

# South Suburban Joint Action Water Agency

## Minutes of May 31, 2012 Regular Meeting

A public notice of the regular meeting and agenda was posted in the Markham City Hall on May 25, 2012.

The regular meeting of May 31, 2012 was held in the city council chambers of the Markham, Illinois City Hall and called to order by Director Don Peloquin and the Pledge of Allegiance recited at 4:15 p.m.

The roll call of agency directors recognized Directors: Peloquin, Blue Island; Kitching, Alsip and Alternate Directors: Howard, Markham; Carter, Robbins; Nesbit, Harvey and Denson, Calumet Park. A legal quorum was declared. Director Stephens, Midlothian arrived at 4:30 p.m.

### Additional Present:

Brett Postl & Dan Donahue, Postl-Yore & Associates, Inc.; Joe Letke & Dave Schutter, Letke & Associates, Inc.; Wayne Pierce & Susan Homeier, Stern Brothers; Jim Snyder, Steve Washington & Mike Roth, Ice Miller LLP; Alderman Donna Barron, & former Alderman Geraldine Dudeck City of Markham; Manager Kent Oliven; Village of Calumet Park and Ron Young, Blue Island

A motion was offered by Director Kitching seconded by Alternate Director Howard to appoint Director Peloquin temporary Chairman in the absence of Chairman Webb and Vice Chairman Brodie.

Motion Discussion: none

Motion Voice Vote:

Motion approved: 6 yea/ 0 nay/ 0 abstain/ 1 absent

In the absence of Agency Counsel Burt Odelson, Ice Miller attorney Mike Roth was requested to act as temporary Agency Counsel

A motion was offered by Director Kitching seconded by Alternate Director Howard to approve the minutes of the agency regular meeting of May 10, 2012.

Motion Discussion: none

Motion Voice Vote:

Motion approved: 6 yea/ 0 nay/ 0 abstain/ 1 absent

The Agency Chairman offered no comments.

Agency Program Manager Brett Postl requested agency member municipalities who have not appointed alternate directors or submitted alternate director appointment letters to the agency secretary please do so as soon as possible.

Postl requested agency member municipalities assemble three years of wholesale water billing invoices for determination of the municipality's actual metered water demand as a basis for future declared system design capacity decisions.

Director Peloquin asked Mr. Postl to explain the difference between agency members preliminary design capacity established in agency Resolution 2012-R-7 and a final design capacity.

Program Manager Postl explained establishing a preliminary design capacity is the foundation of the Preliminary Design and Feasibility Study and proportional distribution of each members share of the agency short term financing; and, each members preliminary design capacity in Resolution 2012-R-7, is their Illinois Department of Natural Resources 2012 Lake Michigan Water Allocation.

However, an agency member's state approved water allocation today may be greater than their current water demand or less than their future demand. Basing a member's final design capacity on their state water allocation could cause the member to over invest in agency system infrastructure and incur higher than necessary wholesale water rates or under invest in system infrastructure and cause their water demand exceed their design capacity supply.

The purpose of the analysis of three years of a member's wholesale water billing invoices is to establish the member's actual water demand and forecast future demand driven by natural growth and economic development. Once actual and future water demand is established, each agency member can declare a final design capacity, the member's system infrastructure investment can be fixed, long term water supply agreements between the agency and member can be executed and the agency system can be financed, designed and constructed.

Program Manager Postl requested agency directors authorize the agency

agency chairman to interview three attorneys to act as special counsel in the matter of the Memorandum of Understanding between the agency and the City of Whiting, Indiana. After a brief discussion, the agency directors deferred action on the request and recommended the agency chairman allow the agency counsel an additional seven days to finalize the memorandum.

A motion was offered by Director Kitching seconded by Director Stephens to allow agency counsel an additional seven days to deliver a draft Whiting Memorandum of Understanding and absent delivery authorize the agency chairman to engage special counsel.

Motion Discussion: noted previous to motion

Motion Roll Call:

Howard; Carter; Nesbit, Peloquin, Kitching, Stephens, Denson - Yes

Motion approved: 7 yea/ 0 nay/ 0 abstain/ 0 absent

Program Manager Postl distributed to the directors an informational booklet developed at the request of the Village of Midlothian on the subjects of the agency short term financing and proposed agency water revenue collection procedures, a comparison by population of the proposed agency water system to existing Illinois water systems; and, for the benefit of the new agency members, the agency by-laws.

