

MEMORANDUM

TO: William T. Lichter, Village Manager

FROM: David A. Hulseberg, Assistant Village Manager/Director of Community Development

DATE: November 29, 2006

SUBJECT: Inducement Resolution for St. John Lutheran Elementary School

Attached is a fairly standard form of inducement resolution which evidences the Village's official action relating to the issuance of bonds to finance the construction of the new elementary school by St. John Lutheran Church. The bonds will be issued by the Village, and the proceeds will be loaned to the Church to pay for the construction. The loan payments by the Church will be assigned to the trustee for the bonds and used to pay debt service on the bonds. The Village will have no financial obligation or exposure on this financing. The Village is merely serving as a conduit in issuing the bonds so that the Church's permanent financing for the school can be done on a tax exempt rather than taxable basis.

Background:

The Village has served as a conduit issuer on similar financings in the past. The most recent example is the financing done earlier this year for National University of Health Sciences. In exchange for serving as a conduit issuer, the Village will receive a fee of \$15,500 on this transaction.

The attached resolution is to comply with federal tax law. This resolution allows the borrower to use the proceeds of the bonds to reimburse itself for any construction related expenditures made after the date of adoption of the attached resolution and within sixty (60) days prior to the adoption. It does not commit the Village to issue the bonds. If the Church does not comply with the Village's requirements, the Village is not required to issue the bonds.

The Village of Lombard plans to issue \$7.5 million in bonds for Capital Improvements in early 2007 but virtually nothing in 2008. The Village may only issue \$10,000,000 annually. In order to keep the St. John deal bank qualified, Jim Shanahan our bond counsel has suggested closing \$2.5 million in 2007 and the balance in early 2008. That would require the Church to keep a portion of the construction loan outstanding for the last 10 months of 2007. The enclosed timetable reflects the two series approach.

Recommendation:

Staff recommends that the Village Board of Trustees authorize the Village President and the Village Clerk to sign a Resolution Authorizing the Execution of a Memorandum of Agreement.