deposit Account (i) will be recorded on the records of the Destination Institution in the name of BNY Mellon, as our sub-custodian, (ii) will be recorded on the records of BNY Mellon in our name, as your custodian, and (iii) will be recorded on our records in your name, all in a manner that will permit the Deposit Account to be FDIC-insured to the same extent as if you held it directly with the Destination Institution. For purposes of Article 8 of the Uniform Commercial Code, we will act as your securities intermediary for, and will treat as financial assets, your Deposit Accounts and all your security entitlements and other related interests and assets with respect to your Deposit Accounts, and we will treat you as entitled to exercise the rights that comprise your Deposit Accounts. All interests that we hold with respect to your Deposit Accounts are held by us solely as your securities intermediary and are not our property. You are and will remain the owner of all funds of yours that we place for you through ICS and any interest on those funds.

(c) As more fully described below, our proposed placements of your funds in Deposit Accounts at Destination Institutions will be available to you in advance on the DCP to approve or reject on each day that is not a Saturday, a Sunday, or another day on which banks in New York, New York, are authorized or required by law or regulation to close (a "*Business Day*"). We have entered into an agreement with Promontory to use ICS for proposed allocation of funds to Destination Institutions that have also entered into agreements with Promontory. In doing so we will adhere to Promontory's policies and procedures. Promontory is not your agent or custodian, however, and it is not responsible for placement of your funds or custody of your Deposit Accounts.

1.2. *Termination of Custodial Relationship*

(a) Either you or we may terminate your participation in ICS at any time. You may not transfer your Deposit Accounts to another custodian, but you may dismiss us as your custodian for a Deposit Account and request that your ownership of the Deposit Account will be recorded in your name on the books of the Destination Institution. We will endeavor to cause any such request that we receive from you to be promptly forwarded to the Destination Institution. Each Destination Institution at which your funds may be placed has agreed that it will promptly fulfill any such requests, subject to your compliance with its customer identification policies.

(b) If you have a Deposit Account recorded in your name on the books of a Destination Institution, you will be able to enforce your rights in the Deposit Account directly against the Destination Institution, but we will no longer have any custodial responsibility with respect to the Deposit Account and you will no longer be able to enforce your rights in the Deposit Account against the Destination Institution through us. After your Deposit Account has been recorded in your name on the books of the Destination Institution, the interest rate applicable to the Deposit Account will be the interest rate that the Destination Institution is willing to offer you.

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1 12 C.F.R. § 330.1(n).

2 12 U.S.C. § 1813(l).

2. Your Deposits at Destination Institutions

2.1. *The Deposit Accounts and the Interest Rate*

(a) Each of your Deposit Accounts, including the principal balance and the accrued interest, will be a deposit obligation of the Destination Institution at which the Deposit Account has been established and will not be an obligation of Promontory, BNY Mellon, or us. We, as your custodian, will maintain on our books and records, either directly or with the assistance of BNY Mellon, custodial accounts (each, an "*ICS Custodial Account*") in which we will hold your interests with respect to the Deposit Accounts. We may permit you to have multiple ICS Custodial Accounts for your business purposes, and we may also permit you to have multiple Transaction Accounts associated with an ICS Custodial Account. Having multiple ICS Custodial Accounts or multiple Transaction Accounts will not expand the FDIC insurance coverage available to you in a single insurable capacity.

(b) Payment of the full amount of all accrued interest with respect to a Deposit Account at a Destination Institution will be solely the responsibility of that Destination Institution. The interest rate for all of your Deposit Accounts at all Destination Institutions on any day will be the then-current rate we establish, which may be any rate (including zero) and which we may modify at any time (the "*Interest Rate*"). Through your continued participation in ICS, you accept the Interest Rate.

(c) We do not offer or promise you any particular interest rate. In particular, we do not promise you that the Interest Rate will be any particular rate or that any Interest Rate that may be effective at a given time will be effective at a later time. The Destination Institutions have agreed that interest on your Deposit Accounts will accrue and compound daily at the Interest Rate and will be credited to principal at least once each month. Any claim for payment of accrued interest is enforceable solely against the Destination Institution, not against us, and we will have no debt to you for any such amount.

2.2. *Balances and Statements*

(a) On any day, you may confirm through the DCP the aggregate principal balance in your Deposit Accounts (your "*Program Balance*") for each ICS Custodial Account, and your principal balance and accrued interest at each Destination Institution for each ICS Custodial Account, as of the settlement of net payments to and from ICS participating institutions through BNY Mellon ("*ICS Settlement*") for the preceding Business Day or, after completion of ICS Settlement on a Business Day, for that Business Day.

(b) For each ICS Custodial Account, we will send you periodic account statements that include your Program Balance as of the end of the statement period, the total interest you have earned on your Deposit Accounts during the period, the rate of return you have earned on the daily average closing principal balance in your Deposit Accounts for the period (which will be referred to as the "*Statement Period Yield*"), and your principal balance at each Destination Institution in which your funds are deposited as of the end of the period. You should retain these account statements.

(c) The account information available on the DCP as described in Section 2.2(a), and the periodic statements described in Section 2.2(b), will be your record of your Deposit Accounts.

3. Program Deposits and Program Withdrawals

3.1. *Triggering Events*

(a) Schedule 1 to this Agreement sets forth events that will trigger a transfer of funds at ICS Settlement from the Transaction Account to the Deposit Accounts (a "*Program Deposit*") or a transfer of funds at ICS Settlement from the Deposit Accounts to the Transaction Account (a "*Program Withdrawal*").

(b) Depending on the terms of Schedule 1, an event that triggers a Program Deposit or a Program Withdrawal (a "*Triggering Event*") may be a specified change in the Transaction Account balance, a request by you that we accept, or another event described in Schedule 1.

(c) If we permit you to have multiple Transaction Accounts associated with a single ICS Custodial Account, Schedule 1 may specify separate sets of Triggering Events for each Transaction Account or one set of Triggering Events for all Transaction Accounts.

3.2. *Program Deposits*

(a) The occurrence of a Triggering Event for a Program Deposit does not result in a transfer of funds to your Deposit Accounts until the applicable ICS Settlement occurs. Schedule 2 to this Agreement contains important information regarding the insured status of funds in the Transaction Account.

(b) Subject to the other terms and conditions of this Agreement, and except as provided in the next subsection, a Triggering Event for a Program Deposit under Schedule 1 will result in a transfer of funds to your Deposit Accounts at ICS Settlement the *next* Business Day (a "*Regular Program Deposit*").

(c) Schedule 1 states whether the transfer of funds to your Deposit Accounts at ICS Settlement on the *same* Business Day (a "*Same-Day Program Deposit*") is available and, if so, the cutoff time for you to request a Same-Day Program Deposit (the "*Same-Day Deposit Cutoff Time*"). To the extent Schedule 1 so provides, and subject to the other terms and conditions of this Agreement, a request that we receive and accept before the Same-Day Deposit Cutoff Time will be a Triggering Event that results in a Same-Day Program Deposit.

(d) We may impose a maximum Program Balance amount for your deposits placed through ICS and will inform you of any maximum Program Balance we impose. Even if a Triggering Event for a Program Deposit occurs, we may not transfer the amount to your Deposit Accounts to the extent it would cause the Program Balance to exceed the maximum amount. In addition, we may choose not to transfer to the Deposit Accounts an amount that we have credited to the Transaction Account, but have not yet collected from a third party.

3.3. *Program Withdrawals; Advances*

(a) Subject to the other terms and conditions of this Agreement, a Triggering Event for a Program Withdrawal under Schedule 1 will result in a transfer of funds from your Deposit Accounts at ICS Settlement the *next* Business Day (a *"Regular Program Withdrawal*").

(b) Schedule 1 states whether the transfer of funds from your Deposit Accounts at ICS Settlement on the *same* Business Day (a "*Same-Day Program Withdrawal*") is available and, if so, the cutoff time for you to request a Same-Day Program Withdrawal (the *"Same-Day Withdrawal Cutoff Time*"). To the extent Schedule 1 so provides, and subject to the other terms and conditions of this Agreement, a request that we receive and accept before the Same-Day Withdrawal Cutoff Time will be a Triggering Event that results in a Same-Day Program Deposit.

3.4. *Advances; Security Interest in Deposit Accounts*

(a) If Schedule 1 provides that we will advance funds to you in anticipation of a Program Withdrawal, or if we otherwise decide in our discretion to advance funds to you in anticipation of a Program Withdrawal, you will owe the amount of these funds to us and we will retain from the funds we receive at ICS Settlement the amount we have advanced to you.

