INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Communications • Water

IMU Board of Trustees
June 15, 2015
Conference Room, Activity Center
2204 W 2nd Ave.
5:30 p.m.

Agenda

1. Roll Call
2. Consent
   A. Claims
   B. Minutes
3. Reports
   A. General Manager
   B. Chairperson
4. FY 2016 Salary Resolution
5. Strategic Plan Implementation Work Session
6. Other Business
7. Adjourn

IMU Regular Upstairs **2. A.**
Meeting Date: 06/15/2015

Information

Subject

Claims

Information

The June 1, 2015 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Upstairs **2. B.**

Meeting Date: 06/15/2015

Information

Subject

Minutes

Information

Minutes of the May 26, 2015 Trustee meeting are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – MAY 26, 2015

The Board of Trustees met in regular session at 5:30 p.m. on May 26, 2015 in the City Hall Council Chambers. Chairperson Pat Reding called the meeting to order and on roll call the following members were present: Heather Hulen, Jim McClymond (via phone), Pat Reding and Deb White. Absent: Grant Johnson.

The consent agenda consisting of the following was approved on a motion by White and seconded by Hulen subject to exempting Mike Metcalf from Item C – Salaries - on the agenda. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

May 18, 2015 claims

May 11, 2015 minutes

Salaries – Greg Brangers, temporary compensation of $67,103/year effective June 5, 2015 – June 27, 2015 and $68,950/year effective June 28, 2015 – this compensation rate supersede those in the FY 2016 salary resolution, until such time as responsibilities and duties provide for the reversion of compensation to that in the resolution

Strike the May 26, 2015 public hearing for the Cost of Power Adjustment policy from the agenda

Mike Metcalf presented the quarterly safety report.

A motion was made by Hulen and seconded by White to approve the April 2015 Treasurer's Report and budget variance reports. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

The Board and General Manager discussed the water loan repayment to the electric department and the fiber service/communications.

The Board discussed the FY 2016 Salary Resolution. It was the consensus of the Board to table this item until the June 15, 2015 meeting and authorize Todd Kielkopf, General Manager, to submit a revised Salary Resolution for consideration with a percentage rate increase for the IMU Board of Trustee non-union employees equal to the percentage rate increase the City Council adopts for its non-union employees.

It was moved by McClymond and seconded by Hulen to administratively reduce and set the cost of power adjustment for bills dated July 1, 2015 – September 1, 2015 at $.0054/kWh. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Meting adjourned on a motion by White and seconded by Hulen.

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Pat Reding, Chair Diana Bowlin, City Clerk

IMU Regular Upstairs **3. A.**
Meeting Date: 06/15/2015

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: June 12, 2015

1. **Pole Removal:** To-date on recent conversion projects east of Hwy 65/69, IMU crews removed 195 poles. There are still 288 to be removed. Crew progress is primarily dependent on Mediacom relocating their facilities underground. A secondary factor is crew availability, as there have been unexpected absences and substantial time spent locating facilities for the W Hwy 92 roadway construction. Therefore the pace will be modest this summer until those conditions all abate.

2. **Transmission Rate of Return:** MISO staff filed a response to the Midwest Municipal Transmission Group's (MMTG) FERC filing pertaining to the transmission system rate of return adder. MISO contends that the adder cannot be granted to entities such as IMU for technical tariff reasons, not on policy-level issues. As of now, FERC has the option to review both the MMTG and MISO filings and rule. MMTG's attorneys are also discussing options for a settlement that would avoid a negative precedent-setting ruling.

3. **Electric Supt. Posting:** Ads were placed as scheduled. Responses are due back mid-July.

4. **W Hwy 92 Project:** Work has progressed to the point that IMU's contractor, Watts, will start pulling cable into the new conduit next week.

5. **Generator Status:** Crews are working on one of the downtown units this week. Additional maintenance is scheduled at the turbines, weather permitting. The annual output accreditation test, called the URGE test, is now scheduled for the first week in August. This is later than normal, however NMPP Energy staff was able to accommodate IMU's staffing schedule this year.

IMU Regular Upstairs **4.**
Meeting Date: 06/15/2015

Information

Subject

FY 2016 Salary Resolution

Information

The proposed Salary Resolution for the first half of FY 2016 is attached.

