INDIANOLA MUNICIPAL UTILITIES

IMU

Electric • Communications • Water

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

Agenda

1. Roll Call
2. Consent
   - A. Claims
   - B. Minutes
   - C. Quarterly Write-offs to State Offset Program
3. Reports
   - A. General Manager
   - B. Director of Finance
   - C. Chairperson
   - D. Monthly Financials
   - E. Quarterly Performance Report
4. 2011 Indianola Hwy 65/69 Underground Conversion Project
   - A. Certificate of Final Completion - Dig America contract
   - B. Certificate of Final Completion - Vanderpool Plumbing, Heating, and Electrical contract
5. Board Input on Strategic Plan working draft
6. Other Business
7. Adjourn

IMU Regular Downstairs **2. A.**

Meeting Date: 10/27/2014

Information

Subject

Claims

Information

The October 20, 2014 Claims List was distributed last week.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**

Meeting Date: 10/27/2014

Information

Subject

Minutes

Information

Minutes of the October 13, 2014 meeting are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – OCTOBER 13, 2014

The Board of Trustees met in regular session at 5:30 p.m. on October 13, 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: Grant Johnson Pat Reding, Eric Vander Linden and Deb White. Absent: Heather Hulen.

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

October 6, 2014 claims

September 22 and October 8, 2014 minutes

General Manager Todd Kielkopf presented the 2014 Customer Survey Results.

It was moved by White and seconded by Reding to approve change order #3 from Vanderpool Construction, a deduction of $887.16, for the West Iowa Avenue Water Main Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A motion was made by Johnson and seconded by Reding to approve change order #3 from Vanderpool Construction in an amount of $13,395.80 for the 2013 Highway 92 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Reding moved and Johnson seconded to approve the Certificate of Substantial Completion with Vanderpool Construction for the 2013 Highway 92 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Board member White moved and Reding seconded to enter into closed session pursuant to Iowa Code Chapter 21.5(1)i to discuss material pertaining to the annual evaluation of the performance of Todd Kielkopf, General Manager. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Johnson moved and Reding seconded to return to regular session. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

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

________________________________ ________________________________

Eric Vander Linden, Chairperson Diana Bowlin, City Clerk

IMU Regular Downstairs **2. C.**

Meeting Date: 10/27/2014

Information

Subject

Quarterly Write-offs to State Offset Program

Information

The write-off report and amounts ($16,911.80 for electric and $3,830.77 for water) are provided in the attached quarterly summary. These are less than historical averages for the recent past and seasonally.

Financial Impact

N/A

Staff Recommendation

Attachments

Quarterly Report

Historical Write-offs

Sep-14

		Electric	%	Water	%
September	2012	$ 22,447.38	0.60%	$ 4,331.44	0.61%
December	2012	$ 26,976.89	0.97%	$ 3,778.37	0.84%
March	2013	$ 35,766.64	1.40%	$ 5,173.54	1.02%
June	2013	$ 23,778.95	1.02%	$ 5,616.54	1.17%
September	2013	$ 22,223.60	0.68%	$ 4,456.19	0.71%
December	2013	$ 23,783.45	0.78%	$ 2,920.64	0.45%
March	2014	$ 20,913.08	0.77%	$ 5,165.68	1.00%
June	2014	$ 33,050.77	1.39%	$ 7,955.09	1.63%
September	2014	$ 16,911.80	0.51%	$ 3,830.77	0.64%
Average for Qtr			0.60%		0.66%
Average for Report			0.90%		0.90%

IMU Regular Downstairs **3. A.**
Meeting Date: 10/27/2014

Information

Subject

Administrative News Items

Information

News Items are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

News Items

NEWS ITEMS

TO: IMU Trustees
FROM: IMU Administrative Staff
DATE: October 25, 2014

1. **FERC/Transmission ROE:** It was noted in a news items several months ago that a filing had been made at the Federal Energy Regulatory Commission (FERC) pertaining to the rate of return on equity (ROE) earned by transmission owners. The FERC issued an order on that filing late last week that capped the base ROE for New England-ISO area transmission owners at 10.57%. Concurrently, the FERC granted a hearing pertaining to a similar complaint in the MISO-area (which is IMU's area). MISO has historically allowed a 12.38% return (which subsequently had been approved by the FERC in the MISO tariff and other orders).

   IMU does file for $512,000 in Section 30.9 transmission credits that is partially based on the ROE percentage. A reduction to 10.5% from 12.38% will be a $42,000 reduction in funds from outside sources available to maintain the 69kV system.

   MidAmerican earning a lower ROE will have a reduction in direct transmission expenses. If other transmission owners average the same ratio of debt/equity, the two impacts should mostly offset from a community standpoint.

   However, a reduction in transmission expenses will directly lower future revenues collected through the cost of energy adjustment, while the reduction in 30.9 credits directly reduces net cash flow available for operations & capital projects. Also, it is unclear as to the effective date and if refunds are due should the FERC rule to reduce the ROE. So it is a significant budgetary concern going forward.

2. **Old Water Plant Demo:** An asbestos abatement contractor will begin removal in a couple weeks. There had been questions about the reasons behind the $10,000 cost but there aren't lower-cost options as per the competitive quote.

3. **MEAN Ad-Hoc Rate Meeting:** IMU staff will be attending the meeting in Kearney, NE this week.

4. **Carlisle-area MidAmerican Electric Charges:** When meeting with Carlisle and NMPP representatives this past Monday, one item that arose was comparison residential rates with MidAmerican following their base rate increase, new cost of energy adjustment charge, transmission charge, and other surcharges.

   For an October residential bill at a modest home produced for review, MidAmerican's October rate was 11.5 cents per kWh all-inclusive, net of the franchise fee that would be imposed in Indianola. Service in Indianola would also be surcharged for the underground conversion costs.

IMU's comparison residential rate is about 10.6 cents per kWh all-inclusive, net of the PILOT paid in lieu of franchise fee and does include the cost of underground line construction. So IMU's comparison cost was about 8.4% lower plus the benefit of a newer, underground system that includes access to telecom savings for a significant portion of Indianola.

MidAmerican's residential pricing structure will likely be about equal with IMU's during winter months and have generally been lower for commercial & industrial rate classes (larger users). MidAmerican's base rates will increase in January 2015 and January 2016, plus anticipated increases in the other surcharges.

IMU Regular Downstairs **3. D.**

Meeting Date: 10/27/2014

Information

Subject

Financials

Information

The monthly financial report packet is attached to this agenda item.

Financial Impact

N/A

Staff Recommendation

Simple motion approving the Treasurer's Report is in order.

Attachments

IMU Monthly Financial Reports

Notes & Comments

1. Total Cash Flow from all activities the on Treasurer's Report was +$435,384 due to a combination of capital project reimbursements from IDOT and MidAmerican, summer season water & electric sales, and monthly funds set aside for debt service.

2. Electric kWh sales (page 5) over the past 12 months are at their apex compared to historical trends. The chart contains consumption over both what was a hotter summer (in 2013) and colder winter (in 2014) than what should be expected for the coming 12 months. Staff is anticipating a 4,500,0000 annualized kWh reduction over the next 12 months as this summer's consumption and a normalized winter replaces prior years' in the rolling average. Water consumption (page 6) is also returning to historical averages.