(b) With respect to any amount that you owe to us pursuant to Section 3.4(a):

(i) you grant us, and acknowledge that we have, a security interest in, and a lien on, your Deposit Accounts, related security entitlements, and other related interests and assets that we may hold for you as custodian and securities intermediary pursuant to the Custodial Agreement for the amount you owe to us,

(ii) if a Destination Institution fails before a Program Withdrawal is completed, we may retain the amount of the Program Withdrawal from the proceeds of your FDIC insurance claim to satisfy the amount you owe to us, and

(iii) to the extent the amount you owe to us is not satisfied from the interests and assets we are holding for you pursuant to the Custodial Agreement, or from the proceeds of any FDIC insurance claim, the amount remains owed by you to us and is payable on demand.

(c) If, in a separate agreement, you have granted us a security interest in your Deposit Accounts or in any security entitlements or other interests or assets relating to your Deposit Accounts as collateral for a loan to you or otherwise, we may decline to honor a request for a Program Withdrawal, or decline to honor a debit transaction in the Transaction Account that would trigger a Program Withdrawal or be funded by a Program Withdrawal, to the extent the Program Withdrawal would cause your Program Balance to fall below the loan amount or other amount that you have agreed to maintain in your Deposit Accounts or to which the security interest applies. If, in a separate agreement, you have granted us a security interest in the Transaction Account, we also may decline to honor other kinds of debit transactions in the Transaction Account in accordance with the separate agreement.

4. <u>Daily Allocation and Depositor Control</u>

4.1. *Daily Allocation; Review and Consent*

(a) In addition to allocating your funds to each Destination Institution in an amount that is under the FDIC insurance limit, the ICS process for allocating Program Deposits, Program Withdrawals, and funds already on deposit reflects considerations such as the need for certain Destination Institutions to receive deposits in amounts they have placed for their own customers and possible limits on the amounts a Destination Institution may have agreed to receive. At any Destination Institution, these amounts may change from day to day. Accordingly, subject to the procedures described in this Section 5, the allocation of funds takes place each Business Day.

(b) As a result of the daily allocation of funds in ICS and the allocation objectives outlined in Section 4.1(a), the set of Destination Institutions to which your funds on deposit are allocated on a Business Day, and the amount allocated to each Destination Institution, may differ from a previous Business Day's allocation. A different allocation may involve the movement of funds from one Destination Institution to another Destination Institution, even though you do not have a Program Deposit or a Program Withdrawal. Such movements of funds will not affect any Interest Rate.

(c) You exercise control over the placement of your funds through direct contact with us and through the DCP. You are responsible for reviewing the important information we provide you through the DCP, including information regarding proposed placements that we provide each Business Day. In addition, on request at any time, we will provide you with a list of all Destination Institutions.

(d) Although we will not place your funds at Destination Institutions that you exclude or reject in the manner described below, you authorize and consent to the placement of your funds at Destination Institutions that you approve, or do not exclude or reject, as set forth below.

4.2. *Destination Institution Exclusions*

(a) We will not place your funds at any Destination Institution that is on your then-effective list of exclusions from eligibility to receive your funds through ICS (your *"List of Exclusions*").

(b) You may enter the name of any depository institution on your List of Exclusions in Schedule 4 to this Agreement. An exclusion in Schedule 4 is effective when we have signed the Agreement. You may later add exclusions to your List of Exclusions, or subtract exclusions from your List of Exclusions, by contacting us in a manner we specify. If you add an exclusion in this manner, the new exclusion will be effective within one Business Day after the first Business Day on which we have received the notice from you.

(c) If, on a Business Day, you have outstanding deposits that we have placed for you using Promontory's CDARS® service, and you have provided the same taxpayer identification number to us for purposes of CDARS and ICS, our placements of your funds at Destination Institutions for that Business Day in ICS:

(i) will not include a Destination Institution that is the subject of a then-effective designation by you as ineligible to receive your funds through CDARS, and

(ii) will not cause the balance in your Deposit Accounts at a Destination Institution, together with the outstanding deposits, if any, that we have placed for you at that Destination Institution through CDARS, to exceed the SMDIA.

4.3. *Depositor Control Panel*

(a) Promontory will assist us in providing the DCP to you. Schedule 3 to this Agreement provides access information for the DCP. When you first log in to the DCP using the login credentials described in Schedule 3, you will be required to change your DCP user name and password.

(b) You represent that you have a computer with Internet access, an e-mail address, the ability to download and print information from the DCP for your records, and the knowledge and experience to use an online tool for the DCP functionality. In addition, you acknowledge that you will be required to obtain and maintain all equipment and services necessary for access to the DCP.

4.4. *Depositor Placement Review*

(a) Each Business Day, your aggregate principal balance that will be in Deposit Accounts at Destination Institutions after that day's ICS Settlement will be provisionally allocated to Destination Institutions. The amount allocated will reflect your Program Balance as of the last ICS Settlement, plus any Program Deposit that will occur at the day's ICS Settlement, minus any Program Withdrawal that will occur at the day's ICS Settlement. The allocation may provide that previously-deposited funds will be removed from one or more Destination Institutions and deposited in one or more other Destination Institutions.

(b) After the provisional allocation occurs on a Business Day, but before it becomes final at the day's ICS Settlement, Depositor Placement Review ("*DPR*") will occur through the DCP. Even if a Destination Institution is not on your List of Exclusions, we will not place your funds at the Destination Institution that day at ICS Settlement if you reject it that day during DPR through the DCP. The initial DPR time period is set forth in Schedule 3. We may change the DPR period by posting advance notice of the change on the DCP. Your rejection of a Destination Institution will be effective only if you submit it, as specified in the DCP, before DPR ends.

(c) In DPR, you will see a list of proposed placements of your funds at ICS Settlement later that day (the "*Proposed Placement List*"), reflecting the provisional allocation of all your funds, including funds that will be moved from one Destination Institution to another Destination Institution. The Proposed Placement List will include the principal balance allocated to each Destination Institution. If you review the Proposed Placement List, and you click the approval button or you do not reject any of the Destination Institutions on the list, you will be approving the proposed placements and your funds will be placed in accordance with the list.

(d) If you reject any of the Destination Institutions on the Proposed Placement List, you will be approving placement at Destination Institutions on the list that you do not reject. After entering rejections, if sufficient time remains in DPR, you will have the opportunity to review a list of other Destination Institutions at which your funds could be placed (the "*Alternate Placement List*"). If you click the approval button for the Alternate Placement List, or you do not reject any of the Destination Institutions on it, you will be approving the placement of your funds at any of the listed Destination Institutions. If you reject any of the Destination Institutions on the Alternate Placement List, you will be approving placement at listed Destination Institutions that you do not reject. We may place your funds at any combination of Destination Institutions on the Proposed Placement List and the Alternate Placement List that you do not reject.

(e) If the provisional allocation on a Business Day would result in funds of yours currently at one Destination Institution being moved to another Destination Institution and you reject the other Destination Institution in DPR that Business Day, the funds will not necessarily remain at the first Destination Institution. The funds will be allocated to a Destination Institution that you do not reject or returned to the Transaction Account.

(f) A Destination Institution that you reject in DPR will also be added to your List of Exclusions, for purposes of future placements, within one Business Day after the Business Day on which you submit the rejection.

(g) We do not guarantee that all your funds will be placed at Destination Institutions on any particular day, even if they were placed at Destination Institutions on a previous day. Exclusions of Destination Institutions, and rejections of Destination Institutions in DPR, may increase the chance that funds will not be placed. If funds not yet transferred to your Deposit Accounts are not allocated to a Destination Institution on a Business Day, the funds will remain in the Transaction Account. If funds previously transferred to the Deposit Accounts are not allocated to a Destination Institution on a Business Day, the funds will be returned to the Transaction Account.

