

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS
PURSUANT TO NOTICE, TUESDAY,
November 22, 2016**

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

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

Mr. Gillette noted the amended agenda has now been reverted back to the original agenda. The Board has not seen the final form of agreements for proposed new Action Item III-K, relating to certain matters pertaining to the City of Des Moines, including PILOT payments, billing and collection, Fleur Drive maintenance, and employee benefit cooperation. Thus, consideration of such matters was deferred with the expectation that the item will be placed on the December agenda.

Consent Agenda – A motion was made by Ms. Huppert, seconded by Ms. Gearhart, to approve Consent Items A, B, C, D and E (approval of the minutes, October 25, 2016, Board of Water Works Trustees meeting; minutes, November 1, 2016, Planning Committee meeting; minutes, November 8, 2016, Finance and Audit Committee meeting; filing of the financial statements for audit purposes; approval of payments for October 2016; summary of CEO-Approved Expenditures in Excess of \$20,000; and approval of December 20, 2016, as the next meeting of the Board of Water Works Trustees). Mr. Stowe brought the Board's attention to a \$66.00 payment for his travel for speaking engagements last month. 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.

Proposed 2017 Budget – Chairperson Gillette opened a Public Hearing for comments from the public regarding the Proposed 2017 Budget. Receiving no oral or written comments, the Public Hearing was closed. Mr. Stowe noted the extensive discussion and materials that had provided to Finance and Audit Committee, as well as to all Board members. The proposed budget of includes \$62.0 million in operating revenues, approximately \$41.6 million for operating and maintenance expense, and \$29.6 million for capital expenditures. A part of the capital expenditures will be reimbursed by third parties. The budget is based on a projection of 17 billion gallons of water sales. The staff believes this budget includes an appropriate investment in capital improvement projects. Staff will bring an updated five year capital improvement plan to the Board in early 2017. A motion was made by Mr. Wallace, seconded by Mr. Carlson, to approve the 2017 Des Moines Water Works budget as presented. Ms. Huppert thanked staff for

the comprehensive materials and updates to the Finance and Audit Committee. Mr. Gillette noted that staff has also communicated with wholesale customers. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Des Moines Water Works' Rules and Regulations Update – Mr. Stowe stated the utility's Rules and Regulations are reviewed annually and appropriately updated to ensure customers receive the level of service and quality of water they deserve. This year, the rules are being updated to better define the Cross Connection and Backflow Prevention Program. Changes have also been made in the fees associated with the annexation process in the former Southeast Polk Rural Water District. In addition, the fee schedules have been updated to reflect increases in labor and material costs based on The Engineering New Record Construction Cost Index and new plan review fees for water main extension and large service lines have been added. A motion was made by Mr. Wallace, seconded by Ms. Gearhart, to approve the proposed revisions to the Rules and Regulations with an implementation date of January 1, 2017, and direct publication of the changes as required by statute. Mr. Carlson provided comments on the backflow prevention rules updates. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

2017 Water Treatment Chemicals – A motion was made by Mr. Carlson, and seconded by Ms. Huppert, to award the 2017 contracts for water treatment chemical supplies to the recommended bidders as presented. Mr. Stowe noted the recommended list includes requirements for the Fleur Drive, McMullen and Saylorville Water Treatment Plants, totaling \$2,477,398.90. However, two chemicals are not a part of this list: lime and antiscalant. The award of contracts for these chemicals is being deferred due to testing of lime products at the Fleur Drive Treatment Plant and antiscalant product at the Saylorville Water Treatment Plant. Staff will present the additional 2017 chemical contracts for these items at the March Board meeting. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

2017 Employee Benefit Insurance Renewals – The 2017 renewals for employee medical insurance, retiree medical insurance, employee dental insurance, life insurance and long term disability insurance were presented. For many of the renewals, a cooperative partnership with the City of Des Moines results in a mutually beneficial rate. A motion was made by Ms. Gearhart, seconded by Ms. Huppert, to approve the 2017 employee benefits insurance providers and rates. 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 Solicit Bids for McMullen Water Treatment Plant Chemical Feed Line Relocation and Establish the Date of the Public Hearing as the January 2017 Board Meeting – A motion was made by Ms. Gearhart, seconded by Mr. Wallace, to authorize staff to solicit bids for McMullen Water Treatment Plant Chemical Feed Line Relocation and establish the date of Public Hearing as the date of the January 2017 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.

