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Bureau of Finance | Office of the Chief Financial Officer
IVAN SAMSTEIN
CHIEF FINANCIAL OFFICER
118 N. CLARK STREET ● Chicago, Illinois 60602 ● (312) 603-6846

MEMORANDUM

To: Cook County Board of Commissioners

From: Ivan Samstein, Chief Financial Officer

Cc: Brian Hammer, Chief of Staff
Patrick Carey, Special Assistant - Governmental and Legislative Affairs

Subject: **Item #16-2696: Proposed Refunding of Series 2006A**

Date: May 2, 2016

This memorandum is intended to provide additional information on the proposed Ordinance through which the Board would authorize the refunding of the County's approximately $330 Million of outstanding Series 2006A Bonds.

The 2006A bonds are currently subject to an average interest cost of 4.83% and it is anticipated that the refunding bonds will a have blended cost of capital below 3.95%. This would provide reduced interest cost savings of approximately $27.3 Million in today's dollars (referred to as net present value basis) based on current market conditions, which equates to 8.2% of the value of the bonds that would be refinanced. These savings are subject to change depending on bond market conditions and prevailing interest rates when the bonds are ultimately sold.

Several key highlights of the proposed transaction include:

- The refunding bonds would be a General Obligation of the County. The full faith and credit of the County would be pledged to repayment of principal and interest, as it was for the Series 2006A Bonds that would be refinanced.

- The refunding bonds will not be altering the final maturity schedule of current outstanding 2006A bonds, with the last maturity remaining at 2031.

- The refunding targets savings in future years, as part of a long term plan for County debt service that will seek to limit annual year-over-year increases, including all forecasted new money issuance in the FY2016 Capital Budget, to no more than 2%, based on a long-term target for inflation.

- The proposed transaction team consists of several national and international firms including minority and women owned business that have a strong local presence. The MBE/WBE estimated participation for professional services is 38% (legal and financial advisory) and 45% of the underwriting liability will be associated with firms that are at least 51% owned or controlled by women and/or minorities.

Additionally, I am pleased to report the following information derived from Section 34-202(f) of the amended County Code of Ordinances:

***<u>Summary of the rationale of any proposed financing initiative</u>*:**

The outstanding 2006A bonds have a blended fixed interest rate cost of 4.83%. Based on current Market conditions, the new refunding bonds are expected to have a fixed interest rate cost below 3.95%, which is expected to save approximately $27.3 Million in debt service cost over the remaining maturities of the bonds, as measured in today's dollars (commonly referred to as "net present value" basis). These savings are based on current market conditions and are subject to change based on market fluctuations.

The following table presents the summary of refunding statistics for your reference based on market conditions as of April 29, 2016, which are highly subject to change:

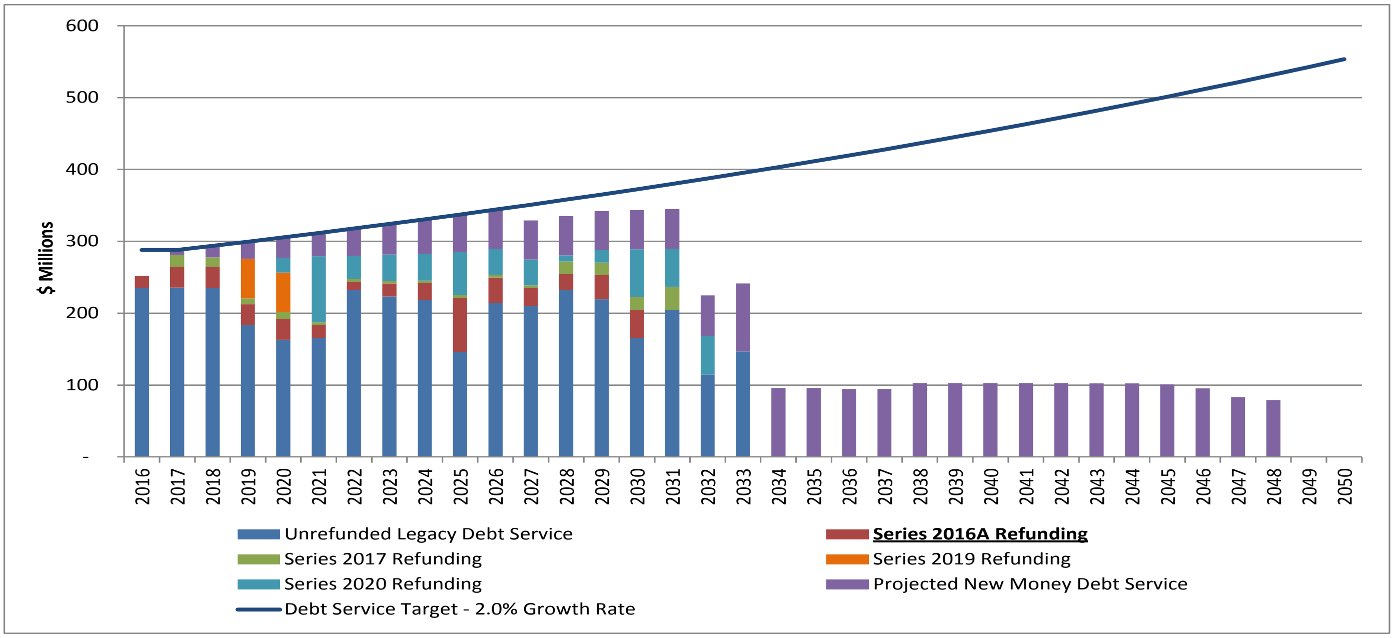
Dated Date:	7/14/2016
Delivery Date:	7/14/2016
Net Interest Cost:	3.95%
Average Life:	10.322
Par amount of refunded bonds:	$ 333,680,000.00
Average coupon of refunded bonds:	4.83%
Average life of refunded bonds:	9.948
Net Present Value Savings:	$ 27,341,982.65
Percentage savings of refunded bonds:	8.19%
Percentage savings of refunding bonds:	8.94%

