

**Minutes of the Finance Committee
Village of Shorewood Hills**

Wednesday, March 13, 2013

(scheduled for review at the April 10, 2013, Finance Committee meeting)

1. **Called to Order at 5:31 pm:**
 - A. **Committee Members Present:** Chair/Village Trustee Dave Benforado, Village Treasurer David Kuenzi, Dave Ahmann, Gard Strother, Karl Wellensiek. Village President Mark Sundquist and Fred Wade were excused.
 - B. **Others Present:** Village Administrator Karl Frantz, Village Clerk Cokie Albrecht, Brad Viegut (RW Baird).
2. **Discussion and possible recommendations on Village five year capital plan, 2013 capital plan budget, and 2013 capital and TID financings:**
 - A. Now that the audit of 2012 Village finances has been completed, K.Frantz updated the Committee on the status of Village capital fund balances and TIF District fund balances as of the end of 2012
 1. Capital fund balances (i.e., remaining funds from prior borrowings) as of the end of 2012 totaled \$522K as follows:
 - a. Water = \$115,768;
 - b. Sewer = \$193,270;
 - c. Stormwater = \$233,844; and
 - d. Capital Projects Fund = (\$20,749).
 2. TIF fund balances as of the end of 2012:
 - a. TID #3 = \$91,921; and
 - b. TID #4 = (\$136,068).
 - B. B.Viegut then presented a potential 2013 Village borrowing plan based on discussion and direction from the last two Committee meetings. Viegut discussed the differences between traditional municipal bonds and “note anticipation notes” (NANs), and provided an example financing plan and timeline.
 1. Bonds: there are statutory limitations regarding the issuance of municipal bonds: each initial resolution must delineate the project purpose and the not-to-exceed borrowing amount; each project is authorized by its own initial resolution; surplus funds cannot be shifted among projects authorized under separate resolutions (i.e., must maintain separate accounts through end of project); and, not all projects are eligible for bonding (e.g., new plow truck).
 2. Note Anticipation Notes: NANs offer municipalities increased flexibility: all projects and the issue amount authorized via one resolution; surplus funds for one project can be shifted to other projects authorized by the resolution; the borrowed funds can be used for “any public purpose”; after issuance of the NAN, it can be refunded with municipal bonds while preserving the flexibility offered by the NAN.

3. Example Financing Plan (NAN followed by refund municipal bond):
 - a. the NAN would have a 6 month maturity with a 2 month call feature (i.e., the Village would have the ability to prepay after two months);
 - b. estimated interest rate of 1.5% (versus bond interest rates that are in the range of 2.2% to 2.7%);
 - c. estimated issuance cost of \$28.5K (fees of RW Baird, Bond Counsel, rating agency);
 - d. assuming a 2 month NAN, a savings on interest compared with estimated interest on a bond of \$10K;
 - e. a net additional cost when compared with a traditional bond issuance of \$18.5K (i.e., \$28.5K less \$10K).
4. Example Timeline:
 - a. 3/13/13: Finance Committee borrowing recommendation to Village Board;
 - b. 3/18/13: Village Board consideration/adoption of initial borrowing resolutions;
 - c. 5/20/13: Village Board adopts Award Resolution for the taxable bonds (i.e., for the TIF incentives) and the NANs;
 - d. 6/10/13: Taxable Bonds and NANs close;
 - e. 7/15/13: Village Board adopts Award Resolution for the Refunding Bonds (i.e., refunding the NANs);
 - f. 7/16/13: Call notice for the NANs;
 - g. 8/5/13: Refunding Bonds close; and
 - h. 8/15/13: NANs called.

- C. After much discussion, the Committee consensus was that the flexibility afforded the Village by the issuance of the NAN was worth the additional issuance cost.
- D. **Motion by G.Strother, second by D.Kuenzi, to recommend to the Village Board the following borrowings as presented over the course of this meeting and the last two Committee meetings: approximately a \$3M tax-exempt NAN (to be followed two months after issuance with a tax exempt refund bond) and approximately a \$3M taxable bond (for TIF debt), directing RW Baird and bond counsel to prepare the appropriate resolutions with the precise amounts in the resolutions to be determined by Village staff. Motion passed (5-0).**
- E. K.Frantz then discussed the potential for rolling a refinancing of a 2004 Village loan from the State Trust Fund (the purpose of which was payment for unfunded pension liability) into the NAN issuance. After Committee discussion, the consensus of the Committee was that it would make sense to do so based on the NAN's much lower interest rate.
- F. **Motion by G.Strother, second by D.Kuenzi, to recommend that the Village Board consider utilizing the NAN for refinancing the Village's 2004 State**

**Trust Fund Loan instead of refinancing it through the State Trust Fund.
Motion passed (5-0).**

3. **Approval of Prior Meeting Minutes:**

A. The Committee reviewed the draft minutes from the February 13, 2013, Finance Committee meeting.

B. **Motion to approve the minutes by K.Wellensiek, second by D.Ahmann.
Motion passed (5-0).**

4. **Committee Agreed on the following Committee meeting dates:**

A. **Wednesday, April 10, 2013 (5:30 pm).**

5. **Adjourned:** at 7:20 pm.

Respectfully submitted by Dave Benforado on March 15, 2013.