



MEMORANDUM

To: Finance and Administration Committee

From: Timothy Sexton, Director of Finance

Date: February 12, 2024

Subject: Intergovernmental Agreement (IGA) Amendment with the Village of Glen Ellyn Regarding Glenbard Wastewater Authority (GWA)

Please find attached a proposed amendment to the IGA that Lombard has with Glen Ellyn regarding GWA. Below is some background information regarding the need for this amendment.

Historically, when GWA has done capital projects, these projects were financed using IEPA Revolving Loans. However, in the last few years, these loans have become significantly more competitive and are more difficult to get. Last fall, GWA was notified that they would not be receiving an IEPA loan for the capital project planned for 2024.

At the time, GWA, Lombard and Glen Ellyn staff began working alongside our financial advisors on a debt issuance for GWA. We all met with Standard & Poors (S&P) to obtain an Issuer Credit Rating. However, a month after that meeting, we were notified that S&P was going to limit GWA's rating to what Lombard's rating was, as Lombard provides over half their funding.

After being notified by S&P, staff began to explore all available options. Over the course of several months, staff worked on the pros and cons of various options. After considering the various options, staff believes that the best option is for the Village of Glen Ellyn to issue the debt with their AAA rating and then Glen Ellyn will give those funds to GWA for their capital project. As part of the planning for this, it was determined that there needs to be a method for repayment between the parties.

Historically, capital contributions for GWA were split as follows:

- Half of the contributions were split 50%/50% between the two Villages
- The other half of the contributions were split based on a 5-year average of the flow of the communities. Historically, Lombard makes up 55%-60% of the flow, and Glen Ellyn makes up 40%-45% of the flow.

Given the fact that adding additional debt to the books of Glen Ellyn impacts their various financial ratios and their own debt rating, both sides thought it was fair to compensate Glen Ellyn for taking on this additional debt burden. After several discussions between staff of both Villages and both Village's financial advisors, what is being proposed is that a calculation be done between the total debt costs over the term of the loan based on GWA issuing their own debt at a lower rating and compare that to the total debt costs with Glen Ellyn actually issuing the debt. This will then provide what the savings are for each party, and the proposal is that Lombard would share half of its savings with Glen Ellyn.

To provide an example using current interest rates, if GWA were to issue debt currently, the total debt service over the life of the debt would be \$10,771,656. With Glen Ellyn issuing the debt, the total debt service would be \$9,631,896, resulting in an overall savings of \$1,139,670. Lombard's share of this savings would be \$621,455 based on the traditional sharing of capital costs. Under the proposal, Lombard would share half of these savings, or \$310,727 with Glen Ellyn.

This debt is already figured in to the long-term GWA contributions for Lombard and Glen Ellyn, and into the expected future water and sewer rates. Given the connection with water and sewer rates, staff wanted to make the Finance Committee aware of this proposal that will be going to the Village Board in March for approval and answer any questions that the Committee may have.