Program Manager Postl reported a positive meeting between agency representatives and the Real Estate Division of Commonwealth Edison regarding the procurement of easements in the utility right of way for the agency pipeline; and, updated the directors on discussions with the Canadian National Railroad also on pipeline easements on their property.

Program Manager Postl proposed a month of June schedule for member municipalities to consider and adopt ordinances to facilitate the agency short term financing. The schedule allotted time for first and second readings and allowed time for agency professionals to attend meetings in all seven member communities to answer questions. The directors agreed to the proposed June scheduled and accepted the offer of attendance by agency professionals at their municipal board meetings.

Director Peloquin asked if non-home rule communities need to follow the same procedures as home rule communities in adoption of the agency short term financing bond ordinance. Ice Miller agency bond counsel Jim Snyder informed the directors home rule communities need do no more than pass the bond ordinance in accordance

with their procedural rules; however, Blue Island as the only non-home rule community member of the agency must first conduct a BINA public hearing and wait a statutory ten days before consideration of the bond ordinance.

The Agency Acting Secretary was absent and offered no report.

The Agency Treasurer/Financial Advisor Joe Letke distributed to the directors a Letter of Credit Term Sheet offered by PNC Bank to facilitate the agency short term financing. Mr. Letke explained his office solicited several financial institutions by name: Fifth Third Bank who manages the South Suburban Mayors and Managers Bond Bank, MB Financial, WinTrust, Urban Partnership and First American Bank in regard to participating in the agency short term financing and only PNC expressed an interest in working with the agency.

Mr. Letke briefly described the proposed structure of the agency short term borrowing and terms and conditions of the PNC Bank Term Sheet to the directors. In Mr. Letke's opinion, the term sheet was a competitive proposal and fair arrangement for both the bank and the agency. Simply described, PNC Bank would issue a Letter of Credit to guarantee agency bond repayment, if agency member municipalities issued general obligation bonds to guarantee PNC's Letter of Credit.

Director Peloquin asked what effect tax caps would have on member municipalities issuing bonds to back the agency borrowing. Mr. Snyder explained for home rule communities tax caps have no effect on general obligation bonds; and, in the case of Blue Island, the agency's only non-home rule community, the bond obligation is deminimus and not restricted by a tax cap.

Director Denson asked if each member's proportional share of the agency borrowing is fixed or adjustable. Mr. Postl explained for the purpose of the agency short term borrowing, each agency member's proportional share fixes their maximum financial obligation for the term of the borrowing. In the event one or more agency members elects to discontinue agency membership and not participate in the agency short term borrowing, the program manager would recommend the agency reduce the amount of the borrowing in the amount of the discontinued member's proportional share so each remaining agency member can rely on its pre-agreed fixed maximum financial obligation and a recalculation of proportional share is not required.

Director Peloquin asked for additional details on the agency's variable rate borrowing. Mr. Letke explained the interest rate on the agency borrowing though annualized would be set on a weekly basis to benefit low interest rates. Mr. Pierce, the agency's bond underwriter said the current weekly variable rate is 1.2%.

Director Nesbit expressed concern over exposure to variable interest rates and asked how long the agency expected to be exposed to variable rates. Mr. Postl explained the agency short term borrowing is intended to remain open for 6-9 months until the conclusion of the agency's Preliminary Design and Feasibility Study. Once the study information is available the agency can move to long term Water Revenue Bond funding and retire participating members short term financing obligation.

Mrs. Postl, Letke, Snyder and Pierce all expressed a high regard for professional staff at PNC Bank who have taken the time to understand the unique nature of the agency's mission and membership and aided in resolving the legal, financial and political complexities of structuring the agency's short term financing.

Director Peloquin asked Acting Counsel Roth what proper action the agency can take to proceed with the PNC proposal in relation to the agency short term financing. Mr. Roth suggested the agency directors approve the PNC proposal and agency short term financing in concept and request the staff and agency members to proceed accordingly with all final actions by the directors reserved for the next agency meeting.

A motion was offered by Director Kitching seconded by Director Denson to approve the PNC proposal and the agency short term financing in concept and direct the staff to draft the appropriate ordinances to individual agency member municipalities for action.

