INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Communications • Water

IMU Board of Trustees
May 27, 2014
City Hall Council Chambers
5:30 p.m.

Agenda

1. Roll Call

2. Consent

   A. Claims

   B. Minutes

   C. Salaries

   D. Banking Fee Proposal from City State Bank

   E. Declaration of Public Nuisance for non-working stop boxes

3. Reports

   A. Quarterly Safety Report

   B. General Manager

   C. Director of Finance

   D. Chairperson

   E. Financials

4. Internal Loan Pre-payment

5. Cost of Energy Adjustment Policy

6. IMU Partners Appropriation

7. Other Business

8. Adjourn

IMU Regular Downstairs **2. A.**
Meeting Date: 05/27/2014

Information

Subject

Claims

Information

The May 19, 2014 Claims List was previously distributed.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**

Meeting Date: 05/27/2014

Information

Subject

Minutes

Information

Minutes of the May 12, 2014 meeting are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – MAY 12, 2014

The Board of Trustees met in regular session at 5:30 p.m. on May 12, 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 and Eric Vander Linden. Absent: Bob Lester.

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

May 5, 2014 claims

April 28, 2014 minutes

The 2011 Hwy 65/69 Underground Conversion Project Change Order #1 in the amount of $58,306.40 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.

The purchase of 13 streetlight poles from Millbernd Manufacturing in the amount not to exceed $61,000 plus shipping for The Square was approved on a motion by Johnson and seconded by Reding. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

General Manager, Todd Kielkopf, presented a summary on how the IMU Partners program intends to leverage the value of the IMU Network Services. Board Member Grant Johnson and Pat Reding requested that Todd bring back a list of priorities at the next board meeting.

It was moved by Hulen and seconded by Reding to approve the addendum to the IDOT reimbursement agreement for the clearing scope of work for the 2014 West Hwy 92 Transmission Relocation Project. The agreement provides 100% reimbursement to IMU by IDOT for the contracted work. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

It was moved by Reding and seconded by Hulen to approve the demolition & right of way clearing contract with Vanderpool Construction in the amount of $65,974.00 for the 2014 West Hwy 92 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Board Member Pat Reding introduced the following resolution entitled "RESOLUTION APPROVING CONSTRUCTION CONTRACTS AND BONDS" for the 2014 Head Tank Aerator Assembly Replacement Project, and moved its adoption. Board member Johnson seconded the motion to adopt. The roll was called and the vote was: AYES: Johnson, Hulen, Vander Linden and Reding. NAYS: None ABSENT: Lester. Whereupon the Chair declared the following Resolution duly adopted;

RESOLUTION APPROVING CONSTRUCTION CONTRACTS AND BONDS
2014 Head Tank Aerator Assembly Replacement Project

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

It was moved by Reding and seconded by Hulen to approve the amended Revolving Loan Fund Program. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

It was moved by Johnson and seconded by Vander Linden to appoint Pat Reding and Heather Hulen to the Revolving Loan Fund Committee from the IMU Board and recognize Clark Raney as its community representative serving alongside Todd Kielkopf and Chris Longer, IMU staff. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

General Manager, Todd Kielkopf, presented the Cost of Energy Adjustment Considerations to the Board. It is the Trustees consensus to proceed with a cost of energy adjustment clause to recover increased wholesale energy costs. IMU staff will draft a formal policy for Trustee consideration at the May 27, 2014 Board meeting.

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

____________________________________ ________________________________

Eric Vander Linden, Chairperson	Diana Bowlin, City Clerk

IMU Regular Downstairs **2. D.**

Meeting Date: 05/27/2014

Information

Subject

Banking Fee Proposal from City State Bank

Information

Every three years (unless otherwise extended by mutual consent), RFP's are issued for banking services in conjunction with the City of Indianola. Chris Des Planques prepared the RFP and tabulated results. Tabulations were provided in the City Council packet and previously sent to Trustees.

Staff's recommendation of City State Bank was accepted by the City Council at their May 19, 2014 meeting.

The City State Bank proposal is both the most inexpensive provider and has the greatest sweep account return . The award is for three years with an option of additional years upon mutual consent.

IMU staff's recommendation is to concur with the Council's actions and continue co-mingling banking services with the City of Indianola.

Financial Impact

N/A

Staff Recommendation

Information

Subject

Declaration of Public Nuisance for non-working stop boxes

Information

Trustee action allows work to proceed where IMU will install new stop boxes that are needed to shut off water service at the water main. Typically this is needed at properties in foreclosure transition or otherwise being abandoned by the property owner. Unpaid bills are eligible to be placed as liens on the property following certification by the City Council & filing by the City Clerk.

1102 East Salem - Notification letter was claimed with no corrective action taken within the 5 day waiting period

509 North I - Certified letter was returned unclaimed

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **3. A.**

Meeting Date: 05/27/2014

Information

Subject

Safety Officer

Information

Attached are the quarterly safety reports for the Jan - Mar period. Mike Metcalf will attend to present the report and answer questions.

Financial Impact

N/A

Staff Recommendation

Attachments

Electric and Water Rpt

Network Services Rpt

QUARTERLY SAFETY REPORT
Water and Electric
January 1, 2014 To March 31, 2014

Water Department:

Safety trainings held.	3
Safety training attendance.	100%
Safety committee meetings held.	3
Safety committee attendance.	100%
Unsafe working conditions reported.	0
Tailgate meetings held.	1
Work zones setup.	8
Lockout/Tagouts performed.	6
Confined spaces entered.	0
Excavations entered.	8
Accidents reported.	0
Accidents investigated.	0
Eligible for safety awards.	4
Safety awards given.	4
2014 Incident Rate	0.00

Near misses and/or accidents.

None

Supervisor comments

Employees are being verbally recognized for working safely.

Tailgate Meeting Topic
- Lockout/Tagout

Days Since Last OSHA Recordable Accident – 313

Electric Department:

Safety trainings held.	3
Safety training attendance.	92%
Safety committee meetings held.	3
Safety committee attendance.	100%
Unsafe working conditions reported.	0
Tailgate meetings held.	2
Work zones setup.	2
Lockout/Tagouts performed.	8
Confined spaces entered.	0
Excavations entered.	1
High voltage zones entered.	2
Accidents reported.	0
Accidents investigated.	0
Eligible for safety awards.	12
Safety awards given.	12
2014 Incident Rate	0.00

Near misses and/or accidents.

None

Supervisor comments

Employees are being verbally recognized for working safely.

Tailgate Meeting Topics
- Importance of filling out safety checklist
- Climbing – fall arrest equipment

Days Since Last OSHA Recordable Accident - 138

QUARTERLY SAFETY REPORT
Network Services
January 1, 2014 To March 31, 2014

Network Services Department:

Safety trainings held.	3
Safety training attendance.	83%
Safety committee meetings held.	3
Safety committee attendance.	100%
Unsafe working conditions reported.	0
Tailgate meetings held.	2
Work zones setup.	0
Lockout/Tagouts performed.	0
Confined spaces entered.	0
Excavations entered.	0
Accidents reported.	0
Accidents investigated.	0
Eligible for safety awards.	3
Safety awards given.	3
2014 Incident Rate	0.00

Near misses and/or accidents.

None

Supervisor comments

Employees are being verbally recognized for working safely.

Better job at parking vehicles to minimize the need to back up.

Tailgate Meeting Topics
- Checking over meter sockets prior to removing electric meters
- Dealing with customers when disconnecting service due to non-payment.

Days Since Last OSHA Recordable Accident – 820

IMU Regular Downstairs **3. B.**

Meeting Date: 05/27/2014

Information

Subject

Administrative News Items

Information

GM Todd Kielkopf will be attending the MEAN board & committee meetings Wednesday & Thursday and also be out of the office on Friday - Monday (Memorial Day). Please note the Tuesday meeting date. A verbal report summarizing MEAN meeting agenda items and on other noteworthy items will likely be made.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **3. E.**

Meeting Date: 05/27/2014

Information

Subject

Financials

Information

Attached is the IMU compilation accrual report for the Electric Utility for the 6-month period ending December 31, 2013. Note the near-flat Net income, which is only slightly higher at +$58,786 than the loss at -$25,991 in the staff-produced (for December) converted cash-based financial report. This is somewhat negligible given the $7 million in both revenue & expenses and thus the utility is operating on a near-neutral basis.

Also attached are April, 2014 financial reports. Note that the timing of the extra loan payment between the water & electric fund (will make the $340,000 payment on 5/31/14) and completion of capital projects is making comparisons to the re-estimated budget off substantially in places. The May report should be clearer that the utility remains closer to target. Also note that the net income position of the electric utility hasn't changed dramatically since the Shull & Co. December 31 report.

Financial Impact

N/A

Staff Recommendation

Attachments

2nd Qtr FY2014 Electric

Financials

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY

Financial Statements
(With Accountants' Compilation Report Thereon)
December 31, 2013

Shull
and Co. P.C.
certified public accountants

Shull
and Co. P.C.
certified public accountants

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
City of Indianola
Indianola, Iowa

We have compiled the accompanying statement of net assets of the Municipal Electric Utility of the City of Indianola, Iowa as of December 31, 2013 and the related statements of revenues, expenses and changes in net assets and cash flows and schedule of operations for the three months and six months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Shull & Co., P.C.