3. The Electric Gross Margin (page 7) is slightly higher than the seasonally-adjusted budget, due to slightly lower wholesale power costs per kWh, which will reverse with new winter rates effective November 2014. Staff did adjust the seasonal monthly budget percentages to reflect that change. A substantial (well in excess of $200,000 based on IMU's prorated share of losses to-date) refundable one-time wholesale power charge is anticipated later this winter for MEAN to meet its debt service coverage requirements due to the widespread mild summer and the low market-based prices that the excess power was sold for. So the gross margin will likely fall well below budget by February or March when that is paid.

4. Electric Utility reserves remain above policy levels & targets, however the vast majority of that is committed to capital projects (W. Hwy 92 and Network Services signups) and budgeted negative cash flow from operations. Again, the one-time wholesale power charge will also consume a substantial amount of the cash available.

5. Using the cash-based + depreciation model, FYTD Electric Utility Net Income (page 8) was a loss of $13,169.83. This is less than expected due to the favorable FYTD gross margin and actual insurance costs being much lower than when the budget had been adopted.

6. The Water Utility (pages 7 & 12) is not meeting budget expectations in terms of Net Income and Cash Flow due to lower sales due to mild weather. Reserves are well above targets, primarily due to the timing of capital projects under contract but yet to be completed. These fund balances are scheduled to be expended over the next two years on proactive capital projects and break-even operations so there is ample time to adjust projects to meet reduced revenue expectations going forward.

7. The Communications Utility (page 15) and Admin. Fund (page 16) cash flows are essentially fairly close to the post-budget operating targets. Funds to improve the PoP building and a splicing trailer are in the budget, but won't be expended until plans are better established. Administrative expenses should be less than budget until re-estimated in January, as several line items were reduced after the FY 2015 budget was adopted last spring.

FINANCIAL REPORT
MONTH OF SEPTEMBER, 2014

FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	1,174,892.31	66,754.77	132,945.51	111,200.01	2,352.07	1,217,549.51	
011 Police	-120,206.41	98,960.19	237,062.60	60,774.23	324.45	-197,859.04	
015 Fire	53,955.70	31,323.16	40,655.92	8,741.53	24.72	53,339.75	
016 Ambulance	171,060.17	82,678.42	70,635.58	4,622.71	5,572.66	182,153.06	
041 Library	-81,644.75	21,176.86	49,116.65	6,667.52	61.80	-102,978.82	
042 Park & Recreation	240,520.31	84,805.79	85,765.95	16,139.33	123.60	255,575.88	
045 Memorial Pool	-114,732.67	5,884.10	8,518.20	0.00	0.00	-117,366.77	
071 General Fund Deb Service	38,626.98	5,755.18	0.00	0.00	0.00	44,382.16	
099 Franchise Fees-MEC	253,783.90	0.00	0.00	0.00	0.00	253,783.90	
GENERAL FUND SUB-TOTAL	**1,616,255.54**	**397,338.47**	**624,700.41**	**208,145.33**	**8,459.30**	**1,588,579.63**	
110 Road Use Tax (Streets)	877,604.34	121,530.23	101,299.32	0.00	15,158.15	882,677.10	
112 Trust & Agency	0.00	73,028.65	0.00	0.00	73,028.65	0.00	
115 YMCA Maintenance Obligations	28,058.67	0.00	0.00	0.00	0.00	28,058.67	
125 TIF--Downtown	373,833.74	28,590.12	0.00	0.00	0.00	402,423.86	
126 TIF--East Hwy 92	0.00	0.00	0.00	0.00	0.00	0.00	
127 TIF--Hillcrest/Industrial Park	47,293.42	20,712.13	0.00	0.00	0.00	68,005.55	
141 Library Special Revenue	33,856.25	2,819.39	392.34	0.00	0.00	36,283.30	
142 Park & Rec Special Revenue	120,090.68	1,899.40	6,327.80	0.00	0.00	115,662.28	
160 Downtown Revolving Loan	64,094.33	15,000.00	0.00	0.00	0.00	79,094.33	
161 Downtown Business Inc Program	-93,614.50	0.00	44,619.37	0.00	0.00	-138,233.87	
177 Police Forfeiture	18,398.31	1,431.76	0.00	0.00	0.00	19,830.07	
190 Vehicle Reserve	96,409.08	0.00	0.00	1,666.67	0.00	98,075.75	
199 Police Retirement	109,787.92	202.98	0.00	0.00	1,041.67	108,949.23	
SPECIAL REVENUES SUB-TOTAL	**1,675,812.24**	**265,214.66**	**152,638.83**	**1,666.67**	**89,228.47**	**1,700,826.27**	
200 **DEBT SERVICE (SUB-TOTAL)**	**1,638,646.31**	**69,727.04**	**0.00**	**60,774.99**	**0.00**	**1,769,148.34**	
301 Capital Projects (General)	419,642.19	30,254.48	14,723.07	0.00	0.00	435,173.60	
321 Capital Projects (Streets)	200,436.30	6,047.00	913,203.52	0.00	0.00	-706,720.22	
344 Community Athletic Facility	8,557.48	18.20	170.73	0.00	0.00	8,404.95	
353 Community ReDevelopment (D&D)	-19,191.99	0.00	4,745.00	0.00	0.00	-23,936.99	
CAPITAL PROJECTS SUB-TOTAL	**609,443.98**	**36,319.68**	**932,842.32**	**0.00**	**0.00**	**-287,078.66**	
610 Sewer	140,438.63	0.00	100,036.30	140,600.00	34,901.03	146,101.30	
650 Stormwater Utility	309,251.27	16,669.68	0.00	0.00	5,158.33	320,762.62	
670 Recycling	64,861.56	17,555.69	15,246.74	0.00	1,441.67	65,728.84	
710 Sewer Capital Projects	624,821.74	298,280.60	2,819.00	0.00	239,483.33	680,800.01	
771 Sewer Reserve	114,238.70	0.00	0.00	0.00	0.00	114,238.70	
781 Sewer Plant Improvement	321,739.21	0.00	0.00	2,083.33	0.00	323,822.54	
791 Sewer Revenue Bonds	349,673.35	0.00	0.00	61,016.67	0.00	410,690.02	
820 Health Insurance	1,034,197.68	109,485.29	124,174.60	0.00	0.00	1,019,508.37	
830 Health Reimbursement Account	297,299.61	0.00	99.00	0.00	0.00	297,200.61	
840 Flex/STD	226,205.46	2,323.06	8,519.87	1,405.95	0.00	221,414.60	
850 Liability Insurance Reserve--City	37,314.71	27.99	775.00	0.00	0.00	36,567.70	
CITY UTILITY & IS SUB-TOTAL	**3,520,041.92**	**444,342.31**	**251,670.51**	**205,105.95**	**280,984.36**	**3,636,835.31**	
TOTAL CITY FUNDS	**9,060,199.99**	1,212,942.16	1,961,852.07	475,692.94	378,672.13	**8,408,310.89**	**46%**
TOTAL IMU FUNDS	**9,257,891.77**	1,960,493.67	1,428,087.99	175,941.68	272,962.49	**9,693,276.64**	**54%**
GRAND TOTAL CITY & IMU	**18,318,091.76**	3,173,435.83	3,389,940.06	651,634.62	651,634.62	**18,101,587.53**	
Cross Check Total						18,101,587.53	

