



Committee of the Whole Meeting Minutes

Monday, July 10, 2023, at 6:30 P.M.

Wilmor Fire Station, 320 N. Wilmor Road, Washington, IL 61571

Mayor Manier called the Committee of the Whole meeting to order at 6:30 p.m., in the training room, with a quorum present.

Present: Alderpersons Blundy, Brownfield, Butler, Martin, McIntyre, Smith, and Stevens

Also Present: City Administrator Snider, P & D Director Oliphant, City Engineer Carr, Finance Director Baxter, Public Works Director Rittenhouse, Police Chief McCoy, City Clerk Brod, Attorney Keith Braskich and Press

1. ALDERPERSONS WISHING TO BE HEARD: Nothing provided at this time.
2. CITIZENS WISHING TO BE HEARD: Washington resident Maria Taylor stated that she obtained information about the diesel spill paperwork through a FOIA. She stated that the spill has affected the storm sewer. Ms. Taylor said she spoke with Representative Tipsword's secretary, the Attorney General and then the attorneys who represent the people who bought the nursing home. Ms. Taylor shared a PowerPoint with Council regarding concerns with her home. She is concerned that the City Administrator states that there is no problem. She asked how the spill went from the nursing home, through her house, then to the street. Ms. Taylor stated that in 2020 there were over 100 gallons of diesel spilled and it went to the creek. She stated that no one can tell her how it traveled. She stated that it traveled through the storm system. She requested a committee be created to investigate and they should talk to the EPA. She stated that she loves this City and she wants to be able to help people behind her.
3. APPROVAL OF MINUTES: Alderperson Stevens motioned to approve the June 12, 2023, meeting minutes with a correction; Alderperson McIntyre seconded. Alderperson Stevens asked to make a correction in the end of Section C where it currently states "Alderperson Stevens asked about the high school system, if they had an IT team" she would like it to reflect "Alderperson Stevens asked Dr. Freeman and they have an IT team, that's what the high school does, they use their IT team." Motion passed by voice vote. Mayor Manier noted that the motion was not made with an amendment and it has already passed. Alderperson Stevens made a motion to correct the minutes. Mayor Manier noted that minutes are not verbatim and Alderperson Stevens clarified that it's a correction from her asking to her stating. Alderperson Blundy seconded the motion. Motion passed by voice vote.
4. BUSINESS ITEMS:
 - A. *Stormwater Project Funding Alternatives/Mesirow Presentation* – Administrator Snider introduced Todd Krzyskowski from Mesirow Public Finance. He provided presentation materials and a brief history of his company. His presentation is attached and made part of these minutes. Mr. Krzyskowski acknowledged that sales tax revenue is roughly \$1.1 million per year. He discussed the graph on page six and shared that we could issue a bond into that revenue stream. He shared that they reviewed a \$5 million bond we would have the money upfront for needed projects then the remaining sales tax revenue is available to do other projects. He shared that communities the size of Washington can bond up to \$5 million per calendar year with an extra tax benefit. He then referenced the graph on page five which showed the US Treasury rates and provided where tax exempt interest rates are. Mr.

