

**Finance, Expenditure and Legal
Subcommittee Meeting Minutes
December 11, 2012**

A meeting of the Papio-Missouri River Natural Resources District’s Finance, Expenditure and Legal Subcommittee was held at the Natural Resources Center, 8901 South 154th Street, Omaha, NE, on December 11, 2012. The meeting was called to order by Vice-Chairperson Thompson at 8:30 p.m.

Quorum Call: Quorum call was taken. The following subcommittee members were in attendance.

Subcommittee Members Present	Subcommittee Members Absent	Other Directors Present	Others in Attendance
Jim Thompson, Vice-Chair	Rich Tesar	Scott Japp	John Winkler
John Conley	Larry Bradley	Gus Erickson	Marlin Petermann
Dorothy Lanphier		Dave Klug	Jerry Herbster
Tim Fowler **			Jean Tait
Rick Kolowski **			Heather Borkowski
			Carey Fry
			Barb Sudrla
			Amanda Grint
			Lori Laster
			Gerry Bowen
			Gene Garrelts
			Dan Smith
			Parker Schenken
			Paul Peters
			Patrick Leahy
			Patrick Bonnett
			Ron Woodle
			Curt Frost
			Shawn Melotz
			Emmett Egr
			Terry Schumacher

* Absence

** Alternate Voting Member

Adoption Of Agenda

- **It was moved by Director J. Conley and seconded by Director Fowler that the agenda be adopted.**

Roll call was taken on the motion. The motion carried on a vote of 5-yea to 0-nay.

Voting Yea: J. Conley, Fowler, Kolowski, Lanphier, Thompson

Voting Nay: None

Abstaining: None
Absent: Bradley, Tesar
Excused Absence: Bradley, Tesar

Proof Of Publication: Public notice of the meeting was posted at all District offices and published in the Omaha World-Herald on December 6, 2012. The proof of publication affidavit is included with the file copy of these minutes.

Review and Recommendation on FY 2012 Audit Report:

Gene Garrelts from Orizon CPAs LLC briefed the Subcommittee on the FY 2012 audit report. No significant deficiencies were reported, although he some noted areas that could be improved, such as current staffing limits, a secure/confidential office environment, and standardized information from project managers. He suggested that the District consider preparing a Comprehensive Annual Financial Report, which is not required but would put the District at the highest level of government financial reporting, and recommended analyzing the rural water projects' long-term sustainability. Director Japp asked about a figure concerning interlocal agreements. GM Winkler noted that information provided to auditors was current and correct. Director John Conley complimented staff on their work to receive a good audit.

The following people spoke to this item:

- Shawn Melotz, 10404 N. 132nd Street, Omaha, NE

It was moved by Director Kolowski and seconded by Director Fowler that the FEL Subcommittee recommend to the Board of Directors that the FY2012 Audit Report, prepared by Orizon CPAs, LLC, be accepted and that the General Manager be directed to file an authenticated copy of the audit report with the Nebraska Auditor of Public Accounts and the Nebraska Natural Resources Commission.

Roll call was taken on the motion. The motion carried on a vote of 5-yea to 0-nay.

Voting Yea: J. Conley, Fowler, Kolowski, Lanphier, Thompson
Voting Nay: None
Abstaining: None
Absent: Bradley, Tesar
Excused Absence: Bradley, Tesar

Review and Recommendation on Issuance of Flood Control and Water Quality Enhancement Bonds:

a. West Papillion Regional Basin 5

Dan Smith, D.A. Davidson, and Parker Schenken, Baird Holm LLC, briefed the Board on the proposed bond resolutions. Parker noted some key changes since 2010 are the updated statutory language, removal of the Build America Bond and bank qualification information (no longer available), and the update of a continuing disclosure and post-issuance compliance procedure. Dan continued to note the benefit of bonding to fund the projects to completion due to low

current interest rates and also noted that the District would be at one-third of their allowable levy if proposed bonds are approved. The amount proposed for bonding West Papillion Regional Basin 5 is \$15.6 million, which would bring the project to completion. Dan mentioned the notable blanks – term, current and maximum interest rate, etc. – in the resolution will be filled in for the full Board to determine and vote on with a goal of keeping payments the same.

Director John Conley asked to the limitations of bonding. Dan noted an entity wouldn't want to issue more bonds than they need and a binding financial commitment needs to be in place within six months of issuing the bonds. GM Winkler stated there is an approved construction contract in place and is confident in the amount suggested. Director Japp questioned if the current budget reflects these suggested bonds. GM Winkler noted that the budget can be amended any time after Board approval and that payments on this issue would not begin until FY 2014 so would not affect the current budget year.

