



IMU Response to Mayor Pepper's and The City Council Allegations Made in November 2021

March 28, 2022

In response to the former Mayor's public attempt in late 2021 to remove two of our Trustees and repeated negative public comments, we believe it appropriate to provide a public response. After thorough in-house investigations and discussions, we believe the allegations were unwarranted. Our entire board and IMU organization would like to respectfully share information and facts that will perhaps help resolve the deluge of misinformation and misunderstandings that brought this situation to a head. It has always been our goal to work transparently for the ratepayers of this community in cooperation with elected officials. We hope that this will help clarify, inform, and begin a more constructive environment for the betterment of our community.

Lack of strategic plan:

IMU recognizes the need for strategic planning and the value in updating that plan regularly.

- The last comprehensive strategic plan adopted by IMU was in 2015, to be formally revised in 2020.
- With a new General Manager in fall of 2019 and the COVID-19 pandemic beginning in March 2020, strategic planning was delayed to 2021.
- IMU conducted a search for an outside consultant to facilitate formal strategic plan discussions.
- An initial strategic planning meeting with IMU Trustees, senior staff and community members was held on October 21, 2021. This was the first available time for the consultant.
- Ongoing joint meetings between the consultant and senior staff were held during October, November, and December of 2021 to develop the strategic plan initiatives.
- An initial draft strategic plan document prepared by the consultant and senior staff was presented to Trustees on January 18, 2022. Trustees discussed and provided feedback for revision to be made by senior staff.
- A final draft was reviewed and discussed in the Board of Trustees meeting on February 28, 2022.
- The IMU Strategic Plan 2022 was formally approved by the Board of Trustees on March 14, 2022.

Lack of planning:

Each of the IMU business units have ongoing 5-year plans that are tied into our organizational goals. Here are examples of the type and scope of IMU planning and successful outcomes that occurred within the last 5 years:

- Planning and completion of telecommunications utility, under budget, and with take rates (number of customers signed up) two years ahead of the original business plan:
 - Feasibility analysis
 - Business plan
 - Infrastructure construction
 - Marketing plan

- Staffing and Rollout of service
- Annual capital project planning reflecting 5 years of future capital projects
- Annual budget planning and adoption
- Construction of new electrical line shop
- Complete redesign of IMU website
- SCADA controls for electric and water upgraded
- Electrical turbine controls replaced/repared
- Water clarification tanks rebuilt, and lime tanks replaced
- Conversion of old line shop into Fiber Operations facility
- New garage built for Water Operations
- New building location for IMU Customer Service/Operations purchased and renovated
- eLation software implemented initially for fiber utility billing and financials with a plan to convert all other utility operations at a later date
- Our water plant requires a Grade 4 operator license, and historically IMU has had only the water superintendent licensed at this level; as a result, we have trained and licensed one additional member of our team with a Grade 4 license, two members with a Grade 3 license and two members with a Grade 2 license, all of which are working towards a Grade 4, providing IMU with leadership opportunities for the future
- Staffed, trained, and opened the call center/customer service facility and finance department
- Most recently, IMU is exploring a sizable solar array which recently has become more economically feasible

Mishandling of eLation conversion –

...not providing the City with promised balancing documents and misbilling of customers:

The current City software system, Caselle, was used by IMU for many years but was unable to meet IMU's changing needs and future growth, especially as related to the fiber/communications utility. As a result, the eLation platform was purchased by IMU. From the initial purchase, the plan was to temporarily implement eLation for the fiber/communications utility operations. All other utility operations would continue using Caselle. Our goal was to train staff before undergoing the full conversion for the other utilities. On May 1, 2020, IMU converted all remaining utility operations to the eLation system. As with any major software system conversion, Trustees and staff anticipated bumps in the process. We experienced the following issues:

- The vast majority of customers' bills were accurate, but there were 16 customers who received incorrect bills. This amounted to a 0.069% error rate.
 - IMU staff attempted to correct the billing errors and, for a variety of system and personnel reasons, it took longer than one billing cycle.
 - However, with the support of the Board, the General Manager and his staff were successful in correcting the system issues as well as addressing the personnel issues.
- The new eLation customer statements/bills were formatted differently to enhance rate and billing transparency to customers. This new format with more detailed information caused

some confusion for our customers.

- In conjunction with the former Mayor, the IMU General Manager participated in a public forum to answer questions and educate customers of the new format.
- The conversion took place during the beginning months of the COVID-19 pandemic which meant more people were working from home, school was not in session, and people were sheltering at home. The newly formatted bills reflected this increased water, electric and sewer usage.