Krzyskowski explained that we could issue the debt, reinvest the money and keep that investment spread. He stated it would net about \$400,000 in interest on the proposed \$5 million and the investment is near risk free. Mr. Krzyskowski and Administrator Snider feel this would help speed up the completion of the identified stormwater projects which may have previously taken 10-15 years. Mr. Krzyskowski stated that we can collect interest on the borrowed money, and this is a unique opportunity to get started earlier. Mr. Krzyskowski shared a chart on page seven that addresses construction cost inflation challenges and includes data from the past 20 years. He noted inflation increases including 11% in raw materials. Administrator Snider stated that not doing this could cost about 2-3% more in inflation cost increases. Mr. Krzyskowski noted that it is more attractive to bid on larger projects instead of bidding projects piece meal. Alderperson Martin and Mr. Krzyskowski discussed the 20-year costs. When discussing an early payment, Mr. Krzyskowski stated that municipal bonds work differently than home loans, but you can include a covenant that we have the right to pay the bonds at five years or seven years, then they are guaranteed to have that interest. Alderperson Blundy confirmed that the .5% sales tax is generating 1.1 million and noted the cost of the bonds. Alderperson Blundy stated that we have ten priority projects, but he is having a hard time figuring out if we do all of them or not. Alderperson Martin proposed talking about the projects later. Mr. Carr stated that multiple projects are clustered together in the same area due to geography and larger project areas are a concern of becoming too large. He feels nine of the projects could be paid off with a \$5 million loan. Mr. Carr noted the benefits of stockpiling materials together and doing some of them near each other. Mr. Carr also shared that most of the projects on the list had water reaching the home and this is considered severe. He also noted some roadways had been flooded out. Alderperson McIntyre noted the obvious storm water problems addressed by residents and staff and feels this allows the City to still have a little revenue coming in. Alderperson Blundy feels this makes sense and wonders about the feasibility of doing more than three projects per year. Alderperson Stevens stated that the water in Washington Park relates to Jackson Street bridge, and this is needed in order to do the bridge project. Mr. Carr clarified that the bridge project is on Park District property, and they would need to approve it first. Mr. Krzyskowski provided details regarding the requirement to spend 85% of the borrowed money in lieu of letting it sit. He shared that the IRS requires that after three years, borrowers will have to invest remaining funds at a restricted rate. Alderperson Blundy asked for staff's recommendation. Administrator Snider stated that historically residents may get agitated if municipalities don't use what is being taxed. He doesn't see the risk being very great because our revenue is relatively consistent so he would be comfortable moving forward with the longest term possible. Alderperson Blundy asked if there would be any projects that we would not bond for, and Administrator Snider feels we would rely on professionals and Mr. Carr's recommendations. Mr. Carr shared the benefits of the proposed detention basin on the 223 property and feels that by not solving the current issues, is saying that we are fine as it is. Mr. Carr also shared parts of our City Code. Mayor Manier noted if we bond \$5 million, it gives staff and Council more leeway to pick projects and this may help start multiple projects. Alderperson Brownfield noted that Council was warned about increasing rates and the tax was put into place in order to move the projects forward. He also noted that 70% of his phone calls after rain are about flooding. He is in favor of this opportunity and feels we should bond \$10 million, but at the very least \$5 million. Alderperson Martin asked about the risk of doing \$5 million now and \$6 million later. Mr. Krzyskowski noted the unknown future interest rates. He shared that the City could come back in January for the other \$5 million. Mayor Manier and Finance Director Baxter shared that the Washington 223 bond retired early. She shared that we only have four debt bonds right now and they are bank loans and noted the WACC was rolled over to a bank. We also have two interest-free IEPA loans. Ms. Baxter noted that a .25% sales tax pays the WACC loan. Upon request by the Mayor, the following opinions were provided by the Alderpersons: McIntyre sees the benefit of \$5 million with the opportunity to revisit if more money is needed. Blundy is good with the \$5 million with more opportunity later. He asked if this could be applied to I&I issues and Mr. Carr clarified that I&I is sanitary sewer not storm sewer. Martin thinks \$5 million is a good idea, and \$10 million might be considered more. Butler thinks the time is right and \$5 million is a good place to start as this will help prioritize projects. Brownfield agreed and stated that if for six months the rates are still low, we can look into further options. Stevens feels the time is right and if we don't bond now, she doesn't think we will get projects done in a timely manner. Smith agreed with \$5 million and reviewing in a year if projects are moving along. Mr. Krzyskowski explained that the next step is to adopt a bond ordinance, then we can engage our local bond hall. Administrator Snider will pull information

together in about 4-6 weeks and look to Council for spending recommendations. Mr. Carr noted that in the past Council provided the ten priorities, and they were designed. Mr. Krzyskowski explained that if we closed in September, we would have our first interest payment in a year. Mayor thanked Mr. Krzyskowski and his team as well as Administrator Snider and Council.

