

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS
IN PURSUANCE TO NOTICE, TUESDAY,
December 16, 2014**

Present: Mr. Graham R. Gillette, presiding; Mr. David A. Carlson, Ms. Leslie A. Gearhart, and Ms. Susan R. Huppert. Mr. Marc R. Wallace joined the meeting in progress, and was present from 3:56 PM until adjournment. Staff members attending were: Jessica Barnett, Pat Bernard, Pat Bruner, Jim Cockerham, Ted Corrigan, Peggy Freese, Doug Garnett, Amy Kahler, Dan Klopfer, Mike McCurnin, Laura Sarcone and Bill Stowe. Also in attendance were Rick Malm and Colleen MacRae, legal counsel, and Mike Burkhart.

Meeting called to order at 3:35 p.m. Due to scheduling misunderstanding, the meeting was recorded by audio only and not by video.

Consent Agenda – A motion was made by Mr. Carlson, seconded by Ms. Huppert, to approve Consent Items A, B, C, D, and E (approval of the minutes of the November 25, 2014, meeting of the Board of Water Works Trustees, minutes of the December 2, 2014, meeting of the Planning Committee; filing of the financial statements for audit purposes; approval of payments for November 2014; summary of CEO-Approved Expenditures in Excess of \$20,000; and approval of January 27, 2015, as the next meeting of the Board of Water Works Trustees). Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Public Comment Period – No public comments were received.

Approve Chair's Selection of Board Members' Representation on External Boards – A motion was made by Ms. Huppert to appoint Board members to represent the Des Moines Water Works for the calendar year 2015 on external Boards as follows within the scope of their duties as members of this Board: Ms. Gearhart will serve on the Board of the Greater Des Moines Botanical Garden, Mr. Carlson will serve on the Board of the Des Moines Water Works Park Foundation and Mr. Stowe will serve as Ex-Officio member to the Board of Des Moines Water Works Park Foundation. Mr. Wallace will continue his appointment on the Board of Des Moines Water Works Park Foundation.. Mr. Carlson provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Approve Sale of Purchased Capacity from Polk County Rural Water District #1 to Xenia Rural Water District – Polk County Rural Water District #1 (PCRWD #1) has previously purchased 125,000 gallons per day of purchased capacity from Des Moines Water Works. Purchased capacity gives the holder to purchase water at the purchased capacity rate, which is currently \$1.46 per gallon. In 2013, PCRWD #1 entered into a Total Service 28E agreement with DMWW and purchased capacity provides a limited benefit under such a relationship. As a result, PCRWD #1 recently offered its purchased capacity for sale. Xenia Rural Water District has agreed to purchase the 125,000 gallons of purchased capacity from PCRWD #1 at \$2.581 per gallon per day, for a one-time payment of \$322,625, subject to DMWW approval. Upon completion of the transaction as proposed, Xenia will have a total of 2.94956 million gallons per

day of purchased capacity and PCRWD #1 will have no purchased capacity.. DMWW will update capacity records to reflect the assignment of 125,000 gallons per day in purchased capacity from PCRWD #1 to Xenia Rural Water District. A motion was made by Ms. Gearhart to approve and consent to Polk County Rural Water District #1's sale and assignment of 125,000 gallons per day of purchased capacity to Xenia Rural Water District and authorize the Chairperson and CEO and General Manager to execute the Agreement for Assignment and Sale of Purchased Capacity and appropriate supplemental Adoption Annexes. Mr. Carlson provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Little All-American Football Extension of Agreement for the Use of Water Works Property –

Mr. Stowe addressed three agreements with youth sport organizations for use of certain sections of Water Works Property. Des Moines Water Works provides use of its property to Little All-American Football, Raccoon Valley Little League and Soccer South Soccer Club. Each of these three agreements currently has the same term and the same rate of \$70.00 per acre. Previous extension agreements were for three years. Mr. Stowe asked staff to shorten the term of the agreements and to make the organizations aware of the current master plan improvement progress of the Des Moines Water Works Park Foundation. The first new agreement to be considered is a two year extension of the current agreement for the Little All-American Football League, through December 31, 2016. The rate for this extension will remain the same at \$70.00 per acre, per year. The land used by Little All-American Football is approximately 10 acres south of George Flagg Parkway and east of S.W. 30 Street. A motion was made by Mr. Carlson authorizing the CEO and General Manager to execute the Little All-American Football League Extension of Agreement for Use for a two year term to expire on December 31, 2016. Ms. Gearhart provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Raccoon Valley Little League, Inc. Extension of Agreement for the Use of Water Works

