

March 19, 2013

The Water Works Board of the City of Calera met on March 19, 2013 at 5:00 p.m. at Calera City Hall with the following present:

Chairman: Jon Graham
Members: Preston Nail, Chris Bunn, Harold Cole
Absent Members: Joe Dorris
Public Works Director: David Jones – Absent
Water Superintendent: Bob Williams
Finance Director: Roy Hadaway
Engineer: Chris Pappas

Chairman Graham called the meeting to order. Preston Nail made a motion to approve the following minutes:

Regular Meeting – February 19, 2013

Harold Cole seconded said motion which was carried unanimously.

PUBLIC WORKS DIRECTOR REPORT:

Bob Williams, Water Superintendent reporting for the Public Works Director, Mr. Williams requested the Board consider installing a 6” Main Extension on Bonnieville Drive. If this extension is installed it would service three or four families.

Mr. Jones prepared a cost estimate of \$21,674.04 for this project which does not include the labor cost. (Cost Estimate Attached to Minutes)

The Board authorized Mr. Williams to speak with the residences on Bonnieville Drive concerning what portion of the cost estimate they would be expected to pay over a period of 5 years. The Board will consider the installing the 6” Main Extension on Bonnieville if the residents would pay 75% of the cost estimate. The Water Board would also charge the resident the current federal interest rate at the time of the project. If the residents want to move forward with the project, the City Attorney will draw up the contracts for each resident.

REPORTS OF WATER BOARD MEMBERS:

No reports given

ENGINEER REPORT:

Chris Pappas, Engineer reviewed the Insite Engineering Agreement with the Board. Mr. Pappas requested the following data: Billing Data from Lisa Hawks, Water Produced from Bob Williams and Existing Water Infrastructure from David Jones and Bob Williams.

FINANCE DIRECTOR REPORT:

Roy Hadaway, Finance Director presented the following report for discussion: (Document Attached)

Budget vs. Actual Report as of February 28, 2013
Balance Sheet as of February 28, 2013

Mr. Hadaway reviewed the audit report and the audit response letter with the Board Members.

CHAIRMAN REPORT:

Chairman Graham introduced the following Resolution:

RESOLUTION NO. W-2012-02

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF CALERA
WATER WORKS BOARD OF CALERA, ALABAMA**

Be it ordained by the Board of Directors of the City of Calera Water Works Board of Calera, Alabama, that Resolution No. W2012-02 is hereby amended to read as follows:

WHEREAS, the Mayor and Council of the City of Calera, Alabama hereby adopts the following Investment Policy:

Section 1. PURPOSE

The purpose of this Policy is to set forth the investment objectives and parameters for the management of public funds of the City of Calera. This investment policy is designed to safeguard funds on behalf of the City, to assure the availability of operating and capital funds when needed, provide an investment return competitive with comparable funds and financial market indices; and to address various financial statement disclosure requirements established by GASB 40.

Section 2. SCOPE

This investment policy applies to all cash and investments held or controlled by the City. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds.

Section 3. INVESTMENT OBJECTIVES

A. Credit Risk (Custodial Credit Risk and Concentration Credit Risk)

The city will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 5 of this Investment Policy; and qualifying the financial institutions, broker/dealers,

intermediaries and advisors with which the City will do business in accordance with Section 4 of this Investment Policy.

The city will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

B. Investment Rate Risk

The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

C. Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Section 4. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Only firms meeting one of the following requirements shall be eligible to serve as Authorized Institutions:

- A. The firm must comply with the following requirements:
 - i. Primary and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
 - ii. Capital of no less than \$10,000,000;
 - iii. Registered as a dealer under the Securities Exchange Act of 1934;
 - iv. A member of the National Association of Securities Dealers (NASD);
 - v. Registered to sell securities in Alabama; and
 - vi. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years; or,
- B. Public Depositories qualified in accordance with the laws of the State of Alabama.

All brokers, dealers and other financial institutions deemed to be Authorized Institutions shall be provided with current copies of this Investment Policy.

Section 5. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

Investments and Depositories are restricted to those complying with Alabama Code Section 19-3-120. These include:

- A. United States Government Securities
- B. United States Government Agencies
- C. Federal Instrumentalities (United States Government-Sponsored Enterprises).
- D. Certificates of Deposit.

- E. Repurchase Agreements.
- F. Commercial Paper.
- G. Bankers' Acceptances.
- H. Registered Investment Companies (Money Market Mutual Funds).
- I. Investment pools composed entirely of instruments that are legal for direct investment by a municipality.

