

Minutes of the Finance Committee
Wednesday, 15 March 2007
(Approved May 9, 2007)

Called to order at 5:37 pm. Chair Sundquist, members Wellensiek, Wade, Strother and Benforado, Village Administrator Karl Frantz, and Clerk Cokie Albrecht were present. Members Weygandt and Ahmann were excused. Ms. Claire Peterchak from Baird and Associates was also present.

3. Approval of minutes: Motion by Mr. Benforado, second by Mr. Wade, the February 14, 2007 minutes were approved unanimously.

4. Review new auditing standards package: Mr. Frantz distributed materials on new auditing language warning that what used to be called a “reportable condition” will henceforth be called a “significant deficiency.” The letter also discussed three perennial such conditions/deficiencies common to most small communities: Mr. Frantz reported that short of hiring someone with high-level accounting training or contracting certain tasks, there is no way to avoid these conditions. Mr. Strother noted that we have insurance to cover potential errors, and Ms. Peterchak confirmed that conditions/deficiencies do not affect bond ratings. No action.

5. Equipment replacement plan: Following the Committee’s request that the Village equipment replacement plan be re-instated last month, Mr. Frantz distributed a new schedule. No action.

6. Capital financing plan: Mr. Frantz reported that both M&I Bank and Baird said that obtaining a short term line of credit, to finance capital projects with flexibility over the next few years before converting the debt to a fixed long-term loan or bond, was legally problematic for municipalities, besides having a high interest rate. Baird recommended a new-to-the-Village tool called a Note Anticipation Note, or NAN. Ms. Peterchak explained that a NAN is underwritten by the bond company and can be converted all or in part to a long-term bond issue at any time. Present NAN interest rates are less than that paid by investments such as the State Trust Fund, but are exempt from Federal arbitrage rules if the amounts are below \$5M and the money is used at a prescribed rate. If investment interest rates fall below the NAN rate, arbitrage does not apply in any case, and the Village has the flexibility to return unused NAN money without penalty after the first 9 months. After discussion the Committee agreed that at present interest rates the Village would benefit from the arbitrage, and that with the flexibility there appeared to be no downside to the NAN.

ACTION: Mr. Wellensiek moved and Mr. Strother seconded a motion to recommend that the Village Board authorize a NAN for \$2,525,000 with a three (3) year term, callable after 9 months, with the understanding that whatever portion of this is used on projects and equipment will be rolled over into a future bond issue. Passed unanimously.

Mr. Wellensiek requested clear delineation of amortization schedules in the future bond issue.

7. Review and recommendation on TID#2 closure: The Committee discussed the need to proceed now if the Village is to close the TID soon enough to receive additional general fund tax revenue in 2008.

ACTION: Mr. Wellensiek moved and Mr. Benforado seconded the recommendation that the Village Board authorize the steps necessary to close the TID#2 [These include the adoption of the Cash Defeasance Resolution to set up the fund to automatically repay the bond issue, and the TID#2 Termination Resolution]. Passed unanimously.

Baird presented a proposed time line for Board action, a defeasance example, a cash flow analysis, and a TID Closing Summary indicating payments to the general fund and to the other three taxing entities.

8. Village financial policy discussions were deferred.
9. No meeting date was set for April.
10. Adjourned at 6:30 pm.

Respectfully submitted
Mark Sundquist, Chair.