Investments

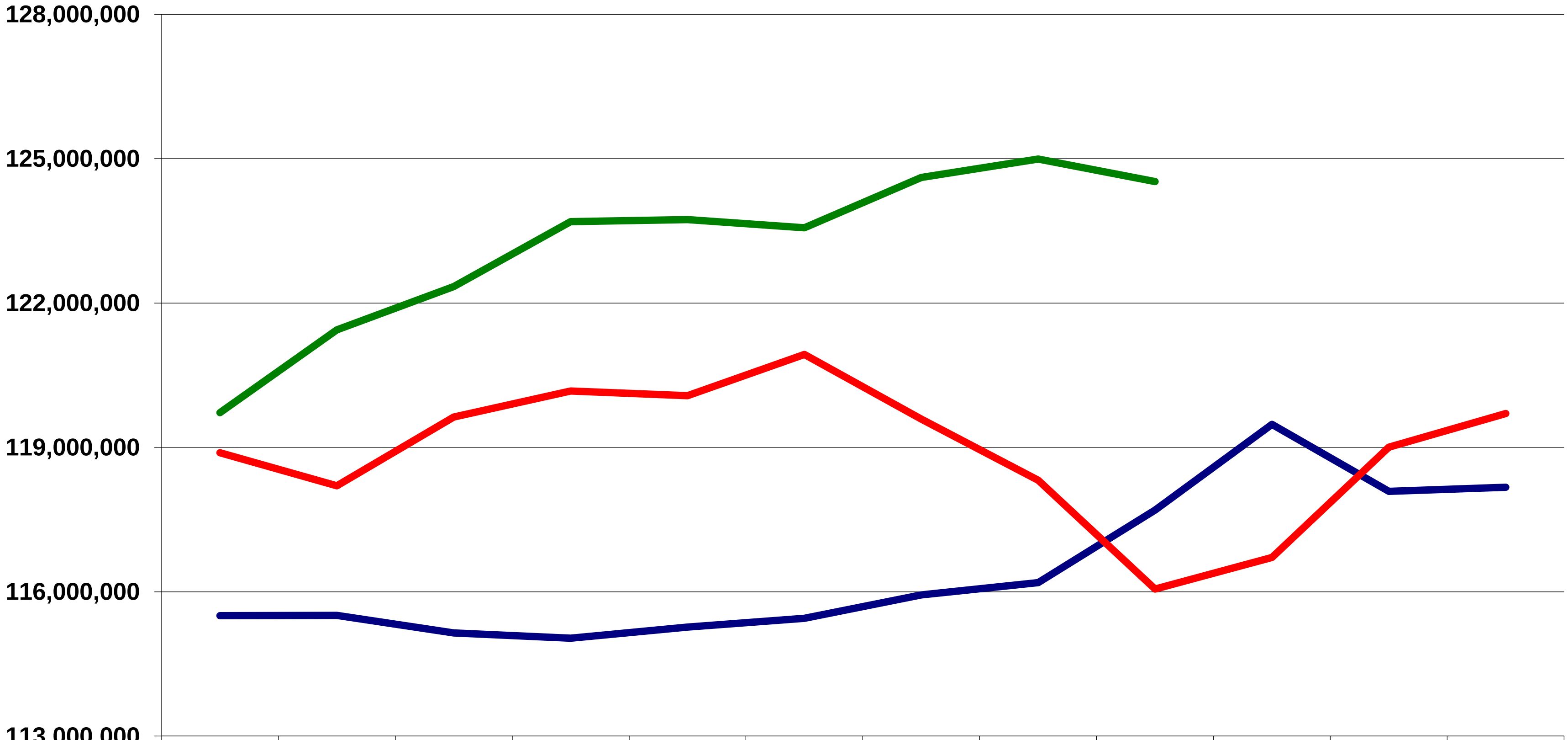
Bankers Trust	$	16,502,798.50	1.93%
Iowa Public Agency Inv. Trust	$	111,108.48	0.010%
Payroll Account, City State Bank	$	-	Earnings Credit
Checking Account, City State Bank	$	243,390.17	Earnings Credit
Checking Account, Community Bank	$	13,038.31	
Payroll Account, Community Bank	$	830.90	
Sweep Account, City State Bank	$	1,243,052.80	0.04%
BANK BALANCE		**18,114,219.16**	

Clerk's Balance	18,101,587.53
Plus Outstanding Checks	31,107.04
Unreconcilable Item	
Less Outstanding Deposits	-18,475.41
	18,114,219.16

600 Water	343,459.97	239,647.54	104,615.26	0.00	115,959.38	362,532.87
620 IMU Administration	56,722.61	500.00	50,612.53	84,375.00	30,053.47	60,931.61
625 Revolving Economic Development	103,427.25	188.99	0.00	0.00	0.00	103,616.24
626 USDA RLF	150,000.00	75,000.00	0.00	0.00	0.00	225,000.00
630 Electric	2,194,276.27	1,347,085.85	1,148,672.61	22,566.67	119,491.31	2,295,764.87
640 Fiber/Communications	308,991.12	24,849.54	18,075.01	0.00	7,458.33	308,307.32
700 Water Capital Projects	840,330.09	0.00	33,927.84	35,991.67	0.00	842,393.92
730 Electric Capital Projects	3,338,205.30	273,186.76	70,480.79	-58,333.33	0.00	3,482,577.94
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	979,000.00	0.00	0.00	0.00	0.00	979,000.00
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	207,602.18	0.00	0.00	23,150.00	0.00	230,752.18
793 Electric Revenue Bonds	299,583.38	0.00	0.00	68,191.67	0.00	367,775.05
855 Liability Insurance Reserve--IMU	18,602.25	34.99	1,703.95	0.00	0.00	16,933.29
IMU SUB-TOTAL	**9,257,891.77**	**1,960,493.67**	**1,428,087.99**	**175,941.68**	**272,962.49**	**9,693,276.64**

INTEREST DISTRIBUTION	**INTEREST INCOME**	**% OF TOTAL**	**CALYTD**	**FYTD**
Electric Funds	$ 14,382.80	41.12%	$ 82,656.86	$ 32,735.06
Water Funds	$ 2,967.70	8.48%	$ 20,115.85	$ 7,354.13
Sewer Funds	$ 2,134.78	6.10%	$ 12,843.62	$ 5,457.95
Police Retirement	$ 202.98	0.58%	$ 1,081.05	$ 345.49
Community Redevelopment	$ -	0.00%	$ 500.26	$ 0.14
All other	$ 15,289.90	43.71%	$ 102,819.72	$ 38,829.05
TOTAL	$ 34,978.16	100.00%	$ 220,017.36	$ 84,721.82

