

MINUTES OF THE SPECIAL MEETING - COMMITTEE OF THE WHOLE OF THE MAYOR AND BOARD OF TRUSTEES OF THE VILLAGE OF WILLOWBROOK TO BE HELD ON MONDAY, MARCH 28, 2022, AT 5:30 P.M. AT THE WILLOWBROOK POLICE DEPARTMENT TRAINING ROOM, 7760 QUINCY STREET, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS .

DUE TO THE COVID 19 PANDEMIC, THE VILLAGE WILL BE UTILIZING A ZOOM CONFERENCE CALL FOR THIS MEETING.

1. CALL TO ORDER

The meeting was called to order at 5:30 p.m. by Mayor Frank Trilla.

2. ROLL CALL

Those physically present at roll call were Mayor Frank A. Trilla, Village Clerk Deborah Hahn, Village Trustees Mark Astrella, Sue Berglund, Umberto Davi, Michael Mistele, Gayle Neal, and Greg Ruffolo, Attorney Michael Durkin, Village Administrator Brian Pabst, Assistant Village Administrator Sean Halloran, Director of Community Development Michael Krol, Chief Robert Schaller, Deputy Chief Lauren Kaspar, Deputy Clerk Christine Mardegan and Municipal Services Foreman AJ Passero.

Also present was Mr. Tom Reedy, Director at Stifel Public Finance.

Present via conference call, due to the COVID-19 pandemic, were None.

Absent: None.

A QUORUM WAS DECLARED

3. MOTION - MOTION TO ALLOW MAYOR TRILLA TO ATTEND THE MEETING REMOTELY.
(PASS)

Motion was not required as Mayor Trilla was present.

4. PLEDGE OF ALLEGIANCE

Mayor Trilla asked Deputy Clerk Mardegan to lead everyone in saying the pledge of allegiance.

5. VISITOR'S BUSINESS

None presented and no written comments were received.

NEW BUSINESS

6. DISCUSSION - PRESENTATION PERTAINING TO BONDING OPTIONS AS IT RELATES TO CAPITAL IMPROVEMENT PROJECTS AND ECONOMIC DEVELOPMENT

Administrator Pabst began the discussion. As the Board is aware, the Village is in the process of developing a TIF. If approved by the Board, the TIF would go into effect by May 2022, but will not collect revenue until 2024 at the earliest. Since the receivables of the TIF won't occur

right away, staff has researched financing options that can assist with the development of the TIF. An option that staff has looked at is a bond, which is the Village's way of borrowing money to finance public projects. Bonds are issued with specific project goals. After those goals are fulfilled with Bond Proceeds, remaining funds can be used to pay back debt service or for "any other legal purpose."

Since the TIF will not receive any significant amount of revenue for a couple of years, any proposed bond would have to be tied to the General Fund but would eventually be reimbursed by the TIF district for eligible expenses when funds are available.

At the February 28, 2022 Committee of the Whole meeting, staff presented options pertaining to a bond for capital improvement program and economic development. The Board directed staff to gather more information regarding projected revenue and a refined scope of work regarding the bond. Two options were discussed the most at the February 28, 2022 Committee of the Whole meeting.

At tonight's meeting Administrator Pabst and Assistant Administrator Halloran will go over some of the particulars, including the methodology and then turn the floor over to the bond expert, Mr. Reedy, who will go over the elements of the bond. We did take direction from the Board's comments from the last meeting and eliminated things like pension bond, and refined it based on the feedback received.

Administrator Halloran outlined the proposed budget for the \$10 million bond in Option 2.

Description	One-Time Cost/Ongoing Cost	Estimated Amount
Executive Drive Water Main Replacement	One-Time Cost	\$4,000,000
Economic Development Partnership	Ongoing Cost (3 Year Cost)	\$1,000,000
Infrastructure (Road reconstruction, additional stormwater maintenance)	One-time cost	\$5,000,000

- Willow Manor Stormwater Project - \$1,450,000
- 79th street sidewalk installation project - \$500,000
- Resurfacing projects - \$500,000
- Reconstruction projects - \$580,000
- Borse Park Drainage Project - \$1,320,000
- Midway Park Enhancement project - \$650,000

Administrator Pabst asked for questions and provided time to review the slide.

This isn't necessarily what we're doing, but rather what could be done with a portion of the bond for capital. One thing about the capital, we talked about a 3-year window, in order to use the non-taxable portions of the bond, about \$9 million. We have a 3-year window to spend 85% of the money.