<u>Financial benefits of the proposed financing approach with regards to the County's long-term fiscal health:</u>

We believe the County is best served by a long-term plan to manage its legacy debt service costs and future borrowing needs in a responsible and prudent manner, so that these costs do not provide undue stress on its operating budget in future years. To that end, the County wishes to utilize the upcoming 2006A Bonds refunding, and anticipated subsequent refunding opportunities, to focus savings in key years which will help to ultimately create a debt structure that rises by no more than 2% annually even when including all anticipated new issuances. That growth rate would match the long term Federal Reserve inflation target.

In order to accomplish that goal, we anticipate additional refinancing opportunities, including one in 2017 for a Series 2006B Bond issue. We anticipate the need to target savings from these future refundings in key years over the next decade, including some potential principal deferral/restructuring on the anticipated 2017 refunding opportunity.

The graph on the following page shows the total projected future debt service, after accounting for potential savings from the proposed refunding bonds, as well as the anticipated 2017 refunding opportunity. The graph also includes all projected new bond issuances to fund the County's approved Capital Budget as a part of the FY2016 Appropriation Bill.



As demonstrated by the graph above, the current refinancing and anticipated future refinancings will target debt service savings in key years such that, when including projected new bond issuances to support capital investments, will target a maximum 2% growth rate of total debt service in all future years.

<u>Summary of the financing team proposed to work on the financing initiative:</u>

The proposed transaction will utilize the firms listed below:

Capacity	Party or Parties
Senior Managers	Barclays Bank PLC
	Loop Capital Markets LLC
Co-Senior Managers	Siebert Brandford Shank & Co. LLC
	William Blair & Company, L.L.C.
Co-Managers	PNC Capital Markets LLC
	Cabrera Capital Markets, LLC
	J.P. Morgan Securities LLC
	Bernardi Securities, Inc.
Co-Municipal Advisors	A.C. Advisory, Inc.
	Columbia Capital Management LLC
Bond Counsel	Chapman and Cutler LLP
	Burke Burns & Pinelli, Ltd.
Disclosure Counsel	Katten Muchin Rosenman LLP
	Reyes Kurson, Ltd.
Pension Disclosure Counsel	Nixon Peabody
Underwriters' Counsel	Charity & Associates

<u>Identification of any firms that are certified as MBEs or WBEs or 51 percent owned, controlled, and managed by minority individuals or women:</u>

In the underwriting syndicate Loop Capital Markets, LLC, Siebert Brandford Shank & Co. LLC and Cabrera Capital Markets, LLC are all 51% percent owned, controlled and managed by minority individuals and/or women.

With regards to professional services for the transaction:

- A.C. Advisory, Inc. is a minority and women owned business enterprise representing the County as Co-Municipal Advisor for this transaction that is certified with the City of Chicago.
- Burke Burns & Pinelli, Ltd. is a woman owned business enterprise that is representing the County as Co-Bond counsel for this transaction that is certified with the City of Chicago.
- Reyes Kurson, Ltd is a certified minority owned business enterprise that is representing the County as Co-Disclosure counsel for this transaction that is certified with the Cook County Office of Contract Compliance.
- Charity & Associates is a minority owned business enterprise that is representing the Underwriters as their counsel for this transaction that is certified with the City of Chicago.

<u>Total estimated participation of such firms as a percentage of professional services (comprised of legal and financial advisory services):</u>

The total estimated participation of minority and women owned firms as a percentage of professional services for this transaction is 39%, which consists of the roles provided by A.C. Advisory in a municipal advisory role, as well as Burke Burns & Pinelli, Ltd, Reyes Kurson, Ltd and Charity & Associates in various legal services roles.

<u>Total estimated participation of such firms as a percentage of underwriting liability:</u>

The total estimated participation for firms that are 51% owned and controlled by minorities and women on this transaction, as measured by percentage of underwriter liability for this transaction is 45%, which consists of the roles from Loop Capital Markets LLC, Siebert Brandford Shank & Co. LLC and Cabrera Capital Markets

<u>On financing initiatives where circumstances are such that the 35 percent goals set forth in Section 34-202(e) of the Procurement Code cannot be prudently reached, an explanation of such circumstances:</u>

The 35% goal for professional services and underwriting liability can be prudently reached for this proposed transaction.

We hope that you will be in a position to support this initiative, and we remain available to furnish additional information at your request. Thank you very much in advance for your consideration.