

MINUTES OF THE RESCHEDULED REGULAR MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE MEETING OF THE VILLAGE OF WILLOWBROOK HELD ON MONDAY, NOVEMBER 10, 2014 AT 5:30 P.M. IN THE VILLAGE HALL, 7760 QUINCY STREET, WILLOWBROOK, ILLINOIS.

1. CALL TO ORDER

The meeting was called to order by Trustee Davi at 5:30 p.m.

2. ROLL CALL

Those present at roll call were Trustee Umberto Davi, Trustee Paul Oggerino, Mayor Frank Trilla, Trustee Sue Berglund, Trustee Terrence Kelly, Trustee Michael Mistele, Village Administrator Tim Halik, Interim Finance Director Carrie Dittman, and Management Analyst Garrett Hummel.

3. APPROVAL OF MINUTES

Minutes from the Special Meeting of the Finance & Administration Committee held on Monday, September 22, 2014 were reviewed. Motion to approve made by Trustee Oggerino, seconded by Trustee Davi.

4. DISCUSSION - Illinois Metropolitan Investment Fund (IMET): Convenience Fund Investment Disclosure

Interim Finance Director Dittman explained that the Village has participated in the Illinois Metropolitan Investment Fund (IMET) since 1998. IMET is a cooperative endeavor developed in 1996 with the purpose of assisting Illinois municipalities with the investment of their intermediate-term dollars. IMET was established as a not-for-profit investment fund under the Illinois Municipal Code and currently serves 293 municipalities and public entities. IMET offers two separate investment funds, the 1-3 Year Fund and the Convenience Fund. By pooling the cash from many public entities and investing it in IMET's 1-3 Year Bond Fund Series and/or the Convenience Fund Series, IMET seeks to earn a higher return for its participants than could be achieved by individual investing.

In October 2014, IMET released 3 notices to its members related to loan defaults of underlying investments of the Convenience Fund. The Convenience Fund is a short-term money market instrument collateralized via FDIC Insurance, the FHLB LOC Program, and U.S. Government Securities at 110% on bank deposits and U.S. Government Securities in the repurchase agreement program. The first notice stated that on 9/29/14, IMET was informed of defaults on some guaranteed loans totaling \$50,442,142.78 caused by fraud on the part of a USDA approved lender. The amount represents approximately 2.8% of the total Convenience Fund Balance. The second notice elaborated on details regarding the fraud. The lender, First Farmers Financial, LLC (FFF), reportedly forged loan documents on behalf of fictitious borrowers and forged the signatures of USDA officials on the loan documents and then pocketed the loan proceeds. According to IMET, the issue is whether the USDA will honor a guarantee with a USDA official's signature forged by FFF, its approved lender. Pennant Management, the asset manager that facilitated the acquisition of the repurchase agreement for IMET, will file a demand on the USDA to collect the forged USDA guarantees of the loans. As a result, on 10/1/14, IMET segregated about 2.8% of all Convenience Fund balances of its members into a restricted account, pending resolution of this matter. For the Village of Willowbrook, there are 4 accounts invested in the Convenience Fund with a total balance of \$181,367.76. Of this, IMET has moved about \$5,027 to a restricted account. The third notice describes that Pennant Management has filed a demand on the USDA to make good on the forged loans. The USDA denied Pennant Management's request for the USDA to purchase the FFF Loans because the documents do not reference any valid loans that have been guaranteed under the USDA's Business and

Industry Guaranteed Loan Program.

Director Dittman continued stating that on October 24, 2014, IMET's Board unanimously determined to remove the value of the FFF Loans on the books and records of IMET's Convenience Fund, and to seek to recover, liquidate and distribute any proceeds received from the FFF Loans to the eligible participants by establishing a liquidating trust. As of October 31, 2014, IMET has placed \$5,027.37 plus \$1.84 reinvested dividends in the restricted (liquidating trust) account. The Village cannot at this time access these funds.

Administrator Halik advised the Committee that upon being briefed of this matter the day staff learned about it, Mayor Trilla was very concerned and requested that a discussion occur at the committee level as soon as possible. Halik asked the Committee, based on the background that has been shared, what the Village's position should be in this matter. Administrator Halik indicated that several member communities of DuPage Mayors and Managers have expressed interest in considering pulling out of IMET, but this may be partly due to the manner in which IMET has handled this issue thus far, primarily referring to a lack of information sharing. Trustee Mistele inquired as to if recovery of this money is possible or likely. Director Dittman responded that attempts are being made to seize assets but it is unsure at this point whether funds will ultimately be recovered. Mayor Trilla asked about the process of removing the Village's money from IMET. Administrator Halik responded that available options include transferring funds out of our current accounts, and/or withdrawing completely from IMET. Staff would review the requirements of a complete withdrawal, but thought this option would likely require board authorization by repealing the Resolution that authorizes the Village's participation in IMET. The Committee's consensus at this time, in order to protect taxpayer money expeditiously, was to transfer any available funding out of IMET. The issue of completely withdrawing from IMET can be considered later.

< Trustee Sue Berglund, Trustee Terrance Kelly, Trustee Michael Mistele, and Administrator Halik exited the meeting at 5:55 PM >

5. DISCUSSION - Independent Registered Municipal Advisor Services Proposals

Interim Finance Director Dittman recalled that at the September 22, 2014 meeting of the Finance & Administration Committee, the Committee directed staff to draft a Request for Proposal (RFP) for independent registered municipal advisors services in order to select an advisor to guide the Village through the process of applying for an IEPA loan and issuing bonds to finance upcoming capital projects. A total of three (3) RFPs were sent out directly, along with posting the RFP on the Village's website. All three firms (Kane, McKenna Capital, Inc.; Speer Financial, Inc.; and Strand Associates) responded to the RFP with detailed proposals.

