

MINUTES OF THE SPECIAL MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE OF THE VILLAGE OF WILLOWBROOK HELD ON MONDAY, AUGUST 25, 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, Village Administrator Tim Halik, Interim Finance Director Carrie Dittman, and Management Analyst Garrett Hummel.

3. APPROVAL OF MINUTES

Minutes of the Regular Finance & Administration Committee held on Monday, July 14, 2014 were reviewed. Motion to approve made by Trustee Oggerino, seconded by Trustee Davi. Motion carried.

4. DISCUSSION - Capital Projects Financing Analysis

Interim Finance Director Dittman began the discussion by explaining that numerous capital projects have been discussed during the last two years during the budgeting process. Due to conservative spending and revenues coming in higher than budgeted, the Village was able to build up substantial reserves with which to fund several of these projects. Unfortunately however some of the upcoming projects are too large to use reserves so the Village Board directed staff to research outside financing. After updating the Village's finances for the remainder of the last fiscal year and using the excel-based financial model created by Sikich, Director Dittman indicated that staff recommends the Water Tank Painting project and the Master Plan Phase II project be paid for with bond or loan proceeds. The Water Tank project will be spread over 4 years while the Master Plan Phase II, the Police Department renovation, will occur in Fiscal Year 2015-16.

Director Dittman continued with a financial summary of the Water Capital Fund. Director Dittman stated the FY 14-15 budget includes \$285,000 for the MTU replacement project. The MTU replacement project is being funded with existing Water Fund reserves transferred to the Water Capital Fund. Director Dittman next explained the 4-year water tank painting project is scheduled to begin in FY 15-16 and conclude in FY 18-19. Director Dittman called the Committee's attention to a table showing the next 5 years of financials for the Water Capital Fund. Director Dittman noted that without outside financing the fund would be depleted after the first year (FY 15-16) of the project.

<Trustee Terry Kelly entered meeting at 6:05 PM>

Director Dittman next provided a financial summary of the LAFER fund highlighting the FY 14-15 expense for the Village Hall remodel which had an initial estimate of \$1.06 million but is now projected to be about \$1.43 million. Director Dittman explained the Village Hall renovation is being funded by reserves which, once complete, will leave roughly \$333,000 remaining in the LAFER fund. The Police Department renovation is estimated to be about \$1.5 million and the Community Center renovation has not yet been determined but a placeholder of \$500,000 is included in FY 16-17. Including all these projects, the projected LAFER Fund balance without any financing would be about -\$1.3 million.

Director Dittman highlighted some considerations with respect to financing options, pointing out that the Village was upgraded to a AAA Bond Rating in February 2014 and that interest rates are at historically low levels (around 2.0% for 10 year bond and 3.0% for a 20-30 year bond). It was noted that the Village does not want to deplete fund reserves below the target amount of 120 days. Also, the Village's ability to repay any new debt must be considered, particularly with alternate revenue source bonds (like the existing 2008 bonds) that have income taxes and water revenues pledged to repay it, rather than general property taxes. With respect to the repayment period, the maximum length of an IEPA loan is 20 years, however this may be shortened by the IEPA subject to a "useful life" test. The "useful life" test stipulates that the duration of the loan should not be longer than the life of the asset, in this case the water tower recoating. There is a similar test for bond issuances as well. Additionally, the ability to issue debt in the future if required must be considered. Finally, Director Dittman stated the bond issuance costs are typically about 2% of the issue meaning for a \$2 million bond issuance costs would be roughly \$40,000.

The current outstanding debt of the Village was discussed and Director Dittman pointed out that the only true debt of the Village currently outstanding is the Series 2008 General Obligation Alternate Revenue Source Bonds, of which \$1,635,000 remains to be paid as of 8/1/2014. The bonds mature on 12/30/2027.