5. <u>FDIC Insurance Considerations</u>

5.1. *Deposit Insurance Coverage*

(a) You may obtain information about deposit insurance coverage by visiting the FDIC website at www.fdic.gov or by contacting the FDIC by letter, email, or telephone. All your deposits at a Destination Institution in the same insurable capacity (whether you are acting directly or through an intermediary) will be aggregated for purposes of the SMDIA. You should add to your List of Exclusions any FDIC-insured depository institution at which you have other deposits in the same insurable capacity. Insurable capacities include individual accounts, joint accounts, and individual retirement accounts. Separate divisions within a corporate entity are not eligible for separate insurance coverage, and a separate taxpayer identification number ("*TIN*") does not necessarily evidence or establish a separate insurable capacity. It is your obligation to determine whether funds we are placing for you through ICS are maintained in separate insurable capacities. We use your TIN to identify you, and we place your funds on the understanding that you are not depositing funds for placement under more than one TIN in the same insurable capacity.

(b) The Transaction Account balance, alone or when aggregated with your other deposits with us in the same insurable capacity, may exceed the SMDIA. Schedule 2 describes measures you should take if you cannot accept risks associated with uninsured deposits in the Transaction Account.

(c) The requirements for deposit insurance coverage of the deposits of the United States government, state, county, and municipal governments and their political subdivisions, the District of Columbia, and the Commonwealth of Puerto Rico are set forth in FDIC regulations. If you are a governmental unit, you are responsible for determining whether the requirements for deposit insurance have been met. We are not responsible for uninsured losses resulting from the placement of deposits that are not eligible for deposit insurance.

(d) The records maintained for us by BNY Mellon regarding ownership of your Deposit Accounts will be used to establish your eligibility for deposit insurance coverage. Accordingly, you must immediately report to us any changes in ownership information. We will inform BNY Mellon of any such changes so that it will have accurate information to provide to the FDIC if a Destination Institution fails. The FDIC could also require you to provide additional documentation.

5.2. *Deposit Insurance Payments*

(a) If deposit insurance payments become necessary for one of your Deposit Accounts, the FDIC is required to pay the principal amount plus accrued interest to the date of the closing of the Destination Institution, as prescribed by law, subject to the SMDIA. No interest is earned on deposits from the time a Destination Institution closes until insurance payments are received. As an alternative to making a direct insurance payment, the FDIC may transfer the deposits of an insolvent institution to a solvent institution. The solvent institution may change the interest rate on a deposit, subject to your right to withdraw the funds.

(b) We will notify you if we receive a deposit insurance payment from the FDIC with respect to your Deposit Account at a failed Destination Institution. Should we receive a deposit insurance payment with respect to your Deposit Account at a failed Destination Institution, we will place the amount of the payment in one or more Deposit Accounts at Destination Institutions pursuant to the deposit placement procedures set forth in this Agreement, subject to the other terms and conditions of this Agreement, including Section 3.4.

(c) In general, if an insured depository institution is closed, the FDIC is required by law to pay the insured deposits "as soon as possible," either by cash or by transferring the deposit to a new insured depository institution. It is possible, however, that an insurance payment could be delayed. We will not be obligated to make any payment to you in satisfaction of a loss you might incur as a result of a delay in an insurance payment, and we will not be obligated to advance funds with respect to any such payment. Nor will Promontory or BNY Mellon have any such obligation.

5.3. *Responsibility to Monitor Deposits; Publicly Available Information*

(a) You are responsible for monitoring the total amount of funds in your Deposit Accounts at each Destination Institution in each insurable capacity to determine the extent of FDIC deposit insurance coverage available to you for deposits at that Destination Institution. You should confirm that placements of your funds are consistent with your exclusions and rejections by visiting the DCP and viewing the placements of your funds at Destination Institutions, recognizing that the funds could be placed at different Destination Institutions on any Business Day.

(b) Publicly available financial information concerning the Destination Institutions can be obtained by you at the website of the National Information Center of the Federal Reserve System at www.ffiec.gov/nicpubweb/nicweb/nichome.aspx. We do not guarantee, and neither Promontory nor BNY Mellon guarantees, the financial condition of any Destination Institution or the accuracy of any financial information about any Destination Institution.

6. <u>Our Participation in ICS</u>

6.1. *Reciprocal and One-Way*

(a) We may participate in ICS through one or both of two different forms of the service. When we use the form known as ICS Reciprocal, we place deposits for our customers and receive deposits placed by other participating financial institutions for their customers. In ICS Reciprocal, we do not receive a fee, but pay a fee to Promontory. When we use the form known as ICS One-Way, we do not receive deposits placed by other institutions or pay a fee to Promontory, but we and Promontory may receive fees from Destination Institutions. The fees may be different for different Destination Institutions.

(b) The interest you receive on all your Deposit Accounts will be at the Interest Rate, whether we use ICS Reciprocal or ICS One-Way. It is possible, however, that the Interest Rate may be different depending on which form of ICS we use. In ICS Reciprocal, the fee we pay to Promontory may affect the Interest Rate. In ICS One-Way, fees paid by Destination Institutions to us or to Promontory, or cost-of-funds rates at which Destination Institutions may request funds, may affect the Interest Rate. Whether we use ICS Reciprocal or ICS One-Way, however, you will not pay a fee for the placement of your funds through ICS.

6.2. *Approved Use*

(a) Schedule 4 includes two boxes relating to which form of the ICS service we may use in connection with the placement of your funds. If you check the first of these two boxes, we may use ICS Reciprocal, ICS One-Way, or both. We will not be obligated to inform you of the interest rate that might be available using the other form, and we may select a form of ICS that provides greater benefits to us. If you check the second of these two boxes, we may use only ICS Reciprocal in connection with the placement of your funds.

(b) If you are subject to restrictions on the placement of your funds at depository institutions, you are responsible for determining whether the placement of your funds through ICS, in accordance with Schedule 4, satisfies the restrictions.

7. Additional Considerations

7.1. *Compare Rates*

(a) We are not advising you regarding alternative investments, and you are responsible for comparing the rates of return and other features of your Deposit Accounts to other available deposit accounts, and other kinds of investments, before deciding to have us place your funds using ICS.

(b) The Interest Rate for your Deposit Accounts may be higher or lower than interest rates on comparable deposits available directly from us, from the Destination Institutions that establish your Deposit Accounts, from other Destination Institutions, or from insured depository institutions that are not Destination Institutions.

(c) Promontory may offer us and our employees non-cash incentives in connection with our placement of funds.

7.2. *Allocation Considerations and Compensatory Payments*

(a) The ICS allocation process does or may reflect, in addition to enabling Destination Institutions to receive deposits in certain amounts, various other considerations, including considerations of applicable law, Promontory's objectives, and other matters. Promontory may allocate funds in a manner that enhances Promontory's profits, our profits, or both.

(b) When we use ICS Reciprocal, we may make compensatory payments to, or receive compensatory payments from, other ICS participating institutions reflecting the difference between the Interest Rate and the rate at which we pay interest on deposit accounts that we have established as a Destination Institution for customers of other ICS participating institutions. These payments are intended to provide us with an interest cost on the deposit accounts of the customers of the other institutions that is the same as the cost we would have incurred if we had paid interest on those deposit accounts at the Interest Rate at which you receive interest for your Deposit Accounts. If we have been making such compensatory payments and you have your Deposit Account recorded in your name on the books of a Destination Institution as described in Section 1.2, the interest rate at which the Destination Institution is willing to pay you interest on the account may be lower than the Interest Rate.

(c) If we were to become insolvent, the FDIC could transfer custody of your Deposit Accounts to a new custodian that participates in ICS. Alternatively, you could elect to establish your Deposit Accounts directly with the Destination Institutions or you could elect to have your funds returned to you.

7.3. *Mutual Institution Voting and Subscription Rights*

(a) If your funds are placed in a Deposit Account at a Destination Institution in the mutual form of organization, you may receive through us a notice of a meeting of the depositor members of that mutual institution. Because your Deposit Account will be identified on the books of the mutual institution in the name of the sub-custodian and not in your name, you will not have the opportunity to attend the meeting or vote by proxy, and you hereby waive any such rights. The sub-custodian has agreed that it will forward meeting notices to us (for delivery to you), but the sub-custodian will not attend the meeting or vote by proxy.

(b) It is possible that the mutual institution also may send notice of its intention to convert to a stock institution and provide for priority, non-transferable subscription rights for depositor members of the mutual institution to purchase stock in the conversion. Because your Deposit Account will be identified on the books of the mutual institution in the name of the sub-custodian and not in your name, you will not have the opportunity to exercise any subscription right to purchase the stock or to vote on the conversion, and you hereby waive any such rights. The sub-custodian also will not purchase any stock in the conversion.

