

Administrative-Finance Committee
March 5, 2018
6:00 p.m. – City Hall Conference Room

- 1. Call to Order**
- 2. Public Comment**
- 3. New Business**
 - a. Motion recommending approval of a resolution declaring the official intent to reimburse expenditures of the City of Darien in connection with the issuance of not-to-exceed \$4,000,000 general obligation bonds series 2018 of the City of Darien, DuPage County, Illinois
 - b. Motion recommending approval of:
 - A proposal from SPEER FINANCIAL, INC dated February 6, 2018, for municipal advisor services for the G.O. Water Bonds, Series 2018 in an amount of \$4,500 plus 2/10 of 1% of the municipal securities issued in excess of \$1,000,000
 - A proposal from ICE MILLER LLP dated February 16, 2018, for Bond Counsel services for G.O. Water Bonds, Series 2018 in an amount of \$5,900
 - An expenditure in the amount not to exceed \$14,000 to obtain a bond rating from Moody's for the G.O. Water Bonds, Series 2018
 - c. Approval of Minutes – November 6, 2017
- 4. Other Business**
- 5. Next Meeting – Monday, April 2, 2018**
- 6. Adjournment**

AGENDA MEMO
Administrative-Finance Committee
March 5, 2018

ISSUE STATEMENT

A RESOLUTION DECLARING THE OFFICIAL INTENT TO REIMBURSE EXPENDITURES OF THE CITY OF DARIEN IN CONNECTION WITH THE ISSUANCE OF NOT-TO-EXCEED \$4,000,000 GENERAL OBLIGATION BONDS SERIES 2018 OF THE CITY OF DARIEN, DUPAGE COUNTY, ILLINOIS

BACKGROUND HISTORY

The FYE 19 proposed budget includes a G.O. Bond to fund various water main improvements over the next several years. The first water main project is scheduled for approval prior to issuing the bond.

The proposed reimbursement resolution will allow the City to use the bond proceeds for costs incurred prior to the receipt of the bond proceeds. This is a routine procedure when the project is approved prior to the approval of the bond.

STAFF/COMMITTEE RECOMMENDATION

Staff recommends approval of the Resolution.

ALTERNATE CONSIDERATION

N/A.

DECISION MODE

This item will be on the March 5, 2018, City Council agenda for formal approval.

**A RESOLUTION DECLARING THE OFFICIAL INTENT TO
REIMBURSE EXPENDITURES OF THE CITY OF DARIEN
IN CONNECTION WITH THE ISSUANCE OF
NOT-TO-EXCEED \$ _____ GENERAL OBLIGATION BONDS
SERIES 2018 OF THE CITY OF DARIEN, DUPAGE COUNTY, ILLINOIS**

WHEREAS, the City of Darien (“City”) is a home-rule unit and may exercise any power or perform any function pertaining to its government and affairs, including but not limited to the power to tax and to incur debt; and

WHEREAS, the City intends to authorize and execute a multi-year plan to construct, renovate, equip, rehabilitate and improve infrastructure within the City, including but not limited to infrastructure projects relating to the City’s water system (the “Projects”); and

WHEREAS, the City reasonably expects to advance its own funds to pay certain costs of the Projects and subsequently reimburse these advances with proceeds of debt to be incurred by the City; and

WHEREAS, the City expects to issue debt in one or more series not expected to exceed \$ _____ in aggregate principal amount plus costs of issuance for purposes of financing, refinancing or reimbursing costs of the Projects;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DARIEN, DuPAGE COUNTY, as follows:

SECTION 1: Declaration of Official Intent. The City hereby declares its official intent to construct, renovate, equip, rehabilitate and/or improve the Projects; to reimburse certain costs of constructing, renovating, equipping, rehabilitating and/or improving the Projects with proceeds of debt to be incurred by the City; and to issue debt in one or more series not expected to exceed \$ _____ in aggregate principal amount plus costs of issuance for purposes of financing, refinancing or reimbursing costs of the Projects.

SECTION 2: Intent to Comply With IRS Regulations. The City intends this Resolution to satisfy the requirements of the Internal Revenue Code, as amended, and the regulations promulgated thereunder, and specifically Treasury Regulation Section 1.150-2(d) regarding the declaration by the City of its official intent to issue its bonds for the purpose of reimbursing original expenditures (as that term is defined in Treasury Regulation Section 1.150-2(c)) incurred with respect to the Projects within sixty (60) days preceding the adoption of this Resolution.

SECTION 3: Full Force and Effect. This Resolution shall be in full force and effect from and after its passage and approval as provided by law.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF DARIEN, DUPAGE COUNTY, ILLINOIS, this ___ day of _____, 2018.

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED BY THE MAYOR OF THE CITY OF DARIEN, DUPAGE COUNTY, ILLINOIS, this ___ day of _____, 2018.

KATHLEEN MOESLE WEAVER, MAYOR

ATTEST:

JOANNE E. RAGONA, CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

AGENDA MEMO
Administrative/Finance Committee
Meeting Date: March 5, 2018

ISSUE STATEMENT

Motion approving:

- A proposal from SPEER FINANCIAL, INC dated February 6, 2018, for municipal advisor services for the G.O. Water Bonds, Series 2018 in an amount of \$4,500 plus 2/10 of 1% of the municipal securities issued in excess of \$1,000,000
- A proposal from ICE MILLER LLP dated February 16, 2018, for Bond Counsel services for G.O. Water Bonds, Series 2018 in an amount of \$5,900
- An expenditure in the amount not to exceed \$14,000 to obtain a bond rating from Moody's for the G.O. Water Bonds, Series 2018

BACKGROUND/HISTORY

The City Council discussed several water main improvements as part of the FYE 2019 budget meetings. These improvements are estimated to cost approximately \$3,500,000. These projects are planned over the next 3 budget years. In order to fund the projects, staff is proposing a G.O. bond in the amount of \$3,500,000. In order to obtain the bonds, it is necessary to approve certain services related to the bond.

First, I obtained a proposal from SPEER FINANCIAL, INC to serve as financial advisor for the sale. SPEER has served the City in this capacity for our previous bond sales and has always provided excellent service. SPEER is available to the City for financial advice as needed and provides that for no charge.

Second, I obtained two proposals from Attorneys that provide bond counsel services. The lowest proposal was from *Ice Miller LLP* in the amount of \$5,900. The second proposal was from Chapman and Cutler LLP in the amount of \$9,000.

Third, staff is requesting approval to proceed with a bond rating from Moodys in the amount not to exceed \$14,000. SPEER Financial, INC recommends a bond rating when the cost of a rating is offset or exceeded by interest savings. The cost for the bond rating is payable even if the city does not close on bonds.

STAFF/COMMITTEE RECOMMENDATION

Staff recommends approval of:

- A proposal from SPEER FINANCIAL, INC dated February 6, 2018, for municipal advisor services for the G.O. Water Bonds, Series 2018 in an amount of \$4,500 plus 2/10 of 1% of the municipal securities issued in excess of \$1,000,000
- A proposal from ICE MILLER LLP dated February 16, 2018, for Bond Counsel services for G.O. Water Bonds, Series 2018 in an amount of \$5,900
- An expenditure in the amount not to exceed \$14,000 to obtain a bond rating from Moody's for the G.O. Water Bonds, Series 2018

ALTERNATE CONSIDERATION

As directed.

DECISION MODE

These items will be on the March 5, 2018, City Council agenda for formal approval.

KEVIN
McCANNA
Chairman

DANIEL
FORBES
President

DAVID
PHILLIPS
Executive VP

RAPHALIATA
McKENZIE
Senior VP

MAGGIE
BURGER
Senior VP

ANTHONY
MICELI
Senior VP

LARRY
BURGER
Vice President

MARK
JERETINA
Vice President

February 6, 2018

Mr. Bryon Vana
City Administrator
City of Darien
1702 Plainfield Road
Darien, Illinois 60561

Re: City of Darien, DuPage County, Illinois
Issuance of \$4,000,000* General Obligation Bonds, Series 2018 to Finance a Portion of the Costs
of a New Water Main and Other Improvements in the City of Darien, DuPage County, Illinois

Dear Bryon:

Speer Financial, Inc. (“Speer”) is pleased to provide this Engagement Letter to the City of Darien, DuPage County, Illinois (the “Client”) for our services as Municipal Advisor in connection with the issuance of the securities referenced above (the “Bonds”). The purpose of the issuance of the Bonds, briefly stated, is to provide funds for the cost of a new water main and other improvements (the “Project”).

Speer is providing this Engagement Letter to you to memorialize the terms of our engagement (the “Engagement”) as your Municipal Advisor with respect to the Project. This Engagement Letter is required under current Federal securities law and serves to provide certain additional information to the Client, such as disclosures of services, fees, terms and termination, conflict of interest and any material disciplinary actions. The Client and Speer have previously entered into a Contract entitled Financial Advisory Services and dated July 26, 2005 (the “Existing Contract”). The purpose of this engagement Letter is to supplement and not amend any of the terms of the Existing Contract.

Services. Speer agrees to provide to the Client the municipal advisory services (the “Services”) set forth in the attached **Exhibit A**. Certain limitations to Speer’s Services are set forth in the attached **Exhibit B**. The Client, as an issuer of municipal securities, is also subject to certain other terms as it relates to the issuance of securities and Speer’s Engagement. These terms are detailed in the attached **Exhibit C**.

*Subject to change.

Authorization. It is Speer's understanding that the City Administrator, City Treasurer and Mayor of the Client (the "Client Contacts") are authorized to receive this Engagement Letter and discuss with Speer the terms and disclosures of this Engagement Letter. Speer may also rely on the authority of such Client Contacts when receiving direction from such Client Contacts in the course of Speer providing its Services.

Term and Termination. Speer's Engagement shall remain in effect until terminated by the Client or Speer upon at least ninety (90) days written notice to the other party. If the Client terminates the Engagement prior to the issuance of the Bonds, Speer expects to negotiate with the Client a mutually agreeable compensation for the Services provided by Speer prior to such termination.

