

MEMORANDUM

TO: The Honorable Mayor and City Council
FROM: Robert R. Lehnhardt, Director of Finance/Treasurer
DATE: September 20, 2021
SUBJECT: **Bond Defeasance Ordinance – General Obligation Bonds, Series 2010**

Request

Adoption of the bond defeasance ordinance for General Obligation Bonds, Series 2010.

Strategic Priority

Financial Stability – Maintain structurally balanced budgets with a continued focus on operating expenditures and infrastructure investment. One of the goals is to identify expenditure reduction opportunities.

Background

At the March 8, 2021 Planning Session, staff presented to the City Council refinancing options for the 2010 General Obligation Bonds (2010 G.O. Bonds). The Council directed staff to proceed with paying off the entire bond issue using \$2.5 million in General Fund excess reserves.

2010 General Obligation Bonds

The City issued \$6.0 million in General Obligation Bonds in 2010 to fund the Manchester/Wesley Street Bridge reconstruction project, the North Main Street Flood Control project, Briarcliffe Blvd reconstruction project and the City’s annual road program. Financing is being provided by the annual property tax levy. The outstanding principal is \$3,225,000, with an interest rate of 4.0%, and a maturity date of December 1, 2024.

**2010 G.O. Bonds
Debt Service Schedule**

Date	Principal	Interest	Total P & I	Total P & I By Fiscal Year	Fiscal Year	Levy Year
12/01/21	\$ 760,000	\$ 64,500	\$ 824,500	\$ 824,500	2021	2020
06/01/22	\$ -	\$ 49,300	\$ 49,300			
12/01/22	\$ 790,000	\$ 49,300	\$ 839,300	\$ 888,600	2022	2021
06/01/23	\$ -	\$ 33,500	\$ 33,500			
12/01/23	\$ 820,000	\$ 33,500	\$ 853,500	\$ 887,000	2023	2022
06/01/24	\$ -	\$ 17,100	\$ 17,100			
12/01/24	\$ 855,000	\$ 17,100	\$ 872,100	\$ 889,200	2024	2023
Total	\$ 3,225,000	\$ 264,300	\$ 3,489,300	\$ 3,489,300		



Bond Redemption Analysis

The 2010 G.O. Bonds are scheduled for redemption on November 5, 2021. The City's financial advisor, Robert W. Baird & Company (Baird) has provided an analysis (Exhibit A) on the redemption and estimates a present value savings of \$209,116.67.

The redemption of the bonds would allow the City to reallocate \$0.9 million from the debt service property tax levy to the general corporate property tax levy for the 2022 budget. The following shows the preliminary 2021 Property Tax Levy for the 2022 Budget, does not reflect the pending Pension Obligation Bond (POB) issue, and assumes the 2010 G.O. Bonds are not paid-off with excess reserves.

2021 Property Tax Levy 2022 Budget 2010 G.O. Bonds – Not Paid Off

Fund	2020 Levy 2021 Budget	2021 Levy 2022 Budget	2021 vs 2020 Levy		
			Amount Change	% Change	
General Purpose Levy					
General Corporate	General	\$ 7,894,337	\$ 7,736,450	\$ (157,887)	-2.0%
Police Pension	General	3,828,765	3,965,362	136,597	3.6%
Fire Pension	General	1,908,482	1,845,963	(62,519)	-3.3%
Total City General Purpose Levy		\$ 13,631,584	\$ 13,547,775	\$ (83,809)	-0.6%
Debt Service Levy					
Debt Service	Debt Service	3,002,650	3,000,369	(2,281)	-0.1%
Total Debt Service Levy		\$ 3,002,650	\$ 3,000,369	\$ (2,281)	-0.1%
Library General Purpose Levy					
Library	Library	4,031,883	4,112,521	80,638	2.0%
Total Library General Purpose Levy		\$ 4,031,883	\$ 4,112,521	\$ 80,638	2.0%
Total General, Debt & Library		\$ 20,666,117	\$ 20,660,665	\$ (5,452)	0.0%

The following shows the preliminary 2021 Property Tax Levy for the 2022 Budget, does not reflect the pending Pension Obligation Bond (POB) issue, and assumes the 2010 G.O. Bonds are paid-off with excess reserves. \$0.9 million is reallocated in the property tax levy from the Debt Service Fund to the General Fund for operational expenses, while keeping the overall total levy flat at \$20.7 million.