As per discussion at the last Trustee meeting, administrative personnel with wages tied to the CE scale increase 1.25%, with another planned adjustment mid-year as per the timetable of the City of Indianola.

Those tied to the IMU union contract, or the R scale, increase 2.75% as per the contract negotiated last year. This is the second year of that two-year contract, with negotiations on the next contract expected to begin this fall.

Financial Impact

N/A

Staff Recommendation

Simple motion approving the FY 2016 Salary Resolution as presented is in order.

Attachments

Resolution

A RESOLUTION SETTING THE SALARIES FOR APPOINTED OFFICERS AND EMPLOYEES OF THE INDIANOLA MUNICIPAL UTILITIES FOR THE PERIOD BEGINNING JUNE 28, 2015

Section 1. The following persons and positions named shall be paid the salaries or wages indicated, and the Finance Director is authorized to issue warrants, less legally required or authorized deductions from the amounts set out below, on a biweekly basis, and make such contributions to I.P.E.R.S. and Social Security or other purposes as required by law or authorization of the Trustees, all subject to audit and review by the Board of Trustees:

EMP #	NAME	RANGE	CURRENT ANNUAL	PROPOSED ANNUAL	LONGEVITY	*HOURLY	ICMA
929	Pat Reding		$1,000	$1,000			
942	Deb White		$1,000	$1,000			
938	Grant Johnson		$1,000	$1,000			
941	Heather Hulen		$1,000	$1,000			
	Jim McClymond		$1,000	$1,000			
38	Todd Kielkopf		$117,000	$117,000		$56.250	$3,100
439	Lou Elbert	CE 11 - 9	$82,007	$83,032		$39.919	$2,100
373	Mike Metcalf	CE 11 - 7	$77,976	$78,951		$37.957	$2,100
47	Chris Longer	CE 9 - 7	$64,583	$65,390		$31.438	$2,100
420	Michelle Klootwyk	CE 6 - 1	$41,523	$42,042	$300	$20.357	$900
103	Mike Metz	R 24 - 5	$57,029	$58,597	$300	$28.316	$900
388	Rodney Goodrich	R 27 - 6+	$63,554	$65,287	$400	$31.580	$900
477	Ben Hildreth	R 26 - 2	$58,138	$58,138	$300	$28.095	$900
391	Tim Hommer	R 27 - 6+	$63,554	$65,287	$400	$31.580	$900
393	Randy Eaton	R 26 - 6	$57,483	$59,064	$400	$28.588	$900
377	Eric Lane	R 19 - 4	$43,843	$45,049	$0	$21.658	$900
370	Jason Henle	R 27 - 6+	$63,554	$65,287	$350	$31.556	$900
364	John Kmet (Part Time)	R 19 - 4	$27,401	$28,155	$0.15	$21.808	
369	Dan Llewellyn	R 26 - 6	$57,483	$59,064	$250	$28.516	$900
381	Nathan Edwards	R 25 - 5	$59,446	$61,081	$350	$29.534	$900
446	Greg Brangers	R 27 - 6+	$63,554	$65,287	$400	$31.580	$900
375	Stephen Clingman	R 26 - 2	$47,293	$48,594	$250	$23.483	$900
374	Tyler Offenburger	R 26 - 6	$57,483	$59,064	$250	$28.516	$900
709	Jeremy Cross	R 19 - 4	$45,408	$45,408	$0	$21.831	$900
89	Brian Hommer	R 24 - 5	$57,029	$58,597	$400	$28.364	$900
366	Rodney Powers	R 24 - 5	$57,029	$58,597	$300	$28.316	$900
70	Garry Cunningham	R 21 - 2	$44,643	$45,871	$300	$22.198	$900
458	Justin Brand	R 21 - 3	$46,430	$47,707	$0	$22.936	$900
453	Greg Dittmer	R 24 - 5	$57,029	$58,597	$300	$28.316	$900

*Includes Longevity

Section 2. Employees will also receive the following benefits:

1. Continuation of the Wellness Program
2. Continuation of the Employee Assistance Program

Section 3. IMU agrees to provide to all permanent full-time union employees longevity pay. The salary table shown represents the annual pay that employees shall receive for continuous years of service.

