**BOOK-ENTRY ONLY S&P Rating: “AA- (stable)”; Moody’s Rating: “Aa3”**

**FEDERAL AND STATE OF ILLINOIS TAX EXEMPT See “BOND RATINGS” herein.**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), the interest on the Series 2020 Senior Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. In the opinion of Gilmore & Bell, P.C., the interest on the Series 2020 Senior Bonds is exempt from the income tax imposed by the State of Illinois pursuant to the Illinois Income Tax Act. The Series 2020 Senior Bonds have* ***not*** *been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “****TAX MATTERS****” in this Official Statement.*

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$60,970,000  
Local Government Program Revenue Bonds,  
Series 2020  
(Southwestern Illinois Flood Prevention District Council Project)**

**Dated: Date of Delivery Due: As shown on the inside cover**

The above-described bonds (the **“Series 2020 Senior Bonds”**) are issuable only as fully-registered bonds, in denominations of $5,000 or any integral multiples thereof. Interest on the Series 2020 Senior Bonds will be payable semiannually on each April 15 and October 15, beginning April 15, 2020. The Series 2020 Senior Bonds are payable only from the revenues derived from the payment of the principal and interest by the

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL,**

**MADISON, ST. CLAIR AND MONROE COUNTIES, ILLINOIS**

(the **“Council”**) on its Series 2020 Senior Local Government Securities (as described herein) which are to be purchased with the proceeds of the Series 2020 Senior Bonds. The Council anticipates paying the debt service on the Series 2020 Senior Local Government Securities from Flood Prevention District Revenues (as such term is defined herein), including a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County (as defined herein) at a rate of 0.25% of the gross receipts from all taxable sales as described in the Flood Prevention District Act of the State of Illinois, as amended, such tax being authorized for the improvement of levees along the Mississippi River in a three-county area.

The Series 2020 Senior Bonds shall not constitute a debt of the State of Illinois (the **“State”**), and shall not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Authority or the State, within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power, if any, of the Authority or the State is pledged to the payment of the principal of and interest on the Series 2020 Senior Bonds or other costs incidental thereto. The Authority has no taxing power. The Series 2020 Senior Bonds are special, limited obligations of the Authority, payable solely from the sources described in the Resolution (as such term is defined herein). The members of the Board of Directors of the Authority have determined that Section 7(f) of the SWIDA Act (as defined herein), relating to the moral obligation of the State, does **not** apply to the Series 2020 Senior Bonds.

The Series 2020 Senior Local Government Securities shall be limited obligations of the Council, payable solely from the sources described in the Senior Indenture (as such term is defined herein). The Series 2020 Senior Local Government Securities shall not constitute general obligations of the Council, the Counties, the Districts (each as identified herein) or the State and under no circumstances shall the Series 2020 Senior Local Government Securities be payable from, nor shall the holders thereof have any rightful claim to, any income, revenues, funds or assets of the Council other than those pledged as security for the payment of the Series 2020 Senior Local Government Securities.

The Series 2020 Senior Bonds are subject to redemption prior to maturity in certain circumstances. See **“THE SERIES 2020 SENIOR BONDS - Redemption Provisions”** herein.

The Series 2020 Senior Bonds are offered when, as and if issued by the Authority, subject to the approval of legality by Gilmore & Bell, P.C., Edwardsville, Illinois, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Gilmore & Bell, P.C., Edwardsville, Illinois, for the Council by Husch Blackwell LLP, St. Louis, Missouri, by Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel to the Council with respect to the Series 2020 Senior Local Government Securities, and by Thompson Coburn LLP, St. Louis, Missouri, as Disclosure Counsel, and for the Underwriters by SJ Gray Law LLC, Chicago, Illinois. It is expected that the Series 2020 Senior Bonds will be available for delivery on or about February 4, 2020.

**Piper Sandler & Co.**

**Citigroup Loop Capital Markets Wells Fargo Securities**

The date of this Official Statement is January 16, 2020.

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$60,970,000**

**Local Government Program Revenue Bonds,**

**Series 2020**

**(Southwestern Illinois Flood Prevention District Council Project)**

**MATURITY SCHEDULE**

**Serial Bonds**

| **Maturity (April 15)** | **Principal Amount** | **Rate** | **Price** | **CUSIP[[1]](#footnote-2)**  **84552Y** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| 2020 | $ 395,000 | 3.000% | 100.375 | QP9 |
| 2021 | 2,790,000 | 4.000% | 103.462 | QQ7 |
| 2022 | 2,905,000 | 4.000% | 106.142 | QR5 |
| 2023 | 3,015,000 | 4.000% | 108.689 | QS3 |
| 2024 | 3,135,000 | 5.000% | 115.196 | QT1 |
| 2025 | 3,300,000 | 5.000% | 118.423 | QU8 |
| 2026 | 3,460,000 | 5.000% | 121.230 | QV6 |
| 2027 | 3,630,000 | 5.000% | 123.637 | QW4 |
| 2028 | 3,815,000 | 5.000% | 125.845 | QX2 |
| 2029 | 4,005,000 | 5.000% | 127.691 | QY0 |
| 2030 | 4,205,000 | 5.000% | 129.471 | QZ7 |
| 2031 | 4,410,000 | 4.000% | 118.566 | RA1 |
| 2032 | 4,585,000 | 4.000% | 117.758 | RB9 |
| 2033 | 4,755,000 | 4.000% | 116.756 | RC7 |
| 2034 | 4,940,000 | 4.000% | 115.962 | RD5 |

**Term Bonds**

$7,625,000 4.000% Term Bonds due October 15, 2035, Price 115.077%, CUSIP 84552Y RE3

**REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized by the Authority or the Council to give any information or to make any representations with respect to the Series 2020 Senior Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2020 Senior Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except for information concerning the Authority contained under the captions **“THE AUTHORITY”** and **“ABSENCE OF LITIGATION,”** as it relates to the Authority, none of the information in this Official Statement has been supplied or verified by the Authority, and the Authority makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. Certain information set forth herein has been furnished by the Council and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Council since the date hereof. For the purpose of enabling the Underwriters to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the Council will deem the information in this Official Statement to be “final” as of its date. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 SENIOR BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**The Series 2020 Senior Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Series 2020 Senior Bonds are offered pursuant to an exemption from registration with the Securities and Exchange Commission. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.**

**CAUTIONARY STATEMENTS REGARDING FORWARD-**

**LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “projected,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE **“BONDOWNERS’ RISKS”** SECTION OF THIS OFFICIAL STATEMENT. NEITHER THE COUNCIL NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED, OCCUR OTHER THAN AS INDICATED UNDER THE CAPTION **“CONTINUING DISCLOSURE**.**”**

|  |  |  |
| --- | --- | --- |
| **THE COUNTY OF**  **MADISON, ILLINOIS**  Kurt Prenzler  Chairman | **THE COUNTY OF**  **ST. CLAIR, ILLINOIS**  Mark Kern  Chairman | **THE COUNTY OF**  **MONROE, ILLINOIS**  Robert Elmore  Chairman |

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL**

**Board of Directors**

Debra Moore, President and Director

John Conrad, Vice President and Director

Jeremy Plank, Secretary/Treasurer and Director

Bruce Brinkman, Director

Isabelle Crockett, Director

Max S. Merz III, Director

Aaron Metzger, Director

Alvin Parks, Jr., Director

David Schwind, Director

**Administration**

Chuck Etwert, Chief Supervisor of Construction and the Works

**PROFESSIONAL SERVICES**

**Financial Advisor**

Columbia Capital Management, LLC

St. Louis, Missouri

**Authority’s Bond Counsel**

**Council’s Counsel and Authority’s Counsel Council’s Bond Counsel**

Husch Blackwell LLP Gilmore & Bell, P.C. Chapman and Cutler LLP

St. Louis, Missouri Edwardsville, Illinois Chicago, Illinois

**Disclosure Counsel Underwriters’ Counsel**

Thompson Coburn LLP SJ Gray Law LLC

St. Louis, Missouri Chicago, Illinois

**Underwriters**

Piper Sandler & Co.

Minneapolis, Minnesota

Citigroup Global Markets Inc. Loop Capital Markets LLC Wells Fargo Bank, National Association

Chicago, Illinois Chicago, Illinois Chicago, Illinois

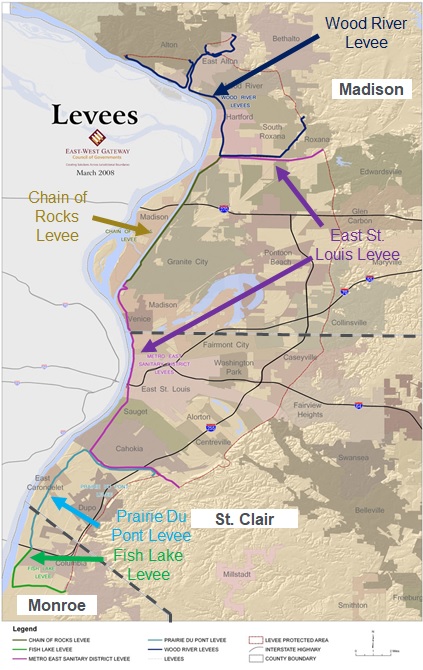
**Registrar/Trustee**

UMB Bank, National Association

St. Louis, Missouri

**Map of Levee System**

The following map shows the location of the various levees which comprise the Levee System. The Flood Prevention District Sales Taxes (as defined herein) is levied countywide in each of the three counties comprising the Council’s jurisdictional area. This entire three-county area is not depicted in the map.



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**OFFICIAL STATEMENT**

**SOUTHWESTERN ILLINOIS DEVELOPMENT AUTHORITY**

**$60,970,000**

**Local Government Program Revenue Bonds,**

**Series 2020**

**(Southwestern Illinois Flood Prevention District Council Project)**

**INTRODUCTION**

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

**Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the Southwestern Illinois Development Authority (the **“Authority”**), (2) the Southwestern Illinois Flood Prevention District Council, Madison, St. Clair and Monroe Counties, Illinois (the **“Council”**), and (3) the Authority’s Local Government Program Revenue Bonds, Series 2020 (Southwestern Illinois Flood Prevention District Council Project) (the **“Series 2020 Senior Bonds”**) issued in the original principal amount of $60,970,000.

The Series 2020 Senior Bonds are being issued for the purpose of providing funds to purchase the Council’s Flood Prevention District Council Sales Tax Revenue Bonds, Series 2020 (the **“Series 2020 Senior Local Government Securities”** and, collectively with the other Local Government Securities issued on a parity therewith, the **“Senior Local Government Securities”**) issued in the original principal amount of $60,970,000. The Series 2020 Senior Local Government Securities are being issued to provide funds to (a) refund the Authority’s (i) Local Government Program Revenue Bonds, Series 2010-A (Southwestern Illinois Flood Prevention District Council Project – Tax Exempt Bonds) maturing in the years 2021 and thereafter currently outstanding in the principal amount of $39,210,000, (ii) Taxable Local Government Program Revenue Bonds, Series 2010-B (Southwestern Illinois Flood Prevention District Council Project – Build America Bonds) currently outstanding in the principal amount of $9,050,000 and (iii) Taxable Local Government Program Revenue Bonds, Series 2010-C (Southwestern Illinois Flood Prevention District Council Project – Recovery Zone Economic Development Bonds) currently outstanding in the principal amount of $21,130,000 (collectively, the **“Refunded Bonds”**), and (b) pay costs of issuance. The Series 2020 Senior Local Government Securities are secured by the Senior Reserve Fund, a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities.

For the definition of certain capitalized terms used herein and not otherwise defined, see **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto.

**The Authority**

The Authority is a political subdivision, a body politic and a municipal corporation organized and existing under the Southwestern Illinois Development Authority Act of the State of Illinois (the **“State”**), 70 *Illinois Compiled Statutes*, 520/1 *et seq.*, as amended and supplemented (the **“SWIDA Act”**). See the caption **“THE AUTHORITY”** herein.

**The Council**

The Council is a governmental entity duly created and existing under the laws of the State pursuant to an intergovernmental cooperation agreement among the Madison County Flood Prevention District, Madison County, Illinois (the **“Madison County District”**), the St. Clair County Flood Prevention District, St. Clair County, Illinois (the **“St. Clair County District”**) and the Monroe County Flood Prevention District, Monroe County, Illinois (the **“Monroe County District”** and, together with the Madison County District and the St. Clair County District, the **“Districts”**). The Council was created to undertake the construction, financing, management, design and oversight of levee improvement projects. See the captions **“THE COUNCIL”** and **“ADDITIONAL PROJECTS TO ACHIEVE 500-YEAR FLOOD PROTECTION LEVELS”** herein.

The boundaries of the Council are coterminous with the boundaries of the Counties of Madison, St. Clair and Monroe, Illinois (collectively, the **“Counties”**). The Counties are located across the Mississippi River from the City of St. Louis, Missouri and St. Louis County, Missouri and cover approximately 1,787 square miles. According to recent population estimates, approximately 560,000 people live within the boundaries of the Counties. The Counties are part of the St. Louis Metropolitan Statistical Area. See **“APPENDIX A - GENERAL, ECONOMIC AND FINANCIAL INFORMATION OF THE COUNTIES”** hereto.

The levee system located in Southwestern Illinois and described in this Official Statement (the **“Levee System”**) is a system of 85 miles of mainline and wing levees authorized by Congress and designed and built by the Corps of Engineers (the **“Corps”**). The Levee System protects an area known as the American Bottom from flooding by the Mississippi River. Located in the Counties along the eastern bank of the Mississippi River, the American Bottom is a broad floodplain area covering approximately 174 square miles. According to an analysis prepared in 2008 by the East-West Gateway Council of Governments (the **“EWGCG Report”**), the official council of governments and metropolitan planning organization for Greater St. Louis, the American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses.

**The Series 2020 Senior Bonds**

The Series 2020 Senior Bonds are being issued pursuant to the SWIDA Act and a resolution duly adopted by the members of the Board of Directors of the Authority (the **“Resolution”**) on November 21, 2019. The proceeds of the Series 2020 Senior Bonds will be used to purchase the Series 2020 Senior Local Government Securities. The Authority has assigned and pledged the Series 2020 Senior Local Government Securities to the Registrar (as hereinafter defined) on behalf and for the benefit of the owners of the Series 2020 Senior Bonds.

A description of the Series 2020 Senior Bonds is contained in this Official Statement under the caption **“THE SERIES 2020 SENIOR BONDS**.**”** All references to the Series 2020 Senior Bonds are qualified in their entirety by the definitive form thereof and the provisions with respect thereto included in the Resolution. A description of the Series 2020 Senior Local Government Securities is contained in this Official Statement under the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES**.**”** All references to the Series 2020 Senior Local Government Securities are qualified in their entirety by the definitive form thereof and the provisions with respect thereto included in the Indenture of Trust dated as of November 23, 2010, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 1, 2015 and the Second Supplemental Indenture of Trust dated as of February 1, 2020 (as so amended and supplemented, the **“Senior Indenture”**), between the Council and UMB Bank, National Association, St. Louis, Missouri (the **“Trustee”**), authorizing the issuance of the Senior Local Government Securities.

