

**CALLED MEETING OF THE BOARD OF WATER WORKS TRUSTEES
HELD AT THE OFFICE OF THE DES MOINES WATER WORKS
IN PURSUANCE TO NOTICE, TUESDAY,
October 28, 2014**

Present: Mr. Graham R. Gillette, presiding; Ms. Leslie A. Gearhart, Ms. Susan R. Huppert, and Mr. Marc R. Wallace. Mr. David A. Carlson was absent. Staff members attending were: Pat Bernard, Pat Bruner, Ted Corrigan, Peggy Freese, Doug Garnett, Donna Heckman, Michelle Holland, Amy Kahler, Dan Klopfer, Mike McCurnin, Roger Middleton, Bill Stowe, and Carter Woodruff. Also in attendance was Rick Malm, legal counsel.

Mr. Gillette called the meeting to order at 3:50 p.m.

Consent Agenda – A motion was made by Ms. Gearhart, seconded by Ms. Huppert, to approve Consent Items A, B, C, D, and E (approval of the minutes of the September 23, 2014, meeting of the Board of Water Works Trustees, minutes of the October 7, 2014, meeting of the Planning Committee, minutes of the October 14, 2014, meeting of the Finance and Audit Committee; filing of the financial statements for audit purposes; approval of payments for September 2014; summary of CEO-Approved Expenditures in Excess of \$20,000; and approval of November 25, 2014, 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 public comments were received.

2015 Corporate Insurance – The proposed insurance program renewal for 2015 was presented. As reported to the Finance and Audit Committee at its last meeting, DMWW's corporate insurance renewal rates for 2015 will increase by less than one percent over the 2014 rates. Mr. Stowe pointed out that the corporate insurance renewals do not include Workers Compensation insurance as DMWW has been self-insured since January 1, 2014. A year-end Work Comp insurance summary will be provided after the end of this calendar year. A motion was made by Ms. Huppert, seconded by Ms. Gearhart, to accept the insurance program renewal submitted by Arthur J. Gallagher Risk Management Services, Inc. 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 Board Policy Manual Revisions – A proposed Amended and Restated Board Policy Manual was presented. Mr. Stowe said the Manual, which defines policies relating to the Board of Trustees and operation of the water utility, is a constant work in progress. Reference was made to the draft document which identified the proposed revisions, which were reviewed in detail during the October 7 meeting of the Planning Committee. One of the significant proposed revisions pertained to the CEO's annual performance appraisal process. Mr. Stowe indicated Mr. Garnett will coordinate procedures next year with the Board Chair for the CEO review process. Mr. Malm verbally recapped the outline of proposed Board Policy Manual revisions provided. Ms. Huppert made a motion to adopt the proposed revisions to the Board Policy Manual, and amend and restate the Board Policy Manual in the form presented, effective immediately. 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.

2015 Employee Benefit Insurance Renewals – Reference was made to the information provided concerning employee benefits for 2015. DMWW’s Human Resources staff members have worked with the City of Des Moines concerning medical insurance coverage. Staff is proposing to join with the City to offer the three Wellmark Blue Cross Blue Shield plans this year. The City’s presence in the market and the fact that DMWW will no longer have a separate benefit insurance broker will result in a substantial savings to DMWW. Mr. Stowe explained there is some risk involved as the City’s medical insurance plan has a different term. DMWW’s coverage is from January 1 to December 31 while the City is on a fiscal year. Approval was requested from the Board of Water Works Trustees to enter into a 28E agreement with the City concerning employee benefits. In addition to medical insurance, DMWW recommends continuing to partner with the City for life insurance and long-term disability insurance. DMWW proposes continuing with self-insuring its dental plan. A motion was made by Ms. Huppert, seconded by Ms. Gearhart, to approve the 2015 employee benefits insurance providers and rates, as presented, and to authorize the CEO to enter into a 28E agreement with the City of 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 2013 Water System Improvements – Contract 2 – This main replacement work was completed satisfactorily in 2013. The final contract price was 8.4 percent more than the original contract. Mr. Stowe emphasized it is difficult to be exact with estimated quantities, linear footage, etc. and sometimes changed conditions are encountered which is the reason we often have different contract amounts from change orders and from actual quantities that vary from estimated quantities. Ms. Gearhart moved to accept the 2013 Water System Improvements – Contract 2, completed by MPS Engineers, P.C., in the amount of \$786,428.05. Ms. Huppert 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.