YEARS	ANNUAL PAY
0-4	$0
5-9	$250
10-14	$300
15-19	$350
20+	$400

Sectio Short Term Disability - Weekly benefit to $450.

Sectio IMU will pay 96% of the premium for single health/drug insurance coverage and 91% of the difference between the premium for single health/drug and the premium for family health/drug insurance each year of the agreement.

Information

Subject

Strategic Plan Implementation Work Session

Information

The topic for this month's work session is to discuss items related to telecommunications. A map is attached showing where service is currently available.

Most Trustees have not met with staff from MCG, IMU's retail service partner or received basic information about the relationship. So establishing that base is a primary goal of the discussion.

As per request, MCG has provided information (see attached) on calendar year premises able to receive service and those doing so. They have also provided outlines on past and future marketing efforts to attract new customers. The business model is set up in such a way that incremental expansion benefits both IMU and MCG. A role for the fledging IMU Partners program is to promote the value of the network while MCG promotes the value of their services on that network.

IMU staff has also prepared information. Attachments include a flow chart of how MCG license fees, plus those paid by public entities for fiber between locations within the community, are reinvested into the system.

There are two types of fees collected, MCG license fees and fees paid by public entities (city, utilities, school, county, etc.).

A conscious decision was made to only charge these public entities the marginal cost to own the fiber they use, so it is much less than a commercial rate that would be based on total cost of ownership. If they were charged the stand-alone cost of $70 per strand mile, their costs would increase $126,000 per year and those funds would adequately support expanding the system.

This is similar to the decision to only charge residential customers the minimum fees necessary to support the system, thereby splitting the benefits with them since they save an average of $20-30 per month compared to competitors' options. If more were charged to customers vs. realized as savings to them, then more funding would be available.

So the value proposition includes both fees currently charged, what could be charged and remain highly competitive in the market (but instead reside with the customer), and the residual value. The residual value is future cash flows, conduit, and homeowner value gained by having access to the service. Industry studies indicate $1,000 - $2,000 higher home values over time compared to not having access to fiber.

As per the chart, both MCG and dark fiber fees first flow into the IMU Communications Utility. There are three distinct uses of funds:

1. Direct operations & maintenance. In the future, this can include using customers' connections to read meters, connect & disconnect service, and for load control at no additional cost for connecting to the premise. Currently, these expenses are being paid via fund balances that were derived from fees collected under prior contractual arrangements. By FY 2017, they will be paid from current

year fees collected.

2. Administrative allocation. The utility covers administrative costs formerly paid by the Electric & Water utilities. As stated at the last board meeting, administrative costs have not risen substantially as this utility has evolved.
3. Facility use formula. This returns capital to the system and is reinvested into serving new customers. The formula is based on attaining a positive net present value at a 3.5% cost of capital over 16 years. This is reasonable given that there is a rising residual value gained in addition to increases in cash flow.

There are three main Electric Utility capital expenditure categories where facility use fees, derived from the IMU Communications Utility, are expended. These are:

1. Connecting new residential customers to the existing system as they request service. Each typically has a 3-year payback from the marginal outlay.
2. Connecting commercial customers to the existing system. Typically this requires small system extensions (i.e. a block or two) and staff tries to recruit more than one location to take service prior to construction. Again, these have 3-5 year paybacks in general.
3. Extending the system and install new neighborhood cabinets to serve large groups of customers. A map (see attached) of potential service areas, where $50,000 - $100,000 (each) in new construction could be effective, is included.

Large-scale construction requires issuing debt in the future. Facility use payments would then be used to directly repay that debt over time. The most efficient construction occurs when replacing electric lines. But that is not the only way to expand the network.

One of the primary question is under what conditions will IMU commit to a debt-funded plan?

There are other business models, such as involving a 3rd party or forming a cooperative, to building out the network so all residents benefit. IMU can still administer it and spread its overhead costs. The public may not benefit over the next 50 years to the same degree, but the telecom customer base can. Both IMU and MCG staff are seeking direction on this topic, starting with this discussion.