(c) If you wish to receive meeting notices directly, attend meetings, and vote (to convert from the mutual to stock form of ownership, form a mutual holding company, or otherwise) with respect to your Deposit Account at a Destination Institution that is a mutual institution, or if you wish to receive subscription rights in the event the mutual institution converts from mutual to stock form, you must dismiss us as custodian before the applicable record date (a date usually at least one year in advance of the date the mutual institution's board of directors adopts a plan of conversion) and have your ownership of the Deposit Account recorded in your name directly on the books of the mutual institution.

8. Other Provisions

8.1. *Release and Use of Identifying Information*

(a) You consent to our providing your name, TIN, and other pertinent identifying information ("*Identifying Information*") to BNY Mellon, Promontory, and other parties providing services in connection with ICS (each a "*Service Provider*"). A Service Provider may use the Identifying Information only in connection with its provision of services relating to ICS. We may also provide Identifying Information to a Destination Institution, but will do so only to the extent necessary to comply with a request by you or your agent or to comply with applicable law. In addition, we and other Service Providers may provide Identifying Information to the FDIC in connection with a deposit insurance claim.

(b) We will not provide Identifying Information to any other party unless we determine that (i) we are required by applicable law to do so or (ii) we are permitted by applicable law to do so and have reasonable grounds to do so to protect our own legal or business interests or the legal or business interests of Promontory or BNY Mellon. Promontory may use and disclose information regarding aggregated activity of ICS depositors, provided it does not use or disclose any Identifying Information except as permitted by this Section 8.1.

8.2. *Liability and Dispute Resolution*

(a) We are responsible for maintaining, directly or through a Service Provider, appropriate records of our placements for you. We are also responsible for not placing your funds through ICS at any Destination Institution that is the subject of a then-effective exclusion on your List of Exclusions, at any Destination Institution that is the subject of an effective rejection by you at the time of the applicable ICS Settlement, in an ICS placement at a Destination Institution under a single TIN in an amount that exceeds the SMDIA, or in a manner that violates Section 4.2(c). IF ALL OR PART OF YOUR DEPOSIT AT A DESTINATION INSTITUTION IS UNINSURED BECAUSE OF OUR FAILURE TO FULFILL THESE RESPONSIBILITIES, AND IF THE DESTINATION INSTITUTION FAILS AND YOU DO NOT OTHERWISE RECOVER THE UNINSURED PORTION, WE WILL REIMBURSE YOU FOR YOUR DOCUMENTED LOSS OF THE UNINSURED PORTION.

(b) SUBJECT TO OUR REIMBURSEMENT OBLIGATION IN THE PRECEDING SUBSECTION, AND EXCEPT AS MAY BE OTHERWISE REQUIRED BY APPLICABLE LAW, WE WILL NOT BE LIABLE, AND PROMONTORY AND BNY MELLON WILL NOT BE LIABLE, TO YOU OR TO ANY THIRD PARTY FOR ANY LOSS OR DAMAGES INCURRED OR ALLEGEDLY INCURRED IN CONNECTION WITH THIS AGREEMENT. WITHOUT LIMITING THE FOREGOING, WE, PROMONTORY, AND BNY MELLON WILL NOT HAVE ANY LIABILITY FOR: (I) ANY LOSS ARISING OUT OF OR RELATING TO A CAUSE OVER WHICH WE DO NOT HAVE DIRECT CONTROL, INCLUDING THE FAILURE OF ELECTRONIC OR MECHANICAL EQUIPMENT OR COMMUNICATION LINES, TELEPHONE OR OTHER INTERCONNECT PROBLEMS, UNAUTHORIZED ACCESS, THEFT, OPERATOR ERRORS, GOVERNMENT RESTRICTIONS, OR FORCE MAJEURE (*E.G.*, EARTHQUAKE, FLOOD, SEVERE OR EXTRAORDINARY WEATHER CONDITIONS, NATURAL DISASTERS OR OTHER ACT OF GOD, FIRE, ACTS OF WAR, TERRORIST ATTACKS, INSURRECTION, RIOT, STRIKES, LABOR DISPUTES OR SIMILAR PROBLEMS, ACCIDENT, ACTION OF GOVERNMENT, COMMUNICATIONS, SYSTEM OR POWER FAILURES, OR EQUIPMENT OR SOFTWARE MALFUNCTION), OR (II) ANY SPECIAL, INDIRECT, PUNITIVE, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS).

(c) ANY DISPUTES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT WILL BE GOVERNED BY THE DISPUTE RESOLUTION, ARBITRATION, CHOICE OF LAW, VENUE, WAIVER OF JURY TRIAL, AND COSTS RELATED TO DISPUTES PROVISIONS, IF ANY, CONTAINED IN YOUR CUSTODIAL AGREEMENT.

8.3. *Miscellaneous*

(a) This Agreement constitutes the entire agreement between us relating to the placement of deposits through ICS and any other matter herein, supersedes prior agreements, understandings, negotiations, representations, and proposals, written or oral, relating to any matter herein, and may not be amended by any oral representation made or oral agreement reached after the execution of this Agreement.

(b) Either party may terminate this Agreement on written notice to the other, but the obligations of both parties will survive with respect to any funds deposited at the time of termination. In addition, the provisions of this Section 8 will survive termination.

(c) Schedules 1, 2, 3, and 4 (each a "*Schedule*") are incorporated into and made part of this Agreement. We may amend this Agreement, including any Schedule, prospectively by giving you written notice of the amendment at least fourteen (14) days before the effective date of the amendment, which will be specified in the amendment. We may provide written notice of the amendment by means of a posting on the DCP, an entry on your account statement, an email message, or a printed letter.

(d) This Agreement may not be assigned, in whole or in part, by either party except by operation of law or as required by applicable law, and any purported assignment in violation hereof is void.

(e) The headings in this Agreement are for convenience only, and are not intended to describe, interpret, define, or limit the scope or intent of this Agreement or any clause hereof. The term "applicable law" refers to all applicable statutes, rules, regulations, and judicial orders, whether federal, state, or local. The term "including" does not imply exclusion. The term "month" refers to the calendar month.

By signing below, you (as Depositor) and we (as Relationship Institution) agree to be legally bound by this ICS Deposit Placement Agreement, effective when you and we have signed it. If the Transaction Account is a joint account, each owner of the Transaction Account must sign this Agreement, and funds in your Deposit Accounts will be held in the same joint ownership capacity.

RELATIONSHIP INSTITUTION

Institution name: City State Bank

Signature: ____________________

Name and title of authorized signatory:
David N Lester, Cashier/Trust Operations Manager

Date signed: ____________________

SOLE OR PRIMARY DEPOSITOR

Depositor name: City of Indianola

Signature: ____________________

Name and title of authorized signatory (if not individual):
____

Depositor TIN or other numeric identifier (and type):
42-6004797

Email address: __________@__________

Date signed: ____________________

ADDITIONAL DEPOSITOR(S) IF JOINT ACCOUNT

Depositor name: ____________________

Signature: ____________________

Depositor TIN or other numeric identifier (and type):
____

Email address: __________@__________

Date signed: ____________________

(Add signature lines as needed.)

SCHEDULE 1 TO ICS DEPOSIT PLACEMENT AGREEMENT

Program Deposits and Program Withdrawals

1. Cutoff Times

The Same-Day Deposit Cutoff Time and the Same-Day Withdrawal Cutoff Time are as follows:

9	: 00	A.M.	Eastern / Central / Mountain / Pacific (circle one)

2. Program Deposits

(a) The Triggering Event for a Regular Program Deposit is a Regular Program Deposit request by you that we receive and accept. Subject to the other terms and conditions of this Agreement, if such a Triggering Event occurs, we will transfer the requested amount to your Deposit Accounts at ICS Settlement on the next Business Day.

(b) The Triggering Event for a Same-Day Program Deposit is a Same-Day Program Deposit request by you that we receive and accept before the Same-Day Deposit Cutoff Time on a Business Day. Subject to the other terms and conditions of this Agreement, if such a Triggering Event occurs, we will transfer the requested amount to your Deposit Accounts at ICS Settlement later the same Business Day.

(c) If a Triggering Event for a Program Deposit occurs, we may debit the Transaction Account and credit a holding account before the transfer of funds to your Deposit Accounts occurs at ICS Settlement.

3. Program Withdrawals

(a) The Triggering Event for a Regular Program Withdrawal is a Regular Program Withdrawal request by you that we receive and accept. Subject to the other terms and conditions of this Agreement, if such a Triggering Event occurs, we will transfer the requested amount from your Deposit Accounts at ICS Settlement on the next Business Day.

