

**MINUTES
CITY OF ST. CHARLES
GOVERNMENT OPERATIONS COMMITTEE
ALD. RON SILKAITIS, CHAIR
MONDAY, OCTOBER 4, 2021**

1. Call to Order

The meeting was called to order by Chairman Silkaitis at 7:11 pm.

2. Roll Call

Present: Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner, Ald. Weber, Ald. Balla, Ald. Payleitner, Ald. Bongard, Ald. Bancroft

Absent: None

3. Omnibus Vote

Items with an asterisk (*) are considered to be routine matters and will be enacted by one motion. There will be no separate discussion on these items unless a council member/citizen so requests, in which event the item will be removed from the consent agenda and considered in normal sequence on the agenda.

There were no Omnibus items on the agenda.

4. Information Systems

a. Recommendation to Approve a One-Year Agreement with Four Kitchens, LLC for Website Technical Support in the Amount of \$42,000.

Penny Lancor, Enterprise Application Manager, introduced the request for technical support for the three City websites; the public site, codebook site, and employee iNet. Uses for each of the sites were described. Sites are maintained by a team of City staff and Four Kitchens, previously known as Advomatic, has supported the City websites for the past two years. The company is solely focused on web services for government entities and non-profit organizations, including security updates, day to day support, and small development tasks.

A one-year contract is requested and is the typical timeframe Advomatic has offered. The IS Department is looking to migrate the City websites to a hosted platform requiring fewer technical skills to support. Release of that RFP expected at the end of the current fiscal year. Moving to a platform will help the City manage more internally.

Motion by Ald. Wirball, second by Ald. Pietryla to Approve a One-Year Agreement with Four Kitchens, LLC for Website Technical Support in the Amount of \$42,000.

Roll Call: Ayes: Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner, Ald. Weber, Ald. Balla, Ald. Payleitner, Ald. Bongard, Ald. Bancroft. Chairman Silkaitis did not vote as Chair. **Motion Carried.**

5. Finance Department

a. Presentation from Dalena Welkomer, Sr. Vice President of RW Baird, regarding 2021 Debt Refunding Opportunities.

Colleen Lavery, Assistant Finance Director, introduced the item. Ms. Welkomer will present a summary of the City's outstanding debt issues and information on several refunding opportunities. The key element when evaluating a potential refunding is a calculation of net present value cost savings that would be gained. The City does not have a written policy regarding minimum net present value savings threshold, and in looking at the last 10 years, the City realized 7-16% NPV savings in the previous refunding. The Government Finance Officers Associations recommends 3-5% savings as the minimum to make refunding debt worthwhile. Colleen recommends the committee consider the 5% number when reviewing the opportunities. Staff will bring forth refunding recommendations at an upcoming meeting.

Ms. Welkomer explained that there are two types of debt refunding the City may choose. First, "current refunding" (within 90 days of the call date.) There are three outstanding General Obligation Bonds with Dec 2021 call date; series 2011A, 2011C, and 2011D. The City can refinance that debt at tax exempt rates. There is \$4.8 million of economical callable par amount. In aggregate, that generates just under \$530,000 gross savings, \$504,000 present value savings, or 10.48% of the refunded paramount. This is a snapshot in time, and assumes the interest rate condition as of September 21, 2021. The first three years garner the majority of the savings. The majority of the refunding is paid from the General Fund, generating roughly \$465,000 gross savings. There is a small piece of 2011A paid from the Wastewater Fund, generating roughly \$60,000 gross savings.

The analysis also looked at IEPA Loans. It is unusual to consider these because IEPA loans typically have very attractive interest rates. The City has three loans with interest rates between 2.21-2.5%. There possible savings because of the current low interest rate environment. For these three loans, \$11.3 million of callable par, there is gross savings of \$387,000, present value savings of \$423,000, or 3.74% of the refunded par value. The savings vary by loan; Loan IV is just below the 3% benefit rate: Loan VII is over 4% savings; and Loan IX is just under the 3% threshold that the GFOA recommends.

The second type of refunding is "advance refunding" (more than 90 days away from the call date.) Four loan series have call dates in 2022-2023. Tax exempt debt cannot be refunded at tax exempt rates, but can be refunded at taxable rates. Since long term interest rates are at historically low levels, there is opportunity here. Three loans have call dates within the next 15 months: 2012A, 2012B, and 2013A. 2013B is callable at the end of 2023. In total the callable economical refunded paramount is \$30.6 million, which generates gross debt service savings of \$4.5 million gross, \$3.8 million on present value basis, or 12.63% of the refunded par amount.

GFOA recommends considering market risk and a break even amount when evaluating refunding. 2013A, which is payable from TIF4, is the most attractive, and can be advance refunded now at taxable interest rates, and we will use that as our example. For this particular loan, refunding would result in \$3.9 million gross savings, \$3.3 million present value savings, or 14.72% of the net par amount. The alternate would be to wait and do tax exempt refunding in

one year. If tax interest rates increase 50 basis points, we would have been better off doing taxable advance refunding now, so that level of interest rate increase is the break even point for this loan. We need to ask where we think interest rates will go in the next year. Experts are projecting 50 basis points increase on the interest rates of 10-year Treasury Bonds in the next year. The infrastructure bill may pump a lot of money into the economy, and inflationary pressures may steepen the yield curve. The analysis estimates \$230,000 annual savings between 2022-2038 to refinance this one loan now. Refunding resets the call date, for 2013A that would be ~2028.

The 2012A and 2012B breakeven points are 72-74 basis points, and the 2013B breakeven is 111 basis points. Tax exempt rates vs taxable rates are approx. 75 basis points different. Net present value rates vary by deal, based on the bond rate for each.

The net savings demonstrated include all of the refunding fees, approximate 1.5% of the loan amount, which will be rolled into the debt. These are all projections, and not a proposal at this time.

In a future meeting a recommendation will be made by the Finance Department. That will likely be refunding of 2011A, 2011C, 2011D, (tax exempt) and 2013A (taxable). For 2012A and 2012B, we may want to wait until next year when we are within the 90-day window.

6. Additional Items from Mayor, Council, Staff, or Citizens.

There were no additional items offered.

7. Executive Session

- Personnel – 5 ILCS 120/2(c)(1)
- Pending Litigation – 5 ILCS 120/2(c)(11)
- Probable or Imminent Litigation – 5 ILCS 120/2(c)(11)
- Property Acquisition – 5 ILCS 120/2(c)(5)
- Collective Bargaining – 5 ILCS 120/2(c)(2)
- Review of Executive Session Minutes – 5 ILCS 120/2(c)(21)

8. Adjournment

Motion by Ald. Wirball, second by Ald. Pietryla to adjourn the meeting at 7:39 pm.

Voice Vote: Ayes: Unanimous; Nays: None; Chairman Silkaitis did not vote as Chair.

Motion Carried.

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