INDIANOLA MUNICIPAL UTILITIES

IMU

Electric • Communications • Water

IMU Board of Trustees
April 27, 2015
City Hall Council Chambers
5:30 p.m.

Agenda

1. Roll Call

2. Consent

   A. Claims

   B. Minutes

3. Reports

   A. General Manager

   B. Director of Finance

   C. Chairperson

   D. Monthly Financials

4. Cancel June 8, 2015 meeting

5. FY 2015 - 2017 Audit Engagement

6. FY 2015 Budget Amendment

   A. Public Hearing

   B. Adoption

7. Water Loan Prepayment

8. Cost of Service Study Request for Proposals

9. Cost of Energy Adjustment

10. 2015 W. Hwy 92 and Y Street Intersection Relocation Project - Certificate of Substantial Completion

11. 2015 Vehicle Storage Building Project

A. Report on Potential Deductions from Apparent Low Bid

B. Rejection of All Bids

C. Authorize Redesigned Plans & Specifications

12. Other Business

13. Adjourn

IMU Regular Downstairs **2. A.**
Meeting Date: 04/27/2015

Information

Subject

Claims

Information

The April 20, 2015 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**

Meeting Date: 04/27/2015

Information

Subject

Minutes

Information

Minutes of the April 13, 2015 meeting are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – APRIL 13, 2015

The Board of Trustees met in regular session at 5:30 p.m. on April 13, 2015 in the Kent Center, Fleming Room, Simpson College 701 N. "C" Street. Chairperson Pat Reding called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Pat Reding and Deb White. Absent: Jim McClymond. Also present were: Finance Director Chris Des Planques, Water Superintendent Lou Elbert, General Manager Todd Kielkopf, Office Manager Chelle Klootwyk, Program Coordinator Chris Longer, Electric Superintendent Bob Miller, Technical Services Coordinator Mike Metcalf.

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

April 6, 2015 claims

March 23, 2015 minutes

Set April 27, 2015 at 5:30 p.m. as a public hearing date to consider the FY 2015 budget amendment

Certificate of completion for the Filter Building (old water plant) demolition project

Certificate of completion for the 2015 "Y" Street Water Main Project

Discussion was held on the format of the strategic plan. Consensus was to support the General Manager in procuring a facilitator for the fall 2015 plan and then work with the management team, and the Board input after drafts are formulated. Action items will likely include electric utility financial and capital project goals to be confirmed by Trustees in the now-planned cost of service study, to be conducted in parallel to strategic planning.

Jim McClymond arrived at the meeting.

Introduction to the IMU legal and personnel structures was presented by General Manager Todd Kielkopf. Discussion was held on the strategic plan implementation topics, specifically on those related to the nature of shared services between IMU and the City of Indianola. Dialog ensued between IMU personnel, Trustees, and Chris Des Planques on this topic. Trustee consensus was for the IMU General Manager to work with the City Manager and Mayor on the level of interest including internal process improvements listed in the 2014/15 IMU plan (or others) within the City of Indianola plan as it evolves in 2015 as reported in the quarterly magazine.

Meeting adjourned on a motion by White and seconded by McClymond.

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Pat Reding, Chair Diana Bowlin, City Clerk

IMU Regular Downstairs **3. A.**
Meeting Date: 04/27/2015

Information

Subject

Administrative News Items

Information

There are no news items. The General Manager will report at the meeting.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **3. D.**

Meeting Date: 04/27/2015

Information

Subject

Financials

Information

The financials consisting of the Treasurer's report and budget variance reports is attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Financials

IMU Monthly Financial Reports

Notes & Comments

1. Total Cash Flow from all activities the on Treasurer's Report was -$1,997,747. This was primarily due to the release of reserves of $1,318,855 that were applied to the refinancing transaction. Two wholesale power bills ($887,178 net amount of the second bill in the month) were paid in March with none to be recorded for April. FYTD budget percentages for this category have been adjusted accordingly to reflect 10 wholesale bills paid vs. 9. Adjusting for this shows general neutral performance relative to expectations set in the re-estimated budget.

2. Electric kWh sales (page 5) graph over the past 12 months shows a return to historical trends, accounting for some growth due to newer buildings constructed the past two years. The period still contains a colder winter (in 2014) than what should be expected for the coming 12 months. Water consumption (page 6) has also returned to historical averages following 2 dry years where watering lawns was more prevalent than average.

3. The Electric Gross Margin (page 7) remains slightly higher than the seasonally-adjusted budget. The $320,000 pre-payment of the Water Utility note to the Electric Utility, net of the second ½ customer charge now being paid in May, is reflected on this report within each utility's respective "Designated for Future Projects" category. Remaining Electric Utility reserves above policy targets are committed to capital projects and pending operating losses.

4. Using the cash-based + depreciation model, FYTD Electric Utility Net Income (page 8) was a loss of $1,205,807. However that narrows to a loss of $318,629 after adjusting for the wholesale power bill paid without offsetting rate revenue collected.

5. The Water Utility (pages 7 & 12) is generally meeting budget expectations in terms of Net Income. Reserves remain above targets. Fund balances available today are scheduled to be expended over the next two years on proactive capital projects, break-even operations, and loan payments.

6. The Communications Utility (page 15) and Admin. Fund (page 16) cash flows are essentially fairly close to the post-budget operating targets. Administrative expenses are projected to end the fiscal year near re-estimated amounts.

FINANCIAL REPORT
MONTH OF MARCH, 2015

FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	1,134,024.31	65,558.17	156,988.68	111,200.01	8,463.18	1,145,330.63	
011 Police	53,538.08	35,397.71	161,376.46	37,649.24	324.45	-35,115.88	
015 Fire	172,708.63	11,684.70	25,048.14	3,256.97	24.72	162,577.44	
016 Ambulance	241,463.22	54,920.09	66,400.78	1,722.36	5,572.66	226,132.23	
041 Library	-45,753.92	7,727.55	34,944.94	2,484.22	61.80	-70,548.89	
042 Park & Recreation	381,718.50	41,823.62	67,693.87	6,013.28	123.60	361,737.93	
045 Memorial Pool	-76,911.48	2,234.10	1,387.53	0.00	0.00	-76,064.91	
071 General Fund Deb Service	86,415.58	2,144.29	0.00	0.00	0.00	88,559.87	
099 Franchise Fees-MEC	307,275.54	0.00	0.00	0.00	0.00	307,275.54	
GENERAL FUND SUB-TOTAL	**2,254,478.46**	**221,490.23**	**513,840.40**	**162,326.08**	**14,570.41**	**2,109,883.96**	
110 Road Use Tax (Streets)	1,085,179.33	134,701.94	73,576.69	0.00	15,142.70	1,131,161.88	
112 Trust & Agency	0.00	27,209.40	0.00	0.00	27,209.40	0.00	
115 YMCA Maintenance Obligations	72,264.52	0.00	3,627.50	6,111.11	0.00	74,748.13	
125 TIF--Downtown	316,490.10	8,824.61	0.00	0.00	0.00	325,314.71	
126 TIF--East Hwy 92	0.00	0.00	0.00	0.00	0.00	0.00	
127 TIF--Hillcrest/Industrial Park	403,491.37	7,545.91	0.00	0.00	0.00	411,037.28	
141 Library Special Revenue	43,574.71	1,667.32	2,639.68	0.00	0.00	42,602.35	
142 Park & Rec Special Revenue	117,318.38	3,092.84	1,996.50	0.00	0.00	118,414.72	
160 Downtown Revolving Loan	110,347.60	0.00	0.00	0.00	0.00	110,347.60	
161 Downtown Business Inc Program	4,418.36	2,500.00	1,033.71	0.00	0.00	5,884.65	
177 Police Forfeiture	19,830.07	0.00	0.00	0.00	0.00	19,830.07	
190 Vehicle Reserve	84,855.65	0.00	0.00	1,666.67	0.00	86,522.32	
199 Police Retirement	104,447.13	198.42	0.00	0.00	1,041.67	103,603.88	
SPECIAL REVENUES SUB-TOTAL	**2,362,217.22**	**185,740.44**	**82,874.08**	**7,777.78**	**43,393.77**	**2,429,467.59**	
200 **DEBT SERVICE (SUB-TOTAL)**	**2,574,200.15**	**22,009.60**	**0.00**	**60,774.99**	**0.00**	**2,656,984.74**	
301 Capital Projects (General)	688,908.89	11,272.37	0.00	0.00	0.00	700,181.26	
321 Capital Projects (Streets)	-2,307,123.13	1,011,070.23	1,514.00	0.00	0.00	-1,297,566.90	
344 Community Athletic Facility	6,676.87	12.65	40.00	0.00	0.00	6,649.52	
353 Community ReDevelopment (D&D)	-4,226.03	0.66	28,669.77	0.00	0.00	-32,895.14	
CAPITAL PROJECTS SUB-TOTAL	**-1,615,763.40**	**1,022,355.91**	**30,223.77**	**0.00**	**0.00**	**-623,631.26**	
610 Sewer	182,831.04	0.00	86,534.90	140,600.00	34,901.03	201,995.11	
650 Stormwater Utility	379,198.35	18,237.99	0.00	0.00	5,158.33	392,278.01	
670 Recycling	71,376.11	18,593.79	15,458.00	0.00	1,441.67	73,070.23	
710 Sewer Capital Projects	897,905.28	239,846.20	166,215.35	0.00	239,483.33	732,052.80	
771 Sewer Reserve	114,238.70	0.00	0.00	0.00	0.00	114,238.70	
781 Sewer Plant Improvement	334,239.19	0.00	0.00	2,083.33	0.00	336,322.52	
791 Sewer Revenue Bonds	541,769.87	0.00	0.00	61,016.67	0.00	602,786.54	
820 Health Insurance	1,033,937.43	108,033.99	108,479.34	0.00	0.00	1,033,492.08	
830 Health Reimbursement Account	255,623.26	0.00	12,129.34	0.00	0.00	243,493.92	
840 Flex/STD	229,129.71	2,025.40	4,342.15	1,390.50	0.00	228,203.46	
850 Liability Insurance Reserve--City	36,548.58	68.42	0.00	0.00	0.00	36,617.00	
CITY UTILITY & IS SUB-TOTAL	**4,076,797.52**	**386,805.79**	**393,159.08**	**205,090.50**	**280,984.36**	**3,994,550.37**	
TOTAL CITY FUNDS	**9,651,929.95**	1,838,401.97	1,020,097.33	435,969.35	338,948.54	**10,567,255.40**	**60%**
TOTAL IMU FUNDS	**8,965,736.20**	1,436,312.16	3,337,038.52	1,344,586.16	1,441,606.97	**6,967,989.03**	**40%**
GRAND TOTAL CITY & IMU	**18,617,666.15**	3,274,714.13	4,357,135.85	1,780,555.51	1,780,555.51	**17,535,244.43**	
Cross Check Total						17,535,244.43	

