Q: How long will the tax increase last?

A: The CLCJAWA tax will expire in 2018. You will see the SSA tax levy on your annual property taxes for no longer than 30 years. If we are able to secure an IEPA loan, it will only be 20 years.

Q: What happens to the SSA obligation when I try to sell my house?

A: The SSA tax will be included on your regular annual property tax bill. It is not an individual loan. It stays on the property tax bill until the bonds are retired.

Q: I see on the Public Notice that there is a possible second levy of taxes, why is that?

A: We are phasing in the project costs to minimize the impact to residents; therefore the bonding will be phased as well. At open houses held earlier in 2013, residents asked that we consider phasing in the project costs so that they weren’t impacted by the entire cost all at once. The total maximum amount of any bonds levied cannot exceed $46 million. Phasing of the tax increase will be achieved by minimizing the tax amount in the first two years (2014-2015) to only fund the engineering design phase. Then in 2016, construction will start and the full tax will be imposed at approximately $250/year (for a $200,000 property).

Q: The public notice makes reference to the exact finance mechanism for which you are going to borrow. The second paragraph says that we the homeowners are going to retire the bonds by levies or levies of direct annual taxes on properties subject to taxation for the services located within the area sufficient to pay the interest on the bonds as they become due and to discharge the principal at maturity. So is this a balloon payment?

A: No, this is not structured as a balloon payment. The maximum interest rate is 7%, however if bonds were issued today (August 29, 2013) the rate would be close to 6%; if the IEPA loan come through, then under 4%. When the bonds are sold, the interest rate cannot exceed 7%. Those bonds will be retired over no more than 30 years at a rate no more than 7%. The bonds will be payable over the 30 years, not just at the end. Specifically the IEPA requires repayment semiannually over no more than 20 years. The overall debt for the project will be structured so that payments will be made every year toward bond interest and principal.

Q: The public notice also says direct annual taxes shall be levied upon taxable property within the area for the entire period that the bonds or refund bonds shall be outstanding and shall be unlimited as to the rate or amount in addition to other taxes. What is unlimited?

A: The term “unlimited” applies to the tax rate, not the interest rate. The unlimited tax rate refers to the County Clerk’s ability to adjust the tax rate up or down to allow the County to generate sufficient funds to pay the bond principal and interest. The annual tax rate may fluctuate from year to year to cover the annual principal and interest associated with the SSA bond(s) or IEPA loan(s).
Q: Can we as the homeowners have the opportunity to prepay?

A: Prepayment of a taxpayer’s portion is not possible, just as prepayment of any property tax is not possible.

Q: I have seen 2 numbers floated about here. One for $43 million in a power point display, and then the mailing they talk about $46 million. Will someone explain that difference for me?.

A: The project is estimated at $43,000,000 but $46,000,000 is the maximum to allow flexibility in the bonding, particularly in negotiating reserve levels with the IEPA. Total costs of the project will be known after project completion. The $46,000,000 is the maximum cost allowed.

Q: Why not hold a referendum?

A: In order for a referendum process to be conducted, each of the project participants (Lake County, Village of Lake Villa and Village of Lindenhurst) would need to conduct individual referenda, meaning each would establish its own financing mechanism to fund the project. The Special Service Area process allows for the three project participants to spread the cost of the project over the total assessed value for the entire area, reducing the amount borrowed and the bond issuance costs. In addition, as the respective areas grow in the future, all property owners within the larger area will benefit when the total assessed value of property increases (ie. When growth occurs in Lindenhurst, property owners in Lake Villa will benefit from an increase in total assessed value of property, thereby, reducing costs for each individual property owner).

Q: Is the interest rate fixed or variable?

A: The maximum interest rate cannot exceed 7% and is intended to be a fixed rate. Interest rates will be finalized when the bonds are sold. That will take place once the Special Service Area establishment process is completed.

Q. Why will we be taxed on the value of our home instead of everyone having the same cost?

A. By law, Special Service areas are taxed "ad valorem" or based on the value of taxable property. Special assessment which requires assigned "benefit" from the improvements provided to each property served is not feasible to a project of this type and scale. The Lake Michigan water delivered is for four basic functions, (1) domestic consumption, (2) sanitation, (3) outside use, and (4) fire protection.

Q. Have you looked at other funding sources beyond SSA bonds?

A. Yes, other funding sources were considered and analyzed. There are three methods of long term financing for a project of this sort, (1) SSA Bonds, (2) General Obligation (GO) Bonds, and (3) Water Revenue Bonds. SSA bonds and GO bonds are both based on property values, so the payment obligations would be no different between the two as it relates to proportional debt assignment. To implement a GO Bond, Lake Villa and Lindenhurst each would need to successfully pass a GO referendum for the project to proceed. SSA financing would be the only option for Lake County because assigning a General Obligation tax against the entire County would be inequitable. Revenue Bonds are available to all three communities and are a
possibility; however water rates would need to be drastically increased immediately to cover construction costs or additional money borrowed from another source (construction loan) to cover construction costs. This would make Revenue Bonds the more expensive alternative and runs contrary to public input received to phase in the rate impact of Lake Michigan water.

Q. Can you use General Obligation Bonds instead of increasing property taxes?

A. General Obligation Bonds and Special Service Area bonds assign the proportional debt service on the value of taxable property (ad valorem taxes). There would be no payment difference between the two property tax based debt instruments.

Q. Can bonds be issued all at once and not phased to take advantage of lowered interest rates?

A. During public open house meetings held earlier in 2013, residents expressed a desire to spread out the tax impact. In addition, public agencies are required to expend borrowed money for its intended purpose in a timely manner. Generally speaking, governing bodies need to use borrowed money within 36 months of receipt. Federal law prevents agencies from borrowing for investment profit. The participating communities do have some latitude on sizing and timing of bond issues and will evaluate this as the project proceeds. The participating communities anticipate taking action on financing options quickly.

Q. Would special assessments make more sense than an SSA?

A. Special Assessments are expensive to implement and are more intended for small projects where proportional benefit can be easily identified. An example of a good use of Special Assessment financing would be to install a sidewalk where benefit is assigned based on lineal frontage of the property served. Trying to apply such a principle to a regional water supply system approaching 11,300 properties would not be feasible.

Q. Will foreclosed homes be taxed?

A. We have no record on how many of the 11,300 parcels in the area are in distress. All taxable property will be taxed based on the value of the property each year.

Q. Can this be structured so that cost overruns would be the responsibility of the contractor?

A. Construction engineering services to monitor conformance of the work to the project plans will be a part of each project element. The anticipated bid process, which will be awarded by CLCJAWA, currently anticipates identifying the lowest responsible bid following statutory guidelines. A bidding procedure which would have a contractor absorb any change order foreseen or unforeseen, would increase the bid price and the risk of reckless bidding and questionable construction.