Motion Discussion: noted previous to motion

Motion Roll Call:

Howard; Carter; Nesbit, Peloquin, Kitching, Stephens, Denson - Yes

Motion approved: 7 yea/ 0 nay/ 0 abstain/ 0 absent

The Agency Director offered no comments.

Director Peloquin requested an explanation of the agency appropriation categories listed in the appropriation ordinance. Mr Postl explained the professional services category of the appropriation ordinance includes payments for contractual professional services of the agency to date and to the end of the appropriation fiscal year. A substantial majority of the professional services appropriation is need to engage a half

dozen professional engineering firms to complete components of the agency Preliminary Design and Feasibility Study. The selection of the study engineering firms, approval of their contracts and subsequent payments on those contracts are at the prerogative of the agency directors. The insurance category is primarily for agency general and director liability insurance as the agency has no employees or assets to insure.

Director Peloquin requested the payment status on the professional service contracts of Postl-Yore, Letke & Associates, Odelson & Sterk and Ice Miller. Mr. Postl explained the agency 2012-2013 appropriation budget anticipates payments of previously deferred invoices from all four of the agency's professional service contractors subject to the approval of the directors. However, the portion of Ice Miller's professional service fees incurred in the preparation of the agency short term borrowing are not compensated in the appropriation budget; they are compensated in the borrowing issuance costs.

Director Peloquin asked the estimated amount of the agency's obligation to date for professional services contracted since June of 2011. Mr. Donahue estimated the agency financial obligation for contractual professional services from June 2011 to the completion of the agency short term financing to be more than \$750,000 and less than \$1,000,000.

Mr. Letke described the facility cost category of the agency appropriation as funds budgeted to finalize terms of the agency's memorandum of understanding with the City of Whiting, Indiana and the administrative category as anticipated costs of agency office expense, postage, legal notices, stationary, etc. Mr. Letke defined the development contingencies budget category as unspecified funds available to the agency if needed but without a specific intended use at this time. If the contingency funds are not needed, member municipalities financial obligations would reduce proportionately.

Director Peloquin inquired if the agency anticipates hiring employees. Mr. Postl stated he saw no need for agency full or part-time employees until such time the agency has undertaken building a water system and prepares for operation.

Director Peloquin inquired if the fee structure of the project/program manager's contract with the agency, originally based a smaller sized agency project, was negotiable. Mr. Postl agreed any significant change in the size or scope of the project or duties and responsibilities of the program manager could warrant a negotiated adjustment in the fee structure.

Directors Peloquin, Denson, Stephens and Kitching all expressed a need to see an accurate estimate of the agency's accrued financial obligations to its professional service vendors.

Director Peloquin inquired if a municipality could use funds other than their property tax levy dedicated to the agency short term financing, for instance a water rate increase, to cover their financial obligation to the agency. Mr. Schutter and Snyder informed the agency directors municipalities are at liberty abate all or part of their agency bond tax levy and satisfy their agency financial obligation with any municipal funds available.

Mr. Postl directed the agency director's attention to the exhibit tables in the agency financial advisor's short term financing handout which show each agency member's alternate revenue potential from a modest 5 to 7 cents per thousand gallon increase in their retail water rate to their current customers.

A motion was offered by Director Denson seconded by Director Kitching to approve Ordinance 2012-O-1 for agency appropriations for the Fiscal Year May 1, 2012 to April 30, 2013

Motion Discussion: noted previous to motion

Motion Roll Call:

Webb; Carter; Nesbit, Peloquin, Kitching, Stephens, Denson - Yes

Motion approved: 7 yea/ 0 nay/ 0 abstain/ 0 absent

Mr. Ron Young of Blue Island spoke under public comments.

A motion was offered by Director Howard seconded by Director Stephens to adjourn to the agency regular meeting.

Motion Discussion: none

Motion Voice Vote:

Motion approved: 7 yea/ 0 nay/ 0 abstain/ 0 absent

The regular meeting adjourned at 5:40 pm.

The next regular meeting of the South Suburban Joint Action Water Agency is scheduled for 4:30 p.m. on Thursday, June 28, 2012 in the city council chambers of the Markham City Hall.