

TRANSMITTAL LETTER FOR BOARD MEETING OF APRIL 7, 2016

COMMITTEE ON FINANCE

Mr. David St. Pierre, Executive Director

..Title

Adopt Ordinance O16-006 An Ordinance Providing For the Issuance of Not to Exceed \$50,000,000 General Obligation Unlimited Tax Bonds(Alternate Revenue Source) of the Metropolitan Water Reclamation District of Greater Chicago

..Body

Dear Sir:

Attached is the fifth 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 O16-006 authorizes the sale of not to exceed \$50,000,000 General Obligation Unlimited Tax Bonds (Alternate Revenue Source). The sale of these bonds will fund stormwater management capital projects.

The District held a public hearing on October 2, 2014, pursuant to the Bond Issue Notification Act stating its intention to issue not to exceed \$200,000,000 of General Obligation Capital Improvement Bonds. All Ordinances presented for approval will be issued in accordance with the conditions stated at that hearing. Furthermore, on October 2, 2014, the Board of Commissioners adopted Ordinance O14-006, An Ordinance authorizing the issuance of not to exceed \$200,000,000 General Obligation Bonds (Alternate Revenue Source) of the Metropolitan Water Reclamation District of Greater Chicago, for the purpose of providing funds for stormwater management capital improvement projects. This authorizing ordinance, together with the statutory notice required by Section 15 of the Local Government Debt Reform Act, was published on October 3, 2014, in the "Chicago Sun-Times", a newspaper of general circulation in the District. No petition has been filed with the Clerk of the District requesting that the issuance of the bonds authorized by the authorizing ordinance be submitted to referendum. The District issued only \$150,000,000 of the \$200,000,000 authorization in 2014. It was anticipated that the remaining \$50,000,000 authorization would be requested from the Board of Commissioners in the 2016 bond sale in accordance with the District's capital plan. The adoption of Ordinance O16-006 will provide for \$50,000,000 of such issuance in connection with stormwater management capital improvement projects.

The Board anticipated that bond funding would be required to complete its countywide stormwater management plan, and the source for this funding would be the stormwater property tax levy. A policy was adopted by the Board on December 10, 2009 and amended on November 3, 2011 and January 7, 2016, and establishes the maximum portion of the stormwater tax levy that may be allocated to fund operations and maintenance expenditures is

two of the five cents per \$100 of Equalized Assessed Valuation, and the remainder of the levy shall fund direct cash outflows for capital and the interest and principal payments of general obligation bond issues for capital projects.

The bonds shall be payable from the tax receipts derived from the tax levied by the District for stormwater management purposes. This tax constitutes a "revenue source" within the meaning of Section 15 of the Local Government Debt Reform Act. The District will be required to demonstrate that such revenue source is sufficient in each year to provide not less than 1.25 times the debt service on all outstanding alternate revenue source bonds payable from such revenue source including the alternate revenue source bonds proposed to be issued. As a result of the proposed issuance, the District will be required to include in its stormwater management fund levy the estimated \$3,800,000 debt service payable each year due to the issuance of \$50,000,000 in bonds. In addition, the stormwater management fund tax receipts must exceed 1.25 times the debt service payable each year, or an estimated \$4,750,000 for the proposed bond issuance. The District's Annual Audit Report will be used to evidence the sufficiency of the revenue source.

On or before the last business day of February each year, the District shall deposit into the 2016 Alternate Bond Debt Service Fund, using an equity fund transfer from the Stormwater management property tax receipts, the amount required so that the sum held in the 2016 Alternate Bond Debt Service Fund after such deposit shall be sufficient to provide the punctual payment of the principal and interest on the 2016 bonds that will become due and payable on and prior to the first day of December next ensuing. The monies deposited into the 2016 Alternate Bond Debt Service Fund are pledged as security for the payment of the principal and interest on the 2016 bonds.

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 at 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 O16-006 Providing For the Issuance of Not to Exceed \$50,000,000 General Obligation Unlimited Tax Bonds (Alternate Revenue Source) 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