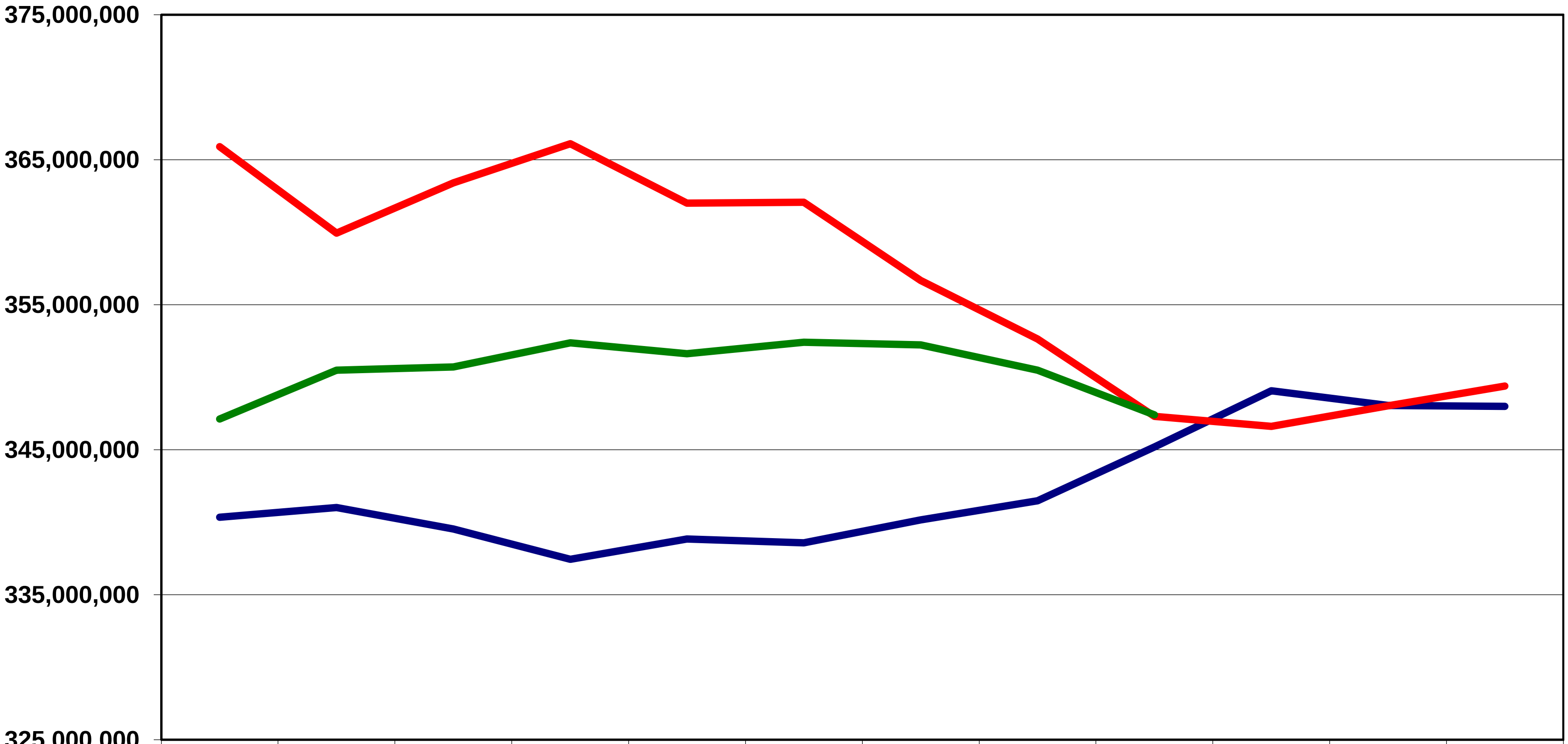
KWH's Sold
(kWh's sold based on a rolling 12 month total)



	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	123,736,172	123,563,289	124,608,723	124,993,820	124,523,643			

2010-12 EL Avg 2013 2014

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



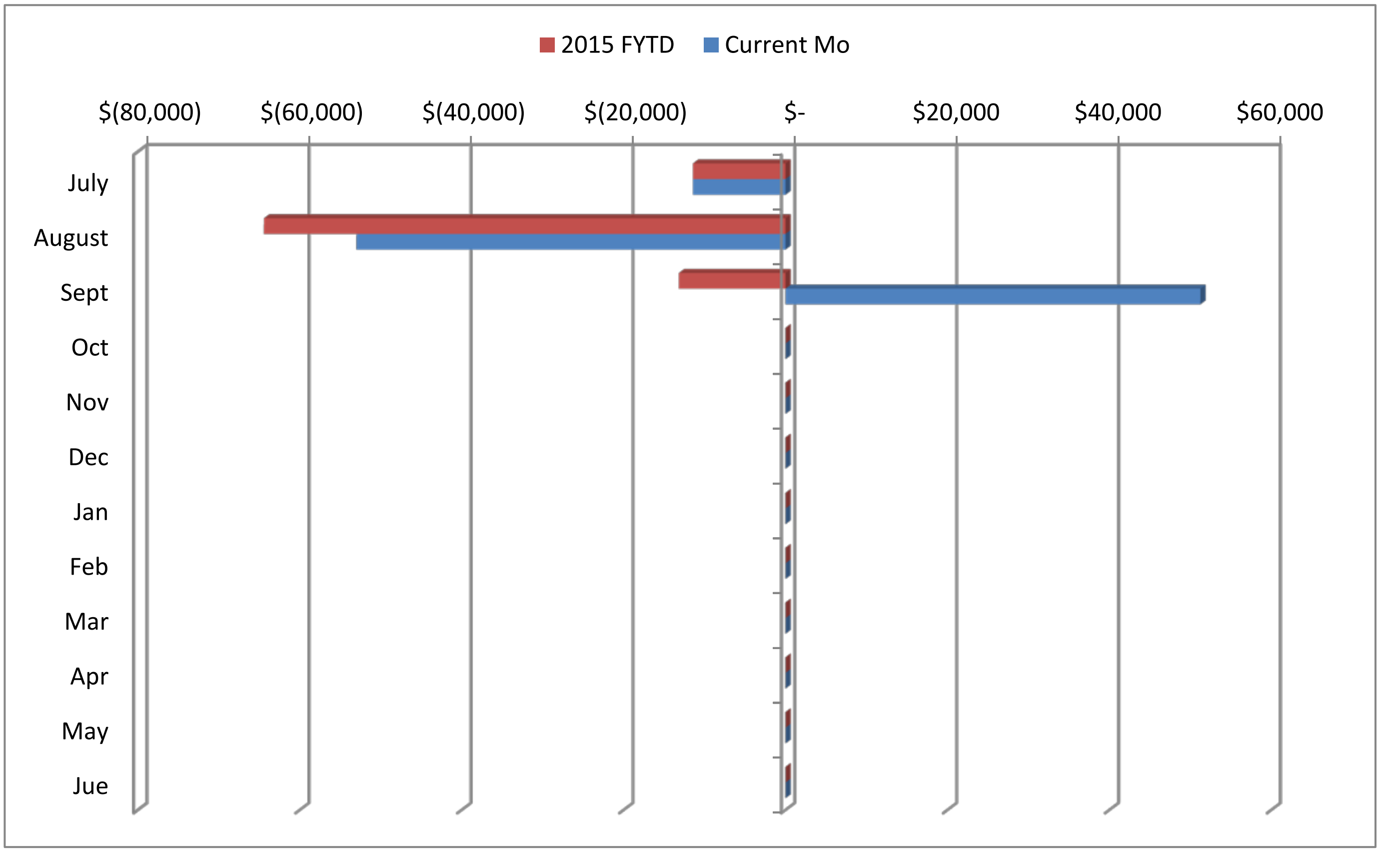
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010-12 WA Avg	340,342,990	341,005,490	339,539,389	337,453,792	338,839,263	338,574,698	340,162,998	341,474,254	345,182,293	349,066,685	348,054,010	347,985,339
2013	365,895,631	359,942,960	363,394,396	366,100,603	362,000,442	362,055,593	356,662,419	352,641,949	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	351,619,538	352,415,905	352,218,550	350,478,950	347,394,680			