...not providing the City with promised balancing documents:

- Prior to the system conversion in May, 2020, IMU requested and the City provided a list of reports the City would need for billing prepared by IMU on behalf of the City.
- After the eLation conversion had been completed, the City made a request for an additional report (not included in the original list) to assist with identifying billing collections for the City services billed by IMU. IMU staff worked with eLation consultants to build the requested report. Building this report was a time consuming and labor-intensive project as the City needed the report on a cash basis when all reporting out of the eLation system is on the accrual basis of accounting used by IMU.
- Ultimately, the City and IMU's auditor from Denman & Company, verified the report's accuracy and worked with City staff to properly interpret the data.

All in all, software conversions can be complex and time-consuming. It is not unusual for an expansive project like this to incur minor issues. IMU staff, along with eLation experts and outside consultants, resolved the issues and continue to support IMU.

Stating you have no knowledge of the Streetscape project until January 2021 when you and IMU have been notified of this upcoming project for two years:

IMU has been involved in the Streetscape project from the beginning of planning. However, the scope of the project changed a number of times and one late change in scope had a significant impact on IMU.

- IMU's water utility engaged in the Streetscape project from the beginning as the replacement of water infrastructure has always been included.
- IMU's electric utility participated in the original project for the streetlight installation and event power surrounding the courthouse. Regular construction meetings were attended, until it was suggested to the Electric Superintendent, by the former City manager, that someone would contact him and tell him when he needed to attend further meetings.
- In September, 2020, the Electric Superintendent learned from the Water Superintendent that the scope of the Streetscape project was potentially changing to include the alleys around the square.
- Trustees were advised on September 28, 2020, that major electrical plans might be changing to include alleys where significant electrical distribution infrastructure is located.
- On October 5th, 2020, the Electric Superintendent received an email from the City

requesting a meeting with the engineering team to discuss utilities located in the alleys surrounding the square.

- On October 12, 2020, IMU Trustees were informed that the alleys were now likely going to be included in the Streetscape project.
- With alleys in the project scope, the Electric Superintendent scrambled to begin engineering design work as all overhead electric lines, transformers and infrastructure in the alleys needed to be moved underground.
- Multiple City design and project scope changes were made, as late as March 31st, 2021, resulting in similar design and project scope changes in the electric infrastructure design.
- The electric infrastructure was let for bids in spring 2021 with 12 interested contractors attending a pre-bid meeting. Only one (out of 12 interested contractors) bid on the IMU project needed for Streetscape. It was \$1.2 million over the engineer's estimate and Trustees rejected the bid.

The changes in scope and design resulted in IMU scrambling to catch up. To ensure multiple quality bids, the design work should have been completed in the fall with a bid let over the winter. Letting the bid so late in the construction season resulted in non-competitive bids and left no choice for the Trustees but to reject the bid and ask staff to find a more cost effective approach.

Inappropriate use of a closed meeting by IMU Board of Trustees:

The IMU Board of Trustees regularly consults with an attorney regarding the use of closed meetings. The IMU Board of Trustees follow legal parameters with regards to subject matter and issues that qualify for closed meetings.

- A closed meeting, one that we can only conjecture is in question, occurred in August 9, 2021, to discuss a personnel matter. The employee impacted requested the closed session.
- After review, we find that the reason for the closed session was appropriate, discussions were appropriate, and the session allowed Trustees to understand the personnel matter.
- In the open meeting that followed, a revised job description with an adjusted pay range was approved.

Nine findings in the FY2020 IMU audit and glossing over them when questioned:

IMU received nine findings in their FY2020 audit. These findings were taken seriously by both staff and Trustees.

- Trustees requested IMU staff provide a detailed response to explain why the findings occurred and when and how they were to be corrected.
- The detailed response to each finding was provided to the Trustees on March 17, 2021.
- The Trustees' review on March 22, 2021, found that nearly all findings had been resolved before the audit fieldwork was completed. The auditor's verbal report concurred and complimented the IMU staff on their responsiveness and professionalism.
- This information was shared with the City Council, by IMU General Manager and Board

Chair. At that time, there were no follow up questions from the Council.

- As a note, the FY2021 audit report had only two findings compared to the prior year with nine. The auditor acknowledged significant improvement over prior year's result.

