

TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 21, 2010

COMMITTEE ON FINANCE

Mr. Richard Lanyon, Executive Director

..Title

Ordinance O10-003 An Ordinance authorizing the sale of up to \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, the execution of one or more bond orders in connection therewith, and the levy of a direct annual tax in an amount to pay the principal of and interest on said bonds

..Body

Dear Sir:

Ordinance O10-003 provides for the issuance of not to exceed \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010. The sale of these bonds will fund capital projects initiated since the effective date of the Debt Reform Act which are subject to its provisions. The ordinance authorizes sale of the bonds as tax-exempt bonds pursuant to the provisions of Section 103(c) of the Internal Revenue Code of 1986 or as bonds the interest on which is taxable pursuant to the provisions of the American Recovery and Reinvestment Act of 2009, which permits the District to obtain certain tax credit advantages when issuing certain taxable obligations, referred to as "Build America Bonds" ("BAB's"). Up to \$450,000,000 of the bonds may be sold as taxable bonds under the BAB's program if a significant savings in debt service cost will be realized by the District. Additionally, up to \$50,000,000 of bonds will be issued as regular taxable bonds (not BAB's), the proceeds of which will be used to fund certain Capital Improvement purposes not eligible for tax-exempt or Build America bond financing.

The Ordinance also 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 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 on the date of sale. Such authority permits the sale to be completed in the shortest possible time in order to protect the established market and bind the sale to the structure and rates approved as most advantageous. The action of the Treasurer and the elective officer in signing the bond purchase agreement will be reported to the Board at its next regular meeting following the sale date.

The purchase price is set at not less than 97% of the original principal amount; compensation to the purchasers is not to exceed 1.00% of the aggregate initial reoffering price; the bonds may be subject to optional redemption at not more than 105%, or, if issued as BAB's, a "make-whole" formula as described in the ordinance; a maximum annual levy of \$145,428,729 is provided; a maximum interest rate is specified at 9% if the bonds are tax-exempt or 13% if they are taxable qualified BAB's; interest may be capitalized for a period of not more than twenty-four months. The bonds may mature not later than December 1, 2040. It is the intent of the District to apply Federal interest reimbursement payments for BAB's to debt service through subsequent abatement of taxes levied for the relevant debt service fund.

It is recommended that Ordinance O10-003 authorizing the sale of up to \$500,000,000 General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois, the execution of one or more bond orders in connection therewith, and the levy of a direct annual tax in an amount to pay the principal of

and interest on said bonds, on the above and foregoing terms, be adopted by the Board of Commissioners.

Requested, Harold G. Downs, Treasurer, HGD:wns

Respectfully Submitted, Gloria Alitto Majewski, 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 October 21, 2010