- B. *Bucket Truck Surplus Discussion* – Public Works Director Rittenhouse explained that the City was given a bucket truck which is currently being used when changing out banners and tree trimming. He noted that with MERF, the maintenance is \$7,000-\$8,000 per year. Staff feels these tasks don't seem to justify the maintenance costs. They reviewed options like renting, purchasing a lesser piece of equipment, and hiring it out. Mr. Rittenhouse shared that staff recommends moving away from the bucket truck after evaluating all aspects. Alderperson Brownfield and Mr. Rittenhouse clarified that it is used only 8-12 times a year. Alderperson Brownfield noted that a tow-behind lift is only a couple hundred dollars a day. Alderperson McIntyre agreed with renting equipment when needed. Mr. Rittenhouse further provided that the truck was ten years old when they purchased it in 2020 and feels we are sinking money into aging equipment. Alderperson Blundy said it makes sense to look at the rental options.
- C. *Asphalt Roller Trade-in Discussion* – Public Works Director Rittenhouse stated that this is an important piece of equipment and over the past two years there have been many issues with it. He shared that it has shut down during use, spent four months in the repair shop and they can't figure out what is wrong with it. Staff recommends replacing it. Mr. Rittenhouse shared that public works had to rent one when this was in the shop. Alderperson Martin and Mr. Rittenhouse discussed that it is a Caterpillar machine in the MERF schedule to be replaced after 20 years and Mr. Rittenhouse suggests shortening the replacement schedule. Mr. Rittenhouse explained that the City mechanic negotiated lower repair bills due to the issues. Alderperson Brownfield asked if we use it for water main breaks. Mr. Rittenhouse explained that it depends on the size of the project. He noted that it has been used for Jackson Street repairs. Alderperson Stevens asked if this is why Jackson Street is taking longer. Mr. Rittenhouse shared that they rented the asphalt paver and a roller to complete it. Mr. Rittenhouse thinks a new roller would be \$65,000 and we use it too often to justify renting one. Mr. Carr noted that the Township has our old roller. Alderperson Smith and Mr. Rittenhouse discussed brands of rollers and the possibility of renting one while we wait for the purchase. Mr. Rittenhouse shared that Altorfer is getting quotes, the current roller is 7-8 years old and Altorfer did the repairs.
- D. *Devonshire Condition Discussion* – Engineer Carr shared that they reviewed the roads and curbs and when Engineer Tech Fuller walked the road, he found the curb to be in much worse condition than expected and alerted Engineer Carr. He noted that 80% of the curb is past its serviceable life. Engineer Carr doesn't think it is a good investment to put the new surface down with curbs in disrepair. He shared that because we received funds for Nofsinger, it opened up funds for next year. Mr. Carr shared that looking at other things on Devonshire, they noted the sanitary sewer is a type of iron that has been targeted for removal. Staff recommend taking care of Devonshire after Catherine and although this would shift projects from the east side of the City, Devonshire has a higher traffic rate. Alderperson Brownfield stated that when we first started talking about the roads, they noted Devonshire would need attention and with the amount of traffic and the need to replace the iron, he is in favor. Alderperson Stevens stated that she is good with Option 2 and all agreed.
- E. *Pressure Paving Adjustment* – Engineer Carr stated that Option 1 keeps all the HIR pressure paving equipment in one area, then they can move to Jonathan and Debates. He noted that Debates was originally left off due to construction and the developer will finish Stephanie to Debates. Mr. Carr further explained Option 2 would pressure pave Jonathan, Debates and W. Jefferson and Option 3 would be to pressure pave Birchwood. Staff recommends Option 1 because it would keep the equipment in the same general area. Alderperson Stevens likes Option 1 because Hampton and Chelsea with curbs and aprons would look so nice. Others agreed.
- F. *305 Walnut Property Discussion* – Administrator Snider shared that Alderperson Stevens requested this discussion item. He noted that while we have funding, he doesn't feel we have a need. Alderperson Stevens stated that she has had many people ask why we bought it for a parking lot, and it is grass. Alderperson Stevens stated that she thinks it should be useful for neighbors to use during a

