

Public Water Supply District #2 of St. Charles County, Missouri
Minutes of the May 9, 2018 Regular Board Meeting

Denis Raab, President
Vicky Steinkamp, Director
Darrell Dechant, Director

John Cook, Vice President
Kay Schnurr, Director

Mark Piontek, Legal Counsel
Brian Schwermann, Financial Consultant

Bob Schwermann, Financial Consultant

Kevin Dunn, General Manager/Treasurer
Jay Favor, Project Mgr.-Woodard& Curran
Scott Hoffman, Accountant-Anders

Kim Cantrell, Clerk
Ken Stecher, Engineer Manager

The regular meeting of the Board of Directors of Public Water Supply District #2 of St. Charles County, Missouri, was held on May 9, 2018 at the Water District offices, 100 Water Drive, O'Fallon, Missouri, at 6:30 PM.

Denis Raab 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, Kay Schnurr and Darrell Dechant.

John Cook motioned to open the Regular meeting held on May 9, 2018, seconded by Kay Schnurr, all yea, motion carried.

Kay Schnurr moved to adopt the agenda as presented, seconded by Vicky Steinkamp, all yea, motion carried.

Denis Raab requested review and discussion of the April 11, 2018 Regular Board meeting minutes, John Cook motioned to accept the April 11, 2018 Regular Board meeting minutes as presented, seconded by Vicky Steinkamp, all yea, motion carried. Next, Denis Raab requested review and discussion of the April 5, 2018 Special Board meeting minutes, Kay Schnurr motioned to accept the April 5, 2018 Special Board meeting minutes as presented, seconded by Vicky Steinkamp, all yea, motion carried. Next, Denis Raab requested review and discussion of the April 23, 2018 Special Board meeting minutes, Vicky Steinkamp motioned to accept the April 23, 2018 Special meeting minutes as presented, seconded by Kay Schnurr, all yea, motion carried. Lastly, Denis Raab requested review and discussion of the April 27, 2018 Special meeting minutes, Kay Schnurr motioned to accept the April 27, 2018 Special meeting minutes as presented, seconded by Vicky Steinkamp, all yea, motion carried.

Denis Raab presented the list of bills and additions for review and consideration. Kay Schnurr motioned to approve all the bills as presented, seconded by Darrell Dechant. John Cook requested a Roll Call vote, Kim Cantrell took a Roll Call vote: Darrell Dechant voted yea, Vicky Steinkamp voted yea, Kay Schnurr voted yea, John Cook voted no, Denis Raab voted yea, motion carried.

Denis Raab reported that Alliance has not responded to the latest proposal for the Settlement Agreement.

After further discussion, John Cook motioned to reconsider the payment of \$208,341.75 to Alliance Water Resources, seconded by Denis Raab. Kim Cantrell took a Roll Call vote: Darrell Dechant voted yea, Vicky Steinkamp voted yea, Kay Schnurr voted yea, John Cook voted yea, Denis Raab voted yea, motion carried.

Denis Raab requested Kevin Dunn review the District's Treasurer's Report Mr. Dunn reviewed the District's Treasurer's Report including the Summary of Bank Accounts for the period ending March 31, 2018. Mr. Dunn explained that all the financial statements are not included this month due to the transition. Scott Hoffman of Anders updated the Board on the processes taking place. After further discussion, Denis Raab motioned to approve the Treasurer's Report as presented, seconded by Darrell Dechant, all yea, motion carried.

Brian Schwermann provided an update for the upcoming Certificate of Participation financing. A binder that contains financial and statistical information on the District as well as legal and issuance documents for the financing was distributed to each board member. The schedule is to close the financing on or near July 1, 2018. A rating request will be presented to Standard and Poor's next week. Brian Schwermann stated that due to the financial strength of the District an additional bond reserve will not be required. Also, a rate increase is not necessary to cover the debt service on the new issue. It was recommended that the District continue with the strategy of implementing annual cost of living/inflation increases to the water and sewer rates. Kevin Dunn mentioned that the District needs to pass an updated budget and the timing would be good to incorporate the cost of living increase into the amended budget.

