Village of Barrington Hills

Memo

To: Karen Selman, Finance Chairman

From: Rosemary Ryba, Treasurer

CC: Finance Committee, Village President

Date: October 20, 2014

Re: Timeline for Binding, Advisory Referenda

I contacted the temporary Village Attorney for information relative to the elections schedule for purposes of placement of both an advisory and a bond issue referendum on the April 7, 2015 Consolidated Election Ballot.

For such purpose, the schedule is the same, as set forth in the Illinois Election Code, 10 ILCS 5/28-1 *et seq.*, as follows:

1/19/2015[1] Last day for the Village Board to adopt a Resolution/Ordinance authorizing a public question to be placed on the April 2015 Ballot <u>on a binding public policy question, or advisory question.</u> 65 ILCS 5/3.1-40-60, 10 ILCS 5//28-2 and 5/28-5.

1/29/2015 Last day for the Local Election Official (Village Clerk) to certify the public question initiated by the Resolution or Ordinance of the Village Board to the proper election authorities for submission to the voters of the Village at the April 2015 election. 10 ILCS 5/28-5.

The certification shall include the form of the question for placement on the ballot and the date on which the question was initiated, either by Resolution or Ordinance.

NOTE: No more than 3 public questions per political subdivision is allowed (other than a back-door referenda, or one pursuant to the provisions of the Property Tax Extension Limitation Act may be on the ballot in the Village at the same election.

[1] Date extends to 1/20/15 as Village Offices are closed in observance of Martin Luther King, Jr. day.

Rosemary,
You have asked for general market information about the steps involved in putting a bond issue together for the purpose of funding the Village's accrued actuarial unfunded pension liability. It is much the same as for other types of borrowings, but there are some unique aspects to a pension funding plan. I suggest that the first step ought to be:

1. a one-page memorandum describing the plan, approximate amounts, investment assumptions even asset classes to the extent they may be known. This becomes a device for instructing those who will be helping to put the transaction together for the Village, including especially bond counsel.

2. If you are going to have a referendum, this will help counsel draft a referendum question, as well as explain to everyone what the effort is about.

3. Jump ahead: either after a successful referendum, or without one, Bond Counsel will draft an ordinance authorizing the issuance of the bonds for the stated purpose.

4. The plan needs a quantitative analysis: the amount of bonds to be issued, the costs involved, assumed interest rates, term of the debt, projection of debt service – a preliminary illustration of the bond issue.

5. This would be a good point at which to run the plan and the numbers past the Village actuary – for sign off that in the arcane world of municipal pension funding the plan makes sense.

6. The next step, which would have begun somewhat before this point, is development of an offering document, an Official Statement.

7. The draft Ordinance, the summary of the plan of finance, the numbers describing how many bonds, what costs, debt service, etc. are all presented to Moody's rating service.

8. With a rating in hand the sale and the meeting to adopt the ordinance are scheduled.

9. The Village's financial advisor takes bids at a specified time and at the Board meeting that day/night the ordinance is adopted and the bonds are awarded to the high bidder.

10. The bonds are issued (the bond issue closes), funds change hand and the proceeds are handed over to the pension fund trustee for investment pursuant to the fund's investment guidelines.

These bonds would of necessity need to be taxable bonds – tax exemption is not available for the purpose of creating an investment fund. And then there is the difficult situation in Illinois with municipal pensions – the Village's credit rating is enviable, and it is not likely that Moody's would actually downgrade the Village for a project that makes sense, but they are likely to be "lively commentators" on pension funding with bond proceeds in no small part because of the Illinois track record with pension funding (or underfunding) and borrowing. These however, are policy issues, not step by step 'how do you do this' questions, so I hope that this list of 10 measures from start to finish is helpful to you. I would hazard an estimate of 60 to 90 days to get through all of these steps. If you have any questions, please let me know.
John

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