

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS
PURSUANT TO NOTICE, TUESDAY,
July 26, 2016**

Present: Mr. Graham R. Gillette, presiding; David A. Carlson; Ms. Leslie A. Gearhart and Ms. Susan R. Huppert. Staff members attending were: Pat Bruner, Ted Corrigan, Peggy Freese, Amy Kahler, Dan Klopfer, Mike McCurnin, Laura Sarcone and Bill Stowe. Also in attendance was Rick Malm, legal counsel.

Mr. Gillette called the meeting to order at 3:36 p.m.

Consent Agenda – A motion was made by Mr. Carlson, seconded by Ms. Gearhart, to approve Consent Items A, B, C, D and E (approval of the minutes, June 28, 2016, Board of Water Works Trustees meeting; minutes, minutes, July 12, 2016, Finance and Audit Committee meeting; filing of the financial statements for audit purposes; approval of payments for June 2016; summary of CEO-Approved Expenditures in Excess of \$20,000; and approval of August 23, 2016, as the next meeting of the Board of Water Works Trustees). Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Public Comment Period – No comments presented.

2015 Cost of Service Study – Mr. Stowe explained that the Cost of Service Study, completed by staff every year, is an important part of water rate setting and budget preparation. Total consumption remained relatively flat in 2015, decreasing 1% from 2014. Total costs increased 2.6% overall. The combination of increased costs and decreased consumption resulted in an increase in the cost per 1,000 gallons in most service areas. Total cost per 1,000 gallons for Des Moines Inside City step 1 increased from \$3.82 to \$4.04. Purchased Capacity cost increased from \$1.75 to \$1.81. Staff will forward the Cost of Service Study to full service and wholesale customers and schedule a review meeting in August. Staff will do additional analysis and develop preliminary rate recommendations for discussion at the September Finance and Audit Committee meeting. Action on water rates for 2017 will be considered at the October Board meeting. Mr. Stowe stated his expectation that the Board could see upwards of a 10% rate increase recommendation from staff for all service areas. A motion was made by Ms. Huppert, and seconded by Mr. Carlson to accept and file the 2015 Cost of Service Study. Ms. Huppert recommended that the Board have a broader discussion overall, in regard to expenses, consumption, and overall customer service. The Board feels that DMWW is a regional utility, but our message is not getting through to the region served. We need to satisfy our customers and share information as early as possible. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Acceptance of Saylorville Water Treatment Plant High Service Pump No. 3 Installation and Piping – At the March 2105 Board meeting, the Board awarded a contract to Story Construction Co., in the amount of \$389,700.00, for the Saylorville Water Treatment Plant High Service Pump

No. 3 Installation and Piping project. All work associated with this contract has been satisfactorily completed. Mr. Stowe noted this was an important project that allowed DMWW to send water directly to Johnston from Saylorville Water Treatment Plant, beginning last week. A motion was made by Ms. Gearhart, and seconded by Mr. Carlson to accept the Saylorville Water Treatment Plant High Service Pump No. 3 Installation and Piping project, completed by Story Construction Co., in the amount of \$389,700.00. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Easement for American Discovery Trail – Segment 4 Bill Riley – A Public Hearing was opened by Chairperson Gillette for comments from the public regarding granting of easement to the City of Des Moines on Des Moines Water Works’ property. Receiving no oral or written comments, the Public Hearing was closed. Mr. Stowe noted that DMWW is granting this easement to the City of Des Moines for an existing trail in current use. A motion was made by Ms. Gearhart, and seconded by Ms. Huppert to authorize the Chairperson to execute the document as presented that grants the easement for the Bill Riley Trail. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Easement for Gray’s Lake Trail– A Public Hearing was opened by Chairperson Gillette for comments from the public regarding granting of easement to the City of Des Moines on Des Moines Water Works’ property. Receiving no oral or written comments, the Public Hearing was closed. A motion was made by Mr. Carlson, and seconded by Ms. Gearhart to authorize the Chairperson to execute the document that grants an easement as presented for the Gray’s Lake Trail. This easement is also to the City of Des Moines for an existing trail in current use north of Gray’s Lake, also known as the Meredith Trail. Ms. Huppert requested that a copy be given to Meredith Corporation, for their part of the Meredith Trail. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Easement for Army Post Road Aquifer Storage and Recovery Well – Mr. Stowe stated that Des Moines Water Works is obtaining an easement on Des Moines Airport land for a 30-inch water main to the Army Post Road Aquifer Storage and Recovery Well. A motion was made by Ms. Gearhart, and seconded by Mr. Carlson to authorize the Chairperson to execute the document, Permanent Easement for Water Main Right-of-Way, granting an easement to the Des Moines Water Works for a water main that will serve the Army Post Road Aquifer Storage and Recover Well site in the form presented. 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 –

The following reports were provided:

- Ms. Huppert reported that the Finance and Audit Committee met on July 12, 2016, and discussed the Cost of Service Study.
- Ms. Gearhart had no report for the Greater Des Moines Botanical Garden.
- Mr. Carlson reported on the Des Moines Water Works Park Foundation’s fundraising status. Mr. Stowe noted staff will bring a draft of a naming policy to the Planning Committee. A separate discussion and policy will be needed for maintenance of facilities.

