

VILLAGE OF LOMBARD  
REQUEST FOR BOARD OF TRUSTEES ACTION  
For Inclusion on Board Agenda

  X   Resolution or Ordinance (Blue)        *Waiver of First Requested*  
       Recommendations of Boards, Commissions & Committees (Green)  
       Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott Niehaus, Village Manager

DATE: April 1, 2019 (COW)(B of T) April 4, 2019

TITLE: An Ordinance Amending the Village's Fiscal Year 2019 Budget Ordinance

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

Attached is an Ordinance amending the Fiscal Year 2019 budget. Staff requests that the Village Board approve the Ordinance amending the Village's Fiscal Year 2019 Budget Ordinance. Additional Information is attached to provide for an appropriation in regard to the payment required by the Contingent TIF Payment Agreement between the Village and the Lombard Public Facilities Corporation, approved on March 8, 2018 pursuant to Resolution No. 19-18, in the event that the Village and the Lombard Public Facilities Corporation have not entered into a TIF Redevelopment Agreement on or before September 15, 2019 (2/3 Vote Required)

Review (as necessary):

Village Attorney X \_\_\_\_\_ Date \_\_\_\_\_  
Finance Director X \_\_\_\_\_ Date \_\_\_\_\_  
Village Manager X \_\_\_\_\_ Date \_\_\_\_\_

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.



To: Village President and Board of Trustees

From: Scott Niehaus, Village Manager  
Timothy Sexton, Director of Finance

Date: April 1, 2019

Subject: An Ordinance Amending the Village's Fiscal Year 2019 Budget Ordinance

Attached is an ordinance amending the Fiscal Year 2019 budget. As part of the Village's participation in the Lombard Public Facilities Corporation (LPFC) restructuring, the Village agreed to make reasonable efforts to enter into a TIF redevelopment agreement (RDA) with the LPFC prior to the TIF Compliance Date of September 15, 2019. After the RDA is in place, the Village committed as part of the restructuring to allocate 40% of the TIF revenue for the Butterfield Yorktown TIF district, up to \$3.7 million, to the LPFC for TIF eligible expenses. Attached to this agenda item is a Restructuring Confirmation Update from March 2018 which includes Frequently Asked Questions. As included in this Update, preliminary estimates are that the TIF District could generate over \$100 million in incremental revenue.

Village staff has negotiated a TIF RDA with the LPFC. The LPFC has sent this agreement to ACA Financial (the bond insurer and a bondholder) and certain funds managed by Nuveen Asset Management LLC (the largest bondholder), as the RDA must be in a form that is reasonably acceptable to them. If the RDA is not entered into prior to the TIF Compliance Date of September 15, 2019, the Village is obligated to pay \$1,500,000 to the LPFC within 30 days of the TIF Compliance Date. These funds would come from the Butterfield Yorktown TIF. At this point in time, we do believe we will enter into a TIF RDA with the LPFC and that any approvals needed will be received. This budget amendment is just being proactive in case that does not happen prior to the TIF Compliance Date. If the Village is required to pay the \$1,500,000, there will be no further obligations of the Village.

Therefore, staff requests that the Village Board approve the ordinance amending the Village's Fiscal Year 2019 Budget Ordinance.

## Restructuring Confirmation Update

March 2018

### Overview

- The Village approved The Lombard Public Facilities Corporation's (LPFC), Restructuring Support Agreement for the hotel facility on July 25, 2017
- The LPFC, which owns the hotel, filed for restructuring of debt in the U.S. Bankruptcy Court on July 28, 2017
- Several parties contested the LPFC's eligibility to file for Chapter 11 Restructuring arguing that the LPFC and the Village really were the same
- The Judge ruled in December 2017 that the LPFC **IS SEPARATE** from the Village of Lombard and is eligible to file Chapter 11 Restructuring
- It is anticipated that the Judge will confirm the LPFC's restructuring plan on March 6, 2018
- The plan is expected to have an effective date of March 15, 2018

### Frequently Asked Questions

- 1. If the restructuring plan is accepted on March 6th and implemented on March 15, what is the Village's contribution to the Restructuring Support Agreement (RSA)?**

Under the plan, the Village will reimburse the LPFC \$3,000,000. This amount is a reimbursement to the LPFC for \$3,000,000 that the Village received from the LPFC's bond issue to construct the facility, which the Village used for water main and water system improvements that were installed as part of the original construction of the hotel and conference center.
- 2. Why would the Village contribute funds when the Village does not own the hotel and conference center?**

