

**SPECIAL MEETING  
OF THE BLUE GRASS CITY COUNCIL  
BLUE GRASS, IOWA      MARCH 28, 2017**

The Blue Grass City Council met in special session at 7:00 p.m. on the 28<sup>th</sup> day of March, 2017 in the City Council Chambers of City Hall, 114 N. Mississippi St., pursuant to law, with Mayor Timothy Brandenburg presiding, with the Pledge of Allegiance and a moment of reflection. The following Council members were present: Bonnie Strong, Charles Barton, James Goodin, Brad Schutte and Lisa Smith. City Attorney William McCullough was also in attendance. Iowa American Water Company representatives present were: Mary Jane Midgett, Director of Operations and Ken Jones, Corporate Counsel.

**APPROVAL OF AGENDA:** Council member Smith moved to approve the agenda as presented, seconded by Council member Strong. A roll call vote was taken: Smith-aye, Strong-aye, Schutte-aye, Barton-aye and Goodin-aye. Motion carried.

**MAYORAL COMMENTS:** Mayor Brandenburg announced the following: “Welcome to your Blue Grass Special City Council meeting. If you are not a member of the Fire, Ambulance, or Police Department, please turn off or silence your cell phones, pagers, etc. It is your right to be heard; however, please ask to be recognized by the Mayor. After being recognized, please stand and state your name and address. In an effort to keep the meeting on task, please limit your comments or concerns to several minutes. Please have the courtesy to allow the person speaking to finish uninterrupted. Thank you”.

**PUBLIC FORUM:** From those in attendance, there were none.

**UTILITIES:**

- 1. Sale of Water Assets to Iowa American Water Company:** McCullough referenced the agreement that was approved by the City Council at the June 6, 2016 Council meeting between Iowa American Water Company (IAWC) and the City of Blue Grass; whereas, a 3-year rate freeze was included in the “Letter of Intent to Purchase the Water System Assets of the City of Blue Grass”. Mr. Jones explained that the Iowa Utilities Board (IUB) recommended that the Office for Consumer Advocate (OCA) be consulted and involved in the purchase of the City’s water utility to decide whether the purchase of the water utility not only benefits the City of Blue Grass but benefits all of IAWC’s customers. He said that in their findings the OCA’s argument in question is whether IAWC’s purchase is fair to all IAWC customers as they will have to subsidize the 3-year rate freeze even though IAWC claims that the purchase will not have an impact to their customers as they plan on utilizing their set aside reserves. Council expressed their disappointment as they believe that one of the major selling points was the 3-year rate freeze. Mayor Brandenburg questioned how IAWC other acquisitions were handled. Jones said that both LeClaire and Dixon customers were immediately altered to IAWC rates adding that both acquisitions were different than Blue Grass’ acquisition. Ms. Midgett said that IAWC has been working diligently to try to come up with a solution. She said that one option was to reimburse the City of Blue Grass the monetary difference and that the City could then distribute a credit to each resident on their sewer bill. Jones said that IAWC was proposing to renegotiate the 3-year rate freeze by coming up with a solution prior to the IUB’s public hearing scheduled for Tuesday, April 4, 2017. He said that if both parties could come to an agreement and remove the 3-year rate freeze and come up with a solution that the closing of the sale could possibly be scheduled by the end of April. Jones reminded the Council that the legality of the issue is that the question on the ballot was not based on the 3-year rate freeze and that it was solely on the sale of the water utility assets; therefore, the question is the effectiveness of the vote. McCullough agreed but reminded IAWC that citizens were given the terms of the agreement prior to the referendum. The Clerk expressed concerns on the time it would take to individually credit each account as it would have to be done manually. McCullough suggested that if that acquisition was to be agreed upon that he would suggest that IAWC reimburse the City for administrative fees. The Clerk said that she was in the process of proposing a sewer rate increase to the Council giving an example that if the rate increase was five percent, that IAWC subsidize that five percent for 3 years. Several

residents expressed their concerns on IAWC not adhering to what was originally agreed upon in the sale. Jones said that while IAWC agreed to the 3-year rate freeze, the IUB has the final decision and that to his knowledge, this may be the first rate freeze proposal that has been brought to the IUB; therefore, that is why he believes that the IUB involved the OCA. He said that the OCA's opinion is that they did not feel that it was fair that the estimated 50,000-60,000 other IAWC customers stay at IAWC's current rates while Blue Grass residents' rates are froze for 3-years at a lesser rate. McCullough proposed to the Council that they either make a decision to change the contract in regards to the 3-year rate freeze and come to a contingency plan to subsidize the rates and close the sale or to demand that the 3-year rate freeze remain and wait to hear how the IUB reacts. Council expressed their concerns on both parties agreeing to the 3-year rate freeze and then relaying that pertinent information to the public as being part of the sale. Council discussed their options to either leave the 3-year rate freeze in the agreement and wait to see what the IUB's final decision is and if they deny the rate freeze that the City either subsidize the sewer rates accordingly or credit each customers individual account the difference in rates. Public Works Director Lonnie Robertson said that he believes that the 3-year rate freeze was not the only selling point of the sale that the major part of the sale was the infrastructure costs to upgrade the City's water utility. He reminded the Council that if the sale of the water utility does not pass that it was his understanding that the City could not bring the water sale up for another 4 years; therefore, in that 4 years the City could be burdened with a major repair and/or the Department of Natural Resources could mandate the City to adhere to new rulings. McCullough reported that with the Council's input and discussions, it appeared that the majority of the Council wanted to proceed and let the IUB make their decision and if the IUB was not in favor of the 3-year rate freeze, then the Council can then decide on how to proceed. Council agreed. Jones said that once the IUB makes their decision at the hearing, he would let Blue Grass know so that they can get a contingency plan in place. The Clerk suggested that if the IUB files against the 3-year rate freeze that prior to the City meeting with IAWC to come up with a contingency plan, that she and IAWC compare various reports and software to see if there was a simpler solution so that the Council would be able to make a better decision knowing all their options. Ms. Midgett agreed and said that prior to acquiring the Blue Grass water utility that IAWC's IT Department has already converted the Blue Grass utility customers over to the IAWC utility system so that when IAWC takes over the water utility the conversion would take over immediately. Mayor and Council thanked IAWC for communicating both the IUB and the OCA concerns so that the Council has a better understanding of the situation so they can better inform the public. Jones added that the IUB's hearing is also a live stream so anyone can live stream the Board's hearing which is scheduled for Tuesday, April 4, 2017 at 9:00 a.m.

**COMMENTS AND FUTURE AGENDA ITEMS:** There were none.

**ADJOURNMENT:** Council member Barton made a motion to adjourn, seconded by Council member Strong. A roll call vote was taken: Barton-aye, Strong-aye, Smith-aye, Schutte-aye and Goodin-aye. Motion carried. The meeting adjourned at 7:55 p.m.

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Mayor, Timothy Brandenburg

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Attest: Ann M. Schmidt, CMC, City Clerk/Financial Officer