March 10, 2014

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 West Washington Street
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Fund Net Assets
December 31, 2013

ASSETS

Current assets		
Cash and investments	$	4,976,784
Accounts receivable - customers		1,958,204
Other accounts receivable		35,640
Accrued interest receivable		20,851
Inventory - fuel oil		613,357
Inventory - supplies		2,303,918
Loan receivable from municipal water utility within one year		217,516
Total current assets		10,126,270
Restricted assets - cash and investments		
Revenue capital loan notes bond and interest sinking fund		744,350
Revenue capital loan notes debt service reserve fund		1,084,000
Revenue capital loan notes improvement fund		207,691
Total restricted assets		2,036,041
Loan receivable from municipal water utility after one year		2,013,746
		2,013,746
Electric utility plant and equipment		
Land		359,207
Service territory		446,000
Generating units		15,161,374
Distribution system		29,004,483
Transmission system		4,658,143
Power plant building		2,120,678
Computer equipment		403,968
Equipment		751,238
Vehicles		1,422,909
		54,328,000
Less accumulated depreciation		24,862,022
Net utility plant in service		29,465,978
	$	43,642,035

See accompanying independent accountants' compilation report.

LIABILITIES

Current liabilities	
Accounts payable	$ 1,203,167
Wages and benefits payable	96,026
Sales tax payable	2,204
Total current liabilities	1,301,397
Current liabilities payable from restricted assets	
Accrued interest payable	51,000
Revenue capital loan notes and bonds payable within one year	1,040,000
Current liabilities payable from restricted assets	1,091,000
Long-term debt	
Revenue capital loan notes and bonds payable after one year (including unamortized premium of $70,438 (2012 - premium $52,592))	8,030,438

NET POSITION

Invested in capital assets, net of related debt	21,435,540
Restricted for debt service	737,350
Restricted for plant improvement	207,691
Unrestricted	10,838,619
Total net assets	33,219,200
	$ 43,642,035

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Three Months and Six Months Ended December 31, 2013

	Three Months	Six Months
Operating revenues		
Sale of electricity	$ 2,626,560	6,305,130
Capacity contract fees	(14,786)	81,450
Peaking power charges	157,908	223,126
Service installation fees	6,649	89,661
Fiber lease	47,232	93,274
Transmission revenue	122,084	254,983
Other	5,811	14,559
Total operating revenues	2,951,458	7,062,183
Operating expenses		
Plant operation	40,709	106,041
Plant maintenance	33,589	96,659
Purchased energy	1,798,521	4,572,394
Depreciation	338,856	674,689
Distribution operation	28,979	56,013
Distribution maintenance	293,669	526,332
Transmission operation and maintenance	2,733	3,772
Meter reading	10,255	21,928
Administrative and general	394,221	949,753
Total operating expenses	2,941,532	7,007,581
Income from operations	9,926	54,602
Nonoperating revenues (expenses)		
Interest on investments	24,426	53,074
Interest on loan to municipal water utility	14,168	28,670
Connect charges and service fees	7,931	18,194
Other revenues	29,263	58,928
Interest expense	(77,756)	(154,682)
	(1,968)	4,184
Net income	7,958	58,786
Net position, beginning of period	33,211,242	33,160,414
Net position, end of period	$ 33,219,200	33,219,200

See accompanying independent accountants' compilation report.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Cash Flows
Three Months and Six Months Ended December 31, 2013

	Three Months	Six Months
Cash flows from operating activities		
Cash received from customers	$ 3,511,999	7,238,045
Cash paid to suppliers	(3,038,863)	(6,495,992)
Cash paid to employees	(249,051)	(551,398)
Nonoperating revenues received	37,194	77,122
Net cash provided by operating activities	261,279	267,777
Cash flows from capital and related financing activities		
Purchases and construction of utility plant	(376,874)	(680,932)
Revenue capital loan notes and bonds interest paid	(153,850)	(153,850)
Net cash used by capital and related financing activities	(530,724)	(834,782)
Cash flows from investing activities		
Loan principal received	53,536	106,738
Interest income received	40,360	82,325
Net cash provided by investing activities	93,896	189,063
Net increase (decrease) in cash and investments	(175,549)	(377,942)
Cash and investments, beginning of period	7,188,374	7,390,767
Cash and investments, end of period	$ 7,012,825	7,012,825
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 9,926	54,602
Adjustments		
Nonoperating revenues	37,194	77,122
Depreciation	338,856	674,689
(Increase) decrease in accounts receivable	560,541	175,862
(Increase) decrease in inventories	17,295	(330,637)
Increase (decrease) in accounts, wages and benefits, and sales tax payable	(702,533)	(383,861)
Net cash provided by operating activities	$ 261,279	267,777

See accompanying independent accountants' compilation report.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations
Three Months and Six Months Ended December 31, 2013

	Three Months	Six Months
Operating revenues		
Sale of electricity		
Residential	$ 1,418,593	3,466,409
Commercial	657,423	1,525,516
Large industrial	242,248	553,218
Small industrial	145,353	354,931
Street lighting	34,868	73,003
Other public authorities	53,789	138,997
Interdepartment sales	74,286	193,056
	2,626,560	6,305,130
Capacity contract fees	(14,786)	81,450
Peaking power charges	157,908	223,126
Service installation fees	6,649	89,661
Fiber lease	47,232	93,274
Transmission revenue	122,084	254,983
Penalties	5,811	14,559
Total operating revenue	2,951,458	7,062,183
Operating and maintenance expenses		
Plant operation		
Salaries	15,495	30,803
Payroll tax	2,361	4,682
IPERS	2,801	5,560
Fuel	10,220	45,838
Other	9,832	19,158
	40,709	106,041
Plant maintenance		
Salaries	13,744	26,875
Maintenance and repairs	19,845	69,784
	33,589	96,659
Purchased energy	1,798,521	4,572,394
Depreciation	338,856	674,689

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Operations - Continued
Three Months and Six Months Ended December 31, 2013

	Three Months	Six Months
Operating and maintenance expenses (continued)		
Distribution operation		
Salaries	20,878	41,082
Payroll tax	1,597	3,181
IPERS	1,770	3,539
Other	4,734	8,211
	28,979	56,013
Distribution maintenance		
Salaries	133,030	263,674
Payroll tax	10,289	20,490
IPERS	12,073	24,045
Materials and supplies	125,664	194,318
Fleet operations and repairs	12,613	23,805
	293,669	526,332
Transmission operation and maintenance		
Salaries	2,560	3,004
Payroll tax	80	160
IPERS	93	186
Other	-	422
	2,733	3,772
Meter reading		
Salaries	8,275	18,282
Payroll tax	652	1,294
IPERS	768	1,523
Other	560	829
	10,255	21,928

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Operations - Continued
Three Months and Six Months Ended December 31, 2013

	Three Months	Six Months
Administrative and general		
Accounting and collections - transfer to IMU Administration	183,950	387,900
In lieu of property taxes - transfer to City General Fund	134,675	269,350
Insurance	6,060	152,527
Group Insurance	42,740	101,957
Professional fees	(2,700)	-
Energy efficiency programs	6,436	11,514
Donations	19,442	20,940
Miscellaneous	3,618	5,565
	394,221	949,753
Total operating expenses	2,941,532	7,007,581
Income from operations	9,926	54,602
Nonoperating revenues (expenses)		
Interest on investments	24,426	53,074
Interest on loan to municipal water utility	14,168	28,670
Electric service fees	2,230	4,830
Connect charges	5,701	13,364
Miscellaneous	29,263	58,928
Interest expense	(77,756)	(154,682)
	(1,968)	4,184
Net income	$ 7,958	58,786

See accompanying independent accountants' compilation report.

IMU Monthly Financial Reports

Notes & Comments

1. Total Cash Flow from all activities the on Treasurer's Report was -$963,051.17, primarily due to the payment of Electric Revenue Bonds in the amount of +$1,194,350..

2. Electric sales (page 5) are exceeding the re-estimated goal of 120,700,000 by a larger amount than expected. Water consumption (page 6) has returned closer to a range of between 2012 (hot/dry year) and the prior 3-year average. This trend will likely to continue.

3. The Electric Gross Margin (page 7) is slightly below the seasonally-adjusted re-estimated budget. The spread between $/kWh of sales and cost will be less than in the previous year by design, as the Purchased Energy Adjustments imposed in November. IMU's retail rates have not increased in the same manner. More kWhs were sold at lower than average kWh rates due to industrial & all-electric consumption. Reserves remain above policy levels & targets, however the vast majority of that is committed to capital projects (W. Hwy 92, I-35, and Network Services signups).

4. Using the cash-based + depreciation model, Electric Utility Net Income (page 8) rose to a gain of +$83,249 vs. a seasonally-adjusted budget of +$51,300. Electric O&M Activities Cash Flow (Page 10) remained as expected as a FYTD negative due to the purchased energy adjustments paid to MEAN in previous months this fiscal year.

5. The Water Utility (pages 7 & 12) is meeting seasonal expectations in terms of Net Income and Cash Flow, excluding the re-estimated additional principal payment. Reserves are well above targets due to the timing of capital projects. Staff continues to allocate $340,000 of current balances for a future debt service use (listed as "Desginated for Future Projects" on the Summary Page). There will still be funds for additional projects if needed (page 14).