The following people spoke to this item:

- Shawn Melotz, 10404 N. 132nd Street, Omaha, NE

Director Lanphier asked for clarification on updates with the removal of Build America Bonds and post-issuance compliance. Dan stated that interest was paid on Build America Bonds and consequently paid back to the District. The proposed bonds have a better net rate due to their tax-exempt status and to the current market. Dan noted the IRS requires post-issuance compliance to ensure that an entity does not earn more interest on bond proceeds than the bond's yield and that it is provided to a not-for-profit entity. It is a restatement of the same procedures as previous years. Director Kolowski asked if different options would be provided for the Board on Thursday. GM Winkler noted that they would try to keep the same 20 year option as previous bonds, but the options would be flexible.

It was moved by Director Kolowski and seconded by Director J. Conley that the FEL Subcommittee recommends to the Board of Directors that the District approve the issuing of \$15.6 million for West Papillion Regional Basin 5 Project in Flood Control and Water Quality Enhancement bonds subject to changes deemed necessary by the General Manager and approval as to form by District Legal Counsel.

Roll call was taken on the motion. The motion carried on a vote of 4-yea to 1-nay.

Voting Yea:	J. Conley, Fowler, Kolowski, Thompson
Voting Nay:	Lanphier
Abstaining:	None
Absent:	Bradley, Tesar
Excused Absence:	Bradley, Tesar

b. Zorinsky Basin 1

The bonding request for Zorinsky Basin 1 is \$2.1 million to fund the project to completion. Director John Conley asked if management was confident in the amount proposed. GM Winkler noted that the District is far enough along in the project to have a good estimate and that the figure can be adjusted up until final bond request. Director Lanphier questioned if watershed fees could be used to pay for bonds. Dan noted that once the fees flow into the general fund they can be used.

GM Winkler stated that close to \$500,000 in fees are expected to be collected that could be used to pay down the bonds. Director Kolowski asked if there were penalties for early pay-off of bonds. Dan stated that there were no penalties, but the bonds do have a five-year call date so have to remain outstanding for a five year term. GM Winkler noted that if the Board chooses not to bond for the proposed items there would be a consequence of defaulting on the project.

It was moved by Director Kolowski and seconded by Director Fowler that the FEL Subcommittee recommends to the Board of Directors that the District approve the issuing of \$2.1 million for Zorinsky Basin 1 Project in Flood Control and Water Quality Enhancement bonds subject to changes deemed necessary by the General Manager and approval as to form by District Legal Counsel.

Roll call was taken on the motion. The motion carried on a vote of 4-yea to 1-nay.

Voting Yea: J. Conley, Fowler, Kolowski, Thompson
Voting Nay: Lanphier
Abstaining: None
Absent: Bradley, Tesar
Excused Absence: Bradley, Tesar

Review and Recommendation on Zorinsky Water Quality Basin #1 Right-of-Way – Meak Farm Tract [Confidential Memo – Executive Session]:

It was moved by Director J. Conley and seconded by Director Kolowski to go into Executive Session for the purpose of negotiation of land acquisition.

Roll call was taken on the motion. The motion carried on a vote of 5-yea to 0-nay.

Voting Yea: J. Conley, Fowler, Kolowski, Lanphier, Thompson
Voting Nay: None
Abstaining: None
Absent: Bradley, Tesar
Excused Absence: Bradley, Tesar

Subcommittee went into Executive Session at 9:37 p.m.

It was moved by Director Fowler and seconded by Director Kolowski to come out of Executive Session at 9:48 p.m.

Roll call was taken on the motion. The motion carried on a vote of 5-yea to 0-nay.

Voting Yea: J. Conley, Fowler, Kolowski, Lanphier, Thompson
Voting Nay: None
Abstaining: None
Absent: Bradley, Tesar
Excused Absence: Bradley, Tesar

Director John Conley requested to allow the General Manager extra flexibility to execute the proposed agreement.

It was moved by Director J. Conley and seconded by Director Kolowski that the FEL Subcommittee recommend to the Board of Directors that the General Manager be authorized to execute the proposed purchase agreement with Meak Farm LLC to acquire 45.63 acres of fee title land and 2.81 acres of permanent easements needed for the Zorinsky Water Quality Basin #1 Project in the amount of \$2,178,934.00, and to allow the General Manager to adjust the closing date, if needed.

Roll call was taken on the motion. The motion carried on a vote of 5-yea to 0-nay.

Voting Yea:	J. Conley, Fowler, Kolowski, Lanphier, Thompson
Voting Nay:	None
Abstaining:	None
Absent:	Bradley, Tesar
Excused Absence:	Bradley, Tesar

Adjournment: Being no further business, the meeting adjourned by acclamation at 9:49 p.m.