**Security for the Series 2020 Senior Bonds**

The Series 2020 Senior Bonds and the interest thereon are special, limited obligations of the Authority, payable solely from the revenues derived from the payment of the principal of and interest on the Series 2020 Senior Local Government Securities. The Authority has assigned and pledged the Series 2020 Senior Local Government Securities to the Registrar on behalf and for the benefit of the owners of the Series 2020 Senior Bonds. See **“SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 SENIOR BONDS”** herein.

Payments of the principal of and interest on the Series 2020 Senior Local Government Securities are payable from a pledge of the Flood Prevention District Revenues, which include a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County at a rate of 0.25% of the gross receipts from all taxable sales as described in the Flood Prevention District Act of the State, as amended, and any substitute therefor as provided by the State in the future (collectively, the **“Flood Prevention District Sales Taxes”**). From January 1, 2009, when the Flood Prevention District Sales Taxes became effective, through December 31, 2018, approximately $113.7 million of Flood Prevention District Sales Taxes have been collected by the Counties, with approximately $12.3 million of such amount collected in 2018. In addition, approximately $8.9 million was collected from January 1, 2019 through September 30, 2019. See **“FLOOD PREVENTION DISTRICT SALES TAXES”** herein. The pledge of the Flood Prevention District Revenues to the Series 2020 Senior Local Government Securities is on a parity with certain other obligations of the Council (the **“Senior Local Government Securities”**), including $27,705,000 principal amount of Senior Local Government Securities issued in 2015 (all of which remain outstanding) (the **“Series 2015 Senior Local Government Securities”**). Additional Senior Local Government Securities ranking on a parity with the outstanding Senior Local Government Securities may be issued in the future under the terms specified in the Senior Indenture. See **“THE SENIOR LOCAL GOVERNMENT SECURITIES”** herein. In addition, the Council issued $56,130,000 principal amount of other obligations (the **“Subordinate Local Government Securities”**) in January 2016, which Subordinate Local Government Securities were issued on a basis subordinate to the Senior Local Government Securities and are currently outstanding in the principal amount of $54,540,000. The Council issued the Subordinate Local Government Securities pursuant to a Subordinate Indenture of Trust by and between the Council and the Trustee, dated as of December 1, 2015 (the **“Subordinate Indenture”**). The holders of the Series 2020 Senior Bonds will not have any interest in the Subordinate Local Government Securities. Additional Subordinate Local Government Securities may be issued in the future under the terms specified in the Subordinate Indenture. In addition, the Subordinate Indenture authorizes the Council to issue additional obligations which are payable on a subordinate basis to the Subordinate Local Government Securities.

“**Flood Prevention District Revenues**” is defined in the Senior Indenture as (a) the Flood Prevention District Sales Taxes, and (b) any other revenues of the Districts and the Council which are permitted to be used to pay debt service on the Senior Local Government Securities or the Subordinate Local Government Securities.

The Series 2020 Senior Local Government Securities will be further secured by a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities.

**Deemed Consent of Holders of Series 2020 Senior Bonds to Amendment of Senior Indenture**

In conjunction with the issuance of the Series 2020 Senior Local Government Securities, the Council and the Trustee are entering into the Second Supplemental Indenture of Trust dated as of February 1, 2020 (the **“Second Supplemental Indenture”**), amending the Senior Indenture. In addition to providing for the issuance of the Series 2020 Senior Local Government Securities, the Second Supplemental Indenture provides for the amendment of certain provisions of the Senior Indenture relating to the Senior Reserve Fund, which changes will only be effective upon the receipt by the Trustee and the Council of the consents of the requisite number of holders of Senior Local Government Securities then Outstanding. The amendment will change the provisions relating to the provision of a Reserve Fund Credit Instrument and amend the definition of **“Reserve Fund Credit Instrument.”**

See **“DEEMED CONSENT OF HOLDERS OF SERIES 2020 SENIOR BONDS TO AMENDMENT OF SENIOR INDENTURE”** herein for a further description of the proposed amendments. The purchasers of the Series 2020 Senior Bonds in this offering will be deemed to have consented to (and to have directed the Authority and the Registrar, as the holder and pledgee of the Series 2020 Senior Local Government Securities, to consent to) such amendments to the Senior Indenture.

**Bondowners’ Risks**

The Series 2020 Senior Bonds involve a certain degree of risk, and prospective purchasers should read the section captioned **“BONDOWNERS’ RISKS”** herein.

**Continuing Disclosure**

The Council covenants in the Continuing Disclosure Undertaking to provide its audited financial statements and certain financial information within six months after the end of the Council’s fiscal year, commencing with the fiscal year ended September 30, 2020, and to provide notices of the occurrence of certain enumerated events. See **“CONTINUING DISCLOSURE”** herein.

**Definitions and Summaries of the Principal Documents**

Definitions of certain words and terms used in this Official Statement and a summary of certain provisions of the principal documents are included in this Official Statement in **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the Resolution, the Senior Indenture and the Continuing Disclosure Undertaking are qualified in their entirety by reference to the definitive form of such documents, copies of which may be obtained from the Trustee at UMB Bank, National Association, Two South Broadway, Suite 600, St. Louis, Missouri 63102.

**THE AUTHORITY**

**Organization and Powers**

The Authority is a political subdivision, a body politic and a municipal corporation duly organized and validly existing under the laws of the State, including particularly the SWIDA Act. The Authority is authorized under the SWIDA Act, among other things, to issue its revenue bonds and to use the proceeds thereof for the purpose of purchasing “local government securities,” within the meaning of the SWIDA Act.

THE SERIES 2020 SENIOR BONDS SHALL NOT CONSTITUTE A DEBT OF THE STATE, AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FAITH OR LOAN OF CREDIT OF THE AUTHORITY OR THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE AUTHORITY OR THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 SENIOR BONDS OR OTHER COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2020 SENIOR BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE RESOLUTION. THE MEMBERS OF THE BOARD OF DIRECTORS OF THE AUTHORITY HAVE DETERMINED THAT SECTION 7(f) OF THE SWIDA ACT, RELATING TO THE MORAL OBLIGATION OF THE STATE OF ILLINOIS, DOES **NOT** APPLY TO THE SERIES 2020 SENIOR BONDS.

The Authority has a Board of Directors in which the powers of the Authority are vested, which consists of thirteen directors and two ex officio members. The address of the Authority is 1022 Eastport Plaza Drive, Collinsville, Illinois 62234. The phone number of the Authority is (618) 345-3400.

The Authority has three full-time employees, including Michael J. Lundy, who serves as Executive Director.

**Indebtedness of the Authority**

The Authority is authorized to issue and may issue other series of bonds and notes secured by instruments separate and apart from the Resolution. The owners of such bonds and notes will have no claim on the assets, funds or revenues of the Authority securing the Series 2020 Senior Bonds. The owners of the Series 2020 Senior Bonds will have no claim on the assets, funds or revenues of the Authority securing such other bonds and notes.

**THE COUNCIL**

**History of the Levee System**

The Levee System consists of approximately 65 miles of mainline and wing levees. Much of the system was built locally and then authorized by Congress to be raised and enlarged by the Corps. The Levee System protects an area known as the American Bottom from flooding by the Mississippi River and its tributaries. Located in the Counties along the eastern bank of the Mississippi River, the American Bottom is a broad floodplain area covering approximately 174 square miles. According to the EWGCG Report, the American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses.

Much of the Levee System was built in the 1940s and improved during the 1950s and 1960s using design standards in place at that time. Authorized at an elevation of 52 feet on the St. Louis gauge with two feet of freeboard, the levee improvements built by the Corps were designed, in accordance with standards and criteria then in place, to provide a 500-year level of protection (i.e., a 0.20% chance of occurring in any given year). The area protected by the Levee System has not been flooded by the Mississippi River since the Levee System was initially constructed.

The Levee System contains five component units that were built or improved by the Corps:

• Wood River levee (upper and lower)

• Chain of Rocks canal, levee and locks

• East St. Louis levee

• Prairie Du Pont levee

• Fish Lake levee

In response to certain natural disasters involving levees over the past 30 years, including the Midwest flood in 1993, which caused approximately 50 deaths and $15 billion in damage, and Hurricane Katrina in 2005, which caused approximately 1,800 deaths and $200 billion in damage, Congress and the responsible federal agencies revisited and revised levee-related policies and programs.

As the Federal Emergency Management Agency (**“FEMA”**) updates flood insurance rate maps depicting the boundaries of Special Flood Hazard Areas (**“SFHAs”**) – those subject to inundation during a base flood (i.e., a flood with a 1% chance of occurring in any given year or 100-year flood) – certification requirements for crediting levees are, for the first time, being rigidly enforced. The past performance of a levee system will no longer be used as the basis for determining whether it would perform as intended; instead, that assessment will be based on a set of defined criteria. This change in certification requirements brought into question whether the Levee System would be credited as providing 100-year protection on updated flood maps. In August 2007, FEMA announced that the Levee System would likely not meet the minimum criteria for flood protection from the 100-year flood even though there had never been a breach or structural failure of the Levee System resulting in flooding of the levee-protected area.

**Impact of Loss of FEMA Accreditation of the Levee System**

An area impacted by an accredited levee is shown as a moderate-risk area and labeled “Zone X” on FEMA’s Flood Insurance Rate Map (**“FIRM”**). In these areas, FEMA regulations do not have a mandatory flood insurance purchase requirement. If a levee is not accredited, however, an area will be mapped as a SFHA, requiring property owners in this area securing a loan from a federally regulated financial institution to have flood insurance.

Flood insurance premiums offered at standard rates in SFHAs are much higher than for properties protected by FEMA-accredited levees. The EWGCG Report estimated that total increases in insurance premiums would be about $50 million annually from the three-county area protected by the Levee System. The EWGCG Report identified that FEMA deaccreditation of the Levee System might also trigger very restrictive changes in local building regulations and decreases in the value of property, negatively impacting the potential for development of the Counties.

**The Flood Prevention District Act and the Districts**

In response to the safety and economic concerns surrounding FEMA’s actions to deaccredit the Levee System and at the urging of local leaders of Southwestern Illinois, the General Assembly of the State of Illinois passed and the Governor of Illinois signed into law in 2008 the Flood Prevention District Act, 70 ILCS 750/1 *et seq.* (as amended, the **“Flood Prevention Act”**). The Flood Prevention Act gave the Counties the authority to create flood prevention districts for the purpose of performing emergency levee repair and flood prevention in order to prevent the loss of life or property and the authority to impose the Flood Prevention District Sales Taxes. Each District is coterminous with the boundaries of the County in which the District is situated and is governed by a board of three commissioners who are appointed by the chairman of the county board in which the District is situated.

**Creation of the Council by Intergovernmental Agreement**

Pursuant to the Flood Prevention Act, the Districts were given the power to join together through an intergovernmental agreement to provide any services described in the Flood Prevention Act, including the issuance of bonds. The Districts determined that it was in the best interest of the Counties and the public for the Districts to join together to complete the project in concert, instead of trying to improve the Levee System as three separate projects with each project approved by a different governing body. The Districts entered into An Intergovernmental Agreement to Finance, Design, and Manage the Rebuilding of the Levee Systems in Southwestern Illinois dated as of June 11, 2009, as amended by the Amendment to Intergovernmental Agreement dated as of November 23, 2010 and the Amendment to Intergovernmental Agreement dated as of December 1, 2015 and the Amendment to Intergovernmental Agreement dated as of February 1, 2020 (as so amended, the **“District/Council Intergovernmental Agreement”**) to create the Council in order to coordinate the design, construction, financing, management and oversight of the levee improvement project. The Council is governed by a Board of Directors, which has no more than nine voting members, comprised of the three commissioners of each District. The Board of Directors elects a President, Vice President and Secretary/Treasurer, with each officer from a different District, to serve a one-year term. The current officers of the Board of Directors of the Council are as follows:

| **Name** | **Title** |
| --- | --- |
| Debra Moore | President |
| John Conrad | Vice President |
| Jeremy Plank | Secretary/Treasurer |

Pursuant to the District/Council Intergovernmental Agreement, the Council hires a Chief Supervisor of Construction and the Works (the **“Chief Supervisor”**) to manage the activities of the Council, including coordinating the restoration of the levees. On January 15, 2014, Chuck Etwert became the Chief Supervisor. Mr. Etwert is licensed as a Professional Engineer in Missouri and earned a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Engineering Management, both from the Missouri University of Science & Technology. He has over 45 years of engineering experience working with governmental agencies and consulting firms. Approximately 23 of those years were at progressively more responsible positions at the Metropolitan St. Louis Sewer District, approximately 14 of which were as Assistant Executive Director or Acting Executive Director. Currently, Mr. Etwert is the only employee of the Council. CliftonLarsonAllen serves as fiscal agent for the Council, providing payroll, accounting, billing and procurement support. EWGCG handles payroll and provides employment support.

Pursuant to the District/Council Intergovernmental Agreement, the Council is required to adopt its annual budget on or before July 31 of each year for the fiscal year beginning October 1, to allow time for the budget to be reviewed and approved by each District and each County. Also, the financial records of the Council must be audited by a certified public accountant at least once per fiscal year. The District/Council Intergovernmental Agreement also provides for the issuance of bonds and the application of the Flood Prevention District Revenues as described under the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Flow of Funds”** herein.

The District/Council Intergovernmental Agreement will end on the date on which all bonds or other obligations issued by the Council, including the Series 2020 Senior Bonds, have been paid or discharged in full. No District may withdraw from the District/Council Intergovernmental Agreement unless all bonds or other obligations issued by the Council, including the Series 2020 Senior Bonds, have been paid or discharged in full.

**Status of Reconstruction of the Levee System**

Since 2010, the Council has undertaken eleven flood protection projects to achieve a 100-year flood level of protection at a total construction cost of $74.7 million. Construction was completed on all 100-year flood protection projects in February 2018. The projects have been tested with three of the highest flood events on record occurring in the last four years. The recent May/June 2019 flood event was the second highest event on record at 45.93 feet and the longest flood event on record at 126 days above flood stage. The duration of the May/June flood event exceeded that of the Great Flood of 1993, which was above flood stage for 94 days. All improvements built by the Council to date have performed as designed.

**Process to Maintain FEMA Accreditation of the Levee System**

Certification reports have been submitted to FEMA for the five levee systems. On April 29, 2019, FEMA issued a letter of “structural acceptability” for the East St. Louis Levee System with the intent of issuing new maps reflecting continued accreditation. A letter of continued accreditation was issued by FEMA on November 14, 2019 for the Prairie Du Pont and Fish Lake Levees Systems. The Council continues to provide FEMA additional requested information for the remaining levee systems. Given the current review process by FEMA, the Council expects the continued accreditation of all of the Levee System to be confirmed by FEMA in 2020, with the issuance of flood maps to follow in 2021.

