

South Suburban Joint Action Water Agency

Minutes of July 26, 2012 Regular Meeting

A public notice of the regular meeting and agenda was posted in the Markham City Hall on July 24, 2012.

The regular meeting of July 26, 2012 was held in the city council chambers of the Markham, Illinois City Hall and called to order by Chairman David Webb and the Pledge of Allegiance recited at 4:35 p.m.

A motion was offered by Director Peloquin seconded by Director Kitching to appoint Michael Stillman of Odelson & Sterk acting Agency Secretary.

Motion Voice Vote:

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

The roll call of agency directors by the acting Agency Secretary recognized Directors: Webb, Markham; Peloquin, Blue Island; Denson, Calumet Park and Alternate Directors: Nesbit, Harvey and Gillis, Alsip. A legal quorum was declared. Alternate Director Carter, Robbins arrived at 4:45 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, Ice Miller LLP; Bill Owens & Bruce Mitchell, The Owens Group; James Quinn, Alsip Village Trustees; John Ryan, Agency Alternate Director Alsip; Mark Patoska, Agency Alternate Director Blue Island; Manager Kent Oliven; Village of Calumet Park.

A motion was offered by Director Peloquin seconded by Director Nesbit to approve the minutes of the agency appropriation public hearing of May 31, 2012.

Motion Voice Vote:

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

A motion was offered by Director Kitching seconded by Director Denson to approve the minutes of the agency regular meeting of May 31, 2012.

Motion Voice Vote:

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

The Agency Chairman offered no comments.

A motion was offered by Director Peloquin seconded by Director Kitching to suspend the order of the agenda to recess to executive session to discuss matters related to the agency treasurer, and; to limit the executive session to agency directors, alternate directors and the agency attorney. Agency Attorney Stillman stated executive session discussions regarding a specific agency employee or officer are permissible under state statutes.

Motion Roll Call Vote:

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

Yeas: Markham, Harvey, Blue Island, Alsip, Midlothian, Calumet Park

Absent: Robbins

A motion was offered by Director Peloquin seconded by Alternate Director Carter to resume the agency regular meeting and the order of the agenda.

Motion Voice Vote:

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

Acting Agency Secretary Stillman was authorized by the agency directors to read the following statement:

The Directors of the South Suburban Joint Action Water Agency have recently become aware of the personal and corporate bankruptcy filings of Agency Treasurer and Financial Advisor Joseph Letke. The directors have instructed agency counsel and special counsel to acquire the facts of the filings, determine the present and future legal and financial liabilities of the agency in relation to the filings, obtain a professional evaluation of his firm's work product for the agency, review the agency's contractual obligations to Mr. Letke and report their findings to the agency directors within ten days.

Agency Program Manager Brett Postl referred the directors to the program manager report in their meeting packets and discussed: recent individual members' approvals of the agency short term financing ordinances and the execution of Whiting/SSJAWA Memorandum of Understanding. Mr. Postl also offered the program manager's perspective on the pending agenda items of: the appointment of the agency secretary, the agency bylaw amendments, an agency funds disbursement policy and agency officer and director liability insurance and the agency financial obligations to date. Mr. Postl explained the reason the agency incurred higher bond issue issuance costs than estimated by agency financial advisor; and, the reason bond proceeds immediately

available to the project fund were substantially reduced from the financial advisor estimates. Mr. Postl stated the program managers short term project goals are: the finalization of negotiations with the City of Whiting, discussions with individual member municipalities on water demand, discussions with public and private Right of Way property owners, the drafting of agency and member customer water purchase agreements and the initiation of a Request for Proposal (RFP) process to select project segment design engineering firms.

Director Peloquin requested a more specific timetable for director consideration of engineering firms RFP's. Mr. Postl expressed his intent to produce RFP information with the directors at the next regular agency meeting in August.

Acting Agency Secretary Michael Stillman stated the proposed bylaw amendments in the directors packets are subject to a 30 day review and comment period; and, absent amendment or extension, will be considered at the agency meeting in August.

Agency Treasurer Joe Letke distributed and discussed two financial schedules: a Master Levy schedule including sub-schedules for each member municipality which details bond principal, interest, fees, expenses and bond balance through the term of the bond; and, a Sources and Uses of bond issue Schedule detailing the Par value of the bond, underwriters discount, issuance costs, capitalized interest and funds available to the project.