Compensation. Speer's compensation for Services on the Bonds is set forth below.

Speer's compensation for Services with respect to issuance of the Bonds is set forth in the Existing Contract. As compensation for Speer's provision of the Services, Speer shall receive a fee based upon the par amount of the Bonds issued, calculated as follows:

Municipal Advisory Services:	\$4,500 plus 2/10 of 1% of the municipal securities issued in excess of \$1,000,000.
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This fee is the same regardless of the method of sale of the Bonds and is contingent on the sale of the Bonds.

This fee does not include the payment of Speer's out-of-pocket costs as further described in **Exhibit B**. See the attached **Exhibit D** for a description of the conflicts of interest in connection with each form of compensation.

Representations of Client. The factual representations contained in the documents which are prepared by Speer in the course of its Engagement, and the factual representations which may also be contained in any other documents that are furnished to Speer by the Client, are essential for and provide the basis for Speer's municipal advice. Accordingly, it is important for the Client to read and understand the documents Speer provides to the Client because the Client will be confirming the truth, accuracy and completeness of matters contained in those documents. Speer's Engagement does not include the verification of the truth or accuracy of such factual representations, as further described in the attached **Exhibit C**.

Required Disclosures. Speer is registered with the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). MSRB Rule G-42 requires that Speer provide the Client with disclosures of material conflicts of interest and information regarding certain legal events and disciplinary history. MSRB Rule G-10 requires that Speer provide certain disclosures related to the MSRB's webpage and the availability of a municipal advisory client brochure. Such disclosures are provided in the attached **Exhibit D**. Should the Client have any questions or concerns with these disclosures, the Client should promptly contact Speer.

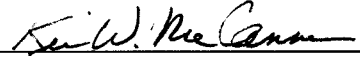
SPEER FINANCIAL, INC.

Each form of financing has particular financial characteristics and inherent risks. Provided in the attached **Exhibit E** is a general description of the most commonly used security structures of fixed rate municipal bonds in Illinois as well disclosures on the risks of each structure known to Speer at this time. Should the Client have any questions or concerns with this disclosure, the Client should promptly contact Speer.

We sincerely appreciate this opportunity to be of service, and look forward to working with you.

Sincerely,

SPEER FINANCIAL, INC.

By: 

Its: Chairman

Telephone: (312) 780-2279

Email: kmccanna@speerfinancial.com

EXHIBIT A

SPEER FINANCIAL, INC. MUNICIPAL ADVISOR SERVICES FOR CITY OF DARIEN, DUPAGE COUNTY, ILLINOIS

Financial Planning Services

1. *Orientation:* Reviewing the Client's current financial position, statutory authority, and financing capabilities, including whether a refunding or defeasance of any outstanding debt is appropriate.
2. *Coordination:* Coordinating financial planning and issuance details with the Client's staff, bond counsel, paying agents, rating agencies and other transaction participants.
3. *Consultation:* Consulting with the elected and key appointed officials and staff regarding the various phases of the development and implementation of a financing plan.
4. *Public Relations:* Responding to inquiries from the general public or news media relating to municipal issuance related matters.
5. *Planning:* Developing a debt financing plan that includes all or some of the following:
 - a. Maturity Schedules - Alternative maturity schedules relating to the financing. These schedules may "wrap" around existing debt to provide stable tax rates, level debt service payments, or meet other policy or cash flow requirements as may be requested by the Client.
 - b. Market Receptivity - An evaluation of potential market receptivity for each debt issuance and recommend the most suitable sale option.
 - c. Tax Law - Consultation with bond counsel as to the ramifications of Federal tax law on the financing plan.
 - d. Credit Rating and/or Insurance - A costs and benefits analysis regarding whether to obtain any available credit enhancements and/or a credit ratings.
 - e. Competitive and Negotiated Sale of Debt Securities - An analysis and corresponding recommendation regarding the method of sale to be used in connection with the financing plan.
 - f. Financing Timeline - A tentative financing timeline to guide officials regarding the timing of various aspects of the financing plan.

Competitive Sale Services

1. *Authorizing Resolutions/Ordinances* - Assist the Client's attorney and/or bond counsel with regard to the financial provisions to be included within the Client's authorizing resolutions/ordinances relative to the securities issuance.
2. *Credit Rating and/or Insurance* - When applying for a credit rating and/or bond insurance, Speer will submit the necessary data and documents to the selected rating agency(ies) and/or insurance company(ies).
3. *Disclosure Document, Notice of Sale and Bid Form:*
 - a. Preparation of Documents - Prepare a preliminary Official Statement, Term Sheet, Statement of Facts or Limited Offering Memorandum (each a "Disclosure Document"), Notice of Sale and Bid Form. Following the award of the securities, Speer shall prepare the final Disclosure Document corresponding to the Project. The Disclosure Document will describe the securities being issued and will contain detailed information provided by the Client and bond counsel.
 - b. Notice of Sale Publication - Notify certain prospective purchasers of the sale and prepare, as necessary, a Notice of Sale.
 - c. Encouragement to Bidders - Circulate the preliminary Disclosure Document to certain potential purchasers, including as appropriate, investment institutions, banks and underwriters, to solicit bids from such firms for the Client's securities. Provide copies of the preliminary Disclosure Document and Official Bid Forms, as applicable, for each sale to the Client for distribution to local banks and elected officials.
 - d. Bid Opening, Analysis and Recommendations - Conduct each sale, examine the bids submitted for completeness and compliance with the applicable bidding requirements, evaluate the bids for accuracy, and recommend a proposed course of action relative thereto.
4. *Preparation, Registration and Delivery of Securities* - Conduct all necessary undertakings in order to complete the financing, including monitoring the preparation, registration and delivery of the securities being issued.
5. *Debt Service Schedule* - Provide the Client with a final debt service schedule and other financial materials pertinent to the securities sale.

Negotiated Sale Services

1. *Authorizing Resolutions/Ordinances* - Assist the Client's attorney and/or bond counsel with regard to the financial provisions to be included within the Client's authorizing resolutions/ordinances relative to the securities issuance.
2. *Credit Rating and/or Insurance* - When applying for a credit rating and/or bond insurance Speer will submit the necessary data and documents to the selected credit rating agency(ies) and/or insurance company(ies).

3. *Disclosure Document and Proposals:*

- a. Preparation of Documents - Prepare or assist in the preparation of a preliminary Disclosure Document, Request for Proposals (RFP) or Request for Qualifications (RFQ) if requested by the Client, and, following the award of the securities, the final Disclosure Document.
 - b. Proposal Analysis and Recommendations - Review and examine any proposals submitted for completeness and compliance with the applicable RFP/RFQ requirements, evaluate the proposals for accuracy, and recommend a proposed course of action relative to the proposals received.
4. *Negotiation of Terms* - Negotiate with the selected underwriter(s)/purchaser(s) relative to interest rates, terms and conditions of the securities issuance.
5. *Preparation, Registration and Delivery of Securities* - Conduct all necessary undertakings in order to complete the financing, including, monitoring the preparation, registration and delivery of the securities being issued.
6. *Debt Service Schedule* - Provide the Client with a final debt service schedule and other financial materials pertinent to the securities sale.

Private Placement Services

1. *Authorizing Resolutions/Ordinances* - Assist the Client's attorney and/or bond counsel with regard to the financial provisions to be included within the Client's authorizing resolutions/ordinances relative to the securities issuance.
2. *Disclosure Document and Proposals:*
- c. Preparation of Documents - Prepare or assist in the preparation of a preliminary Disclosure Document, Request for Proposals (RFP) or Request for Qualifications (RFQ) if requested by the Client, and, following the award of the securities, the final Disclosure Document.
 - d. Proposal Analysis and Recommendations - Review and examine any proposals submitted for completeness and compliance with the applicable RFP/RFQ requirements, evaluate the proposals for accuracy, and recommend a proposed course of action relative to the proposals received.
3. *Advise on Financing Terms* - Advise the client on the terms of the financing including the interest rate offered and the covenants required by the intended purchaser.
4. *Preparation, Registration and Delivery of Securities* - Conduct all necessary undertakings in order to complete the financing, including, monitoring the preparation, registration and delivery of the securities being issued.
5. *Debt Service Schedule* - Provide the Client with a final debt service schedule and other financial materials pertinent to the securities sale.

With respect to all private placement Services, Speer will always serve as municipal advisor to the Client and as such will not specifically identify investors/purchasers in a securities offering or negotiate specific terms with the investor/purchaser of the Client's securities. Speer will not negotiate terms to directly place an issuance of securities with an investor. Any investors contacted or solicited will be identified by the Client and contacted on behalf of the Client.

EXHIBIT B

LIMITATIONS TO SPEER'S MUNICIPAL ADVISOR SERVICES

Speer's duties as Municipal Advisor are limited to the Services detailed in **Exhibit A**. Among other things, Speer's Engagement does not include:

1. Giving any advice, opinion or representation as to the fiscal prudence or policy priority of issuing the securities or any other aspect of the securities transaction, including, without limitation, the undertaking of any project to be financed with the proceeds of the securities, as those are the Client's policy decisions.
2. Giving any opinion or advice on the legality of the securities or the tax status of the securities.
3. Preparing any of the following: requests for tax rulings from the Internal Revenue Service, blue sky or investment surveys with respect to the securities, state legislative amendments, or pursuing test cases or other litigation.
4. Undertaking rebate calculations for the securities or anything related to monitoring investments of securities proceeds or expenditure of securities proceeds, as that is a specialty service provided by others when appropriate.
5. Participating in the underwriting of the debt, as prohibited by Federal securities law.
6. Monitoring the actual use of proceeds, the timely expenditure of proceeds and the project completion status.
7. Verifying the accuracy of audited and unaudited financial statements.
8. Giving advice on the investment of securities proceeds.
9. Monitoring ongoing obligations and covenants entered into by the Client with respect to the securities, as these tasks are performed by the Client.
10. The Services do not include the payment by Speer of its "out of pocket" expenses, including but not limited to, the utilization of a bidding platform (*SpeerAuction* or *SpeerBids*), verification services as requested by the Client, mailing, overnight and messenger delivery and printing and copying costs.
11. Filing material events notices or otherwise assisting the Client with its continuing disclosure obligations, as such assistance is to be provided under a separate written agreement. Nothing in this Engagement Letter obligates Speer to provide, or the Client to pay for, any such continuing disclosure services.