2010-12 WA Avg 2013 2014

2014 September — IMU Financial Report Summary

		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Electric Utility:						
Gross Margin	$	862,062	$	771,700	$	90,362
Cash-based Net Income (incl. Depr.)	$	(13,170)	$	(136,200)	$	123,030
Net O&M + Capital Funds Cash Flow	$	724,816	$	(156,400)	$	881,216
Ending O&M and Capital Fund Balances	$	5,778,343	$	4,897,100		
Less-						
Designated for Future Projects		-		-		-
Reserve Targets		3,969,000		3,969,000		-
Over/(Under)	$	1,809,343	$	928,100	$	881,243
Debt Service Coverage Ratio w/o PILOT		1.95		1.35		
Water Utility:						
Cash-based Net Income (incl. Depr.)	$	29,187	$	80,900	$	(51,713)
Net O&M + Capital Funds Cash Flow	$	(98,927)	$	(122,600)	$	23,673
Ending O&M and Capital Fund Balances	$	1,204,927	$	1,181,300		
Less-						
Designated for Future Projects		-		-		-
Reserve Targets		686,600		686,600		-
Over/(Under)	$	518,327	$	494,700	$	23,627
Debt Service Coverage Ratio w/o PILOT		1.07		1.35		
Communications Utility:						
Net Cash Flow	$	(24,964)	$	(41,900)	$	16,936
Ending Fund Balances	$	308,307	$	291,400	$	-
Less-						
Designated for Future Projects		-		-		-
Reserve Targets		157,200		157,200		-
Over/(Under)	$	151,107	$	134,200	$	16,907
Commercial Customers		109		128		-19
Residential Customers		230		250		-20
Administrative Fund:						
Net Cash Flow	$	60,932	$	49,100	$	10,795

EL - Combined		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Sales of Electricity & Peaking	$	3,479,689.95	$	3,789,900	$	(310,210)
Sales Taxes		62,792.35		82,700		(19,908)
Other		353,252.06		347,900		5,352
Total O&M Revenue	**$**	**3,895,734.36**		**4,220,500**		**(324,766)**
Expenditures:						
Purchased Energy & Fuel	$	2,473,353.07	$	2,873,900	$	(400,547)
Salaries		215,410.98		222,100		(6,689)
Benefits		113,840.19		130,400		(16,560)
Materials, Suppl. & Contracts		129,155.74		134,600		(5,444)
Sales Taxes & Use Taxes		65,858.91		84,300		(18,441)
PILOT		144,275.01		144,300		(25)
Debt Service - Interest Only		69,575.02		69,600		(25)
Overhead, Admin & EE		376,302.19		389,300		(12,998)
Depreciation (Est)		342,100.00		342,100		-
Total O&M Expenses	**$**	**3,929,871.11**		**4,390,600**		**(460,729)**
Net Income (Operating & Other)	**$**	**(34,136.75)**		**(170,100)**		**135,963**
Capital Activities:						
Major Maintenance via Capital Fund	$	(37,373.81)	$	(26,300)	$	(11,074)
Capital Contributions (Fiber)		49,251.82		49,800		(548)
Capital Contributions (Electric)		9,088.91		10,400		(1,311)
Net Income	**$**	**(13,169.83)**		**(136,200)**		**123,030**
Cash Flow:						
Net Income + Depreciation	$	328,930.17	$	205,900	$	123,030
Water Loan Principal		57,200.00		57,200		-
Debt Service Principal		(135,000.00)		(135,000)		-
Debt Service Reserve Change		-		-		-
Capital Contributions (Developers)		743,085.17		31,300		711,785
Proceeds from Debt Issues		-		-		-
Capital Projects		(269,399.69)		(315,800)		46,400
Designated for Future Projects		-		-		-
Net Cash Flow	**$**	**724,815.65**	**$**	**(156,400)**	**$**	**881,216**



	2015 FYTD	Current Mo	2014 FYTD*	Current Mo*
July	$ (11,428)	$ (11,428)	$ (104,177)	$ (104,177)
August	$ (64,417)	$ (52,989)	$ (29,431)	$ 74,745
Sept	$ (13,170)	$ 51,247	$ 126,633	$ 156,064
Oct	$ -	$ -	$ 252,324	$ 125,691
Nov	$ -	$ -	$ (84,706)	$ (337,030)
Dec	$ -	$ -	$ (44,691)	$ 40,015
Jan	$ -	$ -	$ (124,895)	$ (80,204)
Feb	$ -	$ -	$ (27,272)	$ 97,623
Mar	$ -	$ -	$ (48,555)	$ (21,283)
Apr	$ -	$ -	$ 83,249	$ 131,804
May	$ -	$ -	$ 91,881	$ 8,633
Jue	$ -	$ -	$ 190,770	$ 98,889

*Tracking purposes only

630 - EL O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 3,479,689.95	$ 3,789,900	$ (310,210)
Sales Taxes	62,792.35	82,700	(19,908)
Other	149,820.86	129,300	20,521
Fund Revenue	**$ 3,692,303.16**	**$ 4,001,900**	**$ (309,597)**
Expenditures:			
Purchased Energy & Fuel	$ 2,473,353.07	$ 2,873,900	$ (400,547)
Salaries	215,410.98	222,100	(6,689)
Benefits	113,840.19	130,400	(16,560)
Materials, Suppl. & Contracts	129,155.74	134,600	(5,444)
Sales Taxes & Use Taxes	65,858.91	84,300	(18,441)
PILOT	144,275.01	144,300	(25)
Debt Service	204,575.02	204,600	(25)
Overhead, Admin & EE	376,302.19	389,300	(12,998)
Fund Expenditures	**$ 3,722,771.11**	**$ 4,183,500**	**$ (460,729)**
O&M Activities Cash Flow:	**$ (30,467.95)**	**$ (181,600)**	**$ 151,132**
Capital Fund Transfer (Out) In	$ 232,199.99	$ 232,200.00	$ (0)
O&M Fund Cash Flow:	**$ 201,732.04**	**$ 50,600**	**$ 151,132**
Ending Fund Balances:	**$ 2,295,764.87**	**$ 2,144,600**	
17% Reserve Target	**$ 2,118,600.00**	**$ 2,118,600**	
Over/Under Reserve Target	**$ 177,164.87**	**$ 26,000**	**$ 151,165**

730 - EL CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Capital Contributions (Fiber)	$ 49,251.82	$ 49,800	$ (548)
Capital Contributions (Electric)	36,355.63	41,700	(5,344)
Capital Contributions (Reimb)	715,818.45	-	715,818
Water Loan Principal	57,200.00	57,200	-
Proceeds from Debt	-	-	-
Other	203,431.20	218,600	(15,169)
Fund Revenue	**$ 1,062,057.10**	**$ 367,300**	**$ 694,757**
Expenditures:			
Major Maintenance (Est.)	$ 37,373.81	$ 26,300	$ 11,074
Vehicles	-	100,000	(100,000)
Relocations & Conversions	386,715.55	88,600	298,116
New Developments & Line Repl	25,966.14	34,600	(8,634)
Network Services	37,011.33	103,800	(66,789)
Other/Stock (Out) In	(180,293.33)	(11,200)	(169,093)
Fund Expenditures	**$ 306,773.50**	**$ 342,100**	**$ (35,326)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ (232,199.99)	$ (232,200)	$ 0
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ 523,083.61**	**$ (207,000)**	**$ 730,084**
Ending Fund Balances:	**$ 3,482,577.94**	**$ 2,752,500**	
Reserve Target	**$ 1,850,400**	**$ 1,850,400**	
Designated for Future Projects			
Over/Under Reserve Target	**$ 1,632,178**	**$ 902,100**	**$ 730,078**