Director Peloquin inquired as to the current interest rates for bonds of the agency nature. Mr. Letke replied approximately one quarter of one percent. Director Peloquin further inquired as to expected interest rate increases. Mr. Wayne Pierce of Stern Brothers replied the agency can expect similar extremely low interest rates for at least the coming year.

A motion was offered by Director Peloquin seconded by Director Kitching to appoint Michael Stillman of Odelson & Sterk Agency Secretary.

Motion Voice Vote:

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

Agency Secretary Stillman requested directors review the agency bylaw amendments and forward any comments and suggestions regarding the amendments to him before the next regular agency meeting.

A motion was offered by Director Peloquin seconded by Director Kitching to adopt the Agency Disbursement Policy and Procedure proposed by the Program Manager.

Motion Voice Vote:

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

Mr. Bill Owens of the Owens Insurance Group explained his firm was contacted by the agency program manager and financial advisor to discuss insurance matters with the agency directors. Mr. Owens stated his qualifications and experience as a local government insurance broker and discussed the cost and coverage of Agency Officer and Directors Liability Insurance.

A motion was offered by Director Peloquin seconded by Director Stephens to authorize the agency chairman to execute an Agency Officer and Directors Liability Insurance policy with Owens Insurance Group.

Discussion: Director Peloquin requested, with regard to future insurance coverage, the agency seek three proposals for consideration.

Motion Voice Vote:

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

Mr. Jim Snyder of Ice Miller, bond counsel for the agency bond issue, summarized the progress of the agency bond issue and the nature of the bond issue documents in the directors meeting packet. Mr. Snyder reported his expectation of a mid-August sale of bonds with bond proceeds immediately available to the agency.

A motion was offered by Director Peloquin seconded by Alternate Director Nesbit to approve resolution 2012-R-9 authorizing the Agency to enter into (1) an Indenture of Trust dated July 1, 2012 with Amalgamated Bank of Chicago, as Trustee, (2) a Member Guaranty Agreement to facilitate the issuance of \$5,600,000 of bonds dated July 1, 2012 (3) a Reimbursement Agreement (4) a Remarketing Agreement (5) a Bond Purchase Contract (6) and Offering Memorandum

Motion Roll Call Vote:

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

Yeas: Markham, Robbins, Harvey, Blue Island, Alsip, Midlothian, Calumet Park

A motion was offered by Director Peloquin seconded by Director Stephens to approve the outstanding financial obligations of the agency subject to approval by bond and issuers counsel as bond proceed eligible expenses.

Discussion: Director Peloquin expressed concern the Postl-Yore program manager fee structure rate which may have been an reasonable at the original estimated project cost of \$150 million dollars is not reasonable at a revised estimated project cost of \$300 million dollars and suggested the program manager contract be subject to renegotiation. Alternate Director Nesbit expressed concern the original program manager contract between Postl-Yore and the agency was approved by the agency when the agency consisted of only two members and a contract of the size and scope of the Postl-Yore agreement should be subject to the approval of a majority of the now seven member board. Director Kitching asked for an explanation of the term discount in the Post-Yore invoices presented for payment. Program Manager Postl acknowledged the cost of the proposed agency project has doubled since the agency approved the program manager agreement; and agreed, a future negotiated adjustment of the program manager fee structure approved by the seven member agency would be reasonable. Mr. Postl explained his use of the term discount in program manager fee billing reflects his payment request of 25% of the total fees invoiced for the previous 12 months and a 50% of the total fees invoiced for the 13 month of his agreement. Mr. Postl acknowledged, absent mutual agreement, the total program manager invoiced to date remains a financial obligation of the agency.

Motion Roll Call Vote:

Motion approved: 5 yea/ 1 nay/ 1 abstain/ 0 absent

Yeas: Markham, Robbins, Blue Island, Midlothian, Calumet Park

Nays: Harvey

Abstain: Alsip

Public Comments were offered by Carol Green, Blue Island; Deb Spooner, Blue Island; Alan Stevo, Blue Island

A motion was offered by Alternate Director Nesbit seconded by Alternate Director Carter to adjourn the regular meeting.

Motion Voice Vote:

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

The regular meeting adjourned at 6:23 pm.

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