

**FRANKFORT FIRE PROTECTION DISTRICT
FRANKFORT FIRE DEPARTMENT**

Minutes of the Special Public Meeting of the Board of Trustees of the Frankfort Fire Protection District, Will County, Illinois, held at Fire Station Number One, 333 West Nebraska Street, Frankfort, Illinois, in said District at 8:30 A.M. on the 24th day of June 2015.

CALL TO ORDER:

The President called the meeting to order and asked for a roll call.

Upon the roll being called, the following Trustees answered present:
William F. Hoffmeister, Robert Jacobs, Michael Kavanagh, Larry Nice and Daniel Rossi.

Chief Grady, Asst. Chief Wilson, Eric Anderson (BMO Harris Bank Representative), Michelle Selvaggio and Kristi Farnum were also present.

PLEDGE OF ALLEGIANCE:

All present stood for the Pledge of Allegiance.

PUBLIC COMMENTS:

None.

REVIEW OF EXISTING OUTSTANDING DEBT AND REFUNDING OPPORTUNITY:

Trustee Robert Jacobs introduced Eric Anderson to the Board.

Eric Anderson provided the following information:

- The current status on the proposed Property Tax Cap Freeze legislation in Springfield;
- Explained the District's Series 2007 Fire Protection Notes, which were originally issued in May 2007 for Six (6) Million dollars, has a current balance of Five. One (5.1) Million dollars;
- In reference to the IRS "1986 Tax Reform Act", the FFPD'S first "optional redemption date" (aka Call Provision Date) is January 1, 2016, whereby the Notes may be reviewed for refunding one time, on a tax-exempt basis;
- Described the difference between "advanced" refunding versus "current" refunding. The FFPD would have an opportunity to do a "current" refunding in the Fall (October 3, 2015), but stated he (Eric) would like to wait until legislation has been completed in Springfield before recommending refunding options;
- Spoke on the "Jack Frank's" (pending) Legislative Bill with its many components and how it would impact the FFPD's Tax Levy;
- Explained the "Interest Rate" graph (year 2015 through year 2032) in the "hand-out";
- Congratulated the FFPD on their increased Bond Rating to "AA2" – this enhanced rating will help with refunding. He noted that 80% of Bond Ratings by Moody's have been downgraded in Illinois and to receive an increase is hard to do;
- Proposed three (3) different solutions:
 1. Proportionate Savings Approach (the easiest solution) – reduces payments with an overall savings of \$644,924.00;
 2. Accelerated Savings Debt Service Approach– show all of the savings up front with an overall savings of \$516,936.00; and,
 3. Accelerated Debt Service Approach – shows savings towards the last two (2) years. Cuts one payment at the end of the term with an overall savings of \$881,782.00.

REVIEW OF EXISTING OUTSTANDING DEBT AND REFUNDING OPPORTUNITY:

[Continued]

The above-proposed solutions are “footprint” refundings -- means staying within the original Bond term that was issued.

Eric confirmed for Chief Grady that the savings dollars can go into the Pension Fund, but was advised to check with the FFPD attorney prior to any action.

In summary, Eric recommended the Board wait until the legislation has been completed in Springfield, but suggested the Board begin the refunding process by presenting a schedule and the adoption of a Refunding Ordinance. This Ordinance defines the “parameters” of the Ordinance. By doing so, the FFPD will be prepared to step into the Market prior to any anticipated/expected interest rate increases. The Refunding Ordinance should specify whether the refunding is “advanced” or “current”. If the FFPD does a “current” refunding now, it allows the FFPD to retain the “advanced” refunding opportunity on a tax-exempt basis.

DISCUSSION/POSSIBLE ACTION ON MOVING FORWARD WITH REFUNDING OPPORTUNITY:

The Board discussed the refunding options, the tax exemption and the best refunding scenarios for the current and future Boards.

In answer to Trustee Daniel Rossi’s question, Eric stated the “Accelerated Savings Debt Service Approach” would be nice. He does not care for the “Deferred Savings” because it takes too long to realize the savings dollars.

Eric concurred with Trustee William F. Hoffmeister that the FFPD should wait for Springfield’s decisions and added the FFPD should prepare to begin the process, but do not proceed with Moody’s rating until the actual refunding, otherwise an additional cost is incurred from Moody’s. Eric noted that about 1.7% of the financing cost has been incorporated, so any savings shown in the “hand-out” is reflected as “net savings”.