Lack of Communication with elected officials and rate payers:

IMU Trustees and staff are open to productive communication. Here are examples of our day-to-day minimum communication efforts:

- Regular articles/information in the Indianola Magazine
- Addition of monthly newsletter distributed through inserts with monthly billing statements and through email
- Regular social media posts by IMU (number of hits on social media are increasing)
- Timely response to complaints received from customers or others (number of complaints have dramatically decreased; amount of time to resolve customer issues is decreasing)
- Open public IMU Board of Trustee meetings with available pre-posted agendas
- A public comment period offered at beginning of all IMU Board of Trustee meetings
- Individual Trustee contact information available to the public
- Present at public forum to assist and educate ratepayers when needed/requested
- Joint IMU board/City Council meetings as needed (insurance, union issues, etc.)
- IMU Trustee outreach to the mayor and City council members

Continual reference to old issues/problems that have been resolved:

We are not aware of what is referred to here and are therefore unable to respond.

Before addressing the remaining allegations, it may help to review and reiterate some important facts relating to IMU, of which we find many ratepayers are unaware:

- ***Our General Manager, as well as all IMU staff, are employed by IMU and are not employees of the City.***
- ***All employee evaluations and employment issues are managed by the General Manager, Superintendents and Department Managers.***
- ***The General Manager's evaluation and employment issues are managed by the IMU Board of Trustees.***
- ***All IMU employee compensation, including benefits, are paid from the IMU budget.***
- ***No City or taxpayer funds are used for the operations of IMU.***
- ***IMU is funded by ratepayers, not taxpayers.***
- ***IMU pays the City for its portion of 'Shared Services' received from the City. Likewise, the City pays IMU for its portion of 'Shared Services' received from IMU.***

- ***IMU pays the City a sum of money, each year, in lieu of paying property taxes (referred to as the PILOT).***
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The continual push for the separation of the City and the City owned utility – “I do not believe this is in the best interest of the citizens of Indianola” / Desire to change staffing and processes and not discussing with City Council before decision reached:

First and foremost, IMU and the Board of Trustees have a fiduciary responsibility to our ratepayers/customers. 'Shared services' is the phrase used when IMU pays a portion of certain City employees' salaries and benefits and other costs, in exchange for the employee providing services to IMU. In situations where shared services are mutually beneficial for both IMU and the City, the IMU Board of Trustees feel both organizations should work together when practical. However, as IMU has grown and we look to the future, we have found it necessary to make changes in how we conduct business. These changes allow us to provide better customer service with lower costs.

- These changes were anticipated and discussed at several Board meetings and in joint sessions with the City Council as early as five years ago, when IMU moved forward with expansion of the fiber utility.
- Both the City and IMU have many high priority items. With continued growth, IMU's number of high-level priority items have also increased to the point of employees, who are providing shared services, not having capacity to address high priority items for both entities. There comes a time where change is necessary regarding staffing hours, response time on priority items, and finances.

PAYROLL changed from shared service to in-house:

- Financial benefit: IMU estimated the cost to process payroll internally rather than continue as a shared service with the City would result in \$42,763 savings to the annual budget.
- Service benefit: Response time to correct payroll inaccuracies would be significantly shortened, increasing employee morale.

IT changed from shared service to in-house:

- Financial benefit: IMU estimated the cost to hire a dedicated IT employee internally rather than continue shared service with the City would result in at least \$10,000 savings to the annual budget.
- Service benefit: Response time to resolve IT issues for customers and IMU operations are significantly shortened, which results in decreased wait times and increased customer satisfaction.

Lack of response to the 28E agreement defining shared services:

While IMU Trustees fully support having a 28E agreement in place for shared services with the City, there is currently not an agreement in effect that has been approved by both parties to the agreement.

We would like to see an agreement that is productive and mutually beneficial.

- A few years ago, a 28E agreement was approved by the City Council and forwarded to the IMU Board of Trustees for consideration.
- Trustees sent the agreement back, unsigned and not approved, listing several questions and concerns that needed to be addressed.
- Trustees have no knowledge of a response from the City, and a revised 28E agreement was never sent back to the Board of Trustees for re-consideration.

