



## Study Session

The purpose of the Study Session is to review the primary bond sale documents and the official statement disclosures.

May 19, 2016



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## Transaction Overview

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## Transaction Overview

The Plan of Finance includes two main components – refunding and new money.

### Refunding Series

\$328,395,000\* consisting of:

\$285,435,000\* General Obligation Unlimited Tax Refunding Bonds, 2016 Series A.

\$41,960,000\* General Obligation Limited Tax Refunding Bonds, 2016 Series B.

### New Money Series (Green Bonds)

\$104,000,000\* consisting of:

\$30,000,000\* General Obligation Unlimited Tax Capital Improvement Bonds, 2016 Series C (Green Bonds).

\$20,000,000\* General Obligation Limited Tax Capital Improvement Bonds, 2016 Series D (Green Bonds).

\$50,000,000\* General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2016 Series E (Green Bonds).

\$4,000,000\* Taxable Qualified Energy Conservation Bonds, 2016 Series F (Green Bonds).

\*Preliminary, subject to change

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## Transaction Overview (continued)

- Proceeds of the 2016A and 2016B Bonds will be used to current refund the outstanding \$346.60 million General Obligation Refunding Bonds, Unlimited Tax Series of May 2006 and \$50.79 million General Obligation Refunding Bonds, Limited Tax Series of May 2006.
- Redeem existing bonds on or about July 8, 2016\*.
- Estimated aggregate debt service savings is nearly \$111.1\* million or \$87.7\* million on a present value basis (which is 22% of bonds refunded).

\*Preliminary, subject to change

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## Transaction Overview (continued)

- Proceeds of the 2016C, 2016D, 2016E and 2016F Bonds (New Money Bonds) will be used to pay for certain projects included in the District's Capital Improvements Program and will be designated as Green Bonds.
- The purpose of labeling the New Money Bonds as Green Bonds is to allow investors to invest directly in projects which the District has identified as environmentally beneficial.
- The District has identified four categories of its Green Projects:
  - TARP . 2016C Bond proceeds.
  - Resource Recovery . 2016D Bond proceeds.
  - Water Reclamation Plant Expansions and Systems Improvements . 2016D and 2016F Bond proceeds (2016F is specifically for energy conservation projects at the Calumet and Stickney Plants).
  - Stormwater Management . 2016E Bond proceeds.

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## Transaction Overview (continued)

- Proceeds of each series of Green Bonds will be tracked by the District and will be deposited into a segregated Bond Proceeds Fund.
- The District plans to post periodic updates on the use of Green Bond proceeds in a report on its website and a report of all projects funded when all proceeds have been spent.
- Once all proceeds of the Green Bonds have been spent, no further updates will be provided.

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## Preliminary Official Statement

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## Preliminary Official Statement

- Cover and Inside Cover Pages.
- Summary of Terms of the Bonds (Pages i . ii).
- Introduction; The Refunding Plan; The Projects and the Green Projects (Pages 1 . 7).
- The Bonds and Security for the Bonds (Pages 9 . 19).

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## Preliminary Official Statement (continued)

- Discussion of the District.
  - Broad Overview (Pages 19 . 20).
  - Services and Labor (Pages 20-21).
  - Administration (Pages 21 . 24).
  - Economic Condition and Outlook (Page 24).
  - Recent Financial Information (Pages 25 . 27).
  - Debt Information (Pages 28 . 36).
  - Cash Management (Pages 37 . 38).
  - Financial Operations . Accounting Policies (Pages 38 . 39).
  - Budgetary Procedures (Pages 39 . 42).
  - Other Local Governmental Units (Pages 42 . 44).

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## Preliminary Official Statement (continued)

- Tax Base.
  - Real Property Assessment, Tax Levy and Collection (Pages 45 . 53).
  - Taxation of Property . EAV Statistical Information (Pages 54 . 57).
- Tax Matters (Pages 58 . 66).
- Environmental Matters, Litigation and Risk Management (Pages 67 . 72).
- Appendix A . Basic Financial Statements.
- Appendix B . Capital Improvements Program.
- Appendix C . Pension and Other Post Employment Benefits.
- Final Official Statement . to be prepared once Bonds are priced.