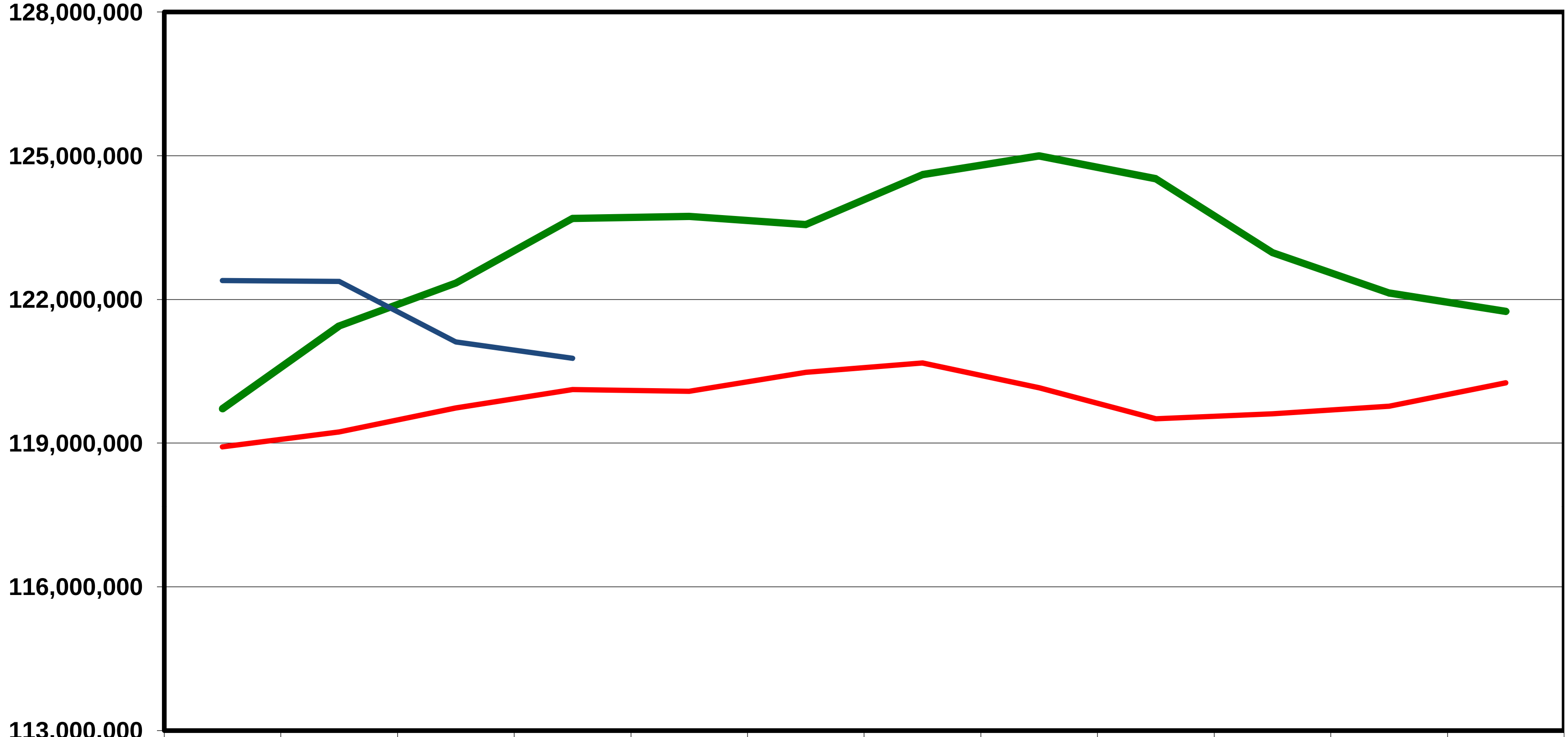
Investments					
Bankers Trust	$ 14,351,201.86	2.15%			
Iowa Public Agency Inv. Trust	$ 111,113.97	0.010%			
Payroll Account, City State Bank	$ -	Earnings Credit			
Checking Account, City State Bank	$ 245,463.62	Earnings Credit			
Checking & Payroll Account, Community Bank	$ -				
Sweep Account, City State Bank	$ 3,032,873.70	0.35%			
BANK BALANCE	**17,740,653.15**				

Clerk's Balance	17,535,244.43
Plus Outstanding Checks	203,858.13
Bank Rec Item	18896.00
Oustanding Deposit	-17,345.41
	17,740,653.15

600 Water	406,446.71	182,923.80	77,383.12	0.00	115,959.38	396,028.01
620 IMU Administration	77,573.41	0.00	54,489.20	84,375.00	30,053.47	77,405.74
625 Revolving Economic Development	104,296.90	195.01	0.00	0.00	0.00	104,491.91
626 USDA RLF	225,000.00	0.00	0.00	0.00	0.00	225,000.00
630 Electric	2,179,450.41	1,026,069.21	1,769,095.11	22,566.67	101,444.44	1,357,546.74
640 Fiber/Communications	290,552.89	24,145.93	21,453.54	0.00	7,458.33	285,786.95
700 Water Capital Projects	835,331.62	0.00	13,589.01	35,991.67	0.00	857,734.28
730 Electric Capital Projects	2,793,499.25	202,978.21	32,028.54	-58,333.33	0.00	2,906,115.59
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	979,000.00	0.00
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	207,691.35	0.00
790 Water Revenue Bonds	71,764.68	0.00	0.00	23,150.00	0.00	94,914.68
793 Electric Revenue Bonds	569,133.40	0.00	1,369,000.00	1,236,836.15	0.00	436,969.55
855 Liability Insurance Reserve--IMU	15,995.58	0.00	0.00	0.00	0.00	15,995.58
IMU SUB-TOTAL	**8,965,736.20**	**1,436,312.16**	**3,337,038.52**	**1,344,586.16**	**1,441,606.97**	**6,967,989.03**

INTEREST DISTRIBUTION	**INTEREST INCOME**	**% OF TOTAL**	**CALYTD**	**FYTD**
Electric Funds	$ 13,496.86	39.45%	$ 33,932.92	$ 96,182.76
Water Funds	$ 2,890.88	8.45%	$ 7,140.87	$ 20,916.50
Sewer Funds	$ 3,096.15	9.05%	$ 7,685.63	$ 18,349.86
Police Retirement	$ 198.43	0.58%	$ 493.21	$ 1,250.16
Community Redevelopment	$ 0.65	0.00%	$ 12,930.95	$ 3.26
All other	$ 14,528.64	42.47%	$ 25,477.92	$ 107,195.42
TOTAL	$ 34,211.61	100.00%	$ 87,661.50	$ 243,897.96

