



CITY OF WASHINGTON COUNCIL REPORT

September 29, 2023

CITY ADMINISTRATION – Jim Snider

- **Placement of 15-year bond by Mesirow**

Mesirow successfully placed our 15-year bonds this past Tuesday. Franklin Templeton purchased the debt at an effective interest rate of 4.55%. Our timing wasn't the best since rates have moved appreciably higher the last few months with the Federal Reserve's aggressive increasing of short-term rates in an attempt to rein in inflation.

As we reported this last month, our interest costs will be offset with the opportunity of investing our proceeds over the next couple of years at a higher rate of interest (currently at 5.42%). Finally, we saved about 50 basis points on our effective interest rate for the bond due to our excellent credit rating of AA Stable by S&P. Mesirow has provided us with the attached case study related to the bond issuance for your information.

The case study addresses the following: (i) the process leading up to the approval of the bond issue, (ii) how the City worked closely with its financing/legal team to ensure the bonds were issued in a manner which would allow the City to take advantage of the IRS small issuer exception to arbitrage rebate, (iii) compares the borrowing rate of the bonds (4.55%) netted up against the estimated earnings rate provided by PFM (5.40%) on 9/26/23. Based on the assumptions lined out in the footnote of the case study, we show what the approximate effective borrowing reduction would look like as a dollar amount (\$433K), in basis points (95bps) and as a percentage (3.60%), (iv) a summary of the project, and (v) small "highlights" section with some select features of the bonds.

- **Tangled Roots Groundbreaking Ceremony – October 5, 2023**

CL Real Estate has provided us with the announcement of the groundbreaking ceremony for the Tangled Roots Redevelopment on the Square. Please RSVP to Erin Maze at erin.maze@cl-red.com if you are able to attend.



Groundbreaking Ceremony
YOUR TEAM IS INVITED

October 5, 2023, 9:30 AM / 140 Washington Square, Washington IL
RSVP to erin.maze@cl-red.com

BUILDING & ZONING –

Out of Office

ENGINEERING – Dennis Carr/Ross Fuller

- Stark has poured the curb for Hilldale and will be concentrating on pouring driveways next. While their concrete crew moves forward with driveways, their grading crew is working to complete final road grading for the Hilldale project. They also have a couple more days left to complete the ditch grading from Hilldale to North Street.
- Stark has completed all of the underground work for the Freedom Pkwy extension except for some minor storm sewer pipe work related to the bioswales. UCM has been pouring concrete pavement and hopes to get the concrete pavement completed next week so they can begin shifting traffic to the west side of Cummings to continue the pavement replacement in the intersection there. With fall approaching, it is getting less likely by the day that we see asphalt down before winter. The roadbed preparation will be a lot of discing and letting the ground dry, so we will need weather to cooperate to see improvements for Freedom.
- UCM has completed all of the chip sealing for this year's MFT project. They began fog coating in Trails Edge but pulled the crew out for the days that had rain forecasted. They will continue fogging as the weather permits.
- Gensini has begun mobilizing equipment in for the Nofsinger project. During the unloading of a bulldozer, they scraped up the existing Nofsinger pavement pretty bad. We have taken pictures and addressed this with the contractor.
- TWM is continuing on the Catherine design and will be mimicking W. Holland for the first block with the remainder being asphalt.
- Walker Excavating is anticipating the Loop Watermain project to be started in early October.
- With the Wilmor Rd mill and overlay project coming in under budget, we are going to use \$14,200 of those funds to perform a new pavement rating inventory. The new rating inventory will allow us to assess the last 4 years of maintenance programs and see if we are getting the expected results. Ratings are typically done every 3-5 years with the last being done before I got here in 2020.

FINANCE – Joanie Baxter

- Started reviewing the audited financial statements and completing the Management Discussion and Analysis (MD&A). The financial statements will be presented for acceptance at the October 16, 2023 City Council meeting.
- Participated in a kickoff call with ClearGov regarding the next steps in the Budget suite. The plan is to implement the operations and personnel modules along with capital and the Digital Budget Book. There is a lot of setup and training ahead, but I hope to have ready for the FY2025 budget process.
- Participated in a follow up call with Dennis and Enterprise regarding the vehicle leasing program.
- Analyzed and discussed the proposal for the Management Detection and Response program with IT360 and adjusted based on numbers of users determined during the server transition and Office 365 license project in order to realize the lowest possible monthly cost.
- Worked with Mesirov, Ice Miller and PFM Asset Management regarding the stormwater bond issue. Facilitated completion, signing and remitting of required paperwork for the bond closing and setup of the bond investment accounts. Jim and I met with PFM to discuss investment alternatives to maximize interest yield on funds not subject to arbitrage. Our bonds were all purchased by Franklin Templeton on the first round of pricing and closing is set for October 5th!
- Jill processed and I reviewed payroll for September 29, 2023
- Utility Billing (September 16 – September 29, 2023)
 - A total of 291 cutoff notices were processed for outstanding balances from August billing
 - A total of 12 delinquent notices were sent for September disconnects
 - New accounts and account closings processed:
 - 14 ins
 - 14 outs
 - Leak detection through RNI and Sensus Analytics software – 34 leaks were caught and residents/businesses notified
 - A total of 1,943 accounts have signed up for direct debit/bank drafts – that is almost 36% of total accounts!