parking ban. Mayor Manier noted other parking lots in the area for residents to use and it would only be used a few times a year during a snow ban. Alderperson Brownfield said he is not interested right now. Alderperson Blundy asked if this would help with Square parking and Mayor Manier noted past discussions regarding square parking and residents not interested in parking on High Street.

5. OTHER BUSINESS: Alderperson Blundy stated that Hamilton will be here next week, and the meeting will start at 6 pm in a Special Committee of the Whole meeting. He asked if public discussion will be allowed and stated that if we have to pay an extra fee, it makes sense to open it up for public and Council can ask questions. He expressed concern for questions being submitted by the public and thinks it will be difficult to know what questions to ask prior to the information that will be provided. Mayor Manier stated that it is considered a business meeting and engaging with the public could be problematic as it would be hard to maintain. Alderperson Brownfield said there may be 15-20 people who are interested, and we may have 100 people show up to say something. He stated that he is happy to have people reach out to him and he is happy to share their concerns. Alderperson Butler stated that this is a private meeting held in public and it is not a good precedent to have public display at a council meeting due to lack of control. He noted that questions could be provided during public comment. Alderperson Butler stated that we have been discussing this topic and delaying it for too long. Alderperson Stevens shared that in the early days of this process, there was the property owners meeting and Alderperson Butler was in attendance. She stated that there aren't going to be hundreds of people and it will be the people from the property owners' meeting. Alderperson McIntyre thinks it's important to allow people ask questions and agrees that order must be maintained. Alderperson Martin agreed with Alderperson Brownfield that we need to ask the questions as a council. He thinks it could be problematic and he is open to asking questions provided to him from residents. Alderperson Smith feels that people can ask questions during public comments, and they can be addressed by Council or by Hamilton. Mayor Manier stated that in his 23 years, he has never seen a meeting with citizens comments at the end of the meeting. Alderperson Blundy asked about the room layout and stated that it puts a wall between the audience. Administrator Snider shared that is configured because he thinks Council members feel more comfortable sitting across from one another to engage and this also allows for staff to be part of the conversation. He noted that there is line of site issues. Mr. Snider explained that Peoria and Normal have been operating with alternative seating. Alderperson Stevens suggested a large U shape so that we were open to the audience. Alderperson Brownfield suggested keeping this for a little while instead of moving it week after week. He stated that it is the mayor's prerogative. Alderperson Smith asked about the Candlewood Park bridge. Mr. Carr explained that they are waiting on IDOT to review the bridge which takes a special review due to the historic arches. Alderperson Smith likes keeping it historic. Alderperson Stevens stated that Mayor stated that Koehler gave money for public safety items, and it's been a while since we have talked about traffic calming. Alderperson Stevens and Chief McCoy discussed the \$125,000, going to the evidence room. Mayor Manier suggested waiting until the money is received to discuss how to use it.
6. EXECUTIVE SESSION: for collective negotiating matters between the public body and its employees or their representatives, or deliberations concerning salary schedules for one or more classes of employees and for the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body per 5 ILCS 120/2(c)(1 & 2) of the Illinois Open Meetings Act
7. ADJOURNMENT: At 8:39 p.m. Alderperson McIntyre moved, and Alderperson Brownfield seconded to adjourn. Motion carried unanimously by voice vote.