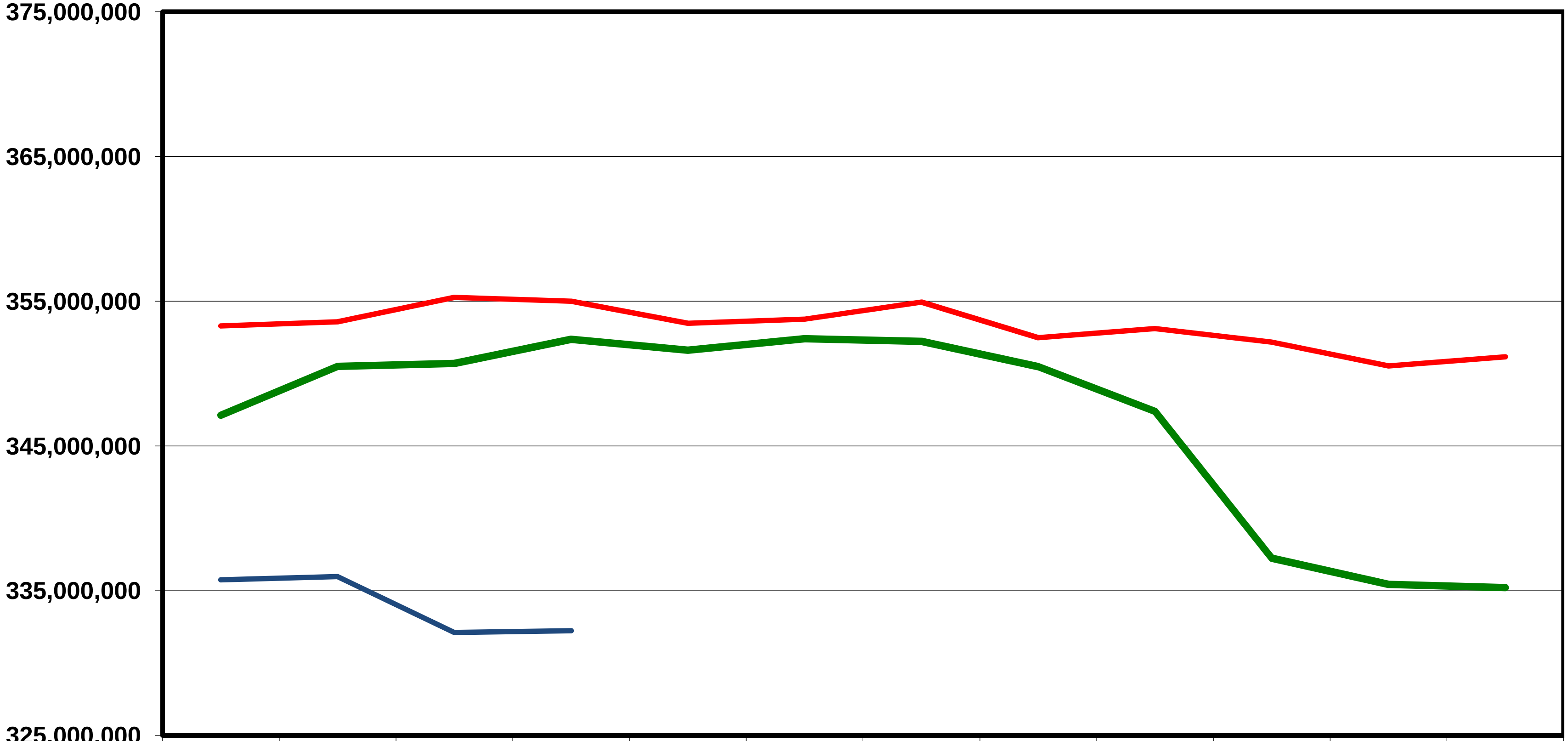
KWH's Sold
(kWh's sold based on a rolling 12 month total)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011-13 EL Avg	118,924,56	119,235,47	119,735,74	120,120,59	120,080,91	120,478,36	120,676,47	120,158,49	119,509,56	119,614,44	119,770,57	120,256,40
2014	119,720,29	121,443,81	122,342,35	123,691,45	123,736,17	123,563,28	124,608,72	124,993,82	124,523,64	122,976,19	122,136,97	121,750,71
2015	122,395,95	122,376,36	121,110,70	120,770,69								

2011-13 EL Avg 2014 2015

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



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011-13 WA Avg	353,286,500	353,585,613	355,262,170	354,990,367	353,467,567	353,758,810	354,945,533	352,488,900	353,105,840	352,175,773	350,528,957	351,157,697
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	337,247,260	335,441,120	335,212,610
2015	335,757,080	335,982,370	332,114,980	332,229,530								

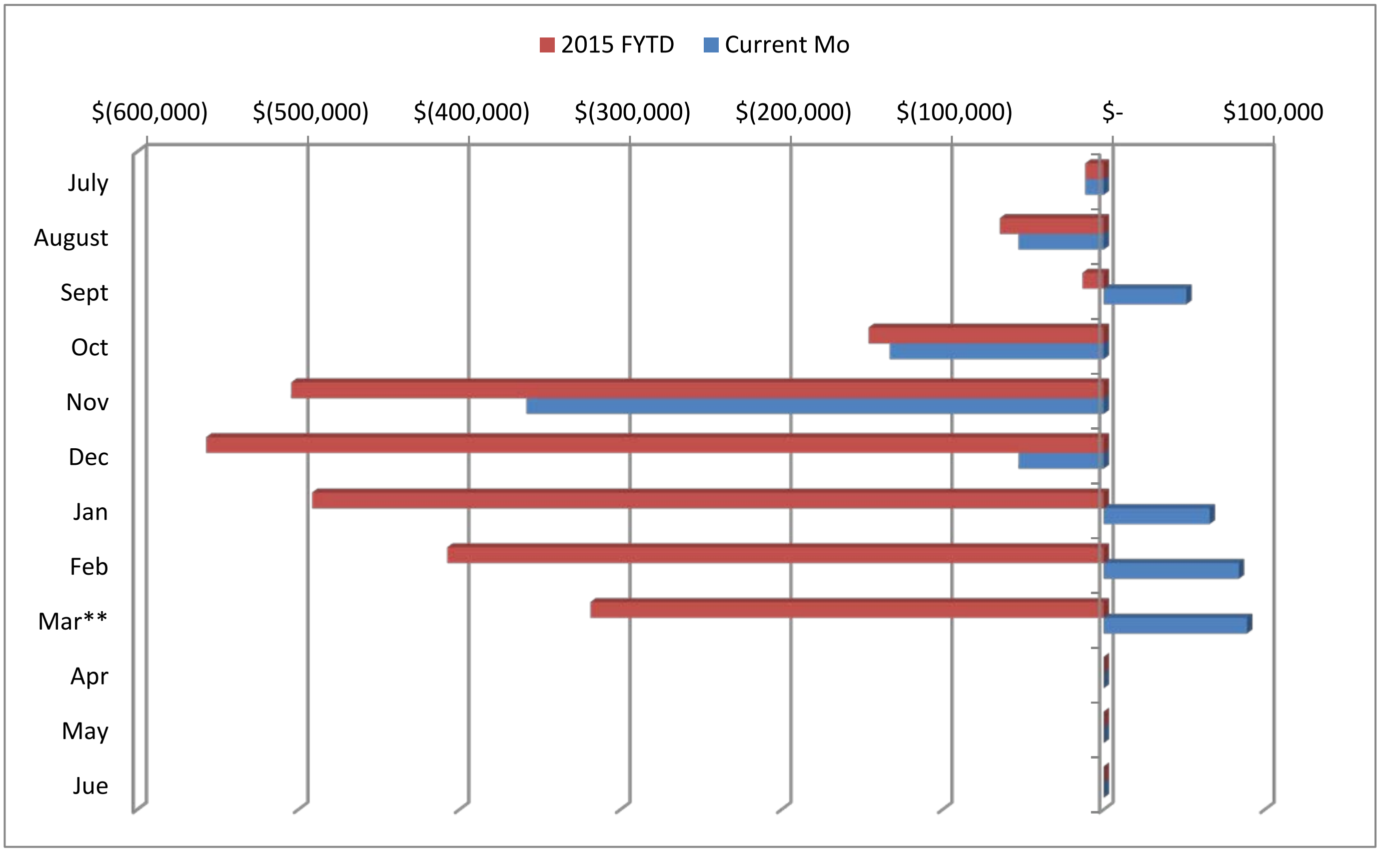
2011-13 WA Avg 2014 2015

2015 March IMU Financial Report Summary

	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Electric Utility:			
Gross Margin	$ 920,727	$ 626,700	$ 294,027
Cash-based Net Income (incl. Depr.)	$ (1,205,807)	$ (1,441,000)	$ 235,193
Net O&M + Capital Funds Cash Flow	$ (769,352)	$ (662,100)	$ (107,252)
Ending O&M and Capital Fund Balances	$ 4,263,662	$ 4,370,900	
Less-			
Designated for Future Projects	(55,000)	-	
Reserve Targets	4,011,500	4,011,500	
Over/(Under)	$ 307,162	$ 359,400	$ (52,238)
Debt Service Coverage Ratio w/o PILOT	2.36	2.00	
Water Utility:			
Cash-based Net Income (incl. Depr.)	$ 274,565	$ 252,200	$ 22,365
Net O&M + Capital Funds Cash Flow	$ (52,555)	$ (424,400)	$ 371,845
Ending O&M and Capital Fund Balances	$ 1,271,812	$ 900,000	
Less-			
Designated for Future Projects	320,000	-	-
Reserve Targets	682,800	682,800	-
Over/(Under)	$ 269,012	$ 217,200	$ 51,812
Debt Service Coverage Ratio w/o PILOT	1.40	0.94	
Communications Utility:			
Net Cash Flow	$ (47,484)	$ (51,300)	$ 3,816
Ending Fund Balances	$ 285,787	$ 282,000	$ -
Less-			
Designated for Future Projects	-	-	-
Reserve Targets	299,200	299,200	-
Over/(Under)	$ (13,413)	$ (17,200)	$ 3,787
Commercial Customers	111	134	-23
Residential Customers	297	310	-13
Administrative Fund:			
Net Cash Flow	$ 77,406	$ 52,800	$ 24,606

