
General Obligation Bond Referendum Tuesday, November 3



Paul

Thank you to everyone on the call. As you may have heard, the Village has a referendum question on the ballot this November. The Village is asking voters to approve the issuance of 10 million dollars in bonds to finance rehabilitation of our streets and sidewalks, as well as to pay for projects that will reduce flooding in downtown Flossmoor and upstream areas such as Heather Hill. The purpose of this call is to give residents more information on the referendum as well as to answer any of your questions.

With me on the call today is Trustee Mitros, as well several members of our staff including Village Manager Bridget Wachtel, Finance Manager Scott Bordui and Public Works Director John Brunke. If you have questions, please feel free to use the chat box. We'll answer the questions at the end of the presentation.

What is the GO Bond Referendum?

- Village asking for approval to issue \$10 million in bonds
- Will be used for:
 - Flooding in downtown Flossmoor and upstream areas in Heather Hill and north of downtown Flossmoor
 - Streets and sidewalks village-wide

As I just mentioned the Village is asking for approval to issue \$10 million in bonds. With this bond issuance, we plan to make a significant dent in our infrastructure needs by rehabilitating streets and sidewalks and addressing the flooding that has become more frequent and more severe in our downtown. The quality of the Village's infrastructure is a community-wide issue. The condition of our roads and sidewalks contributes to the appearance and desirability of a street, neighborhood and the community as a whole. The flooding that has impacted the downtown threatens the health of our downtown businesses.

As a little background, I know that many of us don't live and breathe municipal finance, so I think it's important to give you a little more information on the basics of a bond issuance. As a non-home rule community in Illinois, we are required to seek voter approval for a General Obligation bond. We say 'General Obligation' because it means that the Village is guaranteeing we will pay it back through property taxes. We're financing these projects through bonds because it will allow us to make a cash investment in our infrastructure and then pay off the bonds over time.

A simplified analogy for a bond issuance is to compare it to a mortgage for a house; instead of saving for 30 years to buy a house, we purchase the house and pay it off as we use it. In the case of bonds, the bond issuance is the "mortgage" and the "mortgage

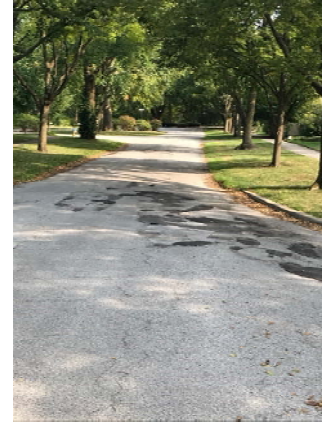
payment” is the annual payment on the bonds, which the Village generates through property taxes. While we most often follow a ‘save, the spend’ philosophy, the cost of these projects is too high to wait until we have saved enough cash and the longer we wait, the more expensive the projects will be.

Flooding Threatens Our Downtown and Neighborhoods



Here are some photos of the flooding that has occurred in 2019 and 2020. In September 2019, we received 7 inches in 20 hours. The viaduct flooded and backed up into the Coldwell Banker office space and into the garage and basements of the building. We have also seen more severe flooding on Berry Road in Heather Hill and in the neighborhood north and west of downtown. The frequency and severity of rain and storms has increased. The Board believes it is critical to remedy the flooding issues in the downtown. The cost of the project is estimated to be between 5.7 and 6.5 million dollars. While we cannot predict and prevent all future storm events and protect against all instances of flooding, the goal is to reduce the severity of flooding that occurs in the Flossmoor Road viaduct and the areas upstream.

Our Streets and Sidewalks Need Investment



Here are some photos of streets that are in need of rehabilitation. The Village completed a study of the condition of all of our streets in 2017. The study rated all of the streets on a scale of failed to excellent. To bring all of our streets to the condition of ‘very good’ would take 13.34 million dollars. You might ask how we got here. The Village receives a dedicated funding source called the Motor Fuel Tax, which is distributed by the state of Illinois to municipalities on a per capita basis. We used to be able to get about 2.5 miles of street rehabbed each year, but the funding from the state has not kept up with the cost of street maintenance, so now we get about one mile done with that funding each year. Over the past three years, the Village Board has allocated additional funding out of our general operating budget, which has helped, but isn’t sustainable without cutting into funding for other general services.