**Additional Projects to Achieve 500-Year Flood Protection Levels**

In February 2015, the Council’s board of directors approved a resolution establishing the Council’s official intent to restore the Levee System to a 500-year level of flood prevention. The Council is actively working with the Corps on locally-funded projects that would qualify for work-in-kind credit towards the federal Authorized Level of Protection Project (500-Year Flood Protection Level).

In 2017 and 2018, the Corps issued certified cost estimates, totaling $292 million for the 500-year level of flood protection. Based on these estimates the Council needs $89 million to complete the non-federal share of the 500-year level of protection. The Council expects to use approximately $63 million of cash-on-hand to fund the most cost effective and highest priority 500-year level of protection projects within the Levee System. The Council expects that a portion of the balance of 500-year level of protection projects will be financed by the Corps using federal moneys. The Council might seek authorization in the future for the issuance of additional bonds to fund the estimated $26 million in additional Council funds needed to complete these projects.

**County/Council Intergovernmental Agreements**

The Council has also entered into a separate intergovernmental agreement with each County and its related District (as amended, referred to herein collectively as the **“County/Council Intergovernmental Agreements”**). Pursuant to the County/Council Intergovernmental Agreements, the Counties have agreed that the Flood Prevention District Sales Taxes will be transmitted by the Comptroller of the State directly to the Trustee for deposit into the Council Sales Tax Fund to be applied as provided in the Senior Indenture and the Subordinate Indenture. See the captions **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Flow of Funds”** and **“FLOOD PREVENTION DISTRICT SALES TAXES”** herein.

**Maintenance of the Levee System**

Once improvements to the Levee System are completed, it is the responsibility of various regional drainage districts or sanitary districts to operate and maintain such improvements. The Council is **not** obligated to operate or maintain or provide money to operate or maintain the improvements once completed.

**THE SERIES 2020 SENIOR BONDS**

*The following is a summary of certain terms and provisions of the Series 2020 Senior Bonds. Reference is hereby made to the Series 2020 Senior Bonds and the provisions with respect thereto in the Resolution for the detailed terms and provisions thereof.*

**Authorization; Description of the Series 2020 Senior Bonds**

The Series 2020 Senior Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including particularly the SWIDA Act. The Series 2020 Senior Bonds will be issued as fully-registered bonds, without coupons. Purchases of the Series 2020 Senior Bonds will be made in book-entry form only (as described below) in denominations of $5,000 or any integral multiples thereof. Purchasers of the Series 2020 Senior Bonds will not receive certificates representing their interests in the Series 2020 Senior Bonds purchased. The Series 2020 Senior Bonds will be dated as of the date of initial issuance thereof, and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2020 Senior Bonds will bear interest at the rates per annum set forth on the inside cover page hereof, which interest will be payable semiannually on April 15 and October 15 in each year, beginning on April 15, 2020. Interest on the Series 2020 Senior Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

**Registration, Transfer and Exchange of Series 2020 Senior Bonds**

The Authority shall cause books (the **“Bond Register”**) for the registration and for the transfer of the Series 2020 Senior Bonds as provided in the Resolution to be kept at the corporate trust office of UMB Bank, National Association (the **“Registrar”**) in St. Louis, Missouri.

Upon surrender for transfer of any Series 2020 Senior Bond at the principal corporate trust office of the Registrar duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Registrar duly executed by, the registered owner thereof or his, her or its attorney duly authorized in writing, the Authority shall execute and the Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Series 2020 Senior Bond or Series 2020 Senior Bonds of the same maturity and interest rate, of authorized denomination or denominations, for a like aggregate principal amount. Any fully registered Series 2020 Senior Bond or Series 2020 Senior Bonds may be exchanged at said office of the Registrar for a like aggregate principal amount of the Series 2020 Senior Bond or Series 2020 Senior Bonds of the same maturity and interest rate, of other authorized denominations. The execution by the Authority of any fully registered Series 2020 Senior Bond shall constitute full and due authorization of such Series 2020 Senior Bond, and the Registrar shall thereby be authorized to authenticate, date and deliver such Series 2020 Senior Bond; *provided*, *however*, that the principal amount of the outstanding Series 2020 Senior Bonds authenticated by the Registrar shall never exceed the authorized aggregate principal amount of the Series 2020 Senior Bonds, less previous retirements.

The Registrar shall not be required to transfer or exchange any Series 2020 Senior Bond during the period of fifteen (15) days next preceding any interest payment date on such Series 2020 Senior Bond, nor to transfer or exchange any Series 2020 Senior Bond after notice calling such Series 2020 Senior Bond for redemption prior to maturity has been mailed nor during the period of fifteen (15) days next preceding mailing of a notice of redemption of any Series 2020 Senior Bonds prior to maturity.

The person in whose name any Series 2020 Senior Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and the payment of the principal of or interest on any Series 2020 Senior Bond shall be made only to or upon the order of the registered owner thereof or his, her or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2020 Senior Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Series 2020 Senior Bonds, but the Authority or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2020 Senior Bonds, except in the case of the issuance of a Series 2020 Senior Bond or Series 2020 Senior Bonds for the unredeemed portion of a Series 2020 Senior Bond surrendered for redemption prior to maturity.

**Redemption Provisions**

***Optional Redemption.*** The Series 2020 Senior Bonds maturing on and after April 15, 2031, shall be subject to redemption prior to maturity at the option of the Authority from any legally available funds, in whole or in part on any date on and after April 15, 2030, and if in part, from such maturity or maturities as the Authority may determine, and if less than an entire maturity, in integral multiples of $5,000, selected by the Registrar as provided in the Resolution and described below under the caption **“Partial Redemption**,**”** at the redemption price of the principal amount to be redeemed.

***Mandatory Sinking Fund Redemption.*** The Series 2020 Senior Bonds maturing on October 15, 2035 are subject to mandatory sinking fund redemption in part (less than all of the Series 2020 Senior Bonds of a single maturity to be selected by the Registrar as provided in the Resolution), on April 15 and October 15 of the years and in the respective aggregate principal amounts, at a redemption price of 100% of the principal amount thereof being redeemed, as follows:

Series 2020 Senior Bonds Maturing October 15, 2035

| Date | Principal Amount |
| --- | --- |
|  |  |
| 4/15/35 | $5,120,000 |
| 10/15/35\* | 2,505,000 |
| \_\_\_\_\_\_\_\_\_\_\_\_\_  \* Final Maturity |  |

If Series 2020 Senior Bonds of any maturity are subject to mandatory sinking fund redemption and if such Series 2020 Senior Bonds shall have been called for optional redemption in part, then the amount of the remaining annual sinking fund installments (including the final maturity amount) for such maturity shall be reduced in such order as shall be specified by the Authority.

***Partial Redemption of Series 2020 Senior Bonds.*** The Series 2020 Senior Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples of $5,000. For purposes of any redemption of less than all of the outstanding Series 2020 Senior Bonds of a single maturity, the particular Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds to be redeemed prior to maturity shall be selected not more than sixty (60) days prior to the date fixed for redemption by the Registrar from the outstanding Series 2020 Senior Bonds of such maturity by lot, and which may provide for the selection for redemption of Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds in principal amounts of $5,000 and integral multiples of $5,000 per maturing value.

***Notice of Redemption.*** Unless waived by any owner of Series 2020 Senior Bonds to be redeemed prior to maturity, notice of the call for any such redemption prior to maturity shall be given by the Registrar on behalf of the Authority by mailing the redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Series 2020 Senior Bond or Series 2020 Senior Bonds to be redeemed at the address shown on the Registrar or at such other address as is furnished in writing by such registered owner to the Registrar.

On or prior to any date fixed for redemption, the Authority shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds which are to be redeemed prior to maturity on that date. With respect to an optional redemption of any Series 2020 Senior Bonds, unless moneys sufficient to pay the principal of and interest on the Series 2020 Senior Bonds to be redeemed shall have been received by the Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Authority, state that said redemption shall be conditional upon the occurrence of any event, including upon the receipt of such moneys by the Registrar on or prior to the date fixed for redemption. If such condition is not satisfied, such notice shall be of no force and effect, the Authority shall not redeem such Series 2020 Senior Bonds and the Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2020 Senior Bonds will not be redeemed.

Notice of redemption having been given as described above, the Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds so to be redeemed prior to maturity shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, except in the case of a conditional call pursuant to which the notice of redemption is rescinded, and from and after such date (unless the Authority shall default in the payment of the redemption price) such Series 2020 Senior Bonds or portions of Series 2020 Senior Bonds shall cease to bear interest. Upon surrender of such Series 2020 Senior Bonds for redemption in accordance with said notice, such Series 2020 Senior Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on and prior to the date fixed for redemption shall be payable as provided in the Resolution for the payment of interest. Upon surrender for any partial redemption of any Series 2020 Senior Bond, there shall be prepared for the registered owner a new Series 2020 Senior Bond or Series 2020 Senior Bonds of the same maturity and interest rate in the amount of the unpaid principal. All Series 2020 Senior Bonds which have been redeemed shall be cancelled and destroyed by the Registrar in accordance with its customary procedures, and shall not be reissued.

**Book-Entry Only System**

***General.*** The Series 2020 Senior Bonds are available in book-entry only form. Purchasers of the Series 2020 Senior Bonds will not receive certificates representing their interests in the Series 2020 Senior Bonds. Ownership interests in the Series 2020 Senior Bonds will be available to purchasers only through a book-entry system (the **“Book-Entry System”**) maintained by The Depository Trust Company (**“DTC”**), New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Authority and the Council take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Series 2020 Senior Bonds. The Series 2020 Senior Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Senior Bond certificate will be issued and will be deposited with DTC or the Registrar as its agent.

***DTC and its Participants.*** DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (**“Direct Participants”**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**“DTCC”**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**“Indirect Participants”**). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

***Purchases of Ownership Interests.*** Purchases of Series 2020 Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Senior Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 Senior Bond (**“Beneficial Owner”**) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Senior Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2020 Senior Bonds is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Series 2020 Senior Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Senior Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Senior Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

***Notices.*** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020 Senior Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Senior Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Senior Bond documents. For example, Beneficial Owners of Series 2020 Senior Bonds may wish to ascertain that the nominee holding the Series 2020 Senior Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2020 Senior Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

***Voting.*** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020 Senior Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Series 2020 Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

***Payments of Principal, Redemption Price and Interest.*** Payments of redemption proceeds, principal of, premium, if any, and interest on the Series 2020 Senior Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Registrar, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2020 Senior Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

***Discontinuation of Book-Entry System.*** DTC may discontinue providing its services as depository with respect to the Series 2020 Senior Bonds at any time by giving reasonable notice to the Authority or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Senior Bond certificates are required to be printed and delivered.

If the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Series 2020 Senior Bonds from DTC (or such successor securities depository), Series 2020 Senior Bond certificates may be delivered to Beneficial Owners in the manner described in the Resolution.

**SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 SENIOR BONDS**

**Limited Obligations; Sources of Payment**

The Series 2020 Senior Bonds and the interest thereon shall be special, limited obligations of the Authority, payable only from the revenues derived from the payment of the principal of and interest on the Series 2020 Senior Local Government Securities. The Authority has assigned and pledged the Series 2020 Senior Local Government Securities to the Registrar on behalf and for the benefit of the owners of the Series 2020 Senior Bonds. THE SERIES 2020 SENIOR BONDS SHALL NOT CONSTITUTE A DEBT OF THE STATE, AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FAITH OR LOAN OF CREDIT OF THE AUTHORITY OR THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE AUTHORITY OR THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 SENIOR BONDS OR OTHER COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2020 SENIOR BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE RESOLUTION. THE MEMBERS OF THE BOARD OF DIRECTORS OF THE AUTHORITY HAVE DETERMINED THAT SECTION 7(f) OF THE SWIDA ACT, RELATING TO THE MORAL OBLIGATION OF THE STATE OF ILLINOIS, DOES **NOT** APPLY TO THE SERIES 2020 SENIOR BONDS.

THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS FOR PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON ANY OF THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES.

Pursuant to a depository agreement (the **“Depository Agreement”**) between the Authority and the Registrar, the Authority has assigned and pledged all of its right, title and interest in and to, including without limitation its rights to payment of any and all amounts which may become due under, (a) the Series 2020 Senior Local Government Securities, (b) the Local Purchase Agreement (except the right of the Authority to receive certain fees and expenses), (c) the debt service fund established with the Registrar pursuant to the Depository Agreement, (d) all other rights and remedies to enforce such payment of any amount due to the Authority (except the right to exercise any such right or remedy to enforce performance of any right which the Authority has not assigned or pledged under the Depository Agreement), and (e) all other property from time to time assigned or pledged by the Authority to the Registrar on behalf and for the benefit of the owners of the Series 2020 Senior Bonds as security for the due and punctual payment of the principal of and interest on the Series 2020 Senior Bonds.

**THE SENIOR LOCAL GOVERNMENT SECURITIES**

**General**

The Series 2020 Senior Local Government Securities are being issued pursuant to the Senior Indenture to provide funds to refund the Refunded Bonds and pay costs of issuance of the Series 2020 Senior Bonds and the Series 2020 Senior Local Government Securities. The Series 2020 Senior Local Government Securities are secured by the Senior Reserve Fund, a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities.   In addition to approval by the Council, the issuance of the Series 2020 Senior Local Government Securities has been approved by an ordinance duly adopted by each of the Counties and a resolution duly adopted by each of the Districts. The Series 2020 Senior Local Government Securities are being issued on a parity with certain Senior Local Government Securities previously issued in 2010 and 2015 and will be on a senior basis with respect to certain Subordinate Local Government Securities issued in 2016.

The Council pledges the Flood Prevention District Revenues to the Trustee on behalf of the owners of the Senior Local Government Securities, as provided in the Senior Indenture, for the prompt payment of the principal of, premium, if any, and interest on the Senior Local Government Securities when due. The pledge of the Flood Prevention District Revenues to the Subordinate Local Government Securities is on a subordinate basis to the Senior Local Government Securities, whether now outstanding or hereafter issued. **“Flood Prevention District Revenues”** is defined in the Senior Indenture as (a) the Flood Prevention District Sales Taxes, and (b) any other revenues of the Districts and the Council which are permitted to be used to pay debt service on Senior Local Government Securities.

THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNCIL, THE COUNTIES OR THE DISTRICTS FOR PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON ANY OF THE SERIES 2020 SENIOR LOCAL GOVERNMENT SECURITIES.

**Trustee Intercept of Flood Prevention District Sales Taxes**

Pursuant to the County/Council Intergovernmental Agreements, the Counties have agreed that the Flood Prevention District Sales Taxes will be transmitted by the Comptroller of the State directly to the Trustee for deposit into the Council Sales Tax Fund to be applied as provided in the Senior Indenture and the Subordinate Indenture. See the caption **“Flow of Funds”** below.