HUMAN RESOURCES – Maureen Chambers

- In final preparation for the Health and Wellness Fair taking place on October 5. We have a variety of vendors, including insurance experts, onsite, along with health screenings and smoothies and coffee!
- Attended virtual IMRF Authorized User training to get introduced to their new website.
- Organizing Employee Appreciation Gifts that will be distributed at the Holiday Luncheon.
- Developed a City of Washington Pre-Trip Inspection Checklist for all DOT vehicles. Practice will be introduced at the October 19 Public Works Safety Lunch.
- Creating the Open Enrollment online form that ALL EMPLOYEES will complete.
- Met with Chris Racey, our IPRF representative, for quick loss update. Nothing new to report.
- Preparing a 2024 Washington Wellness Program that incorporates an event each month. Includes events that encompass the five dimensions of well-being: Social Connectedness, **Job Satisfaction**, Financial Security, Emotional Health, Physical Health. Trying to create a system so each year we are not recreating the wheel. Question-how can we, as a City, best measure Job Satisfaction? What does that look like?
- Onboarded new Building and Zoning Coordinator.
- The switch to PlanSource and PlanSource COBRA is complete!
- Reviewing program/videos for anti-harassment training in November.
- SAVE THE DATE: City of Washington Holiday Luncheon. December 14. Tres Rojas. 11AM-1PM.
- Process handful of retirement/personnel/benefit items.

PLANNING & DEVELOPMENT – Jon Oliphant

- The sub-application for a FEMA Building Resilient Infrastructure and Communities (BRIC) program for a project around Harvey, Walnut, Pine, and Adams has been submitted to IEMA. We will await any feedback from IEMA and FEMA in the coming months.
- Work on both of the Safe Routes to School projects is largely complete and will be submitted by Monday's deadline to IDOT. An awards announcement is tentatively planned by IDOT in the spring.
- Our staff has been in frequent contact with the owner of the 501 Walnut building, which had a partial roof/wall cave-in earlier this summer. We have set a deadline with him to determine whether the building can be restored or if demolition must occur.
- The October 4 PZC meeting has one case: A request from Jakob Spitzer to rezone 2140 Washington Road from C-2 (General Retail) to C-3 (Service Retail). This would allow Mr. Spitzer to move his roll-off dumpster business to the property. There are currently no improvements on the 9+ acre parcel after a house was demolished in 2004. The PZC's recommendation will be brought to the Council as part of a first reading ordinance, likely for the October 16 meeting.
- I assisted with one of the two days of the CareerSpark event in Peoria. This is a wonderful event that draws thousands of 8th graders from around the region to learn about a variety of possible career options. It is a national model in engaging students on future job paths.
- I attended our monthly PPUATS Technical and Technical Working Group meetings.
- I've been helping Joe Boyer get up to speed as the Building and Zoning Coordinator. Becky has also been of considerable help in imparting her insight from having worked for the City for many years.

PUBLIC SAFETY – Chief McCoy/Deputy Chief Stevens

- This period's speeding contest winner: 70 MPH on Washington at Wagner (40 MPH zone).
- Met with Dewberry concerning design updates vs. costs for the evidence facility. Building cost inflation (real in recent history and projected) will force choices in design elements, with the goal to design the most efficient facility for the City.
- Chief and Deputy Chief met with liquor license holders, having conversations about hours, opportunities for business and effective regulation on the Square, bar checks, license requirements, and general open communication between management and police. We resolved misunderstandings that will help businesses responsibly serve customers.
- Chief McCoy met spoke with fire officials in ongoing consideration of providing the most effective fire protection throughout the City while serving the needs of outlying areas, including consideration of future services that may be necessary to Northern Tazewell FPD. WFD and NTFD routinely work together on structure fires. There is a careful examination of whether there is an opportunity for further symbiosis.
- DC Stevens talked with Onsolve about updates necessary for CodeRED service with most major cell carriers blocking SMTP texting to solve spam problems. The City will need to change contracted services to include SMS texting to effectively reach residents and visitors in an emergency.