The perceived need for a fiber-based system with virtually unlimited capacity is inherently tied to one's anticipation of the evolution of technology. The newest televisions today rely on a "4k standard", which is ultra hi-definition and may indeed be the first widespread application that requires a gigabit connection. What will evolve over the life of the conduit and fiber, and how consumers and business will place value on its availability in Indianola, is indeed open to debate.

The intention is initiate discussion at this meeting, with input from existing customers, potential customers, and other stakeholders at upcoming meetings and in strategic planning efforts.

Financial Impact

N/A

Staff Recommendation

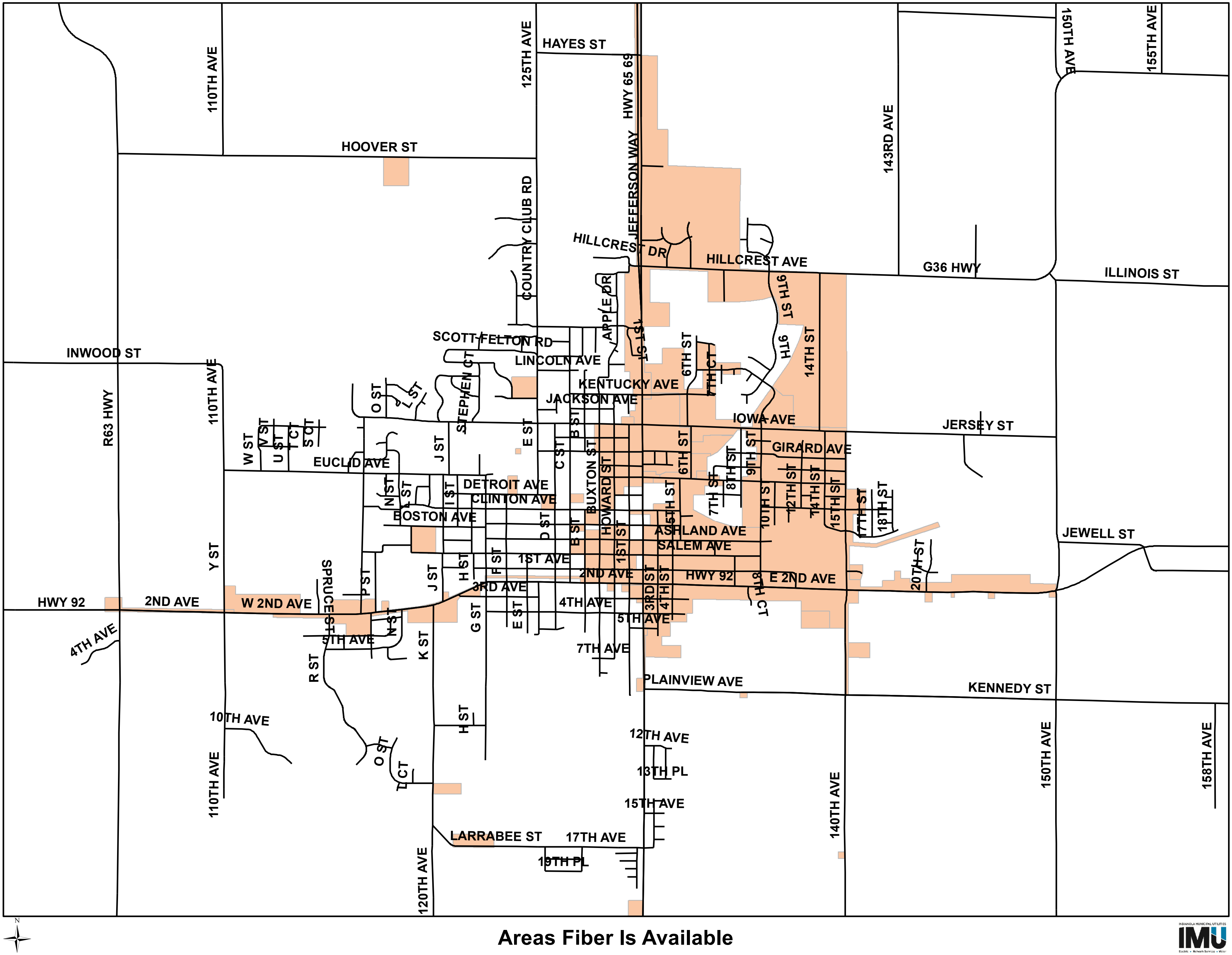
Attachments

Fiber Network Map

MCG information

IMU Flowchart

Extension Map



Areas Fiber Is Available

Take Rate - Indianola

6/10/2015 fh

Original Customers 90 Businesses

Customer Take Rate Past 3 Yrs

	YE 2012	YE 2013	YE 2014	5/31/2015
Business	94	109	109	103
Residential	38	144	269	296
Totals	132	253	378	399
Yr to Yr Residential Increase		279%	87%	10%

