

MINUTES OF THE SPECIAL FINANCE AND ADMINISTRATION COMMITTEE MEETING OF THE VILLAGE OF WILLOWBROOK HELD ON MONDAY, SEPTEMBER 22, 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 Michael Mistele, Trustee Terrence Kelly, 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, August 25, 2014 were reviewed. Motion to approve made by Trustee Oggerino, seconded by Trustee Davi.

**4. DISCUSSION - Capital Projects Financing Analysis**

Interim Finance Director Dittman began with an update on the initial presentation made at the August 25, 2014 Finance & Administration Committee meeting. Additional information requests were made by trustees at that meeting including the amount of available reserves in the General Fund that can be transferred to the LAFER Fund, the debt service for a \$1.0 million IEPA loan over 10 years, and the debt service for a \$3.5 million bond over 20 years. Director Dittman stated the General Fund currently has roughly 220 days of operating expense reserve at April 30, 2014 per the preliminary audited figures. Assuming that the fiscal year 14/15 actual amounts follow the budget, there will be roughly 192 days of operating expense reserve on April 30, 2015. The 192 days is 72 days over the Village's reserve goal of 120 days. The 72 days equates to \$1,533,910 and represents the maximum amount that could be transferred to the LAFER fund and still maintain the 120 day reserve. Director Dittman also pointed out that future budget years are expected to further draw down the fund balance in the General Fund (without the 72 day transfer out), and with no transfer out the General Fund would be below the 120 days reserve target by fiscal year 2022/23.

Director Dittman next provided updates on the Village Hall remodel indicating that construction estimates were revised to \$1,713,382 as of the 7/14/14 Village Board Meeting when the FBG Construction contract was approved. The original amount budgeted for this project had been \$1,063,127. Director Dittman noted placeholder values for the Police Department Renovation Project (FY 15-16) and the Community Center Renovation Project (FY 16/17) were included at \$1,500,000 and \$500,000 respectively. Taking into account these three projects, plus budgeted revenues of \$700,250 in FY 14/15 from the sale of surplus Village property, it is estimated that the LAFER Fund will be carrying a deficit balance of \$1,950,255 by the end of the fiscal year 2016/17.

Director Dittman highlighted two revised financing scenarios based upon input from the previous Finance & Administration Committee meeting. In Scenario #1, the Village would apply for an IEPA low interest loan in the amount of \$1,000,000 for the Village's water tank coating project and simultaneously begin the process to issue a General Obligation Alternate Revenue Source (GOARS) Bond of \$3,030,000 to be used on the police station renovation and water tanks. If the IEPA Loan is successful the bonds would be reduced accordingly. The total proceeds from Scenario #1 would be \$3,000,000.

Scenario #2 included an IEPA low interest loan in the amount of

\$1,000,000 for the water tanks and a GOARS Bond of \$3,535,000 for the police station renovation and water tanks. If the IEPA Loan is successful the bonds would be reduced accordingly. The total proceeds from Scenario #2 would be \$3,500,000. Scenario #2 provides an additional \$500,000, compared to Scenario #1, as a cushion in case the police department renovation costs are higher than originally estimated.

In each of the two scenarios, the IEPA loan would be applied for first and the bond process would be initiated shortly thereafter, with the bond amount to be reduced if the loan was obtained. Strand & Associates had represented that this is done regularly and does not result in additional issuance costs. Alternatively, the bonds could be issued at the higher amount and contain a call provision such that future loan or grant proceeds could be used to call and pay a part of the bonds off early (provided the loan or possible grant funds allow this).

Director Dittman next compared the debt terms of each scenario. Each scenario has a 20-year GOARS Bond at about 3.0% interest although Director Dittman noted that by next February or March the rate could rise to about 4.0%. For the additional \$500,000 of proceeds in Scenario #2, it would cost \$678,355 more to repay and result in annual debt repayments of approximately \$35,000 more than Scenario #1.

Director Dittman continued by providing a summary of the IEPA Loan repayment plan. Interest rates for a 10-year and 20-year loan are approximately 2.25% as of 10/1/14. There is no penalty for early payoff. The debt service payments on the 10-year loan would be approximately \$112,790 annually vs. \$62,500 on a 20 year loan. The total repayment amount for the 10-year loan would be about \$122,619 less than the 20-year loan.