6. The Communications Utility (page 15) and Admin. Fund (page 16) cash flows are essentially at re-estimated budgets.

FINANCIAL REPORT

MONTH OF APRIL, 2014

FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	1,089,979.34	163,407.09	130,551.55	106,912.04	2,352.07	1,227,394.85	
011 Police	-181,074.59	754,315.57	170,477.81	124,017.53	339.99	526,440.71	
015 Fire	48,100.73	152,799.08	29,121.41	23,087.18	24.72	194,840.86	
016 Ambulance	170,417.16	112,753.33	73,543.45	11,532.87	2,972.66	218,187.25	
041 Library	-94,511.29	175,453.10	48,536.50	22,294.02	77.25	54,622.08	
042 Park & Recreation	87,063.49	395,091.37	82,666.23	56,975.69	1,790.27	454,674.05	
045 Memorial Pool	-128,894.22	41,453.38	1,800.43	0.00	833.33	-90,074.60	
071 General Fund Deb Service	61,086.87	47,101.77	0.00	0.00	0.00	108,188.64	
099 Franchise Fees-MEC	133,157.52	87,327.45	0.00	0.00	0.00	220,484.97	
GENERAL FUND SUB-TOTAL	**1,185,325.01**	**1,929,702.14**	**536,697.38**	**344,819.33**	**8,390.29**	**2,914,758.81**	
110 Road Use Tax (Streets)	831,784.63	94,128.75	68,122.55	0.00	14,733.14	843,057.69	
112 Trust & Agency	0.00	214,365.62	0.00	0.00	214,365.62	0.00	
115 YMCA Maintenance Obligations	28,468.67	0.00	410.00	0.00	0.00	28,058.67	
125 TIF--Downtown	217,784.23	144,453.37	0.00	0.00	0.00	362,237.60	
126 TIF--East Hwy 92	0.00	0.00	0.00	0.00	0.00	0.00	
127 TIF--Hillcrest/Industrial Park	226,756.56	318,654.11	125,000.00	0.00	0.00	420,410.67	
141 Library Special Revenue	34,328.89	6,425.15	5,627.00	0.00	0.00	35,127.04	
142 Park & Rec Special Revenue	105,880.80	11,890.80	305.98	0.00	0.00	117,465.62	
160 Downtown Revolving Loan	59,580.75	0.00	0.00	0.00	0.00	59,580.75	
161 Downtown Business Inc Program	-22,773.01	17,139.56	22,000.00	0.00	0.00	-27,633.45	
177 Police Forfeiture	18,420.31	0.00	0.00	0.00	0.00	18,420.31	
190 Vehicle Reserve	114,069.14	0.00	0.00	1,666.67	0.00	115,735.81	
199 Police Retirement	114,528.34	63.07	0.00	0.00	1,041.67	113,549.74	
SPECIAL REVENUES SUB-TOTAL	**1,728,829.31**	**807,120.43**	**221,465.53**	**1,666.67**	**230,140.43**	**2,086,010.45**	
200 **DEBT SERVICE (SUB-TOTAL)**	**2,999,916.11**	**395,632.71**	**0.00**	**70,083.32**	**0.00**	**3,465,632.14**	
301 Capital Projects (General)	455,918.01	0.00	0.00	0.00	0.00	455,918.01	
321 Capital Projects (Streets)	1,104,349.45	109.00	0.00	0.00	0.00	1,104,458.45	
344 Community Athletic Facility	6,237.70	0.00	40.00	1,666.67	0.00	7,864.37	
353 Community ReDevelopment (D&D)	18,242.84	11.26	171.35	0.00	0.00	18,082.75	
CAPITAL PROJECTS SUB-TOTAL	**1,584,748.00**	**120.26**	**211.35**	**1,666.67**	**0.00**	**1,586,323.58**	
610 Sewer	69,447.83	0.00	83,325.31	139,250.00	33,267.69	92,104.83	
650 Stormwater Utility	253,482.09	16,892.99	0.00	0.00	5,208.33	265,166.75	
670 Recycling	45,534.07	18,690.82	2,469.50	0.00	1,375.00	60,380.39	
710 Sewer Capital Projects	650,531.77	252,755.41	4,715.36	0.00	256,391.66	642,180.16	
771 Sewer Reserve	114,238.70	0.00	0.00	0.00	0.00	114,238.70	
781 Sewer Plant Improvement	311,322.56	0.00	0.00	2,083.33	0.00	313,405.89	
791 Sewer Revenue Bonds	539,173.89	0.00	0.00	67,500.00	0.00	606,673.89	
820 Health Insurance	1,130,916.92	112,866.58	117,418.05	0.00	0.00	1,126,365.45	
830 Health Reimbursement Account	243,104.97	0.00	6,667.66	0.00	0.00	236,437.31	
840 Flex/STD	233,155.59	2,777.60	4,470.13	1,436.94	0.00	232,900.00	
850 Liability Insurance Reserve--City	3,606.31	1.13	4,045.45	0.00	0.00	-438.01	
CITY UTILITY & IS SUB-TOTAL	**3,594,514.70**	**403,984.53**	**223,111.46**	**210,270.27**	**296,242.68**	**3,689,415.36**	
TOTAL CITY FUNDS	**11,093,333.13**	3,536,560.07	981,485.72	628,506.26	534,773.40	**13,742,140.34**	**61%**
TOTAL IMU FUNDS	**9,928,324.44**	1,297,040.82	2,166,359.13	276,668.01	370,400.87	**8,965,273.27**	**39%**
GRAND TOTAL CITY & IMU	**21,021,657.57**	4,833,600.89	3,147,844.85	905,174.27	905,174.27	**22,707,413.60**	
Cross Check Total						22,707,413.60	

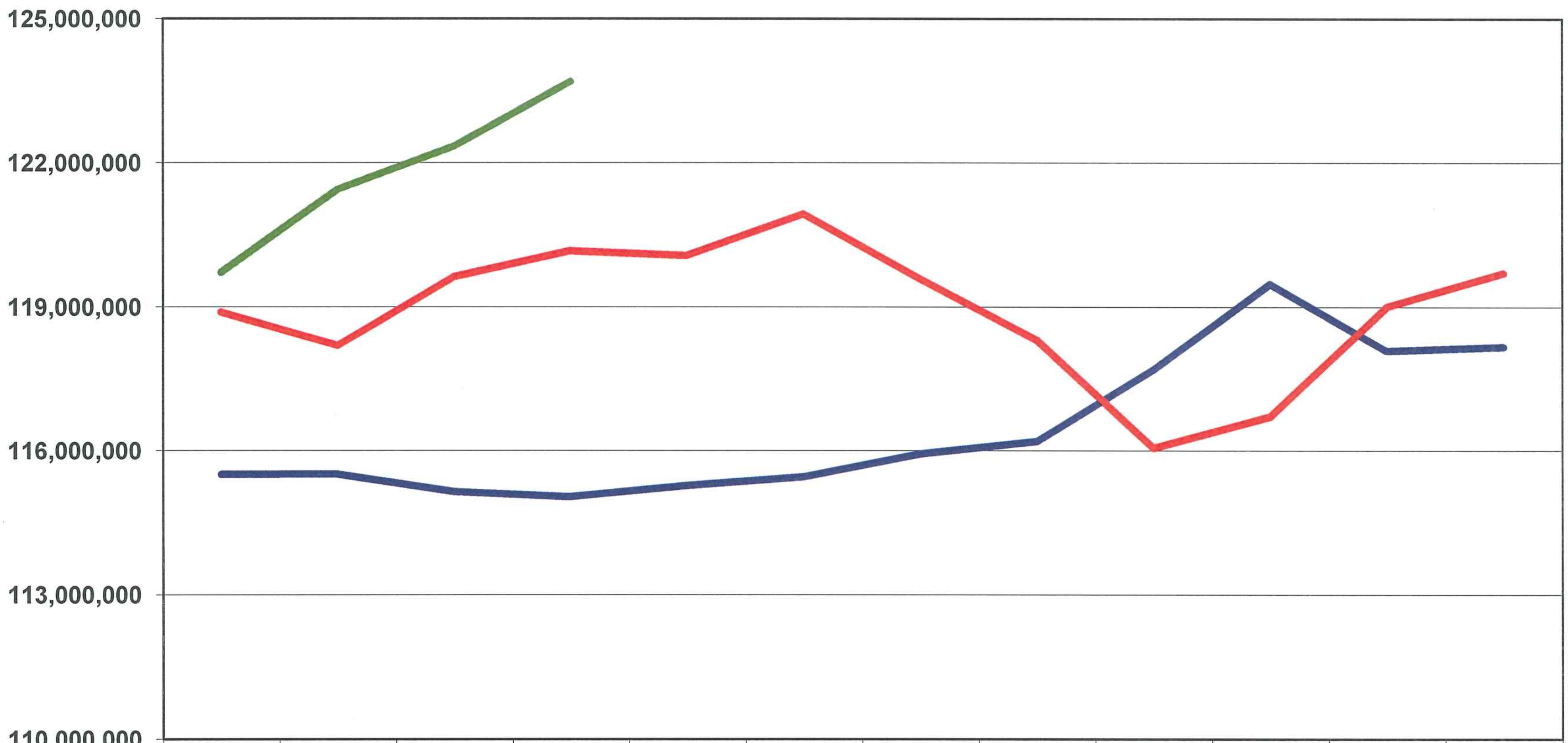
Investments			
Bankers Trust	$	18,539,305.53	2.01%
Bankers Trust - Wellness Center Project	$	80,003.93	0.01%
Iowa Public Agency Inv. Trust	$	111,103.83	0.010%
Payroll Account, Community State	$	0.09	Earnings Credit
Checking Account, Community State	$	249,751.19	Earnings Credit
Sweep Account, Community State	$	3,810,166.82	0.25%
BANK BALANCE		**22,790,331.39**	

Clerk's Balance	22,707,413.60
Plus Outstanding Checks	90,788.98
Unreconcilable Item	
Less Outstanding Deposits	-7,871.19
	22,790,331.39