2021 Property Tax Levy 2022 Budget 2010 G.O. Bonds – Paid Off

Fund	2020 Levy 2021 Budget	2021 Levy 2022 Budget	2021 vs 2020 Levy		
			Amount Change	% Change	
General Purpose Levy					
General Corporate	General	\$ 7,894,337	\$ 8,625,050	\$ 730,713	9.3%
Police Pension	General	3,828,765	3,965,362	136,597	3.6%
Fire Pension	General	1,908,482	1,845,963	(62,519)	-3.3%
Total City General Purpose Levy		\$ 13,631,584	\$ 14,436,375	\$ 804,791	5.9%
Debt Service Levy					
Debt Service	Debt Service	2,113,650	3,000,369	886,719	42.0%
2010 G.O. Bonds	Debt Service	889,000	(888,600)	(1,777,600)	-200.0%
Total Debt Service Levy		\$ 3,002,650	\$ 2,111,769	\$ (890,881)	-29.7%
Library General Purpose Levy					
Library	Library	4,031,883	4,112,521	80,638	2.0%
Total Library General Purpose Levy		\$ 4,031,883	\$ 4,112,521	\$ 80,638	2.0%
Total General, Debt & Library		\$ 20,666,117	\$ 20,660,665	\$ (5,452)	0.0%

Recommendation

Attached for your consideration is a bond defeasance ordinance providing for the redemption and payment prior to maturity of \$3,225,000 General Obligation Bonds, Series 2010. The ordinance was prepared by the City's bond counsel, Chapman and Cutler LLP.

If the City Council concurs, staff recommends that a motion be made to adopt the bond defeasance ordinance providing for the redemption and payment prior to maturity of the City's outstanding General Obligation Bonds, Series 2010.



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Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

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IMPORTANT DISCLOSURES**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Robert W. Baird & Co. Incorporated (“Baird”) is not recommending any action to you. Baird is not acting as an advisor to you and does not owe you a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934. Baird is acting for its own interests. You should discuss the information contained herein with any and all internal or external advisors and experts you deem appropriate before acting on the information. Baird seeks to serve as an underwriter (or placement agent) on a future transaction and not as a financial advisor or municipal advisor. The primary role of an underwriter (or placement agent) is to purchase, or arrange for the placement of, securities in an arm’s length commercial transaction with the issuer, and it has financial and other interests that differ from those of the issuer. The information provided is for discussion purposes only, in seeking to serve as underwriter (or placement agent). See “Important Disclosures” contained herein.

POTENTIAL SOURCES AND USES

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Assumed Dated Date	11/05/2021
Assumed Delivery Date	11/05/2021

Potential Sources:

Other Potential Sources of Funds:	
Issuer Equity Contribution	3,280,183.33
	<hr/>
	3,280,183.33

Potential Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,280,183.33
	<hr/>
	3,280,183.33

Note: Cost of Issuance total reflects a hypothetical estimate based on Baird's experience with similar transactions.

SUMMARY OF BONDS REFUNDED

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Bonds, Series 2010:					
SERIAL	12/01/2021	4.000%	760,000.00	11/05/2021	100.000
	12/01/2022	4.000%	790,000.00	11/05/2021	100.000
	12/01/2023	4.000%	820,000.00	11/05/2021	100.000
	12/01/2024	4.000%	855,000.00	11/05/2021	100.000
			3,225,000.00		

SAVINGS

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Date	Prior Debt Service	Refunding Net Cash Flow	Savings	Present Value to 11/05/2021 @ 0.0000000%
11/05/2022	873,800.00		873,800.00	873,800.00
11/05/2023	872,800.00		872,800.00	872,800.00
11/05/2024	870,600.00		870,600.00	870,600.00
11/05/2025	872,100.00		872,100.00	872,100.00
	3,489,300.00	0.00	3,489,300.00	3,489,300.00

Savings Summary

Assumed Dated Date	11/05/2021
Assumed Delivery Date	11/05/2021
PV of savings from cash flow	3,489,300.00
Less: Prior funds on hand	(3,280,183.33)
Potential Net PV Savings	<u>209,116.67</u>

Note: Present Value savings are net of hypothetical costs of issuance.