It’s also important to note that each time we rehab a street, we also assess the sidewalks and make repairs that are needed. Some of these are legally required by the Americans with Disabilities act when we rehab a street.

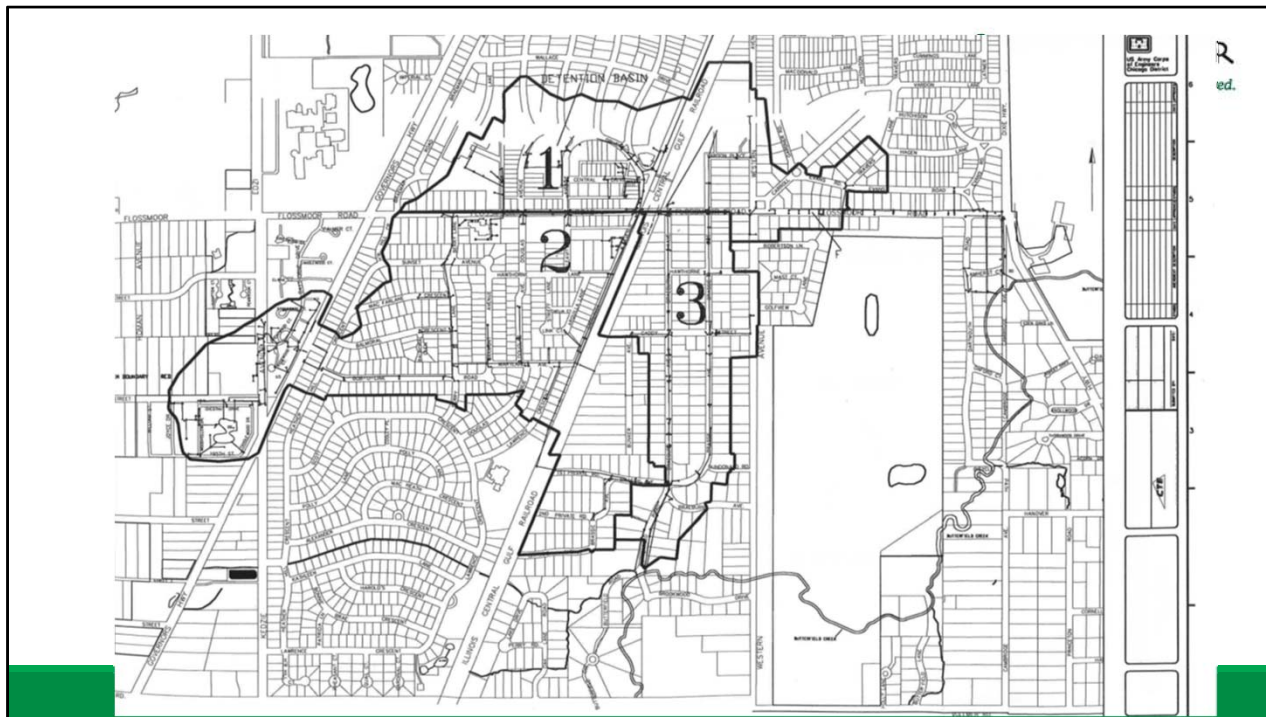
The time is now to make the investment. We can make progress on the worst streets and avoid falling further behind. The longer we wait, the more expensive the projects will be.

Why does the Village need this money?

- Flooding-related projects = ~\$6 million
 - Risk to private property
 - Health of downtown
- 33 of 42 miles of Village streets need rehabilitation at a cost of \$13.9 million in current dollars
- MFT funding rehabs about 1 mile per year
- Risk falling further behind

As you can see, we have a large need in terms of dollars. The flooding related projects, which are critical to maintaining the appeal of our downtown to business owners as well as ensuring access for emergency vehicles during storms, will cost between \$5.7 and \$6.5 million. More than 78 percent of our streets need rehabilitation and we don't receive enough from the state of Illinois to keep up with the cost. We need to make a significant cash investment in our infrastructure to avoid falling further behind.