(b) The Triggering Event for a Same-Day Program Withdrawal is a Same-Day Program Withdrawal request by you that we receive and accept. Subject to the other terms and conditions of this Agreement, if such a Triggering Event occurs, we will transfer the requested amount from your Deposit Accounts at ICS Settlement later the same Business Day.

(c) Subject to the other terms and conditions of this Agreement, including Section 3.4, and subject to the rules and cutoff times that otherwise apply to transaction accounts with us, after we have received and accepted your Program Withdrawal request, we may in our discretion advance funds to you in anticipation of a Program Withdrawal to honor your debit transactions in the Transaction Account so long as the sum of your funds in the Transaction Account and your funds in your Deposit Accounts, after taking into account any pending Program Deposits and any pending Program Withdrawals, is not less than zero. We may do so even if the amount of the debit transaction exceeds the Transaction Account balance.

(d) If a Triggering Event for a Program Withdrawal occurs, we may credit the Transaction Account and debit a holding account before the transfer of funds from your Deposit Accounts occurs at ICS Settlement.

SCHEDULE 2 TO ICS DEPOSIT PLACEMENT AGREEMENT

Transaction Account

Although we will not place your funds through ICS at any one Destination Institution in an amount that exceeds the standard maximum deposit insurance amount ("*SMDIA*") of $250,000, balances in your Transaction Account, separately or together with your other balances with us in the same insurable capacity, may exceed the SMDIA. For example, your balances may exceed the SMDIA until ICS Settlement for a pending large Program Deposit. If you cannot accept the risk associated with uninsured deposits in these or other circumstances, it will be your responsibility to make arrangements with us to have such funds collateralized, protected by a properly-executed repo sweep arrangement, or otherwise adequately protected, in a manner consistent with applicable law. You should consult your legal advisor to determine whether a particular collateralization arrangement is consistent with applicable law.

SCHEDULE 3 TO ICS DEPOSIT PLACEMENT AGREEMENT

Depositor Control Panel and Depositor Placement Review

1. Depositor Control Panel

The address of the Depositor Control Panel is https://www.depositorcontrol.com.

Your initial login credentials for the Depositor Control Panel will be as follows:

User name:	The account number for the Transaction Account
Password:	The last four digits of the TIN or other numeric identifier entered for the sole or primary Depositor on the signature page of this Agreement

You will also be required to enter the email address you have provided to us.

We will separately advise you of any additional steps required of you by additional security controls.

2. Depositor Placement Review

The DPR period each Business Day will be as follows:

12:00 noon to 12:30 P.M. Eastern time

We may change the DPR period by posting notice on the DCP in advance of the change.

SCHEDULE 4 TO ICS DEPOSIT PLACEMENT AGREEMENT

Service Form and Exclusions

1. Reciprocal and One-Way

☐ If you check this box, we may use ICS Reciprocal, ICS One-Way, or both in connection with our placement of your funds.

☐ If you check this box, we will use only ICS Reciprocal in connection with our placement of your funds.

2. List of Exclusions

Each depository institution entered on your List of Exclusions below will be ineligible, as of the date you and we have signed the Agreement, to receive your funds through ICS as a Destination Institution. You may subsequently change your List of Exclusions as provided in the Agreement.

The List of Exclusions should include the city and state of the institution's main office (rather than the city and state of a branch location). The List of Exclusions may also include the institution's FDIC certificate number or transit routing number. Attach additional pages as necessary. If you do not list any exclusions, you should enter "none" under Name of Institution on the first line (but your signature after a blank list will constitute your acknowledgment that you have not listed any exclusions whether or not you enter "none").

Name of Institution	City and State	FDIC Certificate Number or Routing Number (optional)

Signature of sole or primary Depositor: ______________________________

Custodial Agreement Template

CUSTODIAL AGREEMENT

You, the undersigned, enter into this Custodial Agreement (this "*Agreement*") with [City State Bank] ("we" or "us").

1. Pursuant to this Agreement, you authorize us (as your "*Relationship Institution*") to hold and act as your custodian with respect to all deposit accounts, including all time deposits, money market deposit accounts, and demand deposit accounts, issued or established at other participating institutions pursuant to the CDARS Deposit Placement Agreement or the ICS Deposit Placement Agreement for funds of yours placed through CDARS®, the Certificate of Deposit Account Registry Service®, or ICS℠, the Insured Cash Sweep® service (collectively, the "*Deposit Accounts*") and all your security entitlements and other related interests and assets with respect to your Deposit Accounts (collectively, the "*Related Entitlements*"). The custodial account in which we will hold your Deposit Accounts and Related Entitlements (the "*Custodial Account*") comprises all the CDARS and ICS custodial accounts that we maintain for you.

2. As your custodian, we may (i) cause your Deposit Accounts to be titled in our name or in the name of our sub-custodian, (ii) collect for your account all interest and other payments of income or principal pertaining to your Deposit Accounts, (iii) endorse on your behalf any check or other instrument received for your account that requires endorsement, (iv) deposit your funds in, or withdraw your funds from, your Deposit Accounts in accordance with your instructions, (v) deliver or transfer funds from another account with us to your Deposit Accounts or deliver or transfer funds from your Deposit Accounts to another account with us in accordance with your instructions, (vi) for Deposit Accounts that are time deposits, surrender for payment for your account maturing Deposit Accounts and those for which early withdrawal is requested, (vii) execute and deliver or file on your behalf all appropriate receipts and releases and other instruments, including whatever certificates may be required from custodians or may be necessary to obtain exemption from taxes and to name you when required for the purpose of the instrument, and (viii) take such other actions as are customary or necessary to effectuate the purposes of this Agreement.

3. For purposes of Article 8 of the Uniform Commercial Code as adopted in Iowa (the "*UCC*"), we will act as your securities intermediary for, and will treat as financial assets, any Deposit Accounts and Related Entitlements that we hold for you pursuant to this Agreement. The Custodial Account will constitute a securities account, as defined in the UCC.

4. We may comply with any writ of attachment, execution, garnishment, tax levy, restraining order, subpoena, warrant, or other legal process that we believe (correctly or otherwise) to be valid. We may notify you of such process by telephone, electronically, or in writing. If we are not fully reimbursed for records research, imaging, photocopying, and handling costs by the party that served the process, we may charge such costs to your account, in addition to any minimum fee we charge for complying with legal processes.

5. We may honor any legal process that is served personally, by mail, or by electronic mail or facsimile transmission at any of our offices or an office of our agent (including locations other than where the funds, records, or property sought is held), even if the law requires personal delivery at the office where your account or records are maintained.

6. We will have no liability to you for any good-faith act or omission by us in connection with this Agreement. You agree to indemnify us and our sub-custodian, and to hold us and our sub-custodian harmless from, all expenses (including counsel fees), liabilities, and claims arising out of any good-faith act or omission by us in connection with this Agreement or compliance with any legal process relating to the Custodial Account that we believe (correctly or otherwise) to be valid. You agree to pay any service charges that we impose on the Custodial Account.

7. You may be an individual in an individual capacity, more than one individual in a joint capacity, or a trust, partnership, corporation, or other legal entity. We may accept instructions on your behalf from any individual who signs this Agreement as or on behalf of a Depositor and from any of the following individuals:

Name	Title or Legal Capacity

By signing below, you and we agree to be legally bound by this Custodial Agreement.

RELATIONSHIP INSTITUTION

Institution name: City State Bank

Signature: ______________________

Name and title of authorized signatory:
David N Lester, Cashier/Trust Operations Manager

Date signed: ______________________

SOLE OR PRIMARY DEPOSITOR

Depositor name: City of Indianola

Signature: ______________________

Name and title of authorized signatory (if not individual):
____

Depositor TIN or other numeric identifier (and type):
42-6004797

Email address: __________@__________

Date signed: ______________________

ADDITIONAL DEPOSITOR(S) IF JOINT ACCOUNT

Depositor name: ______________________

Signature: ______________________

Depositor TIN or other numeric identifier (and type):
____

Email address: __________@__________

Date signed: ______________________

(Add signature lines as needed.)

IMU Regular Downstairs **5. A.**

Meeting Date: 01/12/2015

Information

Subject

Supplemental Contract with Vanderpool Construction

Information

Vanderpool Construction has $552.50 in restoration work left on the project, with an expected completion date no later May 30, 2015.

