

## COUNCIL WORKSHOP ITEM

**ITEM:** Sale of the Village's 2002 Industrial Revenue Bond Cap  
**DATE:** March 5, 2002  
**PREPARED BY:** Steven W. Rockwell, Director of Economic Development  
**PURPOSE:** To Authorize the Sale of the Village's Portion of the Illinois Bond Cap

### DISCUSSION:

The Village has maintained a practice for several years of offering our Industrial Revenue Bond Cap Rate, first to local qualified businesses, then to outside vendors that might have need of reduced borrowing capacity for other Illinois clients. The EDC staff followed that practice again this year by first highlighting the cap availability on our web page and newsletter, then sending letters to several dozen qualified Downers Grove businesses.

Therefore, over \$3.6 million in cap is available and must be allocated to a user by May 1, 2002; otherwise, the cap is ceded to the state of Illinois for general use. In prior years the Village has traded or sold its unused cap. This year, we have had no requests from other municipalities to trade or purchase the cap. However, we have had inquiries from private entities (primarily financial institutions) to purchase the cap, offering fees around 1.5%

Stern Brothers, Inc. is interested in buying the cap with a stated minimum bid of 1.5%. Other parties either found other funding or did not have a need this year. Stern Brothers is interested in purchasing all of the Village's volume cap as a means of converting taxable bonds to tax -exempt bonds.

### ATTACHMENT:

An ordinance prepared by the Village's legal department

### RECOMMENDATION:

At this time, staff recommends that the Village sell \$3,654,300 in IRB volume cap to Stern Brothers. This will result in revenue of approximately \$ 54,814, (\$75.00 per resident in the municipality based on a 2000 census of 48,724) which will be deposited in the General Fund. If the Council concurs, it would be appropriate to approve an ordinance to that effect.

[RESERVATION ORDINANCE]

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

AN ORDINANCE RESERVING VOLUME CAP IN CONNECTION WITH  
PRIVATE ACTIVITY BOND ISSUES, AND RELATED MATTERS.

WHEREAS, the Village of Downers Grove, DuPage County, Illinois (the "*Municipality*"), is a municipality and a home rule unit of government under Section 6 of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "*Code*"), provides that the Municipality has volume cap equal to \$75.00 per resident of the Municipality in each calendar year, which volume cap may be reserved and allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 *Illinois Compiled Statutes 1998, 345/1 et seq.*, as supplemented and amended (the "*Act*"), provides that a home rule unit of government may transfer its allocation of volume cap to any other home rule unit of government, the State of Illinois or any agency thereof or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to reserve all of its volume cap allocation for calendar year 2002 to be applied toward the issuance of private activity bonds (the "*Bonds*"), as provided in this Ordinance, or to be transferred, as permitted by this Ordinance;

NOW, THEREFORE, Be It Ordained by the President and Board of Trustees of the Village of Downers Grove, DuPage County, Illinois, as follows:

*SECTION 1.* That, pursuant to Section 146 of the Code and the Act, the entire volume cap of the Municipality for calendar year 2002 is hereby reserved by the Municipality, which shall issue the Bonds using such volume cap, as shall be directed by Stern Brothers & Co., or shall use or transfer such volume cap in such manner as shall be directed by Stern Brothers & Co., without any further action required on the part of the Municipality, and the adoption of this Ordinance shall be deemed to be an allocation of such volume cap to the issuance of the Bonds or such other bonds; *provided*, that any such transfer shall be evidenced by a written instrument executed by the President or any other proper officer or employee of the Municipality; *provided further*, upon the adoption of this Ordinance, there shall be paid to the Municipality a fee by the obligor of the bonds of one and one-half percent (1.50%) of the volume cap so reserved.

*SECTION 2.* That the Municipality shall maintain a written record of this Ordinance in its records during the term that the Bonds or any other such bonds to which such volume cap is allocated remain outstanding.

*SECTION 3.* That the President, the Village Clerk and all other proper officers, officials, agents and employees of the Municipality are hereby authorized, empowered and directed to do all such acts

and things and to execute all such documents and certificates as may be necessary to further the purposes and intent of this Ordinance.

*SECTION 4.* That the provisions of this Ordinance are hereby declared to be separable, and if any section, phrase or provision of this Ordinance shall for any reason be declared to be invalid, such declaration shall not affect the remainder of the sections, phrases and provisions of this Ordinance.

*SECTION 5.* That all ordinances, resolutions or orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby superseded; and that this Ordinance shall be in full force and effect upon its adoption and approval.

Presented, passed, approved and recorded this \_\_\_ day of \_\_\_\_\_, 2002.

Approved:

\_\_\_\_\_  
President

[SEAL]

ATTEST:

\_\_\_\_\_  
Village Clerk

Ayes: \_\_\_\_\_  
\_\_\_\_\_

Nays: \_\_\_\_\_

Absent or Not Voting: \_\_\_\_\_