Valeri L. Brod, City Clerk

MESIROW PUBLIC FINANCE

City of Washington

Stormwater Control Financing Alternatives

July 10, 2023 – COW

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Executive summary: Washington can finance \$5 million of its \$10 million Stormwater Control Project to capitalize on the current very favorable short term investment environment

- Although interest rates have trended up over last year, bond supply is low and the market is stable. The City last reviewed financing alternatives at its June 12 meeting.
- Difference between short-term taxable and longer-term tax-exempt interest rates is substantially higher than 18 months ago. This provides a “positive carry” opportunity for the City.
- Short term investment rates now exceed 5% so the City can immediately reinvest bond proceeds for the stormwater project above the current estimated tax-exempt borrowing rate of 3.25 - .50%.
- \$5 million *annual* IRS “small issuer exception” to arbitrage-rebate provides opportunity for City to reinvest bond proceeds at unlimited yield for up to 3 years. Any positive arbitrage earned is retained by the City.
- \$5 million “small issuer exception” can outperform a “pay-as-you-go” approach *and* permit the City to accelerate stormwater construction project to head-off raw materials cost inflation. Steep rise in Producer Price Index (PPI) of 34% from Jan. 2020 – May 2023.
- A \$5 million financing in CY 2023 (15-year level repayment) will use only \$500,000 of the \$1.1 million annual sales tax revenues, which provides further flexibility to fund future projects as they arise.
- Finally, an additional \$5 million “small issuer exception” would be again available to the City in CY 2024.

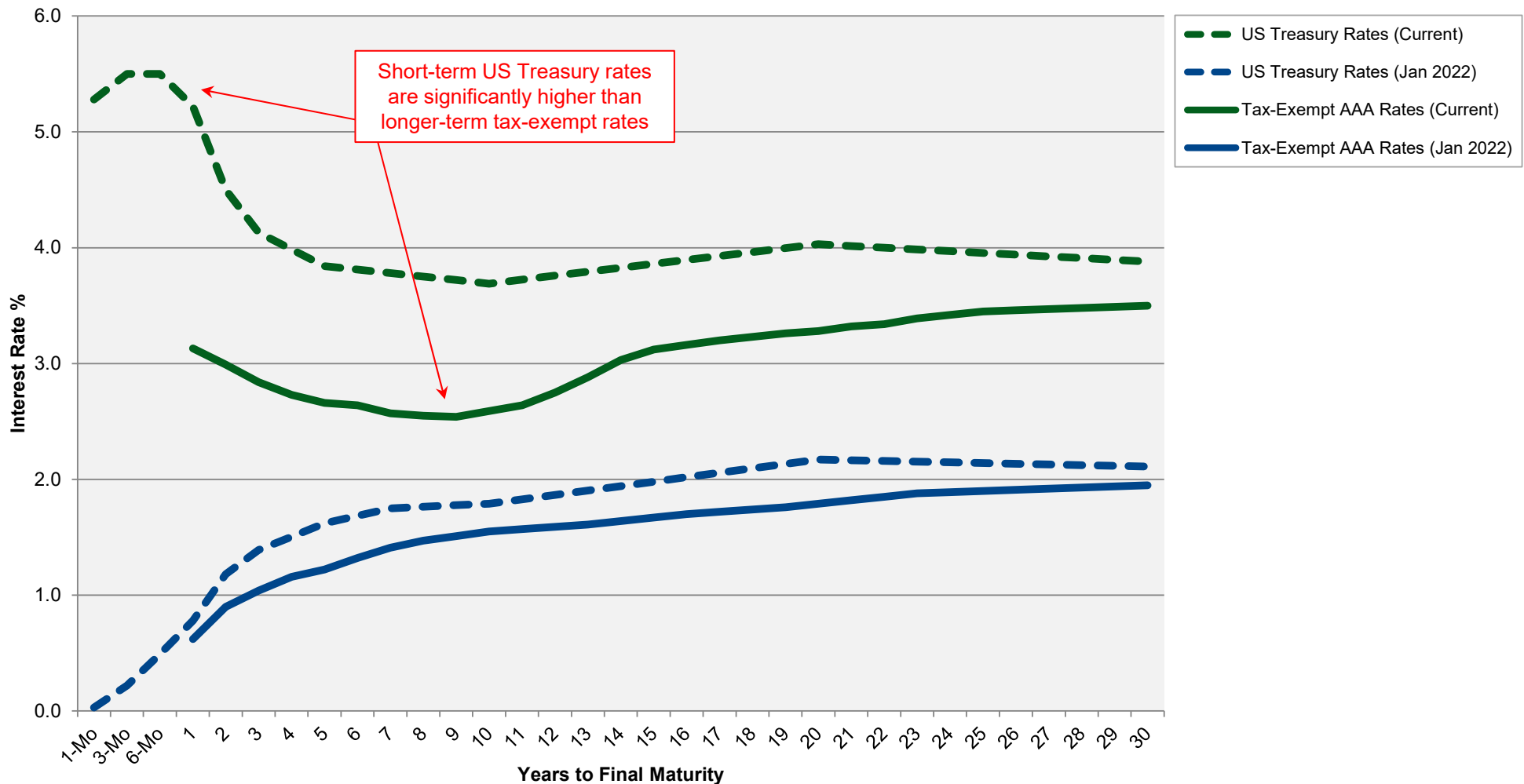
City Council reviewed long-term capital project funding alternatives at its June 12 meeting