Director Dittman next presented four financing scenarios. In Scenario #1, the Village would obtain an IEPA low interest loan in the amount of \$1,000,000 for the water tanks as well as a General Obligation Alternate Revenue Source (GOARS) Bond of \$1,520,000 to be used on the police station renovation. The total proceeds from Scenario #1 would be \$2,500,000. Director Dittman noted that there is no guarantee that the Village would be able to get a low interest IEPA loan as the application process is lengthy and would require assistance from an engineering firm to even apply. However, preliminary communication with the IEPA indicates that projects such as the water tank project are frequently funded in this manner. The IEPA loan is desirable because the interest rate for the loan would be less than that of a bond. The IEPA loan of \$1,000,000 in Scenario #1 would be a 20 year loan at an interest rate of 1.93%. The annual debt service would be approximately \$60,000 with a total repayment of \$1,214,906. The GOARS bonds of \$1,520,000 in Scenario #1 would be a 20 year bond at an interest rate of 3.23%. The annual debt service would be approximately \$67,000 until 2029 where it would become \$222,000 through 2035 for a total repayment of \$2,280,395. All together the total repayment on the IEPA loan and GOARS bonds for Scenario #1 is \$3,495,301.

Scenario #2 included an IEPA low interest loan in the amount of \$1,000,000 for the water tanks and a GOARS Bond of \$2,025,000 for the police station renovation. The total proceeds from Scenario #2 would be \$3,000,000. Scenario #2 provides an additional \$500,000 as a cushion in case the police department renovation costs are higher than originally estimated. The IEPA loan of \$1,000,000 in Scenario #2 would be a 20 year loan at an interest rate of 1.93%. The annual debt service would be approximately \$60,000 with a total repayment of \$1,214,906. The GOARS bonds of \$2,025,000 in Scenario #2 would be a 20 year bond at an interest rate of 3.18%. The annual debt service would be approximately \$102,000 until 2029, where it would become \$255,000 through 2035 for a total repayment of \$2,952,838. All together the total repayment on the IEPA loan and GOARS bonds for Scenario #2 is \$4,167,744.

Scenario #3 calls for a GOARS Bond of \$2,585,000 which will be used on both the water tank and police department renovation projects. The total proceeds from Scenario #3 would be about \$2,500,000. This Scenario does

not include the IEPA low interest loan. The bonds associated with this Scenario may have to be issued as Series A & B (one for the water tank coating, one for the police department building) due to the difference in useful lives of the assets created. The GOARS bonds of \$2,585,000 in Scenario #3 would be a 20 year bond at an interest rate of 3.15%. The annual debt service would be approximately \$140,000 until 2029, where it would become \$294,000 through 2035 for a total repayment of \$3,707,003.

Scenario #4 includes a GOARS Bond of \$3,085,000 which will be used on both the water tank and police department renovation projects. The total proceeds from Scenario #4 would be about \$3,000,000. This Scenario does not include the IEPA low interest loan. The bonds associated with this Scenario may have to be issued as Series A & B (one for the water tank coating, one for the police department building) due to the difference in useful lives of the assets created. The GOARS bonds of \$3,085,000 in Scenario #4 would be a 20 year bond at an interest rate of 3.13%. The annual debt service would be approximately \$172,000 until 2029, where it would become \$325,000 through 2035 for a total repayment of \$4,373,630.

Upon completion of the scenario discussion, Director Dittman and Administrator Halik were directed by the Committee to explore additional scenarios including transferring some of the excess reserves of the General Fund to the LAFER Fund to be utilized for a portion; using an IEPA loan to be repaid over 10 years; and starting the bond process for the entire amount (\$3.0M - \$3.5M) and reducing it before issuance if an IEPA loan was secured.

The Committee decided to continue the discussion at a future meeting due to time constraints. The discussion will continue at another special meeting of the Finance & Administration Committee to be held on 9/22/14.

5. REPORT - Monthly Disbursement Reports - July 2014

(This item was not discussed)

6. REPORT - Sales Tax, Income Tax, Fines, Red Light Fines, Building Permits, Water Revenues, Hotel/Motel Tax and Motor Fuel Tax

(This item was not discussed)

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 Davi, seconded by Trustee Oggerino.

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

(Minutes transcribed by: Garrett Hummel, 09/17/14)