WA - Combined		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Sales of Water	$	573,022.18	$	629,200	$	(56,178)
Sales Taxes		31,269.28		37,700		(6,431)
Other		48,721.35		35,300		13,421
Total O&M Revenue	**$**	**653,012.81**	**$**	**702,200**	**$**	**(49,187)**
Expenditures:						
Salaries	$	117,060.03	$	109,200	$	7,860
Benefits		50,683.58		58,400		(7,716)
Materials, Suppl. & Contracts		109,932.63		89,600		20,333
Sales Taxes & Use Taxes		32,959.68		41,200		(8,240)
PILOT		17,075.01		17,100		(25)
Debt Service - Interest Only		16,775.01		16,800		(25)
Overhead, Admin & EE		76,019.88		73,900		2,120
Depreciation (Est)		146,300.00		146,300		-
Total O&M Expenses	**$**	**566,805.82**	**$**	**552,500**	**$**	**14,306**
Net Income (Operating & Other)	**$**	**86,206.99**	**$**	**149,700**	**$**	**(63,493)**
Capital Activities:						
Major Maintenance via Capital Fund	$	(57,019.70)	$	(68,800)	$	11,780
Net Income	**$**	**29,187.29**	**$**	**80,900**	**$**	**(51,713)**
Cash Flow:						
Net Income + Depreciation	$	175,487.29	$	227,200	$	(51,713)
Debt Service Principal		(163,500.00)		(163,500)		-
Debt Service Reserve Change		-		-		-
Capital Projects		(110,914.43)		(186,300)		75,386
Designated for Future Projects		-		-		-
Net Cash Flow	**$**	**(98,927.14)**	**$**	**(122,600)**	**$**	**23,673**

600 - WA O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Water	$ 573,022.18	$ 629,200	$ (56,178)
Sales Taxes	31,269.28	37,700	(6,431)
Other	48,721.35	35,300	13,421
Fund Revenue	**$ 653,012.81**	**$ 702,200**	**$ (49,187)**
Expenditures:			
Salaries	$ 117,060.03	$ 109,200	$ 7,860
Benefits	50,683.58	58,400	(7,716)
Materials, Suppl. & Contracts	109,932.63	89,600	20,333
Sales Taxes & Use Taxes	32,959.68	41,200	(8,240)
PILOT	17,075.01	17,100	(25)
Debt Service	180,275.01	180,300	(25)
Overhead & Admin	76,019.88	73,900	2,120
Fund Expenditures	**$ 584,005.82**	**$ 569,700**	**$ 14,306**
O&M Activities Cash Flow:	**$ 69,006.99**	**$ 132,500**	**$ (63,493)**
Capital Fund Transfer (Out) In	$ (107,975.01)	$ (108,000)	$ 25
Debt Service Reserve Change	-	-	-
O&M Fund Cash Flow:	**$ (38,968.02)**	**$ 24,500**	**$ (63,468)**
Ending Fund Balances:	**$ 362,532.87**	**$ 426,000**	
17% Reserve Target	**$ 205,800.00**	**$ 205,800**	
Over/Under Reserve Target	**$ 156,732.87**	**$ 220,200**	**$ (63,467)**

700 - WA CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Proceeds from Debt	$ -	$ -	$ -
Other (Sale of Land)	-	-	-
Fund Revenue	**$ -**	**$ -**	**$ -**
Expenditures:			
Major Maintenance (Est.)	$ 57,019.70	$ 68,800	$ (11,780)
Vehicles	724.85	10,000	(9,275)
Water Towers	-	-	-
Plant	78,365.50	120,000	(41,635)
Water Mains	34,324.40	56,300	(21,976)
Other		-	-
Fund Expenditures	**$ 170,434.45**	**$ 255,100**	**$ (84,666)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ 110,475.33	$ 108,000	$ 2,475
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ (59,959.12)**	**$ (147,100)**	**$ 87,141**
Ending Fund Balances:	**$ 842,393.92**	**$ 755,300**	**$ 87,094**
Reserve Target	**$ 480,800.00**	**$ 480,800**	**$ -**
Designated for Future Projects	**-**	**-**	**-**
Over/Under Reserve Target	**$ 361,593.92**	**$ 274,500**	**$ 87,094**

640 - NS O&M Fund

	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Fiber License Payments	$ 64,334.10	$ 76,600	$ (12,266)
Other	5,604.32	1,300	4,304
Fund Revenue	**$ 69,938.42**	**$ 77,900**	**$ (7,962)**
Expenditures:			
Salaries	$ 2,850.79	$ 2,900	$ (49)
Benefits	468.84	600	(131)
Materials, Suppl. & Contracts	50,551.28	91,400	(40,849)
Overhead, Admin & EE	41,031.32	24,900	16,131
Fund Expenditures	**$ 94,902.23**	**$ 119,800**	**$ (24,898)**
O&M Activities Cash Flow:	**$ (24,963.81)**	**$ (41,900)**	**$ 16,936**
Electric CIAC (Out) In	$ -	$ -	$ -
O&M Fund Cash Flow:	**$ (24,963.81)**	**$ (41,900)**	**$ 16,936**
Ending Fund Balances:	**$ 308,307.32**	**$ 291,400**	
FY Ending Balance Target	**$ 157,200.00**	**$ 157,200**	
Designated for Future Projects	**-**	**-**	
Over/Under Reserve Target	**$ 151,107.32**	**$ 134,200**	**$ 16,907**

620 - ADM O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
IMU Transfers In	$ 331,500.00	$ 330,200	$ 1,300
City Transfers In	4,500.00	4,500	-
Refund/Reimbursement	1,036.70	-	-
Fund Revenue	**$ 337,036.70**	**$ 334,700**	**$ 1,300**
Expenditures:			
Salaries	$ 85,022.43	$ 85,400	$ (378)
Benefits	43,298.09	49,200	(5,902)
Materials, Suppl. & Contracts	54,741.96	59,900	(5,158)
Overhead, Admin, Shared Staff	93,042.61	91,100	1,943
Fund Expenditures	**$ 276,105.09**	**$ 285,600**	**$ (9,495)**
O&M Fund Cash Flow:	**$ 60,931.61**	**$ 49,100**	**$ 10,795**

IMU Regular Downstairs **3. E.**

Meeting Date: 10/27/2014

Information

Subject

Quarterly Performance Report

Information

The report for the 1st quarter of FY 2015 is attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Quarterly Report

Operational Review
FY 2015 1st Quarter Update

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

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

(white)	Not applicable
(red)	Not meeting expectations or Poor
(yellow)	Deteriorating or Below Average
(black)	Meeting expectations
(blue)	Improving or Above Average
(green)	Exceeding expectations or Excellent

In general, the following definitions apply:

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

Present:
First Half- Budgeted amounts or planned activities
Second Half- Re-estimated budget amounts and planned activities

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

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

  <u>Exceeding last quarter's outlook expectations:</u>

  Electric Utility: Gross Margin – The outlook for 2015 is a stabilized gross margin, as higher wholesale energy & transmission costs will be collected through a retail cost of energy or power adjustment. There is a negative outlook due to a likely one-time wholesale energy charge needed to provide MEAN with sufficient cash to meet its fiscal year (ends March 31) targets to hold its bond rating.