Brian Schwermann recommended the District wait until next year to firm up the Districts remaining bond issue needs. He stated it appears the District will need about \$10,000,000 next year to complete the LSL sewer project and additional funds may be needed to connect to and upgrade the Wright City water and sewer system. He also mentioned ECM may want to sell their systems to the District, which may require certain additional bond funds. He also noted that as the new operator and engineers become familiar with the District's water and sewer systems additional funds may be needed for system upgrades and improvements. He stated that above needs are too imprecise to finalize a bond issue amount at this time. He said a year from now the District will be able to determine the size and date when a new bond issue will be needed.

Brian discussed the deposits and transfers that need to be made each month to the Debt Service Fund to cover the semi-annual debt service payments due June 1 and December 1 of each year. Brian Schwermann will work with and assist Kevin Dunn, Stifel Nicolaus & Company and Bank of New York Mellon Trust Company to ensure that adequate funds be available in each Certificate Fund to cover the semi-annual debt service payments due on each bond issue.

Brian Schwermann discussed the need for the District to recognize the firms and underwriters that will be providing services to the District in the upcoming bond issue. He said the District needs to identify, employ or renew the contracts of the principal professional service providers associated with the issuance of the series 2018 Certificates of Participation.

The following resolution was considered and discussed by the members of the Board of Directors and upon motion duly made by Kay Schnurr and seconded by Vicky Steinkamp the following resolution was passed by unanimous vote.

A RESOLUTION EMPLOYING AND/OR CONFIRMING THE PROFESSIONAL SERVICE CONTRACTS OF RANSON FINANCIAL CORP., FOR FINANCIAL ADVISORY SERVICES, LEWIS, RICE & FINGERSH, L.C. FOR PROFESSIONAL LEGAL SERVICES, GILMORE AND BELL AS BOND COUNSEL AND DISCLOSURE COUNSEL, BRYAN CAVE AS UNDERWRITERS COUNSEL, STANDARD AND POOR'S AS RATING AGENT AND THE BANK OF NEW YORK TRUST COMPANY, N.A., AS TRUSTEE. THE DISTRICT HEREBY AUTHORIZES THE EXECUTION OF SAID PROFESSIONALS AGREEMENTS BY THE DISTRICT'S PRESIDENT AND CLERK. THE DISTRICT ACKNOWLEDGES THE ENGAGEMENT OF HOCHSCHILD, BLOOM & COMPANY LLP, FOR FISCAL YEAR 2017 AIDOTOMG SERVICES AND AFFIRMS THE LONG TERM OPERATING AND MANAGEMENT CONTRACT WITH WOODARD & CURRAN FOR CONTRACT OPERATION OF THE DISTRICT WATER AND SEWER FACILITIES. THE DISTRICT HEREBY DESIGNATES PIPER JAFFRAY & CO., AS SENIOR UNDERWRITER FOR THE ABOVE-REFERENCED SERIES 2018 CERTIFICATES OF PARTICIPATION AND ACKNOWLEDGES US BANK CORP., STIEFEL, NICOLAUS & COMPANY, INC., AND HILLTOP SECURITIES AS CO UNDERWRITERS. THE DISTRICT ADDITIONALLY AUTHORIZES THE CLERK, MANAGER OR BOARD PRESIDENT TO EXECUTE THE UNDERWRITING DISCLOSURE FORMS OF THE UNDERWRITERS (G-17/23), AND THE ENGAGEMENT LETTER(S) OF THE UNDERWRITERS AND THE COMMENT LETTER TO STANDARD AND POOR'S FOR RATING SERVICES.

Denis Raab requested Kevin Dunn provide an update on the transition. Mr. Dunn provided information on the employee orientation, the purchase of vehicles, the training and the updated accounting procedures.

Kevin Dunn introduced Ken Stecher the Districts new Engineering Manager.

Denis Raab made a motion to move the time of the District meetings back to 6:00 PM starting with the July Board meeting, seconded by John Cook, all yea, motion carried.

Mark Piontek informed the Board that there is a Mediation Agreement meeting scheduled for June 4, 2018 at 9:00 AM at the Greensfelder, Hemker & Gale offices.

Mark Piontek stated the need for the Board to reorganize and select its President, Vice President, Treasurer and Clerk for the period of May 2018 through April 2019. After further discussion, John Cook made a motion to approve Denis Raab as President, seconded by Kay Schnurr, all yea, motion carried. Denis Raab nominated John Cook as Vice President, seconded by Kay Schnurr. Denis Raab made a motion to approve Kevin Dunn as Treasurer, seconded by Vicky Steinkamp, all yea, motion carried. John Cook made a motion to approve Kim Cantrell as Clerk, seconded by Kay Schnurr, all yea, motion carried.

