



**IMU Board of Trustees
May 11, 2015
Conference Room City Hall
5:30 p.m.**

Agenda

1. Roll Call
2. Consent
 - A. Claims
 - B. Minutes
 - C. Set May 26, 2015 as the date of a Public Hearing on an amended Cost of Power Adjustment (COPA) Policy Effective October 1, 2015
3. Reports
 - A. General Manager
 - B. Chairperson
4. Strategic Plan Implementation Work Session
5. Other Business
6. Adjourn

Meeting Date: 05/11/2015

Information

Subject

Claims

Information

The May 4, 2015 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Upstairs

2. B.

Meeting Date: 05/11/2015

Information

Subject

Minutes

Information

Minutes of the April 27, 2015 meeting are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – APRIL 27, 2015

The Board of Trustees met in regular session at 5:30 p.m. on April 27, 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, Grant Johnson, Pat Reding and Deb White. Absent: Jim McClymond.

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

April 20, 2015 claims

April 13, 2015 minutes

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

It was moved by White and seconded by Johnson to cancel the June 8, 2015 IMU Board of Trustee Meeting. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Johnson moved to approved Shull and Company for the FY 2015-2015 auditing of IMU's financial statements. White seconded the motion. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A public hearing was held for the FY 2015 budget amendment. There were no objections either oral or written. Board member White introduced the following resolution entitled, "RESOLUTION ADOPTING THE AMENDMENT TO FISCAL YEAR ENDING JUNE 30, 2015 BUDGET." Board member Hulen seconded the motion to adopt. On roll call the vote was, AYES: Hulen, Reding, Johnson and White. NAYS: None. ABSENT: McClymond. Whereupon the Chair declared the motion carried unanimously and the following resolution duly adopted.

RESOLUTION ADOPTING THE AMENDMENT TO FISCAL YEAR ENDING
JUNE 30, 2015 BUDGET

(The complete resolution may be viewed at the City Clerk's Office)

A motion was made by Johnson and seconded by Hulen to approve a June 1, 2015 prepayment of the electric utility Loan to the Water Utility in an amount of \$320,000. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

It was moved by Hulen and seconded by White to approve releasing a Request for Proposal for a Cost of Service and Rate Study. The study will be completed after the summer season and prior to the FY 2017 budget process. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Board member Johnson moved and White seconded to approve amending the cost of energy policy and authorize the maximum increase in the quarterly cost of energy adjustment of \$.0030/kWh. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

The certificate of substantial completion to Dig America for the 2015 West Hwy 92 and "Y" Street Intersection Relocation Project was approved on a motion by White and seconded by Johnson. Question was called

for and on voice vote the Chairperson declared the motion carried unanimously.

General Manager Todd Kielkopf reported on the following potential deductions for the 2015 Vehicle Storage Building Project:

- Change from a metal frame to a wood frame
- Eliminate one 12' bay
- Eliminate decorative trim
- Lighting & plumbing changes

A motion was made by Johnson and seconded by Hulen to reject all of the bids and abandon the project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

White moved and Johnson seconded to authorize Veenstra and Kimm to redesign the plans and specifications for the 2015 Vehicle Storage Building Project by June 22, 2015 with bids received at the July 27, 2015 Trustee meeting. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

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

Pat Reding, Chair

Diana Bowlin, City Clerk

Information

Subject

Set May 26, 2015 as the date of a Public Hearing

Information

Now that Trustees have provided guidance as to the ability to recover deferred wholesale costs in FY 2016 and study plans for beyond then, staff has been working to formulate a general plan for upcoming months until the rate study is completed.

This week, staff analyzed Gross Margin (Sales minus cost of wholesale energy & transmission), debt coverage update, and other financial data that now includes April and early May data. Rough calculations appear to be on pace with re-estimates in total. IMU has also received sentiment by Trustees and others that customers will need time to adjust to an increasing cost of power adjustment track.

The General Manager's recommendation is for Trustees to set May 26, 2015 as the date for a public hearing to again consider amending the cost of power adjustment policy to delay the effective date for bills issued October 1.

Therefore, the adjustment would rise from \$.0039/kWh today to \$.0054 in July and then \$.0084 in October given projected costs. It would likely continue to rise at a slower pace in 2016 before stabilizing.

This is more preferable, in staff's opinion, than crediting the base or "bank balance" used to calculate the adjustment (Trustees' other option within the policy) using FY 2015 ending fund balances. That method would spread those funds over 12 months instead of helping with the speed of ascent.

A yes vote for the public hearing simply provides for a public forum on the topic on May 26.

A yes vote on May 26 on the amended policy to be considered with an October 1 effective date would slow the ascent in 2015. A no vote would implement this adjustment automatically since deferred costs are at or exceeding the capped amount. Trustees could then decide sometime after the end of the fiscal year to credit the "bank balance".