BUDGET MANAGEMENT POLICY

That the Water Works Board of the City of Calera, Alabama ("the Board") establishes budget policies which guide the development of the Water Works' budget. The purpose of the budget policies are to:

- (a) Ensure the Water Works Board maintains a financial base sufficient to sustain a consistent level of water services;
- (b) Ensure the Water Works Board of the City of Calera is able to withstand local and regional economic variations;
- (c) Adjust to changes in the service requirements of the community; and
- (d) Maintain a good credit rating with the rating agencies so that borrowing costs are minimized and access to credit is preserved.

The following presents a summary of the policies which guide the budget development process:

- (1) The Water Works Board will prepare a budget annually; budgets will be reviewed on at least a quarterly basis for amendment of revenue and expense expectations based upon actual results to date.
- (2) The Water Works Board will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets. It is the Board's intent to maximize the level of public goods and services while minimizing the level of debt.
- (3) Annual projected expenditures in any budget should not exceed 90% of the annual projected revenue.
- (4) The Water Works Board will maintain a minimum unreserved General Fund balance of no less than 10% of annual operating expenditures. The purpose of this fund is to provide a means for the Water Works Board to respond to potential adversities such as public emergencies, natural disasters, or similarly unanticipated events.

DEBT MANAGEMENT POLICY

The purpose of this Debt Management Policy is to establish guidelines for the issuance and management of the debt of the Water Works Board of the City of Calera, Alabama ("the Board"). The Board is committed to consistent, best practices financial management, including maintaining the financial strength and flexibility of the Board, as well as the full and timely repayment of all borrowings. The Board views debt as a means to distribute and equalize improvement costs to both present and future citizens, and as a means to address the near-term cash flow impact of undertaking certain public improvements.

To further the directives set forth above and to promote long-term stability and strategic thinking, the Water Works Board hereby adopts the following policies:

- 1) The Board will prepare and adopt a five-year Capital Budget, updated every year, to identify capital project needs, estimated cost per year, and possible funding sources to finance the plan.

- 2) Board approval is required prior to the issuance of debt.
- 3) Capital projects financed through the issuance of bonds are financed for a period not to exceed a conservative estimate of the useful life of the facility or equipment to be financed.
- 4) The Board will not use long-term debt to support current operations.
- 5) The Board will use refunding bonds when appropriate to restructure its current outstanding debt.
- 6) The Board will conduct its debt management functions in a manner designed to maintain or enhance its existing credit ratings, so that borrowing costs are minimized and access to credit is preserved.

INVESTMENT MANAGEMENT POLICY

The purpose of the Water Works Board of the City of Calera's Investment Management Policy is to provide guidelines and limitations for the responsible management of the Board's funds that are available for investment. The investment policy applies to the cash management and investment activities of the Board, except for the debt service funds, reserve funds, and other financial assets held by various fiscal agents and trustees as provided by the appropriate bond ordinance or indenture. The financial assets of all other funds shall be administered in accordance with the provisions of this policy.

It is the policy of the Board to invest public funds in a manner which will provide maximum security of principal consistent with a market rate of return while meeting the cash flow needs of the Board and conforming to all applicable State, County, and City statutes governing the investment of public funds.

The primary objectives of the Board shall be:

- (1) **Safety**: Investments of the Board shall be undertaken in a manner that seeks to ensure the preservation of capital.
- (2) **Liquidity**: The Board's investment portfolio shall remain sufficiently liquid to enable the Board to meet all operating requirements which might be reasonably anticipated.
- (3) **Return on Investment**: The Board's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the Board's investment risk constraints and the cash flow characteristics of the portfolio.

The standard of prudence used by the Board shall be the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Board is empowered to invest in any securities as defined by the Code of Alabama 11-81-21.

BE IT FURTHER RESOLVED, that upon the adoption and execution of this resolution, that a copy of this policy be kept on record by the City Clerk.

Board Member Chris Bunn made a motion to adopt Resolution No.W-2012-02. Board Member Harold Cole seconded said motion and upon vote, results were as follows:

AYES: Graham, Bunn, Cole, Nail

NAYS: None

The Chairman of the Board declared Resolution No. W-2012-02 adopted this the 19th day of March, 2013.

Connie Payton, City Clerk

Jon G. Graham, Chairman

GUESTS:

No Guests

There being no further business, Preston Nail made a motion to adjourn at 5:35 p.m.

Approved this 16th day of April, 2013.

Jon G. Graham, Chairman

ATTEST:

Connie B. Payton, City Clerk