Iowa Code has a provision to close out a contract, and pay the contractor retained amounts due, while preserving the ability to finish a project at a later date. This is done by agreeing to a supplemental contract for the remaining work.

Staff and engineers at Veenstra & Kimm recommend approval of the attached supplemental contract and proceeding to issue a Certificate of Completion (see next agenda item).

Financial Impact

N/A

Staff Recommendation

Simple motion entering into a Supplemental Contract with Vanderpool Construction for remaining restoration work associated with the 2014 W IA Ave. Water Main project is in order.

Attachments

Supplemental Contract

SUPPLEMENTAL CONTRACT

WEST IOWA AVENUE WATER MAIN PROJECT
INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA

THIS AGREEMENT, made and entered into this _____day of _____________,2014, by and between the **Indianola Municipal Utilities,** party of the first part, hereinafter referred to as the "Owner", and **Vanderpool Construction, Inc.** party of the second part, hereinafter referred to as the "Contractor".

WITNESSETH: THAT WHEREAS, the Owner has caused to be prepared certain plans and specifications and proposal blanks dated the 4th day of March, 2014, for the West Iowa Avenue Water Main Project under the terms and conditions therein fully stated and set forth, and,

WHEREAS, the Contractor and Owner have previously entered into an agreement on the 24th day of March, 2014 for work covered by the terms of the plans and specifications and proposal, and,

WHEREAS, the Contractor has completed all work on the project with the exception of the replacement of approximately 10 squares of dead sod on the south side of the sidewalk on the south side of West Iowa Avenue. The work remaining on the project cannot be completed until later in the spring of 2015, and,

WHEREAS, the work to date encompasses more than 95% of the value of the project, and,

WHEREAS, the said plans, specifications and proposal blanks accurately and fully describe the terms and conditions upon which the Contractor has performed the work specified and the Contractor is willing to perform the remaining work under this Supplemental Contract, and,

WHEREAS, pursuant to Section 573.27 of the Code of Iowa, 2014, a supplemental contract can be entered into by the Owner and Contractor for the remaining work, thus allowing the original construction contract and retainage to be paid in accordance with Chapter 573 of the Code of Iowa.

NOW, THEREFORE, it is agreed:

1. The Supplemental Contract entered into between the Owner and Contractor is subject to the terms and conditions of Chapter 573 of the Code of Iowa and more specifically Section 573.27 of the Code of Iowa dealing with supplemental contracts.

2. The work to be completed under the Supplemental Contract for the West Iowa Avenue Water Main Project is generally described as follows:

   A. The replacement of approximately 10 squares of dead sod on the south side of the sidewalk on the south side of West Iowa Avenue and associated cleanup.

3. The total value of the work remaining to be completed under the Supplemental Contract has a value of $552.50 determined on the basis of the work remaining to be completed. Final payment on the Supplemental Contract will be made on the basis of the completion of the remaining work for the lump sum payment in accordance with the provisions of the contract dated March 24, 2014.

4. The Supplemental Contract extends the contract period under the Supplemental Contract only as follows:

   A. All work under the Supplemental Contract shall be completed no later than May 30, 2015.

5. That this Supplemental Contract shall consist of the component parts which were made a part of the agreement and contract dated March 24, 2014 as fully and absolutely as if they were set out in detail in this Supplemental Contract.

6. That the payments are to be made to the Contractor in accordance with and subject to the provisions embodied in the documents made a part of the original contract and this Supplemental Contract.

7. That the provisions of the contract of March 24, 2014 with respect to liquidated damages shall apply to this Supplemental Contract except that the liquidated damage assessment of $250 per consecutive calendar day will be made for each calendar day after the completion date set forth in this Supplemental Contract.

IN WITNESS THEREOF, the parties hereto have executed this instrument on the date first written above.

VANDERPOOL CONSTRUCTION, INC.

By Justin H. [signature]

Title VP

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA

By ______________________________
Chairperson, Board of Trustees

ATTEST:

By ______________________________

Title ______________________________

ATTEST:

By ______________________________
Secretary

CONSENT OF SURETY

By ______________________________

Title ______________________________

IMU Regular Downstairs **5. B.**

Meeting Date: 01/12/2015

Information

Subject

Certificate of Completion

Information

Staff and engineers at Veenstra & Kimm recommend issuance of the attached Certificate of Completion for the construction contract with Vanderpool Construction. Work under the prior agenda item's supplemental contract is excluded, however this allows retained amounts to be paid in a timely manner.

Financial Impact

N/A

Staff Recommendation

Simple motion issuing a Certificate of Completion to Vanderpool Construction is in order.

Attachments

Certificate

VEENSTRA & KIMM, INC.
3000 Westown Parkway • West Des Moines, Iowa 50266-1320
515-225-8000 • 515-225-7848(FAX) • 800-241-8000(WATS)

December 19, 2014

INDIANOLA
DEC 22 2014
MUNICIPAL UTILITIES

Todd Kielkopf
General Manager
Indianola Municipal Utilities
111 South Buxton
P.O. Box 356
Indianola, IA 50125

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
WEST IOWA AVENUE WATER MAIN PROJECT
CERTIFICATE OF COMPLETION

Enclosed are two copies of the Certificate of Completion for the West Iowa Avenue Water Main Project. The certificate should be executed by the Indianola Municipal Utilities after approved acceptance of the project. Please sign both certificates and return one signed copy to our office.

If you have any questions or comments, please contact us at 515-225-8000.

VEENSTRA & KIMM, INC.

Forrest S. Aldrich

FSA:skk
28585
Enclosures
CC: Lou Elbert, Indianola Municipal Utilities w/enclosures
Diana Bowlin, City of Indianola w/enclosures

CERTIFICATE OF COMPLETION

WEST IOWA AVENUE WATER MAIN PROJECT
INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA

We hereby certify that we have made an on-site review of the completed construction of the West Iowa Avenue Water Main Project as performed by Vanderpool Construction, Inc.

As Engineers for the project, it is our opinion the work performed is in substantial accordance with the plans and specifications, and that the final amount of the Contract is One Hundred Ninety-One Thousand Six Hundred Twenty-Four and 86/100 Dollars ($191,624.86).

VEENSTRA & KIMM, INC.

By Forrest Holland

Title Project Manager

Date 12/19/2014

Accepted: INDIANOLA MUNICIPAL UTILITIES

By__________

Title__________

Date__________

28585

Meeting Date: 01/12/2015

Information

Subject

2013 Hwy 92 Transmission Relocation Project - Certificate of Substantial Completion

Information

Staff and P&E Engineering recommend issuing the attached Certificate of Substantial Completion to Michels Power for their contracted work on the 2013 W Hwy 92 Transmission Relocation project. There is a punch list of 7 items detailed in the certificate, none of which are contentious or of concern.

Financial Impact

N/A

Staff Recommendation

Simple motion issuing the Certificate of Substantial Completion, as presented, is in order.

Attachments

Certificate

P & E ENGINEERING CO. POWER SYSTEMS ANALYSIS AND DESIGN
245 S. 5th St., PO Box 620, Carlisle, IA 50047
515-989-3083 FAX 515-989-3138
E-MAIL peengr@peengr.com
Allan R. Powers, P.E. Richard D. Kline, P.E.
Timothy G. Ernst, P.E. Dennis L. Blasberg, P.E.

CERTIFICATE OF SUBSTANTIAL COMPLETION

Date Issued Jan. 2, 2015

Owner Indianola Municipal Utilities

Contractor Michels Power, a Division of Michels Corporation

Project 2013 Hwy 92 Transmission Relocation Project

This Certificate of Substantial Completion applies to all Work under the referenced Contract.

The Work to which this Certificate applies has been inspected by authorized representatives of Owner, Contractor, MidAmerican Energy Co., and Engineer, and that Work is hereby declared to be substantially complete in accordance with the Contract Documents on

Dec. 31, 2014 (Date of Substantial Completion)

A tentative list of items to be completed or corrected follows. This list may not be all-inclusive, and the failure to include an item in it does not alter the responsibility of Contractor to complete all the Work in accordance with the Contract Documents. The items in the tentative list shall be completed or corrected by Contractor within 30 days of the Date of Substantial Completion except as shown below.

1. Deliver one load of crushed rock to Robert Hutt to complete restoration of that property.
2. Provide spread sheet showing additional anchor rods installed in excess of Contract quantities.
3. Provide fabrication drawings for 69 kV manholes.
4. Caulk lifting eyes of 69 kV manholes, to be completed as soon as weather allows.
5. Repair tire tracks on Parcel 28B, along curve north-east of Location 35.
6. Dispose of rock pile at 8746 Hwy 92.
7. Install pole numbers on two MEC poles.