During the original construction of the facility, a new water main was installed along Ring Rd. (See map at [www.villageoflombard.org/hotel](http://www.villageoflombard.org/hotel).) The new water main was installed to meet the hotel's water usage for day to day operations, but it also benefited the Yorktown area as a whole and allowed for future construction, including the new Yorktown Commons/Greystar Development. While the development of the hotel and conference center was the catalyst for the installation of the new water main, this project would have been an eventual necessity in order to meet the needs of development in the area, as the original water mains were over 40 years old. Providing residents and businesses with access to clean drinking water fits within the Village's scope of "core services." The Village's contribution to the RSA reimburses the LPFC for funds provided relative to the construction of the water main that has benefited the Village since 2007.

The Village received \$3,000,000 from the LPFC, from the original bond issuance, to fund the Yorktown water main improvements, and the \$3,000,000, which will be used by the LPFC for

capital improvements at the hotel and conference center, is a return of this amount that helped fund the water main construction to benefit the Yorktown area. This is an appropriate expenditure from the water fund, and a return of "fronted money," relative to the water main improvement.

In addition, the reimbursed funds will be used for improvements to the physical building of the hotel and conference center, as opposed to being part of a financial settlement that benefits other parties. This investment will improve the hotel and conference center and encourage visitors to the Village. We want to be very clear in stating that the Village will not be covering any of the LPFC's debt with this payment. As stated above, the infrastructure improvements involved with the original construction of the hotel and conference center included a new water main, which is a core service of the Village.

**3. How is the Village going to fund its contribution to the Restructuring Support Agreement?**

Because the financial reimbursement from the Village is due to water system/infrastructure improvements, the money used for the reimbursement will come from the Village's water fund. This is revenue that has already been collected for projects of this nature, and is in line with the Village's goals of providing excellent core services to residents and businesses. Using LPFC bond proceeds, originally, just enabled the Village to construct the project earlier than the Village would have otherwise have been able to do so.

**4. Will this have an impact on my taxes?**

NO. The debt restructuring will NOT increase taxes.

**5. Will the Village's contribution to the RSA increase my water rates?**

NO. The contribution is coming from existing reserves.

**6. Will the Village reduce services levels or eliminate employees to participate in this restructuring?**

NO. Participation in the restructuring will not require the Village to eliminate any positions or reduce service levels. However, the Village consistently works to ensure that we provide core services in a cost efficient manner. Specifically, the Village Board and Finance Committee have been addressing structural budget challenges for the past two years, which have resulted in over \$1,000,000 of expense reductions during that time. These reductions are on an annual and recurring basis as opposed to one-time expenses. Furthermore, we need to be cognizant of the potential impact that the State budget impasse and ultimate resolution may have on local governments. As such, it is possible that future changes may be necessary to address budget issues for items that are not related to the LPFC Chapter 11 Restructuring.

**7. Beyond the reimbursement contribution, is the Village obligated to provide any financial support?**

Yes. The agreement does include an obligation for future payments to come from a TIF district

that was recently formed by the Village. The TIF District is primarily focused on the redevelopment of the Northern Baptist Theological Seminary property located just East of the hotel and conference center property. The TIF District boundaries also include the hotel and conference center and portions of the Yorktown Mall area that are underdeveloped or in need of major renovations. Based upon preliminary and conservative estimates, the TIF district could generate over \$100 Million in incremental revenue, of which \$3.7 million would be set aside to pay for TIF eligible expenses related to long term maintenance and improvements of the hotel and conference center's property. As this funding comes from TIF District and cannot be used to pay for general fund expenses of the Village, it will have no impact on service levels or property taxes within the Village.

**8. How does the hotel and conference center benefit our community?**

An average visitor to our area spends \$134 per day, with meeting attendees spending more than twice that amount. The facility continues to remain busy, with the hotel and conference center attracting more than 130,000 overnight stays in 2016, amounting to \$17.4 million spent in Lombard and the surrounding area.

Additionally, the conference center portion of the facility benefits other hotels in the area. Visitors attending conferences or meetings at the conference center portion of the facility also stay at other Lombard hotels.

