

Public Water Supply District #2 of St. Charles County, Missouri
Minutes of the November 30, 2016 Special Board Meeting

Denis Raab, President
Vicky Steinkamp, Director

John Cook, Vice President

Jim Inghram, Director

Kim Cantrell, Clerk
Brian Pieper, Operations Mgr.

Ron Smith, General Mgr.

Matt Jaspering, Engineer

Mark Piontek, Attorney

Bob Schwermann, Financial Advisor

A special meeting of the Board of Directors of Public Water Supply District #2 of St. Charles County, Missouri, was held on November 30, 2016, at the Water District offices, 100 Water Drive, O'Fallon, Missouri, at 6:30 PM.

Denis Raab, President, called the meeting to order. Kim Cantrell served as Clerk of the meeting and attested that notice of the meeting was duly and timely posted.

The following directors were present: Denis Raab, John Cook, Vicky Steinkamp and Jim Inghram.

Vicky Steinkamp motioned to call the meeting to order, seconded by John Cook, all yeas, motion carried.

Denis Raab announced that the first order of business was consideration of refinancing certain outstanding lease obligations providing financing for the District's water supply and distribution and sewer collection and treatment system and in connection there with refunding certain outstanding Series 2005A Certificates of Participation and Series 2011 Certificates of Participation encumbering the (Public Water Supply District No. 2 of St. Charles County, Missouri Project), Series 2016C in the principal amount not to exceed \$47,640,000.00 had been submitted by Piper Jaffray & Co. and associated underwriters.

Bob Schwermann of Ranson Financial Corp. was called upon to discuss the details of the refunding certificates of participation. Mr. Schwermann said they have been working on the refunding for about four months and that interest rates are higher today than when they started. The proposal the District received from the underwriters has a net interest cost of 4.0538% and an arbitrage interest rate of 3.5236%. This arbitrage rate is the rate the Treasury Department requires to be reported. He said the general consensus in the marketplace is that interest rates are increasing and will continue to increase. The unknown is how high will rates go and how fast will they increase.

Mr. Schwermann said converting the variable rate issues to a fixed rate was the conservative and secure approach to stabilizing the District's future debt structure. The conversion removes the risk of an unknown increase in interest rates from the District's future debt structure. Mr. Schwermann provided some historical background charts to the Board showing former interest rate levels and movements.

The aforesaid financing and the proposal, including the rentals payable under amended lease and specific terms of the lease participation certificates and the terms of sale thereof, as well as various costs of financing, were considered and discussed by the Board of Directors and upon duly made by John Cook and seconded by Vicky Steinkamp and passed by unanimous vote, the following resolution and sale of the certificates by the District to the underwriters was considered:

RESOLUTION AUTHORIZING A THIRD AMENDMENT TO 2015 PROJECT LEASE AGREEMENT AND APPROVING THE ISSUANCE OF REFUNDING CERTIFICATES OF PARTICIPATION (PUBLIC WATER SUPPLY DISTRICT NO. 2 OF ST. CHARLES COUNTY, MISSOURI PROJECT), SERIES 2016C, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$47,640,000 TO PROVIDE FUNDS TO REFUND THE OUTSTANDING SERIES 2005A CERTIFICATES AND SERIES 2011 CERTIFICATES AND THE RELATED LEASE OBLIGATIONS OF THE DISTRICT, AND THEREBY REFINANCE A PORTION OF THE DISTRICT'S WATER SUPPLY AND DISTRIBUTION AND SEWERAGE COLLECTION AND TREATMENT SYSTEM; AND AUTHORIZING AND APPROVING CERTAIN DOCUMENTS AND RELATED ACTIONS IN CONNECTION WITH THE ISSUANCE OF SAID CERTIFICATES

Thereupon, the resolution was read and the adoption of the resolution was considered and put to a roll call vote, the vote thereon was as follows: Denis Raab voted yea, John Cook voted yea, Vicky Steinkamp voted yea, all yea, motion carried.

Denis Raab stated that the Board would like to hold a Special Meeting to review the Alliance Agreement on December 15, 2016 at 6:00 pm. After further discussion, John Cook motioned to hold a Special Meeting on Thursday, December 15, 2016 at 6:00 pm, seconded by Vicky Steinkamp, all yea, motion carried.


Kim Cantrell presented the list of bad debts to be considered for write-off. Mrs. Cantrell reported that the bad debt list totals \$18,018.33. Mrs. Cantrell reassured the Board that this amount is being written off, but these accounts have been turned over to collections and staff would continue to pursue collections on these accounts. After further discussion, Vicky Steinkamp moved to approve the list of bad debts totaling \$18,018.33, seconded by John Cook, all yea, motion carried.

Mark Piontek stated that he received a call from the Bond Counsel regarding purchase of the East Central System and discussed in detail the options available and stated it is his recommendation to proceed with the Optional Method and pay a premium.

John Cook made a motion to recommend to Berry Venz, Ted Gaffney and Dale Franklin of the East Central Board that it would be best they resign due to 'No Confidence' and it would benefit the rate payers, seconded by Vicky Steinkamp, all yea, motion carried.

Denis Raab inquired if there was any other business to come before the Board. Being no other business, John Cook motioned to adjourn the meeting; Vicky Steinkamp seconded, all yea, motion carried.

Minutes approved this 8th day of February, 2017



Denis Raab, President



Kim Cantrell, Clerk

