

Jefferson County Fire Protection District No. 3 Board of Commissioners
Special Meeting Minutes
May 23, 2000

Chair Robert Flaherty called the Special Meeting of Jefferson County Fire Protection District No. 3 Board of Commissioners to order at 6:05 p.m. on Tuesday, May 23, 2000, at Station #31 located at 7650 Oak Bay Road, Port Ludlow, Washington. Chair Flaherty stated the purpose of the Special Meeting was to meet with Jane Towery of Banc of America to review lending options, namely that of a loan or a bond, for constructing a new fire station on the site of the existing Station #31.

Commissioners present were Commissioner Robert Flaherty, Commissioner Herb Stowe, Commissioner Roy Raudebaugh, and Commissioner David Wheeler. Chief Wayne Kier and District Secretary Arlene Obtinario were also present.

Commissioner Robert Pontius was not present.

Ms. Towery stated that Section 2 of her presentation (included with these Minutes) was the list of the Commissioners' questions that had been faxed to her previously and her answers. She went on to state that she was representing the underwriter for a bond and the bank for writing a loan, so would answer questions on both lending techniques.

She stated that, technically, whenever a public agency takes on indebtedness, it is a bond. Bonds are sold in increments of \$5,000. On a loan, it is down to a dollar but a loan typically has higher interest rates. The bank has a \$250 loan fee, but that is the only fee. The bank does not like to see a balloon payment on a loan. The bank wants a set amount paid toward the principle on a regular payment schedule. The borrower may make additional payments anytime on the principle, but there are prepayment penalties to be aware of if the interest rates have gone down. There would be no penalty if the interest rates continue to go up.

She went on to state that it is not possible to lock the interest rate in on a bond until the bonds are pre-sold.

She said it is the bank's recommendation to sell the bonds non-rated, non-insured. There is a \$10.80 maximum fee per thousand, so on a million dollars, there would be a total fee of \$10,800.

Jane stated the bank would like to advertise locally and sell the bonds to local residents of the fire district if the Board decides to fund the building project by bond.

Commissioner Raudebaugh asked Ms. Towery if she would commit to 1%; she replied that she does want to work with the fire district, so she would commit to 1%.

Ms. Towery stated that if the District borrows a lesser amount, there is not a lower interest amount – it usually works the other way.

Jane said the Board of Commissioners needs to tell the bank what it can afford to pay and then the bank will set up the program.

If the Board agrees to take a 5-year call date on the bond and absorb the penalty, it would be written into the bond agreement. Customarily the call date is at 10 years, but the underwriter would do an 8-year call date; it is unusual to do a 5-year call date.

The question was asked if the District should start with a line of credit, build the building, then take out a bond. Jane replied that it could be better to take the bond now to lock in the lower interest rate with the possibility of rates going up by the end of the year.

Jane said she that she personally works with fire districts; has a big commitment to the fire service; and wants very much to work with District #3 and sell the bonds to District 3's local citizens.

Jane stated the District would be required to pay a 'fiscal agent fee' to the State of Washington and it is something like \$100 per year for the life of the bond.

And, the District is responsible for the bond counsel fee, which runs approximately \$3,000 for a one-time fee.

If the Board decides to go with the bond, it takes 4 to 6 weeks to put the bond sale together.

Chair Flaherty called for any further questions or discussion. There were no responses, so he thanked Jane Towery for her presentation and called for adjournment at 6:55 p.m.

JEFFERSON COUNTY FIRE PROTECTION DISTRICT NO. 3

Signed: By: Robert Flaherty
Commissioner Robert Flaherty, Chairman

By: Herb Stowe
Commissioner Herb Stowe, Vice-Chairman

By: Roy Raudabaugh
Commissioner Roy Raudabaugh

By: David L. Wheeler
Commissioner David Wheeler

By: NOT PRESENT
Commissioner Robert Pontius

ATTEST:
By: Arlene F. Obtinario
Arlene F. Obtinario, District Secretary