Acceptance of 2014 Polk County Water System Improvements – Contract 1 – The 2014 Polk County Water System Improvements – Contract 1 project has been completed satisfactorily. There were two change orders to the contract due to a water main leak inside a casing. A motion was made by Ms. Huppert, seconded by Ms. Gearhart, to accept the 2014 Polk County Water System Improvements – Contract 1, completed by Holbrook Construction, Inc., in the amount of \$222,988.54. 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 2015 Budget – Establish a Public Hearing as the Date of the November 25, 2014, Board Meeting – The 2015 draft budget has been altered because West Des Moines Water Works has decided DMWW will not be providing water to the new Microsoft facility, as reported during the October 14 Finance and Audit Committee. Discussion occurred regarding budgeting for more main breaks in 2015. To date in 2014, there have been 285 main breaks. Mr. Stowe said last year’s main break season has reminded us of the need to push the main replacement program forward at an accelerated rate. Last year for the first time, in cooperation with AFSCME, DMWW used contracted laborers to assist with repairing main breaks. Mr. Wallace asked about hiring more Water Distribution staff. Mr. Corrigan pointed out that they will rely upon the same number of crews to repair main breaks as we don’t staff for peaks. Mr. Stowe stated if the peaks become the norm we would have to consider increasing staff. Ms. Gearhart moved to establish the date of Public Hearing as the date of the November 2014 Board meeting to act on the passage of the 2015 budget and direct staff to publish notice as set forth in Des Moines Water Works Board Policy Manual. Ms. Huppert 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.

Approval of Proposed 2015 Water Rates – It is staff’s recommendation to increase water rates 5% for wholesale customers and 7% for Des Moines and full service customers effective April 1, 2015. Mr. Stowe explained that a significant portion of the recommended rate increase is due to last year’s water treatment costs specifically related to de-nitrification. Additionally, staff recommends implementing Polk County’s capital improvement fee of \$1.50 per 1,000 gallons. A motion was made by Mr. Wallace to approve the proposed rate increases according to the attached memo and to adopt rates as stated therein to be effective for all water bills issued on or after April 1, 2015, and to direct staff to publish the adopted rates as provided by law as follows:

**Des Moines Water Works
2015 Water Rates**

	2015 Rate/1,000 Gallons	Increase	Percent Increase
Des Moines Inside City			
Residential (Step 1)	\$3.40	\$0.22	7%
Commercial (Step 2)	2.28	0.15	7%
Industrial (Step 3)	1.75	0.11	7%
Wholesale			
Purchased Capacity	\$1.53	\$0.07	5%
With Storage	3.33	0.16	5%
Off Peak	1.72	0.08	5%
Des Moines Outside City			
Residential (Step 1)	\$3.69	\$0.24	7%
Commercial (Step 2)	2.77	0.18	7%
Industrial (Step 3)	1.98	0.13	7%
Polk County			
Residential (Step 1)	\$6.69	\$0.44	7%
Commercial (Step 2)	4.10	0.27	7%
Industrial (Step 3)	3.20	0.21	7%
Capital Improvement Fee	1.50	-	-
Windsor Heights	\$3.46	\$0.23	7%
Capital Improvement Fee	1.00	-	-
Warren County			
Step 1	\$12.54	\$0.82	7%
Step 2	9.21	0.60	7%
Pleasant Hill			
Residential (Step 1)	\$6.23	\$0.41	7%
Commercial (Step 2)	5.25	0.34	7%
Outside City	9.35	0.62	7%

	2015 Rate/1,000 Gallons	Increase	Percent Increase
Runnells			
Water	\$5.91	\$0.39	7%
Waste Water	6.41	0.42	7%
Cumming	\$5.81	\$0.38	7%
Alleman	\$6.59	\$0.43	7%
PCRWD #1	\$4.00	-	-
Berwick	\$4.00	-	-

A second to the motion was provided by Ms. Huppert. 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. Wallace stated that all of the topics discussed at the October 7 meeting of the Planning Committee have been discussed during today’s meeting. An update regarding the Des Moines Water Works Park Foundation was provided by Mr. Wallace. The recent issue of the *Ia* magazine included an insert regarding the Foundation. The Foundation is in the initial phase of capital formation, and Mr. Wallace said the memo of understanding between the Foundation and DMWW needs to be finalized. A presentation regarding the Foundation will be made to the Board during its January meeting.

CEO and General Manager’s Comments -

- Mr. Stowe mentioned that 2014 has been a very wet year and water demand is down significantly. For the month of October, daily pumpage has been averaging 3-4 MGD less than typical pumpage for this time of the year.
- DMWW began offering the optional HomeServe water service line maintenance program to Des Moines residents in March 2013. Prior to implementation of the program, discussions had occurred amongst staff, legal counsel, and the Iowa Department of Revenue regarding taxability of the program fees. At that time it was determined the maintenance program fees should be taxable. Recently, the Department of Revenue has taken the opposite position that the fees should not be taxable. Staff has initiated the process to credit 33,000 customers for over-collection of approximately \$.24 cents per account per month. It was explained this is a complex matter. After testing several hundred accounts last night, Ms. Kahler reported staff is cautiously optimistic we will be able to refund customers for the over collection.