**9. Beyond tourism, how has this project benefited our community?**

Since the construction of the hotel, the Village has experienced substantial investments and improvements in the immediate area, including, but not limited to, the developments listed below. For a map of these locations please visit [www.villageoflombard.org/hotel](http://www.villageoflombard.org/hotel).

- 2007
  - The Shops on Butterfield development was constructed
- 2011
  - Chase Bank approved, constructed
- 2011
  - McDonald's approved, constructed
- 2013
  - \$20 million in capital improvements undertaken at Yorktown Center for building enhancements, food court, common areas and signage
- 2014
  - H&M clothing opens

- AMC renovation
- 2016
  - Dunkin Donuts completed
  - 100 Yorktown Last Chance opens
  - APEX Apartments
- 2017
  - GrayStar development/Yorktown Commons began construction for Phases 1 & 2 of the site which are expected to come on-line in late 2018/early 2019

**10. What has the Village accomplished by participating in this process?**

The Village's main goals were considered as part of the Village's participation in the restructuring. A list and a short summary of each goal are provided below:

- **Continued Operation of a First Class Hotel and Conference Center in Lombard**  
This hotel and conference center continues to be a major attraction for overnight stays in the Village. Overnight stay totals for the hotel and conference center were 130,000 in 2016, which brought in an additional \$17.4 million of daily visitor spending into Lombard and DuPage County. Additionally, the conferences and events hosted at the facility positively impact other hotels in the Village and the Yorktown area. It is important to take into account the future viability of Yorktown Shopping Center, and to keep this shopping destination competitive in a business landscape where other malls are struggling.
- **Roadmap Toward a Hopefully Improved and Stable Bond Rating**  
The credit rating agency, Standard & Poor's, has downgraded the Village's credit rating due to the Village declining to pay the debt shortfalls of the LPFC. Moving forward with this Restructuring Support Agreement will allow the Village to demonstrate it was involved with the solution, and the Village hopes to improve its credit rating over time.

**11. How does this restructuring benefit the Village of Lombard?**

As part of the restructuring, the Village will be released from any future appropriation requests from the LPFC. In addition, the restructuring contains various legal releases for the Village, which will significantly reduce legal liability associated with this project. This will also help to increase the Village's S&P bond rating over time.

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE AMENDING  
THE VILLAGE'S FISCAL YEAR 2019 BUDGET ORDINANCE**

**WHEREAS**, the President and Board of Trustees (the "Corporate Authorities") of the Village of Lombard (the "Village") have, pursuant to Ordinance No. 7605, adopted on November 5, 2018, approved the budget for the Village's 2019 Fiscal Year, in the amount of \$89,911,310.00 (the "2019 Budget Ordinance"); and

**WHEREAS**, 65 ILCS 5/8-2-9.6 allows for the amendment of the 2019 Budget Ordinance; and

**WHEREAS**, on July 25, 2017, the Corporate Authorities approved "A Resolution approving a Restructuring Support Agreement by and among the Village of Lombard, the Lombard Public Facilities Corporation, ACA Financial Guaranty Corporation, Nuveen Asset Management, LLC and Oppenheimer Rochester High Yield Municipal Fund relative to the restructuring of the Conference Center and Hotel Revenue Bonds issued by the Lombard Public Facilities Corporation, and authorizing the Village Manager to sign said Restructuring Support Agreement on behalf of the Village, and to execute any and all documents, on behalf of the Village, in furtherance of said Restructuring Support Agreement and the terms thereof"; and

**WHEREAS**, on July 28, 2017, the Lombard Public Facilities Corporation (the "LPFC") commenced a voluntary filing under Chapter 11 of the United States Bankruptcy Code, as amended, to refinance and restructure its outstanding debt; and

**WHEREAS**, on March 6, 2018, the Bankruptcy Court entered an order confirming the "Plan of Reorganization of Lombard Public Facilities Corporation under Chapter 11 of the Bankruptcy Code" (the "Plan"); and

**WHEREAS**, pursuant to the Plan, the Village agreed to, on or before September 15, 2019 (the "TIF Compliance Date"), make reasonable efforts to: (a) form a TIF district, pursuant to the requirements of the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1, *et seq.* – the "TIF Act"), with a redevelopment project area that included the real property owned by the LPFC, provided that the proposed TIF district redevelopment project area met the statutory eligibility criteria for the establishment of a TIF district (the "TIF District"); and (b) enter into a TIF redevelopment agreement with the LPFC, provided that the TIF District was created and the LPFC agreed to the terms of the TIF redevelopment agreement, in a form reasonably acceptable to the LPFC, ACA Financial and certain funds managed by Nuveen Asset Management LLC, which provided for the payment of \$3,700,000 in TIF incremental revenues to the LPFC for TIF eligible redevelopment project costs incurred by the LPFC relative to the rehabilitation of the hotel and conference center owned by the LPFC (the