Current Take Rate in New Areas

	SE	N Howard	Totals
Premises Passed	1612	108	1720
Customers	296	14	310
Take Rate	18%	13%	18%

To Note: Apartments 505

29% of total residential customers

Oskaloosa Comparison

Started build in 2003 in limited areas, completed majority end of 2005

	2004	2005	2006	2007
Premises Passed	3200	5500	5570	5872
Customers Passed	500	1565	2669	3073
Take Rate	16%	28%	48%	52%
Yr to Yr Increase		213%	71%	15%

Marketing in Indianola - Past Year

Best Kept Secret campaign – May, June, and July 2014
- Letter sent, then 2 post cards 2 weeks & 4 weeks after letter
- Repeated the above steps 2 more times
- Mailed to current service area non-customers at the time – 1179 homes

Refer a Friend Program (MCG for you & Me) – July, August & September 2014
- Developed a refer a friend program to market to our existing customers
- Mailed them a letter and 2 postcards to make them aware of the program
- Made the program available on our website

Build my Neighborhood campaign/program – August & September 2014
- Developed a website landing page for people to go to in order to let us know they are interested in having service/plotted on map.
- Used print ads, postcards and other mediums to get the word out to customers
- Put it on the Indianola page of our website; receive traffic often to this day

You Deserve the Best Campaign – November, December, and January 2015
- Developed campaign originally for the North Howard addition
- After we mailed it to the new service area, we mailed to all our service area.
- Followed the same letter, postcard, postcard schedule for this campaign.
- During this campaign, we decided to announce that Gig would be available in January.

Gig is Coming – marketing and PR – January, February, March 2015
- Updated website with Gig materials
- Print ads for Gig announcement
- Press release for papers
- Press release for chamber newsletter
- Door to door information to all homes in our service area – to announce Gig and offer service to non-customers.

Various other more community wide marketing
- Chamber ads/sponsorship
- Sponsorship of the Chamber Golf Tournament
- Balloon festival
- Indianola Holiday Parade participant
- Indianola High School Homecoming Parade participant
- MCG signage in new customer's yards
- Signage on vehicles

Business sales activity – Eddie and Steve

Marketing in Indianola the remainder of 2015

You are in the Top 5% campaign – May, June, and July 2015

- Letter will be sent, then 2 post cards 2 weeks & 4 weeks after letter
- Repeat the above steps 2 more times
- Mail to current service area non-customers at the time – 1179 homes

Refer a Friend Program (MCG for you & Me) – Repeat messaging

- Repeat the refer a friend program to our existing customers
- Mail them a letter and 2 postcards to make them aware of the program
- Insert message each of the remaining quarters in 2015.