EXHIBIT C

OTHER TERMS OF THE SPEER ENGAGEMENT

Please note the following with respect to the Client's role in connection with each issuance of securities.

1. It is important for the Client to read and understand the documents Speer provides to the Client because the Client will be confirming the truth, accuracy and completeness of matters contained in those documents at the issuance of the securities. If the documents contain incorrect or incomplete factual statements, the Client must call those to Speer's attention. Speer will not perform an independent investigation or verification to determine the accuracy, completeness or sufficiency of any such document or render any advice, view or comfort that the Disclosure Document or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Any information in such documents does not constitute a review, audit or certified forecast of future events and any such financial information may not conform to accounting principles applicable to compilations of financial information. Any untruth, inaccuracy or incompleteness may have adverse consequences affecting either the tax exemption of interest paid on the securities or the adequacy of disclosures made in the Disclosure Document under State and Federal securities laws, with resulting potential liability for the Client. During the course of its Engagement, Speer will assume and rely on the Client to provide Speer with complete and timely information on all developments pertaining to any aspect of the securities and their security. Speer understands that the Client will cooperate with Speer in this regard.
2. To the extent that during the course of Speer's advising the Client a relevant matter comes to Speer's attention which appears to be contrary to what is contained in the transaction documents including any representations in the transaction documents or in the Disclosure Document, Speer may ask the Client about such apparent divergence of the facts; but to the extent that the facts and representations stated in the documents Speer provides to the Client, and are not corrected by the Client, Speer is then relying upon the Client's signed certifications for their truth, accuracy and completeness.
3. Issuing the securities as "securities" under State and Federal securities laws and on a tax-exempt basis is a serious undertaking. As the issuer of the securities, the Client is obligated under that State and Federal securities laws and the Federal tax laws to disclose all material facts. The Client has a duty to exercise "due diligence" in determining the accuracy and completeness of the information used in the Disclosure Document and the information upon which legal opinions related to the securities are based. The Client's lawyers, accountants and advisors can assist the Client in fulfilling these duties, but the Client in its corporate capacity, including the Client's knowledge, has the collective knowledge of the facts pertinent to the transaction and the ultimate responsibility for the presentation and disclosure of the relevant information.
4. Requirements of issuing debt include that the Client is current in its annual continuing disclosure obligations, including material events notices, and current in its arbitrage rebate obligations. These requirements are the obligation of the Client and not of Speer or bond counsel.

EXHIBIT D

REQUIRED DISCLOSURES

1. DISCLOSURE OF CONFLICTS OF INTEREST

A. Various Forms of Compensation

The Municipal Securities Rulemaking Board (MSRB) requires us, as your municipal advisor, to provide written disclosure to you about the actual or potential conflicts of interest presented by various forms of compensation. We must provide this disclosure unless you have required that a particular form of compensation be used. You should select a form of compensation that best meets your needs and the agreed upon scope of services.

The forms of compensation for municipal advisors vary according to the nature of the engagement and requirements of the Client, among other factors. Various forms of compensation present actual or potential conflicts of interest because they may create an incentive for an advisor to recommend one course of action over another if it is more beneficial to the advisor to do so. This document discusses various forms of compensation and the timing of payments to the advisor.

Fixed fee. Under a fixed fee form of compensation, the municipal advisor is paid a fixed amount established at the outset of the transaction. The amount is usually based upon an analysis by the Client and the advisor of, among other things, the expected duration and complexity of the transaction and the agreed-upon scope of work that the advisor will perform. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. There may be additional conflicts of interest if the municipal advisor's fee is contingent upon the successful completion of a financing, as described below.

Hourly fee. Under an hourly fee form of compensation, the municipal advisor is paid an amount equal to the number of hours worked by the advisor times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the Client and the advisor do not agree on a reasonable maximum amount at the outset of the engagement, because the advisor does not have a financial incentive to recommend alternatives that would result in fewer hours worked. In some cases, an hourly fee may be applied against a retainer (*e.g.*, a retainer payable monthly), in which case it is payable whether or not a financing closes. Alternatively, it may be contingent upon the successful completion of a financing, in which case there may be additional conflicts of interest, as described below.

Fee contingent upon the completion of a financing or other transaction. Under a contingent fee form of compensation, payment of an advisor's fee is dependent upon the successful completion of a financing or other transaction. Although this form of compensation may be customary for the Client, it presents a conflict because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the Client. For example, when facts or circumstances arise that could cause the financing or other transaction to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction.

Fee paid under a retainer agreement. Under a retainer agreement, fees are paid to a municipal advisor periodically (*e.g.*, monthly) and are not contingent upon the completion of a financing or other transaction. Fees paid under a retainer agreement may be calculated on a fixed fee basis (*e.g.*, a fixed fee per month regardless of the number of hours worked) or an hourly basis (*e.g.*, a minimum monthly payment, with additional amounts payable if a certain number of hours worked is exceeded). A retainer agreement does not present the conflicts associated with a contingent fee arrangement (described above).

Fee based upon principal or notional amount and term of transaction. Under this form of compensation, the municipal advisor's fee is based upon a percentage of the principal amount of an issue of securities (*e.g.*, bonds) or, in the case of a derivative, the present value of or notional amount and term of the derivative. This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the Client to increase the size of the securities issue or modify the derivative for the purpose of increasing the advisor's compensation.

B. Other Material Conflicts of Interest

The MSRB requires us, as your municipal advisor, to provide written disclosure to you about material conflicts of interest. The following represent Speer material conflicts of interest known to Speer as of the date of this Engagement Letter.

As of the date of this Engagement, Speer is unaware of any material conflicts of interest.

2. DISCLOSURE OF LEGAL EVENTS AND DISCIPLINARY ACTION

The MSRB requires us, as your municipal advisor, to provide written disclosure to you of any legal or disciplinary events material to your evaluation of Speer or the integrity of Speer's management or advisory personnel.

Material Legal or Disciplinary Event. There are no legal or disciplinary events that are material to the Client's evaluation of Speer or the integrity of Speer's management or advisory personnel disclosed, or that should be disclosed, on any Form MA or Form MA-I filed with the SEC.

How to Access Form MA and Form MA-I Filings. Speer's most recent form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001606944>

Most Recent Change in Legal or Disciplinary Event Disclosure. Speer has not made any material legal or disciplinary event disclosures on Form MA or any Form MA-I filed with the SEC.

3. FUTURE DISCLOSURES

As required by MSRB Rule G-42, the Required Disclosures found in this Exhibit D may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of Speer. Speer will provide the Client with any such supplemental or amended information as it becomes available through the term of the Municipal Advisory Relationship.

4. G-10 DISCLOSURE

The Municipal Securities Rulemaking Board's (MSRB) webpage address is: www.msrb.org

Posted on the MSRB's webpage is a municipal advisory client brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

EXHIBIT E

FINANCIAL CHARACTERISTICS AND RISKS OF MUNICIPAL BONDS IN ILLINOIS

The following is a general description of the financial characteristics, security structures and risks of municipal fixed rate bonds ("Municipal Bonds") issued in Illinois. The risks being disclosed in this Exhibit E are those that are known to Speer at this time and should be considered by the Client prior to deciding whether to issue Municipal Bonds. If you have any questions or concerns about any disclosure made, please notify Speer immediately.

Financial Characteristics

Maturity and Interest. Municipal Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Municipal Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Municipal Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Municipal Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Municipal Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Municipal Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Municipal Bonds, may be backed by various types of pledges and forms of security, some of which are described below. The description below regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

General Obligation Bonds. "General obligation bonds" are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. All taxable property in the taxing body is subject to the levy of taxes to pay the same without limitation as to rate or amount. The term "limited" tax is used when a limit exists as to the amount of the tax (see below). General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or

principal, the holders of general obligation bonds have certain rights under state law to compel you to impose a tax levy.

Limited Bonds. Taxing bodies, subject to the Property Tax Extension Limitation Law of the State of Illinois, as amended (the "*Extension Limitation Law*"), can issue limited bonds. Limited bonds are issued in lieu of general obligation bonds that otherwise have been authorized by applicable law. They are payable from a separate property tax levy that is unlimited as to rate, but the amount of taxes that will be extended to pay the bonds is limited by the Extension Limitation Law. Limited bonds are payable from your debt service extension base (*the "Base"*), which is an amount equal to that portion of the extension for the applicable levy year for the payment of non-referendum bonds (other than alternate bonds or refunding bonds issued to refund bonds initially issued pursuant to referendum), increased each year, beginning with the 2009 levy year, by the lesser of 5% or the percentage in the Consumer Price Index for All Urban Consumers (as defined in the Extension Limitation Law) during the 12-month calendar year preceding the levy year. The Limitation Law further provides that the annual amount of taxes to be extended to pay the limited bonds and all other limited bonds heretofore and hereafter issued by you shall not exceed the Base less the amount extended to pay certain other non-referendum bonds heretofore and hereafter issued by you and bonds issued to refund such bonds.

Limited bonds constitute a debt. In the event of default in required payments of interest or principal, the holders of limited bonds have certain rights under state law to compel you to impose a tax levy (limited as set forth in the previous paragraph).

