



Legislation Text

File #: 2021-0542, **Version:** 0

Title

Debt Service Program - Update on Current Debt Issues and Plans of Finance

History

As part of the 2021 Budget discussions, in addition to other debt restrictions, the following debt restructuring was reviewed.

The Village has a number of bond issues outstanding. Two bonds are ripe for savings.

Bob Lewis from the Village Financial Advisory Firm PMA Securities, LLC will be on hand to provide an overview of these issues.

2012B Cash Defeasance (also called Bond Call)

The Village issued several bonds relating to the Main Street Triangle TIF district. Two of those bond issues (Series 2012B and 2013A) included large balloon payments that are due in December of 2021 and 2022.

Prior Schedule of Balloon Payments:

Due December 1, 2021

2012B:	\$7,825,000
2013A:	\$7,825,000
Total:	\$15,650,000

Due December 1, 2022:

2012B:	\$8,025,000
2013A:	\$8,025,000*
Total:	\$16,050,000

*Earlier in 2021, the Village issued refunding bonds and defeased (paid in full) the 2022 maturity of \$8,025,000 of the 2013A Bonds by issuing 2021B bonds. The 2021B bonds will be paid from current TIF increment and ground lease rental income through 2034.

In 2017, the Village received a sizeable payment from the developer of the Ninety7Fifty project, which was used to pay off lines of credit (which were used to fund portions of the project). Each year since 2018, the Village has been contributing \$1.2 million in Home Rule Sales Tax revenue to the debt service funds. From 2018 through 2021, the Village has contributed a total of \$4,800,000. There is currently \$24,015,974.15 in funds on hand from the developer payment (sometimes referred to as liquidation proceeds) and Home Rule Sales Taxes.

Current Schedule of Balloon Payments:

Due December 1, 2021
2012B: \$7,825,000
2013A: \$7,825,000
Total: \$15,650,000

Due December 1, 2022:
2012B: \$8,025,000
Total: \$8,025,000

Financial summary of 2012B and 2013A Debt Service Funds
Current cash balance in Debt Service Funds: \$24,506,439.89
Total Principal and Interest Payments if paid per current schedule: \$24,015,974.15
Currently \$490,465.14 surplus.

Because there is currently sufficient funds on hand, the decision point is whether the Village should sit on existing funds and generate interest or make the remaining principal payment early and save the interest the Village would have paid on that principal payment. If the Village were to wait to pay the final maturity, it would need to pay an additional \$180,562 in interest cost. The Village's cost to make this payment early total \$10,000; in the current investment environment, it is unlikely that the funds on hand would earn sufficient interest income to make up the difference.

2021C, Current Refunding of 2013C Bonds

The Village's 2013C Bonds are callable as of December 1, 2021. These bonds may be available to refinance (refund) for savings. Preliminary analysis indicates that we may be able to save \$227,693, or 3.585% after the costs of issuance. Current coupon for remaining maturities range from 2.0% to 2.5%.

The previous bonds required principal and interest payments of \$1,257,628 due on December 1, 2021. Under this refunding, we will still be required to make this payment, but the allocation of those funds will slightly change due to the refunding of 2022-2026 bonds.

This ordinance allows the Village to move forward with refunding these bonds by issuing 2021C bonds at a lower rate than our outstanding bonds. The Parameters ordinance outlines the criteria that will be used to determine if there are sufficient savings.

Recommended Action/Motion

Discussion only. Three necessary bond ordinances will be considered on the Village Board agenda for approval.