

**MINUTES OF MEETING OF FINANCE AND AUDIT COMMITTEE
OF THE BOARD OF WATER WORKS TRUSTEES
PURSUANT TO NOTICE**

October 13, 2020

3:30 p.m.

The Meeting was conducted by video conference.

Present (by Video or Audio Conference Link):

Board Members: Mr. Joel Aschbrenner, Ms. Andrea Boulton, Mr. Graham Gillette, Ms. Susan Huppert, and Ms. Diane Munns

Staff Members: Ted Corrigan, Kyle Danley, Peggy Freese, Donna Heckman, Michelle Holland, Amy Kahler, Mike McCurnin, Jennifer Puffer, Jennifer Terry, and Michelle Watson

Also in attendance: Jack Carra and Lindsay Gentry (Lamair-Mulock-Condon (LMC) Risk Management), John Lande and Rick Malm (legal counsel), Melissa Walker (MW Media Consultants, LLC)

Meeting called to order at 3:30 p.m.

1. Corporate Insurance Renewals

Mr. Carra discussed the results of LMC's efforts respecting DMWW coverages, including an overview of the expiring coverages and pricing, as well as proposed 2021 coverages and pricing.

2. Proposed 2021 Water Rates

Ms. Freese presented staff's recommendation for 2020 water rates as follows: Increases of 5% for Des Moines Inside City customers and other retail customers; Increase of 5-7% for Full-Service customers; Increase of 15% for Wholesale Purchased Capacity customers; and Increase of 3% for Wholesale With Storage customers. Staff is recommending no change in the capital improvement fees for Des Moines Inside city and Polk County service area customers. Since Regionalization discussions have restarted and are progressing, staff feels it is appropriate to delay consideration of possible changes to the wholesale rate structure. Matching revenue recovery to costs can be accomplished by increasing the volume rate without changing the rate structure.

3. Proposed 2021 Budget

The Board of Trustees will set the Public Hearing for the 2021 Budget at the October Board meeting. Ms. Holland reviewed projections for 2021 revenue and additional funding, and for expenses. She also highlighted department statistics. Total revenue for 2021 is proposed to be budgeted at \$77.2 million, up \$4.5 million compared to the 2020 budget. Water pumpage is proposed to be budgeted at 17.1 billion gallons, an increase of 100 million gallons from the 2020 budget. The 2020 proposed revenue budget reflects recommended rate increases taking effect on April 1, 2021. Additional funding for 2021, of nearly \$2.9 million includes unspent funds that have been carried over from the prior year's budget and funding from outside entities, including Norwalk and Polk City. Total operating expenses of \$50.7 million are proposed for 2021. This is an increase of \$2.2 million, or 5.4%, from the 2020 budget. Total capital expenditures are proposed at \$24.5 million. Debt service obligations of \$4.3 million in

2021 include obligations of wholesale customers who participated in the bond issues as well as DMWW's obligations. Contribution to operating reserves is proposed at \$500,000 in 2021, to increase the accumulated reserves due to increases in operating expenses.

4. CEO and General Manager's Comments

Mr. Corrigan welcomed Jennifer Terry back to Des Moines Water Works. He offered no additional comments.

Mr. Gillette shared that although legal services review was not on this meeting agenda, it will be on the October full Board meeting agenda.

5. Public Comments – There were no comments from the public.

Meeting adjourned at 4:45 p.m.