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

  Network Services: Partnerships – Marketing efforts have improved. Staff has made many strides to implement the IMU Partners program (October 2014 soft rollout).

  <u>Deterioration in expectations compared to last quarter:</u>

  Electric Utility: Other Revenue – There are two opposing Other Revenue factors. The outlook for realizing additional value from excess generation is positive due to planned coal-fired generation retirements in the region. The outlook for 69kV transmission credits is negative due to a FERC review (began in spring, decided in mid-October) of return on equity rates.

  Electric Utility: Reserves & Liquidity Ratios – Currently, the utility is in a strong cash position albeit at minimal quarterly positive cash flow from operations and funding minimal capital projects. This negatively impacts the outlook for ratios to meet bond ratings in FY 2016+, as the growth of reserves (needed as wholesale energy costs rise) will be minimal and the list of un-funded capital projects starts to grow.

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

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

<u>Progress in fixing deficiencies or cautions identified in prior reports:</u>

Water Utility: Source Attainment – Staff and engineers continue to investigate marginally-beneficial fluoride reduction options.

Public Works: Pole Attachment Compliance – Slow progress is being seen by Mediacom. CenturyLink has finally engaged IMU staff.

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

Economic Development: Economic Gardening – A scope of services for the Indianola Development Association was agreed to with IMU Partners, and who will then implement the EMERGE license in Indianola including at Simpson College.

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

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

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

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

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

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

Technical & Programs: Emergency Operations & Outage Response – Little attention being paid by the overall entity to proactive planning.

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

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

Professional Services: IAMU Electric Apprenticeships – New apprentices will limit the number of on-call personnel and work that can be accomplished over the next 1-2 years.

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

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

  Consumption of electricity ended September below budgeted levels. Wholesale energy costs per kWh were less than expected based on the combination of both lower demand & electricity. The gross margin (sales minus wholesale & other marginal costs) is running slightly above expectations. Operating expenses and debt service costs are lower than expected due to budget reductions after its adoption. Other income (fees, refunds, scrap sales, etc.) meet expectations. Stabilization was achieved through imposing a cost of power adjustment.

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

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

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

  Reserves are at, and expected to continue to meet, board targets for all 3 utilities over the next two years.

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

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

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

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

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

First Quarter-

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

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

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

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

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

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

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

Public Works-

First Quarter-

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

Economic Development & Community Betterment-

First Quarter-

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

Criteria	Past Period	Present	Outlook	Notes
Public Works:				
Locate volume/response times				Underground conversion project
Streetlight construction/repairs				Hwy 92 completed + Downtown project
Pole Attachment Compliance				Issues on removal of poles in ROW
Vegetation Management				Rotation plan on schedule
Econ. Development & Community:				
Regional coordination				Emerge & GroWarreNow participation
Direct incentives programs				
EMERGE				EMERGE@Simpson program launched
Development web site content				WCEDC Redesign near completion
Community betterment projects				
Community event participation				4th of July & NBC sponsorships
Interaction w/ city departments				No operational issues
Sustainability integration				New strategies being formulated

Technical Services & Programs-

First Quarter-

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

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

Governance and Professional Services-

First Quarter-

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

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

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

IMU Regular Downstairs **4. A.**

Meeting Date: 10/27/2014

Information

Subject

Certificate of Final Completion - Dig America contract

Information

P&E Engineering and staff recommend Trustees issue the attached Certificate of Final Completion for work performed by Dig America for this project.

Financial Impact

N/A

Staff Recommendation

Simple motion issuing a Certificate of Final Completion for the Dig America contract for the 2011 Hwy 65/69 Underground Conversion Project is in order.

Attachments

Certificate

P & E ENGINEERING CO. POWER SYSTEMS ANALYSIS AND DESIGN

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

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

CERTIFICATE OF FINAL COMPLETION

Date Issued Oct. 13, 2014

Owner Indianola Municipal Utilities

Contractor Dig America

Project 2011 Indianola Hwy 65/69 Underground Conversion Project

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

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

Oct. 13, 2014 (Date of Final Completion)

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

Issued by P & E Engineering Co. on Oct..13, 2014 by Allan Powers.
(Printed Name)

Signed Allan Powers

Accepted by Contractor on ____________ by ____________________________.
(Printed Name)

Signed ____

Accepted by Owner on __________ by ____________________________.
(Printed Name)

Signed ____

IMU Regular Downstairs **4. B.**

Meeting Date: 10/27/2014

Information

Subject

Certificate of Final Completion - Vanderpool Plumbing, Heating, and Electrical contract

Information

P&E Engineering and staff recommend Trustees issue the attached Certificate of Final Completion for work performed by Vanderpool Plumbing, Heating, and Electrical for this project.

Financial Impact

N/A

Staff Recommendation

Simple motion issuing a Certificate of Final Completion for the Vanderpool Plumbing, Heating, and Electrical contract for the 2011 Hwy 65/69 Underground Conversion Project is in order.

Attachments

Certificate

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

CERTIFICATE OF FINAL COMPLETION

Date Issued Oct. 13, 2014

Owner Indianola Municipal Utilities

Contractor Vanderpool Plumbing and Heating

Project 2011 Indianola Hwy 65/69 Underground Conversion Project

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

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

Oct. 13, 2014 (Date of Final Completion)

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

Issued by P & E Engineering Co. on Oct. 13, 2014 by Allan Powers.
(Printed Name)

Signed Allan Powers

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

Signed _______________________________________

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

Signed _______________________________________

IMU Regular Downstairs **5.**

Meeting Date: 10/27/2014

Information

Subject

Board Input on Strategic Plan working draft

Information

Attached is the latest version of the 1-3 year plan.

The IMU General Manager will provide a brief overview of the draft at this meeting and seek Trustee input as to if there are Action Plan items that they would like to add to, delete, or otherwise modify.

IMU staff will then take that input and discuss the plan as a management team to do the same.

A November 10, 2014 joint work session can then provide an opportunity for both staff and the Board to set a path towards successful implementation of the plan.

Financial Impact

N/A

Staff Recommendation

Attachments

Working Draft

Indianola Municipal Utilities

Strategic Plan,
Service Objectives,
& Operating Strategies

(FY 2015 – 2017 edition)

Fall 2014 - Version 1

INDIANOLA MISSION STATEMENT

The City of Indianola and the Indianola Municipal Utilities will cooperatively provide essential, high-quality, and cost-effective services that give opportunities for residents to pursue the highest possible quality of life.

We Value…

A dedicated, creative, professional, and skilled workforce including appointed and elected officials that possess integrity and perform their duty in an ethical and impartial manner;

A safe and efficient workplace and community;

Attaining a high level of customer service;

Sustainable service delivery based on research and foresight;

Protection and responsible use of natural resources;

Affordable rates that balances needs in the community;

Working as partners within our community and with other entities;

Fairly and consistently imposing and applying regulatory actions;

Providing equal access to resources that benefit people’s lives;

Citizens that are knowledgeable and engaged in our community.

