

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES  
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS  
PURSUANT TO NOTICE, TUESDAY,  
October 25, 2016**

Present: Chairperson Graham R. Gillette, presiding; David A. Carlson, 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 3:35 p.m.

Consent Agenda – A motion was made by Ms. Huppert, seconded by Mr. Carlson, to approve Consent Items A, B, C, D and E (approval of the minutes, September 20, 2016, Board of Water Works Trustees meeting; minutes, October 4, 2016, Planning Committee meeting; minutes, October 11, 2016, Finance and Audit Committee meeting; filing of the financial statements for audit purposes; approval of payments for September 2016; summary of CEO-Approved Expenditures in Excess of \$20,000; and approval of November 22, 2016, as the next meeting of the Board of Water Works Trustees). Mr. Stowe called the Board’s attention to a payment to him in the list of payments for his travel expenses to Duluth, MN, for a presentation. Upon vote, the motion was adopted, with Mr. Gillette, Mr. Carlson, Ms. Huppert, and Mr. Wallace voting in favor of the motion.

Public Comment Period – No comments presented.

Performance Evaluation of CEO and General Manager – Chairperson Gillette noted Board members have had the opportunity to meet with the CEO and General Manager, Mr. Stowe, one-on-one, as well as the opportunity to provide written evaluations. Each Board member provided brief comments of Mr. Stowe’s performance.

2017 Corporate Insurance – A motion was made by Mr. Carlson, seconded by Ms. Huppert, to accept the insurance program renewal submitted by Arthur J. Gallagher Risk Management Services, Inc., as presented. Ms. Huppert noted the proposed insurance program renewal for 2017 was previously presented to the Finance and Audit Committee at its last meeting. Des Moines Water Works’ corporate insurance renewal rates for 2017 will increase \$74,000 over 2016 rates, for a total cost of \$896,837. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

Approval of Proposed 2017 Water Rates – A schedule of proposed water rates to be effective April 1, 2017, as set forth in detail in a document provided to each Board member, was considered. Mr. Stowe stated staff’s recommendation to increase water rates 10 percent for most service areas and rate classes, effective April 1, 2017. Additionally, Alleman customers will see a 15 percent rate increase, based on capital improvements made to their water system. A five

percent increase for the Wholesale With Storage rate has been recommended. The largest contributor to the necessity for rate increases was nitrate removal costs in 2015. A motion was made by Ms. Huppert, seconded by Mr. Carlson, to approve proposed increased rates to be effective for all water bills issued on or after April 1, 2017, and to direct staff to publish the adopted rates as provided by law as follows:

	2017 Rate/1,000 Gallons	Increase	Percent Increase
Des Moines Inside City			
Residential (Step 1)	\$4.11	\$0.37	10%
Commercial (Step 2)	2.76	0.25	10%
Industrial (Step 3)	2.12	0.19	10%
Wholesale			
Purchased Capacity	\$1.85	\$0.17	10%
With Storage	3.84	0.18	5%
Off Peak	2.08	0.19	10%
Des Moines Outside City			
Residential (Step 1)	\$4.47	\$0.41	10%
Commercial (Step 2)	3.36	0.31	10%
Industrial (Step 3)	2.40	0.22	10%
Polk County			
Residential (Step 1)	\$8.10	\$0.74	10%
Commercial (Step 2)	4.96	0.45	10%
Industrial (Step 3)	3.87	0.35	10%
Capital Improvement Fee	1.50	-	-

	2017 Rate/1,000 Gallons	Increase	Percent Increase
Pleasant Hill			
Residential (Step 1)	\$7.54	\$0.69	10%
Commercial (Step 2)	6.36	0.58	10%
Outside City	11.31	1.03	10%
Windsor Heights	\$4.19	\$0.38	10%
Capital Improvement Fee	2.00	-	-
PCRWD #1	\$4.00	-	-
Berwick	\$4.00	-	-
Runnells			
Water	\$7.15	\$0.65	10%
Waste Water	7.76	0.71	10%
Alleman	\$8.34	\$1.09	15%
Cumming	\$7.03	\$0.64	10%
Warren County			
Step 1	\$15.17	\$1.38	10%
Step 2	11.14	1.01	10%

Mr. Carlson inquired about the representation of wholesale customers at informational meetings concerning rates. Mr. Stowe noted that staff met with water utility personnel, city staff, and elected officials from numerous communities. Mr. Wallace inquired if any outside organization have offered contributions in lieu of rate increase, to cover costs of nitrate removal. None were noted. Ms. Huppert highlighted some of the projects that customers will see as additional enhancements from rate increase, including an improved customer relationship management (CRM) system. Mr. Gillette provided an update on Urbandale Water Utility's plan for a new water treatment plant and West Des Moines and Waukee's study for a new water source. It was noted that discussions should continue with respect to these matters. Legal counsel noted the effective rates of April 1 is in accordance with agreements 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.