Property – The second new agreement is a two year extension of the current agreement for Raccoon Valley Little League, Inc., through December 31, 2016. The rate for this extension will remain the same at \$70.00 per acre, per year. This agreement is for 29.5 acres north of Park Avenue, west of the railroad spur that extends through Water Works Park. A motion was made by Ms. Gearhart to authorize the CEO and General Manager to execute the Raccoon Valley Little League, Inc. Extension of Agreement for Use for a two year term to expire on December 31, 2016. Mr. Carlson provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Soccer South Soccer, Inc. Extension of Agreement for the Use of Water Works Property –

The third new agreement is a two year extension of the current agreement for Soccer South Soccer, Inc., through December 31, 2016. The rate for this extension will remain the same at \$70.00 per acre, per year. This agreement is for 23 acres located in the 4400 block of Park Avenue on the western edge of Water Works Park. A motion was made by Ms. Gearhart to authorize the CEO and General Manager to execute the Soccer South Soccer Incorporated Extension of Agreement for Use for a two year term to expire on December 31, 2016. Mr. Carlson provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

2015 Water Service Line Repairs – This is the annual contract for water service line repairs that Des Moines Water Works contracts on behalf of customers for repairs to customer-owned water service lines. The contract is approximately 15% less than last year due to the water service line coverage available to customers via HomeServe. The contract is expected to apply to repairs for an estimated 105 stop boxes and 83 curb valves. This is an estimated number of facilities staff foresees will be repaired in 2015, based on experience and the reduction of repairs, due to HomeServe coverage. Torgerson has successfully completed this work in the past. It was noted that HomeServe also contracts service line repairs with Torgerson. Staff noted that customers have generally been satisfied with the repairs of Torgerson, whether contracted by DMWW or via HomeServe. A motion was made by Mr. Carlson to award the 2015 Water Service Line Repairs to Torgerson Excavating, in the amount of \$210,280, and authorize the Chairperson and CEO and General Manager to execute the contract. Ms. Gearhart provided a second to the motion. Upon vote, the motion was adopted, with four votes in favor by Mr. Carlson, Ms. Gearhart, Mr. Gillette, and Ms. Huppert.

Mr. Wallace joined the meeting at 3:56 p.m.

Request Authorization to Solicit Bids for 2015 Polk County Water System Improvements – Contract 1 and Establish the Date of Public Hearing as the Date of the January 2015 Board Meeting – Mr. Stowe stated this project is important to Polk County. The Polk County system has run into significant restraints in the ability to add new service connections. Polk County took a first step to address this issue by proposing and approving the addition of \$1.50 per 1,000 gallons to the rate applicable to Polk County customers to fund a capital improvement account. This project will provide capacity to serve customers in an area that is currently capacity deficient. A motion was made by Mr. Carlson, and seconded by Mr. Wallace, to authorize staff to solicit bids for 2015 Polk County Water System Improvements – Contract 1 and establish the date of Public Hearing as the date of the January 2015 Board meeting, and direct staff to publish notice as provided by law. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Request Authorization to Issue Purchase Order(s) for Saylorville Water Treatment Plant High Service Pump(s) and Equipment – Mr. Stowe said this is part of a relatively complex series of purchases for the larger project of the joint feeder main construction between the Saylorville Water Treatment Plant and the City of Johnston. This project will allow DMWW to meet Johnston’s needs and ultimately alleviate system demand issues at the Tenny Standpipe. The purchase orders include three components – a service pump, a variable frequency drive and various electrical hardware components – issued to three vendors, each of which was the low responsible bidder. Authority was requested to issue: a purchase order for the service pump to Superior Industrial Equipment for the amount of \$75,310.88; a purchase order for one variable frequency drive to Automatic Systems for the amount of \$62,573.00; and a purchase order for the electrical transformer and switchgear to Graybar in the amount of \$134,410.00. A motion was made by Ms. Gearhart, and seconded by Mr. Carlson, to authorize staff to issue three Purchase Orders for the lowest responsible bidders as named, for the total amount of \$272,293.88, for purchase of the new Pump and Equipment. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Board Committee Reports –

- Mr. Carlson reviewed the December 2, 2014, Planning Committee meeting. There was a presentation by Greater Des Moines Partnership. Mr. Stowe said the direction he took from the Board was that the \$50,000 contribution was included in the 2015 operating budget and will be made to the Partnership. The Partnership acknowledged DMWW's continued source water quality concerns and the utility's regionalization considerations. Mr. Stowe will be in communication with the Partnership regarding the importance of DMWW's economic development goals in context with DMWW's contribution to the Partnership. There was also an overview of the general office front desk remodel project.
- Ms. Huppert stated there was no December Finance and Audit Committee meeting.
- Mr. Gillette attended his final meeting serving as the DMWW representative on the Board of the Greater Des Moines Botanical Garden and stated the Botanical Garden Board has established a good model for the Des Moines Water Works Park Foundation.
- Mr. Carlson provided an update of the Des Moines Water Works Park Foundation. The Park Foundation will be the topic of the Post Board Meeting Presentation in January. The Park Foundation is setting a tentative goal of being "shovel ready" by January 2016 for a connector to Gray's Lake.

