# CENTRAL IOWA REGIONAL WATER WORKSHOP

Monday, October 1, 2018
3:00 p.m.
Greater Des Moines Partnership
700 Locust St., Ste. 100, Des Moines, Iowa 50309

Present:
City of Altoona – City Councilmember Vern Willey
City of Ankeny – Mayor Gary Lorenz; City Manager David Jones
City of Clive – Mayor Scott Cirksena; City Manager Matt McQuillan
City of Des Moines – Mayor Frank Cownie; City Manager Scott Sanders
City of Grimes – City Manager Jake Anderson
City of Johnston – Mayor Paula Dierenfeld, City Manager Jim Sanders
City of Norwalk – Wayne Schwartz, staff
City of Urbandale – Mayor Bob Andeweg
City of Waukee – Mayor Bill Peard; City Administrator Tim Moerman
Des Moines Water Works – Sue Huppert, Board Chair; Dave Carlson, Diane Munns and Marc Wallace, Board Member; Nathan Casey, Ted Corrigan, Peggy Freese, Mike McCurnin, Laura Sarcone, and Bill Stowe, staff
Urbandale Water Works – John McCune, Board Chair; Dale Acheson, staff
Warren Rural Water – Andy Fish, staff
West Des Moines Water Works – Jody Smith, Board Member; Diana Wilson, staff

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

At 3:01 p.m., the meeting began.

1. Welcome – Mr. Jay Byers from Greater Des Moines Partnership welcomed everyone and highlighted benefits and examples of regionalization for the Des Moines metro area.

2. Review of Regionalization – Mayor Gary Lorenz reviewed the extensive work the various committees contributed over the past 17 months, and stated that after FCS Group's presentation, communities and water utility boards will need further discussion with FCS to examine of the findings.

3. Financial Review and Recommendations – Mr. Jason Mumm introduced the FCS Group team and reflected on examples of regionalization in other communities.

   Mr. Mumm stated there are four areas to highlight for regional opportunity: 1) reduces total cost for the region; 2) reduces operational risks; 3) improves the ownership and governance models; and 5) provides net economic benefits.

*Reduce total cost for the region:*
The present value of dollars invested in water production capacity under the status quo scenario is $857 million. Under the regional Authority scenario, it is $793 million. That is $64 million in direct savings. There are second order savings, including less fixed operation and maintenance and less annual capital costs. With coordination, the region can install less capacity at a more moderate pace, and spend less money in total. In addition, the regional authority scenario reduces cost of idle capacity. The region will spend less money supporting idle capacity resulting in higher utilization rates and lower average costs per unit.

*Reduces operational risks:*
The regional model improves reliability and provides redundancy. Multiple plants also leads to multiple options produce at lowest cost. Operational flexibility means the region could change the mix of water plants used to produce water cheaper depending on conditions.

*Improves ownership and governance models:*
The regional model provides shared ownership and shared governance over the crucial water production assets. Changing the ownership model shifts the responsibility from a single owner to multiple ones. It is important to note that growth is a factor – in the regional model, those with higher growth rates are allocated more of the growth-related costs. Mr. Mumm noted these would be considered "invisible benefits." The benefits are real, but don't show in the financial analysis directly.

*Produces net economic benefits:*
Mr. Mumm noted that big picture the net benefits exceed net costs regionally by $327 million.

Mr. Andy Baker provided a history and methods of information gathering from the communities. In the regional model, benefits are unevenly distributed. There are increased/decreased governance (with respect to the governance of the crucial regional infrastructure and decisions) and net benefit/cost (as compared to each member's status quo scenario).

Mixed results were expected, as each member starts from a different point, and each member has different future circumstances. The changes in regional structure produce different outcomes.

Ms. Melanie Hobart reviewed the communities that fall under the *Increased Governance at Net Benefit*: Grimes, Urbandale Water Utility, and Waukee. The biggest reasons why: benefit from improved scale and cheaper production and the regional model is just less expensive overall.

Mr. Baker reviewed the communities that fall under the *Increased Governance at Net Cost:* West Des Moines Water Works, Polk City, Altoona, Warren Rural Water, Ankeny, Norwalk, Clive, Johnston, Bondurant, and Xenia. The biggest reasons why: the change of ownership model shifts more ownership costs to these members; those communities growing fastest see largest shift, due to regional allocation; communities with high peak demand see large shift as well; and those who made past contribution see lower impacts. The "invisible benefits" should be a consideration for these members.

Mr. Mumm reviewed the community that fall under *Decreased Governance at Net Benefit*: Des Moines Water Works. The biggest reasons why: The regional model shifts current ownership costs and responsibilities to more members; monetizes cost and value of production assets; and goes from "sole owner" to "partner."

Mr. Mumm re-capped the results of status quo vs. regional authority. He stated that making the regional approach work will mean finding a way to share the benefits more widely. It will entail sharing benefits for the sake of keeping the region viable. Some members would give up some of the benefit so that the others can at least break even. Those members still come out ahead in doing so. It could be accomplished with some simple rate adjustment. Mr. Mumm noted that communities will need to ask themselves: how much is it worth to get things redundancy and governance?

*The Path Ahead*
Mr. Mumm concluded his presentation with a brief list of considerations that will need to be addressed in the future, noting that it is not an exhaustive list.
*Legal considerations:*

- Gain wider consensus
- Forming a 28 E/F
- Form the authority

*Financial:*

- Establish Authority's financial systems
- First round financing
- Formation transactions

*Technical:*

- System assessment
- Capital planning and execution
- Operating agreement

4. Next Steps – Mayor Lorenz noted that this we are at a jumping in point. Water utility boards and cities are encouraged to follow-up with FCS to understand the output of each community's numbers and the understanding what it means to the region. The Executive Committee is scheduled to meet on October 17, to discuss and prioritize next steps for the Steering Committee. More details will be forthcoming from the Executive Committee.

   Mr. Byers wrapped up by thanking FCS Group, water utility boards and communities for the extensive work thus far to realize the value of shared governance, redundancy, efficiencies and savings for the region.

   Mayor Frank Cownie commented on the other regional successes and that we can continue with this important regional endeavor.

   Mr. Jody Smith thanked FCS Group for their work.

5. Adjourn – Meeting ended at 4:23 p.m.