You may ask why we aren't financing the entire \$19 million for the flooding and the street projects. Municipalities are limited in the amount of debt we can take on, so the Village Board decided to ask for \$10 million so that we do not use up our entire bonding authority at this time. Moreover, we have been applying for several grants that will likely lower the cost to the village to complete the flooding project. The \$10 million will allow us to address the flooding downtown and rehab the worst streets and sidewalks in the village. We'll then continue to invest in our streets each year as well as to continue to address other infrastructure issues, including flooding in other neighborhoods.



This is a map of the Flossmoor Road viaduct tributary area that will benefit from the proposed project. All areas within the boundary will see some benefit from the project.

How much is for streets vs. flooding?

- Depends on grant funding
- Flooding project could cost up to \$6.5 million
- If grants are received, more will go to streets

Village also pursuing grants for areas outside downtown. We recently received a grant to address flooding in the vicinity of Hagen and Evans.

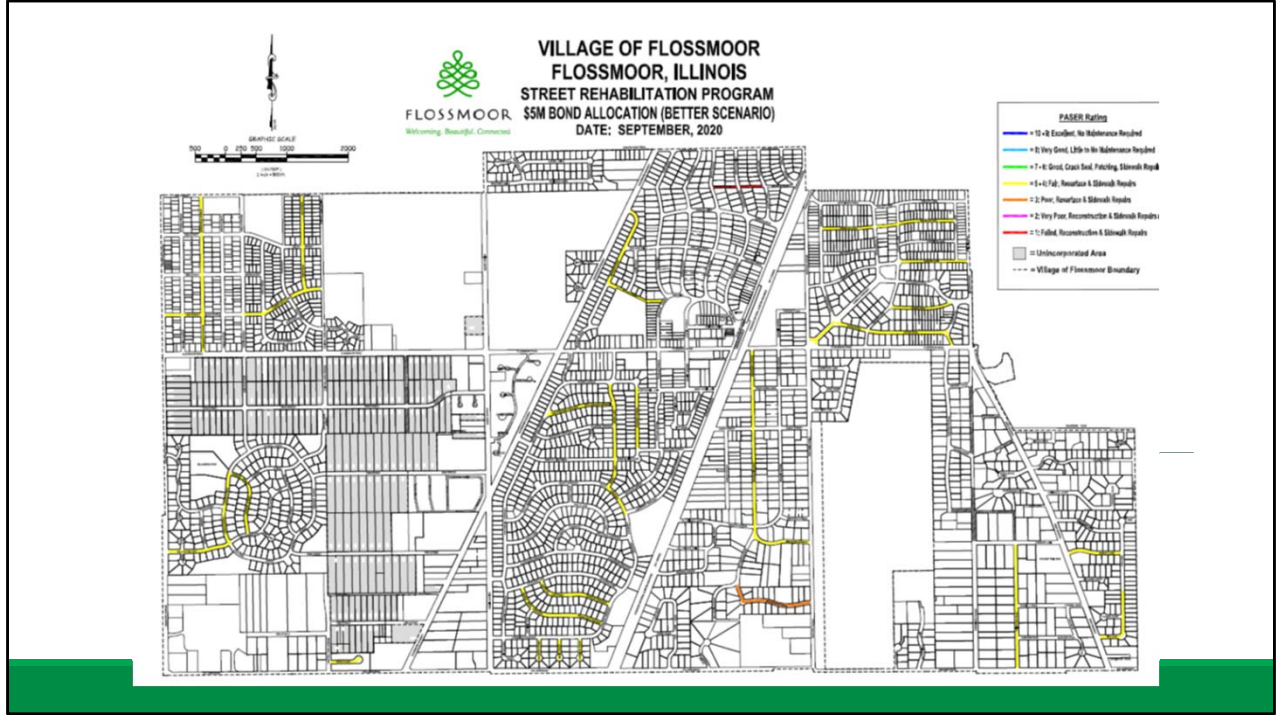
The Village is asking for approval to issue \$10 million in debt, but how we'll use that money depends on the grants that we're applying for. If the Village receives grants for the viaduct project, the Village will apply those grant funds to the viaduct project and use any remaining bond funding on the street resurfacing program. The best-case scenario is that all of the viaduct repairs are paid for with grant funds, in which case the Village would have the full \$10 million to allocate to street resurfacing and reconstruction and sidewalk improvements.

