


# CONSENT AGENDA ITEM VIII-J



To: David A. Hulseberg, Village Manager

From: Timothy Sexton, Director of Finance 

Date: June 5, 2008

Subject: Agenda Item/Sale of General Obligation Limited Tax Debt Certificates Series 2008 (South Booster Station Project, Special Assessment 217A, and Street Lighting Program Phase 2)

An internet auction was held this morning for the sale of \$5,300,000 General Obligation Limited Tax Debt Certificates for the following capital improvement projects: South Booster Station Project, Special Assessment 217A, and Street Lighting Program Phase 2. The report from our financial consultant, Speer Financial, Inc., is attached for your information. As the report indicates, there were three bidders, two of whom made multiple bids during the auction. The low bid was from M&I, Marshall & Ilsley of Milwaukee at a true interest cost of **3.3164%**. The internet auction resulted in a savings to the Village of \$7,555.75 in interest costs. The debt service expense for this issue is budgeted as part of the Village's FY 2009-2018 Capital Improvement Program from the Capital Projects Fund and Water & Sewer Capital Reserve Fund.

As a point of comparison, in December of last year, the Village issued \$4,600,000 in General Obligation Limited Tax Debt Certificates for Northeast Lombard Area Improvements-Phase 2, Westmore-Meyers Road Street Project, Street Lighting Program Phase 1, and Main Street (Roosevelt Rd. to Wilson Ave.) Project at a true interest cost of 3.5719%.

Also included as part of the report from Speer Financial is the rating we recently received from Standard & Poor's. **Please note that the Village's credit rating has been upgraded from AA to AA+ with this most recent rating.**

The draft ordinance before the Village Board this evening has been amended by our bond counsel, James Shanahan of Ice Miller, to reflect the information on the successful bidder as well as the interest rate bid. This item is on the Village Board's Agenda this evening as **Item VIII-J.**

- c. Village President
- Village Board of Trustees
- Village Clerk
- Village Attorney



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RAPHALIATA MCKENZIE  
VICE PRESIDENT

June 5, 2008

The Honorable William J. Mueller and  
Members of the Village Board of Trustees  
Village of Lombard  
255 East Wilson Avenue  
Lombard, Illinois 60148-3926

Dear President Mueller and Village Trustees:

Bids were received today for the \$5,300,000 General Obligation Debt Certificates, Series 2008. There were three bids received, which are listed at the bottom of this letter in accordance with the signed bids.

The open auction savings to the Village by reduced interest costs associated with the cumulative bid improvement of 0.0864% by the winning bidder equates to \$7,555.75 of open auction savings.

Upon examination, it is our opinion that the bid of M&I, Marshall & Ilsley, Milwaukee, Wisconsin, is the best bid received, and it is further our opinion that the bid is favorable to the Village and should be accepted. We therefore recommend that the Certificates be awarded to that bidder at a price of \$5,406,885.70, plus accrued interest, being at a true interest rate of 3.3164%.

<u>Account Managers</u>	<u>True Interest Rate</u>
Bank of America, Chicago, Illinois .....	3.3197%
Griffin, Kubik, Stephens & Thompson, Inc., Chicago, Illinois .....	3.5607%
<b>M&amp;I, Marshall &amp; Ilsley, Milwaukee, Wisconsin .....</b>	<b>3.3164%</b>

Respectfully submitted,

Raphaliata T. McKenzie  
Vice President

RTM/lad

Attachments

# SPEER FINANCIAL, INC.

PUBLIC FINANCE CONSULTANTS SINCE 1954

SUITE 4100 • ONE NORTH LASALLE STREET • CHICAGO, ILLINOIS 60602 • (312) 346-3700 • FAX (312) 346-8833

Investment Rating:  
Standard & Poor's ... AA

**\$5,300,000**  
**VILLAGE OF LOMBARD**  
**DuPage County, Illinois**  
**General Obligation Debt Certificates, Series 2008**

Date of Sale: June 5, 2008  
Average Life: 4.686 Years  
Bond Buyer Index: 4.62%  
(Based on TIC)

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Rates</u>	<u>Interest**</u>
M&I, Marshall & Ilsley, Milwaukee, WI	102.017% \$5,406,886	1/1/09-7/1/16 1/1/17-1/1/18	3.750% 4.000%	3.3164% \$836,192
Bank of America, Chicago, IL	100.000% \$5,300,000	1/1/09-1/1/18	3.320%	3.3197% \$824,623
Griffin, Kubik, Stephens & Thompson, Inc., Chicago, IL	101.066% \$5,356,512	1/1/09-7/1/13 1/1/14-1/1/18	3.500% 4.000%	3.5607% \$893,082

\*Syndicate information is provided by the underwriter. The information contained in this report is the most current available.

\*\*The true interest rate reflects the time value of money where dollars spent in early years have a greater weight than dollars spent in later years.