- Ms. Huppert had no report on the Greater Des Moines Partnership's Iowa Soil and Water Future Task Force.

CEO and General Manager's Comments –

- Mr. Stowe noted that the nitrate removal facility remains off; however, nitrate concentration in the Raccoon River are beginning to increase again.
- Staff is engaged in the 2017 budget process. Ms. Huppert asked if there is data available on water-efficient technology and products that may reduce our overall consumption. Mr. Stowe noted staff is looking at the consumption assumptions that are part of the long range plan being completed.
- Mr. Stowe reported on Microsoft's third facility in West Des Moines. There has been extensive staff work, including discussions with the City of West Des Moines and West Des Moines Water Works, as this facility is in an area DMWW will serve.

Mr. Gillette noted the Contract Status Spreadsheet, June 2016 Lien Certification and Reversals, and Environmental Outreach Summary in the Board's packet.

Adjournment – Adjourn by unanimous consent. Meeting adjourned at 4:12 p.m.

**MEETING OF THE BOARD OF WATER WORKS TRUSTEES
AS TRUSTEES OF THE DES MOINES WATER WORKS
and
AS TRUSTEE FOR THE DES MOINES WATER WORKS PENSION PLAN
Held July 26, 2015**

Present: Mr. Graham R. Gillette, presiding; David A. Carlson; Ms. Leslie A. Gearhart and Ms. Susan R. Huppert. Staff members attending were: Pat Bruner, Ted Corrigan, Peggy Freese, Amy Kahler, Dan Klopfer, Mike McCurnin, Laura Sarcone and Bill Stowe. Also in attendance was Rick Malm, legal counsel.

Mr. Gillette called the meeting to order at 4:12 p.m.

Approve Minutes of the December 15, 2015, Meeting – A motion was made by Ms. Gearhart, seconded by Ms. Huppert, to approve the minutes of December 15, 2015, meeting of the Board of Water Works Trustees of the Des Moines Water Works Pension Plan. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

2015 Pension Plan Audit – Mr. Stowe noted RSM issued an unqualified or “clean opinion” on the financial statements of the pension plan. Ms. Huppert made a motion, seconded by Ms. Gearhart, to receive and file 2015 Pension Plan Financial Audit Reports. Ms. Huppert noted that she appreciates the call received from the auditors each year prior to completion of the audit. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Pension Plan Actuarial Valuation – Mr. Stowe noted that while DMWW pension plan was frozen, contributions to the plan will continue for some time. DMWW uses Principal Financial Group to prepare an annual actuarial valuation of the pension plan, including the calculation of an actuarially determined contribution (ADC) for the pension plan. The ADC for 2016 is \$796,578 – below the \$850,000 budgeted in the 2016 budget. Ms. Huppert made a motion, seconded by Ms. Gearhart, to receive and file Pension Plan Actuarial Valuation and to authorize and appropriate the 2016 ADC amount of \$796,578. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Public Comment Period – No public comments were received.

Adjournment – Adjourn by unanimous consent. Meeting adjourned at 4:22 p.m.

**PLANNING COMMITTEE
OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF DES MOINES WATER WORKS
PURSUANT TO NOTICE**

Tuesday, August 2, 2016
3:39 p.m.

Present:

Board Members: Dave Carlson, Marc Wallace

Staff Members: Doug Garnett, Peggy Freese, Amy Kahler, Katie Kinsey, Mike McCurnin, Dan Klopfer, Laura Sarcone, Bill Stowe and Jennifer Terry