Alternate Bonds. Section 15 of the Local Government Debt Reform Act of the State of Illinois, as amended (the "*Debt Reform Act*"), permits you to issue alternate or "double-barrelled" bonds. Alternate bonds are general obligation bonds payable from enterprise revenues or from a revenue source, or both, with your general obligation acting as backup security for the bonds. Once issued, and until paid or defeased, alternate bonds are a general obligation, for the payment of which you pledge your full faith and credit. Such bonds are payable from the levy of ad valorem property taxes upon all taxable property in your taxing body without limitation as to rate or amount. The intent of the Debt Reform Act is for the enterprise revenues or the revenue source to be sufficient to pay the debt service on the alternate bonds so that taxes need not be levied, or, if levied, need not be extended, for such payment.

The Debt Reform Act prescribes several conditions that must be met before alternate bonds may be issued. First, alternate bonds must be issued for a lawful corporate purpose. If issued in lieu of revenue bonds (as described below), then the revenue bonds must have been authorized under applicable law (including satisfying any backdoor referendum requirements) and the alternate bonds must be issued for the purpose for which the revenue bonds were authorized. If issued payable from a revenue source limited in its purposes or applications, then the alternate bonds must be issued only for such limited purposes or applications.

Second, alternate bonds are subject to a backdoor referendum. The issuance of alternate bonds must be submitted to referendum if, within 30 days after publication of the authorizing ordinance and notice of intent to issue the alternate bonds, a petition is filed. The petition must be signed by the greater of (i) 7.5% of your registered voters or (ii) the lesser of 200 of the registered voters or 15% of the registered voters, asking that the issuance of the alternate bonds be submitted to referendum. Backdoor referendum proceedings for revenue bonds and for alternate bonds to be issued in lieu of revenue bonds may be conducted at the same time.

Notwithstanding the previous paragraph, in governmental units with fewer than 500,000 inhabitants that propose to issue alternate bonds payable solely from enterprise revenues, except for alternate bonds that finance or refinance projects concerning public utilities, public streets and roads or public safety facilities and related infrastructure and equipment, if no petition is filed within 45 days of publication of the authorizing ordinance and notice, the alternate bonds may be issued. For purposes of this paragraph, the required number of petitioners for a governmental unit with more than 4,000 registered voters is the lesser of (i) 5% of the registered voters or (ii) 5,000 registered voters and the required number of petitioners for a governmental unit with 4,000 or fewer registered voters is the lesser of (i) 15% of the registered voters or (ii) 200 registered voters.

Third, you must demonstrate that the enterprise revenues are, or that the revenue source is, sufficient to meet the requirements of the Debt Reform Act. If enterprise revenues are pledged as security for the alternate bonds, you must demonstrate that such revenues are sufficient in each year to pay all of the following:

- (a) costs of operation and maintenance of the utility or enterprise, excluding depreciation;
- (b) debt service on all outstanding revenue bonds payable from such enterprise revenues;
- (c) all amounts required to meet any fund or account requirements with respect to such outstanding revenue bonds;
- (d) other contractual or tort liability obligations, if any, payable from such enterprise revenues; and
- (e) in each year, an amount not less than 1.25 times debt service on all:
 - (i) outstanding alternate bonds payable from such enterprise revenues; and
 - (ii) the alternate bonds proposed to be issued.

If one or more revenue sources are pledged as security for the alternate bonds, you must demonstrate that such revenue sources are sufficient in each year to provide not less than 1.25 times (1.10 times if the revenue source is a government revenue source) debt service on all outstanding alternate bonds payable from such revenue source and on the alternate bonds proposed to be issued. You need not meet the test described in this paragraph for the amount of debt service set aside at closing from bond proceeds or other moneys.

The determination of the sufficiency of enterprise revenues or revenue source or sources, as applicable, must be supported by reference to the most recent audit of the governmental unit, which must be for a fiscal year ending on a date that is not more than 18 months prior to the date of issuance of the alternate bonds. If such audit does not adequately show such enterprise revenues or revenue source, as applicable, or if such enterprise revenues or revenue source, as applicable, are shown to be insufficient, then the determination of sufficiency must be supported by the report of an independent accountant or feasibility analyst, the latter having a national reputation for expertise in such matters, who is not otherwise involved in the project being financed or refinanced with the proceeds of the alternate bonds, demonstrating the sufficiency of such revenues and explaining, if appropriate, by what means the revenues will be greater than as shown in the audit.

Alternate bonds may be issued to refund alternate bonds without meeting any of the conditions set forth above if the term of the refunding bonds is not longer than the term of the refunded bonds and that the debt service payable in any year on the refunding bonds does not exceed the debt service payable in such year on the refunded bonds.

Alternate bonds are not regarded or included in any computation of indebtedness for the purpose of any statutory provision or limitation unless taxes, other than a designated revenue source, are extended to pay the bonds. In the event taxes are extended, the amount of alternate bonds then outstanding counts against your debt limit until your audit shows that the alternate bonds have been paid from the pledged enterprise revenues or revenue source for a complete fiscal year.

In the event of default in required payments of interest or principal, the holders of alternate bonds have certain rights under state law to compel you to increase the pledged revenues or have the tax levy extended for such payment.

Debt Certificates. You may issue "debt certificates" to evidence your payment obligation under an installment contract or lease. Your governing body may provide for the treasurer, comptroller, finance officer or other officer of the governing body charged with financial administration to act as counterparty to the installment contract or lease, as nominee- seller or lessor. The installment contract or lease is then executed by your authorized officer and is filed with and executed by the nominee-seller or lessor. As contracts for the acquisition and construction of the project to be financed are executed (the "Work Contracts"), the governing body orders those Work Contracts to be filed with the nominee-seller or lessor. The nominee- seller or lessor identifies the Work Contracts to the particular installment contract or lease. Such identification permits the payment of the Work Contracts from the proceeds of the debt certificates.

Debt certificates are paid from your lawfully available funds. You are expected to agree to annually budget/appropriate amounts to pay the principal of and interest on the debt certificates. There is no separate levy available for the purpose of making such payments.

Debt certificates constitute a debt. In the event of default in required payments of interest or principal, the holders of the debt certificates cannot compel you to impose a tax levy, but you have promised the holders of the debt certificates that you will pay the debt certificates and they can proceed to file suit to enforce such promise.

Special Service Area Bonds. When special services are provided to a particular contiguous area within a municipality, in addition to the services generally provided throughout the municipality, a municipality may create a special service area. The cost of the special services may be paid from taxes levied upon the taxable real property within the area, and such taxes may be levied in the special service area at a rate or amount sufficient to produce revenues required to provide the special services.

Prior to the first levy of taxes in the special service area and prior to or within 60 days after the adoption of the ordinance proposing the establishment of the special service area, you are required to hold a public hearing and to publish and mail notice of such hearing. At the public hearing, any interested person may file written objections or give oral statements with respect to the establishment of the special service area and the levy of taxes therein. As a result of the hearing, you may delete areas from the special service area as long as the remaining area is contiguous. After the hearing, an

ordinance establishing the special service area must be timely filed with the county recorder and the county clerk.

Bonds secured by the full faith and credit of the special service area territory may be issued for the purpose of providing special services. Such bonds are paid from the levy of taxes unlimited as to rate or amount against the taxable real property in the special service area. The county clerk will annually extend taxes against all of the taxable real property in the area in amounts sufficient to pay the principal and interest on the bonds. Such bonds are exempt from the Extension Limitation Law of the State of Illinois, as amended.

Prior to the issuance of special service area bonds, you must give published and mailed notice and hold a hearing at which any interested person may file written objections, or be heard orally, with respect to the issuance of the bonds. The questions of the creation of the special service area, the levy of a tax on such area and the issuance of special service area bonds may all be considered at the same hearing.

The creation of the special service area, the levy of a tax within the area and the issuance of bonds for the provision of special services to the area are subject to a petition process. If, within 60 days after the public hearing, a petition signed by not less than 51% of the electors residing within the special service area and 51% of the owners of record of land located within the special service area is filed with the municipal clerk objecting to the creation of the special service area, the levy of a tax or the issuance of bonds, then the area may not be created, the tax may not be levied and the bonds may not be issued. If such a petition is filed, the subject matter of the petition may not be proposed relative to any of the signatories within the next two years.

Special service area bonds do not constitute an indebtedness of the municipality, and no exercise of your taxing power may be compelled on behalf of the special service area bondholders other than the ad valorem property taxes to be extended on the taxable real property in the special service area.

Revenue Bonds. "Revenue bonds" are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. Revenue bonds may, however, be subject to a backdoor referendum. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

Some revenue bonds, referred to as conduit revenue bonds, may be issued by a governmental issuer acting as conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor.

Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

Tax Increment Financing. Tax increment financing provides a means for municipalities, after the approval of a "redevelopment plan and project," to redevelop blighted, conservation or industrial park conservation areas. The Tax Increment Allocation Redevelopment Act of the State of Illinois, as amended, allows incremental property taxes to be used to pay certain redevelopment project costs and to pay debt service with respect to tax increment bonds issued to pay redevelopment project costs. The municipality is authorized to issue tax increment bonds payable from, and secured by, incremental property tax revenues expected to be generated in the redevelopment project area. Incremental property tax revenues are derived from the increase in the current equalized assessed valuation of the real property within the redevelopment project area over and above the certified initial equalized assessed valuation for such redevelopment project area.

Before adopting the necessary ordinances to designate a redevelopment project area, a municipality must hold a public hearing and convene a joint review board to consider the proposal. At the public hearing, any interested person or taxing district may file written objections and may give oral statements with respect to the proposed financing. After the municipality has considered all comments made by the public and the joint review board, it may adopt the necessary ordinances to designate a redevelopment project area.