Acceptance of 2015 Saylorville Water Treatment Plant Chemical Feed Modifications – A motion was made by Ms. Huppert, and seconded by Ms. Gearhart, to accept the Saylorville Water Treatment Plant Chemical Feed Modifications project, completed by C.L. Carroll Co., in the amount of \$165,500.00. All work has been completed to staff's satisfaction. 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 2016 Polk County Water System Improvements – Contract 1 – A motion was made by Ms. Huppert, and seconded by Mr. Carlson, to accept the 2016 Polk County Water System Improvements – Contract 1, completed by Synergy Contracting, L.L.C., in the amount of \$968,446.08. All work has been completed to staff's satisfaction. This contract also includes a water main arrangement with a developer for a new development in Des Moines. 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 2016 Des Moines Water System Improvements – Contract 1 – A motion was made by Ms. Gearhart, and seconded by Ms. Huppert, to accept the 2016 Des Moines Water System Improvements – Contract 1, completed by Holbrook Construction, Inc., in the amount of \$1,226,361.09. All work has been completed to staff's satisfaction. 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 Fleur Drive Operations Center Stormwater System Improvements – Phase 1 – A motion was made by Mr. Wallace, and seconded by Ms. Huppert, to accept the Fleur Drive Operations Center Stormwater System Improvements – Phase 1, completed by MPS Engineers, P.C., in the amount of \$251,988.00. All work has been completed to staff's satisfaction. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Proposed 2017 Schedule for Board of Water Works Trustees Meetings and Committee Meetings – A motion was made by Ms. Huppert, and seconded by Ms. Gearhart, to adopt the proposed 2017 schedules for the Board of Water Works Trustees and Committee meetings, as attached to these minutes. 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:

- Mr. Carlson reported the Planning Committee met on November 1, 2016, and discussed updates to Rules and Regulations. The December Planning Committee meeting has been cancelled.
- Ms. Huppert reported the Finance and Audit Committee met on November 8, 2016, and reviewed 2017 employee benefit insurance renewals and the 2017 budget.
- Ms. Gearhart had no report on Greater Des Moines Botanical Garden.
- Mr. Carlson and Mr. Wallace reported on the Des Moines Water Works Park Foundation. Mr. Stowe noted that construction on Park improvements will likely not begin in 2017.

- Ms. Huppert asked that the item Greater Des Moines Partnership Iowa Soil & Water Future Task Force be renamed to Legislative Update and asked Ms. Terry to provide an update. Ms. Terry noted the Greater Des Moines Partnership's 2017 state legislative policy has been set. Water quality has been elevated as a priority for this session. Highlights of the water quality section include (i) obtaining a sufficient, permanent funding source, with resources targeted and prioritized by watershed and accountability for state investment; (ii) leveraging public-private partnerships; and (iii) a shift in policy strategy from random acts of conservation to a regional watershed approach to planning and implementation. These priorities are in alignment with DMWW's policy priorities. DMWW has gone a step further and will be requesting that the Raccoon River Watershed be elevated to the top priority on behalf of our customers. Staff and lobbying team will begin meeting with legislators to discuss water quality priorities.

CEO and General Manager's Comments –

- Mr. Stowe noted that the utility is on track to produce 17 billion gallons of water this year.
- Source rivers continue to contain nitrate levels at 9 ppm; however, we are not currently operating the nitrate removal facility.
- Mr. Stowe thanked staff for extensive work on budget and rules and regulations.

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

Adjournment – Adjourn by unanimous consent. Meeting adjourned at 4:47 p.m.

After Board Meeting Presentation: Public Health and Drinking Water – Peter Weyer, PhD, Center for Health Effects of Environmental Contamination, The University of Iowa – Dr. Weyer presented Iowa-based public health research. The public health industry is increasingly interested in being a part of the water quality discussion.

Meeting ended at 5:10 p.m.