- Our last negotiation session with the PBLC did not result in a breakthrough. With the union, we scheduled mediation services with the hope we can resolve remaining differences and clarify the union's requests. Our first mediator meeting in October 12.

PUBLIC WORKS – Brian Rittenhouse

- Fall brush pick up will begin the week of October 17th. This will be advertised on the city website and Facebook.
- Hydrant flushing continues and should be completed in the first week of October.
- The Street Department coordinated set up for Autumn Fest and the Homecoming Parade.
- CIPP Lining projects include sewers between BR 24 to East Adams from North High to Harvey, sewers on Madison and Lincoln Street, and a segment on Catherine Street east of Spruce Street. This should begin in the next couple of weeks.
- The wastewater treatment plant generator install project continues.
- Wastewater Treatment has poured the last beds for the drying season. If staff continues to pour beds, with shorter days and cooler weather, we would run the risk of not getting the sludge out before it freezes. During winter, it is a safety net to have all drying beds open so in case of an emergency, beds can be poured. Being able to pour beds, would give staff time to repair an issue, if one should occur.

Case study – Washington IL Stormwater Financing

Effective reinvestment of bond proceeds can reduce the City's net borrowing cost by ~95 basis points, from 4.55% to 3.60%^

Highlights

- City of Washington, Tazewell County, Illinois
- General Obligation Bonds, Series 2023
- “AA/Stable” by Standard & Poors
- Par amount of \$4,735,000
- Fixed rate over ~15 years
- Tax-Exempt (Bank Qualified)

Project Overview

- *A portion of the proceeds of the Bonds will be used to pay the costs of the Project, which includes the addition of storm sewers and inlets in five sections of the City. The Project is expected to be completed by the end of 2025.*
- *The City implemented a .50% increase in home rule sales taxes in 2022 to pay for stormwater control projects and expects to use such taxes to pay debt service on the Bonds.*

Outcome

The City of Washington (the “City”), which was incorporated in 1857, is a home rule municipality under the Illinois Constitution. The City is located in Tazewell County approximately 8 miles east of Peoria and midway between Chicago and St. Louis. The City engaged Mesirow to help it address its growing stormwater improvement needs and to create a financing plan which fits within its revenue projections and community expectations.

In 2022 the City approved a home rule sales tax increase of .50% to pay for stormwater related expenses which generates ~\$1.1 million annually while annual debt service on these 2023 Bonds approximates \$468,000. Thus, the 2022 increase covers debt service by over 2x. The Council directed acceleration of stormwater projects by authorizing a \$5 million general obligation financing in July 2023.

Mesirow worked closely with Washington and its legal team to ensure the financing takes advantage of the \$5 million annual IRS small issuer exception to arbitrage rebate.

After closing in early October 2023, the City will reinvest bond proceeds in the Project Fund during the construction period. Based on the current “IIIT Class” reinvestment rate provided by PFM Asset Management LLC (“PFM”) and assuming a 36-month construction spenddown with equal quarterly draws, the City may be able to reduce effective borrowing costs by ~95 basis points, from 4.55% to 3.60%^ as shown in the table below.

- *The project fund could earn up to \$433,000 in interest, which is an investment return of ~5.42%^.*
- *Under the small issuer exception, Washington can keep any reinvestment earnings above the bond yield.*

Cost of Borrowing			Project Fund Earnings	
Actual Values as of 9/26/2023			Values Estimated as of 9/26/2023	
Issuance Date:	10/5/2023	Effective Borrowing Rate	Initial Project Fund Deposit:	10/5/2023
Bond Proceeds:	\$4,995,961			
Issuance Expenses:	\$111,839			
Project Fund Deposit:	\$4,884,123		Project Fund Deposit:	\$4,884,123
Borrowing Rate (All-in TIC):	4.55%	→ 3.60% ←	Project Fund Yield (PFM "IIT Class" rate^):	-5.42%
Total Interest Cost (to maturity):	\$2,110,681		Interest Earnings:	\$433,277
Total Debt Service:	\$6,845,681		Total Draws for Project Costs:	\$5,317,399
First Bond Payment:	May 2025		First Scheduled Project Draw:	Dec. 2023
Final Maturity:	May 2038		Final Scheduled Project Draw:	Sept. 2026
Average Life of Bond Issue (years):	8.915		Average Life of Project Fund (years):	1.569
Present Value of 25 Basis Point Δ in Rates:	\$73,000 / 0.25%		Present Value of 25 Basis Point Δ in Rates:	\$18,500 / 0.25%