Tax increment bonds may be secured by the full faith and credit of the municipality. The issuance of general obligation tax increment bonds is subject to a "backdoor," rather than a direct, referendum. Once a municipality has authorized the issuance of tax increment obligations secured by its full faith and credit, the ordinance authorizing the issuance must be published in a newspaper of general circulation in the municipality. In response, voters may petition to request that the question of issuing obligations using the full faith and credit of the municipality as security to pay for redevelopment project costs be submitted to the electors of the municipality. If, within 30 days after the publication, 10% of the registered voters of the municipality sign such a petition, the question of whether to issue tax increment bonds secured by the municipality's full faith and credit must be approved by the voters pursuant to referendum. Such bonds are not exempt from the Extension Limitation Law unless first approved at referendum.

Tax increment revenues may also be treated as a "revenue source" and be pledged to the payment of alternate bonds under Section 15 of the Debt Reform Act.

Risk Considerations

Certain risks may arise in connection with your issuance of Municipal Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue bonds):

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds or alternate

bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk. You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage."

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

KEVIN
McCANNA
Chairman

DANIEL
FORBES
President

DAVID
PHILLIPS
Executive VP

RAPHALIATA
McKENZIE
Senior VP

MAGGIE
BURGER
Senior VP

ANTHONY
MICELI
Senior VP

LARRY
BURGER
Vice President

BARBARA
CHEVALIER
Vice President

MARK
JERETINA
Vice President

February 6, 2018

Mr. Bryon Vana
City Administrator
City of Darien
1702 Plainfield Road
Darien, Illinois 60561

Re: City of Darien, DuPage County, Illinois
Issuance of \$4,000,000* General Obligation Bonds, Series 2018 (the "Bonds") to finance a portion of a water main and other City improvements

Dear Bryon:

MSRB Rule G-42 requires Speer to provide the City of Darien, DuPage County, Illinois (the "Client") with this letter stating the basis upon which Speer Financial, Inc. ("Speer") believes that the issuance of the Bonds as general obligation bonds is suitable for the Client.

Speer's determination of such suitability for the Client is based on the following Client factors:

1. Financial situation and needs;

The Client's financial situation, as set forth in its most recent audited financial statements and in any other financial information supplied by the Client to Speer to date, indicates that issuance of the Bonds as general obligation bonds is suitable for the Client.

2. Objectives;

The Client has indicated to Speer that it has financing objectives which it would like to meet through the issuance of general obligation bonds such as the Bonds.

3. Tax status;

Bond Counsel has indicated that the Client is able to issue tax-advantaged securities such as the Bonds.

4. Risk tolerance;

The Client has engaged Speer to assist it in the issuance of the Bonds and through this engagement has indicated that the Client believes that the risk to the Client associated with issuance of the Bonds is acceptable. In its Engagement Letter for the issuance of the Bonds, Speer has provided the Client with an exhibit describing the Financial Characteristics and Risks of Municipal Bonds in Illinois.

*Subject to change.

5. Liquidity needs;

Speer has provided the Client with preliminary debt service schedules describing for the Client very preliminary estimates of debt service requirements of the Bonds. Speer has indicated to the Client that such schedules are subject to significant change due to market and other conditions prior to the sale of the Bonds. The Client has indicated to Speer that such preliminary and subject to change debt service requirements are expected to be able to be paid by the Client without any liquidity concerns.

6. Experience with municipal bond transactions of similar type and complexity; and

The Client has issued securities of the same security type as the Bonds in the most recent ten years. Issuance of the Bonds is not, relative to other financing options, considered a complex financing.

7. Financial capacity to withstand changes in market conditions during the period that the Bonds are reasonably expected to be outstanding.

The Bonds bear interest at a fixed rate and do not in themselves provide interest rate risk. The Client has indicated that it does not anticipate a change in market conditions that would cause it not to have the financial capacity to pay debt service on the Bonds on a timely basis.

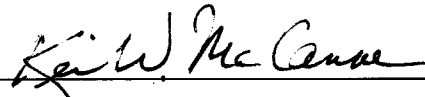
Speer's conclusion, that the Bonds as issued as general obligation bonds are suitable for the Client, is based upon all information supplied by the Client to Speer as of the date of this letter. There is no guarantee that the Bonds as general obligation bonds will continue to be suitable for the Client in the future as circumstances within and beyond the control of the Client will change over time.

The Client has directed Speer to assist it in the issuance of the Bonds as general obligation bonds and, accordingly, Speer has not investigated or considered any other reasonably feasible alternative to the issuance of the Bonds that might also or alternatively serve the Client's objectives.

Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

SPEER FINANCIAL, INC.

By: 

Its: Chairman

Email: kmccanna@speerfinancial.com
Telephone: (312) 780-2279

City of Darien, DuPage County, Illinois

\$ 3,500,000 General Obligation Bonds, Series 2018

Tax Exempt for Water Projects

12 Year Maturity Schedule - Planning Purposes - COI Estimated

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
01/01/2019	-	-	-	-
01/01/2020	230,000.00	3.000%	154,875.00	384,875.00
01/01/2021	285,000.00	3.000%	98,100.00	383,100.00
01/01/2022	295,000.00	3.000%	89,550.00	384,550.00
01/01/2023	305,000.00	3.000%	80,700.00	385,700.00
01/01/2024	310,000.00	3.000%	71,550.00	381,550.00
01/01/2025	320,000.00	3.000%	62,250.00	382,250.00
01/01/2026	330,000.00	3.000%	52,650.00	382,650.00
01/01/2027	340,000.00	3.000%	42,750.00	382,750.00
01/01/2028	350,000.00	3.000%	32,550.00	382,550.00
01/01/2029	360,000.00	3.000%	22,050.00	382,050.00
01/01/2030	375,000.00	3.000%	11,250.00	386,250.00
Total	\$3,500,000.00	-	\$718,275.00	\$4,218,275.00

Yield Statistics

Bond Year Dollars	\$23,942.50
Average Life	6.841 Years
Average Coupon	3.0000000%
Net Interest Cost (NIC)	3.1461836%
True Interest Cost (TIC)	3.1635159%
Bond Yield for Arbitrage Purposes	2.9966451%
All Inclusive Cost (AIC)	3.4402236%

IRS Form 8038

Net Interest Cost	3.0000000%
Weighted Average Maturity	6.841 Years

City of Darien, DuPage County, Illinois

\$ 3,500,000 General Obligation Bonds, Series 2018

Tax Exempt for Water Projects

20 Year Maturity Schedule - Planning Purposes - COI Estimated

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
01/01/2019	-	-	-	-
01/01/2020	70,000.00	3.750%	193,593.75	263,593.75
01/01/2021	135,000.00	3.750%	128,625.00	263,625.00
01/01/2022	140,000.00	3.750%	123,562.50	263,562.50
01/01/2023	145,000.00	3.750%	118,312.50	263,312.50
01/01/2024	155,000.00	3.750%	112,875.00	267,875.00
01/01/2025	160,000.00	3.750%	107,062.50	267,062.50
01/01/2026	165,000.00	3.750%	101,062.50	266,062.50
01/01/2027	170,000.00	3.750%	94,875.00	264,875.00
01/01/2028	175,000.00	3.750%	88,500.00	263,500.00
01/01/2029	185,000.00	3.750%	81,937.50	266,937.50
01/01/2030	190,000.00	3.750%	75,000.00	265,000.00
01/01/2031	200,000.00	3.750%	67,875.00	267,875.00
01/01/2032	205,000.00	3.750%	60,375.00	265,375.00
01/01/2033	215,000.00	3.750%	52,687.50	267,687.50
01/01/2034	220,000.00	3.750%	44,625.00	264,625.00
01/01/2035	230,000.00	3.750%	36,375.00	266,375.00
01/01/2036	240,000.00	3.750%	27,750.00	267,750.00
01/01/2037	245,000.00	3.750%	18,750.00	263,750.00
01/01/2038	255,000.00	3.750%	9,562.50	264,562.50
Total	\$3,500,000.00	-	\$1,543,406.25	\$5,043,406.25

Yield Statistics

Bond Year Dollars	\$41,157.50
Average Life	11.759 Years
Average Coupon	3.7500000%
Net Interest Cost (NIC)	3.8584250%
True Interest Cost (TIC)	3.8877379%
Bond Yield for Arbitrage Purposes	3.7465538%
All Inclusive Cost (AIC)	4.0718373%

IRS Form 8038

Net Interest Cost	3.7500000%
Weighted Average Maturity	11.759 Years

Series 2018 20 year \$3.5 | SINGLE PURPOSE | 2/22/2018 | 3:52 PM

February 16, 2018

Mr. Bryon D. Vana
City Administrator
City of Darien
1702 Plainfield Road
Darien, Illinois 60561

Dear Bryon:

Thank you for the opportunity to submit a quote to provide Bond Counsel legal services to the City of Darien, Illinois.

Our fee for the proposed \$4,000,000 General Obligation Bond financing will be \$5,900 for bond counsel services, based upon what we know about the financing, time to be expended by us and our experience in working on similar transactions. None of our fees will be based upon, or related in any way to, the costs of a capital project. If, at any time, we believe that circumstances require an adjustment of our original fee estimate, we will consult with you.

If you have any questions or comments, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP



James M. Snyder



IceMiller
LEGAL COUNSEL

build *partnerships*

Financing Options Using Bonds for Illinois Cities & Villages

“Typically, the municipality will want to issue a bond and pay principal and interest over time. Issuing bonds allows the city or village to spread the payment burden for public infrastructure and other capital needs out over the period of expected useful life of the financed assets.”

This guide is designed to help your municipal team determine what financing options are available once the decision has been made to borrow money for city or village financing. Please refer to page nine for a quick reference chart of all available financing options.

What is a bond and why would municipalities want to issue a bond?

Bonds are a form of debt. In the public sector, “borrowers” or “issuers” of bonds are states, cities, villages, school districts and other local government entities that need money for a variety of reasons. Typically, the municipality will want to issue a bond and pay principal and interest over time. Issuing bonds allows the city or village to spread the payment burden for public infrastructure and other capital needs out over the period of expected useful life of the financed assets.

