DRAFT

Administration & Finance Committee Meeting
Monday, July 11, 2013
5:30 pm

Call to Order: 5:32 by Trustee Senicka

Roll Call: Sue Senicka, Spencer Parker, Tim Carlson, Tom Chapman, Ron Searl, Ron Gunter, Shannon Malik, Harold Barry, Tom Mulhearn, Steve Nero, Bob Scott, Steve May, Jim Addington

Pledge of Allegiance

Reports:
Finance - None
Administration - None

Unfinished Business: None

New Business:
Bond Issue Procedures - Informational Discussion

Finance Director Parker introduced Mr.Tom Chapman, from Raymond James, to go over the bond process and the timeline.

1. Mr. Chapman explained that the bond was in reality a loan, it is just a tax exempt loan. This is appealing to investors so that they do not mind earning a lower interest rate than a conventional bank loan.
2. He then covered the role of the underwriter and steps that were taken in preparation for the issuing of bonds and after the bonds were issued.

Director May asked if we were issuing one bond there would only be one investor? Mr. Chapman replied that you want multiple purchasers for the bond, not just one that will dictate the interest rate. Trustee Scott asked if there was ever a municipality that defaulted? Mr. Chapman replied that he has not. Trustee Senicka asked what the cost of issuance is, and the answer was the attorney fees, and various agency fees will run around 1.7 - 2 %. This is built in to the bond issue so that you do not pay out of pocket and receive the amount you need from issuing the bonds.

Mayor asked if Mr. Chapman was comfortable with the records he had reviewed. As the Village has no debt, there is no rating available at this time. Mr. Chapman said that the Village may have been through the hard times in the last few years as everyone else had, the cuts made to handle the needs of the town on a cash basis/pay as you go is a great feature for the rating. Trustee Addington asked about local financial institutions role in the process. Mr. Chapman said that if you issue $10 million or less in a calendar year those bonds can be labeled as bank qualified which means that banking institutions are able to deduct a cost for funds when they purchase the funds - making them an even better investment. The CRA credits for investing locally is a motivation to the larger institutions with branches in your town; this gives them the ability to expand their charters. The revenue stream and political will shown to create it is also a positive in terms of ratings as well. The fiscal responsibility shown over the years is a great standing for the bond marketing.

Trustee Barry asked if the bond is issued as a sole Village bond or is it clumped in with others? Mr. Chapman answered that it was a sole issue as a Village of Westmont Bond and would start at the price of $5000.00 an issue. The municipal bonds are tax exempt that it makes it more desirable than a treasury bond. The risk being low makes them attractive as part of a portfolio.

Trustee Addington asked about prepayment penalties. Mr. Chapman responded that it would be after 9-10 years you could call in without penalties. Trustee Addington said that there could be a benefit there if interest rates rose that people might be willing to negotiate the payment on the bonds to get out of the low interest rate situation.

Trustee Senicka asked what besides the places for eating and the motor fuel tax is being used as the revenue stream. Finance Director Parker replied that it also included part of the utility tax we currently have been using to pay off the loan for the 9 1/2 acres. Finance Director Parker is comfortable that this will suffice. PW Director May responds that it is necessary to use the money from the investment of motor fuel tax on approved items. Village Manager Searl responds that this is why we will do two issues; to separate out the funds for projects that are not street related, such as stormwater management.

A timeline and historical rate sheet was reviewed. The rate sheet shows that the rates are still low and the borrowing cost is reasonable. The rate sheet shows the changes over the last years beginning in 1990. The economic history coincides with the times, 2008 showing the downturn and then the European problems in Greece more recently. However, over all the indications are positive for the AA ratings.

A question was asked if the state's rating affected ours, the answer was no to the rating but it does have an impact on the rate paid; it will be approximately 1/2 to 3/4 interest rate higher than a municipality in another state. Is there a refinance clause? Yes, the call date is 10 year. You can do this early one time if the rates are really good, but it is limited to once under federal law. Trustee Barry commented that realistically, the refinance option is not going to affect us as interest rates will probably never be this low in the future. Mr. Chapman said probably not, but you might need to restructure in the future so the call date needs to be there in case you need to stretch the debt out without the extra cost.