**Flow of Funds**

Pursuant to the Senior Indenture, a Council Sales Tax Fund is established as a trust fund to be held by the Trustee. Pursuant to the Subordinate Indenture a Council Sales Tax Fund is established as a trust fund to be held by the Subordinate Trustee. Pursuant to each Council/County Intergovernmental Agreement, each County has directed the Comptroller of the State of Illinois, for the period during which any of the Local Government Securities are Outstanding, to pay the respective County’s Flood Prevention District Sales Taxes directly to the Trustee or, if no Senior Local Government Securities remain outstanding, to the Subordinate Trustee, rather than to the respective County. All other Flood Prevention District Revenues legally available to pay debt service on the Local Government Securities shall also be deposited in the Council Sales Tax Fund under the Senior Indenture or, if no Senior Local Government Securities are Outstanding, in the Council Sales Tax Fund under the Subordinate Indenture, in each case as and when received. So long as any Senior Local Government Securities remain outstanding, the Trustee shall deposit the Flood Prevention District Sales Taxes and other Flood Prevention District Revenues in the Council Sales Tax Fund under the Senior Indenture and apply the funds as set forth in the Senior Indenture, including transfers of funds for the payment of debt service on the Subordinate Bonds and to replenish the Subordinate Reserve Fund. Upon receipt by the Subordinate Trustee of Flood Prevention District Sales Taxes from the Comptroller of the State of Illinois, the receipt of other Flood Prevention District Revenues or the receipt of amounts transferred to the Subordinate Trustee by the Trustee, the Subordinate Trustee shall deposit such amounts in the Council Sales Tax Fund under the Subordinate Indenture. The following sub-funds have been created in the Council Sales Tax Fund under the Senior Indenture: “Series 2020 Senior Bond Fund,” the “Senior Reserve Fund,” the “Rebate Fund,” the “Council Administrative Fund” and the “Surplus Fund.” The following sub-funds have been created in the Council Sales Tax Fund under the Subordinate Indenture: “Subordinate Lien Bond Fund,” the “Subordinate Reserve Fund,” the “Rebate Fund,” the “Council Administrative Fund” and the “Surplus Fund.” The Council Administrative Fund and the Surplus Fund created by the Subordinate Indenture will remain dormant until no Senior Local Government Securities remain Outstanding.

The use of funds under the Senior Indenture and the Subordinate Indenture are substantially similar, with the primary difference being the deletion of subsections (a) – (c) below if no Senior Local Government Securities remain outstanding. Amounts deposited in the applicable Council Sales Tax Fund are to be transferred to the following accounts in the order and at the times as follows:

(a) [reserved]

(b) immediately upon receipt, to the extent not previously funded pursuant to subsection (a) above, into each Bond Fund Account in the Senior Bond Fund an amount equal to one-sixth of the interest becoming due on the next succeeding interest payment date on all Outstanding Senior Local Government Securities of the applicable series issued and one-twelfth of the principal becoming due on the next succeeding principal maturity or mandatory redemption date of all Outstanding Senior Local Government Securities of the applicable series issued, plus an amount necessary to make up for any existing deficiencies in such Bond Fund Account in the Senior Bond Fund caused by prior deposits that did not fully meet the requirements of this provision. If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account in the Senior Bond Fund so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to this subsection. For purposes of this paragraph (b), the phrase “next succeeding interest payment date” means the next interest payment date occurring more than 15 days after the date of such deposit, and the phrase “next succeeding principal maturity or mandatory redemption date” means the next principal maturity date or mandatory redemption date occurring more than 15 days after the date of such deposit. Any moneys deposited into the Council Sales Tax Fund during the month in which any series of Senior Local Government Securities are issued shall be treated as received on the first Business Day of the first month following the date of issuance of such series of the Senior Local Government Securities. During the period from the date of issuance of a series of Senior Local Government Securities until the first interest payment date with respect to such series of the Senior Local Government Securities, the amount “one-sixth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first Interest Payment Date for such series of Senior Local Government Securities, and the amount “one-twelfth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first principal maturity or mandatory redemption date for such series of Senior Local Government Securities;

(c) immediately upon receipt, into each account in the Senior Reserve Fund an amount which, together with the moneys then on deposit in such account of the Senior Reserve Fund (taking into account the principal amount of any Reserve Fund Credit Instrument applicable thereto), equals the Reserve Requirement applicable thereto or an amount necessary to reimburse the provider of any Reserve Fund Credit Instrument;

(d) immediately upon receipt, into each Bond Fund Account in the Subordinate Lien Bond Fund an amount equal to one-sixth of the interest becoming due on the next succeeding interest payment date on all Outstanding Subordinate Local Government Securities of the applicable series and one-twelfth of the principal becoming due on the next succeeding principal maturity or mandatory redemption date of all Outstanding Subordinate Local Government Securities of the applicable series, plus an amount necessary to make up for any existing deficiencies in such Bond Fund Account in the Subordinate Lien Bond Fund caused by prior deposits that did not fully meet the requirements of this provision. If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account in the Subordinate Lien Bond Fund so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to this subsection. For purposes of this paragraph (d), the phrase “next succeeding interest payment date” means the next interest payment date occurring more than 15 days after the date of such deposit, and the phrase “next succeeding principal maturity or mandatory redemption date” means the next principal maturity date or mandatory redemption date occurring more than 15 days after the date of such deposit. Any moneys deposited into the Council Sales Tax Fund during the month in which any series of Subordinate Local Government Securities are issued under the Subordinate Indenture shall be treated as received on the first Business Day of the first month following the date of issuance of such series of the Subordinate Local Government Securities. During the period from the date of issuance of a series of Subordinate Local Government Securities until the first interest payment date with respect to such series of the Subordinate Local Government Securities, the amount “one-sixth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first Interest Payment Date for such series of Subordinate Local Government Securities, and the amount “one-twelfth” shall mean a fraction the numerator of which is one (1) and the denominator of which is the number of whole months between the Closing Date and the first principal maturity or mandatory redemption date for such series of Subordinate Local Government Securities;

(e) immediately upon receipt, into each account in the Subordinate Reserve Fund an amount which, together with the moneys then on deposit in such account of the Subordinate Reserve Fund (taking into account the principal amount of any Reserve Fund Credit Instrument applicable thereto), equals the reserve requirement applicable thereto or an amount necessary to reimburse the provider of any Reserve Fund Credit Instrument;

(f) immediately upon receipt, into the Rebate Fund such amount as is required to be deposited therein pursuant to any tax certificate or agreement executed and delivered relating to any Senior Local Government Securities or any Subordinate Local Government Securities (or, in each instance, any bonds or other obligations issued to purchase the same);

(g) immediately upon receipt, into the Council Administrative Fund the amount necessary to provide for all expenses of the Council for such Fiscal Year as set forth in the approved Council budget, as such budget may have theretofore been amended; and

(h) on each April 15 and October 15, into the Surplus Fund.

**Senior Bond Fund**

The Senior Bond Fund is a trust fund to be held by the Trustee in trust for the benefit of the holders of the Senior Local Government Securities. Created within the Senior Bond Fund are accounts for each series of Senior Local Government Securities. Commencing with the first month following the date of issuance of the Series 2020 Senior Local Government Securities, the Trustee shall deposit into the Bond Fund Account for the Series 2020 Senior Bonds, immediately upon receipt, the amounts set forth and described in section (a) and (b) under the caption **“Flow of Funds”** above.

In computing the fractional amount to be set aside each month in each Bond Fund Account, the fraction shall be so computed that a sufficient amount will be set aside in said Account and will be available for the prompt payment of such principal of and interest on the relative series of Senior Local Government Securities and shall be not less than one-sixth of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth of the principal becoming due on the next succeeding principal payment date on the relative series of Senior Local Government Securities until there is sufficient money in each Bond Fund Account to pay such principal or interest, or both.

The Trustee shall also deposit in each Bond Fund Account in any month an amount necessary to make up for any existing deficiencies in the Bond Fund Account caused by prior deposits that did not fully meet the requirements of the Senior Indenture described under this caption.

If there are insufficient funds to make such deposits in any month the Trustee shall make deposits to each Bond Fund Account so that each Bond Fund Account receives an equal percentage of the amount otherwise required to be deposited thereto pursuant to the Senior Indenture and described under this caption.

Except during the month of April, payments to the Bond Fund Accounts may be suspended in any Bond Year at such time as there shall be a sufficient sum, held in cash and investments, in each said Account to meet principal and interest requirements in said Account for the balance of such Bond Year, but such credits shall again be resumed on April 1 of each year, or, if for any reason whatsoever, the amounts on deposit are at any time insufficient to meet said principal and interest requirements.

The Council covenants and agrees with the purchasers and the owners of the Senior Local Government Securities that so long as the Senior Local Government Securities remain outstanding, the Council will take no action or fail to take any action which in any way would adversely affect the ability of each County to impose and apply the Flood Prevention District Sales Taxes or the ability of the Council to collect the Flood Prevention District Revenues to the payment of the Senior Local Government Securities. The Council and its officers will comply with all present and future applicable laws in order to assure that the Flood Prevention District Revenues will be available as provided herein and deposited in the Senior Bond Fund.

**Senior Reserve Fund**

The Senior Reserve Fund is a trust fund to be held by the Trustee as long as any of the Senior Local Government Securities remain outstanding. All amounts on deposit in the Senior Reserve Fund shall be held in trust for the sole benefit of the holders of the Senior Local Government Securities and shall be applied and used solely for the payment of principal of the Senior Local Government Securities, at maturity or on any mandatory redemption date, and for payment of interest on the Senior Local Government Securities as it falls due whenever there are not sufficient funds to pay such principal and interest on the Senior Local Government Securities when due. There shall be credited to the Senior Reserve Fund upon the issuance of the Senior Local Government Securities the amount equal to the Reserve Requirement. Thereafter, no additional funds need be credited to the Senior Reserve Fund except (i) that when money to the credit of the Senior Reserve Fund is disbursed, then the Council shall immediately cause deposits to be made to the Senior Reserve Fund until the Senior Reserve Fund has been restored to the Reserve Requirement and (ii) that when money to the credit of the Senior Reserve Fund is determined to be deficient on any Valuation Date (defined below) as a result of a decline in market value of the securities therein, then the Council shall cause deposits to be made to the Senior Reserve Fund so that such deficiency has been restored no later than the next succeeding Valuation Date, except in the case of a deficiency caused by a decline in the rating of a Reserve Fund Credit Instrument, then the Council shall cause proportional monthly deposits to be made to the Senior Reserve Fund so that such deficiency has been restored within five years. The moneys credited to the Senior Reserve Fund shall be used to pay principal and interest of any of the Outstanding Senior Local Government Securities at any time when there are insufficient funds available and to the credit of the Senior Bond Fund to pay such interest as the same becomes due and to redeem and pay the principal of and applicable premium as the same become due.

Investments in the Senior Reserve Fund shall be valued on every principal payment date of the Senior Local Government Securities (the **“Valuation Date”**), at the market value thereof, inclusive of accrued interest and interest then on deposit in the Senior Reserve Fund. Amounts to the credit of the Senior Reserve Fund in excess of the Reserve Requirement shall be transferred to the Project Fund under the Senior Indenture on each Valuation Date and be used for the Project or other capital expenditures of the Council.

The Series 2020 Senior Local Government Securities will be further secured by a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities. All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A **“Reserve Fund Credit Instrument”** is a non-cancellable insurance policy, a non-cancellable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Senior Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or surety bond, has been assigned a credit rating which is within one of the two highest ratings accorded insurers by at least two of the Rating Agencies. In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories from at least two of the Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Senior Reserve Fund may be used and shall be irrevocable during its term.

If at any time the credit rating on a Reserve Fund Credit Instrument declines below one of the two highest credit ratings assigned by the Rating Agencies rating such series of Senior Local Government Securities, the insured value of such Reserve Fund Credit Instrument shall be deemed to have declined by 20% annually. The Council may at any time fully replace an impaired Reserve Fund Credit Instrument. At such time as a replacement Reserve Fund Credit Instrument or cash funded Senior Reserve Fund is provided, the impaired Reserve Fund Credit Instrument shall be terminated.

Notwithstanding the foregoing, at the direction of the Council in any Supplemental Indenture relating to the issuance of Additional Senior Local Government Securities, a separate account in the Senior Reserve Fund may be established for one or more series of Additional Senior Local Government Securities which shall secure only those series of Additional Senior Local Government Securities. In such case, such series of Additional Senior Local Government Securities shall have no interest in the Senior Reserve Fund other than with respect to moneys and investments contained in such separate account and no Senior Local Government Securities other than such series of Additional Senior Local Government Securities shall have any interest in the moneys and investments contained in such separate account.

In conjunction with the issuance of the Series 2020 Senior Local Government Securities, the Council and the Trustee are entering into the Second Supplemental Indenture of Trust. In addition to providing for the issuance of the Series 2020 Senior Local Government Securities, the Second Supplemental Indenture provides for the amendment of certain provisions of the Senior Indenture relating to the Senior Reserve Fund, which changes will only be effective upon the receipt by the Trustee and the Council of the consents of the requisite number of holders of Senior Local Government Securities then Outstanding. The amendment will change the provisions relating to the provision of a Reserve Fund Credit Instrument and amend the definition of **“Reserve Fund Credit Instrument.”** See **“DEEMED CONSENT OF HOLDERS OF SERIES 2020 SENIOR BONDS TO AMENDMENT OF SENIOR INDENTURE”** herein for a further description of the proposed amendments.

**Surplus Fund**

On each April 15 and October 15, if all other Council Sales Tax Fund requirements have been fully satisfied, the Trustee shall deposit Flood Prevention District Sales Taxes and Flood Prevention District Revenues to the Surplus Fund. Funds to the credit of the Surplus Fund shall be used first by the Trustee to make up any deficiencies in any of the prior sub-Funds and then shall be distributed to the Counties for deposit to their respective County Flood Prevention Occupation Tax Fund unless, upon approval of the Counties, a Designated Representative of the Council notifies the Trustee to suspend or reduce such distribution and retain moneys in the Surplus Fund. In such event, funds to the credit of the Surplus Fund shall be used, at the discretion of the Council, upon the request of the Council and upon approval of the Counties for one or more of the following purposes without any priority among them:

1. For the purpose of acquiring or constructing repairs, replacements, improvements or extensions to the Project; or

2. For the purpose of calling and redeeming or defeasing any obligations payable from the Flood Prevention District Sales Taxes and Flood Prevention District Revenues; or

3. For the purpose of purchasing any obligations payable from the Flood Prevention District Sales Taxes and Flood Prevention District Revenues, at a price not in excess of par; or

4. For the purpose of paying principal of and interest on any bonds or obligations issued by the Council, the Counties or the Districts for the purpose of acquiring or constructing repairs, replacements, improvements or extensions to the Project and payable from the Flood Prevention District Sales Taxes; or

5. For any purpose enumerated in any future bond resolution of the Council; or

6. For any other lawful Council, County or District purpose.

Transfers to the Counties from the Surplus Fund shall be made on each April 15 and October 15. The amount that the Trustee shall transfer from the Surplus Fund to each County shall be determined by the Council, and informed by a Designated Representative to the Trustee, by multiplying the total amount to be transferred to the Counties by the percentage of Flood Prevention District Sales Taxes collected by each County in relation to the entire Flood Prevention District Sales Taxes collected in all three Counties during the immediately preceding calendar year ending more than ten months prior to the date of the transfer.

