

CENTRAL IOWA REGIONAL WATER MEETING

Wednesday, October 25, 2017

7:30 a.m.

Urbandale City Hall

3600 86th St, Urbandale, IA 50322

Present:

City of Ankeny – Mayor Gary Lorenz

City of Des Moines – Mayor Frank Cownie

City of Johnston – Mayor Paula Dierenfeld

City of Urbandale – Mayor Bob Andeweg

City of Waukee –

City of West Des Moines – Mayor Steve Gaer

Des Moines Water Works – Sue Huppert, Board Chair; Bill Stowe, staff

Urbandale Water Works – John McCune, Board Chair; Dale Acheson, staff

West Des Moines Water Works – Karen Novak, Board Chair; Diana Wilson, staff

Also in attendance: Jason Mumm and Melanie Hobart, FCS Group; and several members of the public.

1. Welcome – At 7:31 a.m., the meeting began and Mayor Gaer welcomed everyone.
2. Updates from Workshops – Mr. Mumm provided a summary of the process and updates from the workshops. The objective of the working group and the workshops is to engage in an inclusive regional dialog about the formation of a regional governance structure for water production. The desired outcome of this effort is a 28E/F intergovernmental agreement that regional water boards and municipalities are willing and able to sign. Workshop position papers are provided in advanced and posted to utility websites. A record has been made with areas with consensus; disagreement; new issues saved to the “parking lot.”

Workshop 1 topics include: *Obligation to Serve* – The promise between the entity and its members. It is the mission for the regional entity and defines what it provides, how, when, where, and to whom. *Right to Serve* – The promise between the members and the entity that grants the entity exclusive rights to provide water production in the region in exchange for its obligation to serve.

Workshop 1 consensus includes:

OBLIGATION OF THE WATER AUTHORITY TO PROVIDE SERVICE

The Water Authority shall provide for all drinking water production requirements of its Members whenever requested, subject to the following additional provisions:

- A. The Water Authority shall plan for and deliver no more than the Members’ maximum-daily demands,
- B. The Water Authority shall provide for sufficient water pressure at the Members’ delivery points at levels to be determined in coordination between the Members and the Water Authority,

- C. The Water Authority shall not deny service to any Member who requests it so long as requests are made reasonably in advance,
- D. The Water Authority may curtail service to the Members in the event of mechanical failures, unforeseen events, or Force Majeure. In such instances, curtailments shall be made proportionately without preference to any Member,
- E. All drinking water delivered by the Water Authority shall meet all applicable state and federal water quality regulations,
- F. The Water Authority shall provide services to its Members at a price that is reasonably related to its actual costs, at levels determined by its Board to be sufficient to pay the expenses of the Water Authority and to provide for the current and future financing of the Water Authority's capital projects.

EXCLUSIVE RIGHTS OF THE WATER AUTHORITY

The Water Authority shall have the exclusive right to provide all the drinking water production needs within the current and future political boundaries of its Members, subject to the following additional provisions:

- A. The Water Authority's right to serve applies to the provision of drinking water production only, which specifically includes the following activities:
 - 1. Withdrawal of surface or groundwater supplies,
 - 2. Storage of source water,
 - 3. Treatment of source water,
 - 4. Storage of treated drinking water,
 - 5. Transmission and pumping of treated drinking water to individual, metered delivery points of the Members'.
- B. Without exception, this Agreement does not grant the Water Authority the right to serve within the individual distribution systems of the Members.
- C. During the term of this Agreement, the Members will not:
 - 1. Contract for drinking water supplies from any party other than the Water Authority,
 - 2. Acquire or expand water production assets that infringe on the Water Authority's right to serve as described in this Section, with the following exceptions
 - a) Members who own water production assets that provide service only within their own distribution network as of the date of this Agreement, may continue to operate those assets at their current design capacity levels.
 - b) Such Members may not, however, expand water production beyond the current design capacity of the existing assets.
 - 3. TBD Apply for Water Allocation Permits from the State of Iowa, or in any way alter the flows or water quality of the Water Authority's surface and/or groundwater supplies, except that Members may own and operate aquifer storage and recovery (ASR) assets, including applying for and maintaining any regulatory permits necessary for the operations of their ASR assets.

Workshop 2 topics included: *Capitalization/28E, 28F* – The authority of the regional entity to fund its capital projects with various sources of debt, member contributions, cash reserves, or other sources. *Accounting for Regional Water Production Costs* – How the regional entity

will keep track of its revenues, expenses, assets, and liabilities; and how that tracking overlaps or defers to member accounting.

Workshop 2 consensus includes:

- The regional entity should have the authority to issue revenue bonds pledged against its own wholesale revenues.
- The authority to issue revenue bonds will require a 28F form of agreement rather than a 28E.

Workshop 2 areas of continued discussion includes:

- Regarding existing production capacity, the regional board cannot assume the fiduciary responsibilities of another board or council.
 - This creates practical issues with respect to the accounting of regional assets and related costs, and this affects flow of critical financial information
- Practically, for existing water production, the regional entity could only replicate or review the accounting information of others.
 - Does this situation give the regional entity the level of independence that the region desires?
- These issues are less contentious regarding future investments for the region – the regional entity can have a greater role.

Mr. Mumm noted the third workshop will be held Thursday, October 26. Topics include:

- *Operational Authority of Regional Entity* – How much control the regional entity will have to carry out the responsibilities of day-to-day operations to meet its obligations of service?
- *Planning and Specification Authority of Regional Entity* – How much control the regional entity will have to plan for future capacity needs for the region in order to meet its obligation of service in future periods?

Upcoming workshop topics include:

- Authorities of the Regional Board (Workshop 4)
- Composition Structure of the Regional Board (Workshop 4)
- Economic Model / Cost-Sharing Framework of Water Production (Workshop 5)
- Cost Efficiency of Regional Model (Workshop 6)
- Parking Lot Issues /Clarifications /Iterations (TBD)
- Draft 28F Terms (TBD)

3. Discussion – Ms. Huppert inquired about the meaning of “consensus.” Mr. Mumm described that those participating in those particular workshops have agreed; however, it is not inferred that it is a consensus of elected bodies those participants represent. Mr. Stowe inquired about the process of agreement for this body. Mayor Gaer recommended that approval of meeting minutes and materials at the upcoming meetings.
4. Public Comments – Mr. Graham Gillette, Des Moines Water Works Board member, spoke on similar comments he provided at Des Moines Water Works September Board meeting, regarding regionalization. During this process, all communities and water suppliers have an opportunity for the future management of central Iowa water resources in order to provide safe, affordable, and abundant drinking water to all communities. Next, the new regional

authority would ensure communities and water producers to have the necessary information and participation in the rate process, as well as future infrastructure for the region.

Mayor Gaer commented on Ms. Gretchen Tegler's (representing Central Iowa Taxpayers Association) recent Letter to the Editor in *The Des Moines Register*, on the support of this process. Mr. Gaer noted the Midwest and Iowa, in particular, has a competitive advantage with utilities available for economic development.

Mr. Vern Willey introduced Mayor Pro Tem of City of Altoona.

Mayor Gaer commented on City of Grimes' involvement in the process. Mayor Drenfeld will reach out to City of Grimes' mayor and extend an invitation to meet with Mr. Mumm.

Mayor Gaer noted the next workshop is Thursday, October 26, 4:00 p.m., at Des Moines Water Works. The next meeting is Wednesday, November 15, at 7:30 a.m., at Urbandale City Hall, with additional workshops scheduled around that date.

Meeting adjourned at 8:13 a.m.