600 Water	361,424.41	196,697.89	78,401.52	0.00	114,494.03	365,226.75
620 IMU Administration	36,955.08	0.00	46,955.92	84,458.34	28,611.80	45,845.70
625 Revolving Economic Development	102,867.77	56.30	0.00	0.00	0.00	102,924.07
626 USDA RLF	150,000.00	0.00	0.00	0.00	0.00	150,000.00
630 Electric	1,477,374.27	983,129.14	691,676.68	22,568.00	218,741.31	1,572,653.42
640 Fiber/Communications	344,837.42	21,697.91	19,368.86	0.00	8,553.73	338,612.74
700 Water Capital Projects	1,411,337.54	0.00	35,801.53	34,000.00	0.00	1,409,536.01
730 Electric Capital Projects	3,343,704.71	95,448.32	99,804.62	0.00	0.00	3,339,348.41
740 Fiber/Comm Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00
770 Water Reserve	135,000.00	0.00	0.00	0.00	0.00	135,000.00
773 Electric Reserve	1,084,000.00	0.00	0.00	0.00	0.00	1,084,000.00
780 Water Capital Improvement	75,000.00	0.00	0.00	0.00	0.00	75,000.00
783 Electric Improvement	207,691.35	0.00	0.00	0.00	0.00	207,691.35
790 Water Revenue Bonds	96,064.68	0.00	0.00	23,325.00	0.00	119,389.68
793 Electric Revenue Bonds	1,081,300.03	0.00	1,194,350.00	112,316.67	0.00	-733.30
855 Liability Insurance Reserve--IMU	20,767.18	11.26	0.00	0.00	0.00	20,778.44
IMU SUB-TOTAL	**9,928,324.44**	**1,297,040.82**	**2,166,359.13**	**276,668.01**	**370,400.87**	**8,965,273.27**

INTEREST DISTRIBUTION	INTEREST INCOME	% OF TOTAL	CALYTD	FYTD
Electric Funds	$ 4,370.32	38.81%	$ 32,004.57	$ 89,580.98
Water Funds	$ 1,094.56	9.72%	$ 7,936.21	$ 22,320.91
Sewer Funds	$ 618.22	5.49%	$ 4,146.24	$ 9,508.15
Police Retirement	$ 63.07	0.56%	$ 473.21	$ 1,330.62
Community Redevelopment	$ 11.26	0.10%	$ 457.00	$ 1,560.87
All other	$ 5,103.44	45.32%	$ 40,284.42	$ 112,403.90
TOTAL	$ 11,260.87	100.00%	$ 85,301.65	$ 236,705.43

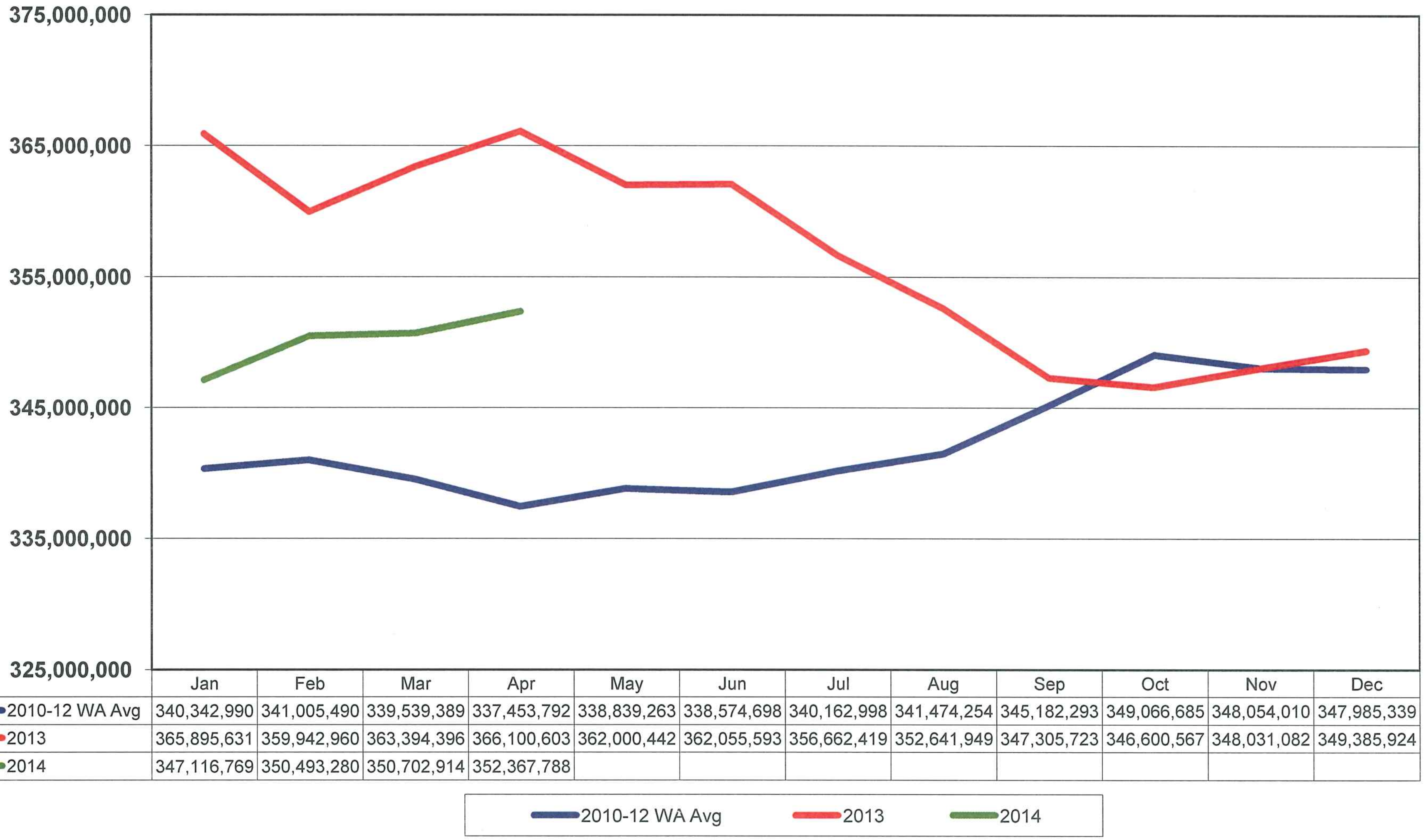
KWH's Sold
(Kwh's sold based on a rolling 12 month total)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010-12 EL Avg	115,504,571	115,510,191	115,146,374	115,035,112	115,264,081	115,450,035	115,932,776	116,191,990	117,696,056	119,480,253	118,086,537	118,170,412
2013	118,891,021	118,202,221	119,631,688	120,171,895	120,076,507	120,932,710	119,588,591	118,315,752	116,056,744	116,714,088	119,004,031	119,704,377
2014	119,720,292	121,443,815	122,342,355	123,691,451								

2010-12 EL Avg 2013 2014

Gallons Sold
(Gallons sold based on a rolling 12 month total)