Fund balances can be managed by delaying new vehicle/truck purchases and the SCADA system upgrade until after the rate study and budget re-estimate are complete in early 2016. Replacing deteriorated transmission poles and distribution lines, along with other necessary maintenance items, would proceed. Should unexpected maintenance needs necessitate, the existing rate resolution does contain a major maintenance adjustment clause similar to the cost of power adjustment that should protect the risk of meeting rate covenants.

There is some additional risk to this approach to the level of future rates, in terms of meeting fund balance targets and capital project needs, in the second half of the upcoming fiscal year. However it seems preferable to error on the side of temporarily lower fund balances than higher as we move through the next fiscal year's energy adjustment trend.

As for the procedure, a public hearing provides the most openness in a timely manner. The amended policy would also then be published in the paper. Staff will implement a comprehensive community engagement plan to describe the medium-term financial and rate outlook, which will include bill stuffers,

web site, I-Magazine articles, in-person meetings and other distribution methods as available.

Staff is preparing an overview of this direction for public release. Trustees will receive it prior to this board meeting for review so it can be released the following day.

Financial Impact

N/A

Staff Recommendation

Attachments

PH notice

NOTICE OF PUBLIC HEARING

TO: ALL CITIZENS AND PARTIES IN INTEREST WHO MAY BE ENTITLED TO NOTICE OF THE INDIANOLA MUNICIPAL UTILITY BOARD OF TRUSTEES' INTENT TO HOLD A PUBLIC HEARING ON AN AMENDED COST OF ENERGY ADJUSTMENT POLICY

YOU ARE HEREBY NOTIFIED that the Indianola Municipal Utility's Board of Trustees is considering its Cost of Energy Adjustment Policy.

YOU ARE FURTHER NOTIFIED that the Board intends to hold a hearing on an amended version of the Cost of Energy Adjustment Policy that sets a the maximum automatic quarterly increase in the cost of energy adjustment, unless otherwise authorized by Trustees, of \$.0030/kWh effective with bills to be issued October 1, 2015.

YOU ARE FURTHER NOTIFIED that this matter has been set for hearing and consideration on May 26, 2015, at 5:30 P.M., in the Council Chambers of the Municipal Building in Indianola, Iowa.

YOU ARE FURTHER NOTIFIED at the time and place aforesaid all persons will have opportunity to be heard for or against said policy.

This Notice is published by order of Indianola Municipal Utility's Board of Trustees.

DATED this 11th day of May, 2015.

DIANA BOWLIN, City Clerk

IMU Regular Upstairs

3. A.

Meeting Date: 05/11/2015

Information

Subject

Administrative News Items

Information

Noteworthy items for the week are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

News Items

NEWS ITEMS

TO: IMU Trustees
FROM: IMU Administrative Staff
DATE: May 8, 2015

- 1. Wreck-out/Buxton:** Wires are now off the pole line from Buxton Park northward on Buxton to Iowa Ave. This highly visible feeder route was placed underground during the Hwy 65/69 project. There had been continual tree branch risk on the route and the new switchgear at the park is now directly tied into the larger, looped 13.2kV system. The direct route has fewer points of failure to the switchgear, which serves the northern part of Simpson's campus. It is a win-win for the neighborhood (streetscape beautification), college (customer reliability), and utility (area outage and line loss avoidance).
- 2. Wreck-out/Iowa Ave:** Overhead lines at a major crossing at Hwy 65/69 and Iowa Ave. were removed this week. Removal proceeded eastward on Iowa Ave. past Hy-Vee. A large-user customer meeting was held with them this week as removal occurred. The Chamber also held a meeting there this week as work was being performed. Many positive comments were noted.
- 3. US Supreme Court/Capacity Ruling:** The US Supreme Court ruled that the Environmental Protection Agency erred in the process of establishing a 100-hour run-time limit for generating units that don't comply with its 2013 Reciprocal Internal Combustion Engine rule amendment. IMU currently registers units #5 and #6 at the downtown plant as emergency-only with MISO because they are not compliant.

Under MISO's tariff, they only require 40 hours of run-time for emergency-only status. Thus under terms of the MEAN supplemental contract, it is counted as capacity eligible for compensation (\$54,000 in 2015/16). IMU staff will be monitoring the legal process through the Iowa Association of Municipal Utilities to see if the courts, the FERC, and the EPA confer on how to properly establish a limit and what limits (zero or unlimited) apply in the meantime.

- 4. MISO Transmission Credits/FERC:** The FERC issued an order on April 17, filed by the Midwest Municipal Transmission Group on behalf of its members, which allows a .50% adder to the 12.38% return on equity (ROE) for transmission owned by municipal utilities such as IMU.