EL - Combined	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 9,357,425	$ 9,350,400	$ 7,025
Sales Taxes	$ 164,179	187,600	(23,421)
Other	$ 1,086,079	995,800	90,279
Total O&M Revenue	**$ 10,607,683**	**10,533,800**	**73,883**
Expenditures:			
Purchased Energy & Fuel	$ 8,003,872	$ 8,290,900	$ (287,028)
Salaries	$ 648,211	633,300	14,911
Benefits	$ 304,897	318,000	(13,103)
Materials, Suppl. & Contracts	$ 435,599	404,500	31,099
Sales Taxes & Use Taxes	$ 168,146	191,600	(23,454)
PILOT	$ 432,825	432,800	25
Debt Service - Interest Only	$ 188,378	101,500	86,878
Overhead, Admin & EE	$ 779,953	765,100	14,853
Depreciation (Est)	$ 996,400	996,400	-
Total O&M Expenses	**$ 11,958,282**	**12,134,100**	**(175,818)**
Net Income (Operating & Other)	**$ (1,350,599)**	**(1,600,300)**	**249,701**
Capital Activities:			
Major Maintenance via Capital Fund	$ (21,300)	$ (21,300)	$ -
Capital Contributions (Fiber)	$ 151,495	149,300	2,195
Capital Contributions (Electric)	$ 14,597	31,300	(16,703)
Net Income	**$ (1,205,807)**	**(1,441,000)**	**235,193**
Cash Flow:			
Net Income + Depreciation	$ (209,407)	$ (444,600)	$ 235,193
Water Loan Principal	$ 171,634	416,100	(244,466)
Debt Service Principal	$ (225,000)	(225,000)	-
Debt Service Reserve Change	$ (182,300)	(192,300)	10,000
Capital Contributions (Developers)	$ 1,834,071	1,796,000	38,071
Proceeds from Debt Issues	$ -	-	-
Capital Projects	$ (2,158,350)	(2,012,300)	(146,050)
Designated for Future Projects	$ -	-	-
Net Cash Flow	**$ (769,352)**	**$ (662,100)**	**$ (107,252)**

EL Combined Net Income History



	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	$ (146,012)	$ (132,842)	$ 252,324	$ 125,691
Nov	$ (504,384)	$ (358,372)	$ (84,706)	$ (337,030)
Dec	$ (557,190)	$ (52,806)	$ (44,691)	$ 40,015
Jan	$ (491,415)	$ 65,775	$ (124,895)	$ (80,204)
Feb	$ (407,531)	$ 83,884	$ (27,272)	$ 97,623
Mar**	$ (318,629)	$ 88,902	$ (48,555)	$ (21,283)
Apr	$ -	$ -	$ 83,249	$ 131,804
May	$ -	$ -	$ 91,881	$ 8,633
Jue	$ -	$ -	$ 190,770	$ 98,889

*Tracking purposes only
**Adjusted for 2nd wholesale power bill paid in March and due in April

630 - EL O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 9,357,425	$ 9,350,400	$ 7,025
Sales Taxes	$ 164,179	187,600	(23,421)
Other	$ 434,971	391,300	43,671
Fund Revenue	**$ 9,956,575**	**$ 9,929,300**	**$ 27,275**
Expenditures:			
Purchased Energy & Fuel	$ 8,003,872	$ 8,290,900	$ (287,028)
Salaries	$ 648,211	633,300	14,911
Benefits	$ 304,897	318,000	(13,103)
Materials, Suppl. & Contracts	$ 435,599	404,500	31,099
Sales Taxes & Use Taxes	$ 168,146	191,600	(23,454)
PILOT	$ 432,825	432,800	25
Debt Service	$ 413,378	326,500	86,878
Overhead, Admin & EE	$ 779,953	765,100	14,853
Fund Expenditures	**$ 11,186,882**	**$ 11,362,700**	**$ (175,818)**
O&M Activities Cash Flow:	**$ (1,230,307)**	**$ (1,433,400)**	**$ 203,093**
Capital Fund Transfer (Out) In	$ 696,634	$ 941,100	$ (244,466)
Bond Reserve Transfer (Out)	$ (182,300)	$ (192,300)	$ 10,000
O&M Fund Cash Flow:	**$ (715,973)**	**$ (684,600)**	**$ (31,373)**
Ending Fund Balances:	**$ 1,357,547**	**$ 1,388,900**	
17% Reserve Target	**$ 2,234,200**	**$ 2,234,200**	
Over/Under Reserve Target	**$ (876,653)**	**$ (845,300)**	**$ (31,353)**

730 - EL CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Capital Contributions (Fiber)	$ 151,495	$ 149,300	$ 2,195
Capital Contributions (Electric)	$ 58,387	125,000	(66,613)
Capital Contributions (Reimb)	$ 1,790,281	1,702,300	87,981
Water Loan Principal	$ 171,634	416,100	(244,466)
Proceeds from Debt	$ -	-	-
Other	$ 651,108	604,500	46,608
Fund Revenue	**$ 2,822,905**	**$ 2,997,200**	**$ (174,295)**
Expenditures:			
Major Maintenance (Est.)	$ 21,300	$ 21,300	$ -
Vehicles	$ -	-	-
Relocations & Conversions	$ 2,106,594	1,894,600	211,994
New Developments & Line Repl	$ 47,171	147,000	(99,829)
Network Services	$ 190,197	232,500	(42,303)
Other/Stock (Out) In	$ (185,612)	(261,800)	76,188
Fund Expenditures	**$ 2,179,650**	**$ 2,033,600**	**$ 146,050**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ (696,634)	$ (941,100)	$ 244,466
Designated for Future Projects	$ -	-	-
Capital Fund Cash Flow:	**$ (53,379)**	**$ 22,500**	**$ (75,879)**
Ending Fund Balances:	**$ 2,906,116**	**$ 2,982,000**	
Reserve Target	**$ 1,777,300**	**$ 1,777,300**	
Designated for Future Projects	**$ (55,000)**		
Over/Under Reserve Target	**$ 1,183,816**	**$ 1,204,700**	**$ (20,884)**

WA - Combined		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Sales of Water	$	1,643,060	$	1,663,000	$	(19,940)
Sales Taxes	$	87,408		92,600		(5,192)
Other	$	121,531		120,400		1,131
Total O&M Revenue	**$**	**1,851,999**	**$**	**1,876,000**	**$**	**(24,001)**
Expenditures:						
Salaries	$	297,187	$	317,500	$	(20,313)
Benefits	$	121,071		134,400		(13,329)
Materials, Suppl. & Contracts	$	291,173		302,900		(11,727)
Sales Taxes & Use Taxes	$	88,890		95,400		(6,510)
PILOT	$	51,225		51,200		25
Debt Service - Interest Only	$	53,100		53,100		-
Overhead, Admin & EE	$	163,689		153,000		10,689
Depreciation (Est)	$	431,300		431,300		-
Total O&M Expenses	**$**	**1,497,635**	**$**	**1,538,800**	**$**	**(41,165)**
Net Income (Operating & Other)	**$**	**354,364**	**$**	**337,200**	**$**	**17,164**
Capital Activities:						
Major Maintenance via Capital Fund	$	(79,799)	$	(85,000)	$	5,201
Net Income	**$**	**274,565**	**$**	**252,200**	**$**	**22,365**
Cash Flow:						
Net Income + Depreciation	$	705,865	$	683,500	$	22,365
Debt Service Principal	$	(487,725)		(729,300)		241,575
Sale of Land - Payment	$	20,000		20,000		-
Debt Service Reserve Change	$	-		-		-
Capital Projects	$	(290,695)		(398,600)		107,905
Designated for Future Projects	$	-		-		-
Net Cash Flow	**$**	**(52,555)**	**$**	**(424,400)**	**$**	**371,845**

