

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
NOVEMBER 13, 2007 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Ceding the Village's Bond Cap Authority to the Illinois Finance Authority	✓ Resolution Ordinance Motion Discussion Only	David Fieldman Deputy Village Manager

SYNOPSIS

A resolution has been prepared to cede the Village's bond cap authority to the Illinois Finance Authority instead of Versatile Card Technology, Inc. The IFA requested the Village cede its authority so that in turn the IFA could solely issue the bond amount requested by VCT, which is \$7.4 million.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2006-2011 identified *Strong, Diverse Economy*.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval on the November 20, 2007 consent agenda.

BACKGROUND

The Village Council voted on July 17, 2007, to commence activities leading to the issuance of a private activity bond to VCT in the amount of \$4,172,990, which is the full amount of the Village's bonding authority. VCT is pursuing the bond issuance through the IFA.

The total amount of the bond is \$7.4 million. This exceeds the Village's bonding authority. For this reason, the IFA would like to issue the bonds for the full amount.

In October, the IFA contacted the Village and requested that the Village cede its bonding authority to the IFA to allow the IFA to issue the bonds.

Staff recommends approval of the resolution for the following reasons:

1. One of the IFA's core businesses is the issuance of private activity bonds.
2. Ceding the Village's bond cap authority will eliminate the staff work that would be required for issuing a private activity bond.
3. Ceding the Village's bond cap authority to IFA will accomplish the same goal of supporting a local business and the local economy.
4. The Village will receive the approved 1% administrative fee in the amount of \$41,730.

ATTACHMENTS

Resolution

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING REALLOCATION OF BOND VOLUME
CAP TO THE ILLINOIS FINANCE AUTHORITY**

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the “Code”) grants Illinois home rule municipalities bond volume cap in the amount of \$85.00 per person per year to issue private activity bonds; and

WHEREAS, the Village of Downers Grove, Illinois (the “Municipality”) is a municipality and a home rule unit of government duly organized and validly existing under Section 6(a) of Article VII of the Constitution and the laws of the State of Illinois (the “State”); and

WHEREAS, the most recent Bureau of Census estimate of the population of the Municipality is 49,094; and

WHEREAS, pursuant to the Code, the Municipality is therefore entitled to an allocation of \$4,172,990 of tax-exempt bond volume cap for the calendar year 2007 (“Bond Cap”) from the Local Government Pool established by the State pursuant to the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1, et seq. (“Illinois Private Activity Bond Allocation Act”); and

WHEREAS, under the Illinois Private Activity Bond Allocation Act, the Municipality may transfer and reallocate to the Illinois Finance Authority (the “Authority”) its Bond Cap; and

WHEREAS, it is in the best interest of the Municipality to aid in the financing of an industrial building expansion to be located within the Municipality (the “Development”) by transferring and reallocating its Bond Cap to the Illinois Finance Authority (“IFA”) to be used for the issuance of tax-exempt bonds, the proceeds of which will be used to help finance the Development;

NOW, THEREFORE, BE IT RESOLVED by the Village of Downers Grove, as follows:

1. That the Village Council of Downers Grove makes the findings and determinations set forth in the preamble. The terms defined in the preamble are adopted for the purposes of this Resolution.
2. The Municipality hereby agrees and does hereby reallocate all \$4,172,990 of its 2007 Bond Cap to IFA.
3. This Resolution shall constitute the agreement of the Municipality to a different allocation under Section 146(e)(3) of the Code and the “writing” required under Section 6 of the Illinois Private Activity Bond Allocation Act.
4. The IFA agrees to pay an administrative fee of \$41,730 to the Village Downers Grove prior to the issuance of the private activity bond.
5. The Municipality hereby covenants and warrants that it has taken no action or issued any bonds which would abrogate, diminish or impair its ability to fulfill the written agreement, covenants and undertakings on its part under this Resolution.

6. The Mayor and all other proper officials, agents and employees of the Municipality are hereby authorized and empowered to do all acts and things and to execute all documents and instruments as may be necessary to further the purposes and intent of this Resolution.

Mayor

Published:

Passed:

Attest: _____
Village Clerk