Lack of leadership with direction toward training new board members:

IMU is a complex organization. Trustees have a six-year term, which anticipates time in the early part of the term to familiarize themselves with the structure, laws, regulations, differences between the utilities, budget plans, operational plans, etc. Upon the start of a new Trustee, we also offer the following:

- Orientation, including tour of our facilities and time with each of our superintendents, department heads and General Manager
- Budget and financial orientations for newer trustees or those who desire a better understanding
- The General Manager, IMU staff, Board Chair, Vice-Chair, and current Board members are available to answer questions for new members
- Past agendas and Board minutes are available to new members

Lack of training with the General Manager/Lack of training with HR/Finance Director on IMU needs:

The Board is not aware of deficits in the training of staff members and is committed to providing support and on-going training whenever identified or needed.

- As IMU expands its scope and size of services it also expands the requirements of training and professional development.
- IMU training and development is an ongoing process, and as employees' job responsibilities change and expand, so does their training plan.
- The successful completion of required training is considered part of the IMU employee evaluation process, at every level, and is reviewed yearly.
- From top to bottom, the Board feels we have an outstanding IMU staff who are expected to be in good standing with their individual training goals.

Of note... At the conclusion of our FY2021 audit, Robert Endress from Denman & Company complimented both individuals in these roles for their hard work and professionalism.

Lack of response from General Manager to continued requests from the City:

Our General Manager, Superintendents, Managers and the entire IMU workforce are busy, productive

individuals. Keeping the lights on, the water running, and the internet connected takes priority over all else. It is a 24-hour job that requires concentration, knowledge, skill, and lots of uninterrupted time.

- A complaint against our IMU General Manager from the former City Manager regarding 'response time to emails' was shared with our IMU Board Chair by the former Mayor.
- Appropriate response time to email communications from City personnel was addressed with our IMU General Manager by the Board of Trustee's Chair
- The IMU General Manager provided copies of his email communications from City personnel at that time.
- The response times were shown to be reasonable.
- A request was then made by our Board Chair, through the former Mayor, to have the City send copies of any emails that showed an unreasonable response time for our review.
- No examples of emails from the City were ever provided showing inappropriate response times by the General Manager.

Lack of strategic response to customer concerns:

The Board of Trustees are not aware of any customer concerns that have not been addressed in an appropriate and timely manner. Therefore, we are unable to respond to this allegation.

Following are additional allegations stated in City Council meetings or the local media:

- Rate studies have not occurred for water and electric – Rate studies for the electric utility are regularly conducted every few years. Rate studies have not been conducted for the water utility in a number of years but such a rate study was conducted recently. There were key strategic planning issues that needed to be decided before additional rate studies could be prepared. With the strategic plan finalized, these rate studies can be prepared.
- Water rates have remained flat for a decade – The IMU Board of Trustees takes rate increases very seriously and prefers to avoid rate increases when they are not needed. In the case of the water utility, the Water Superintendent and employees should be commended for their diligence in keeping water utility costs low, which has prevented the need for rate increases.
- Water plant outdated and in need of replacement – The IMU water plant is not outdated. With proper maintenance and upgrades that have occurred over the years and will continue in the future, we believe the water plant has a least another 25 years of life. Maintenance and upgrade needs are regularly discussed by the Board of Trustees as part of the 5-year capital plan for the water utility.
- IMU has transferred water rights away from IMU – IMU has not released any water or electric territory to any other entity. In fact, the most recent territory change was a purchase of water territory north of town.
- IMU has not considered any sustainability initiatives – IMU works closely with the Indianola Sustainability Committee and their members regularly attend Board of Trustee meetings, including the recent strategic planning session. IMU updated its energy conservation rebates within the past two years, at least partially upon the request of the Sustainability Committee. IMU has considered solar projects several times over the years and are currently considering a

new solar project that would result in a portion of Indianola's electric load coming from the locally installed solar array.

- IMU Trustees have focused on the fiber/communication utility and have ignored the water and electric utilities – This statement is simply not true and the meeting records of the Board of Trustees provide a documented record of the attention paid to all utilities.
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In closing, it is our hope that this report puts recent, unwarranted attacks and allegations towards IMU to rest. We want to be the model of how a municipal utility can work, side by side, as equal partners, with the City of Indianola for the betterment of the community. We hope this report accomplishes the following:

- Clarifies numerous misconceptions and corrects numerous misstatements of fact and inaccurate information
- Clarifies IMU's role as a municipal utility
- Clarifies the roles of IMU Trustees, managers, and employees
- Clarifies IMU's responsibilities to the community of Indianola and the IMU ratepayers
- Educates on IMU's processes including why and how we make decisions

Lastly, any time you have any questions, we encourage you to give one of us a call. We will always make ourselves available to resolve any concerns or answer any questions you may have.

Sincerely,

IMU Board of Trustees