The ROE for all MISO-area utilities, municipals and non-municipals alike, is under challenge in and of itself, however. The rate of return will likely be reduced to between 10.0% and 11.0% based on a similar ruling in the New England ISO. So it is positive that the .50% adder was allowed in light of a pending reduction.

Once the FERC issues an order to reduce ROE's, MISO will calculate amounts to be refunded. Non-municipals must refund (under a separate order) back to November 2013. Under this April 17 order, municipals must only refund back to June 16, 2015 once the FERC issues its ruling (if it is after then). Again, another positive from the ruling. It is possible that non-municipal transmission owners will challenge having different refund dates however MMTG is able to contest that on behalf of IMU and others if needed.

5. **Iowa-Illinois Safety Council:** IMU earned a Hazard Control Recognition Award at the IISC conference held in Dubuque. This award is for identifying and mitigating hazards in the workplace. Ideas are generated from crews, staff, Safety Committee members, etc. Great teamwork!

Information

Subject

Strategic Plan Implementation Work Session

Information

The purpose of this discussion is to have dialog between Trustees, General Manager, and management team pertaining to staff & crew responsibilities, limitations given IMU's staff size, and future training & mentoring options.

An organizational chart is attached. It is on large-sized paper and will likely not print in advance. A printed version will be available at the meeting, so printing it out is not needed. A split-page version is also attached for better viewing and printing.

Note that Delegated Services are those via specific board resolutions, as discussed last month. Shared services are both those delegated and those that fall under that of the General Manager and provided by the City under the general direction of the City Manager.

Items to note in the Strategic Analysis pertaining to staff include:

Historical Strengths -

1. Local workforce sized to respond to outages and emergencies in a timely manner
2. Utility plant assets are proactively maintained to provide long-term reliable services

Improvements -

1. Hire team-oriented employees with the abilities to implement the utility's strategies and mentor them during the upcoming retirement transition
2. Train, plan, and equip for unexpected events that disrupt commerce, workforce activities & customers

Given this perspective, Action Item #4 is "Enhance plans for staffing levels, development & training":

Electric-

- Continue hiring plan for the lineman retirement transition (Fall 2015)
- Evaluate boring options to extend electric & fiber systems

Network Services-

- Hire the planned 20 hrs/week PT position for Network Services and IMU Partners support activities (funds were derived from savings incurred following a prior retirement)

Administration-

- Develop formal succession & training plan (by June 2016)
- Improve Workforce Connection as a source for internal staff & crew information

Staff was also asked to provide the funding percentages and amounts (FY 2016 budget) for shared services:

1. Finance Director, City Clerk & Clerk's Office is 50% of budgeted expenditures (\$301,300 from IMU)
2. Information & Technology Manager is 30% plus the I-Magazine contribution (\$44,400)
3. HR is 25% (\$28,600) plus pro-rata share of expenses for insurance services

The planned meeting format is to first review administrative positions and receive feedback. Then the Superintendents and General Manager can give perspectives on their respective operations.

Examples of topics include ability to respond to service requests, higher thresholds to attaining higher water grades, needs for project management training for future crew chiefs, and an update on apprentice progression towards being able to provide on-call coverage. Retirements over the next several years needs well-planned to maintain today's performance levels.

Once Trustees have a comfort level with needs through these and future discussions, plans can be brought forth with some degree of confidence for funding new initiatives. These may or may not include outside resources including facilitators, continuing education, and internal time allotted to non-traditional utility mentoring.

At one time, IMU had a management/labor committee that discussed issues and process improvements, and perhaps this needs revisited in a way that encourages small group discussion that leads to skill set growth. Ideas on the topic are welcome.

