Village of Oak Park

123 Madison Street
Oak Park, Illinois 60302
www.oak-park.us

Agenda Item Summary

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Submitted By
Steven Drazner, CFO

Reviewed By
LKS

Agenda Item Title
An Ordinance Approving the Redemption and Payment of Certain Outstanding Taxable General Obligation Corporate Purpose Bonds, Series 2016C of the Village of Oak Park, Cook County, Illinois as Reviewed at the October 7, 2019 Regular Meeting.

Overview
At the October 7, 2019 Regular Meeting, the Village Board approved the budget amendment which contained this action. Taxable Bond Series 2016C (issued in conjunction with Series 2016B) was used to fund the Village's incentive as outlined in Section 7.4A of the Redevelopment Agreement between the Village and Clark Street Real Estate LLC (Colt Westgate project). The proceeds from the 2016C issue were used towards various public improvements related to this project, including streetscape and landscaping. It is being recommended that the Village exercise its right to "call in" the remaining 2016C outstanding bonds totaling $2,795,000.

Staff Recommendation
Adopt the Ordinance

Fiscal Impact
It is estimated that calling in the outstanding bonds will save the Village approximately $24,000 in net interest expense through final maturity on November 1, 2021.

This savings consists of remaining interest expense on the bonds totaling approximately $125,000 less the interest earnings that CFO estimates could be earned on the funds used to call in the bonds calculated at $95,000 based on current interest rates.

Background
If Series 2016C is not called in, there will be principal and interest payments on May 1, 2020, November 1, 2020, May 1, 2021, and November 1, 2021. The sum of these principal and interest payments will total $2,919,575, consisting of $2,795,000 in principal and $124,575 in interest.

By exercising the right to call in the bonds on December 1, 2019, the Village will save approximately $119,000 in future interest on this bond series less forfeited interest earnings that the CFO could have otherwise earned on the funds used to call in the bonds estimated at $95,000 based on current interest rates. This would thus result in an estimated savings of $24,000.

However, while savings will be minimal, by calling in the bonds, the debt service that would otherwise need to be budgeted for the annual debt service for the 2016C bonds may be removed from the FY20 budget which would allow for a reduction in the debt service levy of $112,813 for next fiscal year.

The funding source that would be used to call in the remaining 2016C bonds would come from the Debt Service Fund (DSF) reserves. The DSF reserve amount projected at December 31, 2019 is $4.3M which has accumulated over the last four years from interfund transfers-in from the General and Solid Waste Funds from vehicle and refuse fee increases dedicated to paying down debt service as well as Downtown TIF surplus distributions allocated to the DSF.

Alternatives
Do not call in the bonds and pay remaining principal and interest according to the 2016C debt amortization schedule.

Previous Board Action
N/A

Citizen Advisory Commission Action
N/A.

Anticipated Future Actions/Commitments
N/A.

Intergovernmental Cooperation Opportunities
N/A.

Performance Management (MAP) Alignment
N/A.