CEO and General Manager's Comments –

- The nitrate removal facility has been on since December 4. Mr. Stowe said we have been running 3 or 4 vessels, as determined by nitrate concentrations and customer demand.
- Distributed a procedure for how an "extra item" may be added to the Board agenda was distributed. When the Board Policy Manual is next updated, such procedures will be added. Deadline for materials is close of business Thursday (for the following Tuesday meeting). In the event there is a need to add an extra item, staff would seek Board member "sponsorship." Public notice of the extra item will be given.

Mr. Gillette made a note that this is the last meeting of 2014 and the Board appreciates staff's work and it is a pleasure to serve on this Board.

Closed Session – At 4:21 p.m. Ms. Huppert made a motion, seconded by Ms. Gearhart, for the Board to go into closed session, pursuant to Section 21.5(1)(c), Code of Iowa, to discuss litigation strategy with counsel concerning source water pollutants to avoid disclosure likely to prejudice or disadvantage the position of the Des Moines Water Works. A roll call vote was conducted. Mr. Graham R. Gillette, Mr. David A. Carlson, Ms. Leslie A. Gearhart, Ms. Susan R. Huppert, and Mr. Marc R. Wallace each voted "Aye." A closed session was then conducted.

At approximately 6:09 p.m. the Meeting returned to open session.

A motion was made by Mr. Wallace to schedule a special Board of Water Works Trustees meeting on January 8, 2015, at 3:30 p.m. Ms. Gearhart provided a second to the motion. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Meeting adjourned at 6:15 p.m.

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS
IN PURSUANCE TO NOTICE, TUESDAY,
January 8, 2015**

Present: Mr. Graham R. Gillette, presiding; Mr. David A. Carlson, Ms. Leslie A. Gearhart and Ms. Susan R. Huppert. Mr. Marc R. Wallace joined the meeting in progress, and was present from 3:43 p.m., until adjournment. Staff members attending were: Ted Corrigan, Peggy Freese, Linda Kinman, Mike McCurnin, Laura Sarcone and Bill Stowe. Also in attendance was Rick Malm, legal counsel.

The meeting was called to order at 3:30 p.m. The meeting was recorded by audio only and not by video.

Mr. Gillette explained the purpose of the special Board meeting was to consider a notice of intent to sue certain drainage districts with respect to a requirement that they obtain permits and be regulated, just like other point source polluters. Mr. Stowe provided background on the current situation. Most importantly, drinking water is safe to drink today and meets safe drinking standards. However, there is significant risk when we see high nitrate concentration in both the Raccoon and Des Moines Rivers as we have this winter and in the summer of 2013. Des Moines Water Works has been operating its nitrate removal facility since December 4. The denitrification facility was built over 20 years ago and the technology and capacity is limited to treat the rising levels of nitrate in source water while meeting growing central Iowa demand.. Des Moines Water Works must provide safe drinking water on a day-to-day basis and we are concerned with our ability to do that. During the closed session, the Board will discuss a recommendation for the General Manager of this utility to issue a notice of intent to sue to three County Boards of Supervisors in northern Iowa, at locations where staff has tested drainage outflows throughout 2014, and where we believe we can demonstrate that they are significant point-source polluters to the Raccoon River from which we draw source water. We are very concerned about voluntary strategies that say agriculture producers are unregulated, but city producers are highly regulated.

Mr. Marc R. Wallace joined the meeting at 3:43 p.m.

Public Comment Period – The Board received comments from 24 individuals.

Mr. Wallace noted that the Board has not made a decision yet, and he appreciated the public comment period to learn more information, and noted that there are many farmers in Iowa practicing conservation methods.

Ms. Huppert thanked everyone for attending and those who spoke.

Closed Session – At 5:02 p.m., Mr. Wallace made a motion, seconded by Ms. Huppert, for the Board to go into closed session, pursuant to Section 21.5(1)(c), Code of Iowa, to discuss litigation strategy with counsel concerning source water pollutants to avoid disclosure likely to

prejudice or disadvantage the position of the Des Moines Water Works. A roll call vote was conducted. Mr. David A. Carlson, Ms. Leslie A. Gearhart, Mr. Graham R. Gillette, Ms. Susan R. Huppert, and Mr. Marc R. Wallace each voted "Aye." A closed session was then conducted.

At approximately 5:45 p.m., the meeting returned to open session.

A motion was made by Mr. Carlson, seconded by Mr. Wallace to direct the CEO and General Manager to issue a notice of intent to sue, under the Clean Water Act and Iowa law to the Board of Supervisors in Sac, Calhoun and Buena Vista Counties, and other interested parties, required under law.

