

TRANSMITTAL LETTER FOR BOARD MEETING OF APRIL 7, 2016

COMMITTEE ON FINANCE

Mr. David St. Pierre, Executive Director

..Title

Adopt Ordinance O16-007 An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$4,000,000 General Obligation Limited Tax Qualified Energy Conservation Bonds of the Metropolitan Water Reclamation District of Greater Chicago

..Body

Dear Sir:

Attached is the sixth of six ordinances being presented to the Board today relating to the District's anticipated General Obligation Capital Improvement Bonds sale totaling \$500,000,000. The authority to sell the Bonds expires on September 30, 2016. This expiration period has been proposed to allow for flexibility in issue size and the ability to adapt to changing conditions in the bond market. Authority is requested to access the market to sell up to \$104,000,000 in new money bonds to fund capital improvement projects and up to \$396,000,000 in refunding bonds dependent upon market conditions. The size and structure of the sale will be determined with the assistance of the Underwriters and Financial Advisors based upon the market interest rates, investor cash positions, supply of bonds for sale, liquidity of the market and other conditions.

This Ordinance O16-007 authorizes the sale of not to exceed \$4,000,000 General Obligation Limited Tax Qualified Energy Conservation Bonds. The sale of these bonds will fund the acquisition and installation of energy conservation projects consisting of the installation of steam blanket insulation and control upgrades at the Calumet Water Reclamation Plant, and LED interior lighting upgrades at the Calumet Plant and the storeroom of the Stickney Water Reclamation Plant. These bonds shall be issued as taxable "Qualified Energy Conservation Bonds" under Section 54D of the Internal Revenue Code of 1986. These bonds are issued to finance projects that reduce energy consumption in public buildings by 20%. The U.S. Department of the Treasury provides a subsidy for the interest cost of these bonds up to 93% of the interest cost.

The District held a public hearing on March 31, 2016, pursuant to the Bond Issue Notification Act stating its intention to issue not to exceed \$550,000,000 of General Obligation Capital Improvement Bonds. This Ordinance being presented for approval is issued in accordance with the conditions stated at that hearing.

The Ordinance sets the legal parameters for issuance of the bonds and provides for various necessary details relative to the bonds, including the required authority to levy and collect the direct annual taxes for payment of bond principal and interest as due, and the Ordinance authorizes the Treasurer and any one elective officer of the District to sign a binding bond purchase agreement with the underwriters on behalf of the District, and also to sign a related "Bond Order," on the date of sale. Such authority permits the sale to be completed in a prompt and timely manner when conditions in the bond market are in a stable and acceptable state for issuance of the District's bonds.

The purchase price is set at not less than 97% of the original principal amount; compensation to the purchasers is not to exceed fifty cents(\$0.50) per \$1,000 principal amount of bonds sold

(excluding syndicate expenses and underwriter counsel fees); the bonds may be subject to optional redemption that may be a make whole redemption price as set by the ordinance or may include a redemption premium of not more than 103%; maximum interest rate is 6.00% per annum; interest may be capitalized for a period of not more than twenty-four months; and the bonds may mature not later than December 1, 2045.

It is recommended that "Ordinance O16-007 Authorizing and Providing For the Issuance of Not to Exceed \$4,000,000 General Obligation Limited Tax Qualified Energy Conservation Bonds of the Metropolitan Water Reclamation District of Greater Chicago" be adopted by the Board of Commissioners.

Requested, Mary Ann Boyle, Treasurer, MAB:st
Respectfully Submitted, Frank Avila, Chairman Committee on Finance
Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for April 7, 2016