

MINUTES OF A MEETING OF THE FINANCE COMMITTEE OF THE VILLAGE OF  
KENILWORTH HELD AT THE VILLAGE HALL, 419 RICHMOND ROAD AT 6:00 P.M. ON  
WEDNESDAY, FEBRUARY 1, 2006.

Chairman Craig Miller was present and called the meeting to order at 6:00 p.m. Attendance was as follows:

Present:	Craig Miller	Chairman
	Katie White	Member
Absent:	Cristy Laier	Member
Other Village Officials Present:	Max Slankard	Village Manager
	Richard Cooper	Village Treasurer
Others Present:	Jack Mills	211 Essex Road
	John Miller	Crowe Norene

Chairman Miller opened the meeting. He introduced for review and approval the minutes of the January 4, 2006 meeting. Trustee White made a motion to approve the minutes, which was seconded by Trustee Miller and unanimously approved.

Chairman Miller said budget submissions are due at the end of the month, so the Committee will review them in March. The Committee will have to come up with an alternate meeting date for March to allow more time for review of the submissions. Trustee White asked questions regarding some Police and Fire Committee items.

Chairman Miller stated that the meeting tonight is to look at the Village's debt. He introduced John Miller from Crowe Norene, noting the firm has been the Village's advisor for probably 15 years. This was discussed last fall. He has asked Mr. Miller to revisit a restructuring of the Village's debt issues to extend the life of the issues and lower the annual costs. Chairman Miller said in the meantime he had received a proposal from First Trust, which was based on interest arbitrage. He asked Mr. Miller to review the information he had prepared.

John Miller of Crowe Norene said he wanted to get everyone on the same page, and referred the Committee to page 1 from the September 7, 2005 meeting handout, which was the outstanding debt. He said there are two long term issues which are the 1999 series and the 2002 series. He said the 1999 series is callable on 12/1/06, and the 2002 series is callable on 6/1/09. Mr. Miller said these are the ones the Village can save money on. Trustee White asked him to repeat the date for the 1999 series, which is 12/1/06. Mr. Miller noted there is normally a ten year call, but the 1999 series had a shorter call since it was bank qualified.

John Miller said, referring back to the 1999 series, it is a general obligation issue, but the statute requires an alternative revenue source. He said the levy is there but the intention is a pledged alternate revenue source is used. Trustee White said it does not make sense, robbing Peter to pay Paul. Mr. Miller gave the background, saying the Village had 4 projects in 1999, and in a referendum, you are limited to 3. He said the solution for the Village was to have 1 question on the ballot to establish a debt service base for a limited tax bond. The Village authorized a \$650,000 base. The Village issues this every year, and abates every year. The annual bond is issued in May and proceeds pay June 1<sup>st</sup> and December 1<sup>st</sup> payment. Each

year the Village goes through this. Timing is important. The Village promises to have the money for the payment.

John Miller said there is one more tax law item. There are two types of refundings. One is in advance refunding more than three months of the payment date. The other type is a current refunding within three months of the payment date. In the Village's case, we have a May issue and December payment, so it is both. The Village does advance refunding every year.

Chairman Miller asked if the Village pays the December 1 payment from cash, do we get straightened around. John Miller said it would be easier to pay June 1, then do the 12/1 payment as a current refunding, or do each payment as a current refunding.

Trustee White said with reference to the 1999 series, it could get called on December 1, 2006, so we would have this issue every year. John Miller said if the Village took advance refunding of 12/1/06 in March, there would be a problem with this every year. The full amount would have to be in reserve.

Chairman Miller said we are not bringing much home. John Miller said the savings are after the cost of the issuance, and the savings are real. Chairman Miller asked him if he recommended waiting until September. John Miller said he recommended doing the sale in August, with a closing in September. Treasurer Cooper said there would not be as many hoops. John Miller said he could not guarantee interest rates. Treasurer Cooper said his guess would be no more than another 1/4 point in upward adjustment. John Miller said the long term rates have been stable. Chairman Miller said this sounds like a lot of time, effort and money to not gain much. John Miller said it could save \$20,000.

Next, John Miller distributed a handout, which is an analysis. Chairman Miller asked about the timing of getting this together. Treasurer Cooper asked when the Village needs to get moving. John Miller said it would be an August sale. The Village will want 2 weeks for the notice to market and 2 weeks for disclosure. He said it would be a total of 6 weeks at least. Chairman Miller asked if it would be mid-July. John Miller said yes. Treasurer Cooper said we need decision by June. John Miller said yes. Mr. Miller said the Village can authorize the sale and if the numbers are not met, you do not do it. Chairman Miller asked if the \$60,000 water bond mattered. John Miller said no.

Chairman Miller next discussed the 2002 Bond. John Miller said this is also an alternate revenue source, and water revenue and utility taxes are pledged to meet the 125% requirement. To restructure this issue, there must be publication of intent and adoption of an ordinance. If 7.5% of the electors would petition against this, it must be put on a ballot. He said the major hoops are that and the Bond Issue Notification Act requires a public hearing.

