

**Des Moines Metropolitan Wastewater Reclamation Authority Finance
Committee
Wednesday, January 23, 2023 @ 1:00 P.M.**

**MEETING LOCATION:
BURNHAM CONFERENCE ROOM
DES MOINES METROPOLITAN PLANNING ORGANIZATION
420 WATSON POWELL JR. WAY, SUITE #200
DES MOINES, IOWA**

MINUTES

Members in Attendance

Vern Willey, Altoona*
Jennifer Sease, Ankeny
Matt McQuillen, Clive
Elizabeth Hanson, Clive*
Nickolas Schaul, Des Moines*
Teresa Rotschafer, Johnston
Dena Spooner, Pleasant Hill*
Paul Drey, USSD
Linda Burkhart, Waukee*
Jody Smith, West Des Moines*
Tim Stiles, West Des Moines*

Others in Attendance

Scott Hutchens, Operating Contractor
James Beck, Operating Contractor
Lisa Etnyre, Operating Contractor
Roxane Vaughan, Operating Contractor
Ben Warren, Operating Contractor
Kathy Vanderpool, Operating Contractor
Eric Boehlert, Ahlers & Cooney
Matt Stoffel, PFM
Jon Burmeister, PFM

* Participated in the meeting via telephone due to the fact that it was impractical or impossible to participate in the meeting in person.

Jody Smith called the meeting to order at 1:00 p.m.

ITEM 1: Member entity cash payment in lieu of pro-rata debt issuance - Information and possible recommendation

Jody Smith stated that at the January 9th Finance Committee meeting there would be continued discussion about the communities' making cash payments in lieu of pro-rata debt issuance. Eric Boehlert, Bond Counsel, drafted an outline of the WRA Cash Contribution Process. Kathy Vanderpool clarified that the bid process in the outline would begin with a public hearing prior to requesting bids for construction. The current 28E Agreement allows the cash payments under Article XIII, Section 5. This Article may include more details at the next restatement. Jody mentioned that it would be ideal to have a semi-annual update of what projects are upcoming to give communities plenty of time to make a

decision about paying for a project with cash. The Operating Contracting staff would like a recommendation that this WRA Cash Contribution Process be adopted as the process for any community paying cash in lieu of pro-rata debt issuance.

Vern Willey made a motion to recommend. Matt McQuillen seconded that motion. The motion carries.

ITEM 2: City of Des Moines and WRA Policy Changes - Information and possible recommendation

Scott Hutchens talked about how on January 23, 2023, the City of Des Moines plans to amend its Procurement Ordinance to increase the amount which the City Manager is authorized to procure goods and service with City Council approval from \$50,000 to an annual cost of up to \$100,000. The Initial Operating Contract for the WRA authorizes the Operating Contractor to procure goods and/or service that have an annual cost of \$50,000 or less without prior Board approval. Since the City of Des Moines Procurement Ordinance plan will be updated, the Operating Contractor would like to consult with the WRA Board to have consistency for procurement issues. The Operating Contractor staff would recommend that the Finance Committee approve this Procurement Ordinance update so that staff can present this to the WRA Board on February 21, 2023.

Matt McQuillen made a motion to recommend. Vern Willey seconded that motion. The motion carries.

Scott also talked about the updated City of Des Moines Travel Policy and that the board would no longer approve any travel requests unless it is for a board or commission member. The travel expenses will still be on the monthly board register though, so they will be able to see all the activity.

Scott then discussed the WRA Policy regarding the Provision or Procurement of Design and Construction Services was approved by the WRA Board in August 2004 and the policy included a \$100,000 limit for change order approval by the WRA Director. The staff proposes to modify the dollar amount from \$100,000 to \$160,000. The WRA Policy Regarding the Selection of Consultants for WRA Improvements was also approved by the WRA Board in 2015 but did not change the \$100,000 limit for the WRA Director execution of WRA consultant contracts. The staff propose to modify the dollar amount for \$100,000 to \$160,000, updating the \$250,000 informal selection process amount to \$325,000, and updating the \$1,000,000 amount to \$1,325,000.

Matt McQuillen made a motion to recommend. Paul Drey seconded that motion. The motion carries.

ITEM 3: Indirect Costs and Shared Costs - Information and possible recommendation

Roxane Vaughan presented an overview of the Central Service Cost Allocation Plan which is prepared by an outside consultant annually for the Operating Contractor. The plan determines allocations to many departments of the which the WRA is included. Public Works administration staff, including the Director is shared between Solid Waste, Streets, Sewers, and others and billed as part of the Indirect Costs each year. The WRA's share was \$1,015,407 in fiscal year 2021-2022 and in 2022-2023 will be \$1,097,312. Scott mentioned that staff looked through the figures and there was a discrepancy with the IT costs for computers so there will be a credit on next year's indirect cost plan. Roxane ensured that credits have been passed through to us in the past when needed.

Direct Costs shared with the Operating Contractor includes service from Fleet (vehicle maintenance and fuel), Public Works (% of the pumping station crew), and City Manager Admin (% of one communication specialist). WRA's direct cost was \$999,073 in fiscal

year 2021-2022. The PILOT cost was \$1,373,401 in fiscal year 2021-2022 and in 2022-2023 will be \$1,306,961. Discussion of how the PILOT fees are determined and what insured value is used. Jody gave the background of the model which was adopted in 2004. The consultant uses actual amounts from each fiscal year to compile the report. Roxane stated generally this information is presented to the board as a receive and file.

Discussion of the annual audit and audit selection process included an update that RSM will continue for one more year. WRA will ask for a separate engagement letter with the audit firm reporting directly to the WRA Board. Scott mentioned that Jody Smith, Nickolas Schaul, and Scott Sanders have worked through the dynamics of the selection of the audit firm, and that it would be beneficial to the WRA to have separate engagement letters and lead auditors through the same audit firm.

ITEM 4: Budget Update - Information and possible recommendation

Scott Hutchens and Roxane Vaughan started the budget discussion with an overview of the fiscal year 2023-2024 budget. Roxane reported the increase of projects in the Small Capital Improvement Program (Small CIP) which is funded with R&R replacement cash will require additional contributions from Communities in the upcoming years. The last few years the annual amount needed in the Small CIP budget was between 4-5 million. In order to avoid a shortage in funding the annual amount will need to increase to over 10 million in the near future. Matt Stoffel mentioned that for the fiscal year 2023-2024 budget it would be feasible for most communities to increase the amount to 7.5 million, but it would be difficult to manage much else. Then, in the following years staff could work on increasing that number to avoid a shortage. Jody Smith agreed that the increase beyond 7.5 million would not be realistic, but staff should put together a proposal to address these increased needs in the following years to provide communities with an advanced notice to plan appropriately. Jody asked if a 9.5 million budget in fiscal year 2024-2025 would be an issue for other communities. Discussion agreed that additional funds could be collected in fiscal year 2024-2025. Scott Hutchens stated that Small CIP funds are used for items at the end of their useful life with some equipment remaining from 1990s and early 2000s. Staff is working on a facility plan update now, which will impact future funding of the WRA/WRF. Scott confirmed that staff will work on the fiscal year 2023-2024 figure being 7.5 million, fiscal year 2024-2025 figure being 9.5 million, and then continue determining the needs moving forward after those years.

ITEM 5: Other Business - Information and possible recommendation

None

Meeting adjourned at 2:12 PM