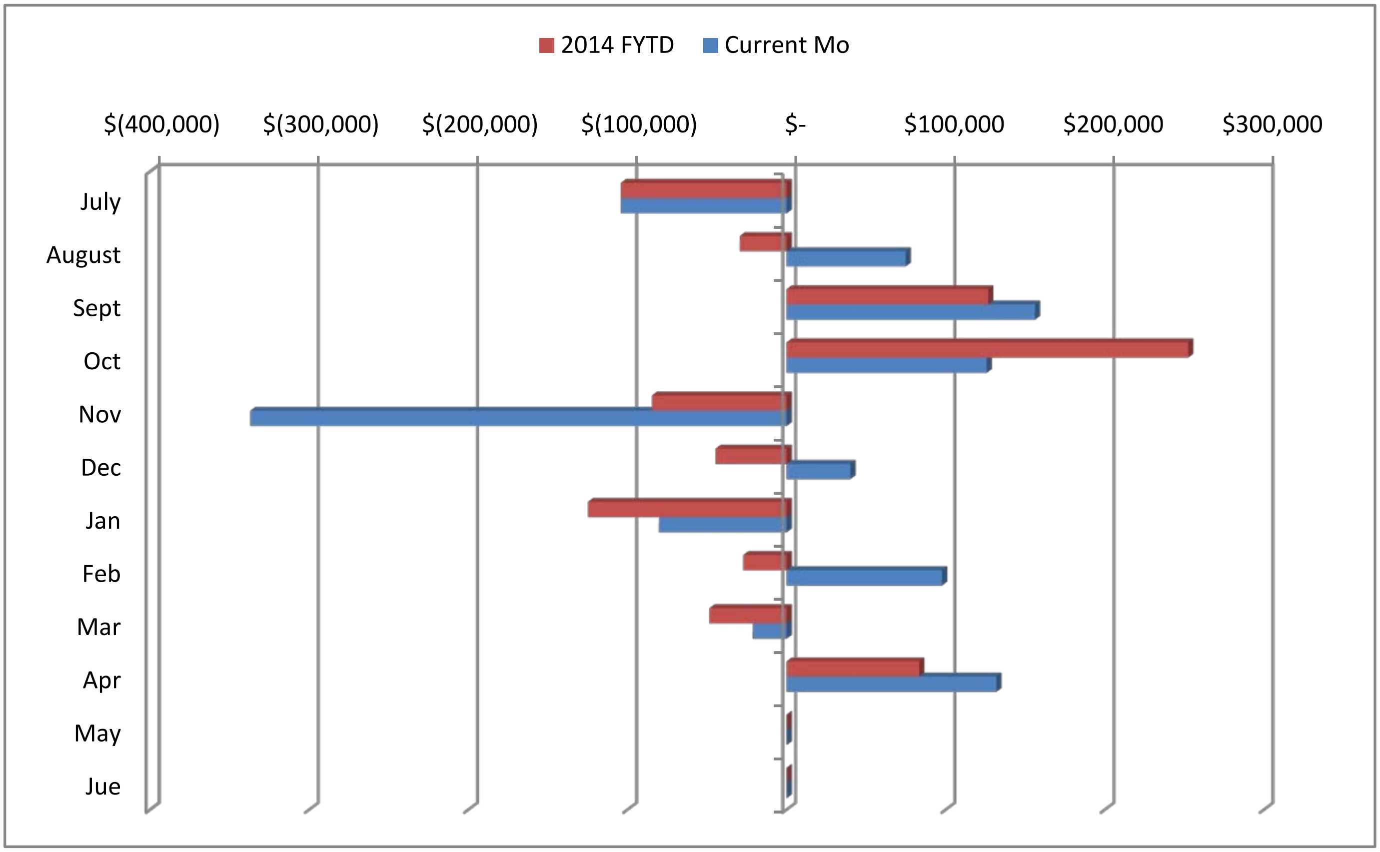


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010-12 WA Avg	340,342,990	341,005,490	339,539,389	337,453,792	338,839,263	338,574,698	340,162,998	341,474,254	345,182,293	349,066,685	348,054,010	347,985,339
2013	365,895,631	359,942,960	363,394,396	366,100,603	362,000,442	362,055,593	356,662,419	352,641,949	347,305,723	346,600,567	348,031,082	349,385,924
2014	347,116,769	350,493,280	350,702,914	352,367,788								

2014 April — IMU Financial Report Summary

		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Electric Utility:						
Gross Margin	$	2,376,920	$	2,455,400	$	(78,480)
Cash-based Net Income (incl. Depr.)	$	83,248	$	51,300	$	31,948
Net O&M + Capital Funds Cash Flow	$	(944,224)	$	(454,400)	$	(489,824)
Ending O&M and Capital Fund Balances	$	4,912,002	$	5,519,300		
Less-						
Designated for Future Projects		-		-		-
Reserve Targets		3,732,900		3,732,900		-
Over/(Under)	$	1,179,102	$	1,786,400	$	(607,298)
Debt Service Coverage Ratio w/o PILOT		1.31		1.28		
Water Utility:						
Cash-based Net Income (incl. Depr.)	$	553,725	$	487,600	$	66,125
Net O&M + Capital Funds Cash Flow	$	246,680	$	(309,100)	$	555,780
Ending O&M and Capital Fund Balances	$	1,774,763	$	1,219,000	$	-
Less-						
Designated for Future Projects		340,000		340,000		-
Reserve Targets		666,600		666,600		-
Over/(Under)	$	768,163	$	212,400	$	555,763
Debt Service Coverage Ratio w/o PILOT		1.76		1.16		
Communications Utility:						
Net Cash Flow	$	(90,356)	$	(88,400)	$	(1,956)
Ending Fund Balances	$	338,613	$	340,600	$	-
Less-						
Designated for Future Projects		-		-		-
Reserve Targets		323,100		323,100		-
Over/(Under)	$	15,513	$	17,500	$	(1,987)
Commercial Customers		107		121		-14
Residential Customers		209		200		9
Administrative Fund:						
Net Cash Flow	$	45,846	$	53,100	$	(7,269)

EL - Combined	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 10,308,559.51	$ 10,186,900	$ 121,660
Sales Taxes	186,710.20	215,800	(29,090)
Other	1,146,717.76	1,138,400	8,318
Total O&M Revenue	**$ 11,641,987.47**	**11,541,100**	**100,887**
Expenditures:			
Purchased Energy & Fuel	$ 7,482,722.83	$ 7,282,600	$ 200,123
Salaries	650,809.41	661,700	(10,891)
Benefits	312,930.14	319,600	(6,670)
Materials, Suppl. & Contracts	384,780.58	430,900	(46,119)
Sales Taxes & Use Taxes	193,040.93	220,100	(27,059)
PILOT	448,916.70	448,900	17
Debt Service - Interest Only	256,466.70	256,500	(33)
Overhead, Admin & EE	855,784.40	815,500	40,284
Depreciation (Est)	1,128,600.00	1,128,600	-
Total O&M Expenses	**$ 11,714,051.69**	**11,564,400**	**149,652**
Net Income (Operating & Other)	**$ (72,064.22)**	**(23,300)**	**(48,764)**
Capital Activities:			
Major Maintenance via Capital Fund	$ (27,500.00)	$ (117,500)	$ 90,000
Capital Contributions (Fiber)	155,537.53	152,100	3,438
Capital Contributions (Electric)	27,275.19	40,000	(12,725)
Net Income	**$ 83,248.50**	**51,300**	**31,948**
Cash Flow:			
Net Income + Depreciation	$ 1,211,848.50	$ 1,179,900	$ 31,948
Water Loan Principal	179,000.00	179,000	-
Debt Service Principal	(866,700.00)	(866,700)	-
Debt Service Reserve Change	-	-	-
Capital Contributions (Developers)	175,630.63	1,861,100	(1,685,469)
Proceeds from Debt Issues	-	-	-
Capital Projects	(1,644,002.90)	(2,807,700)	1,163,697
Designated for Future Projects	-	-	-
Net Cash Flow	**$ (944,223.77)**	**$ (454,400)**	**$ (489,824)**



	2014 FYTD	Current Mo	2012 FYTD*	Current Mo*
July	$ (104,177)	$ (104,177)	$ 45,358	$ 45,358
August	$ (29,431)	$ 74,745	$ (9,709)	$ (55,067)
Sept	$ 126,633	$ 156,064	$ (25,852)	$ (16,143)
Oct	$ 252,324	$ 125,691	$ 225,794	$ 251,646
Nov	$ (84,706)	$ (337,030)	$ 70,948	$ (154,846)
Dec	$ (44,691)	$ 40,015	$ 215,574	$ 144,626
Jan	$ (124,895)	$ (80,204)	$ 420,953	$ 205,379
Feb	$ (27,272)	$ 97,623	$ 608,217	$ 187,264
Mar	$ (48,555)	$ (21,283)	$ 734,330	$ 126,113
Apr	$ 83,249	$ 131,804	$ 810,152	$ 75,822
May	$ -	$ -	$ 810,203	$ 51
Jue	$ -	$ -	$ 1,108,104	$ 297,901

*Modified from Variance Report for tracking purposes only

630 - EL O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 10,308,559.51	$ 10,186,900	$ 121,660
Sales Taxes	186,710.20	215,800	(29,090)
Other	453,564.24	464,400	(10,836)
Fund Revenue	**$ 10,948,833.95**	**$ 10,867,100**	**$ 81,734**
Expenditures:			
Purchased Energy & Fuel	$ 7,482,722.83	$ 7,282,600	$ 200,123
Salaries	650,809.41	661,700	(10,891)
Benefits	312,930.14	319,600	(6,670)
Materials, Suppl. & Contracts	384,780.58	430,900	(46,119)
Sales Taxes & Use Taxes	193,040.93	220,100	(27,059)
PILOT	448,916.70	448,900	17
Debt Service	1,123,166.70	1,123,200	(33)
Overhead, Admin & EE	855,784.40	815,500	40,284
Fund Expenditures	**$ 11,452,151.69**	**$ 11,302,500**	**$ 149,652**
O&M Activities Cash Flow:	**$ (503,317.74)**	**$ (435,400)**	**$ (67,918)**
Capital Fund Transfer (Out) In	$ 179,000.00	$ -	$ 179,000
O&M Fund Cash Flow:	**$ (324,317.74)**	**$ (435,400)**	**$ 111,082**
Ending Fund Balances:	**$ 1,572,653.42**	**$ 1,461,600**	
17% Reserve Target	**$ 1,955,600.00**	**$ 1,955,600**	
Over/Under Reserve Target	**$ (382,946.58)**	**$ (494,000)**	**$ 111,053**

730 - EL CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Capital Contributions (Fiber)	$ 155,537.53	$ 152,100	$ 3,438
Capital Contributions (Electric)	109,100.75	159,800	(50,699)
Capital Contributions (Reimb)	93,805.07	1,741,300	(1,647,495)
Water Loan Principal	179,000.00	179,000	-
Proceeds from Debt	-	-	-
Other	693,153.52	674,000	19,154
Fund Revenue	**$ 1,230,596.87**	**$ 2,906,200**	**$ (1,675,603)**
Expenditures:			
Major Maintenance (Est.)	$ 27,500.00	$ 117,500	$ (90,000)
Vehicles	162,063.60	189,300	(27,236)
Relocations & Conversions	860,671.86	2,326,000	(1,465,328)
New Developments & Line Repl	105,710.88	115,000	(9,289)
Network Services	151,359.26	169,200	(17,841)
Other/Stock (Out) In	364,197.30	(109,200)	473,397
Fund Expenditures	**$ 1,671,502.90**	**$ 2,807,800**	**$ (1,136,297)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ (179,000.00)	$ -	$ (179,000)
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ (619,906.03)**	**$ 98,400**	**$ (718,306)**
Ending Fund Balances:	**$ 3,339,348.41**	**$ 4,057,700**	
Reserve Target	**$ 1,777,300**	**$ 1,777,300**	
Designated for Future Projects			
Over/Under Reserve Target	**$ 1,562,048**	**$ 2,280,400**	**$ (718,352)**