Administrator Pabst turned the discussion to the Projected TIF revenue. The chart only goes for 8 years, the TIF would go for 23 years. As shown in the chart, by the year 2029, 7 years into the TIF, we would have just about \$1 million coming in, going up to \$1.1 million in 2030.

Projected TIF Revenue

	Annual Collection	Fund Balance
2022	-	-
2023	-	-
2024	\$258,139	\$258,139
2025	\$448,034	\$706,173
2026	\$549,602	\$1,255,775
2027	\$655,496	\$1,911,271
2028	\$765,901	\$2,677,172
2029	\$977,426	\$3,654,598
2030	\$1,101,544	\$4,756,142

In addition to the annual collection, the fund balance is shown on the right. These are of course estimated revenues, using a conservative model. In one of the projections, we used a "no-growth" model which would raise about \$38 million over 23 years by the end of the TIF. We also have a projection schedule with four modest increments of \$2 million, over the 23-year period. If you just had someone staying on top of it, developing within it at a very modest level, it would bring in about another \$9 million for a total of \$47 million after the 23-year period.

The actual annual cost of the bond is \$646,041. In the table we injected the TIF revenue to offset the burden on the General Fund of the bond payment taking it down to \$322,000. This is of course a hypothetical, not what we will do. This is based on \$10 million over 20 years, which is what the majority of the Board preferred of those who had a preference.

Annual Bond Costs

Fiscal Year	Annual Costs
22/23	\$640,787
23/24	\$641,750
24/25	\$322,900
25/26	\$322,200
26/27	\$321,350
27/28	\$322,850
28/29	\$321,625
29/30	\$322,750

Assistant Administrator Halloran added an explanation for the 50/50 split between the General Fund and the TIF funds, noting that \$5 million of the \$10 million would be spent in the TIF district, based on the proposed budgeted items as previously noted. Again, none of this is locking the Board, or any future Board, into how the funds should be allocated or how the bond would be repaid, but rather simply an example of what could be done.

Assistant Administrator Halloran outlined the Capital Project expenses as shown in the chart below. The General Fund transfers indicated in the last line of the main table are the contributions from the General fund to the five-year capital improvements program. Again, these are sample projections. Although we will be approving the 2022-2023 budget within the next few weeks, these figures are not locked in for any future budget.

In contrast, if the bond is approved by the Board of Trustees, then the transfer from the General Fund would be as shown in the last row of the table below. This demonstrates that the capital projects would be funded by the bond money rather than transferred from the General Fund.

	2022-2023 Budget	2023-2024 Budget	2024-2025 Budget	2025-2026 Budget	2026-2027 Budget
Grants	\$1,106,300	\$844,998	\$0	\$0	\$0
Motor Fuel Tax	\$520,000	\$400,000	\$350,000	\$250,000	\$350,000
Rebuild Illinois Bond	\$250,000	\$0	\$250,000	\$0	\$0
Transfer from Water Fund	\$650,000	\$0	\$570,000	\$444,000	\$1,858,000
Transfer from General Fund	\$3,857,900	\$3,626,500	\$3,752,000	\$1,967,000	\$725,000

Proposed Capital Projects Expense from General Fund – If Bond is Approved

Transfer from General Fund	\$3,857,900	\$0	\$2,752,000	\$1,967,000	\$725,000
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Trustee Mistele expressed concern regarding the transfers from the Water Fund indicating that those funds had been built up specifically to cover the capital needs of the water system, e.g., tanks, pumps, mains, etc. He reiterated his position to wait until after the Water Rate study becomes available to allocate those funds.

Administrator Pabst agreed that once the study is available, there will be additional recommendations to the budget based on those results. He reminded the group that the budget is a fluid document.

The Mayor asked for the current balance in the Water Fund. The Administrator replied that the total budget balance was currently at \$2.3 million of which \$800,000 is the capital budget.

He went on to explain that the numbers provided for expenditures are going to change based on the revenue generated by the TIF district. With a TIF district, the expectation is to realize revenue, although you have no idea how much. The estimates being provided are a) conservative, and b) based

on a 5-year trailing history of the growth within the district with no economic development person generating additional revenue. The funding of the capital expenditures would initially be supported by the bond. Once the bond funds are received, you would sit down again and decide where best to allocate it.

Trustee Mistele reiterated the need to create a savings plan for the Water Fund out of any increases in water rates to avoid borrowing to cover the capital needs of the water system.

