

**FINANCE COMMITTEE**  
**March 10, 2014 - Official**  
**4:30 p.m.**

Members Present: Brian Lauer, Rick Albee, Gil Amborn, Cindy Gauger and Ron Kluth

Also Present: Rebecca Ewald, Lori Peternell, Stephanie Charapata, Rick Mueller and James Mann

Lauer called the meeting to order at 4:35 p.m.

Motion made by Amborn, seconded by Kluth to approve the February 10, 2014 Regular Meeting Minutes. Motion carried unanimously.

The Committee reviewed the budget/planning policy and procedure for nonrecurring items that was originally discussed at the December 2013 meeting. Discussion was held regarding how to budget and track funds allocated within the categories of the policy. The intent of the policy is to have a fund created for non-recurring items that are categorized as either capital or non-capital items in the annual budget and have the funds available when needed. Amborn will meet with Peternell to discuss the forms and spreadsheets that will be drafted for review at the April Finance meeting for possible recommendation to the Village Board.

The Committee reviewed the Accounts Payable Procedure. Peternell stated this was reviewed by department heads on March 5<sup>th</sup> and it was the consensus of the group that the policy should be recommended to Finance Committee as written. Peternell stated that the Deputy Treasurer assisted in drafting the policy to reflect current practices. Motion made by Gauger, seconded by Albee to recommend Village Board approval of the Accounts Payable Procedure as presented. Motion carried unanimously.

The Committee reviewed Resolution #751 – A Resolution to Write-Off Aged Rescue Billing and Medicare Rescue Billing. Kluth noted that the resolution as presented did not include 2013 rescue billings in the amount of \$14,830.01 in the body of the resolution, but was included in the total of \$127,156.95. Motion made by Kluth, seconded by Gauger to recommend Village Board approval of Resolution #751 with including the 2013 Rescue billing total in the body of the resolution. Motion carried unanimously.

Jim Mann from Ehler's presented the Committee with information regarding refunding opportunity for the CDA Lease Revenue bonds. The Tax Increment District #2 (TID #2) is projected to run deficits for the foreseeable future without significant development in the TID. The current value of TID #2 is just over \$27 million, which generated approximately \$700,000 of increment revenue. Current obligations of the TID result in debt payments of approximately \$1 million through 2023. Without additional development or refunding of the bonds, the TID is projected to close with a deficit fund balance of approximately \$1.2 million.

Mann stated that the CDA Lease revenue bonds are callable on October 1, 2014. The initial analysis shows the Village could potentially achieve savings of approximately \$70,000 per year or a gross of \$440,000. Mann stated that the revenue stream is likely inadequate to allow only CDA lease revenue bond to be sold. The revenue coverage should be at least \$1.10 for every \$1.00 of debt service. If a straight refunding was done, the estimated shortfall at the close of the TID would be approximately \$800,000. Issuance costs were estimated at \$147,893 for refunding of CDA lease revenue bonds. Mann stated that issuance costs of a CDA lease revenue bond tend to be high when compared to General Obligation because of the complexity of the refunding and the revenue for repayment is less secure on CDA lease revenue bonds.

Mann discussed (2) additional refunding options. One is to do a hybrid refunding that would consist of CDA Lease Revenue bonds equivalent to the existing revenue coverage and General Obligation (GO) bonds for the balance. The issuance costs for this option are approximately \$154,623. The issuance costs are higher for the hybrid option because it would be (2) separate issuances. If a hybrid of CDA Lease Revenue bonds and GO Bonds was done, the estimated shortfall at the close of the TID would be approximately \$800,000.

The second option is to convert the debt to General Obligation debt. By utilizing this option the debt payments would be included in the levy therefore it would have an impact on the overall debt capacity of the Village. Currently, the Village's debt capacity is approximately \$20 million and the Village's outstanding debt is approximately \$3 million. The TID would be making payments to the Village until the TID no longer has the revenue to do so. If the debt was converted to GO Bonds, the estimated shortfall at the close of the TID would be approximately \$300,000. Other items discussed were to utilize TID and general fund balance to pay down the debt along with refunding and options for structuring the debt.

Discussion was held regarding the Village going through the rating process to achieve better interest rates. If the Village were to obtain a rating in the middle "A" range additional savings of 25-30 basis points could be achieved on GO bonds. The rating costs are estimated to be around \$13,000 which would be made up by the savings achieved with a favorable rating. Mann stated that Ehler's could run some comparative numbers at no charge to the Village to determine if rating

would be beneficial. It was the consensus of the Committee that the Village Board should consider starting the rating process.

Ewald stated the CDA met on March 3<sup>rd</sup> and tabled the refunding for further review and possible development of a request for proposal for Financial Advisor Services due to the high issuance costs related to the refunding. Peternell stated that she put a request on the Clerk's network for examples of RFP's for Financial Advisor Services and has not received any responses yet. The Finance Committee discussed that they rather review existing RFP's instead of creating one. It was the consensus of the Committee to review any examples received at the April meeting and discuss at that time as to whether they will make a recommendation to the Village Board regarding an RFP for Financial Advisor Services.

Peternell presented the Committee with the Post-Issuance Compliance Policy for Tax-Exempt Obligations for review and discussion. Mann stated that the purpose of having a policy is to provide bond holders information on the activities of the Village to make sure we are complying with the regulations of the tax-exempt bonds. The IRS has indicated that Issuers who have such policies in place will receive more favorable treatment in the event that there is a tax problem with respect to one of their issues. Staff is recommending the Village adopt a Post-Issuance Compliance policy at this time because of the refunding opportunity. It was the consensus of the Committee to include the policy on the April agenda for Village Board recommendation. Ewald requested the Committee provide the Treasurer with any comments on the policy prior to the meeting so they can be incorporated.

Motion made by Albee, seconded by Kluth, to recommend to the Village Board approval of Village prepaid invoices in the amount of \$1,249,917.72. Motion carried unanimously.

Motion made by Kluth, seconded by Gauger to recommend to the Village Board approval of Village unpaid invoices in the amount of \$203,150.22. Motion carried unanimously.

Upon motion made by Amborn, seconded by Gauger, the meeting adjourned at 6:20 p.m. Motion carried unanimously.

Submitted by,  
Lori Peternell, CMTW  
Village Treasurer