- The following table shows hypothetical financing amounts that could be raised today to fund capital, given different debt service requirements and repayment terms. The analysis is based on the following assumptions:
 - 1x revenue coverage with full leveraging of the indicated revenue stream.
 - Tax-exempt interest rates as of June 9, 2023, assuming underlying issuer credit rating of “A+” or “AA-” with bond insurance.
 - Available proceeds are net of all issuance costs such as legal counsel, underwriting fees, credit rating costs, etc. We’ve assumed issuance costs at 1.5% of the financing amount (approximates: \$85,000 for \$5.5 million scenario, \$130,000 for \$8.3 million, and \$170,000 for \$11.1 million scenario).
 - Available proceeds are also net of the bond insurance policy premium estimated at 0.3% of gross debt service.
- Mesirow will tailor a specific financing solution for Washington based on the city’s specific needs and objectives. Our goal is always to identify and source the lowest-cost capital for our clients within the constraints of their funding requirements.

	Approximate Annual Debt Service			Estimated Interest Rate
	\$500,000 / Year	\$750,000 / Year	\$1,000,000 / Year	
	Approximate Financing Proceeds			
10-Year Level Repayment	\$4,100,000	\$6,200,000	\$8,200,000	3.25%
15-Year Level Repayment	\$5,500,000	\$8,300,000	\$11,100,000	3.65%
20-Year Level Repayment	\$6,600,000	\$9,900,000	\$13,300,000	4.00%

Results are preliminary and subject to change based on market conditions and other factors.

US Treasury investment rates are significantly higher than tax-exempt borrowing rates providing a “positive carry” opportunity