If a municipality issues bonds, it is less likely to need to increase taxes to meet the municipality’s budgeted fund balances. Borrowing by a city or village is highly restricted, and the Illinois Municipal Code, as amended (the “Code”), and the Local Government Debt Reform Act of the State of Illinois, as amended (the “Debt Reform Act”), contain guidelines that must be followed as outlined in this guide.

Use of bond proceeds by a municipality

Municipal bonds, or “munis” as they are commonly called, may be issued by a city or village for a variety of purposes provided that their issuance meets with Illinois law requirements. Municipalities commonly issue bonds for capital projects, working capital needs, or refinancing of prior debt.

A. New Projects. In general, a municipality compiles an annual capital improvement budget or prepares a “needs list.” This list consists of projects the city or village considers to be important based on their impact on the:

- safety,
- resources, and
- general well-being of the community served by the municipality.

Capital projects may be funded by:

- federal or state grants,
- local improvement district assessments,
- service-area levies, and
- other miscellaneous revenue available for general purpose use.

However, the primary sources of funding to pay for capital projects within a city or village are from the proceeds of municipal bonds.

Common projects financed with bonds include construction of, acquisition of, or improvements to:

- roads and bridges;
- water, sewer, or electrical facilities;
- municipal buildings; and
- economic development initiatives.

Capital projects can be of long-term value to residents of the city or village. Issuing bonds to fund a capital project allows current and future taxpayers within the city or village to pay related costs over the life of the project as they enjoy or appreciate the benefits of the completed project.

B. Covering short-term or long-term needs.

Municipalities may issue bonds to fund working capital expenditures that arise from a variety of circumstances.

Traditionally, working capital bonds have been issued as short-term obligations where the proceeds are used to cover a municipality's temporary cash flow or operating deficit. Short-term budgetary deficits also may arise from a mismatch between the receipt of annual revenues (for example, property taxes) and the timing of annual expenditures of the city or village within a year. Tax anticipation warrants ("TAWs") often are issued in anticipation of taxes levied, but not yet collected. TAWs may be issued in an amount up to 85% of the total amount levied for the particular fund against which the TAWs are issued.

“Municipalities may issue bonds to fund working capital expenditures that arise from a variety of circumstances.”

“Like a homeowner who refinances a mortgage when interest rates drop, a city or village with outstanding debt may issue refunding bonds in order to take advantage of lower rates.”

Longer-term financings for working capital purposes have become more commonplace in recent times due to financial difficulties stemming from significant declines in property values. Municipalities use these longer-term working capital bonds to close deficits that are not solely the result of a short term mismatch of revenues and expenses.

Tax anticipation notes (“TANs”) allow a municipality flexibility to balance its revenue collections from anticipated levies with anticipated expenditures. A city or village is permitted to incur debt by issuing TANs in an amount not exceeding 85% of the taxes levied for the particular fund against which the TANs are issued. Further, TANs are required to mature within two years and may not be issued if there is an unpaid note from any prior year. Although TANs are generally a means of balancing a municipality’s operating expenses with revenue collections, TANs sometimes may be used to fund a pending capital project while the city or village structures more permanent funding.

Insurance reserve bonds, tort judgment funding bonds, interfund loans, and working cash fund bonds are permitted under Illinois law, assuming certain requirements are satisfied. Certain federal income tax issues exist in connection with working capital financings.

C. Refundings/Refinancings. Like a homeowner who refinances a mortgage when interest rates drop, a city or village with outstanding debt may issue refunding bonds in order to take advantage of lower rates. Refunding bonds also may be issued to avoid a default or restrictive debt burden. In general, refundings do not need to satisfy direct or backdoor referendum requirements.

Types of bonds

There are various forms of bonds a municipality may issue to meet its financing needs. These may include:

- general obligation bonds,
- funding bonds,
- revenue bonds,
- alternate revenue source bonds,
- debt certificates/installment contracts,
- leases,
- special service area bonds,
- special assessment bonds,
- tax increment bonds,
- TAWs,
- TANs, and
- revenue anticipation notes.

Refunding bonds generally are issued more frequently in lower interest rate environments.

A. General Obligation Bonds. General obligation bonds or “G.O.s” are debt issued by a municipality representing its full faith and credit and backed by its ad valorem taxing power. A G.O. may be issued for any lawful purpose for which ad valorem taxes may be levied, subject to constitutional, statutory, or other limitations (such as debt limitations discussed below) and procedures.

Differences in procedures and limitations may apply to cities or villages depending on their status as home rule or non-home rule units of government and whether the city or village is located in a county subject to a tax cap on property taxes.

1. Home Rule. Under the 1970 Illinois Constitution, home rule power shifts decision making from the state level to the local level enabling more flexibility. Home rule municipalities are granted a broad range of powers unless exempted by the state. Municipalities with populations over 25,000 are automatically granted home rule status, while smaller communities may put the question on a ballot and let voters decide.

“Differences in procedures and limitations may apply to cities or villages depending on their status as home rule or non-home rule units of government and whether the city or village is located in a county subject to a tax cap on property taxes.”

“Non-home rule cities and villages are subject to the statutory debt limit of 8.625 percent of equalized assessed value as set forth in the Code.”

Home rule units may constitutionally tax anything that is not income, occupations or earnings and they are not susceptible to a tax cap on property taxes unless imposed by further voter action. Aside from not being able to issue bonds payable from ad valorem property taxes maturing more than 40 years from the time of issuance, home rule units do not adhere to any statutory debt limit. Home rule units may issue G.O.s without the need to secure voter approval through a referendum or backdoor referendum.

2. Non-home Rule.

A. Authority. Unless an exception applies, the Code requires that G.O.s secured by an ad valorem tax must be approved by voters of a non-home rule city or village in a referendum. However, the referendum requirement has many exceptions, including, but not limited to:

- alternate revenue bonds (as discussed below),
- refunding bonds,
- bonds to fund or refund debt related to a judicial judgment,
- working cash fund bonds,
- bonds used to pay pollution abating costs mandated under the Environmental Protection Act,
- bonds issued to pay for costs related to improvements of water or wastewater treatment facilities mandated by federal or state regulators,
- or bonds issued pursuant to the Code in an amount not to exceed one-half of one percent of the equalized assessed value (“EAV”) of the taxable property of the issuer. Non-home rule municipalities generally have no authority to mortgage municipal property.

B. Statutory Debt Limit. Non-home rule cities and villages are subject to the statutory debt limit of 8.625 percent of equalized assessed value as set forth in the Code. The principal amount, and only the principal amount, of all outstanding general obligation bonds and debt of a city or village is counted for purposes of the statutory debt limit.

Also, the principal amount due under an installment contract or lease agreement constitutes municipal debt subject to statutory limits. On the contrary, any obligation of a city or village that is payable solely and only from a limited source or fund of the municipality is not considered debt subject to the statutory debt limit. Obligations excluded from the debt limit include alternate revenue source bonds, revenue bonds, special assessment bonds and tax anticipation warrants.

B. Alternate Revenue Bonds. Alternate revenue bonds, also known as “double-barreled” bonds (“ARBs”), are essentially revenue bonds with the general obligation of the municipality serving as backup security for the bonds. Municipalities are authorized under the Debt Reform Act to use any lawfully available revenue source as a pledge of security for the payment of principal and interest on the ARBs.

The intent of the Debt Reform Act is to permit the issuance of the ARBs assuming the pledged revenue source is sufficient so the tax levy relating to the debt service on the ARBs does not need to be extended. The coverage requirements provide that the municipality must demonstrate that such pledged revenue source will be sufficient in each year the bonds are outstanding to provide not less than 1.25 times the debt service on all outstanding ARBs payable from that revenue source and on the ARBs proposed to be issued. The coverage requirement is only 1.10 times the debt service if the revenue source is either: (i) federal or state funds that the city or village has received in some amount during each of the three fiscal years preceding the issuance of the ARBs or (ii) revenues to be received from another governmental unit under an intergovernmental cooperation agreement.

“The intent of the Debt Reform Act is to permit the issuance of the ARBs assuming the pledged revenue source is sufficient so the tax levy relating to the debt service on the ARBs does not need to be extended.”

“Leases that are structured as financing leases are generally subject to statutory debt limits.”

In addition to coverage requirements, ARBs are subject to a backdoor referendum process that includes:

- The board adopts an ordinance declaring the municipality’s intent to issue bonds for a qualifying purpose.
- The ordinance and a notice of intent to issue the bonds are published in a newspaper within the municipality or having a general circulation within the municipality.
- The notice must inform voters of the municipality’s intent to issue bonds unless a minimum number of voters sign a petition and present the petition to the clerk of the municipality within 30 days of publication of the notice.

The backdoor referendum process gives voters in the municipality the opportunity to petition the municipality, requiring it to submit the question of issuing the ARBs to referendum. However, the petition must be submitted within 30 days after publication of a notice and authorizing ordinance and be signed by the greater of: (i) 7.5% of the registered voters of the municipality or (ii) the lesser of 200 of the registered voters or 15% of the registered voters.¹

C. Leases. Municipalities are authorized under the Code to enter into multi-year lease, purchase, and lease-purchase contracts in order for equipment and property to be acquired.

Leases that are structured as financing leases are generally subject to statutory debt limits. Additionally, a number of conditions are imposed upon such lease agreements.

¹ In municipalities with fewer than 500,000 inhabitants, other than most public infrastructure projects, the necessary number of petition signers for a city or village with more than 4,000 registered voters is the lesser of (i) 5% of the registered voters or (ii) 5,000 registered voters; and the necessary number of petition signers for a city or village with 4,000 or fewer registered voters is the lesser of (i) 15% of the registered voters or (ii) 200 registered voters.