SUMMARY OF REFUNDING RESULTS

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Assumed Dated Date	11/05/2021
Assumed Delivery Date	11/05/2021
Arbitrage yield	
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	
Par amount of refunded bonds	3,225,000.00
Average coupon of refunded bonds	4.000000%
Average life of refunded bonds	1.621
Remaining weighted average maturity of refunded bonds	1.621
PV of prior debt to 11/05/2021	3,489,300.00
Potential Net PV Savings	209,116.67
Percentage savings of refunded bonds	6.484238%

ESCROW REQUIREMENTS

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Assumed Dated Date 11/05/2021
Assumed Delivery Date 11/05/2021

Period Ending	Interest	Principal Redeemed	Total
11/05/2021	55,183.33	3,225,000.00	3,280,183.33
	55,183.33	3,225,000.00	3,280,183.33

DEBT SERVICE TO CALL AND TO MATURITY

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Date	Refunded Principal	Refunded Interest	Redemption Premium	Debt Service to Call Date	Principal	Interest	Refunded Debt Service
11/05/2021	3,225,000.00	55,183.33		3,280,183.33			
12/01/2021					760,000.00	64,500.00	824,500.00
06/01/2022						49,300.00	49,300.00
12/01/2022					790,000.00	49,300.00	839,300.00
06/01/2023						33,500.00	33,500.00
12/01/2023					820,000.00	33,500.00	853,500.00
06/01/2024						17,100.00	17,100.00
12/01/2024					855,000.00	17,100.00	872,100.00
	3,225,000.00	55,183.33	0.00	3,280,183.33	3,225,000.00	264,300.00	3,489,300.00

Date	Principal Called
11/05/2021	3,225,000.00
	3,225,000.00

ESCROW SUFFICIENCY

**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
11/05/2021	3,280,183.33	3,280,183.33		
	3,280,183.33	3,280,183.33	0.00	

IMPORTANT DISCLOSURES**City of Wheaton, IL
Hypothetical Cash Defeasance of General Obligation Bonds, Series 2010
Preliminary as of August 26, 2021**

Robert W. Baird & Co. Incorporated ('Baird') is not recommending that you take or not take any action. Baird is not acting as financial advisor or municipal advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to you with respect to the information contained herein and/or accompanying materials (collectively, the 'Materials'). Baird is acting for its own interests. You should discuss the Materials with any and all internal or external advisors and experts that you deem appropriate before acting on the Materials.

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The role of an underwriter includes the following: Municipal Securities Rulemaking Board Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors. An underwriter's primary role is to purchase the proposed securities to be issued with a view to distribution in an arm's length commercial transaction with the issuer. An underwriter has financial and other interests that differ from those of the issuer. An underwriter may provide advice to the issuer concerning the structure, timing, terms, and other similar matters for an issuance of municipal securities. Any such advice, however, would be provided in the context of serving as an underwriter and not as municipal advisor, financial advisor or fiduciary. Unlike a municipal advisor, an underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is therefore not required by federal law to act in the best interests of the issuer without regard to its own financial or other interests. An underwriter has a duty to purchase securities from the issuer at a fair and reasonable price but must balance that duty with its duty to sell those securities to investors at prices that are fair and reasonable. An underwriter will review the official statement (if any) applicable to the proposed issuance in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the proposed issuance.

The Materials do not include any proposals, recommendations or suggestions that you take or refrain from taking any action with regard to an issuance of municipal securities and are not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 or Rule 15Ba1-1 thereunder. The Materials are intended to provide information of a factual, objective or educational nature, as well as general information about Baird (including its Public Finance unit) and its experience, qualifications and capabilities.