Meeting adjourned at 4:45 p.m.

Post Board Meeting Presentation - Apprenticeship Program – Mr. Carter Woodruff, Supervisor of Operators, presented an overview of Des Moines Water Works’ Apprenticeship Program for water treatment operators. The program was implemented September 8, 2014, following coordination with the Department of Labor, Des Moines Area Community College (DMACC), Wastewater Reclamation Authority, and AFSCME Local 3861 reps to address staff’s concern regarding a shortage of skilled labor and as a way to attract people to the position.

Three water treatment plants and more than 40 facilities are operated remotely from the Control Center which is staffed 24 hours, 7 days a week, 365 days a year. At the present time, there are

14 operators: 4 control center operators, 3 relief control center operators, 4 process control operators and 3 relief process control operators. Nine DMWW employees are currently participating in the three-year Apprenticeship Program which includes classroom instruction at DMACC in addition to on-the-job operational training. Objectives of the program include providing better training for operators; better preparing operators for control center operations; preparing for future vacancies; providing more normal sleep patterns for operators; providing additional employees for maintenance activities; reducing backlog of maintenance work; reducing overtime; and providing better coverage for vacations.

Presentation adjourned at 5:10 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, November 11, 2014

3:30 p.m.

Present:

Board Members: Leslie Gearhart, Graham Gillette, Sue Huppert

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

1. 2015 Budget Overview – An overview of the proposed 2015 Budget was presented and discussed. Mr. Stowe emphasized his job is to communicate effectively to the Board of Trustees, which has the overall fiduciary responsibility for this utility. Feedback from Board members was requested as to how staff could make next year's budget process more meaningful and insightful. Board members present indicated they liked that it was made apparent upfront that staff's recommendation was expected to be to increase water rates. They do not think a presentation by each department is necessary. They appreciate the opportunity to ask questions and have a dialogue with staff.

Discussion occurred concerning DMWW's annual contribution to the Greater Des Moines Partnership. A contribution of \$50,000 has been included in the proposed 2015 Budget which will be presented for approval at the November 25 Board meeting. Mr. Stowe indicated he will discuss this topic with the Board prior to making a contribution. Ms. Huppert requested the Board members receive a copy of meeting minutes from the last time they met with Greater Des Moines Partnership representatives regarding the Board's expectations concerning DMWW's annual contribution. It was noted that the documents provided today will also be included in the November 25 Board packet.

CEO and General Manager's Comments -

- Laura Sarcone is shadowing Pat Bernard as her replacement. In her new role, Laura's responsibilities will include supporting the Board of Trustees and the CEO, and coordinating communication of DMWW's message.
- Board members have received a copy of a letter from the Iowa Cattlemen's Association regarding alleged trespassing in Sac County to obtain water samples. Mr. Stowe said the letter did not provide any specifics such as a location or timeframe but we are confident our sampling protocols involve right-of-way and not entry onto private property. A copy of Mr. Stowe's response will be submitted to Board members.
- Mr. Stowe reported nitrate concentrations on both rivers remain alarmingly high, and we are dangerously close to being forced into violation of the Safe Drinking Water Act standard. Unfortunately, nitrate concentrations of the gallery water continue to rise. DMWW has never before seen such high nitrate levels at this time of the year.
- Ms. Huppert asked about 'friends' who are concerned with the water quality issues with our source water. It was indicated that we are pursuing opportunities to build coalitions and to grow support, and will give further consideration to further efforts.

- Staff is busy working on performance evaluations, the total compensation study, and job descriptions.
- There were a couple water main breaks today.
- Mr. Stowe furnished an update regarding whether the service line maintenance contract should be taxable or non-taxable. In 2013 we were advised that the program would be a taxable service and sales tax was collected accordingly. However, after reconsideration a couple months ago, the Department of Revenue determined the program was exempt from sales tax. As recently as yesterday the Department was not clear whether it is exempt or not. DMWW has started providing credits to the 35,000 accounts involved. It was explained that we are unable to interrupt that process so we will either have to correct the credit we have given or issue the credit as required. Mr. Stowe mentioned this has caused a burden on Information Technology staff, not to mention Customer Service staff receiving calls from customers regarding a class action lawsuit. Mr. Stowe said whatever the ultimate decision is, we will act upon it to remain in compliance with the law.

Meeting adjourned at 4:30 p.m.