**BOARD OF WATER WORKS TRUSTEES
2017 MEETING SCHEDULE
3:30 P.M.**

January 24, 2017

February 28, 2017

March 28, 2017

April 25, 2017

May 23, 2017

June 27, 2017

July 25, 2017

August 22, 2017

September 26, 2017

October 24, 2017

November 28, 2017

December 19, 2017
(Third Tuesday)

**BOARD OF WATER WORKS TRUSTEES
2017 COMMITTEE MEETING SCHEDULE
3:30 P.M.**

**Planning Committee
(First Tuesday)**

**Finance & Audit Committee
(Second Tuesday)**

January 3	January 10
February 7	February 14
March 7	March 14
April 4	April 11
May 2	May 9
June 6	June 13
July 11 (second Tuesday)	July 18 (third Tuesday)
August 1	August 18
September 5	September 12
October 3	October 10
November 7	November 14
December 5	December 12

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

Tuesday, December 13, 2016
3:30 p.m.

Present:

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

Staff Members: Pat Bruner, Ted Corrigan, Peggy Freese, Wally Gordon, Michelle Holland,
Amy Kahler, Laura Sarcone, Bill Stowe, and Jennifer Terry

1. Recommendation for Audit Services – Ms. Holland noted that to ensure competitive pricing and value-added customer service, it is beneficial to seek request for proposals (RFP) for audit services approximately every 5-8 years. In October, staff sent a RFP for audit services to five firms. One response was received. RSM (formally McGladery), the utility's current audit firm, was the only firm to respond. Staff recommends that RSM continue as the utility's audit firm for the 2016 audit and for the subsequent four years. Ms. Huppert noted that RSM is the same audit firm City of Des Moines uses. Selection of the utility's audit services provider will go before the Board at the December Board meeting.

2. PCI Compliant Electronic Payment Processing – Mr. Bruner discussed current data and cyber security risks. While gathering information and request for proposals (RFP) for a new utility billing system, the topic of payment processing and Payment Card Industry (PCI) compliance came up repeatedly. It is estimated that it would cost approximately \$200,000 per year in IT infrastructure, systems and resourcing for DMWW to become PCI compliant in order to continue to process payments internally. DMWW views customer data as very critical and the security of the data must be maintained. It became apparent that most utility billing system vendors recommend the use of third party payment processors to handle payment transactions. Payment processing is a very dynamic industry and third party vendors can handle security requirements more effectively and efficiently. Staff issued a RFP in May 2016 for payment processing services to five vendors. Staff was looking for qualified vendors to update or replace existing payment processing channels, outsource risk and compliance issues related to accepting payments via credit cards and E-checks, and upgrade current manual paper check process related to walk-in customers. Staff was also looking for integration or replacement of the online customer account portal, the Integrated Voice Response (IVR) system, scheduled payments, and the Direct Pay (ACH) system. Staff received three responses from qualified payment processing vendors. Staff is recommending InvoiceCloud as the preferred vendor. Ms. Kahler noted PCI compliance is a good and necessary thing, but comes at a cost. Based on estimates, the customers using credit card for payment will pay most of the cost of PCI compliance. This is by design, as staff believes those who use the services (e.g. pay by credit card) should pay the associated costs, rather than spreading those costs to all customers through rates. Staff worked diligently in negotiations to ensure customers will still have access to no-cost channels for electronic payments, including electronic check. The credit card convenience fee will increase from \$2.50 to \$2.75. This \$2.75 fee will apply to reoccurring credit card charges as well. Currently, customers paying by this option pay no fee. There will be a \$500 transaction limit for each \$2.75 charge. This will effect approximately 100 customers per month who are

paying more than \$500 by credit card (which is less than 1% of credit card payments). Staff will review this list of customers and communicate with them directly. Credit card by walk-in will still be no cost to customers, and Direct Pay, electronic checks in any channel (phone or website) will still be no cost to customers. Full implementation will be in May 2017. Staff will provide ample communication to customers. Besides PCI compliance via a third party vendor, other benefits from InvoiceCloud will include new or upgraded services, including courtesy pre-cut calls, the account services web portal moved to the vendor's site, paperless billing, and consumption alerts.

3. CEO's Comments – Mr. Stowe noted that December's Board agenda will include a request for closed session.
4. Public Comments – None.

Meeting adjourned at 4:26 p.m.