

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
FEBRUARY 24, 2009 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Bond Refunding	Resolution Ordinance ✓ Motion Discussion Only	Judy Buttny Finance Director

SYNOPSIS

A motion has been prepared authorizing staff to proceed with a bond refunding.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals identifies *Exceptional Municipal Organization*. A supporting objective is *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

The bond refunding should reduce the Village's annual debt service payments and save the Village approximately \$500,000 (net present value).

RECOMMENDATION

Approval on the March 3, 2009 consent agenda.

BACKGROUND

Staff has been made aware of an opportunity to refund existing debt for a net present value savings to the Village estimated at \$500,000. Pursuant to the Village Council's Debt Management Policy, the Village should consider refunding debt when financially advantageous. A net present value savings of 3% or greater must be achieved. In order to take advantage of this opportunity, staff has been working with Northern Trust, the Village's Financial Advisor (FA). A three year contract with Northern Trust was signed in 2008 for FA services pursuant to the existing contract. The FA charges for this refunding would be \$10,000 plus \$0.90 per bond. At the February 17, 2009 Council Meeting, the Village Council approved a motion to authorize Chapman and Cutler to prepare a Parameters Ordinance and serve as bond council for proposed 2009 General Obligation Bond refunding for an amount not to exceed \$24,000. The Parameters Ordinance will be brought to the Village Council Workshop on March 10, 2009 for approval at the March 17, 2009 Council Meeting.

During the time that Chapman and Cutler is working to prepare the Parameters Ordinance, Northern Trust will work with Standard and Poors, the Village's rating agency, to establish a bond rating for the proposed bond refunding. The fee from the ratings agency for this refunding is expected to be approximately \$15,000. In addition, Northern Trust will prepare and distribute the Preliminary Official Statement (POS) to potential bond purchasers. The POS will provide information about the Village to the entities interested in purchasing the bonds. The Village will use the same underwriters chosen via a competitive process in 2008 for the issuance of the stormwater debt and the 2008 refunding: Robert W. Baird, Morgan Keegan, and Mesirow Financial. Northern Trust and the selected bond underwriters will establish the principal, interest and debt service payment schedule for the bonds. Underwriter's fees are not to exceed \$7.50 per bond. The 3% NPV savings required by the Village's Debt Management Policy will be computed net of all the issuance costs from the FA, Bond Counsel, rating agency and underwriters.