**Investments**

Moneys to the credit of any fund or account under the Senior Indenture may be invested from time to time by the Trustee in investments authorized by the Public Funds Investment Act of the State, as amended, for the investment of funds of the Districts. Investment earnings on moneys invested in any fund or account shall be credited to such fund or account.

**Redemption Provisions of the Series 2020 Senior Local Government Securities**

The Series 2020 Senior Local Government Securities may be redeemed pursuant to provisions consistent with those of the Series 2020 Senior Bonds. See **“THE SERIES 2020 SENIOR BONDS - Redemption Provisions”** herein.

**Additional Parity and Subordinate Local Government Securities**

As long as there are any Outstanding Senior Local Government Securities, the Council shall not incur any indebtedness which is payable from the Flood Prevention District Revenues except upon compliance with any one of the following:

(a) Additional Senior Local Government Securities may be issued for the purposes set forth in the Flood Prevention Act or for refunding Outstanding Local Government Securities upon compliance with any of the following conditions:

(i) The amounts required to be credited monthly to the Senior Bond Fund have been credited in full up to the date of the delivery of such Additional Senior Local Government Securities.

(ii) The Senior Reserve Fund is fully funded.

(iii) The Flood Prevention District Revenues for 12 months prior to the issuance of the Additional Senior Local Government Securities must equal at least 150% of Maximum Annual Debt Service computed immediately after the issuance of the proposed Additional Senior Local Government Securities, but only for those Bond Years in which the Outstanding Senior Local Government Securities immediately prior to such issuance and the Additional Senior Local Government Securities will continue to be Outstanding as provided in the Senior Indenture. Notwithstanding anything in the Senior Indenture to the contrary, this subparagraph may not be amended without the consent of the holders of a majority of the outstanding Subordinate Local Government Securities outstanding at the time of such amendment.

(b) Additional Senior Local Government Securities may be issued to refund Outstanding Senior Local Government Securities if the principal and interest payments due on such Additional Senior Local Government Securities in each Bond Year are less than those of the Outstanding Senior Local Government Securities to be refunded.

(c) Additional Senior Local Government Securities may be issued to refund Outstanding Senior Local Government Securities in order to avoid default in the payment of principal of or interest on Outstanding Senior Local Government Securities; *provided*, they are issued to avoid such default within three months of the date of the anticipated default. Other than such refunding Additional Senior Local Government Securities issued pursuant to the provisions described in this paragraph (c), Additional Senior Local Government Securities shall not be issued if an event of default has occurred and is continuing under the Senior Indenture.

(d) Subordinate Local Government Securities (**“Additional Subordinate Local Government Securities”**) may be issued by the Council for the Project or to refund any Local Government Securities. The Subordinate Indenture provides that, while the Subordinate Local Government Securities or any other obligations issued pursuant to the Subordinate Indenture are outstanding, the Council may issue Additional Subordinate Local Government Securities only upon compliance with one of the following:

1. The amounts required to be credited monthly to the bond fund for the Subordinate Local Government Securities have been credited in full up to the date of the delivery of such Additional Subordinate Local Government Securities.

2. The value of the cash, investments and any credit instrument held in the reserve fund (and each account or sub‑account therein) for the Subordinate Local Government Securities satisfies the reserve requirement as of the day prior to the issuance of such Additional Subordinate Local Government Securities.

3. The Flood Protection District Revenues for the 12 full months prior to the issuance of the Additional Subordinate Local Government Securities must equal at least 1.15 times Maximum Annual Debt Service on the outstanding Senior Local Government Securities and the Subordinate Local Government Securities, computed on an aggregate basis and taking into consideration the Principal Requirements and Interest Requirements on the proposed Additional Subordinate Local Government Securities; *provided, however,* that the Principal Requirement and Interest Requirement for any period following the scheduled maturity of the proposed Additional Bonds shall be deemed to be $0.

Notwithstanding the foregoing, Additional Subordinate Local Government Securities may be issued to refund outstanding Subordinate Local Government Securities if the principal and interest payments due on such Additional Subordinate Local Government Securities in each Bond Year are not more than one Authorized Denomination higher than those of the outstanding Subordinate Local Government Securities to be refunded. In addition, Additional Subordinate Local Government Securities may be issued to refund outstanding Subordinate Local Government Securities in order to avoid default in the payment of principal of or interest on outstanding Subordinate Local Government Securities; provided, they are issued to avoid such default within three months of the date of the anticipated default. Other than such refunding Additional Subordinate Local Government Securities issued pursuant to the immediately preceding sentence, Additional Subordinate Local Government Securities shall not be issued if an event of default under the Senior Indenture or the Subordinate Indenture has occurred and is continuing.

All Additional Senior Local Government Securities issued under the Senior Indenture shall mature as to principal on April 15 (except with respect to Senior Local Government Securities issued to refund the Series 2010C Senior Local Government Securities or any Senior Local Government Securities issued to refund such Senior Local Government Securities may mature as to principal on April 15 or October 15 so long as the final maturity is not later than October 15, 2035) and as to interest on April 15 and/or October 15.

The Council reserves the right and option, in the issuance of any series of Additional Senior Local Government Securities, to cause such series to be issued in any alternative form, including, but not by way of limitation, discount bonds, capital appreciation bonds, variable rate demand obligations, optional and mandatory tender bonds, commercial paper, tax credit bonds, and bonds secured or not secured by credit facilities, liquidity facilities, letters and liens of credit, guarantees and bond insurance agreements, all as may be provided in the Supplemental Senior Indenture authorizing any such series of Additional Senior Local Government Securities.

**Discharge and Payment**

***Discharge of Indebtedness.*** If the Council shall pay or cause to be paid or there shall be otherwise paid or provision shall be made for the payment of, the principal, premium, if any, and interest due or to become due on Senior Local Government Securities or Additional Senior Local Government Securities at the times and in the manner stipulated therein; and if the Council shall not then be in default under any of the other covenants and promises in such Senior Local Government Securities or Additional Senior Local Government Securities and the Senior Indenture to be kept, performed, and observed by it or on its part; and if the Council shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Senior Indenture or of the Senior Local Government Securities or Additional Senior Local Government Securities; then, except for certain rights of the Trustee as provided in the Senior Indenture, the interests in the Trust Estate and rights granted pursuant to the Senior Indenture shall cease, determine, and be void; and the Trustee shall take such actions, at the request of the Council, as may be necessary to evidence the cancellation and discharge of the lien of the Senior Indenture.

***Provision for Payment.*** A Senior Local Government Security shall be deemed to be paid within the meaning of the Senior Indenture when (1) payment of the principal of and the applicable redemption premium, if any, on such Senior Local Government Security plus interest thereon to Maturity shall have been provided to the Trustee by irrevocably depositing with the Council and the Trustee, in trust, and the Trustee shall have irrevocably set aside exclusively for such payment, any combination of (a) funds sufficient to make such payment, and/or (b) Government Obligations (except those which consist of evidences of a direct ownership interest in amounts payable on other Government Obligations) not subject to redemption or prepayment and maturing as to principal and interest in such amounts and at such times as will, in the opinion of an independent certified public accountant delivered to the Council and the Trustee, provide sufficient moneys, without reinvestment of any matured amounts, to make such payment without reinvestment; (2) the Trustee shall have been given irrevocable written instructions to call all outstanding Senior Local Government Securities for redemption on a date certain, if such Senior Local Government Securities are to be called for redemption prior to Stated Maturity; (3) the Trustee shall have received a Favorable Bond Counsel Opinion (as defined in **APPENDIX C** hereto) as to the effect of such deposit (and the payment of the Senior Local Government Securities therefrom); and (4) all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Senior Local Government Securities shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

**DEEMED CONSENT OF HOLDERS OF SERIES 2020 SENIOR BONDS TO AMENDMENT OF SENIOR INDENTURE**

In conjunction with the issuance of the Series 2020 Senior Local Government Securities, the Council and the Trustee are entering into the Second Supplemental Indenture. In addition to providing for the issuance of the Series 2020 Senior Local Government Securities, the Second Supplemental Indenture provides for the amendment of certain provisions of the Senior Indenture relating to the Senior Reserve Fund, which changes will only be effective upon the receipt by the Trustee and the Council of the consents of the requisite number of holders of Senior Local Government Securities then Outstanding.

The purchasers of the Series 2020 Senior Bonds in this offering will be deemed to have consented to (and to have directed the Authority and the Registrar, as the holder and pledgee of the Series 2020 Senior Local Government Securities, to consent to) the amendments to the Senior Indenture described above.

The amendment will cause the definition of **“Reserve Fund Credit Instrument”** to be amended and restated to read as follows:

**“Reserve Fund Credit Instrument”** shall mean a non‑cancellable insurance policy, a non‑cancellable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or surety bond, has been assigned a credit rating which is within one of the five highest ratings assigned by at least two of the Rating Agencies (*e.g.,* AAA, AA+, AA, AA‑ and A+, or substantially equivalent investment grade ratings) or within one of the three highest ratings assigned by at least one of the Rating Agencies (*e.g.,* AAA, AA+ or AA or substantially equivalent investment grade ratings). In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long‑term unsecured debt having been assigned one of the five highest ratings assigned by at least two of the Rating Agencies or within one of the three highest ratings assigned by at least one of the Rating Agencies. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Reserve Fund may be used and shall be irrevocable during its term.

In addition, the amendment would amend and restate the provisions of the Senior Indenture relating to the Senior Reserve Fund to read substantially as follows:

The Reserve Fund is hereby established as a trust fund to be held by the Trustee as long as any of the Senior Local Government Securities remain outstanding. All amounts on deposit in the Reserve Fund shall be held in trust for the sole benefit of the holders of the Senior Local Government Securities and shall be applied and used solely for the payment of principal of the Senior Local Government Securities, at maturity or on any mandatory redemption date, and for payment of interest on the Senior Local Government Securities as it falls due whenever there are not sufficient funds to pay such principal and interest on the Senior Local Government Securities when due. There shall be credited to the Reserve Fund upon the issuance of the Senior Local Government Securities the amount equal to the Reserve Requirement. Thereafter, no additional funds need be credited to the Reserve Fund except (i) that when money to the credit of the Reserve Fund is disbursed, then the Council shall immediately cause deposits to be made to the Reserve Fund until the Reserve Fund has been restored to the Reserve Requirement and (ii) that when money to the credit of the Reserve Fund is determined to be deficient on any Valuation Date (defined below) as a result of a decline in market value of the securities therein, then the Council shall cause deposits to be made to the Reserve Fund so that such deficiency has been restored no later than the next succeeding Valuation Date, except in the case of a deficiency caused by a decline in the rating of a Reserve Fund Credit Instrument, then the Council shall cause proportional monthly deposits to be made to the Reserve Fund so that such deficiency has been restored within five years. The monies credited to the Reserve Fund shall be used to pay principal and interest or either of them of any of the Outstanding Senior Local Government Securities and Additional Senior Local Government Securities at any time when there are insufficient funds available and to the credit of the Bond Fund to pay such interest as the same becomes due and to redeem and pay the principal of and applicable premium as the same become due.

Investments in the Reserve Fund shall be valued on every principal payment date of the Senior Local Government Securities (the **“Valuation Date”**), at the market value thereof, inclusive of accrued interest and interest then on deposit in the Reserve Fund. Amounts to the credit of the Reserve Fund in excess of the Reserve Requirement shall be transferred to the Project Fund on each Valuation Date and be used for the Project or other capital expenditures of the Council.

All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A Reserve Fund Credit Instrument shall, for purposes of determining the value of the Reserve Fund, be valued at the Reserve Fund Credit Instrument Coverage for that Reserve Fund Credit Instrument, except as provided in the next two sentences. If a Reserve Fund Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Senior Local Government Security, then the Reserve Fund Credit Instrument Coverage of that Instrument shall be reduced by the amount provided in the next sentence. The amount of the reduction shall be the amount, if any, by which the value of the Reserve Fund, not counting the value of Reserve Fund Credit Instrument Coverage of that Reserve Fund Credit Instrument, is less than the Reserve Requirement after the first date that the Reserve Fund Credit Instrument is to terminate (or is subject to termination); provided, however, if by the terms of the Reserve Fund Credit Instrument, the Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Reserve Fund all or part of its Reserve Fund Credit Instrument Coverage then the reduction shall be only by that amount as the Trustee shall not have the right and duty so to make a draw. Any amounts in the Reserve Fund which are not required to be transferred to the Bond Fund pursuant to this Section may, from time to time, be used to pay costs of acquiring a Reserve Fund Credit Instrument or to make payments due under a reimbursement agreement or to reinstate coverage with respect to a Reserve Fund Credit Instrument, but only if, after such payment, the value of the Reserve Fund shall not be less than the Reserve Requirement. The Council may provide for the pledge and assignment and grant of a lien on or any security interest in the amounts on deposit in the Reserve Fund to any provider of a Reserve Fund Credit Instrument deposited in the Reserve Fund to secure the Council’s obligation to make payments under a related reimbursement agreement; provided, however, that any such lien or security interest shall be junior in priority to the claim of the Trustee for the benefit of the holders of the Senior Local Government Securities.

If at any time the credit rating on a Reserve Fund Credit Instrument declines below one of the seven highest credit ratings assigned by the Rating Agencies (e.g. AAA, AA+, AA, AA-, A+, A and A- or substantially equivalent investment grade ratings) rating such series of Senior Local Government Securities, the insured value of such Reserve Fund Credit Instrument shall be deemed to have declined by 20% annually. The Council may at any time fully replace an impaired Reserve Fund Credit Instrument. At such time as a replacement Reserve Fund Credit Instrument or cash funded Reserve Fund is provided, the impaired Reserve Fund Credit Instrument shall be terminated.

The Council hereby assigns to the Trustee its rights to enforce each Reserve Fund Credit Instrument. The Trustee shall have the right to enforce each such Reserve Fund Credit Instrument at law or in equity with or without the further consent or participation of the Council. This assignment to the Trustee of the right to enforce each such Reserve Fund Credit Instrument shall not prevent the Council from enforcing any such Reserve Fund Credit Instrument on its own behalf to the extent that such enforcement by the Council will not adversely affect the rights of the holders of the Senior Local Government Securities and is not inconsistent with any action for enforcement brought by the Trustee.