Vicky Steinkamp made a recommendation for Jim Inghram to be a candidate for the ECM Board, seconded by John Cook. Kim Cantrell called a roll call vote: Denis Raab voted yea, John Cook voted yea, Kay Schnurr voted yea, Vicky Steinkamp voted yea, Darrell Dechant voted yea, motion carried.

Kay Schnurr informed the Board she had received a call from Tim Tobin of OMNI Management Group with regards to the Montrachet irrigation accounts and the deposit that has been applied. After further discussion, the Board stated they would not waive the deposit; however if Mr. Tobin would like to attend the June meeting he is more than welcome.

Denis Raab requested that Jay Favor of Woodard & Curran provide the Board with an update on the operations of the District. Mr. Favor reported on the operations and maintenance of the District's water and sewer systems and other facilities during the month of March 2018. Mr. Favor informed the Board that all contractual agreements and asset inventory are very near to being completed. Mr. Favor stated that preventative maintenance program and training are underway, chemical and parts inventory is completed, plant capacity inventory is completed and staffing on boarding is nearly complete. Mr. Favor also stated there will be a presentation at the June meeting on the new systems. Mr. Favor informed the Board that they have an individual starting on Monday, they have an offer extended for another to be on the waste water crew and additional interviews scheduled for the waste water crew to get them back up to being fully staffed.

John Cook requested that Woodard & Curran start doing the water sampling at the well fields. Jay Favor stated that staff will look into this.

Denis Raab requested Ken Stecher present the Engineering report. Mr. Stecher pointed out some of the highlights. Mr. Stecher informed the Board that the due diligence is being done on the Wright City system.

Ken Stecher opened discussion regarding the IPI Contract #3. After further discussion, Kay Schnurr motioned to approve Contract #3 with IPI pending review of the terms and conditions, seconded by Vicky Steinkamp, all yea, motion carried.

Ken Stecher explained that Lombardo Homes of St. Louis has completed all obligations to the District at this time for the 2001 Diehr Road Water Main Extension 3-year escrow agreement and at this time staff recommends releasing Lombardo Homes remaining security deposit of \$5,000.00 for the 2001 Diehr Road Water Main Extension. After further discussion, Kay Schnurr motioned to approve the release of the \$5,000.00 security deposit to Lombardo Homes, seconded by Vicky Steinkamp, all yea, motion carried.

Ken Stecher explained that Lombardo Homes of St. Louis has completed all obligations to the District at this time for the Oakhurst Phase 2 3-year escrow agreement and at this time staff recommends releasing Lombardo Homes remaining security deposit of \$5,000.00 for the Oakhurst Phase 2. After further discussion, Kay Schnurr motioned to approve the release of the \$5,000.00 security deposit to Lombardo Homes, seconded by Darrell Dechant, all yea, motion carried.

Denis Raab opened the floor for Public Comment. Dan Oberle thanked the Board for all of the changes and requested that the operational changes occurring be recorded to reflect what all the Board has done.

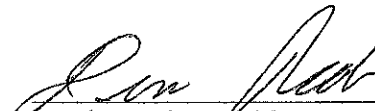
Denis Raab stated there are matters for which the Board should convene in executive session pursuant to Section 610.022(1) and Sections 610.021(1) and (2) RSMo to discuss matters involving legal actions, confidential and/or privileged communications between District Officials, its representatives and its attorneys, and/or leasing, purchase or sale of real estate. Kay Schnurr motioned to close the regular session and convene to an executive session; seconded by Darrell Dechant. Kim Cantrell called a roll call vote: Vicky Steinkamp voted yea, Kay Schnurr voted yea, John Cook voted yea, Denis Raab voted yea, Darrell Dechant voted yea, all yea, motion carried.

Kay Schnurr motioned to adjourn the Executive Session and reopen the Regular Session; Darrell Dechant seconded. Kim Cantrell called a roll call vote: Kay Schnurr voted yea, John Cook voted no, Vicky Steinkamp voted yea, Denis Raab voted yea, Jim Inghram voted yea, motion passed.

Kay Schnurr made a motion to pay Alliance the \$208,341.75, 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 items for business, Kay Schnurr motioned to adjourn; Vicky Steinkamp seconded, all yea, motion carried

Minutes approved this 13th day of June, 2018.



Denis Raab, President



Kim Cantrell, Clerk