WA - Combined	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Water	$ 1,935,017.26	$ 1,943,600	$ (8,583)
Sales Taxes	100,593.77	116,600	(16,006)
Other	180,532.45	130,200	50,332
Total O&M Revenue	**$ 2,216,143.48**	**$ 2,190,400**	**$ 25,743**
Expenditures:			
Salaries	$ 334,715.15	$ 320,000	$ 14,715
Benefits	136,458.64	137,800	(1,341)
Materials, Suppl. & Contracts	289,102.41	296,800	(7,698)
Sales Taxes & Use Taxes	100,850.75	116,600	(15,749)
PILOT	59,000.00	59,000	-
Debt Service - Interest Only	70,813.30	99,100	(28,287)
Overhead, Admin & EE	170,465.14	162,700	7,765
Depreciation (Est)	440,000.00	440,000	-
Total O&M Expenses	**$ 1,601,405.39**	**$ 1,632,000**	**$ (30,595)**
Net Income (Operating & Other)	**$ 614,738.09**	**$ 558,400**	**$ 56,338**
Capital Activities:			
Major Maintenance via Capital Fund	$ (61,012.65)	$ (70,800)	$ 9,787
Net Income	**$ 553,725.44**	**$ 487,600**	**$ 66,125**
Cash Flow:			
Net Income + Depreciation	$ 993,725.44	$ 927,600	$ 66,125
Debt Service Principal	(532,700.00)	(787,700)	255,000
Debt Service Reserve Change	-	-	-
Capital Projects	(214,345.22)	(449,000)	234,655
Designated for Future Projects	-	-	-
Net Cash Flow	**$ 246,680.22**	**$ (309,100)**	**$ 555,780**

600 - WA O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Water	$ 1,935,017.26	$ 1,943,600	$ (8,583)
Sales Taxes	100,593.77	116,600	(16,006)
Other	160,532.45	130,200	30,332
Fund Revenue	**$ 2,196,143.48**	**$ 2,190,400**	**$ 5,743**
Expenditures:			
Salaries	$ 334,715.15	$ 320,000	$ 14,715
Benefits	136,458.64	137,800	(1,341)
Materials, Suppl. & Contracts	289,102.41	296,800	(7,698)
Sales Taxes & Use Taxes	100,850.75	116,600	(15,749)
PILOT	59,000.00	59,000	-
Debt Service	603,513.30	886,800	(283,287)
Overhead & Admin	170,465.14	162,700	7,765
Fund Expenditures	**$ 1,694,105.39**	**$ 1,979,700**	**$ (285,595)**
O&M Activities Cash Flow:	**$ 502,038.09**	**$ 210,700**	**$ 291,338**
Capital Fund Transfer (Out) In	$ (340,000.00)	$ (15,000)	$ (325,000)
Debt Service Reserve Change	-	-	-
O&M Fund Cash Flow:	**$ 162,038.09**	**$ 195,700**	**$ (33,662)**
Ending Fund Balances:	**$ 365,226.75**	**$ 398,900**	
17% Reserve Target	**$ 196,100.00**	**$ 196,100**	
Over/Under Reserve Target	**$ 169,126.75**	**$ 202,800**	**$ (33,673)**

700 - WA CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Proceeds from Debt	$ -	$ -	$ -
Other (Sale of Land)	20,000.00	-	20,000
Fund Revenue	**$ 20,000.00**	**$ -**	**$ 20,000**
Expenditures:			
Major Maintenance (Est.)	$ 61,012.65	$ 70,800	$ (9,787)
Vehicles	24,174.00	25,000	(826)
Water Towers	-	-	-
Plant	11,247.47	180,000	(168,753)
Water Mains	178,923.75	244,000	(65,076)
Other	-	-	-
Fund Expenditures	**$ 275,357.87**	**$ 519,800**	**$ (244,442)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ 340,000.00	$ 15,000	$ 325,000
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ 84,642.13**	**$ (504,800)**	**$ 589,442**
Ending Fund Balances:	**$ 1,409,536.01**	**$ 820,100**	**$ 589,436**
Reserve Target	**$ 470,500.00**	**$ 470,500**	**$ -**
Designated for Future Projects	**340,000.00**	**340,000**	**-**
Over/Under Reserve Target	**$ 599,036.01**	**$ 9,600**	**$ 589,436**

640 - NS O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Fiber License Payments	$ 194,712.19	$ 190,200	$ 4,512
Other	8,448.21	4,200	4,248
Fund Revenue	**$ 203,160.40**	**$ 194,400**	**$ 8,760**
Expenditures:			
Salaries	$ 8,417.89	$ 8,500	$ (82)
Benefits	1,393.87	1,500	(106)
Materials, Suppl. & Contracts	188,906.77	192,500	(3,593)
Overhead, Admin & EE	94,797.73	80,300	14,498
Fund Expenditures	**$ 293,516.26**	**$ 282,800**	**$ 10,716**
O&M Activities Cash Flow:	**$ (90,355.86)**	**$ (88,400)**	**$ (1,956)**
Electric CIAC (Out) In	$ -	$ -	$ -
O&M Fund Cash Flow:	**$ (90,355.86)**	**$ (88,400)**	**$ (1,956)**
Ending Fund Balances:	**$ 338,612.74**	**$ 340,600**	
FY Ending Balance Target	**$ 323,100.00**	**$ 323,100**	
Designated for Future Projects	**-**	**-**	
Over/Under Reserve Target	**$ 15,512.74**	**$ 17,500**	**$ (1,987)**

620 - ADM O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
IMU Transfers In	$ 849,583.40	$ 856,100	$ (6,517)
City Transfers In	15,000.00	15,000	-
Refund/Reimbursement	14.84		
Fund Revenue	**$ 864,598.24**	**$ 871,100**	**$ (6,517)**
Expenditures:			
Salaries	$ 258,862.83	$ 258,600	$ 263
Benefits	121,011.38	124,100	(3,089)
Materials, Suppl. & Contracts	156,406.18	152,200	4,206
Overhead, Admin, Shared Staff	282,472.15	283,100	(628)
Fund Expenditures	**$ 818,752.54**	**$ 818,000**	**$ 753**
O&M Fund Cash Flow:	**$ 45,845.70**	**$ 53,100**	**$ (7,269)**

Information

Subject

Internal Loan Pre-payment

Information

Resolution #158 re-structured the internal loan between the Water & Electric Utilities, setting the interest rate at 2.5% and monthly payment at $22,568 until the entire balance ($2.1 million) is paid in full (scheduled for March, 2023).

Trustees have budgeted for a pre-payment of $340,000 using unspent Water Utility funds that had been set aside for capital projects in prior years. The schedule for those projects was delayed due to a need to construct water mains in conjunction with the street replacement project and delays in proactive plant maintenance. A new replacement schedule has been developed and implemented that uses ongoing ratepayer dollars collected annually for main & plant replacements.

This one-time resource of $340,000 is uselful in the Electric Utility as fund balance cash reserves to help meet the rising 17% (of O&M expense) target, as wholesale electric costs have increased. This allows for cash collected through the cost of energy adjustment to be fully applied to future wholesale costs, not with a portion of it being allocated to reserves that are attributable to those increased costs.

The pre-payment reduces the term length of the loan to September 2021 and reduces the 6/30/14 balance to $1.78 million.

Financial Impact

N/A

Staff Recommendation

Simple motion authorizing the pre-payment of $340,000 of the restructured Water Utility Loan described in Resolution #158 is in order.

Information

Subject

Cost of Energy Adjustment Policy

Information

IMU staff has worked with JK Energy, IMU's rate consultant, on the attached policy that implements the cost of energy adjustment contained in today's IMU electric rate resolution. As discussed at the last meeting, the approach being taken is a quarterly adjustment based on actual costs incurred from the prior quarter, less the appropriate base energy costs currently included in rates.

Recent financial reports and projections show the utility is operating near a break-even position from an operations & maintenance standpoint. This is happening by using capital-based sources such as capacity payments, water loan payments, and 69kV ownership credits to partially cover O&M costs. Based on those assumptions continuing going forward, FY 2014's cost structure is a viable base.

Wholesale rates began rising in April 2014 at an annual pace of $860,000 per April - March year according to MEAN. Almost $530,000 of that increase will be absorbed due to lower scheduled debt service payments and not starting the planned Phase II of the underground conversion/fiber project. That leaves about $330,000 (2.9% of today's IMU retail rate base) in annualized costs to be recouped through the cost of energy adjustment on an ongoing basis should those costs indeed occur.

The initial COE Bank will have a balance of $314,977.49. This is the total of purchased energy adjustment charges imposed by MEAN for FY 2014, less a credit of $57,933.90 which is a refunding of PEA charges that was announced at this week's MEAN meeting (due to a favorable fiscal year-end financial position).

The July, August, and September COE will be $.0026/kWh or 2.4% of today's IMU retail rate base. That will rise as IMU proceeds through its fiscal year, with exact amounts dependent upon the weather, peak use relative to hourly use, transmission rates, and then new MEAN rates imposed each April.

There is a cap in the policy that the COE cannot increase more than $.0015/kWh in any given quarter without Trustee approval. Trustees can also use sources other than COE collections to reduce future rates if those funds become available. So, for example, the COE Bank can become zero by using any excess reserves when base rates are increased again to recoup ongoing wholesale costs.

The model has also been back-tested using actual per kWh revenue, wholesale costs, and the likely base energy rate (90% of today's, reflecting MEAN's increase from the prior year). The adjustment would have been negligible the first three quarters of FY 2014 (+ or - 1% of the retail rate) with a sizable increase of 5.4% starting in April 2014. Trustees would have likely reduced that amount closer to the proposed July 1 COE of 2.4% by crediting the COE bank.

Financial Impact

N/A

Staff Recommendation
Simple motion adopting the Cost of Energy Policy is in order.