The Mayor agreed with the idea but indicated that the challenge as a Board, is how to balance, when once the information from the Water Rate study is reviewed, what prices we're willing to charge people and what is left over to start to approve a savings.

Continuing to the Reserve Fund information, Administrator Pabst summarized the history of the fund, ever increasing in length from 60 to the current recommendation of 183 days and renaming the original LAFER Fund (Land Acquisition Facility Expansion & Renovation) to Reserve Fund to better reflect that the use is not only for land acquisition.

Assistant Administrator Halloran confirmed that the recommendation will be for 183 days which would be 50% of the fund balance. To determine the amount, at the end of every audit, any funds that exceed the 50% fund balance policy would be transferred to the Reserve Fund via Board action. Any monies removed from the Reserve Fund would also need to be approved by the Board. Staff does not have the authority to remove money from the Reserve Fund. This fund would be identical to the LAFER Fund but with fewer restrictions for the types of expenditures it can be used.

Mayor Trilla asked for a comparison of what other towns are doing. Assistant Administrator Halloran believed that a 50% rate was the highest rate currently used in DuPage County. The Mayor felt this is a great way to protect the Village's future and even more conservative than we are today. He also felt that a change from Reserve Fund to LAFER would provide more flexibility.

Trustee Mistele agreed that maintaining a large reserve fund and borrowing to fund capital needs is in the best interest of Willowbrook

The Mayor agreed, indicating he thought you can do both. The time to borrow is when rates are low.

The meeting continued with a presentation by Tom Reedy of Stiffel on debt overview and options. Mr. Reedy had presented different bonding options to the Board at the end of February.

Mr. Reedy advised he thought it would be helpful to provide an update on market conditions in the past month in which there was tremendous volatility.

Regarding tax-exempt and taxable interest rate movement, he noted that inflation is here to stay, not transitory as was predicted at the end of last year. The information on the slide presented is from the middle of last week, and the rates have already increased since charts were created.

From the charts, Mr. Reedy pointed out that 2-year U.S. Treasury notes have moved higher, much higher than in 2020 or 2021. The 2-year MMD (Municipal Market Data) figures are for tax exempt bonds. Regarding the 10-year U.S. Treasury and the 10-year MMD bonds, the trend is upward, particularly in the last month or so as are the 30-year U.S. Treasury and 30-year MMD bonds.

Before leaving the office this afternoon, he checked the latest rates:

- 2-year Treasury increased from 1.97% to 2.33%
- 10-year Treasury increased from 2.14% to 2.44%
- 30-year Treasury increased from 2.42% to 2.51%

Regarding new issuance supply and demand, the average weekly volume in 2022 is about \$7.3 billion in total municipal bond issuance. This is compared to last year and 2020, which were record high years for municipal bond issuance, the average was \$8.8 billion each week. The current numbers are above that of 2019 which was about \$6.5 billion weekly. We are still at an elevated level in terms of issuance, but we've stepped down from the record levels of 2020 and 2021.

The key metric being watched to determine demand is mutual fund bond fund flows, the largest buyers of municipal bond funds. The inflows and outflows of those funds are watched on a weekly basis. In 8 of last 9 weeks, we've seen outflows from those funds. This is a change in tenor from what was seen in 2020 and 2021. In 86 of the last 97 weeks, net inflows into municipal bond funds have been recorded. Unfortunately, 8 of those 9 weeks where we saw outflows, were in the past 2 months. We are seeing investors moving to the sidelines in the municipal bond market which is adding to the volatility in the market.

Looking at the forecast, the yield curve projections, the 2-, 10- and 30-year projections, each one is projecting interest rates moving higher throughout 2022. We've already reached the levels projected for the end of the year. Again, these numbers are from last week and don't include the increases from the end of last week

Trustee Neal asked if he believes the Fed will go ahead with the 50 bp (basis point) increase coming up next month?

Mr. Reedy indicated that the Fed already raised the funds rate by 25 basis points at the 3/11 meeting. The policy statement released at the same time as the increase indicated as many as 7 increases in 2022 and another 3 increases projected for 2023. The Fed, at the current time, is signaling a continuing pace of increases to the Fed fund rate in trying to get a hold of inflation which is a major concern for the economy right now.

Mr. Reedy was asked for the current Fed rate. He explained that the current rate is a range of 25-50 basis points. It had been 0-25 basis points since the onset of COVID [March 2020].