Proposed 2017 Budget – Establish a Public Hearing as the Date of the November 22, 2016, Board Meeting – A motion was made by Ms. Huppert, to establish the date of a Public Hearing as the date of the November 2016 Board meeting to act on the passage of the 2017 budget and direct staff to publish notice as set forth in Des Moines Water Works Board Policy Manual. Mr. Carlson provided a second to the motion. Mr. Stowe stated the 2017 budget includes an operating and maintenance budget of \$46 million and capital budget of \$13 million. Mr. Carlson asked for historical percentages of operating and maintenance budget increases. Staff will follow up on this request. Ms. Huppert noted that everything is tied to pumpage, and for 2017, staff is budgeting 17 billion gallons for the year. Mr. Stowe stated in comparison, that New York City produces one billion gallons of water per day, for its nine million 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.

License Agreement for Farming Agricultural Land at Maffitt Reservoir – Mr. Stowe noted we have approximately 100 acres in farm land, which includes conservation practices of strips, buffers and cover crops at Maffitt Reservoir. A motion was made by Ms. Huppert, seconded by Mr. Carlson, to authorize the Chairperson to execute the License Agreement for the Right to Farm Des Moines Water Works Agricultural Land to the highest bidder, Vernon Flinn and/or Kelly Flinn, in the amount of \$261 per acre, for the 2017, 2018, and 2019 crop years. Mr. Wallace noted a typographical correction in the license agreement. Staff will update with the correction. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

License Agreement for Harvesting Grass Hay at Maffitt Reservoir – A motion was made by Mr. Carlson, seconded by Ms. Huppert, to authorize the Chairperson to execute the License Agreement for the Right to Harvest Grass Hay on Des Moines Water Works Agricultural Land at Maffitt Reservoir to the highest bidder, Vernon Flinn and/or Kelly Flinn (Licensee), in the amount of \$147 per acre for the 2017, 2018, and 2019 crop years. Mr. Stowe noted the \$147 is slightly less than existing price. Upon vote, the motion was adopted, with each member of the Board, who is identified above as present, voting in favor of the motion.

HomeServe Service Line Maintenance Agreement Amendment – Mr. Stowe noted Des Moines Water Works' original agreement with HomeServe, as extended, will expire at the end of 2017. An amended agreement has been proposed for three additional years of service, with the addition of frozen service line coverage, and with an extension of the price escalation structure used during the first contract – \$0.50 increase in the monthly charge every other year. On October 1, 2017, the monthly rate will be \$4.99, with the final price year's price of \$5.99 per month on October 1, 2020. A motion was made by Mr. Carlson, seconded by Ms. Huppert, to authorize the CEO and General Manager to execute a First Amendment to Program Agreement with HomeServe USA on these terms subject to final approval by legal counsel. Ms. Kahler noted that approximately 37,000 customers have enrolled, with a 90% retention rate. On average, HomeServe's local contractor makes one repair per day. Ms. Huppert recommended staff solicit another RFP after the end of our eight years with HomeServe in 2020. 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 Permission to Issue Purchase Order for Additional Saylorville Water Treatment Plant UF Modules – A proposal to purchase additional ultra-filtration (UF) modules for the Saylorville Plant was presented. Mr. Stowe noted this is a negotiated reduced price for UF modules and the expenditure is a part of the approved 2016 budget. In the coming years, staff plans to increasingly rely on water treatment production at the Saylorville Water Treatment Plant. A motion was made by Mr. Wallace, seconded by Mr. Carlson, to authorize staff to issue a Purchase Order in the amount of \$243,186 to GE Water & Process Technologies for UF modules. 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 for Army Post Road Aquifer Storage and Recovery Well – Flow Control Valve – A proposal was presented to purchase a Flow Control Valve for installation at the Army Post Road Aquifer Storage and Recovery Well. Mr. Stowe noted the purchase of the valve is an important part of the injection and recovery process for water in the well. All expenditures are paid fully by West Des Moines Water Works and City of West of Des Moines, except for an enhancement that DMWW staff is requesting, DMWW will pay \$17,000 for the enhancement which will provide operational benefits. A motion was made by Ms. Huppert, seconded by Mr. Wallace, to authorize staff to issue a Purchase Order in the amount of \$74,675 to Baski, Inc., for the purchase of the flow control valve and related 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.

Acceptance of Saylorville Water Treatment Plant West Feeder Main – Phase 2 – At the October 2015 Board meeting, the Board awarded a contract to Raccoon Valley Contractors, LLC, in the amount of \$1,150,455 for the Saylorville Water Treatment Plant West Feeder Main – Phase 2. All work associated with this contract has been completed to staff's satisfaction. Due to two change orders, the final contract price is \$1,178,191.48. DMWW is responsible for \$717,751.63, of this cost, with City of Johnston reimbursing DMWW for the balance. A motion was made by Ms. Huppert, seconded by Mr. Wallace, to authorize staff to accept the Saylorville Water Treatment plant West Feeder Main – Phase 2, completed by Raccoon Valley Contractors, LLC, in the amount of \$1,178,191.48. 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 October 4, 2016, and discussed the utility's information technology security program.
- Ms. Huppert reported the Finance and Audit Committee met on October 11, 2016, and discussed 2017 corporate insurance renewals, 2017 water rates, and 2017 budget.