Attachments

Policy

COST OF ENERGY ADJUSTMENT

The purpose of the cost of energy adjustment policy is to provide administrative guidance for the imposition of Section 2.4(9) Cost of Energy Adjustment or other applicable section of the Electric Rate Resolution in effect at any particular point in time.

Goals

- Relative rate stability and predictability in light of unpredictable purchased energy & transmission costs
- Simplicity in explaining the methodology to the public and staff while recognizing a complex set of set cost-related factors such as summer & winter wholesale rates, both wholesale demand & energy rates, and unreimbursed fuel costs to run the turbines
- Protection of financial ratios including debt service coverage and days liquidity
- Minimizing administrative burden by completing calculations on a quarterly basis as opposed to monthly

General

A rolling "bank" of wholesale energy costs, less cost of energy adjustment collections, shall be established, hereafter referred to as the COE Bank.

"Withdrawals" from the COE Bank, or assessments, are essentially the actual cost of energy/transmission incurred, net of those included in a wholesale base rate per kWh, plus any unpredicted wholesale costs or rate recovery necessary to ensure adequate debt service coverage.

"Deposits" into the COE Bank, or credits, are monies collected from retail customers through the cost of energy adjustment (herafter referred to as the COE). The negative "balance" of the COE Bank is calculated on a per kWh base of an average of kWh sold over the past 12 full quarters and becomes the cost of energy adjustment or COE. If the balance becomes positive, then credits per kWh are issued the subsequent quarter.

From an explanatory standpoint, the form filed with the City Clerk's Office shall refer to "The cost of energy adjustment is based on the actual cost of wholesale energy used by customers, minus that included in base rates. Costs exceed those rates by at least $.000x per kWh for the last quarter. If and when those costs are fully recovered, then IMU no longer collects an adjustment to recover them. At this time, there are $yyy,yyy.yy of energy costs yet to be recovered."

Parameters

The adjustment is to change on a quarterly basis, unless overridden by the IMU Board for purposes of ensuring adequate debt service coverage or to otherwise protect IMU's bond rating.

The adjustment shall not increase more than $.0015/kWh in any given quarter above that of the previous quarter without IMU Board approval.

The IMU Board may place additional credits into the COE Bank (and thus reduce the cost of energy adjustment) if non-rate revenue sources such as capacity payments or budget surpluses from increased kWh sales are available and it is desired to reduce rates in future periods.

The IMU Board may identify an amount from a future wholesale base rate change intended to be applied to a COE Bank deficit. Those amounts will be applied to the COE Bank as they occur.

From a formula standpoint, the COE = - COE Bank / Annual Energy Sales in kWh as averaged over the past 3-year actual 12-month periods.

If the absolute value of the COE Bank balance is less than $25,000, staff may set the COE to zero for the ensuing quarter.

A filing by IMU to the City Clerk's Office certifying the COE and COE Bank shall remain in effect until otherwise superseded by a subsequent filing.

Procedures-

1. IMU staff shall calculate the average cost of energy for each month of the preceding quarter no later than the 30th day of the month prior to the month to which the COE is to be applied (i.e. by May 30th for July 1 bills to IMU customers). Calculations for each quarter will occur after receipt of the invoice (issued by MEAN) for wholesale power purchased in March, June, September and December.

2. For each month, the actual energy cost is compared to the base energy cost included in the rate schedule. The base energy cost (BEC) is set at:

    a. Summer season (June through September MEAN billing months): $0.082 / kWh
    b. Winter Season (October through May MEAN billing months): $0.054 / kWh

3. The monthly variance in costs is calculated using the following formula:

   ECV = (EP * BEC) – AEC - UC

   ECV is Energy Cost Variance
   EP is Energy Purchased, from MEAN invoice, in kWh
   BEC is Base Energy Cost, as shown above
   AEC is monthly Actual Energy Cost from MEAN Invoice
   UC is Unexpected Costs that the utility plans to recover from COE. This may include unbudgeted costs for fuel, costs incurred to meet legal mandates or directives from governmental entities or oversight authorities including balancing authorities, FERC and independent system operators, or any other unbudgeted cost that IMU could not reasonably foresee that, without recovering the cost through COE, could jeopardize financial stability.

   A negative ECV indicates actual energy costs were higher than base amounts expected. A positive ECV indicates costs were lower than base amounts expected.

4. The initial balance in the COE Bank is the negative of the sum of "Pooled Energy Adjustments" assessed by IMU's wholesale supplier for the wholesale billing period July 1, 2013 through March 31, 2014 less any credits applied. Subsequently, the balance of the COE Bank (EB) is the cumulative amounts credited through COE collections and the ECV assessments.

5. The quarterly COE shall be calculated as follows:

   COE = -EB / AES

   COE is Cost of Energy adjustment, in $/kWh
   EB is Ending Balance of COE Bank
   AES is Annual Energy Sales (kWh), based on retail sales to IMU customers, defined as an average of the actual annual retail energy sales for previous three calendar years

   A negative ending balance would result in a COE charge. A positive ending balance would result in a COE credit

Information

Subject

IMU Partners Appropriation

Information

Action Step #3 in the IMU Strategic Plan gave general direction for IMU staff to "Enhance marketing and customer awareness/outreach to communicate the holistic value of IMU and its services, including economic development efforts." Many of the implementation roles detailed in that adopted plan are contained within those in the attached IMU Partners table, which was presented at the last Trustee meeting. The overall vision of IMU Partners is to leverage the value of community broadband in Indianola.

Core objectives are-

1. IMU & MCG to partner to maintain awareness of the network's advantages, drive new telecom sales, and reduce customer churn rates.
2. Attract providers & promote use of data and video services, such as local advertising, to create competitive advantages & community support for IMU's 3 utilities , Partners, and business customers.
3. Develop opportunities to enhance Indianola's, IMU's, Partners' and others' efforts to promote broadband use & adoption, engage with community members & students, and attract new tech-oriented business customers.
4. Collaborate to provide access to on-line and assisted programs that improve the flow of tech-oriented ideas, capital, and opportunities in Indianola, including at Simpson College.

Perhaps the most unique feature of this model is how these 4 activities can create synergy between them.

Example: An existing storefront business can join IMU Partners and create advertising content (example: rental real estate listings). Their commercial programs can play on both the IMU Partners on-line TV network and on the IMU Partners channel on the MCG network as part of their annual dues. One distribution method will drive traffic to the other through joint promotion and a scrolling screen of logos. That business can also advertise their programs playing on the IMU Partners channels within their own print ad campaigns. web sites, and in-store displays. They can also highlight and receive additional credit for their support of Studio I and HyperStream. Their involvement can lead to student internships that help create the very content used in future cross promotions. They can self-manage and expand this new venture using the EmergeHub site, attracting HR talent along the way. Viewers are then able to learn more about Indianola's local businesses, IMU's valued role, and how to support the overall vision.

The next implementation step is to seed IMU Partners with funds, which will also confirm IMU support for the pursuit of the overall vision over the next 6-12 months. Immediate activities will include-

1. Build a web site for the Internet-TV Channel and to acknowledge Partners with logo recognition on the TV channel
2. Develop a marketing campaign (start w/written materials, then a video) to attract Partners & volunteers
3. Match Partners' funds for first-year activities (see attached draft of membership dues & activities)
4. Pay for local sponsorships at community events (balloon, print advertising, other) to raise

awareness
5. Administrative costs (publishing minutes & checks, insurance, professional design services, etc.)

IMU staff recommends appropriating $10,000 for the remainder of FY 2014 from IMU Network Services' existing $350,000 fund balance, which was derived from the favorable conversion of lease terms with MCG between 2010 - 2013. This commitment can be matched by:

- $5,000 from MCG plus in-kind work to produce content/videos using their in-house staff, when available
- at least $8,000 in base dues from the first 50 paying IMU Partners members for the remainder of 2014

Staff will also work with potential partners to contribute their in-kind services in lieu of paid memberships to accomplish initial activities. Once these activities are operational & sustainable, with costs known for activities requiring cash vs. in-kind, IMU staff will bring a proposal for the remaining FY 2015 budget using a combination of the $20,000 budgeted in IMU Network Services for community support, some funds within the electric energy efficiency budget for activities highlighting sustainability, and IMU marketing efforts in the IMU Administrative fund.

The IDA is an integral partner and their activities in FY 2015 to support the core objectives can include:

- IMU Partners recruitment & relations - work with IMU staff and form an IMU Partners recruitment committee
- Community outreach - engage with partners & form an outreach committee to help steer marketing efforts and collaborative programming strategies
- EmergeHub - work with Indianola businesses, mentors, and as a member of the design team to best implement Indianola's local license and to integrate Emerge@Simpson College into Indianola's overall efforts

The overall value proposition of the IDA this coming fiscal year is that $25,000 of budgeted FY 2015 funds can itself be leveraged in terms of-

1. IDA staff's time
2. IDA board/committee engagement
3. Integrating opportunities with Simpson College staff & students
4. Helping attract Partners that will stay involved over the long run
5. Attracting ventures, capital, and alternative revenue streams that support development

IMU can expect the IDA to use this next year to refine its plan into clearer roles/responsibilities and demonstrate their overall value. Recent in-person reports to Trustees and news items have summarized successes to-date and plans to sustain those efforts into 2015 by Simpson College and its donors, partnering with other communities through franchise licenses, and success within the ventures themselves. The IDA is planning a June 10 meeting and it would be beneficial for all to understand Trustees' expectations and concerns.