Build my Neighborhood campaign/program – Sunset Knolls Additions/Prairie Rose

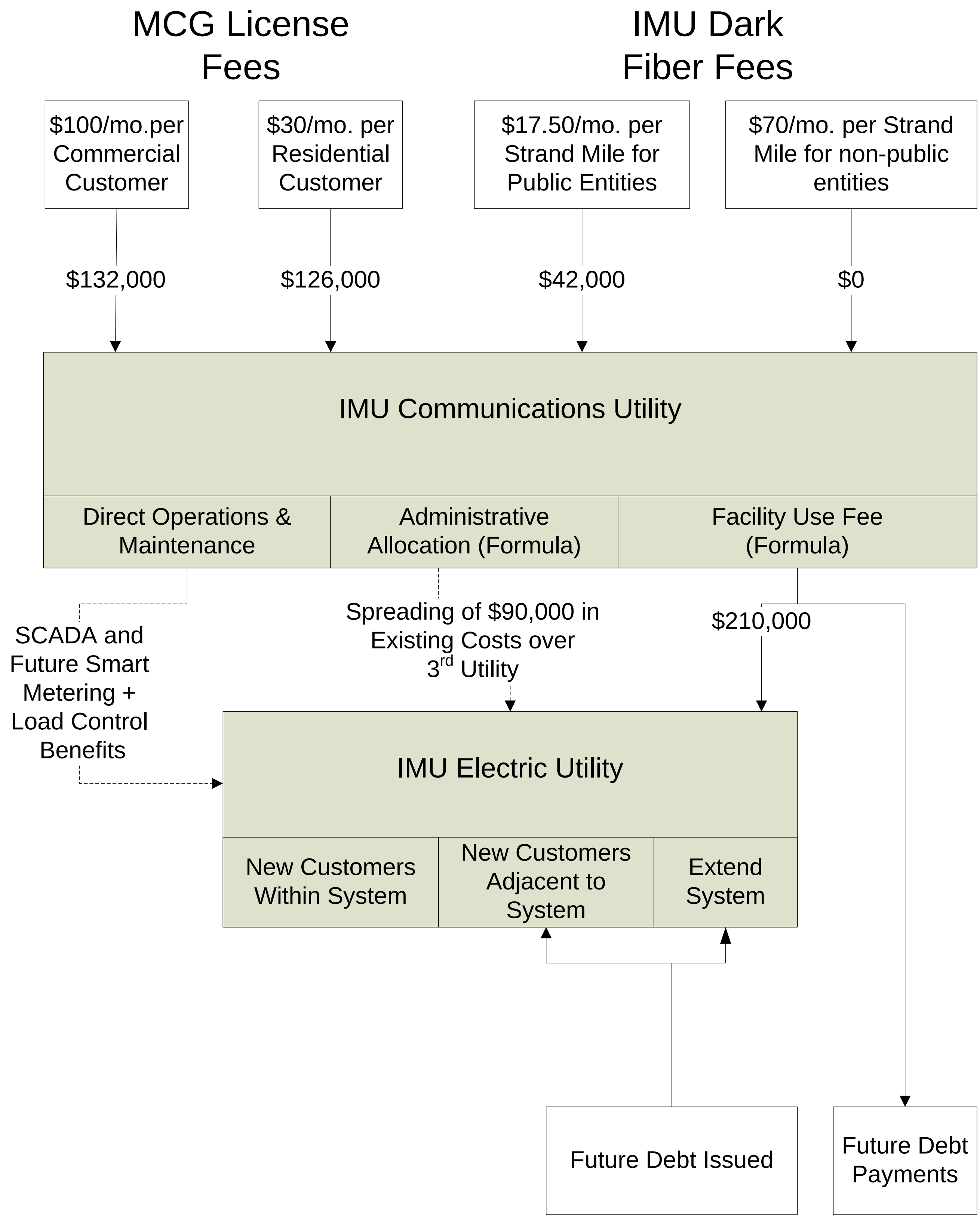
- Develop a door hanger introducing MCG benefits with Gigabit educational piece. Point those interested to a website as we did with North Howard.
- Plotted address's on a map for visual
- Put it on the Indianola page of our website