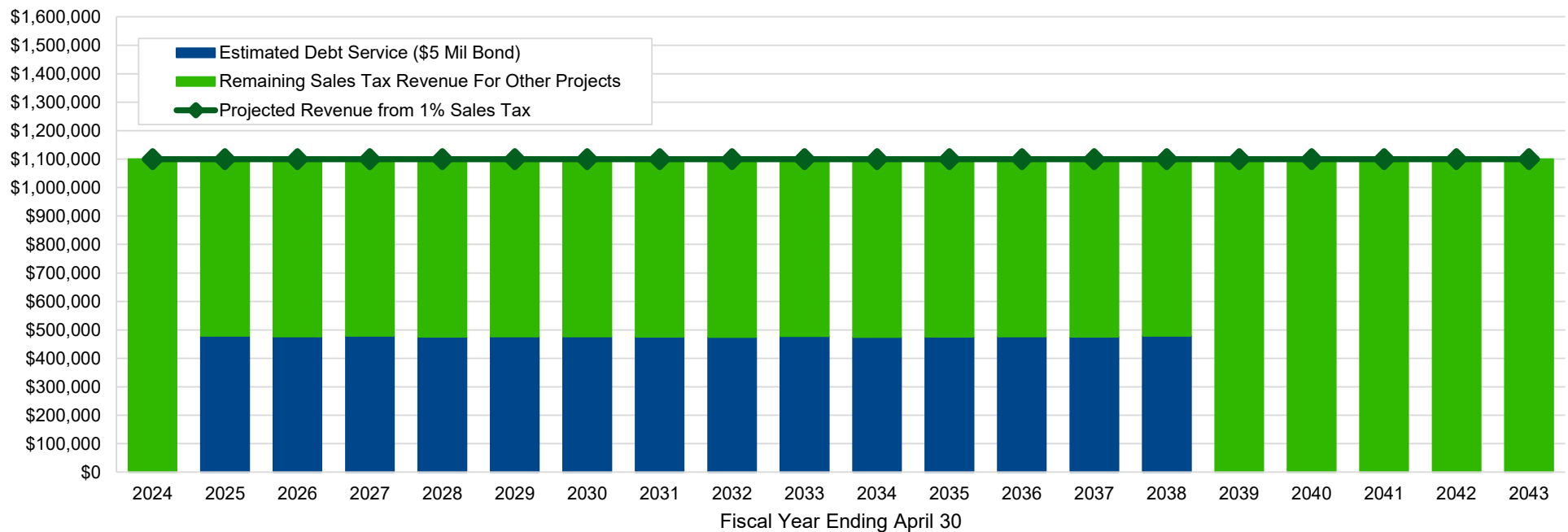


Data Sources: The Municipal Market Monitor (TM3). UST and MMD rates as of June 2, 2023.

US Treasury rates used as an example of low credit risk investment alternative. Past performance is not indicative of future results. Mesirow Financial, Inc. is not an investment advisor.

Even if the City borrows \$5 million repaid over 15 years, there remains ample ongoing sales tax revenues to fund other projects

- The City of Washington's 1% sales tax generates approximately \$1.1 million of revenue each year.
- The City has ample capacity to borrow against this future revenue stream.
- A \$5 million bond repaid over 15 years would encumber approximately \$500,000/year of future sales tax revenues.
- After paying debt service, the remaining sales tax revenue would be available for other purposes, or to pledge to future debt.



Estimated debt service based on market conditions as of June 9, 2023, and assumes 'A+/Stable' or equivalent underlying rating with 'AA' bond insurance. Results are preliminary and subject to change based on market conditions and other factors.

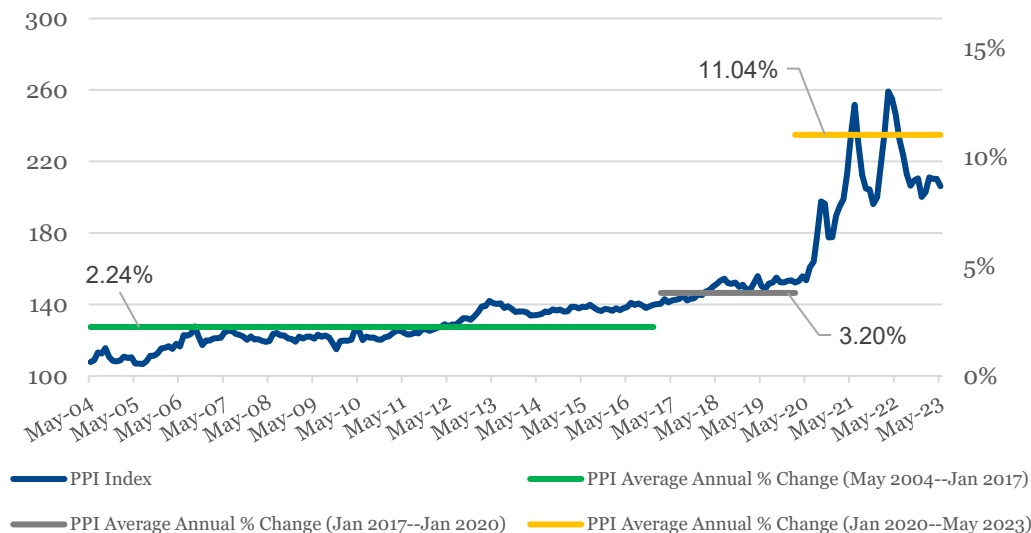
Construction cost inflation creates challenges and provides support for accelerating projects to head off increasing raw material prices