Director Dittman next provided details regarding the three firms. Strand is a civil and environmental engineering firm that has recently (2 years ago) decided to expand into project funding financial analysis and municipal advisor services. Strand has little experience in the municipal advisor services industry having only started in May 2013. The Village currently uses Strand for engineering studies. The fee structure for Strand's proposal includes a standard hourly rate of \$200/hour with an initial IEPA load application fee not to exceed \$600. Incidental expenses such as travel, meals, etc. will be billed at actual plus 10%. Strand did not provide a total project cost or estimate other than the hourly fee rate.

Director Dittman continued with an evaluation of Speer Financial, Inc. Founded in 1954, Speer has participated in the planning and sale of over \$26 billion in securities for more than 865 clients. Speer is the most active municipal advisor in Illinois for 25 years having advised on 93 of 269 long-term new money issues in Illinois in 2013. The Village used Speer as an advisor on the 1994 GO Refunding Bonds, the 2000 GO ARS Bonds, and the 2008 GO ARS Bonds. The fee structure is based on the amount of securities issued plus any premium: \$6,000 plus .25% of the securities issued in excess of \$2 million. So, hypothetically, a \$3,000,000 bond sale would cost the Village \$8,500 for their services, plus all other costs related to the bond sale). Speer also listed various hourly rates depending on if any additional services were necessary.

Finally, Director Dittman detailed the proposal from Kane, McKenna Capital, Inc. Kane, McKenna Capital has been in business since 1984 and participated in municipal securities totaling more than \$7 billion. The Village has no prior dealings with Kane, McKenna Capital. The proposal included a flat fee of \$12,500 which includes all advisory services (no additional costs for travel or other incidental expenses).

The Committee recommendation was to use Speer for the bonds and to ask Strand if they would do the IEPA Loan as was detailed in their proposal. Director Dittman stated she would reach out to Strand.

6. DISCUSSION - Special Recreation Association (SRA) Tax Levy

Director Dittman began with a brief description of the Special Recreation Tax Levy stating that in 2006 the Village levied the tax as an alternative to funding ADA expenditures out of the General Fund. Currently, the tax impact for a homeowner with a home market value of \$300,000 is approximately \$17.50. Typically, the Village uses the SRA money to fund Willowbrook's membership in the Gateway Special Recreation Association as well as accessibility improvements to the Village's parks and playgrounds. Staff is requesting an increase of 2.88% to the SRA Tax levy. In total, the SRA tax with the suggested increase, would amount to \$73,181 compared to the previous year's \$71,135. At this amount, the tax impact for a homeowner with a home market value of \$300,000 would be approximately \$18.80. While most of the SRA expenses from the previous year will remain the same, the additional funding will be used cover improvements included in the Willow Pond Park renovation project. The Committee concurred with staff's recommended increase to the SRA Tax Levy.

7. REPORT - Monthly Disbursement Reports - September and October 2014

The Committee reviewed and highlighted the items below for the month of September and October 2014.

- Total cash outlay for all Village funds - \$1,647,789 (fiscal year to date average is \$1,064,783)
- Ave. daily outlay of cash for all Village funds - \$53,154 (fiscal year to date average is \$34,694)
- Ave. daily expenditures for the General Fund - \$27,062 (average daily expenditures fiscal year to date is \$20,306)
- Ave. payroll for active employees including all funds - \$147,127 (fiscal year payroll to date is \$2,059,774)

8. REPORT - Sales Tax, Income Tax, Utility Tax, Places of Eating Tax, Fines, Red Light Fines, Building Permits, Water Revenues, Hotel/Motel Tax and Motor Fuel Tax

- Sales tax receipts - \$1,823,056 up 0.02% from the prior year, 5.7% over budget.

- Income Tax receipts - \$429,525 down 3.32% compared to the prior year, 2.2% over budget.
- Utility tax receipts - \$510,482 down 4.80% from the prior year, 0.0% over budget, consisting of:
 - o Telecomm Tax - \$215,144, down 13.9% from the prior year
 - o Northern IL Gas - \$75,149, up 28.2% from the prior year
 - o ComEd - \$221,718, down 3.4% from the prior year
- Places of Eating Tax receipts - \$253,318 up 3.76% compared to the prior year, 8.2% over budget.
- Fines - \$91,718 up 19.22% compared with the prior year, 22.33% over budget.
- Red Light Fines - \$342,425 down 25.10% from the prior year, 9.3% over budget.
- Building Permit receipts - \$125,252 down 9.22% from the prior year, 33.83% over budget.
- Water sales receipts - \$1,471,955 up 9.28% from the prior year, 10.77% below budget.
- Hotel/Motel Tax receipts - \$28,564 down 24.41% compared with the prior year, 28.2% below budget.
- Motor Fuel Tax receipts - \$180,844 up 74.15% compared with the prior year, 79.2% over budget.

The reports above were approved by Trustee Davi.

9. VISITOR'S BUSINESS

There were no visitors present at the meeting.

10. COMMUNICATIONS

There were no communications received.

11. ADJOURNMENT

Motion to adjourn was made by Trustee Davi, seconded by Trustee Oggerino.

The meeting was adjourned at 6:28 p.m.

(Minutes transcribed by: Garrett Hummel, 12/30/14)