600 - WA O&M Fund		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Sales of Water	$	1,643,060	$	1,663,000	$	(19,940)
Sales Taxes	$	87,408		92,600		(5,192)
Other	$	121,531		120,400		1,131
Fund Revenue	**$**	**1,851,999**	**$**	**1,876,000**	**$**	**(24,001)**
Expenditures:						
Salaries	$	297,187	$	317,500	$	(20,313)
Benefits	$	121,071		134,400		(13,329)
Materials, Suppl. & Contracts	$	291,173		302,900		(11,727)
Sales Taxes & Use Taxes	$	88,890		95,400		(6,510)
PILOT	$	51,225		51,200		25
Debt Service	$	540,825		782,400		(241,575)
Overhead & Admin	$	163,689		153,000		10,689
Fund Expenditures	**$**	**1,554,060**	**$**	**1,836,800**	**$**	**(282,740)**
O&M Activities Cash Flow:	**$**	**297,939**	**$**	**39,200**	**$**	**258,739**
Capital Fund Transfer (Out) In	$	(323,925)	$	(323,900)	$	(25)
Debt Service Reserve Change	$	-		-		-
O&M Fund Cash Flow:	**$**	**(25,986)**	**$**	**(284,700)**	**$**	**258,714**
Ending Fund Balances:	**$**	**396,028**	**$**	**137,300**		
17% Reserve Target	**$**	**212,300**	**$**	**212,300**		
Over/Under Reserve Target	**$**	**183,728**	**$**	**(75,000)**	**$**	**258,728**

700 - WA CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Proceeds from Debt	$ -	$ -	$ -
Other (Sale of Land)	$ 20,000	20,000	-
Fund Revenue	**$ 20,000**	**$ 20,000**	**$ -**
Expenditures:			
Major Maintenance (Est.)	$ 79,799	$ 85,000	$ (5,201)
Vehicles	$ 39,625	30,000	9,625
Water Towers	$ -	-	-
Plant	$ 140,706	248,600	(107,894)
Water Mains	$ 112,865	120,000	(7,135)
Other	$ (2,500)	-	(2,500)
Fund Expenditures	**$ 370,494**	**$ 483,600**	**$ (113,106)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ 323,925	$ 323,900	$ 25
Designated for Future Projects	$ -	-	-
Capital Fund Cash Flow:	**$ (26,569)**	**$ (139,700)**	**$ 113,131**
Ending Fund Balances:	**$ 875,784**	**$ 762,700**	**$ 113,084**
Reserve Target	**$ 470,500**	**$ 470,500**	**$ -**
Designated for Future Projects	**$ 320,000**	**-**	**320,000**
Over/Under Reserve Target	**$ 85,284**	**$ 292,200**	**$ (206,916)**

640 - NS O&M Fund

		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Fiber License Payments	$	202,465	$	217,500	$	(15,035)
Other	$	12,754		3,800		8,954
Fund Revenue	**$**	**215,219**	**$**	**221,300**	**$**	**(6,081)**
Expenditures:						
Salaries	$	8,404	$	8,200	$	204
Benefits	$	1,374		1,500		(126)
Materials, Suppl. & Contracts	$	156,300		169,100		(12,800)
Overhead, Admin & EE	$	96,625		93,800		2,825
Fund Expenditures	**$**	**262,704**	**$**	**272,600**	**$**	**(9,896)**
O&M Activities Cash Flow:	**$**	**(47,484)**	**$**	**(51,300)**	**$**	**3,816**
Electric CIAC (Out) In	$	-	$	-	$	-
O&M Fund Cash Flow:	**$**	**(47,484)**	**$**	**(51,300)**	**$**	**3,816**
Ending Fund Balances:	**$**	**285,787**	**$**	**282,000**		
FY Ending Balance Target	**$**	**299,200**	**$**	**299,200**		
Designated for Future Projects	**$**	**-**		**-**		
Over/Under Reserve Target	**$**	**(13,413)**	**$**	**(17,200)**	**$**	**3,787**

620 - ADM O&M Fund		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
IMU Transfers In	$	828,750	$	830,500	$	(1,750)
City Transfers In	$	13,500		13,500		-
Refund/Reimbursement	$	3,074		3,000		74
Fund Revenue	**$**	**845,324**	**$**	**847,000**	**$**	**(1,676)**
Expenditures:						
Salaries	$	243,712	$	246,200	$	(2,488)
Benefits	$	110,371		117,500		(7,129)
Materials, Suppl. & Contracts	$	140,327		157,200		(16,873)
Overhead, Admin, Shared Staff	$	273,508		273,300		208
Fund Expenditures	**$**	**767,919**	**$**	**794,200**	**$**	**(26,281)**
O&M Fund Cash Flow:	**$**	**77,406**	**$**	**52,800**	**$**	**24,606**

Information

Subject

Cancel June 8, 2015 meeting

Information

Trustees indicated that it would be preferable to cancel the June 8, 2015 meeting to instead hold a work session meeting on June 15, 2015, which allows Jim McClymond to attend in person. Best practice is to formally cancel the preset meeting date.

As a side note, preliminary plans are for MCG management team staff to attend on June 15, with the topic being to discuss the status of the telecom utility and future plans. Most Trustees have not met their team and the growth parameters have changed since their last meeting several years ago.

Financial Impact

N/A

Staff Recommendation

Simple motion cancelling the June 8, 2015 meeting is in order.

IMU Regular Downstairs **5.**
Meeting Date: 04/27/2015

Information

Subject

FY 2015 - 2017 Audit Engagement

Information

Annual audits of IMU's financial statements are required under Iowa Code.

Finance Director Chris Des Planques issued a Request for Proposals for auditing services and reviewed responses.

He recommends engaging current auditors Shull & Co. for the FY 2015 - 2017 audits of IMU's financial statements.

This recommendation has already been reviewed and acted on by the City Council, however since auditing firms engage directly with the governing body of the financial statement issuer, Trustees need to formally take action for the engagement.

Financial Impact

N/A

Staff Recommendation

Simple motion engaging Shull & Co. for the FY 2015 - 2017 auditing of IMU's financial statements is in order.

Attachments

Engagement Letter

Shull
and Co. P.C.
certified public accountants

February 19, 2015

The Honorable Mayor and Members
of the City Council
The Municipal Utilities
Board of Trustees
City of Indianola, Iowa
c/o Christopher DesPlanques, Finance Director
P. O. Box 299
Indianola, Iowa 50125

Ladies and Gentlemen:

We are pleased to respond to your request for proposals to provide audit services to the City of Indianola, Iowa for the years ending June 30, 2015, 2016, and 2017.

We are proud of our staff and of the professional services we deliver. We believe our professional experience and training make us uniquely qualified to serve the City of Indianola, Iowa and we are prepared to do so.

Questions you may have regarding our proposal should be addressed to Arlen Schrum or Dennis Shull at 961-2571.

Thank you for the opportunity to present our qualifications to you. We look forward to serving you.

Shull & Co., P.C.

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

PROPOSAL TO PROVIDE PROFESSIONAL SERVICES TO THE CITY OF INDIANOLA, IOWA

Table of Contents

Appendix

Contact persons:
Arlen Schrum
Dennis Shull
(515)961-2571

PROPOSAL TO PROVIDE PROFESSIONAL
SERVICES TO THE
CITY OF INDIANOLA, IOWA

Shull & Co., P.C. Profile

Shull & Co., P.C., was founded in Indianola, Iowa, in the mid-1970's by Dennis and Doug Shull and has built its practice in the surrounding area. Currently, the office of ten persons, including six professionals, is managed by Dennis Shull. Arlen Schrum manages the audit and accounting practice and supervises a staff of two professionals. Shull & Co., P.C. and the six Certified Public Accountants in the office are members of the America Institute of Certified Public Accountants and the Iowa Society of Certified Public Accountants and are in compliance with all registration and permit requirements to engage in the practice of public accounting in the State of Iowa.

PROPOSAL TO PROVIDE PROFESSIONAL
SERVICES TO THE
CITY OF INDIANOLA, IOWA

Qualifications of Shull & Co., P.C.

Shull & Co., P.C., possesses outstanding experience auditing entities similar to the City of Indianola, Iowa. We believe the understanding of the City and its operations we have developed in over twenty years of service as the City's auditors as well as the relationships we have established with key personnel make us uniquely qualified to serve as the City's auditors again. In addition, we serve as auditors of the following entities, which are also subject to Government Auditing Standards: City of Norwalk, Iowa, City of Pleasantville, Iowa, Indianola Community School District, Clarke County Landfill Commission and South Central Iowa Landfill Agency.

Arlen Schrum will be responsible for the service you receive. Mr. Schrum has over thirty years of public accounting experience and has responsibility for the work outlined above.

All professionals of Shull & Co., P.C. are experienced in audits of governmental entities and governmental financial assistance programs and each would be expected to be involved in some phase of our audit services. It is our policy to discuss with our clients personally any changes in key personnel involved in serving them.

Shull & Co., P.C.'s system of quality control conforms to professional standards and focuses primarily upon supervision and review of all work performed, selection of appropriate professional development opportunities, recognizing situations requiring consultation on accounting and auditing matters and obtaining it from national and state professional sources, and independence of all professional staff in fact and appearance for all audit services. As required by Government Auditing Standards we have enclosed a copy of our most recent quality review report for your use.