- Construction cost inflation as measured by the Producer Price Index (PPI) will result in public sector project sponsors seeing higher bids from contractors
- Beyond commodity and equipment price increases, shortages of skilled labor and correspondingly wage increases will be enduring
- As measured by PPI, annualized inflation averaged 2.2% from 2004-2017, and 3.2% from 2017-2020. However...
- **Annual inflation increased sharply to average 11% for 2020-present.**

- Year-over-year changes in construction material prices for 2020-2022
- The cost escalation range for materials remains wide in 2022
 - Most construction inputs still see sizable price increases
 - Moderate price decrease for some construction materials, but far from recovering from the previous price hikes.

PPI--Building Material AND Supplies Dealers

May 2004--May 2023



Price Increases for Construction Inputs

Year-over-Year % Change in December PPI

	2020	2021	2022
Steel Mill Products	5.2	128.0	(28.7)
Diesel Fuel	(2.8)	54.2	20.4
Plastic construction products	5.4	35.4	8.3
Aluminum steel shapes	(1.7)	29.5	(5.7)
Copper and brass steel shapes	23.6	23.4	(3.6)
Paint and coatings	1.4	15.7	20.6
Gypsum products	4.6	23.0	17.5
Lumber and plywood	37.2	18.1	(19.9)
Trucking	3.9	20.5	5.4
Truck and offroad tires	0.3	11.0	19.6
Construction machinery/equipment	1.1	10.0	8.8

Sources: S&P Global Ratings research report: *Construction Cost Inflation Weighs On U.S. Public Infrastructure Investment* (April 14, 2022)

U.S. Department of Labor, U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Building Material and Supplies Dealers [PCU44414441], retrieved from FRED, Federal Reserve Bank of St. Louis

The IRS's \$5 million “general small issuer exception” to arbitrage rebate can be particularly helpful to the City’s capital project funding

Understanding IRS exceptions helps tax-exempt issuers maximize project fund investment earnings

	24-Month Spending Exception	18-Month Spending Exception	<u>General</u> Small Issuer Exception	<u>School</u> Small Issuer Exception
Par limitation for tax-exempt bonds	No limit	No limit	\$5 million or less (per calendar year)	\$15 million or less (per calendar year)
Bond proceed usage restrictions to qualify	Construction purposes (75% minimum)	Governmental purposes	Governmental purposes	Construction purposes (amounts over \$5 million)
Bond proceed draw-down required to keep arbitrage earnings	Spend with due diligence & at least: 10% in 6-months 45% in 12-months 75% in 18-months 100% in 24-months	Spend with due diligence & at least: 15% in 6-months 60% in 12-months 100% in 18-months	Spend with due diligence & at least: 85% in 3-years (expectation)	Spend with due diligence & at least: 85% in 3-years (expectation)
What if spend down is not met?	Rebate interest earnings exceeding Arb Yield to IRS (3% retainage OK)	Rebate interest earnings exceeding Arb Yield to IRS (3% retainage OK)	Restrict investments to Arb Yield after 3-year period	Restrict investments to Arb Yield after 3-year period

The table is intended only as a general overview of IRS arbitrage rebate requirements. The federal tax code is complex and this summary is not comprehensive or applicable to all situations. Issuers should review specific arbitrage rebate requirements with their tax counsel or other advisors.



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