P & E ENGINEERING CO. POWER SYSTEMS ANALYSIS AND DESIGN

245 S. 5th St., PO Box 620, Carlisle, IA 50047
515-989-3083 FAX 515-989-3138
E-MAIL peengr@peengr.com

Allan R. Powers, P.E. Timothy G. Ernst, P.E. Richard D. Kline, P.E. Dennis L. Blasberg, P.E.

This Certificate does not constitute an acceptance of Work not in accordance with the Contract Documents, nor is it a release of Contractor's General Warranty and Guarantee under Paragraph 6.19 of the General Conditions of the Contract, nor the obligation to complete Work in accordance with the Contract Documents.

Issued by P & E Engineering Co. on Jan. 2, 2015 by Allan Powers.
(Printed Name)

Signed ______________________________________

Accepted by MidAmerican Energy Co. on __________ by ____________________.
(Printed Name)

Signed ______________________________________

Accepted by Contractor on ___________ by _________________________.
(Printed Name)

Signed ______________________________________

Accepted by Owner on _________ by _________________________.
(Printed Name)

Signed ______________________________________

IMU Regular Downstairs **7. A.**
Meeting Date: 01/12/2015

Information

Subject

Preliminary Draft

Information

A highly truncated version of an eventual 5-year Capital Improvement Plan (CIP) for the Electric Utility is attached.

The goal for this meeting is for Trustees to gain an understanding of staff's priorities for vehicles, equipment, line replacements, etc. Electric Supt. Bob Miller will expand on deficiencies and needs at the meeting.

Staff had hoped to be able to discuss estimated project costs for underground conversion areas, however there have been significant delays in the availability of IMU's engineer due to the need to close out and re-design work for IDOT-related projects over the past month.

Another factor impacting the development of the CIP is the lack of clarity on wholesale electric rates in the new fiscal year. IMU's wholesale supplier's board is holding an ad-hoc rate committee meeting in two weeks and will likely forward a recommendation to its full board to be voted on the next day.

IMU staff's recommendation is likely to be to set the budget public hearing on January 26, 2015 for February 23, 2015 using highly estimated information on rates and projects. There are not planned new initiatives or staffing, so Trustees won't be authorizing additional levels of discretionary spending when adopting a budget. Amendments in the future, once firm plans are known, are also an option.

Also, notably absent in the CIP are re-estimated amounts for current fiscal year (July - June 2015) projects. Staff met with engineers just late this week to internally audit the W. Hwy 92 / I-35 Transmission project and associated reimbursement requests. Final reimbursement invoices to MidAmerican and IDOT can be prepared once engineers complete their final review.

Another task is to complete a similar internal audit for the W. Hwy 92 Transmission Relocation project now that it is substantially complete.

Last, engineering and administrative work needs completed on both the W. Hwy 92 Distribution Relocation project (see next agenda item) and the supplemental project at W. Hwy 92 & Y Street.

All these unknown (today) net costs need to be firm prior to establishing the amount of funding available for capital improvement items for next fiscal year and beyond, given that the electric utility is operating at relatively minimal operating reserves that are needed to support its A2 bond rating.

However, the state-required budget calendar is quickly progressing, so discussion at this meeting helps make future meetings more productive.

Financial Impact

N/A

Staff Recommendation

Attachments

CIP Electric

5 YR CAPITAL IMPROVEMENT PLAN
ELECTRIC UTILITY

PROJECT	Current 2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
VEHICLES							
Crew Chief Pickup		25,000				25,000	Greg, 3rd Crew Chief
Line Truck		175,000			200,000		Unit #28, #29 Replacement
Digger Derrick			150,000				Unit #30 Replacement
Directional Boring Machine			175,000				
Underground Service Vehicle				100,000			
Dump Truck				30,000			
Vacuum Excavator				50,000			
Skid Steer						60,000	
730-8200-67100	**-**	**200,000**	**325,000**	**180,000**	**200,000**	**85,000**	
TURBINES							
Major Maintenance	86,300	65,000	70,000	75,000	75,000	75,000	Torque Converter
Turbine Painting		50,000					
Turbine Clutch Replacement			200,000				
East Iowa Switchgear Replacement				375,000	375,000		Need to Check w/ Al
Turbine Controls Update				150,000	150,000		
730-8200-67245	**86,300**	**115,000**	**270,000**	**600,000**	**600,000**	**75,000**	
CUSTOMER PAID BORING							
New Service Installation							
730-8200-67303	**35,000**	**35,000**	**35,000**	**35,000**	**35,000**	**35,000**	
CUSTOMER PAID MATERIALS							
New Service Installation, Streetlights							
730-8200-67304	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	
TRANSMISSION FACILITIES							
69kV Line Major Maintenance	15,000	60,000	75,000	75,000	75,000	75,000	Pole Replacement
730-8200-67305	**15,000**	**60,000**	**75,000**	**75,000**	**75,000**	**75,000**	
PROJECT 700							
Private Service Upgrades							
730-8200-67307	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**	**30,000**	
LINE CONSTRUCTION							
Major Streetlight Replacement	79,000						Square Lighting
Major Line Replacement	75,000	60,000	60,000	60,000	60,000	60,000	
730-8200-67313, 11	**154,000**	**60,000**	**60,000**	**60,000**	**60,000**	**60,000**	
FIBER LINE CONSTRUCTION							
New Trunk Lines	100,000	100,000	100,000	100,000	100,000	100,000	New Projects
Service Drops & ONT's	125,000	125,000	125,000	125,000	125,000	125,000	New Customers
730-8200-67601, 03, 04	**225,000**	**225,000**	**225,000**	**225,000**	**225,000**	**225,000**	

5 YR CAPITAL IMPROVEMENT PLAN
ELECTRIC UTILITY

PROJECT	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
BUILDING MAINTENANCE							
Major Building Maint.	35,000	35,000	35,000	35,000	35,000	35,000	Lineshop Overhead Doors, Exhau
730-8200-67900	**35,000**	**35,000**	**35,000**	**35,000**	**35,000**	**35,000**	
COMPUTER SOFTWARE							
Network Upgrades							
	-	**100,000**	**-**	**-**	**-**	**-**	SCADA Upgrade
RADIO READ METERS							
Meter Replacement							
730-8200-67904	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	
ANNUAL ELECTRIC SUB TOTALS	**$ 663,300**	**$ 943,000**	**$ 1,138,000**	**$ 1,323,000**	**$ 1,343,000**	**$ 730,000**	

Electric Department Capital Improvement Plan

Vehicles:

Year 2015-16

- Replace Unit # 33 Crew Chief Pickup: Unit is used by Crew Chiefs to carry materials and pull equipment to work sites. Unit is a 2004 Chevy, and would likely be passed on to Network Services Department to replace a 1998 pickup in need of replacement.

- Replace Unit # 28 Line Truck: Unit is used extensively for manned aerial and underground line maintenance. Current unit is now 15years old (1999). Unit should be replaced due to potential failure of the unit while in operation. Although IMU maintains these units properly, the potential for structural failure increases with age. Possibly consider a 10-12 year replacement program.

Year 2016-17

- Replace Unit # 30 Digger Derrick: Unit is used extensively in aerial and underground maintenance operations. These trucks are the "workhorses" of the fleet, lifting very heavy equipment and materials. Unit is a 1997 and is subject to failure due to age.

- Purchase Directional Horizontal Drilling Machine: This piece of equipment is used to install underground facilities while minimizing the impact on finished landscaping. Also used to install underground facilities under roadways and drives. Purchase of this equipment allows IMU crews to replace or repair aging or failed cabling and to install "mini conversion" projects in house.

Year 2017-18

- Purchase Underground Service Vehicle: Unit would replace the spare Line Truck as more of the system is placed underground. Unit would carry much of the tools and equipment needed for underground maintenance and repair.

- Replace Unit # 24 Dump truck: Unit is a 1997 and used extensively by line crews in the repair and maintenance of the system.

- Replace Vacuum Excavator: Unit is used to locate and expose buried facilities without damage. Current unit will be 8-9 yrs old at time of replacement.

Year 2018-19

- Replace Unit #29 Line Truck: Unit is used extensively for manned aerial and underground line maintenance. Current unit is now 11years old, purchased in 2004.