EXECUTIVE SUMMARY

The purpose of this Strategic Plan is to identify areas in which the Indianola Municipal Utilities (IMU) can both build upon traditional strengths while also taking advantage of new opportunities over the next 3 fiscal years.

It is a comprehensive planning resource for policymakers and staff of Indianola Municipal Utilities. The intent is for policymakers to periodically provide direction on:

1. Purpose
2. Services that define our roles
3. Objectives that guide our delivery of services
4. Strategies that fit within overall objectives
5. Goals for improving each strategy

Management staff provides input on the above items plus:

1. An implementation plan and benchmarks
2. Task management
3. Proposed budgets, financial analysis, and rates

For this planning cycle, Core Services are consistent with those contained in previous plans.

The Strategic Analysis (page 4) contained in this Executive Summary compiles Trustees' and management staff's assessment of the organization's operating environment to provide those Core Services. The analysis identifies:

1. Traditional strengths of IMU.
2. Activities that can improve those traditional strengths without being detrimental to capitalizing on new opportunities.
3. New opportunities arising in the electric, water, communications industries.
4. Activities that can help IMU capitalize on new opportunities and be complimentary to traditional organizational strengths.

Using the Strategic Analysis, Trustees and staff developed 10 Action Items (page 5) that impact the broader organization in the areas of:

- Personnel/staffing
- Infrastructure
- Financial resources
- Customer service
- Community support

These Action Items are then placed into the detailed plan as Strategies or Goals for individual Core Services (page 6) and marked as priorities (*). Additional steps and milestones are also noted within the detailed plan.

No planning system is complete without a method to determine progress, successes, and warning signs of impending challenges. IMU uses a quarterly performance report with indicators to communicate these.

Strategic Analysis-

Traditional strengths:

Educated, trained and committed team of core stakeholders that are supportive of new ideas, adaptable to change, and focused on positive outcomes

Workforce sized to respond to outages and emergencies in a timely manner

Utility plant assets are proactively maintained to provide long-term reliable services with the capacity to meet future needs

Competitive rates and fees built on a relatively conservative and stable financial plan

A commitment to safety

Diverse wholesale sources with relatively predictable long-term cost per unit trends

Brand name associated with quality, community leadership and customer service

Stable economy & consumption patterns

New opportunities to capitalize on:

Ability to attract strategic partners that bring dynamic perspectives & new auxiliary network services that benefit both residential & commercial customers and drive telecom sales growth

Build on IMU's electric and telecom investments as a community differentiating factors

EPA-mandated generation unit retirements may increase the value of peaking capacity, resulting in funds for priority capital projects

Improving economic viability of customer-owned solar arrays as on-peak resources that reduce demand charges; potential grant-funded study by IAMU how to best integrate solar into local systems

Ways to improve traditional strengths & overcome known challenges:

Hire team-oriented employees with the abilities to implement the utility's strategies and mentor them during the upcoming retirement transition

Train, plan, and equip for unexpected events that disrupt commerce, workforce activities & customers

Review long-term wholesale energy strategies

Consistently reinvest ratepayer funds in projects that proactively counteract decaying infrastructure & facilities based on updated long-term plans

Broader marketing of the fiber system

Improve customers' experiences & feedback systems through use of more streamlined technologies and service programs

Address cyber security issues to avoid negative perceptions and events

Ways to capitalize on opportunities & overcome potential challenges:

Integrate new media/technology platforms that create public relations synergies between public/utility services, including those provided by private partners

Proactively maintain high customer satisfaction by communicating reliability, programs, and services including sustainability efforts; consistently address IMU's roles on city projects and with service partners

Work with community leaders and metro-area developers on smart growth strategies & policies

Plan how to adapt to regulatory changes, particularly those impacting air quality, carbon footprint, and fluoride tolerance levels

Action Plan-

1. Enhance marketing and customer awareness/outreach to communicate the holistic value of IMU and its services, including economic development efforts (GM & IMU staff).
    - Coordinate marketing and community engagement leveraging the IMU Partners program, including positioning Indianola & Simpson College as destinations for innovation within the metro; coordinate with City & other community marketing efforts as opportunities arise.
        - Debut of IMU Partners and its TV channel(s) by end of October, 2014
        - Issue memberships by December, 2014 (target of 50 by July 2015)
        - Produce IMU-specific videos by March, 2015
        - Work with committees and interns (start in October 2014 but ongoing)
    - Participate in utility growth planning to assist with start-ups, business retention, expansions, and attraction using matched incentives offered with the City of Indianola, WCEDC facilitated-projects, and regionally with the Greater Des Moines Partnership; include planning with MidAmerican on commercial/industrial growth outside of IMU electric territory to ensure long-term capacity exists on their system (that is partially fed by IMU).
    - Develop target markets and key messages using a combination of staff, interns, and contracted professionals; deploy using multi-platform distribution channels for print, slide shows, and video; conduct routine one-on-one meetings with key accounts.

2. Develop and adopt viable Capital Improvement Plan (CIP) schedules for each utility and implement budgeted projects annually (IMU Trustees, GM & Dept. Heads):

    - Resolve CenturyLink & Mediacom pole attachment issue/demo pole lines via formal compliance agreements.
    - Design & engineering for a target of $5 million in electric, conduit, and fiber to serve the NW quadrant of Indianola. Begin with conceptual designs that are divided into 3 to 4 prioritized sub-areas (April 2015).
    - Transition to spending capital-based revenues & water loan principal payments on asset/facility replacements (eliminate spending these on O&M activities)-
        - Generation & transformer capacity payments to address future major maintenance at generators/controls & substations.
        - 69kV credits to re-build the transmission line over time.
        - Remove water loan principal payments from the retail rate base by 2020; currently equal to vehicles & major maintenance.

    - Pro-active maintenance projects at the Water Plant to prolong its lifespan.
    - Engineer and construct prioritized main replacements; alternate between 2 projects in FY 2014 then 1 project the next year, 2 projects the next, etc.

    - Continue fiber extensions where conduit exists and other fill-in projects; bolster the IMU/MCG brand and build a wider geographic customer base by tracking neighborhood interest in services offered elsewhere in Indianola.

3. Develop plans for staffing levels, development & training (GM & Dept. Heads).
   - Continue hiring plan for the lineman retirement transition (October 2015).
   - Evaluate boring options to extend electric & fiber systems.
   - 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)
   - Develop formal succession & training plan (by June 2016).

4. Evaluate services shared between the City & IMU to determine if strategic options exist to improve finance, GIS mapping, information technology, safety programs, disaster/recovery and outage reporting (GM & IMU and city departments).
   - Monthly accrual-based accounting reports.
   - Integrate the use of teleconferencing.
   - Increase the GIS Committee's coordination of add-on software options.
   - Develop hazard mitigation plans and funding options

5. Use technology and programs to improve both the customer experience & information flows throughout the service delivery process, including customer sign-ups, permits, work orders, metering and auditing, etc. (GM & IMU and city departments).
   - Review Service Plans with Clerk's Office to improve the customer experience; review fee structures as needed.
   - Evaluate the need to conduct a LEAN process (or a similar facilitated format) to determine workflow improvements.
   - Work to find & contract with technology solution providers as needed.
   - Investigate service line insurance options