A roll call vote was conducted. Mr. David A. Carlson, Ms. Leslie A. Gearhart, Mr. Graham R. Gillette, Ms. Susan R. Huppert, and Mr. Marc R. Wallace each voted "Aye."

Upon vote, the motion was adopted.

The meeting adjourned at 5:46 p.m.

**FINANCE AND AUDIT COMMITTEE
OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF DES MOINES WATER WORKS
IN PURSUANCE TO NOTICE**

Tuesday, January 20, 2015

3:30 p.m.

Present:

Board Members: Sue Huppert

Staff Members: Pat Bernard, Ted Corrigan, Peggy Freese, Amy Kahler, Dan Klopfer,
Laura Sarcone, Bill Stowe

1. DMWW's Bond Summary – At the request of the Board, staff prepared an overview of Des Moines Water Works' outstanding bonds. As of December 31, 2014, DMWW had \$42.7 million of Water Revenue Bonds outstanding. This amount is comprised of four bond issues. A portion of the bonds were issued on behalf of other parties who are contractually obligated to repay DMWW. Of the \$42.7 million currently outstanding, 12% is DMWW's direct obligation. The remaining 88% is the obligation of our wholesale and full service customers. Wholesale customers make regular debt service payments to DMWW. For full service customers, their debt service payments come out of the capital improvement fund for that service area. Ms. Freese stated that all of the bonds issued have been refinanced subsequent to their original issue date, one of them more than once. At the rates that we currently have on bonds, it is unlikely that DMWW would see a savings if further refinanced. Des Moines Water Works' financial advisor, Speer Financial, monitors the bonds on an ongoing basis to alert staff to possible refinancing opportunities. Ms. Huppert and Mr. Stowe made a suggestion to provide an annual review of Water Revenue Bonds to the Finance and Audit Committee.

2. Three-Year Capital Improvement Plan – Staff has begun to prepare capital improvement plans (CIP) beyond the single year that is included in the normal budget process. A CIP for 2015-2017 was presented. Ultimately, staff would like to get to a five year CIP cycle, but a great deal of work was necessary to get us to a three year CIP at this time. The 2015 numbers are the capital budget approved by the Board at the November 2014 Board meeting. The 2016 and 2017 figures are forecasted numbers. Mr. Stowe stated that a number of the estimates seen in the forecasted budgets for 2016 and 2017 would require significant rate increases. Ms. Freese stated that this multi-year CIP will help the budgeting process in future years. Mr. Klopfer noted that the CIP is structured by category. Mr. Stowe mentioned that we are in a very favorable bidding climate right now and we are managing projects opportunistically.

3. CEO and General Manager's Comments – Mr. Stowe reported that the Aquifer Storage and Recovery (ASR) well supporting the Microsoft development in West Des Moines is proceeding. Mr. Stowe met with West Des Moines Mayor Gaer and Des Moines Mayor Cownie to discuss the location of the ASR. The proposed ASR will be financed by West Des Moines Water Works, but will be an asset owned by Des Moines Water Works. There may be Des Moines city council action needed to support West Des Moines's Tax Increment Financing (TIF). Des Moines Water Works and City of Des Moines' cooperation with this West Des Moines project shows support for metro area regional success.

Mr. Stowe stated that DMWW remains concerned with the nitrate levels in the Des Moines and Raccoon Rivers. Currently, all Fleur Drive water sources (Des Moines River, Raccoon River and Gallery) are above the EPA safe drinking water limit of 10 mg/L. Staff has continued to run the de-nitrification facility since December 4.

Mr. Stowe reported that staff has raised concerns of the effectiveness of the Saylorville Water Treatment Plant. After numerous discussions and negotiations, staff intends to bring a purchase order for replacement RO modules to the next Board meeting. The new units being purchased are an improved generation than what is currently used at the treatment plant.

Finally, Mr. Stowe reported on the Black & Veatch draft report which was discussed during the Central Iowa Regional Drinking Water Commission's (CIRDWC) executive committee meeting today. The final report will be presented at the February 9 CIRDWC meeting. Mr. Stowe noted that the work product from the consultant is comprehensive. Staff will have more details to the full Board in February.

Ms. Huppert inquired about recent HomeServe mailings to customers regarding sewer coverage. Ms. Kahler stated that customer service staff has received hundreds of calls regarding the coverage. Ms. Kahler was able to review proposed marketing materials and provided feedback to HomeServe, but DMWW has not undertaken to review the merits of the coverage offered. Staff has been informing customers that DMWW has not reviewed the sewer coverage being offered to our customers directly by HomeServe. Mr. Stowe stated that HomeServe did come to DMWW and offered a price break if DMWW and City of Des Moines supported the product. City of Des Moines declined and now HomeServe is operating independently. Customers may opt out of marketing materials.

4. Public Comments – None

Meeting adjourned at 4:32 p.m.