The Trustee is authorized and directed to file a claim, give notice, or take such other appropriate actions as shall be required in order to effect payment under or make a draw upon any Reserve Fund Credit Instrument as those amounts are needed for use for paying principal of and interest on the Senior Local Government Securities, or for making a deposit in the Reserve Fund. The Trustee shall deposit all such amounts received by it in the Reserve Fund.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2020 Senior Bonds will be used to purchase the Series 2020 Senior Local Governmental Securities. Following is a summary of the anticipated combined sources and uses of funds of the Series 2020 Senior Bonds and the Series 2020 Senior Local Governmental Securities:

|  |  |
| --- | --- |
| **Sources of Funds:** |  |
| Principal of the Series 2020 Senior Bonds | $ 60,970,000 |
| Plus: Original Issue Premium | 10,917,528 |
| Total Sources of Funds | $ 71,887,528 |
|  |  |
| **Uses of Funds:** |  |
| Deposit to Refund Refunded Bonds | $ 71,308,770 |
| Costs of Issuance, Including Underwriting Discount | 578,758 |
| Total Uses of Funds | $ 71,887,528 |

The Series 2020 Senior Local Government Securities are secured by the Senior Reserve Fund, a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities.  The required amount in the Senior Reserve Fund will be decreased upon the issuance of the Series 2020 Senior Local Government Securities.  Moneys in the Senior Reserve Fund in excess of the amount required to be on deposit therein will be expended on levee improvements.

**FLOOD PREVENTION DISTRICT SALES TAXES**

**General**

The Flood Prevention District Sales Taxes consist of a flood prevention retailers’ occupation tax and a flood prevention service occupation tax imposed by each County throughout its boundaries at a rate of 0.25% of the gross receipts from all taxable sales. Taxable sales include the sale of all general merchandise, except qualifying food, drugs and medical appliances and items required to be titled or registered with an agency of the State government, such as vehicles, watercraft, aircraft, trailers and mobile homes. **“Qualifying food”** includes food that has not been prepared for immediate consumption, such as most food sold at grocery stores, excluding hot foods, alcoholic beverages and soft drinks. The Flood Prevention District Sales Taxes have been imposed for the period required to repay the bonds, notes and other indebtedness issued under the Flood Prevention Act, including the Subordinate Bonds. Several sales are specifically exempt from the Flood Prevention District Sales Taxes, including sales to state, local and federal governments and sales to not-for-profit organizations that are exclusively charitable, religious, or educational.

**Collection**

The Illinois Department of Revenue (the **“Department”**) collects all of the Flood Prevention District Sales Taxes and immediately pays all Flood Prevention District Sales Taxes over to the State Treasurer for deposit into a special fund called the **“Flood Prevention Occupation Tax Fund,”** which is a trust fund held outside the State Treasury that is not required to be appropriated by the Illinois General Assembly. On or before the 25th day of each calendar month, the Department is required to prepare and certify to the Comptroller of the State the disbursement of stated sums of money to the Counties from which retailers or servicemen have paid taxes or penalties to the Department during the second preceding calendar month. The amount to be paid to each County is equal to the amount of Flood Prevention District Sales Taxes collected from such County during the second preceding calendar month by the Department, less certain withholdings, including a 2% withholding by the Department for administering and enforcing such tax. Within 10 days after receipt by the Comptroller of the State from the Department of the disbursement certification to the Counties, the Comptroller of the State shall cause the orders to be drawn for the respective amounts in accordance with directions contained in the certification. Since the issuance of the Refunded Bonds, the proceeds of the Flood Prevention District Sales Taxes have been sent directly from the State to the Trustee for deposit into the Council Sales Tax Fund. See the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Intergovernmental Agreements”** herein.

The Council reports that there have been no delays in the State’s transmittal of the Flood Prevention District Sales Taxes to the Trustee.

**Flood Prevention District Sales Tax Receipts**

The following table shows the historical receipts of Flood Prevention District Sales Taxes, since the Counties began imposing such tax on January 1, 2009, as distributed by the Comptroller of the State to the Counties or to the Trustee on behalf of the Counties and exclusive of the 2% administrative charge withheld by the Department. The Counties receive the Flood Prevention District Sales Tax revenues approximately three months after the month in which the tax is paid on retail purchases. See the caption **“Collection”** above. The Council reports that there have been no delays in the State’s transmittal of the Flood Prevention District Sales Taxes to the Trustee.

| **Year** | **Madison County** | **Monroe County** | **St. Clair County** | **Total** | **Percentage Change** |
| --- | --- | --- | --- | --- | --- |
| 2009 | $4,783,780 | $469,627 | $5,074,450 | $10,327,857 | N/A |
| 2010 | 5,222,191 | 511,890 | 5,312,924 | 11,047,005 | 6.96% |
| 2011 | 5,419,230 | 513,845 | 5,331,638 | 11,264,713 | 1.97% |
| 2012 | 5,362,675 | 537,146 | 5,394,563 | 11,294,384 | 0.26% |
| 2013 | 5,189,199 | 543,310 | 5,293,807 | 11,026,317 | -2.37% |
| 2014 | 5,423,317 | 573,363 | 5,352,746 | 11,349,426 | 2.93% |
| 2015 | 5,501,990 | 559,793 | 5,416,905 | 11,478,688 | 1.14% |
| 2016 | 5,618,218 | 546,721 | 5,385,884 | 11,550,824 | 0.63% |
| 2017 | 5,985,073 | 571,530 | 5,474,466 | 12,031,070 | 4.16% |
| 2018 | 6,210,136 | 590,860 | 5,547,610 | 12,348,606 | 2.64% |
| 2019\* | 4,515,914 | 430,401 | 4,028,281 | 8,974,795 | -1.09% |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\* January 2019 through September 2019, with percentage change based on same period in 2018. 2019 sales tax collections to date include a one-time refund in February 2019 to a Madison County taxpayer for overpaying of 2018 sales taxes.

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**Debt Service Requirements**

The following schedule shows the principal and interest requirements for the Senior Local Government Securities for each Bond Year ended April 15:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Bond Year Ended** | **Series 2015 Senior** | **Series 2020 Senior** | | | **Total** |
| **April 15** | **Total** | **Principal** | **Interest** | **Total** | **Senior** |
| 2020 | $ 1,059,869 | $ 395,000 | $ 530,597 | $ 925,597 | $ 1,985,466 |
| 2021 | 1,059,869 | 2,790,000 | 2,678,500 | 5,468,500 | 6,528,369 |
| 2022 | 1,059,869 | 2,905,000 | 2,566,900 | 5,471,900 | 6,531,769 |
| 2023 | 1,059,869 | 3,015,000 | 2,450,700 | 5,465,700 | 6,525,569 |
| 2024 | 1,059,869 | 3,135,000 | 2,330,100 | 5,465,100 | 6,524,969 |
| 2025 | 1,059,869 | 3,300,000 | 2,173,350 | 5,473,350 | 6,533,219 |
| 2026 | 1,059,869 | 3,460,000 | 2,008,350 | 5,468,350 | 6,528,219 |
| 2027 | 1,059,869 | 3,630,000 | 1,835,350 | 5,465,350 | 6,525,219 |
| 2028 | 1,059,869 | 3,815,000 | 1,653,850 | 5,468,850 | 6,528,719 |
| 2029 | 1,059,869 | 4,005,000 | 1,463,100 | 5,468,100 | 6,527,969 |
| 2030 | 1,059,869 | 4,205,000 | 1,262,850 | 5,467,850 | 6,527,719 |
| 2031 | 1,059,869 | 4,410,000 | 1,052,600 | 5,462,600 | 6,522,469 |
| 2032 | 1,059,869 | 4,585,000 | 876,200 | 5,461,200 | 6,521,069 |
| 2033 | 1,059,869 | 4,755,000 | 692,800 | 5,447,800 | 6,507,669 |
| 2034 | 1,059,869 | 4,940,000 | 502,600 | 5,442,600 | 6,502,469 |
| 2035 | 1,059,869 | 5,120,000 | 305,000 | 5,425,000 | 6,484,869 |
| 2036 | 3,564,869 | 2,505,000 | 202,600 | 2,707,600 | 6,272,469 |
| 2037 | 6,919,063 | - | - | - | 6,919,063 |
| 2038 | 6,920,938 | - | - | - | 6,920,938 |
| 2039 | 6,921,656 | - | - | - | 6,921,656 |
| 2040 | 6,918,075 | - | - | - | 6,918,075 |
| Total | $48,202,505 | $60,970,000 | $24,585,447 | $85,555,447 | $133,757,952 |

[Remainder of page intentionally left blank.]

**Historical Debt Service Coverage**

$ in 000’s

**Bond Year Ended April 15**

**2015 2016 2017 2018 2019**\*

Flood Prevention District Revenues Available

for Debt Service, Net of Federal Subsidies

for Refunded Bonds\*\* $ 11,385 $ 11,549 $ 11,621 $ 12,137 $ 12,159

Federal Subsidies for Refunded Bonds 844 846 848 849 852

Total Flood Prevention District Revenues $ 12,229 $ 12,395 $ 12,469 $ 12,985 $ 13,011

Available for Debt Service

Annual Actual Debt Service on Senior Local

Government Securities\*\*\* $ 7,101 $ 7,412 $ 8,164 $ 8,160 $ 8,162

Annual Actual Debt Service Coverage 1.72x 1.67x 1.53x 1.59x 1.59x

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Note: Numbers may not total due to rounding.

\* Unaudited.

\*\* Receipts for the twelve months ended March 31 of each year. Excludes investment earnings on Council funds which are expected to decline as the Council’s funds are expended on levee improvements.

\*\*\* Includes debt service for the Series 2010 Senior Local Government Securities and the Series 2015 Senior Local Government Securities only.

For the twelve months ended September 30, 2019 (the most recent date for which sales tax revenue data is available), Flood Prevention District Sales Tax Revenues were $12,249,272.

**Flood Prevention District Sales Tax Base**

The boundaries of the Council are coterminous with the boundaries of the Counties, which cover approximately 1,787 square miles. According to recent population estimates, approximately 560,000 people live within the boundaries of the Counties. The median household income and median family income for each of the Counties, are as follows:

|  | **Median Household Income** | **Median Family Income** |
| --- | --- | --- |
| Madison County | $56,536 | $72,185 |
| Monroe County | 74,410 | 92,221 |
| St. Clair County | 51,103 | 66,898 |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Source: United States Census Bureau, 2013-2017 5-Year American Community Survey.

The table below includes a sample of some of the larger cities within the Counties and the sales tax rates imposed on most general merchandise sold within such city. Cities and overlapping governmental entities have the ability under state law to add new sales taxes or increase existing sales taxes. There is no guarantee that the tax rates listed below will not increase, decrease or remain in effect for any period of time.

| **City** | **Population(1)** | **County** | **Tax Rate(2)** |
| --- | --- | --- | --- |
| Alton | 26,528 | Madison | 7.85% |
| Belleville | 41,290 | St. Clair | 8.10% |
| Collinsville | 24,621 | Madison and St. Clair | 8.60% |
| Columbia | 10,401 | Monroe and St. Clair | 7.50% |
| East St. Louis | 26,346 | St. Clair | 8.85% |
| Edwardsville | 24,969 | Madison | 7.10% |
| Fairview Heights | 16,448 | St. Clair | 8.35% |
| Granite City | 28,476 | Madison | 8.35% |
| O’Fallon | 29,584 | St. Clair | 7.85% |
| Waterloo | 10,456 | Monroe | 7.50% |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Estimate as of July 1, 2018.

(2) The tax rates include the Flood Prevention District Sales Tax, but do not include any sales taxes imposed by business districts. Business districts are special taxing districts created by municipalities which may impose up to a 1.0% sales tax within its boundaries. Cities located in more than one county have different sales tax rates. The portion of such city with the higher sales tax rate is listed above.

Source: United States Census Bureau, 2018 Population Estimates for population; Illinois Department of Revenue for tax rates.

See **“APPENDIX A - GENERAL, ECONOMIC AND FINANCIAL INFORMATION OF THE COUNTIES”** hereto.

**THE LEVEE SYSTEM**

The Levee System protects an area known as the American Bottom, which is a broad floodplain area situated in the Counties along the eastern bank of the Mississippi River. The American Bottom contains approximately 156,000 residents and numerous heavy industries and businesses, including the following businesses with more than 500 employees: US Steel, Granite City Works, Midcoast Aviation, Southern Illinois Healthcare Foundation, Global Brass and Copper, Inc., Gateway Regional Medical Center, ConocoPhillips, Casino Queen Hotel and Casino, Argosy Casino, Kraft Foods and ASF-Keystone. The levees were originally designed and built by the Corps to protect against a 500-year flood. Most of the levees were built in the 1940s and improved during the 1950s using design standards in place at that time. In August 2007, the Corps announced that due to design deficiencies and reconstruction needs it did not have confidence that the Levee System could protect against a base flood (i.e., a 100-year flood). The “design deficiencies” resulted from improvements in engineering practice and higher factors of safety and not from inadequate maintenance. See **“THE COUNCIL – Background”** above. Four of the levee systems are operated and maintained by separate units of government known either as drainage districts or sanitary districts: the Wood River Drainage and Levee District, the Metro-East Sanitary District, the Prairie Du Pont Sanitary District and the Fish Lake Drainage and Levee District. The drainage districts and sanitary districts have been responsible for levee maintenance since construction of the levees by the Corps. It is anticipated that these districts will continue to maintain the levees after improvements are made. A fifth levee, the Chain of Rocks Levee, is owned and maintained by the Corps. The following is a short description of each levee:

***Wood River Drainage and Levee District.*** The Wood River Drainage and Levee District is governed by a Board of Commissioners consisting of three people appointed by the Madison County Board to three year staggered terms. The Wood River Drainage and Levee District employs a secretary-treasurer and a superintendent, who hires full time and several part time maintenance workers.

The Wood River Drainage and Levee District is located in Madison County and is just upstream from the City of Granite City. The communities of Alton, East Alton, Hartford, Roxana, South Roxana, and Wood River are within the district. The Wood River Drainage and Levee District includes approximately 21 miles of mainline levee, 164 relief wells, 24 closure structures, 64 gravity drains and 7 pump stations. There are approximately 21 square miles (13,700 acres) of bottomland and 7 square miles (4,700 acres) of hill land within the district. The Wood River Drainage and Levee District assesses property within its boundaries on the proportionate value received from levee protection facilities in order to pay for its operations.

***Metro-East Sanitary District.*** The Metro-East Sanitary District is governed by a Board of Commissioners consisting of five people. Three of the Commissioners are residents of that portion of the district in the county having the greater equalized assessed valuation of the district (currently Madison County), and two are residents of that portion of the district having the lesser valuation (currently St. Clair County). The board hires an executive director and the district employs over 50 staff members.