PROPOSAL TO PROVIDE PROFESSIONAL
SERVICES TO THE
CITY OF INDIANOLA, IOWA

Scope of Shull & Co., P.C. Services and Proposed Audit Schedule

We understand the scope of our work to include financial and compliance audits of the City of Indianola, Iowa and Indianola Municipal Utilities conforming to the requirements of Chapter 11 of the Code of Iowa, generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Our reports will include independent auditor's reports on the financial statements and the schedule of federal financial assistance, auditor's reports on compliance and on internal control over financial reporting, and auditor's reports on compliance with laws and regulations and internal control over compliance with laws and regulations related to federal financial assistance.

In addition, we understand the scope of our work will include an independent auditor's report on the separate accrual basis financial statements of Indianola Municipal Utilities and of the electric, water and sewer operations.

We expect to schedule our audit work as soon as is practical for your staff. Approximately three weeks of field work would be scheduled at mutually convenient dates in August or September. We expect to have draft reports available in October. We expect to deliver 10 bound copies of all our final reports to the City no later than November 30. We also expect to deliver 2 bound copies of all our final reports along with a per diem audit billing and a copy of the news release to the Auditor of State no later than November 30.

We agree to work with you to provide, as necessary, parity revenue bond certificates or consents to include our reports in future official statements.

We understand the City of Indianola is considering converting its accounting system and reporting model to the accrual basis. We agree to work with City personnel as they develop procedures and policies related to such a conversion.

PROPOSAL TO PROVIDE PROFESSIONAL
SERVICES TO THE
CITY OF INDIANOLA, IOWA

Shull & Co., P.C. Fees and Compensation

Based upon our prior experience as the City's auditors we estimate the total recurring hours to perform the audit of the City of Indianola, Iowa on the basis of cash receipts and disbursements will be approximately 240 hours per year and the total recurring hours to perform the audit of the Indianola Municipal Utilities on the accrual basis will be approximately 200 hours. We are willing to commit to maximum fees for the audits as follows:

	Year Ending June 30, 2015	2016	2017
Comprehensive audit and financial statements for the City of Indianola	$ 8,900	9,200	9,600
Component unit audit and financial statements for Indianola Municipal Utilities	7,500	7,900	8,200
Separate financial statements for the electric, water and sewer utilities at $2,300 each	6,900	6,900	6,900
	$ 23,300	24,000	24,700

We would expect to bill you $6,000 on August 31, $10,000 on September 30 and the balance upon delivery of the final reports.

If the City successfully converts to accrual basis reporting, we estimate an additional 40 to 60 hours each year for the City audit and additional fees of $3,000 to $5,000 per year.

Our fees for services outside the scope of the audits, all of which would be discussed with you in advance of performing them, would be billed at our standard hourly rates of $210 per hour for partners, $120 per hour for senior staff and $75 per hour for other staff.

Keith Oltrogge, CPA, P.C.

201 East Main Street
P.O. Box 310
Denver, Iowa 50622
(319) 984-5292
FAX (319) 984-6408

System Review Report

January 10, 2013

To the Shareholders of
Shull & Co PC
And the Peer Review Committee of the Iowa Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Shull & Co PC (the firm) in effect for the year ended September 30, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards engagements selected for review include engagements performed under Government Auditing Standards and an employee benefit plan.

We noted the following deficiency during our review:

1. Deficiency – The firm's quality control policies and procedures require that annual inspections be performed as part of monitoring procedures. Our review noted that annual inspections were not performed. As a result financial statement reporting and disclosure problems were noted on an ERISA audit and a compilation engagement. The firm's audit partner was also not in compliance with government continuing education requirements during the past three year period.

   Recommendation – The firm should comply with its quality control policies and procedures and perform annual inspections to monitor compliance with quality control. Emphasis should be made in these inspections on compliance with governmental continuing education standards and in reporting and disclosure requirements of professional standards.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of Shull & Co PC in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Shull & Co PC has received a peer review rating of *pass with deficiency*.

Keith Oltrogge CPA PC

Keith Oltrogge
Certified Public Accountant

IMU Regular Downstairs **6.**
Meeting Date: 04/27/2015

Information

Subject

FY 2015 Budget Amendment

Information

Financial Impact

N/A

Staff Recommendation

Attachments

Budget Amendment

IMU Regular Upstairs **2. C.**
Meeting Date: 04/13/2015

Information

Subject

Set April 27, 2015 as the date of a Public Hearing on the FY 2015 Budget Amendment

Information

Trustees adopted the FY 2016 budget this past February.

As per Iowa code, that budget also contained re-estimated amounts for the current fiscal year ending June 30, 2015. Total re-estimated expenditures exceed the FY 2015 budget adopted over a year ago by $4,017,300.

The primary cause were delays on the West Hwy 92 projects at I-35, transmission relocation west of R63 to R57, and the distribution relocation from R63 eastward currently underway. These projects were budgeted for the previous fiscal year.

Although IMU will get reimbursed for much of this work (see Miscellaneous revenue increase), the budget still needs formally amended for the expenditures. The end result to ending fund balances is the same as if they had occurred the previous fiscal year, less any costs incurred because of change orders.

The secondary cause is the structure of the Electric Revenue bond refinancing. Most of the transaction nets out because it is placed into trust until the call date. However the elimination of the $1.187 million in required reserve accounts, which will be used to repay outstanding debt within that trust, is a cash expenditure because the trust is external to IMU's cash-based financial statements.

The net result is that the Ending Fund Balance of $6.263 million following the amendment is about $98,500 higher than that presented in the original budget set in February of 2014 after accounting for the reduction in required reserves described above.

This meeting's agenda item simply sets April 27, 2014 as the date of a public hearing on the budget amendment. No comments were received at the FY 2016 budget public hearing in which they were presented as re-estimated amounts.

Financial Impact

N/A

Staff Recommendation

Attachments

Budget Amendment

BUDGET AMENDMENT AND CERTIFICATION RESOLUTION

To: Indianola City Council

At a meeting of the IMU Board of Trustees (Governing Board), held after public hearing as required by law, on 4/27/2015 (xx/xx/xx), the proposed budget for Fiscal 2015 (specify fiscal or calendar and year) was adopted as summarized and attached hereto.

Telephone
Area Code 515-961-9410

________________ (signature) Board Secretary

Address 110 N. First Street
Indianola, IA 50125

Record of Public Hearing and Adoption of Budget Amendment:

On 4/27/2015 (xx/xx/xx), the IMU Board of Trustees met for the purpose of conducting a public hearing to amend the Fiscal 2015 (specify fiscal or calendar and year) budget as published. Notice of time and place of hearing had been published on ________ (xx/xx/xx) in the ________________ (newspaper) and the affidavit of publication was available to file with the City Council.
The budget amendment was considered and taxpayers and residents heard for and against said estimate were as follows:

____

After giving opportunity for all desiring to be heard, the Board adopted the following budget resolution:
A RESOLUTION ADOPTING THE AMENDMENT TO Fiscal (specify fiscal or calendar) YEAR ENDING 6/30/2015 (xx/xx/xx) BUDGET

BE IT RESOLVED by the IMU Board of Trustees: The budget for Fiscal (specify fiscal or calendar) ending 6/30/2015 (xx/xx/xx) as set forth in the Adopted Budget Summary and in the detailed budget in support thereof showing the estimated revenues and expenditures for said calendar year is accordance with the summary And detail as adopted.

Passed and approved on, ________ (xx/xx/xx) by the following vote: (list names)

Ayes: ________________
____
____
____

Nays: ________________
____
____

Absent: ________________

________________ (signature) Chairperson

________________ (signature) Secretary

NOTICE OF PUBLIC HEARING
Budget Amendment

Indianola Municipal Utilities
(Name of Enterprise)

The IMU Board of Trustees (Governing Board) will conduct a public hearing to

amend the fiscal (specify fiscal or calendar) year 2015 (xxxx) budget at Council Chambers, City Hall

on 4/27/2015 (xx/xx/xx), beginning at 5:30 (x:xx) o'clock. PM (AM/PM) The Budget Estimate Summary of proposed revenues and expenditures is shown below. Copies of the ***detailed*** proposed budget may be obtained or viewed at the office of the City Clerk and Utility Finance Officer and at the city library. At the public hearing, any resident or taxpayer may present objections to, or arguments in favor of, any part of the proposed budget.