May 29, 2008

**Summary:**  
**Lombard, Illinois; General  
Obligation**

**Primary Credit Analyst:**

Kathryn Horan, Chicago (1) 312-233-7023; [kathryn\\_horan@standardandpoors.com](mailto:kathryn_horan@standardandpoors.com)

**Secondary Credit Analyst:**

Corey Friedman, Chicago (1) 312-233-7010; [corey\\_friedman@standardandpoors.com](mailto:corey_friedman@standardandpoors.com)

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## Summary:

# Lombard, Illinois; General Obligation

### Credit Profile

US\$5.3 mil GO debt certs ser 2008 dtd 06/15/2008 due 07/01/2017

<i>Long Term Rating</i>	AA/Stable	New
Lombard Vill debt certs		
<i>Long Term Rating</i>	AA/Stable	Upgraded
Lombard Vill ICR		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
<b>Lombard Vill GO ltd tax debt certs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

## Rationale

The issuer credit rating (ICR) on Lombard, Ill. has been raised to 'AA+' from 'AA', reflecting good managerial practices that have helped the village maintain very strong financial reserves. The standard long-term rating and Standard & Poor's underlying rating (SPUR) on the village's general obligation (GO) debt certificates have been raised to 'AA' from 'AA-'.

The 'AA+' ICR also reflects the village's:

- Participation in the Chicago metropolitan area's deep and diverse economy;
- Sizable and growing retail sector, which generates a large amount of sales tax revenue; and
- Moderate debt burden.

The village's reliance on economically sensitive revenues lessens the above strengths.

The village's series 2008 GO debt certificates have been rated 'AA'. The debt certificates are rated one notch below the ICR, reflecting the general fund pledge to pay debt service.

Located in DuPage County, about 20 miles west of downtown Chicago, Lombard is a mature community of 42,350 residents. The village hosts a large and growing array of retail and commercial establishments, the most notable being the Yorktown Center mall, an indoor and outdoor retail facility. Consequently, per capita retail sales are 144% of the national average. In August 2007, the village's new conference and hotel center opened in the Yorktown Center area, providing another potential boost to the village's economy. Residents have access to a wide variety of employment opportunities in central DuPage County and can easily commute into Chicago via Metra rail line. Income levels are high, with a 2007 median household effective buying income at 120% of the state and 126% of the national levels. The county's unemployment rate in 2006 averaged 3.4%, which was lower than both the state and national averages of 4.5% and 4.6%, respectively.

Market value increased an average of 7.47% annually to \$4.9 billion in 2007, or an extremely strong \$116,255 per capita, reflecting brisk commercial development. About 28% of the tax base is made up of commercial properties,

with residential properties at 68%. Despite the presence of several large retail and commercial properties, the tax base is diverse, with the leading 10 taxpayers representing a low 7.1% of equalized assessed value.

As a non-home rule community, the village is subject to a property tax levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction. The revenue stream is diverse, with the largest components consisting of sales, utility, and property taxes. Sales tax is the leading revenue source, accounting for 27% of governmental activities fund revenues. The village receives 2.00% of the 7.75% state sales tax on retail purchases. In January 2007, voters approved an additional 1% non-home rule sales tax on all retail sales within the village, which has been dedicated to make infrastructure improvements throughout the village. While sales tax revenue collections have exhibited some volatility in past years, currently the revenue stream is up 2.8% from last year's revenues. Property and utility taxes are the next leading sources, providing 16% and 12%, respectively, of total governmental activities fund revenues.

For fiscal year ended May 31, 2007, the village reported a \$2.4 million general fund surplus, leading to an unreserved fund balance of \$9.2 million, or a very strong 28.7% of expenditures. The total general fund balance was \$14.5 million at fiscal year-end 2007. Management attributes the general fund surplus to growth in sales and property tax revenues from increased commercial activity in the village. With the recent surplus and the village's estimated fiscal year-end 2007 general fund balance currently above the village's 25% fund balance policy level, the village expects to report a \$1.4 million drawdown in fiscal 2008 for various improvement projects. The village established a utility tax reserve fund in fiscal 2007, which totaled \$1.05 million at year-end. With an increased amount dedicated to infrastructure improvements through the 1% sales tax increase, the village is able to use previously allocated utility tax revenues for operations or capital projects, providing additional liquidity. In fiscal 2009, the village projects another draw of approximately \$100,000 on general fund reserves for spending related to the capital facilities plan.

Lombard Village's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The village has formal policies with regard to its fund balance, investments, debt management, and reserves. It also has a formal, multiyear capital improvement plan and uses a multiyear financial forecast.

The village's overall debt burden, including overlapping debt, is moderate at \$2,257 per capita and low at 1.9% of market value. In fiscal 2007, debt service carrying charges were a moderate 14% of governmental fund expenditures. Amortization is rapid, with all outstanding direct debt (excluding the convention center bonds) repaid within 10 years. Most of the village's capital spending is pay-as-you-go from dedicated revenue sources, which provide considerable expenditure flexibility. Bond proceeds are financing various infrastructure improvements in the village. Management is planning to issue similar amounts in each of the next few years to address various capital needs in the village.

## Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation that the village will maintain its strong financial position because of its diverse economy and tax base and its history of sound fiscal management. Participation in the Chicago metropolitan area provides additional rating stability.

*Summary: Lombard, Illinois; General Obligation*

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