D. Debt Certificates/Installment Contracts. Cities and villages are authorized to borrow money by entering into installment finance agreements. There are statutory specifications as to what constitutes an installment contract. The Debt Reform Act authorizes municipalities to purchase or lease either real or personal property through the use of installment contracts not exceeding 20 years in length. Debt certificates may be issued by a city or village to evidence the payment obligations of the municipality under a lease or installment contract, subject to the statutory debt limit of the city or village. There is generally no separate tax levy available for the purpose of making such payments; the payments are considered a promise to pay by way of budgetary appropriation. However, a municipality not subject to PTELL may enter into an installment contract payable from a direct, unlimited ad valorem property tax levy sufficient to pay the installments, if certain backdoor referendum requirements are satisfied. The debt certificates are valid regardless of whether an annual appropriation is included in any annual or supplemental budget adopted by the city or village.

E. Limited Bonds. Limited bonds are issued in lieu of G.O.s that have otherwise been authorized by applicable law. These bonds are payable from a separate property tax levy with no limitation on the rate.

However, PTELL restricts the amount of taxes that may be extended to pay the bonds. These bonds are payable from a school district's debt service extension base.

F. Promissory Notes. Cities and villages are also legally permitted to borrow money from a financial institution pursuant to a promissory note or similar debt instrument that is a lawful direct general obligation of the municipality payable from the general funds of the municipality and other sources of payment as are otherwise lawfully available, subject to statutory debt limits.

“The Debt Reform Act authorizes municipalities to purchase or lease either real or personal property through the use of installment contracts not exceeding 20 years in length.”

“Revenue bonds are not considered debt for purposes of statutory debt limits.”

G. Revenue Bonds. Cities and villages have the ability to issue revenue bonds for a proper public and corporate purpose, which includes a variety of potentially revenue-producing undertakings such as facilities financed with tax increment, transportation facilities, water and sewer systems, solid waste operations, libraries, sports facilities, exhibition facilities, housing, parking and jails. Revenue bonds generally do not require voter approval. There are two main limitations for revenue bonds in the case of non-home rule municipalities:

1. There must be a revenue source related to the purpose for the bond issuance. For example, water revenue bonds may be issued to acquire or improve water systems. Water revenue bonds may not be issued to acquire new police cars in a non-home rule unit.
2. There must be a specific statutory grant of power to operate the revenue-producing undertaking as listed above. A positive aspect of revenue bonds is that there is no legal limit on the amount of revenue bonds that may be issued by a non-home rule unit. Revenue bonds are often subject to a backdoor referendum. However, revenue bonds are not considered debt for purposes of statutory debt limits.

H. Special Service Area Bonds. A special service area is a contiguous area within a municipality in which special governmental services are provided in addition to those services provided generally throughout the municipality. The cost of providing the special services is paid from revenues collected from taxes levied upon the property within the contiguous area receiving the special services.

In order to establish a special service area, the city or village must publish notice and hold a hearing allowing the public and any interested person to object to the creation of the special service area. Such notice and hearing must be held within 60 days after adoption of an ordinance proposing the creation of the special service area. If, within 60 days after the public hearing, a petition signed by not less than 51% of the electors residing within the proposed special service area and 51% of the owners of record of land within the proposed special service area is filed with the municipal clerk objecting to the creation of the special service area, the area may not be created and the bonds may not be issued. Thereafter, the ordinance establishing the service area, whether it was amended after the public hearing or not, must be filed with the county recorder within 60 days.

Bonds may be issued for the purpose of financing the costs related to providing the special service. The special service area bonds are secured by the full faith and credit of the taxable real property in the special service area. To provide for the special tax, the county clerk where the municipality is located will extend an annual tax against all of the taxable real property in the special service area in amounts sufficient to pay the debt service on the bonds. The tax is typically allocated to the property owners on an ad valorem, benefits, acreage or other rational basis.

I. Tax Increment Finance Bonds. Tax increment finance (“TIF”) bonds are those issued by cities or villages to finance a project and use the future incremental property tax growth from that project or other projects in the TIF district or a contiguous district to repay the debt service on the TIF bonds. Before issuing bonds and collecting incremental property tax revenues, a TIF district must be formed. A TIF district is formed by ordinance. However, prior to adopting the ordinance the municipality must hold a public hearing and convene a joint review board to consider the proposed TIF district.

After considering comments from the hearing and the joint review board, the municipality may adopt the ordinance creating the TIF district.

“The special service area bonds are secured by the full faith and credit of the taxable real property in the special service area.”

“Once a TIF district begins to perform and the municipality begins to receive the increment revenues, those revenues may be pledged to secure the issuance of TIF bonds.”

Certain Illinois statutory controls are in place to monitor a TIF district:

- TIF must be for a legitimate public purpose (improve a blighted area);
- TIF must be necessary (“But For” test);
- TIF projects are feasible (based on a feasibility study or cost-benefit analysis);
- TIF projects are appropriately planned (requires a formal project plan); and the
- TIF projects perform as intended (proven by filing a timely annual report with state comptroller).

Once a TIF district begins to perform and the municipality begins to receive the increment revenues, those revenues may be pledged to secure the issuance of TIF bonds. TIF bonds may be issued as G.O.s usually by a home rule unit, alternate bonds issued pursuant to the Debt Reform Act, or general obligation TIF bonds issued using the specific procedures in the TIF Act which do not have a coverage requirement, but do have a backdoor referendum requirement.

J. Summary of Bonds Issued by Cities and Villages Under Illinois Law.

**TABLE OF FINANCING OPTIONS
USING BONDS FOR ILLINOIS CITIES AND VILLAGES**

Type of Debt	Security	General Requirements
General Obligation <i>Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	No statutory debt limit and no need for voter approval to issue bonds. Flexibility.
General Obligation <i>Non-Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	Referendum unless exception. Statutory debt limit of 8.625% of EAV. BINA hearing required.
Alternate Revenue Bonds (ARBs)	“Double-barreled”—payable from a specific revenue source with the general obligation of the municipality serving as backup security.	Pledged revenues must meet coverage requirement of 1.25 times debt service. Backdoor referendum procedures and BINA hearing required.
Leases	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Statutory debt limit of 8.625% of EAV.
Debt Certificates	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Borrow money by entering into installment contract agreement. No backdoor referendum or BINA hearing required. Statutory debt limit of 8.625% of EAV.
Promissory Notes Payable to Financial Institution	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Borrow money by entering into promissory note or similar debt instrument. Statutory debt limit of 8.625 % of EAV.
Revenue	Specific revenue source.	Varies by type of revenue. Referendum and BINA hearing not required.
Special Service Area	Full faith and credit of the taxable real property in the special service area.	Need hearings, notice, and various other requirements.
Tax Increment Finance Revenue	Future incremental property tax growth from project, TIF area or contiguous TIF district.	Validly created TIF; TIF eligible costs only.

“Illinois municipalities have flexibility as to the method of sale. A competitive sale is not required. The method by which to attract potential investors of bonds can be a critical component to the resulting interest rate the city or village will pay to service its bonds.”

Types of Bond Sales

Once the municipality makes a decision to raise capital by means of issuing bonds, it must next consider which method of finding a “lender” or buyer of the bonds works best. Illinois municipalities have flexibility as to the method of sale. A competitive sale is not required. The method by which to attract potential investors of bonds can be a critical component to the resulting interest rate the city or village will pay to service its bonds. A credit rating is not legally required to be obtained by the city or village in order to issue bonds; however, a rating may help lower interest costs, particularly in the case of public bond issuances. The following are various ways of offering bonds to “lenders” or buyers:

A. Negotiated Sale. In a negotiated sale, the process begins with the municipality choosing an underwriter (or managing underwriter, if more than one underwriter). The municipality and the underwriter then negotiate the terms of the offering. Once terms of the offering are determined, and assuming all procedural issuance requirements are met by the city or village, the underwriter will buy the bonds from the city or village and remarket them to its investors.

B. Competitive Sale. In a competitive sale, bonds are advertised for sale. The announcement, by way of a notice of sale, includes both the terms of the sale and the terms of the bond issue. Any investment bank, broker-dealer or dealer-bank may bid on the bonds at the designated date and time in a “blind” fashion (meaning each bidder has no knowledge of the other bids). The bidder with the lowest total interest cost is awarded the bonds.

C. Direct Placement. Direct placement or direct lending in the context of municipal bonds refers to any arrangement in which a single lender/buyer (a bank, pension fund, mutual fund, etc.) purchases the bonds of the city or village directly. This form of sale also may be described as a private placement, a direct purchase or a bank loan. Direct placements are an attractive option for a city or village, and they allow the municipality to avoid:

1. instability in public markets
2. continuing disclosure requirements, and
3. the rating process.

D. Bank Qualified or Non-Bank Qualified. In agreement with Section 265(b)(3) of the Tax Code (hereinafter defined), banks and savings and loans are not permitted to deduct interest expenses attributable to tax-exempt bonds acquired after the passage of the Tax Reform Act of 1986, or August 1, 1986, unless the “small issuer exemption” applies. If a municipality anticipates that it will not issue more than \$10 million of tax-exempt debt during the calendar year and the debt is designated as a “qualified tax-exempt obligation” according to Section 265(b)(3), the restriction on the deduction for interest expense does not apply. Issuing so called bank-qualified bonds or “BQ” bonds may reduce the interest rate on the bonds since banks that purchase bank-qualified bonds do not have a restriction on their interest expense deduction.

Relevant Laws

Adherence to both federal and state law is a requirement of any bond issuance in order for the borrowing to be binding and legally valid. Below are a few of the current laws governing the borrowing activities of cities and villages:

A. Illinois State Law. The Code, the Debt Reform Act, PTELL (hereinafter defined), the Bond Issue Notification Act of the State of Illinois (“BINA”), the Bond Authorization Act of the State of Illinois, the Registered Bond Act of the State of Illinois, and the Bond Replacement Act of the State of Illinois all authorize and govern the issuance of municipal bonds by Illinois cities and villages.