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## Bond Purchase Agreement

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## Bond Purchase Agreement

### A Bond Purchase Agreement (BPA):

- Is a Contract executed by the District and the Representative, on behalf of itself and the other Underwriters working on the transaction.
- Specifies the various conditions that must exist before the Underwriter will accept and pay for the Bonds.
- Represents the allocation of responsibilities in the transaction and serves to facilitate the Underwriters' allocation of responsibilities in the transaction and identify any legal issues that may be present in the offering.

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## Bond Purchase Agreement (continued)

### District Representations. The District makes certain representations to the Underwriters in the Bond Purchase Agreement including:

- That the statements and information in the Official Statement (excluding certain sections) were true, correct and complete in all material respects; as of the date of the Preliminary Official Statement and Official Statement.
- That it is a sanitary district and body corporate and politic duly organized and existing under the laws of the State, and has, full legal right, power and authority to enter into the Bond Purchase Agreement and other documents required as part of the Closing and to pledge its full faith and credit to the payment of principal of and interest on the Bonds and levy ad valorem taxes for the payment of the Bonds.
- That it has complied with all of the provisions of applicable State law.
- The District is in full compliance with each and every continuing disclosure undertaking previously entered into by the District pursuant to Rule 15c2-12.

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## Bond Purchase Agreement (continued)

### Representations of the Underwriters. The Underwriters represent, warrant, covenant and agree as follows:

- the Underwriters shall offer the Bonds in accordance with applicable State and Federal laws.
- the Representative has been duly authorized to execute the Bond Purchase Agreement and when executed, is a valid and binding obligation of the Underwriters;
- the Underwriters shall offer the Bonds only pursuant to the Official Statement. The Underwriters shall not make any untrue or misleading statement in connection with the offering and sale of the Bonds.
- the Underwriters shall comply with all applicable registration and qualification requirements applicable to the Underwriters or the Bonds under any securities or "blue sky" law of any jurisdiction in which such registration or qualification is required.

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## Bond Purchase Agreement (continued)

### Payment of Expenses. Allocates responsibility for the payment of transactions expenses between the District and the Underwriters.

- **Conditions of Underwriters' Obligations.** The obligations of the Underwriters are contingent upon (i) the representations and agreements of the District being true, and (ii) the performance by the District of its obligations.
- **Termination.** The Representative shall have the right to terminate this Bond Purchase Agreement by notifying the District of its election to do so, under certain circumstances.
- Bond purchasers sign a certificate verifying the bonds were offered and sold to the general public in a bona fide offer at fair market value as one of several criteria necessary to comply with IRS regulations.

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## Continuing Disclosure Undertaking

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## Continuing Disclosure Undertaking

- **Annual Information Disclosure.**
  - Submitted within 210 days of close of fiscal year.
  - Submitted directly to MSRB via EMMA website as word-searchable .pdf file.
- **Audited Financial Statements.**
  - Submit with Annual Financial Info or within 30 days of availability, if available later.
  - Submit unaudited financials if audited are unavailable.
- **Event Disclosure Within 10 Business Days.**
- **Failure to File.**
  - Not a bond default.
  - But, notice of late failure must be filed.

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## Tax Compliance

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## Tax Compliance

- " Interest on all of the Bonds is %tax advantaged+. I.e., most of the Bonds are traditionally tax-exempt and the \$4 million Qualified Energy Conservation Bonds, Series F (QECBs) are taxable.
- " In lieu of tax-exemption, most of the interest paid on the QECBs will be reimbursed to the District by the Federal Government as interest is paid by the District; this subsidy is reduced by the %sequestration+ amount set by the US Treasury each year (6.8% until 9/30/16).
- " The District covenants with all of its bondholders that it will maintain the tax advantaged status of the Bonds for their full term.
- " Federal tax law requires, among other things, that the District spend all of the Bond proceeds on projects that are owned and used almost exclusively by state or local government entities; QECB projects must, in addition, be %qualified conservation facilities.+

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## Tax Compliance (continued)

- " The District must plan to spend all of the Bond proceeds as promptly as reasonably possible after the issuance of the Bonds and to have at least 85% of the Bond proceeds spent for such purposes within 3 years after the issue date.
- " QECB proceeds not spent for the qualifying project by the 3-year mark will be used to retire a like amount of QECBs at par.
- " The District must have written procedures to monitor compliance with the tax law requirements applicable both to the District and to the recipients of grants funded by the Bonds.

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## Questions?

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