The largest of the four locally maintained districts, the Metro-East Sanitary District protects 96.32 square miles (61,645 acres). The district owns approximately 37.5 miles of mainline levee, including north and south flanks; 16,425 feet of floodwall; 52.5 miles of canals; and 14 miles of sanitary sewers in service at the present time. The Metro-East Sanitary District includes the Cities of Collinsville, Edwardsville, Glen Carbon, Granite City, Madison, Pontoon Beach and Venice in Madison County; and Alorton, Brooklyn, Cahokia, Caseyville, Centreville, East St. Louis, Fairmont City, Sauget and Washington Park in St. Clair County. The Metro-East Sanitary District levies a property tax to pay for its operations.

***Prairie Du Pont Sanitary District.*** The Prairie Du Pont Sanitary District is governed by a five-member board, elected in a general election with each member serving four-year terms. The district has two full time and six part time staff.

The district protects 15 square miles (9,560 acres) and its mainline levee is 10.3 miles in length. Structures include 5 steel gates and 9 gravity drains. Prairie Du Pont Sanitary District protects portions of the communities of Dupo, East Carondelet and Columbia in St. Clair County and a portion of Monroe County. The Prairie Du Pont Sanitary District levies a property tax to pay for its operations.

***Fish Lake Drainage and Levee District.*** The Fish Lake Drainage and Levee District is governed by a three member board, elected from the district and from Monroe County and the City of Columbia. The Fish Lake Drainage District protects 4 square miles (2,440 acres) and has 4.9 miles of mainline levee. It has no gates and currently has 9 gravity drains. The Fish Lake Drainage and Levee District levies assessments to pay for its operations.

***Chain of Rocks Levee.*** The Chain of Rocks Levee is approximately 8 miles long and is owned and maintained by the Corps. It is contiguous with the levee owned by the Metro-East Sanitary District. The Corps has made improvements to this levee over the past several years and it can now be certified to protect from a 100-year flood. The Corps is continuing to improve the Chain of Rocks Levee to 500-year level of protection.

**ADDITIONAL PROJECTS TO ACHIEVE 500-YEAR FLOOD PROTECTION LEVELS**

***Overview.*** The goal of the Council is to finance levee improvements and increase the factor of safety of flood protection within the boundaries of each County necessary to achieve the 500-year level of protection.

***Prior Activity.*** In 2010, the Authority issued its (i) Local Government Program Revenue Bonds, Series 2010-A (Southwestern Illinois Flood Prevention District Council Project – Tax Exempt Bonds) in the original principal amount of $94,195,000, (ii) Taxable Local Government Program Revenue Bonds, Series 2010-B (Southwestern Illinois Flood Prevention District Council Project – Build America Bonds) in the original principal amount of $9,050,000 and (iii) Taxable Local Government Program Revenue Bonds, Series 2010-C (Southwestern Illinois Flood Prevention District Council Project – Recovery Zone Economic Development Bonds) in the original principal amount of $21,130,000 (collectively, the **“Refunded Bonds”**). The Refunded Bonds were issued to provide funds to finance levee improvements necessary to retain FEMA accreditation of the Levee System as providing the 100-year level of protection.

In February 2015, the Council’s board of directors approved a resolution establishing the Council’s official intent to restore the Levee System to a 500-year level of flood prevention. In December 2015 and January 2016, the Authority issued its (i) Local Government Program Revenue Bonds, Series 2015A (Southwestern Illinois Flood Prevention District Council Project) in the original principal amount of $27,705,000 and (ii) Local Government Program Subordinate Revenue Bonds, Series 2015B (Southwestern Illinois Flood Prevention District Council Project) in the original principal amount of $56,130,000 (collectively, the **“Series 2015 Bonds”**). The Series 2015 Bonds were issued to provide the remaining funds necessary to finance levee improvements necessary to retain FEMA accreditation of the Levee System as providing the 100-year level of protection and to finance the most cost effective and highest priority 500-year level of protection levee improvements.

***Additional Projects to Achieve 500-Year Flood Protection Level.*** The Corps currently estimates that work to fully restore the Levee System to a 500-year protection level will cost $292 million. The Council currently expects that $157 million of the cost will be paid by the Corps. A portion of the costs are being paid with the proceeds of the Series 2015 Bonds, leaving approximately $89 million to be funded by the Council. The Council anticipates using approximately $63 million of cash on hand and future revenues from the Flood Prevention District Sales Taxes (to the extent such fund are not needed for the payment of debt service or the Council’s administrative costs) to fund a portion of the most cost effective and highest priority 500-year level of protection projects within the Levee System. The Council might seek authorization in the future for the issuance of additional bonds to fund the estimated $26 million in additional Council funds needed to complete these projects.

**BONDOWNERS’ RISKS**

*An investment in the Series 2020 Senior Bonds is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2020 Senior Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2020 Senior Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described herein.*

**Nature of the Obligations**

The Series 2020 Senior Bonds are special, limited obligations of the Authority and are payable solely from payments of principal of and interest on the Series 2020 Senior Local Government Securities and funds pledged under the Resolution and Depository Agreement.

The Series 2020 Senior Local Government Securities have been issued on a parity with other previously issued Senior Local Government Securities and any Senior Local Government Securities which may be hereafter issued. Senior Local Government Securities are special, limited obligations of the Council and are payable solely from funds pledged under the Senior Indenture, including amounts in the Senior Reserve Fund. The realization of such revenues is dependent upon, among other things, future economic and other conditions that are unpredictable and cannot be determined at this time.

**Limitations on Remedies**

The remedies available to the Owners upon a default under the Resolution are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the **“Federal Bankruptcy Code”**). The various legal opinions to be delivered concurrently with delivery of the Series 2020 Senior Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the State as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies, in the interest of serving an important public purpose. Illinois governmental units cannot currently file for bankruptcy but may be authorized to do so in the future.

**No Acceleration of Series 2020 Senior Bonds**

The Resolution does not contain a provision allowing for the acceleration of the Series 2020 Senior Bonds. The Series 2020 Senior Bonds are payable only from the payment of the principal of and interest on the Series 2020 Senior Local Government Securities. The Senior Indenture does not contain a provision allowing for the acceleration of the Series 2020 Senior Local Government Securities. See **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS - SUMMARY OF THE RESOLUTION – Assignment of Series 2020 Senior Local Government Securities and Local Purchase Agreement; Depositary Agreement”** and **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS - SUMMARY OF THE SENIOR INDENTURE – Events of Default and Remedies.”**

**Changes in Market Conditions**

Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. Demographic changes in the population of the Counties may adversely affect the level of sales tax revenues. A decline in the population of any of the Counties, or reductions in the level of commercial activity within the boundaries of the Counties, could reduce the number and value of taxable transactions and thus reduce the amount of sales tax revenues. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial activity will occur, and what impact any such changes would have on sales tax revenues.

Increases in sales tax rates within the jurisdiction of the Counties may create incentives for certain purchases to be made in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may prompt certain commercial activities to relocate to jurisdictions with lower sales tax rates.

In addition to the foregoing, the partial or complete destruction of any of the shopping centers and other retail entities within the Counties, as a result of fire, natural disaster, including floods, or similar casualty event or the temporary or permanent closing of one or more retail establishments due to strikes or failure of the business could adversely affect the revenues from the Flood Prevention District Sales Taxes and thereby adversely affect the revenues available to pay the Series 2020 Senior Bonds and the interest thereon. Any insurance maintained by the owner of or the tenants in the shopping centers or other retail establishments located within the Counties for such casualty or business interruption is not likely to include coverage for sales taxes that otherwise would be generated by the establishment.

**Limited Resources of the Council**

The Council is a limited purpose entity that was formed for the sole purpose of providing a means to finance and construct improvements to the Levee System. The Flood Prevention District Sales Tax revenues, and investment earning on the Council’s cash on hand are the only current sources of revenue of the Council. If the revenues of the Flood Prevention District Sales Tax are insufficient to pay the Series 2020 Senior Bonds as and when due, the holders of the Series 2020 Senior Bonds will have no recourse to any other source of payment thereof.

**Internet Sales**

It is expected that increasing numbers of sales transactions will take place over the internet in the future. If these internet sales are not treated, for sales and use taxes, comparably to, or if they displace, the type of transactions where sales and use taxes currently are collected, the Flood Prevention District Sales Tax Revenues may be adversely affected.

**Impact of Deaccreditation of Levees**

If the Levee System does not maintain its accreditation as providing 100-year protection, an owner of property in the unaccredited area that secures a loan from a federally regulated financial institution will be required to have flood insurance. The additional costs of flood insurance may be cost prohibitive for many new businesses or residents to locate in such area or for any existing business to remain or expand its operations within such area. The flood insurance requirement may result in either a slowdown or contraction of any population and economic growth in such area unless and until the Levee System is reaccredited by FEMA. In addition, if the Levee System does not maintain its accreditation, all communities that participate in the federal flood insurance program will be required to adopt new building regulations requiring new structures to be built above the base flood elevation. Elevating new structures to this level will substantially increase building costs, and diminish the likelihood of new development. Such a slowdown or contraction may result in a decrease in Flood Prevention District Sales Taxes collected in that portion of the Counties in the American Bottom. Any decrease in the amount of Flood Prevention District Sales Taxes collected could adversely affect the timely payment of principal of and interest on the Series 2020 Senior Bonds.

The improvements to the levees necessary for the levees to maintain certification for protection from the 100-year flood were completed in February of 2018. Certification reports have been submitted to FEMA for the five levee systems. On April 29, 2019, FEMA issued a letter of “structural acceptability” for the East St. Louis Levee System with the intent of issuing new maps reflecting continued accreditation. A letter of continued accreditation was issued by FEMA on November 14, 2019 for the Prairie Du Pont and Fish Lake Levees Systems. The Council continues to provide FEMA additional requested information for the remaining levee systems. Given the current review process by FEMA, the Council expects the continued accreditation of all of the Levee System to be confirmed by FEMA in 2020, with the issuance of flood maps to follow in 2021.

**Risk of Flood**

Any major flood that breaches or overtops the Levee System may result in the destruction of numerous businesses and homes. Businesses may be forced to temporarily or permanently close and residents may be forced to temporarily or permanently relocate. Any temporary or permanent closure of businesses or relocation of residents may result in a decrease in the amount of Flood Prevention District Sales Taxes generated and thus increase the likelihood that insufficient funds will be available to make timely payment of the principal of interest on the Series 2020 Senior Bonds. Since the original construction of the levees in the 1940s, there has never been a breach or structural failure of the Levee System resulting in flooding.

**Senior Reserve Fund**

The Series 2020 Senior Local Government Securities will be further secured by a commingled debt service reserve fund which provides security for the repayment of all of the Senior Local Government Securities. There can be no assurance that the amounts on deposit in the Senior Reserve Fund will be available if needed for payment of the Series 2020 Senior Local Government Securities in the full amount of the Reserve Requirement because (1) of fluctuations in the market value of the securities deposited therein and/or (2) if funds are transferred to the Series 2020 Senior Bond Fund established under the Senior Indenture, sufficient revenues may not be available to replenish the Senior Reserve Fund to the Reserve Requirement.

**Additional Senior Local Government Securities**

The Senior Indenture provides that additional Senior Local Government Securities may be issued by the Council and secured under the Senior Indenture on a parity with the Series 2020 Senior Local Government Securities, subject to satisfaction of certain conditions provided in the Senior Indenture. If issued on a parity with the Series 2020 Senior Local Government Securities, the debt service requirements of the Council may increase, which would increase the likelihood that the Council will have insufficient funds to cover its debt service requirements. See **“THE SENIOR LOCAL GOVERNMENT SECURITIES - Additional Parity and Subordinate Local Government Securities”** herein and **“APPENDIX C - DEFINITION OF WORDS AND TERMS AND SUMMARY OF THE PRINCIPAL DOCUMENTS”** hereto.

**Climate Change and Other Natural Events**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research program in November 2018 (NCA4) finds that more frequent and extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. Increased flooding events, both in duration and flow, may particularly affect the area protected by the Council’s Levee System. This may also impact development and the continued operation of businesses within the Council, adversely affecting the amount of Flood Prevention District Sales Tax revenues. Other events, such as earthquake activity, could also undermine the structural integrity of the Levee System.

The Council cannot predict what impact climate change or other natural events will have on the Levee System or the amount of Flood Prevention District Sales Tax revenues in the future.

**Potential Impact of any Future State of Illinois Budgetary Impasse**

Budgetary issues have previously resulted in a budgetary impasse in the State of Illinois. The remittance of the revenues from the Flood Prevention District Sales Taxes to the Trustee on behalf of the Counties requires Flood Prevention District Sales Taxes to be collected by the Department and paid to the Trustee by the Comptroller. Although these remittances are not subject to appropriation by the Illinois General Assembly, and although the Council has not experienced any delays in such remittances, even during prior budgetary impasses, any future budgetary impasse at the State may negatively impact the ability of the Department to collect the Flood Prevention District Sales Taxes and the Comptroller’s ability to remit them to the Trustee, potentially causing timing delays in the Trustee’s receipt of such remittances.

Risk of Taxability of the Interest on the Series 2020 Senior Bonds

For information with respect to events that may require interest on the Series 2020 Senior Bonds to be included in gross income for federal income tax purposes and not be exempt from income taxation by the State of Illinois, see “**TAX MATTERS**” herein. The Series 2020 Senior Bonds are not subject to redemption, nor are the interest rates on the Series 2020 Senior Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service (the **“Service”**) or a court of competent jurisdiction that the interest paid or to be paid on any Series 2020 Senior Bond is or was includible in the gross income of the owner of any Series 2020 Senior Bond for federal income tax purposes. Such determination may, however, result in a breach of the Authority’s tax covenants set forth in the applicable Resolution or the Council’s tax covenants set forth in the Senior Indenture. ***It may be that owners would continue to hold their Series 2020 Senior Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

**Risk of Audit**

The Service has established an ongoing program to audit tax-exempt obligations. No assurance can be given that the Service will not commence an audit of the Series 2020 Senior Bonds. Owners of the Series 2020 Senior Bonds are advised that, if an audit of the Series 2020 Senior Bonds were commenced, in accordance with its current published procedures, the Service is likely to treat the Authority as the taxpayer, and the Owners of the Series 2020 Senior Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2020 Senior Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

**Secondary Markets and Prices**

The Series 2020 Senior Bonds may not be readily liquid, and no person should invest in the Series 2020 Senior Bonds with funds such person may need to convert readily into cash. Owners of the Series 2020 Senior Bonds should be prepared to hold their Series 2020 Senior Bonds to the stated maturity date. The Underwriters will not be obligated to repurchase any of the Series 2020 Senior Bonds, and no representation is made concerning the existence of any secondary market for the Series 2020 Senior Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2020 Senior Bonds and no assurance can be given that the initial offering price for the Series 2020 Senior Bonds will continue for any period of time.