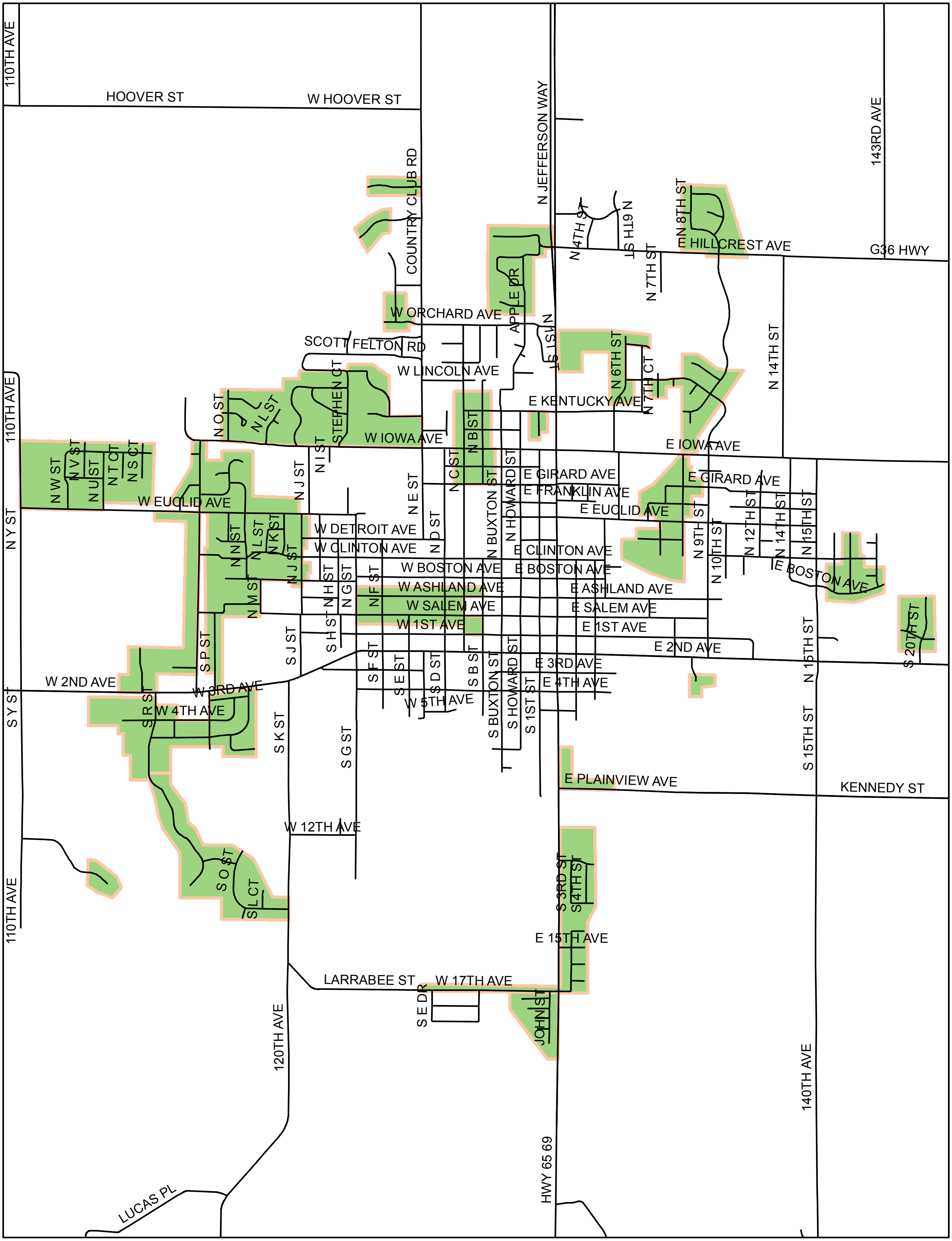
Customers LOVE MCG Campaign –2015

- Developed campaign targeted at current service area non-customers
- Letter will be sent, then 2 post cards 2 weeks & 4 weeks after letter
- Repeat the above steps 2 more times
- Mail to current service area non-customers at the time – 1179 homes
- Potentially insert ad in community wide shopper.

Various other more community wide marketing

- Balloon festival
- Meeting with realtors on July 16th to introduce referral program
- Developing a brochure to place in leasing offices and at the chamber
- Survey non-customers in our existing service area to understand why they haven't switched to MCG.


MCG License Fees
IMU Dark Fiber Fees
$100/mo.per Commercial Customer
$30/mo. per Residential Customer
$17.50/mo. per Strand Mile for Public Entities
$70/mo. per Strand Mile for non-public entities
$132,000
$126,000
$42,000
$0
IMU Communications Utility
Direct Operations & Maintenance
Administrative Allocation (Formula)
Facility Use Fee (Formula)
SCADA and Future Smart Metering + Load Control Benefits
Spreading of $90,000 in Existing Costs over 3rd Utility
$210,000
IMU Electric Utility
New Customers Within System
New Customers Adjacent to System
Extend System
Future Debt Issued
Future Debt Payments



Fiber Extension Projects