Eric will monitor the Bond rates and advise the FFPD of any significant increases or decreases. Moody’s rating of the FFPD drives the refunding Bond rates.

The Board discussed the history of Bond rates and Eric agreed with Trustee Michael Kavanagh that it is a good time to refund.

In reference to Page 2 of the “hand-out”, Trustee Robert Jacobs asked why the 2015 interest rate of .5% does not continue to year 2032 for the FFPD and Eric stated that inflation is anticipated.

Eric confirmed for Trustee Robert Jacobs that it is perfectly efficient to refund on January 1, 2016 or thereafter. If the refunding were done on or prior to the October 3 date, there would be two (2) sets of Bonds outstanding for 90-days until they would be “called-in” for redemption on January 1, 2016.

Eric explained the term “Cash Less Refunding”, whereby the District receives no new money. It is strictly a refunding transaction.

In reference to Page 7 of the “hand-out”, Eric clarified the information regarding the “eight year wait” verbiage for Trustee Robert Jacobs.

DISCUSSION/POSSIBLE ACTION ON MOVING FORWARD WITH REFUNDING OPPORTUNITY: [Continued]

Trustee Michael Kavanagh had questions regarding the three (3) options (structures) and Eric explained that it is a matter of “how” you do it, rather than “when”. The FFPD’s current structure is “Level Debt”. One of the structures being recommended is to change from “Level Debt” to “Accelerated Savings Debt Service” – a little less level up front, but level again as time goes on.

Eric confirmed for Trustee Michael Kavanagh that the FFPD could re-structure (refund) again in 2019, but it would be dependent upon the interest rates.

The Board discussed dates and the timing of the refunding parameters and as a result, Trustee Robert Jacobs affirmed Eric’s recommendation to have the Board’s Legal Counsel draft the “Refunding Ordinance”.

Eric stated that BMO Harris represents 92% of all Illinois Fire Protection Districts when it comes to refunding and he has been working with the Fire Service profession since 1996.

At 9:48 A.M., Eric Anderson was dismissed from the meeting.

Trustee Robert Jacobs asked for direction from the Board:

Trustee William F. Hoffmeister likes the “Accelerated Savings Debt Service” option.

Trustee Daniel Rossi would like to start the process.

A **Motion** was made by Trustee Daniel Rossi, seconded by Trustee Larry Nice, to ask the representative from BMO Harris to start the process and the Board add the following item to the July Meeting Agenda: Begin discussion on the parameters of the “Refunding Ordinance”. President Jacobs called for a roll call vote: upon the roll being called, the following Trustees voted aye: William F. Hoffmeister, Robert Jacobs, Michael Kavanagh, Larry Nice and Daniel Rossi. All in favor. Motion carried.

Chief Grady noted the biggest concern any Board should have is the proposed Property Tax Cap Freeze legislation in Springfield and is shocked that such a “freeze” has not happened yet, and some assistance is still available through the State or Federal levels.

In reference to the refunding, Chief Grady stated that by getting this money up front, it gives the FFPD flexibility in the Operating Budget. Funds would be available for any future purchases and/or projects.

Chief Grady reminded the Board the FFPD is one of the first, of only a few Fire Districts to attain the Moody’s “rating” we currently have.

Michelle Selvaggio confirmed with the Board that the “parameters” of the Refunding Ordinance would be discussed at the July Board Meeting. The formal adoption of the Ordinance could be scheduled for either the August or September Board Meeting.

The Board discussed having “2 designees” in the parameters of the Ordinance.

CLOSED SESSION PER STATUTE 5ILCS120/2C FOR THE PURPOSE OF DISCUSSING LITIGATION, COLLECTIVE NEGOTIATING MATTERS, REAL ESTATE AND PERSONNEL:

None requested.

ADJOURNMENT/RECESS:

At 10:10 A.M., a **Motion** was made by Trustee William F. Hoffmeister, seconded by Trustee Michael Kavanagh, that this meeting be adjourned. President Jacobs called for a voice vote. All in favor. Motion carried.

Michelle Selvaggio, Recording Secretary



Secretary, Board of Trustees

Transcription by: Carolyn J. Williams, Administrative Receptionist