__________ (date) ____________________ (signature) Secretary

		Budget as certified or last amended	Current Amendment	Budget after Current Amended
	(specify budget years)	2015 (xxxx)	2015 (xxxx)	2015 (xxxx)
Revenues & Other Financing Sources				
Use of money and property		519,100	-14,100	505,000
Charges for services		14,061,100	-173,000	13,888,100
Miscellaneous		2,179,800	2,435,200	4,615,000
Other Financing Sources		1,098,800	339,100	1,437,900
Total Revenues & Financing Sources		17,858,800	2,587,200	20,446,000
Expenditures & Transfers Out				
Expenditures		17,413,300	4,017,300	21,430,600
Transfers Out		1,098,800	339,100	1,437,900
Total Expenditures & Transfers Out		18,512,100	4,356,400	22,868,500
Excess of Revenues & Other Sources (+) (-) Expenditures & Transfers Out		-653,300	-1,769,200	-2,422,500
Beginning Fund Balance	July 1 (month)	8,004,800	681,000	8,685,800
Ending Fund Balance	June 30 (month)	7,351,500	-1,088,200	6,263,300

ADOPTED BUDGET SUMMARY

Fiscal 2016
(specify fiscal or calendar year budget)

YEAR 2016

Indianola Municipal Utilities
NAME OF ENTERPRISE

(specify budget years)			Budget 2016		Re-Estimated 2015		Actual 2014
REVENUES & OTHER FINANCING SOURCES							
Use of Money and Property	(line 398)	241	566,700	271	505,000	301	449,318
Charges for Services	(line 414)	243	14,829,100	273	13,888,100	303	14,094,252
Miscellaneous	(line 416)	245	2,165,100	275	4,615,000	305	2,387,761
Operating Transfers In	(line 417)	247	1,137,800	277	1,437,900	307	2,211,816
Proceeds of Long Term Debt	(line 418)	248	0	278	0	308	0
Proceeds of Fixed Asset Sales	(line 419)	249	0	279	0	309	0
Total Revenues & Other Financing Sources		250	18,698,700	280	20,446,000	310	19,143,147
EXPENDITURES & TRANSFERS OUT							
Expenditures	(line 386)	255	18,256,900	285	21,430,600	315	18,146,729
Transfers Out	(line 387)	259	1,137,800	289	1,437,900	319	2,211,816
Total Expenditures & Transfers Out		260	19,394,700	290	22,868,500	320	20,358,545
Excess of Revenues & Other Sources Over (Under) Expenditures & Transfers Out		261	-696,000	291	-2,422,500	321	-1,215,398
BEGINNING Fund Balance	(line 390)	262	6,263,334	292	8,685,834	322	9,901,232
ENDING Fund Balance	(line 388)	263	5,567,334	293	6,263,334	323	8,685,834

Indianola Municipal Utilities
NAME OF ENTERPRISE

REVENUES DETAIL

Fiscal Year 2016
(specify if budget is fiscal or calendar year)

(specify budget years)		Budget 2016	Re-Estimated 2015	Actual 2014
Beginning Fund Balance	390	6,263,334	8,685,834	9,901,232
Use of Money & Property	398	566,700	505,000	449,318
Charges for Services: Hospital	411			
Water	404	2,154,100	2,154,100	2,265,561
Sewer	405			
Electric	406	12,675,000	11,734,000	11,828,691
Gas	407			
Telecommunications	408			
Total Charges for Services	414	14,829,100	13,888,100	14,094,252
Miscellaneous	416	2,165,100	4,615,000	2,387,761
Other Financing Sources:				
Operating Transfers In	417	1,137,800	1437900	2,211,816
Proceeds of Long Term Debt	418			
Proceeds of Fixed Asset Sales	419			
Total Revenues - All Sources	421	24,962,034	29,131,834	29,044,379

EXPENDITURES DETAIL

(specify budget years)		Budget 2016	Re-Estimated 2015	Actual 2014
Expenditures:				
Hospital	338			
Water	360	2,355,950	2,410,500	2,214,906
Sewer	357			
Electric	361	15,461,250	18,657,000	15,591,105
Gas	362			
Telecommunications	363	439,700	363,100	340,718
Total Expenditures:	386	18,256,900	21,430,600	18,146,729
Transfers Out	387	1,137,800	1,437,900	2211816
Ending Fund Balance	388	5,567,334	6,263,334	8,685,834
Total Expenditures & Transfers Out	389	24,962,034	29,131,834	29,044,379

IMU Regular Downstairs **6. B.**

Meeting Date: 04/27/2015

Information

Subject

Adoption

Information

Financial Impact

N/A

Staff Recommendation

Simple motion to amend the FY 2015 budget as presented is in order.

Information

Subject

Water Loan Prepayment

Information

FY 2015 ending cash reserve targets for the Electric Utility in the amended budget are partially predicated on the Water Utility prepayment of $320,000 on the loan between the two utilities. This loan originated as a component of the financing plan for the construction of the new water plant in the mid 1990's and when the Electric Utility carried cash balances in excess of its 5-year capital project forecasts. The utility has these funds available due to the timing of completing capital projects and managing expenses over time.

This prepayment will leave a FY 2015 ending loan balance of approximately $1.2 million with a new maturity date of May 2020. The monthly loan payment of $22,568 and 2.5% interest rate set in a prior Trustee resolution remain the same.

The Water Utility will thus have debt expiring in December 2016 ($275,000 annual payment), June 2018 ($100,000 annual), May 2020 ($270,816 annual), and June 2025 ($54,000 annual). This ladder should allow the utility to keep rates stable long into the future while still completing capital improvements at the plant and distribution system at a reasonable pace.

Financial Impact

N/A

Staff Recommendation

Simple motion approving a June 1, 2015 prepayment of the Electric Utility Loan to the Water Utility in the amount of $320,000 is in order.

Information

Subject

Cost of Service Study Request for Proposals

Information

As noted in several meetings, there are several factors within IMU's cost structure that warrants re-evaluating the electric rate structure. These include increased reliance on the cost of power adjustment vs. base rates, new wholesale energy pricing structure, level debt service with new coverage levels, and reduced funding for new capital projects.

The current rate structure was last analyzed in 2010 and updated in 2012. Costs are typically in the range of $15,000 - $25,000 over the 4-year analysis, review, and update period.

Cost of service and rate studies are typically done by an outside consultant that specializes in applying industry allocation methods that meet the broad "fair and reasonable" standard for rate-setting. Their scope of work is to match the types of costs incurred by the utility to the types of uses of electricity.

Cost considerations include fixed vs. variable, classes of costs (such as generation, transmission, distribution, etc.), and non-rate revenues that should be applied to capital assets vs. rate reduction.

Uses of electricity include rate class distinctions (residential, commercial, industrial), time of use, peak use, variable use, etc.

The result will be a recommended set of financial goals and a rate structure designed to meet them. The study will be updated in 2 years to ensure the utility stays on course and adapts to changing economic conditions. So the span of the value of investing in the study should cover 4-5 years.

A request for proposals is attached. The study is timed to be completed after the summer season and prior to the FY 2017 budget process.

Financial Impact

N/A

Staff Recommendation

Simple motion releasing a Request for Proposals for a Cost of Service and Rate Study is in order.

Attachments

RFP

REQUEST FOR PROPOSALS

1. Purpose

The purpose of this request for proposal (RFP) is to solicit proposals from qualified consulting entities to conduct an electric cost of service and rate study for Indianola Municipal Utilities (IMU) in 2015 and an update to that study in 2017.

It is the intent of the IMU Board of Trustees to enter into a contract with the successful consulting entity offering the best proposal, as determined by the Board of Trustees, for providing the services as specified in this RFP.

2. Requests for Clarification

Vendors with questions concerning the RFP may submit their questions in writing to Todd R. Kielkopf, General Manager, P.O. Box 356, Indianola, IA 50125-0356 by mail, hand delivery, or e-mail no later than 2:00 p.m., May 19, 2015. Oral questions will not be accepted. E-mail address is toddk@i-m-u.com.

3. Proposal Conference

A proposal conference will not be held to discuss the RFP.

4. Schedule of Events

IMU issues RFP…………………...	April 27, 2015
Written questions due at General Manager's Office...............................	May 19, 2015
Proposals due at General Manager's Office...	June 10, 2015
Award by Board of Trustees...........………………………..............….	June 15, 2015
Proposed preliminary rate study completion……...............................…by	July 23, 2015
Presentation to the Board of Trustees…………………………………..	July 27, 2015
Final rate study/report & rate resolution completion date……………...	Aug 18, 2015

5. Disposition of Proposals

To achieve a uniform review process and the maximum degree of comparability, proposals are required to be organized in the following manner:

a. Title page that includes the subject of the proposal, name of the consulting entity, address, name of contact person, telephone numbers and e-mail address, and date.
b. Responses and exhibits that provides information regarding:
    - Qualifications and references of the consulting entity
    - Qualifications of the personnel that will be assigned to perform the study
    - Outline of the analytical process used to conduct the study
    - List of data and sources that will be required to be provided by IMU
    - List of data and sources that will be provided by the consulting entity
    - Confirmation to conform to the timelines established in this RFP
    - Confirmation to perform a 2-year update to the 2015 study
    - Cost of the study
    - Additional cost for analyzing aggregate time of use data and recommending alternatives for that program given cost structures

Your proposal may not be considered, and may be rejected as non-responsive, if it does not include all the information requested. IMU reserves the right to reject any and all proposals, in whole and in part, received in response to the RFP at any time during the solicitation process.

6. Waiver of Deficiencies

IMU reserves the right to waive minor deficiencies in a proposal. The decision as to whether a deficiency will be waived or will require the rejection of a proposal will be solely within the discretion of IMU.

7. Proposal Evaluation

The IMU General Manager will make a recommendation to the Board of Trustees regarding the proposal which best meets the utility's requirements.