If the Village receives no grant funds for the viaduct project, the Village will proceed with using bond funding to pay for the improvements to the Flossmoor Road viaduct and areas upstream in Heather Hill and the neighborhood north of the downtown that contribute to the flooding. In the Board's opinion, the flooding has become too frequent and too severe to wait much longer without taking any action. Restricting public safety access during flooding events and the private property damage that has occurred cannot continue. Addressing this flooding is a priority for the Village Board.

How far will the bond go for streets?

- \$3 million = 4.1 miles (23 % of recommended)
- \$5 million = 7.4 miles (37%)
- \$10 million = 20.1 miles (75%)

By applying for grants for the flooding projects, we'll be able to stretch the bond issuance further for streets. The higher the grant funding for flooding projects, the more streets we can rehabilitate. As examples, we have determined how many streets we'll rehab if we are able to allocate \$3, \$5 or \$10 million to the street projects. As you can see, even with \$10 million allocate for streets and sidewalks, we still won't be able to complete all of the projects we need to complete, but it will put us in a good position to do the remainder over time.



For illustration, this map shows how many streets we would be able to rehab if we are able to allocate \$5 million to streets and sidewalks. As you can see the need is Village wide. Maps for the \$3 million dollar allocation and the \$10 million dollar allocation are available on the Village’s website. We also have the list of streets that are included in each allocation on the website.

How much will this cost taxpayers?

- Taxpayers will pay about the same as they pay now
- Why? The Village issued debt in 2002 to pay for the construction of the Flossmoor Public Library. This new debt will replace expiring library bonds.

The Board is asking the community to approve the bonds now to minimize the impact on taxpayers. In fact, you'll pay about the same as you do now in property taxes, because an existing bond issuance will fall off the tax levy next year. In 2002, the Village issued \$8 million in bonds to construct the Flossmoor Public Library. Since then, the Village's tax levy has included this bond repayment. The Library bonds will be paid off in 2021, and this debt will fall off our tax bills. The Village Board has intentionally discussed pursuing this bond issue for streets and the Flossmoor Road viaduct once the Library Bonds were paid off so that the Village is replacing one debt issuance with another of a similar size to minimize any additional cost to taxpayers.

Library bond levy vs. Infrastructure levy

Annual Property Tax	Library Bond Debt Levy Ending in 2021	Projected Infrastructure Debt Levy
\$7,500	\$114.47	\$118.55
\$12,000	\$190.68	\$197.46
\$20,000	\$304.57	\$315.41

This is an estimate of the cost to taxpayers.

Residents have asked us how much this will cost the taxpayer. To illustrate why we're saying that you'll be paying about the same as you are now, this chart shows how much of your property tax bill you're currently paying for the construction of the Flossmoor Public Library. When those bonds are paid off next year, that debt will drop off our levy. If this referendum is approved, the right column shows approximately how much you'll be paying for the new bonds. Of course, we have to emphasize that this is an estimate and the actual amount depends on a number of factors.

Why not use reserves?

- Village has emergency reserves of \$3.3 million in General Fund emergency reserves
- Critical component of bond rating is reserves
- Additional \$1.1 million is in reserves to allocate for other capital projects like the water meter replacement

The Village does have allocated reserves. As of April 30, 2020, the Village has \$3,338,000 allocated for emergency reserves in our General Fund. This four-month allocation of expenditures is required to sustain the Village through any major loss of revenue, such as a delay in property tax disbursements. An additional \$1,151,577 is allocated for other capital improvements to benefit the Village. The Village has a long history of saving money for capital improvement projects so that debt does not need to be used. This strategy has served the Village well; it has only been when the Village capital improvements needs are so large (such as a street resurfacing program, the viaduct repairs or water main improvement) that the Village has needed to issue debt

Can the Village use other funding sources?