Financial Impact

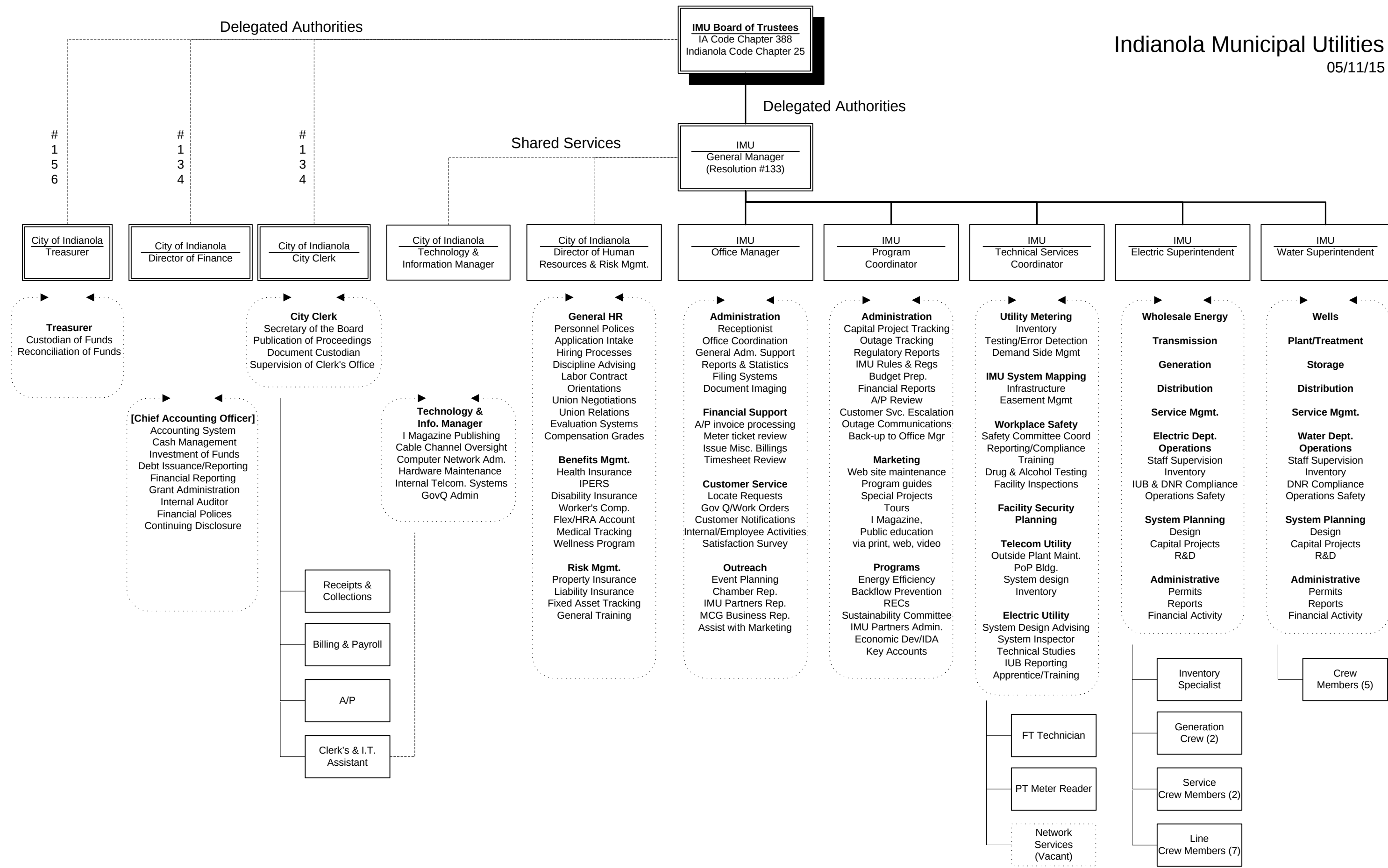
N/A

Staff Recommendation

Attachments

[Org Chart](#)

[Split Pages](#)



Delegated Authorities

**IMU Board
of Trustees**
IA Code
Chapter 388
Indianola
Code
Chapter 25

Shared Services

IMU
General
Manager
(Resolution
#133)

1
5
6

City of Indianola
Treasurer

Treasurer
Custodian of Funds
Reconciliation of Funds

1
3
4

City of Indianola
Director of Finance

[Chief Accounting Officer]
Accounting System
Cash Management
Investment of Funds
Debt Issuance/Reporting
Financial Reporting
Grant Administration
Internal Auditor
Financial Policies
Continuing Disclosure

1
3
4

City of Indianola
City Clerk

City Clerk
Secretary of the Board
Publication of Proceedings
Document Custodian
Supervision of Clerk's Office

City of Indianola
Technology &
Information Manager

**Technology &
Info. Manager**
I Magazine Publishing
Cable Channel Oversight
Computer Network Adm.
Hardware Maintenance
Internal Telcom. Systems
GovQ Admin

City of Indianola
Director of Human
Resources & Risk Mgmt.

General HR
Personnel Policies
Application Intake
Hiring Processes
Discipline Advising
Labor Contract
Orientations
Union Negotiations
Union Relations
Evaluation Systems
Compensation Grades

Benefits Mgmt.
Health Insurance
IPERS
Disability Insurance
Worker's Comp.
Flex/HRA Account
Medical Tracking
Wellness Program

Risk Mgmt.
Property Insurance
Liability Insurance
Fixed Asset Tracking
General Training

Receipts &
Collections

Billing & Payroll

A/P

Clerk's & I.T.
Assistant

Delegated Authorities