Ratings

The lowering or withdrawal of any investment rating initially assigned to the Series 2020 Senior Bonds could adversely affect the market price for and the marketability of the Series 2020 Senior Bonds. See the caption **“BOND RATINGS”** herein.

**ABSENCE OF LITIGATION**

There is no controversy, suit or other proceeding of any kind pending or, to the Authority’s knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Authority or the right or title of any of its officers to their respective offices, the constitutionality or legality of the Series 2020 Senior Bonds, or the legality of any official act shown to have been done in connection with the issuance of the Series 2020 Senior Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof.

There is no controversy, suit or other proceeding of any kind pending or, to the Council’s knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Council or the right or title of any of its officers to their respective offices, the constitutionality or legality of the Series 2020 Senior Local Government Securities, or the legality of any official act shown to have been done in connection with the issuance of the Series 2020 Senior Local Government Securities, including the imposition by the Counties of the Flood Prevention District Sales Taxes, or any of the proceedings had in relation to the authorization, issuance or sale thereof.

**LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Series 2020 Senior Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Edwardsville, Illinois (the **“Bond Counsel”**), who has been retained by, and acts as, Bond Counsel to the Authority. In addition, certain legal matters incident to the authorization, issuance and sale of the Series 2020 Senior Local Government Securities are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, who has been retained by, and acts as, the Council’s Bond Counsel with respect to the Series 2020 Senior Local Government Securities (the **“Council’s Bond Counsel”**). Neither Bond Counsel nor Council’s Bond Counsel has been retained or consulted on disclosure matters, and neither has undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Series 2020 Senior Bonds, and neither assumes any responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that, at the request of the Underwriters, (i) Gilmore & Bell, P.C., in its capacity as Bond Counsel, has supplied the information under the heading **“TAX MATTERS,”** and has reviewed the information contained under the captions **“THE SERIES 2020 SENIOR BONDS”** (excluding the information under the caption **“Book-Entry System”**), and **“SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 SENIOR BONDS”** and related portions of **APPENDIX C** and **APPENDIX E** and (ii) Chapman and Cutler LLP, in its capacity as Council’s Bond Counsel, has reviewed the information contained under the caption **“THE SENIOR LOCAL GOVERNMENT SECURITIES”** and related portions of **APPENDIX C**, in each case solely to determine whether such descriptions are accurate summaries in all material respects. This review was undertaken solely at the request of the Underwriters, and did not include any obligation to establish or confirm factual matters set forth herein.

Certain legal matters will be passed upon for (a) the Authority by Gilmore & Bell, P.C., Edwardsville, Illinois, (b) the Council by Husch Blackwell LLP, St. Louis, Missouri, (c) the Council by Chapman and Cutler LLP, Chicago, Illinois, as Council’s Bond Counsel with respect to the Series 2020 Senior Local Government Securities, (d) the Council by Thompson Coburn LLP, St. Louis, Missouri, as Disclosure Counsel, (e) The County of Madison, Illinois by its State’s Attorney, (f) The County of St. Clair, Illinois by its State’s Attorney, (g) The County of Monroe, Illinois by its State’s Attorney, (h) the Madison County District by the State’s Attorney of The County of Madison, Illinois, (i) the St. Clair County District by the State’s Attorney of The County of St. Clair, Illinois, (j) the Monroe County District by the State’s Attorney of The County of Monroe, Illinois, and (k) the Underwriters by SJ Gray Law LLC, Chicago, Illinois.

**TAX MATTERS**

The following is a summary of the material federal and State of Illinois income tax consequences of holding and disposing of the Series 2020 Senior Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2020 Senior Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Illinois, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2020 Senior Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2020 Senior Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under the law existing as of the issue date of the Series 2020 Senior Bonds:

***Federal Tax Exemption.*** The interest on the Series 2020 Senior Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

***Alternative Minimum Tax.*** The interest on the Series 2020 Senior Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

***Bank Qualification.*** The Series 2020 Senior Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

***State of Illinois Tax Exemption.*** Interest on the Series 2020 Senior Bonds is exempt from the income tax currently imposed by the State of Illinois pursuant to the Illinois Income Tax Act.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2020 Senior Bonds, subject to the condition that the Authority and the Council comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2020 Senior Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Council have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2020 Senior Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020 Senior Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2020 Senior Bonds, but has reviewed the discussion under the heading **“TAX MATTERS.”**

**Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2020 Senior Bond over its issue price. The issue price of a Series 2020 Senior Bond is generally the first price at which a substantial amount of the Series 2020 Senior Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2020 Senior Bond during any accrual period generally equals (1) the issue price of that Series 2020 Senior Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2020 Senior Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2020 Senior Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2020 Senior Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

***Original Issue Premium.*** For federal income tax purposes, premium is the excess of the issue price of a Series 2020 Senior Bond over its stated redemption price at maturity. The issue price of a Series 2020 Senior Bond is generally the first price at which a substantial amount of the Series 2020 Senior Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2020 Senior Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2020 Senior Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2020 Senior Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

***Sale, Exchange or Retirement of Series 2020 Senior Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Series 2020 Senior Bond, an owner of the Series 2020 Senior Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2020 Senior Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2020 Senior Bond. To the extent a Series 2020 Senior Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2020 Senior Bond has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements***. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2020 Senior Bonds, and to the proceeds paid on the sale of the Series 2020 Senior Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2020 Senior Bonds should be aware that ownership of the Series 2020 Senior Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2020 Senior Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2020 Senior Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2020 Senior Bonds, including the possible application of state, local, foreign and other tax laws.

A copy of the form of opinion of Bond Counsel is attached hereto as **APPENDIX E** hereto.

**CONTINUING DISCLOSURE**

The Council will execute a Continuing Disclosure Undertaking in connection with the issuance of the Series 2020 Senior Bonds. The form of the proposed Continuing Disclosure Undertaking is attached as **APPENDIX D** to this Official Statement. Pursuant to the Continuing Disclosure Undertaking, the Council will agree to provide certain annual financial information and operating data and event notices required by Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Such information and notices are to be filed with the Municipal Securities Rulemaking Board (“*MSRB*”) via its Electronic Municipal Market Access System (“*EMMA*”). EMMA is located at http://emma.msrb.org.

The following chart sets forth the dates during the last five years on which the Council was obligated to file continuing disclosure annual reports and the dates on which such information was actually provided by the Council.

**Summary of Continuing Disclosure Filings of Annual Reports**

|  |  |  |
| --- | --- | --- |
| **Fiscal Year Ending** | **Filing Due Date** | **Date Annual Report Filed[[2]](#footnote-3)** |
|  |  |  |
| 9/30/14 | 3/29/15 | 3/24/15 |
| 9/30/15 | 3/28/16 | 3/28/16 |
| 9/30/16 | 3/29/17 | 5/17/17[[3]](#footnote-4) |
| 9/30/17 | 3/29/18 | 3/22/18 |
| 9/30/18 | 3/29/19 | 3/22/19 |

In addition, the annual report filed by the Council in 2016, 2017 and 2018 failed to include the required information on historical debt service coverage. When this was discovered in December 2019, a “failure to file notice” and the missing information was filed on December 24, 2019.

A failure of the Council to comply with the continuing disclosure requirements under the Rule will not constitute a default by the Council with respect to the Senior Indenture or the Series 2020 Senior Bonds. However, the Owners and beneficial owners of the Series 2020 Senior Bonds are entitled to seek specific performance of such requirements by the Council. A failure to comply with the Rule must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Series 2020 Senior Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2020 Senior Bonds and their market price.

**FINANCIAL STATEMENTS**

The audited financial statements of the Council for the fiscal year ended September 30, 2018 are included in “**APPENDIX B** – **AUDITED FINANCIAL STATEMENTS OF THE COUNCIL FOR THE YEAR ENDED SEPTEMBER 30, 2018”** in this Official Statement. These audited financial statements are the most recent audited financial statements of the Council and speak only as of their date. The Council typically receives its audit report in March of each year and expects to have audited financial statements for the year ended September 30, 2019 available in March 2020. The Council is not aware of any material adverse change in its financial position or results of operations since September 30, 2018. However, subsequent facts or events may have occurred which may have a material impact on the Council’s financial position.

The Council neither requested nor received the consent of its independent auditor to the inclusion of its audit report in this Official Statement. Neither the Council’s independent auditors, nor any other independent accountants, have examined the Council’s records, or performed any procedures with respect to the Council since the date of the Council’s audit for the fiscal year ended September 30, 2018.

**FINANCIAL ADVISOR**

Columbia Capital Management, LLC, St. Louis, Missouri, has acted as Financial Advisor to the Council in connection with the sale of the Series 2020 Senior Bonds.  The Financial Advisor is a “municipal advisor” as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.  The Financial Advisor has assisted the Council in the preparation of this Official Statement and in other matters relating to the issuance of the Series 2020 Senior Bonds. The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement.

**UNDERWRITING**

The Series 2020 Senior Bonds are being purchased by the Underwriters listed on the cover page this Official Statement, subject to certain conditions contained in a Purchase Contract among the Authority, the Council and the Underwriters, at an aggregate purchase price of $72,676,031.16 (which is equal to the aggregate principal amount of the Series 2020 Senior Bonds, plus original issue premium of $10,917,527.80, and less an underwriting discount of $211,496.64). The Underwriters will be obligated to accept delivery and pay for all of the Series 2020 Senior Bonds if any are delivered.

The Series 2020 Senior Bonds are being purchased by the Underwriters from the Authority in the normal course of the Underwriters’ business activities. The Underwriters intend to offer the Series 2020 Senior Bonds to the public at prices not in excess of the offering prices set forth on the inside cover page of this Official Statement. The Underwriters may allow concessions from the public offering prices to certain dealers, banks and others. After the initial public offering, the public offering prices may be varied from time to time by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management.  In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps).  The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority.  The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.  The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

On January 3, 2020, Piper Jaffray & Co. merged with Sandler O’Neill Partners L.P. and, in connection with that merger, renamed itself Piper Sandler & Co. Piper Jaffray & Co. (now Piper Sandler & Co. has entered into a distribution agreement (the “Piper Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Piper Distribution Agreement, CS&Co. will purchase Series 2020 Senior Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020 Senior Bonds that CS&Co. sells.

Citigroup Global Markets Inc., an underwriter of the Series 2020 Senior Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”).  Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity.  As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the Series 2020 Senior Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (**“WFBNA”**), has entered into an agreement (the **“WFA Distribution Agreement”**) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name **“Wells Fargo Advisors”**) (**“WFA”**), for the distribution of certain municipal securities offerings, including the Series 2020 Senior Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020 Senior Bonds with WFA. WFBNA has also entered into an agreement (the **“WFSLLC Distribution Agreement”**) with its affiliate Wells Fargo Securities, LLC (**“WFSLLC”**), for the distribution of municipal securities offerings, including the Series 2020 Senior Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

**BOND RATINGS**

S&P Global Ratings, a division of S&P Global Inc. (**“S&P”**), has assigned a rating to the Series 2020 Senior Bonds of “AA- (stable)” and Moody’s Investor Services Inc. (**“Moodys”** and, together with S&P, the **“Rating Agencies”**) has assigned a rating to the Series 2020 Senior Bonds of “Aa3”. The ratings reflect only the view of the Rating Agencies at the time such ratings are given, and the Underwriters and the Council make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained from the Rating Agencies.

The Council has furnished the Rating Agencies with certain information and materials relating to the Series 2020 Senior Bonds and the Council that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriters have not undertaken any responsibility to bring to the attention of the holders of the Series 2020 Senior Bonds any proposed revision or withdrawal of any rating of the Series 2020 Senior Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Undertaking, the Council is required to bring to the attention of the holders of the Series 2020 Senior Bonds any rating change for the Series 2020 Senior Bonds but has not undertaken any responsibility to oppose any such rating change. See **“APPENDIX D – FORM OF CONTINUING DISCLOSURE UNDERTAKING”** hereto. Any revision or withdrawal of any rating could have an adverse effect on the market price and marketability of the Series 2020 Senior Bonds.

**CERTAIN RELATIONSHIPS**

Gilmore & Bell, P.C. is serving as Bond Counsel to the Authority and the Authority’s counsel in connection with the issuance of the Series 2020 Senior Bonds. Gilmore & Bell, P.C. has served as counsel to one or more of the members of the underwriting syndicate or their affiliates in transactions unrelated to the issuance of the Series 2020 Senior Bonds, but is not representing any such entity in connection with the issuance of the Series 2020 Senior Local Government Securities or the Series 2020 Senior Bonds.

Chapman and Cutler LLP is serving as Bond Counsel to the Council in connection with the issuance of the Series 2020 Senior Local Government Securities. Chapman and Cutler LLP has served as counsel to one or more of the members of the underwriting syndicate or their affiliates in transactions unrelated to the issuance of the Series 2020 Senior Local Government Securities and the Series 2020 Senior Bonds, but is not representing any such entity in connection with the issuance of the Series 2020 Senior Local Government Securities or the Series 2020 Senior Bonds.

Thompson Coburn LLP is serving as Disclosure Counsel to the Council in connection with the issuance of the Series 2020 Senior Bonds. Thompson Coburn LLP has served as counsel to one or more members of the underwriting syndicate or their affiliates in transactions unrelated to the issuance of the Series 2020 Senior Bonds, but is not representing any such entity in connection with the issuance of the Series 2020 Senior Local Government Securities or the Series 2020 Senior Bonds.

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**MISCELLANEOUS**

Information set forth in this Official Statement has been furnished or reviewed by the Council and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Series 2020 Local Government Securities or the Series 2020 Senior Bonds do not purport to be complete and are qualified in their entirety by reference thereto.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Council that has been deemed final by the Council as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

The form of this Official Statement, and its distribution and use, has been approved by the Council.

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL, MADISON, ST. CLAIR AND MONROE COUNTIES, ILLINOIS**

By: /s/ Debra Moore

President

**APPENDIX A**

**GENERAL, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE COUNTIES**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE COUNCIL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**APPENDIX C**

**DEFINITION OF WORDS AND TERMS AND**

**SUMMARY OF THE PRINCIPAL DOCUMENTS**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

**APPENDIX E**

**FORM OF BOND COUNSEL OPINION**

1. CUSIP numbers shown above have been assigned by an organization not affiliated with the Authority or the Council. Neither the Authority nor the Council are responsible for the selection of CUSIP numbers nor does either make any representation as to the correctness of such numbers on the Series 2020 Senior Bonds or as indicated herein. [↑](#footnote-ref-2)
2. In at least one instance, the CUSIP numbers of certain of the outstanding bond obligations were not referenced in the filing of the annual report on the date(s) shown above. [↑](#footnote-ref-3)
3. The Council filed a “failure to file notice” on March 29, 2017 indicating that it anticipated filing the annual report on not later than May 17, 2017. [↑](#footnote-ref-4)