The General Manager will evaluate the proposals using the following criteria:

a. Compliance with the general terms and conditions of the services
b. Response to the Qualification and Information section.
c. Cost of services.
d. Ease of preparation by IMU staff.
e. Options that are in the best interest of IMU.

The General Manager will consider all information provided and may consider relevant information from other sources. **The Board of Trustees will award the contract to the responsible consulting entity submitting the best proposal. The lowest priced proposal is not necessarily the best proposal.**

8. Nondiscrimination

The consulting entity shall agree not to engage in any discriminatory practices based on race, color, creed, religion, national origin, sex, mental or physical capabilities, and that it will comply with all provisions of federal, state and local regulations against discrimination. The consulting entity shall ensure that all authorized subcontractors comply with the provisions of this section.

9. Submission of Proposals

Proposals must be received at the General Manager's Office no later than 2:00 p.m., June 10, 2015. Copies may be in electronic form in .pdf format. Proposals shall be delivered or mailed to:

Todd R. Kielkopf
General Manager
111 South Buxton
P.O. Box 356
Indianola, IA 50125-0356
Phone (515) 961-9444
toddk@i-m-u.com

No proposals will be accepted after the date and time specified in this section. Be prepared to make a formal interview to the General Manager after his initial evaluation.

10. Amendment to the Request for Proposals

In the event it becomes necessary to amend, add to, or delete any part of the RFP, such amendment will be provided to all consulting entities that received the original RFP. The consulting entities' response must include acknowledgment of all addenda.

11. Termination of Contract

In the event that the consulting entity fails to observe and perform any covenant, condition, or obligation created by the contract resulting from this RFP, IMU shall provide written notice to the consulting entity requesting that such breach or noncompliance be immediately remedied. In the event that such breach or noncompliance continues to be evidenced thirty (30) days beyond the date of said written notice, IMU may either: 1) immediately terminate the resulting contract without written notice, or 2) enforce the terms and conditions of the resulting contract and seek any legal or equitable remedy. In either event, IMU may seek damages as a result of said breach or failure to comply with the terms of the contract.

With the acknowledgment upon receipt and acceptance of written notice, the contract may be terminated on an agreed upon date prior to the end of the contract period without penalty to either party. The agreed termination date shall not be less than sixty (60) days from the first of the month following the date of notification.

All notices required under the terms of the contract shall be delivered by certified or registered mail, return receipt requested, to the last known address of the party.

Information

Subject

Cost of Energy Adjustment

Information

Increases in energy costs over the past 18 months in the form of pooled energy adjustments, unexpected wholesale customer charges, and the new wholesale rate structure are being passed through to IMU's retail customers over time through a Cost of Energy Adjustment. The calculation is that costs are being deferred for accounting purposes, along with the offsetting revenue collected. The remaining quarterly balance is then collected over the next 12 months based on kWh's consumed.

The most recent quarter's balance of $482,000 will trend towards $1.15 million by the end of June due to the previously-described events.

The policy adopted by Trustees limits the quarterly Cost of Energy Adjustment rate increase to $.0015 per kWh unless otherwise authorized by Trustees. The current adjustment rate is $.0039/kWh.

Given costs now being incurred and the transition to the wholesale rate structure, it is projected to increase towards $.0099/kWh by the end of the calendar year if all ongoing costs are to be fully recovered at some point in time and Trustees intend to maintain minimum cash days on hand of 100 days. Also, the deferred nature of the revenue means that the balance cannot grow unimpeded without causing debt service covenant issues in later years as it declines.

Staff's recommendation is to allow a modestly higher increase of $.0030 (vs. $0015) per kWh for the quarter starting June 1, 2015 (Bills dated July 1, 2015). Taking this action now increases the likelihood that the deferred expense and revenue balance will stabilize by the end of the calendar year. Trustees can then review financial conditions before taking a similar action again in 3 months. Alternatively, Trustees can authorize this amount of increase for the next two quarters.

One goal of the cost of service study is for Trustees to set the long-term path for having average monthly wholesale costs fully recovered through base rates and then eliminate the deferred items on the Electric Utility's balance sheet. The study should be complete by the end of the calendar year. That outside consultant's report should also better project the long-term rate track.

This action is timely in that there is no 2015 windfall from the recent MISO capacity auction (IMU will continue to collect its floor amount from MEAN), completion of a relatively mild winter with lower kWh sales, and having the most recent wholesale power invoices in-hand. The increased amount billed will average $45,000 during the applicable quarter and beyond, which while significant in total only partially avoids having future customers repaying these costs in future periods.

Financial Impact

N/A

Staff Recommendation

Simple motion authorizing the maximum increase in the quarterly cost of energy adjustment of $.0030/kWh is in order. Alternately, a simple motion authorizing this amount of increase for only the quarter billed July - September 2015 is in order.

IMU Regular Downstairs **10.**

Meeting Date: 04/27/2015

Information

Subject

2015 W. Hwy 92 and Y Street Intersection Relocation Project - Certificate of Substantial Completion

Information

Financial Impact

N/A

Staff Recommendation

Simple motion issuing the certificate of substantial completion to Watts Electric 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 SUBSTANTIAL COMPLETION

Date Issued April 18, 2015

Owner Indianola Municipal Utilities

Contractor Dig America, Inc.

Project 2015 W. Hwy 92 and Y St. Intersection Relocation Project

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

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

April 17, 2015 (Date of Substantial Completion)

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

None identified.

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

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

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

Issued by P & E Engineering Co. on April 18, 2015 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 **11. A.**

Meeting Date: 04/27/2015

Information

Subject

Report on Potential Deductions from Apparent Low Bid

Information

Trustees received bids at the March 9, 2015 meeting for the construction of the vehicle storage building at the water plant.

The last action was to designate the $364,000 submission by Septagon Construction as the apparent low bid. This is compared to the $200,000 budget.

Staff and others in the industry have met with V&K to develop a consensus on how to redesign the building to both meet the medium-term needs of the department and reduce the cost per square foot of space constructed.

A memo is attached, with the first few items being the most significant from a design perspective:

1. Change from a metal frame to a wood frame
2. Eliminate one 12' bay altogether (would still have two bays that are double-deep)
3. Eliminate decorative trim that would have matched the plant & existing garage
4. Lighting & plumbing changes

The result will still be a suitable building that will serve the needs of the department for the next couple decades unless Indianola grows substantially. Not all equipment needs stored at the plant site, so growth in the fleet can be addressed elsewhere also when needed.

Financial Impact

N/A

Staff Recommendation

Attachments

V&K Deducts

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

April 14, 2015

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

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
VEHICLE STORAGE BUILDING
RECOMMENDED COST DEDUCTIONS

The low bid submitted for the Vehicle Storage Building was in the amount of $364,900. In order to reduce the cost of the project, the following cost saving deductions are recommended:

1. Change from a metal frame building to a wood frame building.	-$25,000
2. Eliminate one 12' wide bay. This would leave remaining one 12' wide bay and one 16' wide bay.	-$20,000
3. Eliminate brick wainscott and replace with metal panels.	-$17,000
4. Change lighting type to more traditional indoor lighting.	-$16,000
5. Miscellaneous plumbing charges.	- $ 9,000
6. Eliminate unit heater because of smaller building	-$ 5,000
7. Change floor slab from 8-inch thick with reinforcing to 6-inch thick with welded wire fabric.	-$ 4,000

8.	Reduce height of interior lined panels from full height to 8' height.	-$ 4,000
9.	Eliminate 4" sidewalk north of driveway.	-$ 2,500
10.	Footing construction modifications.	-$ 2,000
11.	Seeding performed by Utility.	-$ 1,500
12.	Change roof from 22 gauge to 24 gauge.	-$ 1,000
	TOTAL RECOMMENDED DEDUCTIONS	$107,000

If these recommended deductions are acceptable revised plans and specifications would be presented to the Board at the June 8, 2015 Board meeting with bids received for the Board's consideration at the July 13, 2015 Board meeting. Project completion would be in the Spring of 2016.

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

VEENSTRA & KIMM, INC.

Original Signed By
Forrest S. Aldrich

Forrest S.Aldrich

FSA:jrh
28586
cc: Lou Elbert, Indianola Municipal Utilities

IMU Regular Downstairs **11. B.**

Meeting Date: 04/27/2015

Information

Subject

Rejection of All Bids

Information

If Trustees concur with staff's recommendation to make the significant design changes identified in the V&K memo discussed on the prior agenda item, the next step is to reject all bids and proceed with rebidding the project. It is anticipated that a significantly different set of builders will compete for the wood-frame structure vs. a metal frame structure.

Financial Impact

N/A

Staff Recommendation

Simple motion rejecting all bids and abandoning the project is in order.

IMU Regular Downstairs **11. C.**

Meeting Date: 04/27/2015

Information

Subject

Authorize Redesigned Plans & Specifications

Information

V&K will prepare new plans & specifications by June 22 with bids received for the July 27 Trustee meeting.

Financial Impact

N/A

Staff Recommendation

Simple motion authorizing the redesigning of the plans and specifications of the project is in order.