

# CENTRAL IOWA REGIONAL WATER WORKSHOP 8

Thursday, December 14, 2017

4:00 p.m.

Des Moines Water Works

2201 George Flagg Parkway, Des Moines, IA 50321

Present:

City of Altoona – City Councilmember Vern Willey

City of Ankeny – Mayor Gary Lorenz; City Manager David Jones

City of Des Moines – Mayor Frank Cownie; City Manager Scott Sanders

City of Clive – City Manager Dennis Henderson

City of Johnston – Mayor Paula Dierenfeld, Councilmember David Lindeman; City Manager Jim Sanders

City of Polk City – City Councilmember Jeff Walters; Mike Schulte, staff

City of Urbandale – Mayor Bob Andeweg

City of Waukee – City Manager Tim Morman

City of West Des Moines – City Manager Tom Hadden

Des Moines Water Works – Sue Huppert, Board Chair and Graham Gillette, Board Member;

Corrigan, Peggy Freese, Amy Kahler, Laura Sarcone, and Bill Stowe, staff

Urbandale Water Works – John McCune, Board Chair; Gail Palmer, staff

Warren Rural Water – Andy Fish and Stan Ripperger, staff

West Des Moines Water Works – Karen Novak, Board Chair and Jody Smith, Board Member; Diana Wilson, staff

Xenia Rural Water – Gary Benjamin, staff

Also in attendance: Jason Mumm and Melanie Hobart, FCS Group; Paul Drey, Brick Gentry Law Firm; and members of the public.

At 4:05 p.m., the meeting began.

Mr. Mumm provided a recap of where the discussion ended at the last workshops, including three potential models for creating a regional entity 1) Transfer of Existing and Future Capacity/ “All-In” approach; 2) Future Capacity Only; 3) Expanded DMWW Board. There was general agreement of the group (93%) for the “All-In” approach; however, refinements need to be addressed. The “All-in” approach includes:

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|---|---|
| 1) <i>Asset Inclusion</i>                           | All regional production assets are included<br><i>Refinements requested on asset inclusion</i>        |
| 2) <i>Governance and Representation</i>             | Three alternatives considered<br><i>Discussion to be continued</i>                                    |
| 3) <i>Measuring and Paying for Reserve Capacity</i> | Verifiable max-day demand compared to verifiable owned and purchased capacity at uniform value \$/MGD |

4) *Handling of Operations* Initial operating agreements with existing producers  
*Generally agreed – term of agreement to be defined*

5) *Implementation and Rates* All aspects implemented immediately, except for payment to members for reserve capacity (later)  
*Need to confirm agreement*

1. Board Structure/Governance – Mr. Mumm provided background on the proposed framework, number of board seats, vote weighting and voting procedures, noting there are important considerations:

- Balance representation across the array of regional interests
  - Need to protect and honor minority interests
- Board size
  - Should provide for representation of smaller communities without making a board “too large”
- Different basis can determine representation
  - Population, demand, etc.

Mr. Mumm provided board composition examples:

*Local Example #1: WRA*

- One member per entity
  - Additional weighting per 25,000 of population for any vote if desired
  - Seat or weighted vote

*Local Example #2: DART*

- One member per entity
- 3 types of decisions have weighted votes per population
  - Changing rules and regulations
  - Changing service area
  - Approving the Budget

*Alternative Fixed Board Structure*

- Size:
  - Fixed number of members (possibly up to 11)
- Representation and Voting:
  - Some communities have a specific number of seats based on criteria
  - Some members would be pooled together in to one seat
  - Instead of weighting, use supermajority requirement for key decisions
- Possible Basis for Seat Allocation:
  - Population
  - Maximum daily demand
  - Average day demand
  - Purchased and contributed capacity
  - Some variation of all of the above

Regardless of which structure is preferred, there are overall considerations:

- Selection of Board Representatives
  - Water boards select representatives
  - In cities without water boards the mayors select representatives
  - Issue: Who is the legal entity that will be signing the 28F?
- Total service customers receive board seats?
- Do board members need to be elected officials?

