

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
FEBRUARY 12, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Public Hearing for General Obligation Bond Issuance	Resolution Ordinance Motion <input checked="" type="checkbox"/> Discussion Only	Cara Pavlicek Village Manager

SYNOPSIS

A public hearing has been noticed for February 19, 2008, as part of the regularly scheduled Village Council Meeting to take public comment on the issuance of General Obligation (GO) bonds for approximately \$24,679,000 as early as March 2008.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2007-2012 identified *Top Quality Village Infrastructure and Facilities. Implementation of the Watershed Infrastructure Improvement Plan* is identified as a Top Priority of the 2008 Policy Agenda.

FISCAL IMPACT

The FY08-12 Community Investment Program includes approximately \$27.3 million of expenditures in the Stormwater Fund over three fiscal years for the construction of selected projects identified in the Watershed Infrastructure Improvement Plan. These expenditures would include design and construction.

On November 6, 2007, the Village Council authorized a professional services agreement with Northern Trust to provide an analysis of the Village's financial position and a general strategy for the issuance of bonds to fund construction of the stormwater projects. On November 20, 2007, Northern Trust provided a report to the Village Council (see attached presentation). The recommended strategy for three separate bond issuances (2008, 2012 and 2015) included the issuance of General Obligation (GO) bonds with constant annual debt service payments in the amount of approximately \$4.0 million. This recommended strategy is consistent with the FY08 municipal budget and FY08-12 Community Investment Program.

During the review and approval of the FY08 Budget, the Village Council and staff discussed options for financing these project expenditures. Given the nature of these public capital improvements, it is recommended that GO bonds be issued to finance the project over twenty years. The FY08 municipal budget includes for the first time a Stormwater Improvement Fund which is supported by a ¼ cent increase in the Home Rule Sales Tax, a property tax levy of \$2,130,000 and the pre-existing detention variance fee. The Home Rule Sales tax increase will be effective July 1, 2008. It is anticipated that a GO bond of approximately \$24,679,000 will be issued in FY08, followed by a GO bond issuance of approximately \$24,124,000 in FY12 and a GO bond issuance of approximately \$23,464,000 in FY15. The debt service on these issuances will be covered by the above mentioned ¼ cent Home Rule Sales Tax, property taxes and detention variance fees. The resulting bond proceeds will allow the Village to complete the most critical capital improvements identified in the Watershed Infrastructure Improvement Plan.

RECOMMENDATION

Discussion only.

BACKGROUND

The Village Council Ethical Standards Policy, adopted October 2, 2007, states that the Village may hold a public hearing prior to the adoption of an ordinance imposing a tax that is not authorized under the

provisions of the Illinois Municipal Code for municipalities that are not Home Rule. While the issuance of bonds does not constitute the imposition of a tax, the Village Manager recommends that the Village Council hold a public hearing to meet the spirit and intent of the policy. The public hearing would be held at the February 19 Council meeting.

Pursuant to the Village Council's Debt Service Management Policy, the Village should seek to minimize debt interest costs and consider market timing when issuing debt. During the preparation, review and approval of the FY08 municipal budget, the Council and staff discussed issuing bonds in mid- to late-2008. However, the interest rates for long term municipal bonds are currently at or near historic lows. Issuing bonds at the current low interest rates is consistent with the Village Council's Debt Management Policy and should result in minimizing costs to the Village. Therefore, staff recommends that the bonds be issued according to the following schedule:

- Selection of a Financial Advisor (February 12 Workshop, February 19 Village Council Meeting)
- IRS Reimbursement Resolution (February 12 Workshop, February 19 Village Council Meeting)
- Public Hearing for the Issuance of GO Bonds (February 19 Village Council Meeting)
- Issuance of GO Bonds (March 2008)