- Mr. Carlson and Mr. Wallace reported on the Des Moines Water Works Park Foundation's fundraising progress and discussion of ownership and maintenance of certain aspects of the improvements.
- Ms. Huppert asked Ms. Terry to report on the Greater Des Moines Partnership's Iowa Soil and Water Future Task Force. Ms. Terry noted the progress on the quality of life subcommittee and water quality work group. The Task Force will have recommendations before the 2017 Legislative Session begins. Mr. Stowe brought the Board's attention on DMWW's contribution to Greater Des Moines Partnership. Staff will propose that DMWW continue with its \$50,000 commitment to the Partnership in 2017. Mr. Stowe will be meeting with Jay Byers and Gene Meyer to discuss DMWW's priorities.

Mr. Gillette reported on recent discussions with City of Des Moines regarding payments in lieu of taxes and other agreements. Mr. Gillette is hopeful to conclude discussion and finalize agreements by the end of the year.

CEO and General Manager's Comments –

- Nitrate concentrations on the rivers remain elevated; however, the utility is not currently operating the nitrate removal facility.
- A Museum Showcase is now on display in the general office atrium.

Ms. Huppert inquired about the process of election of 2017 chair and vice chair.

Mr. Gillette noted the Contract Status Spreadsheet, September 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: Engineering and Operations Budget Overviews – Mr. McCurnin and Mr. Klopfer presented water production, water distribution and engineering department budget overviews for 2017.

Meeting ended at 5:10 p.m.

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

Tuesday, November 1, 2016

3:30 p.m.

Present:

Board Members: Dave Carlson, Marc Wallace

Staff Members: Ted Corrigan, Peggy Freese, Amy Kahler, Brady McDonald, Laura Sarcone, and Bill Stowe

1. Des Moines Water Works' Rules and Regulations Update – A set of updates to the Rules and regulations was presented and discussed. Mr. Stowe stated the utility's Rules and Regulations are reviewed annually and appropriately updated. Mr. Corrigan noted rules are written 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. Specifically, a backflow prevention device will be required for all new commercial construction and for any significant plumbing remodel of existing commercial buildings. This will alleviate staff chasing new customers when a building changes owners (i.e. a commercial building owner's business changed from an insurance agency to a nail salon). This is a significant change being made in the interest of protecting public health. 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. The Committee and staff discussed the section on Application for Installation of Water Service changes, which will require clearly identifiable lot lines before any new taps are made. The proposed revisions, including the revised fees, will be presented and codified to the Board at the November Board meeting, and become effective on January 1, 2017.
2. CEO and General Manager's Comments – Mr. Stowe had no comments.
3. Public Comments – None.

Meeting adjourned at 4:29 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, November 8, 2016  
3:30 p.m.

Present:

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

Staff Members: Ted Corrigan, Peggy Freese, Doug Garnett, Michelle Holland, Amy Kahler,  
Laura Sarcone, Bill Stowe, and Jennifer Terry

1. 2017 Employee Benefit Insurance Renewals – The renewal of employee insurance benefits for 2017 was considered. Mr. Stowe reminded the Board that Des Moines Water Works entered a partnership with the City of Des Moines in 2015 for employee health insurance benefits. Mr. Garnett noted the City has proposed a 6% increase in health insurance premiums to cover expected claims and expenses for 2017. The increase is in line with market data, and being a part of a larger risk pool continues to be advantageous to DMWW. The allocation of payment of health insurance premiums between DMWW and employees is established by union contract. The DMWW contribution towards the health insurance premium for 2017 will be \$480.00 for single and \$1,325.00 for family. DMWW retirees under age 65 are also covered by the group plan. Retirees who are over age 65 are covered by a retiree plan administered by Wellmark. Delta Dental of Iowa is DMWW's claims administrator for self-insured plan. DMWW incurs no cost by providing dental insurance as it is 100% funded by employee-paid premiums. Based on claims for 2016, staff has determined that a 5% increase in the monthly premium is needed to maintain the necessary level of reserves for this self-funded plan. Mr. Stowe noted that staff will request the Board to approve 2017 employee benefits at the November Board meeting.
2. 2017 Budget Overview – Mr. Stowe noted that the proposed 2017 budget was previously presented to the Finance and Audit Committee in October. The Board set a Public Hearing for the 2017 Budget for the November Board meeting. Ms. Holland reviewed projected 2017 revenue, additional funding, operating and maintenance and capital expenses. Ms. Huppert asked what percentage of expenditures are legal expenses. Mr. Stowe stated one percent, or \$538,000, has been budgeted for utility legal expenses, including both routine legal counsel and the clean water litigation. Ms. Huppert inquired about the budgeted amount for Payment in Lieu of Taxes (PILOT) to City of Des Moines. Mr. Stowe stated \$925,000 has been budgeted for 2017, but he is hopeful that an agreement can be reached with the City by the end of the year that will be less than that.
3. CEO's Comments – Mr. Stowe brought the Board's attention to the greater emphasis on staff development and training in the 2017 budget. The budget includes a utility strategic plan process in which the Board will be invited to participate. The Board and staff discussed security measures inside the general office building.
4. Public Comments – None.

Meeting adjourned at 4:22 p.m.