The Debt Reform Act was adopted by the Illinois General Assembly to provide supplemental authority to local governmental units regarding the issuance and sale of bonds to accommodate market practices that resulted in additional costs for those citizens residing in local governmental units who were affected by higher rates than would otherwise be necessary. Pursuant to the Debt Reform Act, whenever the authorization or issuance of bonds is subject to either a voter or backdoor referendum, the approval, once obtained, remains effective for: (a) five years after the date of the referendum or (b) three years after the end of the petition period for the backdoor referendum.

“Adherence to both federal and state law is a requirement of any bond issuance in order for the borrowing to be binding and legally valid.”

“Municipalities subject to PTELL are able to issue bonds in lieu of G.O.s payable from a separate tax levy unlimited as to rate, but limited as to amount.”

Pursuant to BINA, municipalities proposing to sell non-referendum G.O.s or limited bonds, except refunding bonds, must:

- hold at least one public hearing concerning the municipality’s intent to sell the bonds;
- publish a notice of the hearing in a newspaper of general circulation in the city or village by the municipal clerk not less than 7 but not more than 30 days prior to the hearing;
- post the notice of the hearing at the municipality’s primary office; then
- wait at least 7 days following the hearing before adopting an ordinance providing for the issuance of the bonds.

B. Property Tax Extension Limitation Law of the State of Illinois. PTELL limits the annual growth in the amount of property taxes to be extended for certain Illinois governmental units. In general, the annual growth allowed is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes also may be increased due to new construction and referendum-approved tax rate increases.

PTELL currently applies to Cook County, the collar counties and counties that have approved PTELL by referendum. Under PTELL, the county board of any county may initiate a binding tax-cap referendum at any regularly-scheduled election. If the referendum is successful, then PTELL will become applicable to those non-home rule taxing bodies in the county beginning January 1 of the following year. Municipalities subject to PTELL are able to issue bonds in lieu of G.O.s payable from a separate tax levy unlimited as to rate, but limited as to amount. Limited bonds are payable from the municipality’s debt service extension. PTELL does not restrict ARBs or referendum-approved G.O.s.

Illinois legislators have introduced proposals to modify the PTELL including freezing property taxes (the “Property Tax Freeze Proposal”). If the Property Tax Freeze Proposal or similar legislation were to become law, such reform could make PTELL applicable to home rule units and all counties in Illinois.

C. Federal Income Tax Law. The Internal Revenue Code of 1986, as amended (“Tax Code”), and the arbitrage and rebate regulations promulgated thereunder (“Regulations”), govern the tax-exempt status of municipal bonds. Upon the issuance of any municipal bond, the municipality will covenant to follow certain federal rules and regulations in order to maintain the tax-exempt status of the interest on the bonds. These covenants include reasonable expectations that the bonds are not private activity bonds, meaning they generally benefit a private entity. They can also not be arbitrage bonds, which are issued to profit from the difference between tax-exempt and taxable interest rates, pursuant to the Tax Code and the Regulations.

D. Securities Laws. Rule 10b-5. Rule 10b-5 (“Rule 10b-5”) of the Securities Exchange Act of 1934 (“Securities Act”), states that:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails or of any national securities exchange:

1. to employ any device, scheme or artifice to defraud,
2. to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or
3. to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security. 17 C.F.R. §240.10b-5.

“Upon the issuance of any municipal bond, the municipality will covenant to follow certain federal rules and regulations in order to maintain the tax-exempt status of the interest on the bonds.”

“Full disclosure for bond purposes means disclosure of all information material to investors.”

Rule 10b-5 sets out the general statement of federal intent to protect investors against misleading statements or omissions of important facts in official statements or other documents pertaining to the bond issuance. Full disclosure for bond purposes means disclosure of all information material to investors. Recent Securities and Exchange Commission (“SEC”) enforcement actions and a speech from an SEC commissioner indicate a vigorous enforcement initiative targeting bad disclosure practices by issuers and their officials. Issuers should adopt “best practices” to protect themselves and their officials from antifraud provisions including, but not limited to, hiring of disclosure counsel, which is typically a law firm representing the issuer on disclosure issues and the adoption of effective policies and procedures that ensure appropriate disclosure. Based on recent enforcement actions against big and small issuers (ranging from large states to small local municipalities), claiming “small unsophisticated issuer” as a defense may not be sufficient.

Continuing Disclosure. Rule 15c2-12 governs the preparation and distribution of official statements for municipal securities. While this Rule applies primarily to directly-regulated entities such as underwriters, broker-dealers and dealer-banks, a significant portion of the burden of compliance with Rule 15c2-12 falls on the issuer to supply certain information and disclosure and to take the proper steps to comply with the Rule in a timely fashion. As an example of the importance of meeting continuing disclosure requirements, the SEC recently charged an Indiana school district and a municipal bond underwriter with falsely stating to bond investors that the district had been properly providing annual financial information and notices required as part of its bond offerings. Without admitting to or denying the SEC’s findings, the district was ordered to cease and desist from violating securities laws and undertake remedial actions, and the underwriter agreed to a \$580,000 fine along with a one-year collateral bar and permanent supervisory bar for one of its employees.

In 2014, the SEC announced its Municipalities Continuing Disclosure Cooperation Initiative (“MCDC Initiative”) to address potentially widespread violations of the federal securities laws by municipal issuers and underwriters of municipal securities in connection with certain representations about continuing disclosures in bond offering documents. The MCDC Initiative provided issuers and underwriters an opportunity to self-report materially inaccurate statements made in final official statements regarding prior compliance with their continuing disclosure obligations as described in Rule 15c2 12. The SEC announced settlements with 72 issuers from 45 states and announced that it will be focusing on issuers who did not participate in the recent Initiative.

State Blue Sky Laws. The offering, sale and purchase of securities in Illinois are governed by the Illinois Securities Law of 1953 (“Blue Sky Law”). The Blue Sky Law provides for registration of securities and the licensing and regulation of securities broker dealers, agents, investment advisers and investment adviser representatives. Subject to statutory exemptions or exceptions, offers and sales of securities in Illinois that are not covered by federal securities law must be registered by coordination or qualification procedures, as applicable. Registration statements for offerings registered by qualification in Illinois must contain full and fair disclosure of all material facts regarding the investment offered and present specific categories of information and financial statements pursuant to the Blue Sky Law.

Municipal Advisor Rules. While underwriters have long been regulated by the SEC and other regulatory bodies, the regulation of municipal advisors pursuant to the Final Rules is new.

While the issuer is not required to hire a municipal advisor, pursuant to the rules promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act:

1. Municipal advisors are subject to registration requirements,
2. Guidance on definition of municipal advisor is provided, and
3. Limitations on underwriters are provided.

“The SEC announced that it will be focusing on issuers who did not participate in the recent Initiative.”

“An underwriter is exempted from registering as a municipal advisor as long as certain protocols are followed.”

An underwriter is exempted from registering as a municipal advisor as long as certain protocols are followed. To qualify for the underwriter exemption, the underwriter must have an engagement to act as underwriter on a specific issuance of municipal securities. Inclusion in a pre-approved underwriting pool is not sufficient. The engagement letter should state the following:

1. it is preliminary and non-binding;
2. it is subject to:
 - applicable procurement laws,
 - formal governing body approval,
 - final bond structuring, and
 - execution of a bond purchase agreement;
3. it may be terminated by either party without liability; and
4. it does not prevent the issuer from engaging other underwriters or from selecting a different underwriting group.

Oral or written acknowledgment of the engagement from the issuer/obligated person is permitted. A preliminary, non-binding engagement is permitted so long as the issuer (obligated person) reasonably expects to formally engage the broker-dealer as underwriter. Multiple engagements are permitted, and there is no need to specify status as senior or co-manager.

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City of Darien
Minutes of the Administrative/Finance Committee
November 6, 2017

The Meeting was called to order by Chairman/Alderman Ted Schauer at 6:00 pm. Committee members Aldermen Kenny and Chlystek were present. Treasurer Mike Coren and City Administrator Bryon Vana were also present.

FYE 17 Audit to Budget Comparison

Staff advised that upon completion of the annual audit, the Administrative/Finance Committee reviews a comparison between the FYE 4-30-17 audited numbers and the FYE 4-30-18 estimated numbers included in the FYE 4-30-17 budget. This committee reviewed a document containing a detailed sheet on the General and Capital Projects Funds. The General Fund audited fund balance exceeded the estimated balance used in the 4-30-18 budget by \$533,392. The City Council previously approved the *Capital Improvements Plan Guidelines*. Section 3 of the guidelines includes that the surplus from the general fund, in excess of 3 months operating reserve, will be transferred to the capital projects fund annually. Based on these guidelines staff recommended that the City Council approve a transfer of \$500,000 to the Capital Projects Fund from the General Fund. The committee unanimously recommended approval of the recommendation.

A motion authorizing the purchase of 2 new Cyber Power (pure sine wave) 1.5KVA UPS with remote management and 1 new Cisco Catalyst 24 port network switch for the new server room which includes the hardware, installation, and configuration in an amount not to exceed \$5,422.00

Staff advised the City's existing UPS' are past their life expectancy. Of the two, one is currently faulting and unreliable. The UPS is a device that sits between a power supply and a mechanism to prevent undesired features of the power source (outages, sags, surges, bad harmonics, etc) from the supply from adversely affecting the performance of the device. Recently, the City experienced a power/UPS issue, when one of the network switches failed. The internal memory module shorted/burned out. The current switch is a *temporary* fix, and is not a smart switch. Staff reviewed a quote from our computer consultant that includes the pricing estimates as well as the scope of work. These items were not included in the FYE18 Budget; however, the cost for the new server was below budget by \$5,245.00 (a difference of \$177). The committee unanimously recommended approval of the recommendation.

Minutes – October 2, 2017

The minutes were approved as presented.

Adjournment - The meeting adjourned at 6:55.

Approved:

Ted Schauer, Chairman _____

Joseph Kenny, Member _____

Thomas Chlystek, Member _____