Chairman Miller said in prior years, water revenues have been declining. He asked if there is an issue if both water revenues and utility tax receipts are down. He asked if it was a default or no, if the Village is paying from other sources. John Miller said not really, it is at the time of sale. Trustee White said so 2002 has \$120,000 in savings, with \$11,000 in current. Chairman Miller said that was the 20 to 30 year term change.

Trustee White asked if it was arguable that the water bill could be lower today. Chairman Miller said the residents 20 to 30 years from now will be paying more. He said that the Village has

looked at other options, and this is the way to lower the water bills, but it is 3 years out on the call. John Miller said, with respect to authorization, because the term is lengthened, it must go through a 30 day petition period. John Miller said to get rid of this, you need to create an escrow for the non-callable years of 2006 to 2008, and in 2009 take out the callable ones.

Katie White asked why the process was different for the 1999 and the 2002 series. John Miller said there is no real benefit to advance refund a non-callable bond. Ms. White said if this were a new bond, even if the 99 bond was refunded, it would be an alternate bond. Mr. Miller said yes.

Chairman Miller asked if this costs money versus going with a straight GO issue. John Miller said the Village does not have the authority to do a straight GO without a referendum. Chairman Miller asked why not go to referendum for a straight GO. It would save \$20,000 net present value. John Miller said he had asked bond counsel that question, and it may be possible. Trustee White said doesn't it cost us every year. John Miller said yes, it costs \$5,000 to \$7,000 every year with bond counsel expenses and the like. Mr. Jack Mills asked what would happen if the Village was home rule? John Miller said the Village would not have done an alternate revenue bond, but would have done a general obligation bond. Home rule is a huge advantage.

Chairman Miller said even if the Village were home rule, he would still like to take a debt issue to the public. Trustee White said as she understands it, with home rule, the Village could tell the public its intentions, and still take whatever action it likes. She said the Village could put it on a ballot. She asked what the timing was. Mr. Miller said 65 days prior to the election.

Treasurer Cooper asked if reissuing the 1999 series would be mostly a clean up? John Miller said yes. Chairman Miller said the savings could be a police car a year. Treasurer Cooper saw the benefit of simplifying it. Chairman Miller agreed, saying it would save us this discussion every year. John Miller said he would talk to Chapman and Cutler again to confirm their understanding.

Next, Chairman Miller addressed the 2002 series. He said he would like to see it spread out more. He asked John Miller what he recommended and what the time issues are. John Miller said it would be a similar time process. Chairman Miller asked if it would be good to do by June 1<sup>st</sup>. John Miller said it did not matter. Trustee White asked if there was a 30 day waiting period whether the Village was home rule or not. John Miller said no, a home rule community would be able to just do it.

Chairman Miller asked the timeline if the Village decided to do this in March. John Miller said there would be a 30 day publication and petition period. He said you could adopt the bond ordinance in May, and then do the bond sale. Mr. Miller said the Village could do a parameters ordinance to set the requirements, or just set the sale date. The May meeting would be the sale date, with a closing 3 weeks later. Trustee White asked if that was to restructure and extend the maturity. John Miller said yes.

Chairman Miller said the Finance Committee needs Water Committee input. He asked Mr. Miller to review the time sequence again, assuming the Committee was ready in mid-March. Mr.

Miller said it starts with a short form ordinance adoption. Intention and publication start the 30 day clock. After 30 days, it is authorized.

Chairman Miller suggested that the Committee report at the Board meeting that it is comfortable with this and let the Water and Electric Committee know. Manager Slankard said he did not think the Water and Electric Committee would process this that quickly. Trustee White asked about the difference between being rated and insured. John Miller said the Village's bond rating is 2 classes off the top which is pretty amazing for its size. We will get a rating review. For insurance, we ask 6 insurance companies to qualify it. Those quotes are made available to underwriters. He said it is their decision to use them or not.

Chairman Miller said he wanted to comment on negotiated versus competitive. John Miller said he has always recommended competitive for a clean, vanilla issuance for highly rated issuers. He said he believes competition makes them sharpen their pencils. The lowest bid wins. The bidders can syndicate, and the low bid gets all. The underwriters are working for both the buyer's side and the seller's side. They like higher prices, you like lower.

Treasurer Cooper said Mr. Miller caveated general obligation bonds. Mr. Miller said these are general obligation bonds. We try to make bonds general obligation if possible to lower the cost.

Treasurer Cooper asked, with regard to the 99 series, if it was 0 savings, would you recommend refunding or not? John Miller said no. Chairman Miller said he would, just to simplify things. Mr. Cooper said to him, it is worth getting rid of the crud.

Chairman Miller reported on his attendance at a Sears School finance meeting. He said the school board got a \$750,000 construction grant which will make them \$200,000 in the black this year. They will be going out for referendum in the spring of 2007. They have \$5,000,000 in reserve. Their operating loss for this year will be \$500,000 which will go up to \$1,000,000 next year. He noted that they are payroll heavy, and their payroll costs are going up much more than the Village's. Trustee White there are reasons for that, which needs to be discussed in the budget process.

The Committee set a next meeting for March 6, 2006 at 6:00 pm. There being no further business, Trustee White made a motion to adjourn, which was seconded by Chairman Miller and unanimously approved.

Respectfully submitted,

Max Slankard  
Village Manager