Director Dittman went over the timelines for the different financing options starting with the IEPA Loan. The IEPA Loan is part of the State of Illinois's Clean Water Initiative Program which has a pool of \$1 billion. Applications for the program are processed year round. The application process takes approximately 6 months to complete (starting in late October/early November for May 2015 availability). The ten step process begins with the submission of a Project Plan to the IEPA. In order to submit this plan, the Village likely would need the assistance of an engineer which will cost about \$600 for just the first step in the loan application. Additional assistance from Strand would be billed at \$200/hr. Once approved, funds are drawn down on a reimbursement basis.

Director Dittman continued with the timeline for the GOARS Bonds. The application takes approximately 13 weeks to complete (starting in late January/early February for May 2015 availability). The process involves multiple parties including the Village, municipal advisor, underwriter, bond counsel, disclosure counsel, and paying agent. The Village's responsibilities would include: approving an ordinance of intent to issue, gathering information for preliminary official statement, publishing notice of and hold a public hearing, participation in a bond rating call, and executing the closing documents. The funds are available up front at closing.

There are two types of bond sales, negotiated and competitive. Director Dittman noted that Strand recommends the negotiated process by which bonds are issued under an exclusive agreement with the underwriter, which may be selected by the Village through a proposal process. The underwriter and the Village's advisor agree on a proposed interest rate spread and the underwriter releases the spread to its investors who have a set time frame to enter an order (typically between 1 hour and 5 days). If many orders come in during the time frame, the interest rate may be

lowered and vice versa. After the underwriter and Village agree to a final price and structure, the Village awards the bonds to the underwriter who then allocates to their customers who subscribed during the order period. Director Dittman commented that the negotiated sale type is better for the issuer (the Village) in that they have more control over the interest rate as the process is more flexible and you can go in and out of the market if rates are better on a specific day.

The other type of GOARS Bond sale type is the competitive process (traditional approach). Under this process, the underwriters submit a bid for the purchase of the bonds at a given date and time as determined by the official notice of sale. The final bids are submitted to the financial advisor as a sealed bid prior to, but no later than, the exact time specified. Securities are awarded to the bid with the lowest interest rate.

Administrator Halik and Director Dittman asked for direction from the committee on how to proceed. The decision was made to begin work on the 20-year IEPA Loan in the amount of \$1.5 million immediately and to prepare for a 20-year GOARS bond in the amount of \$2.0 million using the negotiated process.

#### **5. REPORT - Monthly Disbursement Reports - August 2014**

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

- Total cash outlay for all Village funds - \$780,108 (fiscal year to date average is \$956,389)
- Ave. daily outlay of cash for all Village funds - \$25,165 (fiscal year to date average is \$31,125)
- Ave. daily expenditures for the General Fund - \$15,408 (average daily expenditures fiscal year to date is \$19,316)
- Ave. payroll for active employees including all funds - \$149,745 (fiscal year payroll to date is \$1,347,702)

#### **6. 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 - \$1,174,222 down 0.84% from the prior year, 4.8% over budget.
- Income Tax receipts - \$303,142 down 4.71% compared to the prior year, 0.8% over budget.
- Utility tax receipts - \$350,963 down 2.18% from the prior year, 2.8% over budget, consisting of:
  - Telecomm Tax - \$147,996, down 12.5% from the prior year
  - Northern IL Gas - \$58,865, up 23.4% from the prior year
  - ComEd - \$144,917, up 1.2% from the prior year
- Places of Eating Tax receipts - \$169,422 up 3.96% compared to the prior year, 8.4% over budget.
- Fines - \$58,298 up 14.55% compared with the prior year, 17.55% over budget.
- Red Light Fines - \$236,940 down 23.74% from the prior year, 11.2%

over budget.

- Building Permit receipts - \$44,790 down 58.04% from the prior year, 38.14% below budget.
- Water sales receipts - \$944,368 up 10.12% from the prior year, 10.08% below budget.
- Hotel/Motel Tax receipts - \$17,140 down 37.99% compared with the prior year, 41.1% below budget.
- Motor Fuel Tax receipts - \$150,989 up 119.49% compared with the prior year, 125.6% over budget.

Interim Finance Director Dittman noted the large percentage increase compared to last year's MFT receipts was due to two Illinois Capital Bill distributions made in May 2014 and August 2014.

The reports above were approved by Trustee Davi.

**7. VISITOR'S BUSINESS**

There were no visitors present at the meeting.

**8. COMMUNICATIONS**

There were no communications received.

**9. ADJOURNMENT**

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

The meeting was adjourned at 6:29 p.m.

(Minutes transcribed by: Garrett Hummel, 11/04/14)