As for the impact on potential borrowing options for the Village, unfortunately, higher interest rates mean higher debt service costs. The data today is an update to the information previously provided in February incorporating new, updated interest rate assumptions. Focusing on the 20-year, \$10 million project fund chart, in the current market, if rates were to hold at the current level, with the debt service paid off over a 20-year period, we anticipate the annual debt service at \$655,000. Last February, we were estimating the annual debt service at \$640,000 or \$645,000, so this is now an increase of \$266,000 over the life of the issue, or about \$15,000 or so on an annual basis. We estimate that the true interest cost, the blended rate on the Village's bonds for a 20-year period, would be about 2.65%. Contrasting that with the predictions from February, when we anticipated it would come in at about 2.43%, roughly a 20-basis point increase. Keep in mind, from a historically perspective, we're still at a very, very low rate of interest.

Mr. Reedy moved on to an overview of the Village's debt. He pointed out that the Village currently has one series of bonds that is currently outstanding from 2015. These have been paid partially from the Water Fund and partially from income taxes. There is about \$3,670,000 still outstanding. Those bonds are callable December 30, 2024. Until that time, the bonds could be advance refunded on a taxable basis which is not a recommended option at this time.

In a review of some of the rules governing the issuance of tax-exempt bonds, one of the primary benefits of municipal issuers is the tax-exemption, which is typically a lower interest rate than a taxable issuance. Tax-exempt bonds do come with additional restrictions from the IRS. Generally, any capital projects of the village, such as roads, sewers, or municipal building projects, are all eligible for financing on a tax-exempt basis. Additionally, a spend-down time frame is included in the restrictions. For tax-exempt proceeds this is 85% of the funds over a 3-year period.

Mr. Reedy concluded his presentation and opened the floor to questions.

Under the "Federal Tax Considerations", Trustee Mistele asked for the meaning of the statement, "Anything earned above bond yield must be paid to the U.S. Treasury, unless an exception applies."

Mr. Reedy explained that as a municipality you can't issue tax-exempt bonds at one interest rate and invest those proceeds and earn a higher rate of interest. Between the interest rate you're paying on the bond and the rate you're earning on the bond proceeds, is considered "positive arbitrage". Every five years the Village would be required to do an arbitrage rebate calculation. If you earned an interest rate above the yield on the bonds, that would have to be abated back to the Treasury. This has not been a concern of issuers for quite a few years since savings accounts have not been yielding very much lately.

Administrator Pabst asked, if the Board were to move forward, what the next steps would be.

Mr. Reedy outlined the following:

- Engage the field team
- Engage the financial team, including:
 - Underwriting firm
 - Financial advisory firm
 - Bond counsel
- Engage disclosure counsel

He noted that the bond counsel, might be considered the most important attorney involved in the transaction. The bond counsel would draft the ordinance that would go before the board for approval of the bond issue. The bond counsel also writes the opinion on the validity of the bond and tax status of the bond.

Secondarily, the disclosure counsel drafts an "offering document", an "official statement", which contains information about the Village, Village finances, demographics, etc., describes the bonds themselves and outlines the sources for payment of the bonds. He suggested engaging a disclosure attorney would be step one to get them started writing the disclosure statement.

Trustee Ruffolo asked what the duration of the process would be.

Mr. Reedy replied that, from start to finish, the process is typically an 8 to 10-week time period. Typically, about halfway or two-thirds of the way through the process would be when the ordinance would be presented to the Board for approval. In response to a comment from the floor regarding the increases in interest rates and the volatile market, he agreed that time was of the essence and that if the Board selected Stifel, they would certainly work to get this process done as soon as possible.

The Mayor and the Board thanked Mr. Reedy for his time.

Assistant Administrator Halloran asked for consensus from the Board.

The Mayor polled the members of the Board. A consensus was reached with all members of the Board agreeing to proceed with the bond issuance.

7. ADJOURNMENT

MOTION: Made by Trustee Davi and seconded by Trustee Berglund to adjourn the Regular Meeting at the hour of 6:08 p.m.

ROLL CALL VOTE: AYES: Trustees Astrella, Berglund, Davi, Mistele, Neal and Ruffolo. NAYS: None. ABSENT: None.

MOTION DECLARED CARRIED

PRESENTED, READ, and APPROVED.

_____, 2022.

Frank A. Trilla, Mayor

Minutes transcribed by Deputy Clerk Christine Mardegan.