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ORDINANCE providing for the redemption and payment prior to maturity of \$3,225,000 General Obligation Bonds, Series 2010, of the City of Wheaton, DuPage County, Illinois.

* * *

WHEREAS, the City of Wheaton, DuPage County, Illinois (the “City”), pursuant to the provisions of Section 6 of Article VII of the 1970 Constitution of the State of Illinois, is a home rule unit and may exercise any power or perform any function pertaining to its government and affairs; and

WHEREAS, the City has previously issued and there are currently outstanding General Obligation Bonds, Series 2010 (the “Bonds”); and

WHEREAS, the City Council of the City (the “Council”) has determined that the City has funds on hand and lawfully available in the amount of \$3,280,183.33 (the “Available Funds”); and

WHEREAS, the Available Funds are sufficient to provide for the payment of principal of and interest on the Bonds upon redemption prior to maturity; and

WHEREAS, the Council hereby finds that it is in the best interests of the City to apply the Available Funds to the payment of the Bonds maturing on December 1 of the years and in the amounts and bearing interest at the rates per annum as follows (the “Defeased Bonds”):

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2021	\$760,000	4.00%
2022	790,000	4.00%
2023	820,000	4.00%
2024	855,000	4.00%

; and

WHEREAS, in accordance with their terms, the Defeased Bonds may be called for redemption in advance of their maturity, and it is necessary and desirable to make such call for

the redemption of the Defeased Bonds on their earliest possible call date, and provide for the giving of proper notice to the registered owners of the Defeased Bonds; and

WHEREAS, in order to properly provide for the payment of the Defeased Bonds, it will be necessary to irrevocably deposit the Available Funds with the paying agent for the Defeased Bonds, namely, Bond Trust Services Corporation, Roseville, Minnesota (the “*Paying Agent*”), which funds will be used to pay the Defeased Bonds on their call date after the Paying Agent provides the proper call notice.

NOW, THEREFORE, Be It Ordained by the City Council of the City of Wheaton, DuPage County, Illinois, in exercise of its home rule powers as follows:

Section 1. Incorporation of Preambles. The Council hereby finds that all of the recitals contained in the preambles to this Ordinance are full, true and correct and does incorporate them into this Ordinance by this reference.

Section 2. Transfer and Deposit of Moneys with the Paying Agent. The City Treasurer is hereby authorized and directed forthwith to transfer the Available Funds to the Paying Agent. The Available Funds are hereby appropriated from funds of the City on hand and legally available and shall be irrevocably deposited with the Paying Agent on or before November 5, 2021, so as to provide for the payment of the principal of the Defeased Bonds as called for redemption on November 5, 2021.

Section 3. Call of the Defeased Bonds. In accordance with the redemption provisions of the ordinance authorizing the Bonds, the City by the Council does hereby make provision for the payment of and does hereby call the Defeased Bonds for redemption on November 5, 2021.

Section 4. Certificate of Reduction of Taxes. The City Treasurer be and the same is hereby directed to prepare and file with the County Clerk of The County of DuPage, Illinois, a Certificate of Reduction of Taxes Heretofore Levied for the Payment of Bonds showing the

Defeased Bonds being paid and directing the abatement of taxes heretofore levied to pay the Defeased Bonds.

Section 5. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance.

Section 6. Publication of Ordinance. A full, true and complete copy of this Ordinance shall be published within ten days after passage in pamphlet form by authority of the Council.

Section 7. Superseder and Effective Date. All ordinances, resolutions, and orders, or parts thereof, in conflict herewith, are to the extent of such conflict hereby superseded, and this Ordinance shall be in full force and effect immediately upon its passage and approval.

ADOPTED: September 20, 2021

AYES: _____

NAYS: _____

ABSENT: _____

Approved: September 20, 2021

Mayor, City of Wheaton,
DuPage County, Illinois

ATTEST:

City Clerk, City of Wheaton,
DuPage County, Illinois

Recorded in the City Records on September 20, 2021.

Published in pamphlet form by authority of the Council on September __, 2021.