Year 2019-20

- Replace Unit # 11 Crew Chief Pickup: Unit is used by Crew Chiefs to carry materials and pull equipment to work sites.

- Replace Terex PT-80 Skid-Steer: Unit is used for dirt/rock material handling, snow removal, forklift operations and grading.

Turbines:

Major Maintenance:
These funds are allotted for the unscheduled repair or replacement of major components or structures.

Turbine Painting:
Both Turbine units need to be re-painted and would match the earth tone color of the fuel tanks.

East Iowa Switchgear Replacement:
These breakers, or commonly referred to as switchgear, are the devices that control the major 13,200 volt feeders distributing from East Iowa Substation throughout town. East Iowa 1 substation breakers have been in-service since 1977. Replacement will need to be done "Per Sub".

Turbine Controls:

- Unit # 7 controls are of a 1976 vintage, and are obsolete, IMU has some spare parts, but replacement or repair has become an issue. (if you think about it, these controls and circuitry are the same type used on the Apollo missions)

- Unit #8 Controls are also obsolete, although they are not as old as unit # 7s They are however, still DOS based.

Other:

Customer Paid Boring:
For contracted boring during new service installation. Contractors responsible for the development of these areas are billed for these expenses and revenue is collected.

Customer Paid Materials:
For material purchased by IMU for new service installation. Contractors responsible for the development of these areas are billed for these expenses and revenue is collected.

Transmission Facilities:
For 69KV major maintenance or to replace aging transmission infrastructure on the IMU owned pole line stretching from East Iowa Substation to Patterson Iowa.

Project 700:
For IMU assistance to place non-compliant overhead customer services underground, in accordance with the electric service plan.

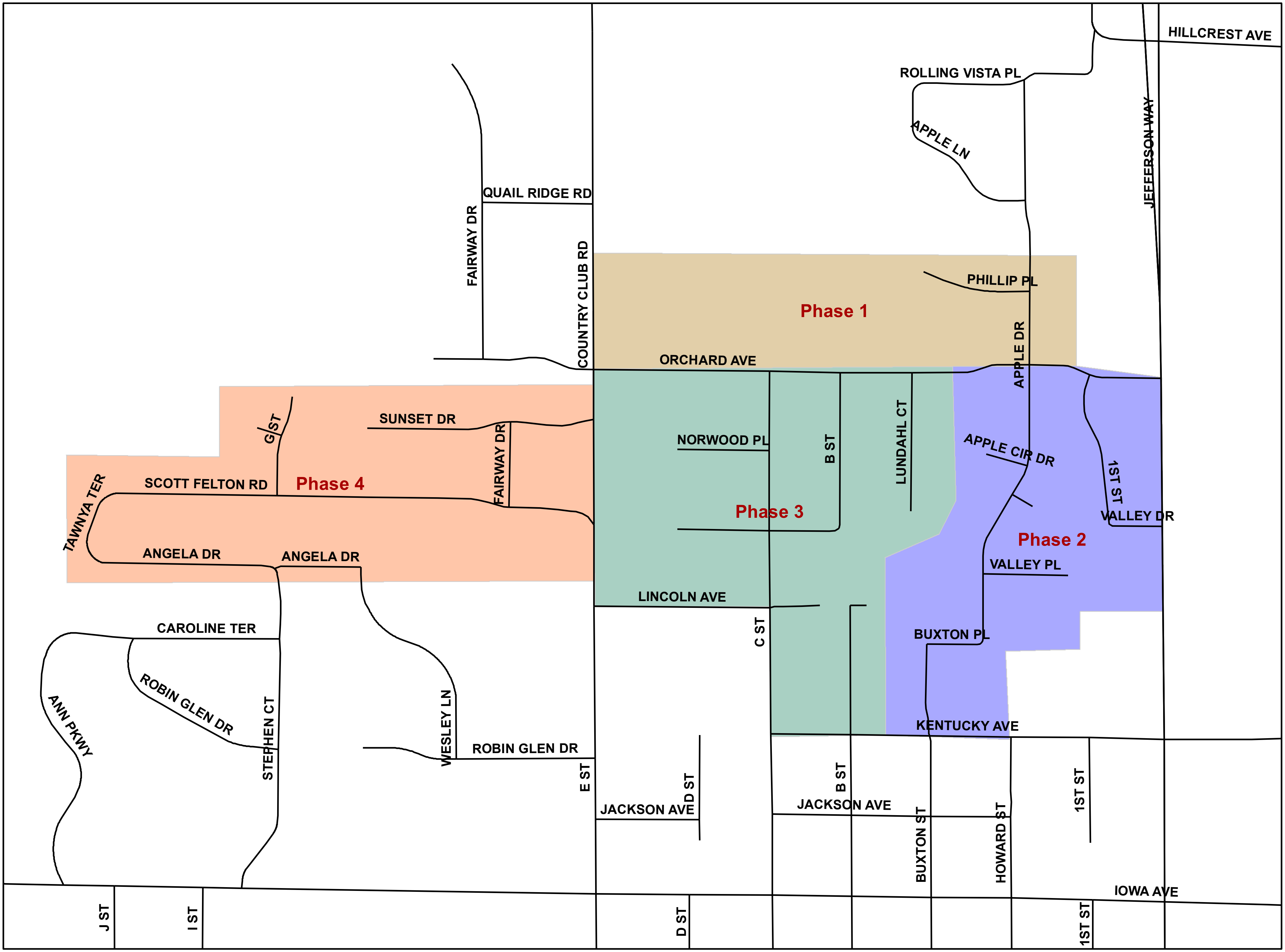
Line Construction:
Unscheduled major repair or replacement of lines or facilities, as determined by IMU or IUB (Iowa Utility Board) inspection.

Fiber Line Construction:
Used for the extension of fiber facilities.

Building Maintenance:
Used for the unscheduled repair and maintenance of IMU owned buildings.

Computer Software:
Replacement of the Electric Department SCADA (electronic Supervisory Control and Data Acquisition) C-3ilex equipment and related software purchased in 1997. Although a very robust system, it is now no longer supported.

Radio Read Meters:
Continuing to replace older outdated meters with new electronic meters capable of being read via radio link.



Electric Priority Conversion Areas

IMU Regular Downstairs **7. B.**

Meeting Date: 01/12/2015

Information

Subject

Update on the W Hwy 92 Distribution Relocation Project

Information

As background, this IDOT-initiated relocation project has been significantly delayed due to persistent roadway re-designs by IDOT. Engineers have been in discussions with Watts (the contractor that was awarded the bid in 2013) and IDOT for over two months to re-engineer the project at an acceptable cost that will be incurred via a negotiated change order.

The latest estimate is $50,000 for changes to the scope of work and $180,000 for redesigning the line from the south side of the highway to the north side of the highway. This was unexpected by IMU due to that there isn't a significant difference in the amount of work involved. Engineers and staff met Thursday and are inclined to re-propose that the original design on the south side of the highway is suitable given that IDOT has removed design barriers that had previously required the proposed change. The amount of the change order would legally require rebidding the project. A response from Watts and more information should be available on this by Monday's meeting.

The supplemental electric feeder relocation scope of work at Y Street (needed due to the IDOT redesign that lowered the roadway significantly) has been designed and bid. Bids are due on the estimated $125,000 project for consideration at the January 26, 2015 Trustee meeting. There has not yet been conversations on the percentage to be reimbursed by IDOT between engineers, staff, and IDOT representatives on this project.

Once awarded, the plan is to approach the low-bid contractor with a scope of work for relocating the water main at this intersection as a change order. Veenstra & Kimm (water utility engineers) are now in contact with P&E Engineering (electric utility engineers) and reviewing how the two relocation projects can be completed. If the contractor does not submit a reasonable cost estimate for the change order, staff is confident that another boring contractor can perform the work at a reasonable cost given that a similar relocation project was recently completed for the N. Hwy 65/69 paving relocation project. The compact schedule required proceeding in this manner.

The plan is to approach IDOT at one time with the revised cost for the W. Hwy 92 Distribution project and the estimated cost of the Y Street project(s) in order to renegotiate the reimbursement agreement. IDOT reasonably relies on a set of known criteria that leads both staff and engineers to believe that an affordable arrangement can be reached. In the end, however, the IDOT has the ability to order the relocation, regardless of the acceptability of reimbursements to IMU.

Financial Impact

N/A

Staff Recommendation