“LPFC Property”), with a TIF note to be issued in relation thereto (the “TIF Redevelopment Agreement”); and

**WHEREAS**, on March 8, 2018, the Corporate Authorities approved Resolution No. 19-18, entitled, “A Resolution Approving a Contingent TIF Payment Agreement Relative to the Lombard Public Facilities Corporation’s Plan of Reorganization,” pursuant to which the Corporate Authorities approved an agreement between the LPFC and the Village (the “Contingent TIF Payment Agreement”) which provided that, if the aforementioned TIF Redevelopment Agreement is not entered into on or before the TIF Compliance Date, or if the creation of the TIF District is the subject of litigation as of the TIF Compliance Date, the Village shall pay ONE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$1,500,000.00) (the “Contingent Payment Amount”) to the LPFC within thirty (30) days of the TIF Compliance Date (the “Payment Date”), with said amount to be used for capital expenses, in relation to the LPFC Property, which qualify as TIF eligible redevelopment project costs under the TIF Act; and

**WHEREAS**, the Plan was consummated and became effective as of March 15, 2018; and

**WHEREAS**, the TIF District was formed, pursuant to Ordinance Nos. 7437, 7438 and 7439, approved by the President and Board of Trustees of the Village on November 2, 2017, and filed with the DuPage County Clerk’s Office on November 8, 2017, as amended by Ordinance No. 7451, approved by the President and Board of Trustees of the Village on December 7, 2017, and filed with the DuPage County Clerk’s Office on December 15, 2017, but the TIF Redevelopment Agreement has not yet been approved by the Village and the LPFC; and

**WHEREAS**, the Corporate Authorities find that an amendment to the 2019 Budget Ordinance is necessary at this time, to provide for an amount sufficient to pay the Contingent Payment Amount of \$1,500,000.00, as provided for in the Contingent TIF Payment Agreement, so that said Contingent Payment Amount can be paid to the LPFC, on or before the Payment Date, in the event that the TIF Redevelopment Agreement is not entered into by the Village and the LPFC on or before the TIF Compliance Date;

**NOW, THEREFORE, BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LOMBARD, DUPAGE COUNTY, ILLINOIS**, as follows:

**SECTION 1:** That the Recitals set forth above are incorporated herein by reference.

**SECTION 2:** That, in order to provide an amount sufficient to pay the Contingent Payment Amount, an amendment to the 2019 Budget Ordinance is necessary.



**SECTION 3:** That the following amendment be made to the 2019 Budget Ordinance, to add the following department and division line item expenditure:

“443.740.743.75770 Miscellaneous Contractual Obligations: \$1,500,000.00 (Payment to the Lombard Public Facilities Corporation (the “LPFC”), pursuant to the Contingent TIF Payment Agreement between the LPFC and the Village, dated March 15, 2018, as approved by Resolution No. 19-18, adopted March 8, 2018, in the event that the Village and the LPFC have not entered into a TIF Redevelopment Agreement on or before September 15, 2019.)”

**SECTION 4:** That additional funds are available to effectuate the aforementioned amendment to the 2019 Budget Ordinance.

**SECTION 5:** That this Ordinance shall be in full force and effect from and after its passage by a two-thirds (2/3rds) vote of the Corporate Authorities, approval and publication in pamphlet form, as provided by law.

Passed on first reading this 4th day of April, 2019.

First reading waived by action of the Board of Trustees this \_\_\_ day of \_\_\_\_\_, 2019.

Passed on second reading this 18th day of April, 2019, pursuant to a roll call vote as follows.

AYES: \_\_\_\_\_  
NAYS: \_\_\_\_\_  
ABSENT: \_\_\_\_\_

**APPROVED** by me this 18th day of April, 2019.

\_\_\_\_\_  
Keith Giagnorio, Village President

**ATTEST:**

\_\_\_\_\_  
Sharon Kuderna, Village Clerk

Published by me in pamphlet form this 19th day of April, 2019.

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Sharon Kuderna, Village Clerk