The timetable was reviewed. Procedures were also reviewed. A bond counsel firm needs to be chosen to make sure that you have followed all the state and federal laws. It needs to be a firm that is known for bond work so that investors will know that everything is being handled correctly. Mayor said that we will reach out to two nationally recognized firms: Chapman & Cutler and Ice Miller. Mr. Chapman said that both are nationally recognized. Chapman & Cutler from an historical standpoint do about 80% of the IL market and are very knowledgable. Each state is different so you want one from state standpoint. From the federal standpoint in selling the bonds, both are very well recognized by investors.

Manager Searl commented on the tight time frame that the Village was under and that Chapman & Cutler had not responded. The board will hopefully authorize staff to make a decision based on which firm offers the best price. Trustee Senicka said that sounds good.

Mr Chapman said if you notice the timeline, the first step is a resolution of intent and that needs to be prepared by bond counsel. All of the steps need to have bond counsel involved, as it is state law that sets up the steps so you need to be sure it is done properly. The resolution, about 30 pages long, lays out the amount of bonds to be issued and the statutes that need to be followed and the steps to gain authority. The most important being printing the resolution in the newspaper, 30 days in advance to give the public the opportunity to petition; if that happens it would have to go to ballot. Trustee Scott asked how often that happens. Mr. Chapman said that in 30 years it has only happened once. Mayor said that the Park District had never had anyone petition a bond issue.

CD Manager Malik asked if there were requirements for annual reporting. Mr. Chapman replied that for transparency you are required to post on a central depository system called EMMA for every bond issue if there is a major event change, and file your yearly audit. The underwriter is required to make sure you have met that requirement, and it is done annually as long as your bonds are outstanding.

Trustee Scott asked what an investor received before purchase; Mr Chapman said that a document is prepared for the Village with the same information that is given to the rating agency. The bulk of it is your last audit, with the legal description of the bonds and the security for the bonds; along with demographic information. This is done just for the issue - an offering document. Then the updates are done annually. As long as you issue the bonds after going through the petition period and do not wait years to do so, you will never have to go through the petition period again for these same bonds. If you wait years, and things change demographically, then you could have to re-petition.

In looking at the payment structure, you need to make sure that you have the flexibility for changes and future projects. That is part of setting up the structure. Trustee Scott asked if bond issues are a forever way of doing business; communities just keep going forward with more projects so that bonds are reissued? Always in bond mode? Mr. Chapman replied that there are municipalities that do it both ways. It all depends on the needs of a community.

Mr. Chapman said that the public hearing is held, a bond issuance notification hearing, so the public becomes aware of the issuance. Then the 30 day petition begins and when it is over the rating agencies will begin reviewing. The board adopts bond parameters resolution, this lays out the overall parameters of the bond issue. You can then market the bonds without having another board meeting to approve so you are not committed to one specific day’s index.

The Mayor reminded everyone of the stipulation that you must spend the bond money within 3 years. PW Director May said that Engineer Noriega is working on a 3 year plan to maximize the repairs logically based on degree/area/costs. The Mayor is asking how much should be available for stormwater issues, a million or two hopefully. You have to pledge to cover the debt 1.25%. That is right up front, not something you do annually.

Finance Director Parker asks where in the timeline do we do the feasibility study? After the 30 days or now? Mr. Chapman recommends waiting until the 30 days are up on August 31st as long as it can be completed by the 13th to market the bonds. Mr. Chapman said that tonight it will be important to go forward with a bond council. Ice Miller has presented some information and Chapman & Cutler will have information by tomorrow; unfortunately we did not receive today in time for this meeting. Requesting that the Board authorize staff to move forward with the best proposal. Trustee Senicka said that this would be the best way to move forward.

Director Parker reminds everyone that the intent to issue will be requested at a higher amount than the actual amount planning to issue as a contingency in case something happens we would not have to go through the 30 day petition period again. Director Parker asked Mr. Chapman a question in regards to bond counsel, is there any reason not to go with the lowest offer. Mr. Chapman reiterated that there are two schools of thought: the federal and the local. Chapman is more widely known nationally so the name is familiar to bond investors. To measure that on a financial scale is hard to do, it does not mean that Ice Miller would impact the interest rate. Mayor said that you could negotiate with the firms. Ice Miller has been practicing in IL for awhile, and is very well known in Indiana. Mr. Chapman said that the next step is that a separate company will come in and rate the municipality. It's a time to talk about your town and show off! A fun interview.

The Mayor thanked Mr. Chapman for the education. as the Village has never done a bond issue only water revenue bonds many years ago.

Adjourn: 6:37 Trustee Addington requested a motion to adjourn. Trustee Senicka made a motion and it was seconded by Trustee Scott.