



Governmental Revenue Bonds

Chapman and Cutler LLP provides bond counsel, underwriter's or disclosure counsel, and issuer's counsel representation in revenue bonds and other obligations issued by state and local governmental units.

Our practice group represents states, cities, villages, towns, counties, joint action agencies, park districts, sanitary districts, airport authorities and special utility districts or commissions.

In most cases, revenue bonds are issued to acquire or improve governmental enterprise systems, such as airports, ports, water, sewerage, electric, gas, telecommunications, solid waste, tollways, bridges, parking and recreation systems. Funds may also be earmarked to acquire or improve sites generating lease revenues in governmental buildings.

Additionally, bonds may be issued for corporate purposes such as redevelopment or road construction, as permitted by state law. Such funds are payable from various limited revenue sources, such as tax increment area revenues, sales or excise taxes, a specific but limited property tax, or motor vehicle fuel or licensing taxes.

Practice group attorneys also recently devised innovative financings for long-term supplies of natural gas through reserve acquisitions and prepaid gas supply contracts for municipal gas and electric utilities.

In Illinois, special general obligation bonds backed by specific revenues and known as "alternate bonds" or "double-barreled bonds" are a commonly recommended funding source in lieu of revenue bonds to obtain more favorable interest rates and document provisions available for general obligation bonds. Issuers of such bonds must promise to use revenues to pay the bonds, if possible, and avoid levying the property taxes, which are also pledged to the bonds.

Issues considered and resolved by Chapman and Cutler attorneys when acting as counsel in these types of transactions include: allocation of the priority of lien on revenues, precise flow of funds, establishment of debt service and renewal and replacement reserves. We are experienced in

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Related Practices

Debt Obligations

Double-Barreled Bonds

General Obligation Bonds

Leases, Installment Contracts
and Debt Certificates

Private Activity Bonds

Public Finance

Special Assessment Bonds

Special District Bonds

Tax and Revenue Anticipation
Notes and Warrants

Tax Increment Bond
Financings

the permitted issuance of parity and subordinate lien bonds or other obligations, and the appropriate rate covenants (the amount by which available revenues should exceed debt service).

Further, we research statute and regulation requirements on the use of proceeds and establishment of reserves so as to obtain and maintain the tax-exempt status of the bonds. We also provide advice about the legalities and implications of various other covenants (such as the mortgage of facilities), whether and how to insure (or self-insure) facilities, appropriate periodic budget consideration or reports to bondholders, and we assist clients as they navigate the legal, tax and structuring issues associated with the use of financial and commodity swaps and hedges to secure favorable interest rates and fuel prices.

Publications

- Curtner, Patricia M. and Sharon L. Eiseman: "Tax Increment Allocation Financing," Stewart H. Diamond, editor. *Municipal Law and Practice in Illinois* 27-1(3). 2000.
- McGree, Timothy V., Kelly K. Kost and Erin P. Bartholomy: "General Obligation and Revenue Bonds," Stewart H. Diamond, editor. *Municipal Law and Practice in Illinois* 16-1(2). 2003.