- Supplemented MFT with \$540,000 from General Fund over past three years
- Need to balance infrastructure needs with day-to-day operations
- Needs go beyond streets, sidewalks and viaduct flooding to other capital projects:
 - New water supplier
 - Sanitary sewer rehab
 - Downtown streetscape and pedestrian improvements
 - Dartmouth bike bridge

The bond issuance will provide us with necessary cash to complete these projects. Ultimately, the General Obligation bond issuance is the least expensive way to do these projects while also allowing us to continue to invest in other infrastructure systems, like our water system and sanitary sewer system, as well as maintain the everyday operations we all depend upon. While we have been able to supplement the motor fuel tax funding, continuing to do so will come at the expense of other services and projects.

Where do property taxes go?



Diane

We understand that property taxes are high and we take decisions regarding the allocation of your tax dollars seriously. The Village receives a small portion (approximately 16%) of the property taxes you pay. This means that, for every \$1,000 on a tax bill, the Village receives only \$160. The rest of the funds go to other local taxing bodies, including the school districts, library, park district and Cook County.

What will happen if this doesn't pass?

- Delay projects until additional funding is found
- Continue with 1 mile per year using MFT funds
- Consider other more expensive funding options

If the referendum doesn't pass, we will delay the projects that we are planning to complete with the bond funding. We will back off the supplemented street funding because we cannot continue to deplete our general fund for these projects. While we have been able to complete around 2 or 2 ½ miles per year by supplementing the MFT funds, we will complete only about a mile per year.

How has the Village used past debt?

- Strong track record with past bond issues
- Increased bond rating to AA+ and have maintained
- Refinanced bonds to take advantage of low rates

Residents can be confident that we have managed their tax dollars appropriately. In addition to the library bonds, voters also approved a general obligation bond for watermain replacement in 2012. Our track record is strong. We have maintained a high bond rating, we have been able to get more work done than what was planned, specifically for the watermain replacement, and we also took advantage of low interest rates to refund bonds when possible. The bond refinancings are especially valuable to taxpayers, because the savings go directly back to taxpayers in the form of a decrease in the tax levy.

What is the question on the ballot?

Village of Flossmoor, Issue Bonds

Shall the Village of Flossmoor, Cook County, Illinois, issue General Obligation bonds in an amount not to exceed \$10,000,000, said bonds bearing interest at not to exceed the rate of 9.00% per annum, for the purpose of paying the costs of the following infrastructure improvements throughout the Village: street reconstruction, street resurfacing and sidewalk improvements; and storm sewer system improvements including those related to the Flossmoor Road viaduct, and expenses related thereto?

Here is the actual question.

You may ask why the actual question refers to a 9 percent interest rate. We are legally required to put the highest interest rate in the question, but it's likely to be much lower. Now is a good time to go to the bond market and we will get a very competitive rate. As a comparison, for the library bonds, the net interest rate was 1.72 percent.

How to Learn More

- Special edition of the Flossmoor newsletter
- www.flossmoor.org

If you belong to a civic organization or a homeowners association it is not too late to request an education presentation.

Every home will receive a special newsletter that includes the most frequently asked questions. Additional copies are available at Village Hall.

Information is available on the Village website.

Information has been distributed through the Village e-news and on social media.

It is not too late to request a board member or staff member to attend your civic group or homeowners association and repeat this presentation.

Where and When to Vote

Vote November 3, 2020

- Call (312) 603-0906 or go to [cookcountyclerk.com](https://www.cookcountyclerk.com) for your polling place

Early voting begins October 19 in the locations below.

- Prairie State College Conference Center
- Park Forest Village Hall
- Matteson Community Center

(Other locations open earlier. Visit [cookcountyclerk.com](https://www.cookcountyclerk.com) for dates and hours.)

Please make sure that when you receive your ballot, you see the Flossmoor referendum question.

Should you not see the question, please see the election judge immediately if voting in person.

If you are voting in person, visit [cookcountyclerk.com](https://www.cookcountyclerk.com) to find your polling place. Early voting begins locally on October 19, but there are several locations that open even earlier in October. Make sure you see the question on your ballot when you vote.

Questions?



**Your Vote Counts
on November 3!**

Paul

General Obligation Bond Referendum

Tuesday, November 3



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