1. Corrosion Control – Ms. Kinsey presented a report of the Des Moines Water Works' corrosion control program, which is one of the premier programs in the United States for water utilities. Des Moines Water Works' oldest pipe in the distribution system today was installed in 1872. The different pipe materials used include cast iron, prestressed concrete cylinder pipe, ductile iron, and PVC pipe. Main breaks have been increasing at a steady rate, with the record number of main break set in 2014, with over 400 main breaks. It is estimated we will average 400 main breaks per year through 2030. Staff tracks main break by material, with the most main breaks occurring in cast iron pipe in the distribution system. There are direct and indirect costs associated with main breaks. Direct costs to repair a main break include property damage, material, labor, and equipment. Indirect costs include risks to public health and safety, traffic delays, and damage to commerce. With increasing main breaks and increasing repair costs, staff sought to find a way to extend the life of existing and new water mains in order to lower the number of main breaks. Most main breaks occur because corrosion contributed to the failure. Corrosion is accelerating the deterioration of water mains, thus reducing their life expectancy. In 2003, DMWW actively searched for a way to extend the life expectancy of our metallic water mains. DMWW has worked closely with a corrosion engineer to develop the four elements of DMWW's corrosion control program: 1) Anode Retrofit Program, 2) Anode Installation During Main Break Repairs, 3) Corrosion Protection on New Small Ductile Iron Water, and 4) Corrosion Control Systems on New Feeder Mains. In June 2016, DMWW staff completed a corrosion report which will be received and filed at the August 2016 Board meeting. DMWW is currently working with the American Water Works Association Research Foundation to prepare a Guidance Document for other water utilities to manage corrosion control.
2. Water Works Park Foundation Naming Policy – Mr. Stowe noted the draft naming policy document in the Committee's materials. There are a number of additional DMWW assets outside the Park Master Plan that require a policy as well. Staff will update document to include all DMWW property. The basic process would be that the Board of Trustees will have final approval of naming opportunities, with the ongoing responsibility that the names of facilities continue to align with DMWW's mission. Mr. Stowe noted the issue of ongoing maintenance of donated facilities, and requested a direction on policy from the Board for an endowment or escrow fund when replacement or demolition of assets is needed.
3. CEO and General Manager's Comments – Mr. Wallace noted that the Beavercdale Neighborhood Association thanked the Board and staff for their assistance at Hazen Water Tower, the site of a recent neighborhood event.

4. Public Comments – None.

Meeting adjourned at 4:49 p.m.

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

Tuesday, August 9, 2016
3:30 p.m.

Present:

Board Members: Leslie Gearhart, Graham Gillette, and Susan Huppert

Staff Members: Peggy Freese, Amy Kahler, Dan Klopfer, Mike McCurnin, Laura Sarcone,
Bill Stowe and Jennifer Terry

1. Comparative Retail Water Rates – Ms. Kahler presented comparative water rates from the greater Des Moines metro area, as well as from water utility peers throughout the United States. Des Moines Water Works bills at a volume rate (per 1,000 gallons, based on cost to serve the area), plus a water availability charge (flat amount per month based on meter size). Not every utility approaches its rate structure in the same way. To compare, we assumed volume of 7,500 gallons per month (to reflect consumption of an average four person household) and added any availability charge amount to create a valid comparison. The resulting amount was then converted to a per thousand gallon rate. In the Des Moines metro area, the lowest rate is Des Moines' rate of \$4.54 per thousand gallons and the highest rate of those compared is the Pleasant Hill rate is at \$8.18. Both rates are set by the Board of Trustees based on the costs to serve each respective area. Outside the metro area, the lowest comparable rate found was \$2.07 per thousand gallons in Central Arkansas and the highest comparable rate found was \$6.73 per thousand gallons in Oklahoma City. Staff will be meeting with wholesale communities to discuss the cost of service study and rate recommendations. Mr. Stowe will be sending an invitation to community administrators for a personal meeting to discuss relationship, costs, rates, budget, etc.
2. CEO and General Manager's Comments – Mr. Stowe noted that staff has drafted a Water Works Park Foundation naming rights policy, which will go to the Board for review this fall. Concurrently, a maintenance policy for upkeep of donated gifts is being drafted. Mr. Stowe stated that Park Foundation staff has earmarked \$700,000 of the \$9 million fundraising goal for a maintenance fund. Ms. Huppert stated her expectation that the cost to maintain Park improvements will not be paid for by ratepayers. The \$9 million renovation will be broken out into three or four contracts with varied risk associated with them, for example structures, pathways, gardens, etc. Ms. Huppert also asked about the hydrology study that the Gray's Lake/Meredith Trail consultant has requested from the Park Foundation. Mr. Klopfer will follow up. Ms. Huppert asked about the future operation of Water Works Park. Mr. Stowe stated that his recommendation to the Board is for DMWW to maintain operation of Water Works Park.

Mr. Stowe also reported on cyanobacteria and cyanotoxins. The Board will hear a presentation from staff at the next Board meeting. DMWW water remains safe and meets standards; however, cyanotoxins are a great concern for us. Iowa DNR and EPA have developed health advisories. DMWW is following the health advisories in testing source and finished water for cyanotoxins and appropriately communicating with customers when elevated levels are found.

Mr. Stowe reminded Committee members the September Board meeting has been rescheduled to September 20.

3. Public Comments – None.

Meeting adjourned at 4:43 p.m.