Fixed Board Considerations

- For the pooled seats
  - How to appoint those seats?
  - Example: could be 12 members, sharing 3 to 4 seats
- Suggested approaches:
  - Mayoral/Board appointment authority rotated among pooled members
  - Pooled Mayors/Boards form nominating committee and select representatives together
  - What else?

DART Model Considerations

- Committees:
  - Capital Planning Committee
  - Executive Committee
  - Finance and Audit Committee
  - Operations Committee

Requirements for Weighted Voting – DART has three:

- Approving the budget
- Changing service area
- Changing rules and regulations

Suggestions received include:

- Approving the budget
- Accepting new members to the Authority
- Establishing or altering rate structures
- Adopting or modifying capital/long range plans
- Hiring the director of Authority

The group discussed the DART governance process and structure. The group discussed the selection of board representatives and legal entities signing the 28F for cities with and without water boards. There are legal questions that need to be answered before consensus. The group discussed current (and any future) DMWW total service customers.

The group heard from Johnston City Manager Jim Sanders on a discussion with mayor of City of Grimes. Grimes is interested in participating in the regional discussion. They just completed a study for production and storage. They currently have treatment capacity of 2 mgd, and would like to double capacity, as well as an ASR well.

2. Asset Inclusion – Mr. Mumm discussed event triggers for water production assets owned currently by West Des Moines, Altoona, Polk City, Grimes, and others, including an alternate way to include non-DMWW assets. Mr. Mumm provided a three step example:
  - 1) Immediate – Reserve capacity from DMWW and Purchased Capacity is purchased by region. Members purchase proportionate share on behalf of authority and finance individually. The Authority will not have financial capability to initially purchase anything. Alternatively, the Authority could purchase capacity in 3-5 years (estimated)
  - 2) Voluntary Option Period – When regional reserve capacity is depleted (estimated 3-5 years), members have option to sell reserve capacity, and Authority has the option to buy. A set \$/MGD rate (equivalent to initial purchases of reserve). These transactions would be voluntary.
  - 3) Authority Call Option – When additional regional capacity is approved for construction, the Authority makes a decision to either: a) Build new facilities – increase regional capacity; b) exercise a call option to purchase remaining reserve capacity from members (if any available). Members must sell capacity if region chooses this option. The price needs to be equivalent to that paid to other members.
  - 4) A “fourth phase” would be set, a date certain for contributing the assets.

The group had general consensus that a phase-in timeline would work; however, more financial data is needed to determine timeline.

3. Additional Terms – Mr. Mumm discussed additional information since the last workshop concerning initial purchase of reserve capacity, weighted average max-day, initial term length for operating agreements, administrative and management needs of proposed Authority. Mr. Mumm proposed and the group agreed that “Actual Capacity” is defined as: Maximum amount that can be produced with existing assets and operational constraints without improvements. The group discussed calculation of weighted average max-day.

The group had broad consensus that operating contracts would be awarded initially to existing operators. There was discussion on initial term should be included in the 28F and length of the initial contract is dependent on the asset inclusion timeframe.

The group discussed the new entity’s authority, including authority to hire and retain a director and additional support staff (i.e. engineering, finance and legal).

4. Proposed Next Steps for Regional Formation – Mr. Mumm discussed the next steps needed to reach a decision and signatures to the proposed 28F. Mr. Mumm is working with Mr. Paul Drey, legal counsel, in preparing a Memorandum of Understanding (MOU). The MOU will:
  - Outline the overall vision and structure for regional formation
  - Include specific elements of the structure discussed in our workshops
  - Model the key terms for the 28F Agreement

The intent for the MOU:

- Provide an approachable, less-formal document for open, candid comments
- For circulation to boards and councils, others
- Expect to iterate on comments and revisions

- Identify the key sticking points and come back together to resolve them

Mr. Mumm stated he expects a draft MOU would be distributed next week.

Meeting ended at 6:01 p.m.