Financial Impact

N/A

Staff Recommendation

Appropriation of $10,000 to IMU Partners for FY 2014 activities and pledging $25,000 towards the FY 2015 IMU Partners appropriation (intended to be allocated to the IDA), contingent on IMU Partners formalizing the scope of services to be rendered, is in order.

Attachments

Summary Memo
Draft Dues Structure

INDIANOLA MUNICIPAL UTILITIES

LEVERAGING THE VALUE OF COMMUNITY BROADBAND

Indianola, Iowa is a city of 15,000 people located fifteen minutes south of the Des Moines metro. Indianola is a vibrant, forward thinking community in which to innovate with access to a state-of-the-art fiber optic network, an excellent education system and lifestyle amenities.

Indianola Municipal Utilities is the proprietor of central Iowa's largest locally-owned and managed fiber-to-the premise network. Interconnections between regional wholesale providers at local points of presence bring ample capacity and redundancy to Indianola customers. IMU has the ability to lease dark fiber and extend the network at bandwidth levels to meet customers' needs. MCG of Oskaloosa is a licensed network services partner that delivers state-of-the-art telecom and broadband services to commercial and residential customers via IMU's fiber network.

IMU's Partners Program is drawing other advanced retail services, such as cloud storage, virtualization, media content delivery, mobile platforms and more. This collaborative partnership lowers the cost of market entry which is attractive to new partners, all the while promoting the network's ongoing deployment.

Over the past two years, IMU has led the effort to form an assessment team that worked together to apply for and receive Iowa's first Certified Connected Community designation under the Connect Iowa program. This partnership team continues to lead ongoing efforts to promote technology access as a key pillar to our community's development strategy.

IMU is also taking part in the initiative to improve the flow of tech-oriented ideas and opportunities between Indianola, the metro and Ames. The first milestone was opening the EMERGE@Simpson College program, which brings students and metro-area tech entrepreneurs together to nurture business concepts and work on technology startups in various phases of development.

IMU's mission is to provide our community with essential services that put the customer first in terms of reliability and value. Adding IMU Network Services and our collaborative programs places Indianola atop the list of Iowa cities to innovate over the next several decades. That innovation is being spurred by converging connectivity, our business community and entrepreneurial spirit to position Indianola as a destination location for thriving in the modern economy.

Find out more information at http://www.i-m-u.com/network-services/partners-program.aspx

THE VALUE OF COMMUNITY BROADBAND

IMU and MCG partner to provide world-class broadband services on central Iowa's largest fiber-to-the-premise network.

A common goal is to promote the use of these broadband services and to maintain community support for expanding IMU's network over the next decade. This involves marketing collaboration and cross-promotion activities, including defining the multifaceted value of the network to Indianola and IMU customers.

Developing this sense of local investment helps drive new sales and reduces customer churn rates.

The fiber network partnership brings an opportunity to attract providers of auxiliary data & video services such as home security, utility management, local commercials on national TV shows, and local TV channels.

These new services are valuable economic tools by helping local businesses better engage with local customers, using video content to promote local events, and informing citizens on local issues.

This wider array of services provides competitive advantages for all. There is much potential for synergy between service providers, community engagement efforts, and Emerge.

Indianola has many organizations able to promote broadband use and adoption by collaborating on community outreach programs.
Examples include-

- Improving Indianola's image as an integrated metro technology destination to attract new businesses, partners, and services as the "Carver Connection" initiative
- Sponsoring STEM activities such as the local HyperStream program and "Studio I"
- Encouraging digital literacy at the Indianola Library and Activity Center

Community engagement develops visibility to customers of all services and the potential for student-produced video content that benefits Indianola.

IMU is collaborating with Simpson College and others to enhance the growth of local businesses & form new ventures. The Emerge project consists of-

- A license to a regional incubator-in-a-box virtual platform in order to attract ideas, mentors, and financial capital to Indianola
- On-campus college programs to engage students with ventures and integrate them into the metro economy
- Developing a proposal for a local center where ideas, ventures, and opportunities are refined and grow

LEVERAGING THE COMMUNITY AS IMU PARTNERS

DRAFT

Promote the use of these broadband services and to maintain community support for expanding IMU's network over the next decade:

- IMU – Todd Kielkopf, Chris Longer, Chelle Klootwyk
- MCG – Frank Hansen, Mark Falck, Eddie Pearson
- Contracted – Doug Pals, Re:Sourceful Communications

Attract providers of auxiliary data & video services:

- IMU Partners Administration – Chris Longer, IMU
- PoP and Service Provider/Video content development – Todd Kielkopf, Mike Metcalf, Frank Hansen, Chris Longer, Chelle Klootwyk, Indianola Chamber of Commerce
- IMU Partners Members Council recruitment – IDA Board, Jerry Kelley, Chelle Klootwyk, Chris Longer

Promote broadband use and adoption by collaborating on community outreach programs:

- Carver Connection Committee – Chelle Klootwyk , Chris Longer, Todd Kielkopf, Jerry Kelley/IDA Board members, Indianola Chamber of Commerce staff, Simpson College staff, West Des Moines Incubator staff, Iowa State University staff

- IDA Members Council Indianola Tech Integration Committee – Todd Kielkopf, Jason Cross (Nolasoft), Jason Trotter (Progressive Intelligence Technologies), Mike Vesey (IntegriVault) , Drew Gocken (formerly of DMACC), teachers (2), Jerry Kelley

- ID Members Council Digital Literacy – Indianola Library staff & Friends of the Indianola Library (TBD), Indianola Schools (TBD), and IMU (TBD)

Emerge
Incubator in a box

SIMPSON COLLEGE

Enhance the growth of local businesses & forming new ventures:

- Hub Platform capacities –
  Founders (currently 12, seeking 18 more)
  Professional Partners (Catchwind, Meidh, others TBD)
  Franchise License Development – Chris Draper
  Alternative Platform Use Licenses – Todd Kielkopf, Chris Draper, Jerry Kelley, Joe Vande Kieft

- IMU Partners' EmergeHub license utilization –
  Emerge @ The IDA – Jerry Kelley, IDA Board/committees
  Emerge @ Simpson College – Dean (Steve Griffith), Steering Committee (7), Program Director (Chris Draper), Professors (4), Development/Marketing/Recruitment staff
  Advisors & Students (50+ thru end of term)
  Ventures (27)
  Mentors in Residence Program – Steve Griffith, Jerry Kelley /recruits: (examples) Chuck Brice, Mike Beathke, Ray Walton, Mike Tiegland
  WCEDC integration – Todd Kielkopf, Hollie Askey
  Metro Affiliations/integration – West Des Moines Incubator staff, Iowa Startup Accelerator staff, Iowa Innovation Corp. staff/VentureNet, Chris Draper

- Emerge Center –
  Jerry Kelley, Todd Kielkopf, Warren Co. Board/staff, USDA RD/staff

IMU Partners is opening up membership opportunities to Indianola businesses and others that want to-

1. Promote Indianola's technology capacities
2. Enhance the use of local video by local events & businesses
3. Support youth video & technology programs
4. Have access to resources inside the EmergeHub using Indianola's local franchise

Member benefits include-

- A logo slide show to be hosted on the IMU Partners TV channel on the MCG network when that channel is not displaying programmed video content.
- Rotating logo display on the IMU Partners web site-based TV channel.
- Logo display and project sponsorship information on the IMU Partner's web site; Indianola Chamber of Commerce members will be able to link to their web sites.
- Ability to produce/direct a set amount of content for specific/commercial (non-political) purposes.
- Participation on committees influencing how the IMU Partners Program & video distribution network evolves.
- EmergeHub login/profile and ability to provide professional services to ventures, form new project ventures, access potential team members, and eventually, attract micro venture capital.

Membership dues are $240 per year, with each dues year being IMU Partners' fiscal year.

The first $160 is referred to as <u>base dues</u> and will be used, as a group of members, to partner with IMU Network Services and MCG to provide the technological capacities needed to deliver these valuable opportunities. These activities include channel development, member recruitment, web site features, and other activities to attract viewers.

The remaining $80 of annual dues is <u>member-targeted</u> (see next page). Five initial projects are being targeted, each with a unique demographic, in order to populate the channel with multi-purpose content and garner community support. IMU & MCG are matching members' funds and also providing in-kind administrative & technical support for these projects.

Members also have the ability to directly contribute additional funds to any of the specific projects. Credit for this donation will be noted within the content developed or tech-oriented youth organization supported. Separate youth organization committees may be formed (with individual vs. business memberships) that solicit & manage their funds under this same donation program.

$ 80.00 Member-Targeted (pick one):

_____ 8-11 minute video highlighting Indianola sustainability efforts

- Alternative Energy purchases & Energy Efficiency Programs
- Community Blowout
- Tips & local programs that benefit local businesses
- ?

Plus contribute $__________

_____ 8-11 minute video spotlighting Indianola's community events on The Square

- Farmers Market
- Parades/Craft Shows/Car Shows
- Girls Nite Out & Other Chamber events
- ?

Plus contribute $__________

_____ 8-11 minute video promoting Indianola's technology image & development

- Programs at the High School & Simpson College
- Businesses that help others innovate
- Emerge ventures & mentoring opportunities
- ?

Plus contribute $__________

_____ Targeted support of the HyperStream program at Indianola High School

- Offset materials & supplies
- Student recruitment
- Travel to competitions
- ?

Plus contribute $__________

_____ Targeted support of the Studio I program at Indianola High School

- Equipment/Software
- Recruitment & Recognition materials
- Help students learn how to manage the program
- ?

Plus contribute $__________

$__________ Total paid

Make check payable to IMU Partners c/o the Indianola Development Association