Deerfield Public Library
Finance Committee Minutes
December 9, 2010

Meeting was called to order at 5.40 p.m. by Committee Chair Sunday Mueller.

Present:
Board members: Committee Chair Sunday Mueller, Committee members Jeff Rivlin and Ken Abosch, Board members Marla Bark Dembitz and Mary Courtney.
Staff: Library Director Mary Pergander, Business Manager Carol Dolin.
Financial Consultants: Ehlers and Associates Steve Larson and John Miller.

Ms. Mueller briefly outlined the purpose of the meeting. Ms. Mueller, Ms. Pergander, Ms. Dolin, Mr. Larson, and Mr. Miller met with Village Manager Kent Street, Finance Director Bob Fialkowski, and Assistant Finance Director Eric Burk before the November Board meeting to discuss financing options and the timing for issuing the debt to finance the building project. When this meeting was discussed during the Board meeting, members of the Board requested a special Finance Committee meeting for the full board with a presentation by Mr. Larson and Mr. Miller about the advantages of issuing different types of bonds and the effects of issuing the debt now versus waiting.

Mr. Larson discussed the present unstable state of the bond market and some of the reasons for the instability and rapidly rising rates, the Federal stimulus programs, which include Build America Bonds (BABs) and Qualified Energy Conservations Bonds (QECB), and potential options to consider with pros and cons of each.

- Option 1: Issue the full amount as a Build America Bond before January 1, 2011
- Option 2: Issue a partial amount of the bonds by December 31, 2010 as a Build America Bond and the balance in 2011 or 2012
- Option 3: Issue the full amount after construction costs are bid and use existing funds to pay for design and engineering costs. The estimated timing would be issuing in late 2011 or early 2012

Considering that rates are climbing precipitously and many other issuers are rushing to beat the BAB expiration date, Mr. Larson recommends waiting to issue the bonds until after the first of the year. Although the effect is nominal with the current rates as they are, waiting to issue the debt until closer to the start of construction also avoids arbitrage and minimizes carrying costs associated with paying interest on the debt while earning little on the idle funds. Also, if Library bonds can be issued with other Village debt, associated costs of issuance can be minimized somewhat as it would be shared across the two projects. If rates drop again after the first of the year, it may be advantageous to issue the debt sooner because locking in the lower rate over the long term would offset the associated costs of issuing the debt earlier.  Mr. Larson provided analyses of effects of the rates on the original cost predictions to costs for the same amount at the current rates for BAB, QECB, taxable, and tax free municipal bonds. The future of the BAB program is in question at this time, but Mr. Larson recommends completing the QECB application. The program, which rebates interest and could save substantial funds, is very attractive, but the funding may be slow in coming even if it is approved.

Ms. Mueller thanked Mr. Larson and Mr. Miller for their thorough explanations and recommendations. Another meeting to discuss bond programs, rates and timing of issuing the debt will be scheduled with Mr. Street and Mr. Fialkowski for January.

The meeting adjourned at 6:30 p.m.