

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
JUNE 17, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
General Obligation Bond Issuance – Selection of Underwriter	Resolution Ordinance ✓ Motion Discussion Only	David Fieldman Acting Village Manager

SYNOPSIS

A motion to accept staff's and the Village's financial advisor's recommendation for the selection of underwriters for the General Obligation bond issuance is requested. The underwriters are Robert W. Baird, Morgan Keegan and Mesirow Financial.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals identifies *Top Quality Village Infrastructure and Facilities*. A supporting objective is *Improve Neighborhood Infrastructure Curbs, Gutters, Streets, Sidewalks, Stormwater and Drainage System*.

FISCAL IMPACT

Pursuant to the bond issuance parameters ordinance, the annual principal and interest payments would not exceed \$4.0 million and the principal amount of the bond issuance would not exceed \$27.5 million. Please note that the principal amount of the bond issuance will be determined based on the interest rate and the annual principal and interest payments. The fees for the underwriters' services will be based on the amount of the bond issuance. The fees will be paid at the closing from the proceeds of the bond issuance.

The FY08-12 CIP 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.

UPDATE & RECOMMENDATION

This item was discussed at the June 10, 2008 Workshop. Staff recommends approval on the June 17, 2008 active agenda.

BACKGROUND

At the April 22, 2008, Workshop, the Village Council approved a motion to authorize the Village Manager to proceed with a negotiated sale of GO bonds for the purpose of watershed improvements, which included the Village Council selection of an underwriter and Village Council consideration of a Parameters Ordinance.

The Village's Financial Advisor, Northern Trust, has recommended three firms to act as the Village's underwriting team for the issuance of a not-to-exceed amount of \$27.5 million in GO bonds. Staff has reviewed Northern Trust's recommendation and concurs with this approach for a negotiated sale of GO bonds.

Northern Trust issued a Request for Qualifications for an underwriter and received nine responses. The responses were evaluated using the following criteria: support and commitment to the Village; innovative ideas; distribution capabilities with a focus in the Village and the State of Illinois; and pricing. Northern Trust's comparison of all submitted proposals is attached. In an effort to achieve the most competitive

environment and to reduce overall Village costs, Northern Trust and staff recommend selecting the following team to act as the Village's underwriters:

1. Robert W. Baird – Senior Manager
2. Morgan Keegan – Co-Manager
3. Mesirow Financial – Co-Manager

Staff believes a three-firm approach will maximize the distribution of the sale of the GO bonds.

Key Steps for the Issuance of GO Bonds through a Negotiated Sale

1. Village Council Selection of an Underwriter
2. Village Council Approval of a Parameters Ordinance
3. Obtain a Rating from Standard & Poors – Northern Trust will work with Standard and Poors, the Village's bond rating agency, to establish a bond rating for the proposed bond issuance and potential refunding.
4. Prepare and Distribute the Preliminary Official Statement – Northern Trust will prepare and distribute the Preliminary Official Statement (POS) to potential bond purchasers. The POS will provide information about the Village and the bond issuance to entities interested in purchasing the bonds.
5. Price the Bond Issue – Northern Trust and the selected bond underwriter will establish the principal, interest and debt service payment schedule for the bond issuance.
6. Execute the Bond Purchase Agreement – The authorized Village officials will execute the Bond Purchase Agreement. The agreement must conform to all criteria included in the Parameters Ordinance.
7. Close on the Bond Purchase Agreement – The authorized Village officials will execute all documents necessary to close on the Bond Purchase Agreement. The documents must conform to all criteria included in the Parameters Ordinance.

In August 2007, staff presented a comprehensive financial review to the Village Council regarding funding strategies for the proposed Watershed Infrastructure Improvement Plan. Those alternatives were discussed with the Council as well as at a series of four public meetings prior to a more detailed review of these financial alternatives as a part of the annual budget process in October. 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 to provide 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. The recommended strategy for three separate bond issuances (2008, 2012 and 2015) included the issuance of GO bonds with constant annual debt service payments in the amount of approximately \$4.0 million. This recommended strategy is consistent with the adopted FY08 Municipal Budget and the FY08-12 CIP.

During the review and approval of the FY08 Municipal 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 projects over thirty years. The FY08 Municipal Budget includes for the first time a Stormwater Improvement Fund which is supported by a quarter cent increase in the Home Rule sales tax, an annual property tax levy of \$2,130,000 (to fund debt service payments and annual stormwater maintenance expenses) 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 finally a GO bond issuance of approximately \$23,464,000 in FY15. The debt service on these issuances will be covered by the above mentioned quarter 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.

VILLAGE OF DOWNERS GROVE
COUNCIL ACTION SUMMARY

INITIATED: Village Attorney DATE: June 17, 2008
(Name)

RECOMMENDATION FROM: _____ FILE REF: _____
(Board or Department)

<u>NATURE OF ACTION:</u>	<u>STEPS NEEDED TO IMPLEMENT ACTION:</u>
<input type="checkbox"/> Ordinance	Motion to accept Robert W. Baird, Morgan Keegan and Mesirow Financial as underwriters for the General Obligation bond issuance.
<input type="checkbox"/> Resolution	
<input checked="" type="checkbox"/> Motion	
<input type="checkbox"/> Other	

SUMMARY OF ITEM:

Approval of this motion shall accept Robert W. Baird, Morgan Keegan and Mesirow Financial as underwriters for the General Obligation bond issuance.

RECORD OF ACTION TAKEN:

