

KLICKITAT COUNTY FIRE DISTRICT 3

200 Husum Street, Husum, WA 98623

Commissioner's Meeting

Wednesday November 28, 2018

SPECIAL MEETING

Called to order: 15:00

Attendance:

Commissioner Montag, Commissioner Connor, Commissioner Virts,
Chief Long, Rozalind Plumb,

Approval of agenda:

Motion to approve the agenda made by Commissioner Virts, seconded by Commissioner Connor. (3 yay 0 nay). Motion passed.

2019 Budget Certification:

1. **2019 Budget and regular levy.** The regular Levy was reviewed and approved at the Commissioners meeting on November 5th 2018, however, the certification did not include the Excess levy for the Bond (it was not confirmed at the time of the meeting). Also, the Full-time employee certification was not completed.
2. **Fulltime employee certification documentation.** The certification for the district having at least one full time employee was presented and signed by the Commissioners.
3. **2019 certification of levy amounts:** The certification for amounts to be levied was presented including the 2019 regular levy of \$454,497.53
And the Excess Levy for the Bond in the amount of \$ 320,000.00 (this is the amount advised by Jim Nelson of D.A Davidson).

Motion to approve the Levy certification in the amounts of \$454,497.53 and \$320,000.00 made by Commissioner Virts, seconded by Commissioner Connor, (3 yay, 0 nay) motion passed.

2018 Capital Bond:

The bond request presented to the Public for vote was for \$3,325,750.0. With a 20 years life span the estimated Levy rate of forty-eight (48) cent per thousand of property value.

Bond Agent Jim Nelson for DA Davidson was present via telephone.

Jim Nelson began talking about the 8 offers from banks. He sent a summary (see attached).

Mr. Nelson said there are options to go with a 15-year loan but the levy rate would be higher than 48 cents which is the amount published in the lead up to the vote. He recommends going with the 20 year. Also, of note is the fact that the District does not have Audited Financials. [To Clarify the District reports its financial activity to the State Auditor's Office annually and receives an 'Accountability Audit' by the State Auditor's office every 3 years].

The District has received 8 bids for the Bond. Some are variable rates, some are fixed rates. Two main options stand out under the 20-year options;

1. Capital One has a fixed rate for 20 years at 3.89%. and that levy rate will be 48cents. It is exactly what was estimated in June. – He noted that the first 3 years will be 49 cent as it is usual to have some non-payment of the taxes. The extra penny covers the deficit “Tax Delinquency”.

2. Commerce Bank offer has variable rates. It commits to an initial fixed rate at lower interest rate, but then changes to a higher rate, then the last 5 years are variable with the market. While the initial savings on interest are appealing there are no guarantees on the end of the loan payments and there is a risk involved. He ran the numbers and showed there could be some significant savings – there are several factors to consider – the assessed values may not increase significantly, and the interest rates could go up significantly. The last 5 years float with the market. There are options to fix the last 5 years at a later date.

Commissioners had questions for Jim, between 15 and 20 years. There would be savings with a 15-year bond, but the monthly cost would be greater. Jim noted that the votes were for a 20-year levy at 48 cents so a change to that could be an issue.

The invested earnings funds can only be used to pay for capital items on the bond. The commissioners asked if the investment earnings could be used to pay down the debt. Jim noted that the bond proceeds need to be spent within the first 36 months, so there is not a great deal of earning capacity on the bond funds. There are strict rules on how the funds can be invested. The interest earnings could only be used for capital projects as described in the voters’ pamphlet. The levied funds will be collected annually and there is capacity to invest those funds for part of the year (collected in April/May and the principal will be paid in December).

There may be options in the contract that allows for prepayment of the bond before 20 years. Jim was unsure if we can use investment earnings to pay down the principle. He will confirm it with the bond attorney. He also said they often get calls for scenarios when the projects have gone over budget and the earnings can be used to pay for that.

There has been a pattern for growth of assessed value in our area and the estimated 48 cents will likely decrease over time based on new assessed valuations. However, it is difficult to predict the future rate of growth in the area.

Commissioner Montag asked why there was specific reference to forestry in the documentation of the bond. Jim agreed with Chief Long that it relates to the rural communities that are dependent on forestry as an economic driver. That is not the case in this region as we have a broad range of industry from forestry and agriculture to high tech.

15years vs 20 years. The decision needs to be made in the next 2 days as some of the bank offers will close by Monday. There is the option to delegate the decision to the delegated officers in the documents. (chief Long, Commissioner Montag and Secretary Plumb).

Commissioner Virts wanted to know if the levy rate for 15-year bond would be higher than the 48 cents. Yes, 15 years would be a higher levy rate per \$1000 of assessed value.

Jim recommended following the figures set out to the voters. The main options on the table are;

- Capital 1 3.89 fixed for 20 years.
- Commerce Bank – can fix at 15 years at 3.34%, but last 5 years with higher rates.

Jim noted that the district received 8 bank offers. This is testament to the District, as many only receive 2 or 3 offers.

Jim was released from the discussion.

a) Review Bond process and timeline

Having received information from Jim Nelson, the commissioner will move forward with discussions and choosing an option.

b) Resolution 2018-16 Registration of Bond obligations of the district.

“Motion to approve Resolution 2018-16 A RESOLUTION of the Board of Fire Commissioners of Klickitat County Fire Protection District No. 3, Washington, adopting a system of registration of bonds and obligations of the District”, made by Commissioner Virts, seconded by Commissioner Connor

Commissioner Virts voted yes, Commissioner Montag voted yes, Commissioner Connor Voted yes. Motion passed.

c) Resolution 2018-17 Bond resolution – delegating authority

“Motion to approve Resolution 2018-17 A RESOLUTION of the Board of Fire Commissioners of Klickitat County Fire Protection District No. 3, Washington, relating to contracting indebtedness; providing for the issuance and setting parameters with respect to certain terms and covenants of not to exceed \$3,235,750 principal amount unlimited tax general obligation bond authorized by the qualified voters of the District at a special election held under District Resolution No. 2018-11; appointing the District’s designated representative under RCW 39.46.040(2) to approve the final terms of the bond; and providing for related matters”. made by Commissioner Virts, seconded by Commissioner Connor.

Commissioner Virts voted yes, Commissioner Montag voted yes, Commissioner Connor Voted yes. Motion passed.

d) **Post Issuance Procedures for Tax Exempt Bonds.** This document outlines the management of the funds. Chief Long signed.

e) **Review of bank offers** – Having talked with Jim Nelson about the offers the Commissioners discussed the options for the district.

The 15-year options will save interest but are almost 10 cents higher (57 cent per 1000) than we submitted to the public in the voters' pamphlet.

The commerce bank option has a change in interest in 2025. The concern with this is that as staff and commissioners change there could be problems.

Chairman Montag asked for a vote on 15 years vs 20 years. All 3 commissioners indicated a preference towards the fixed rate of interest on a 20-year loan.

The Commissioners called Jim Nelson back. They wished to know what the levy impact will be for 15-year bond at 3.34 fixed rate – what is the levy rate? Jim estimated it would be 57cent per \$1000 of assessed value. The saving of interest could be significant. Jim will calculate the total interest paid over the life of the loan and get the information to Chief Long in the morning. (Jim left the meeting).

If the interest savings are significant (a figure of \$500,000 was mentioned by a commissioner but not agreed upon), the commissioners could hold a second special meeting and reconsider a 15-year bond.

In summary:

- The Commissioners discussed the bank offers with Bond Agent Jim Nelson.
- The request made to the public was for a 20-year bond at approximately 48cents per \$1000 of Assessed Value (AV).
- The Commissioners discussed going to a 15-year option as it would save on interest payments.
- A 15-year option increased the levy Rate from 48 cent to 57 cents per 1000 AV.
- The Commissioners were uncomfortable deviating from the request made to the public (and acknowledged that the KCFD3 bond was one of 3 levies that passed in the district).

Having weighed the options available to them and taking into consideration the advice from the Board Agent, the Commissioners voted on the offers and information in hand.

Motion to choose the Capital One 20-year fixed rate 3.89 % estimated levy rate to be 0.48 cents, made by Commissioner Virts seconded by Commissioner Connor.

Commissioner Virts voted yes, commissioner Montag voted yes, commissioner Connor voted yes. Motion passed.

Motion to adjourn made by Commissioner Montag, seconded by Commissioner Connor.

Meeting adjourned: 16:56

APPROVED BY:

Thomas Montag 12/13/18
Chairman – Commissioner Thomas Montag. (date)

Robert Connor 12/13/18
Commissioner Robert Connor (date)

Charles Virts 13 Dec 2018
Commissioner Charles Virts (date)

Attest:

Rozalind Plumb
District Secretary Rozalind Plumb



Klickitat County Fire District 3

200 Husum Street – P.O. Box 151 Husum, WA 98623

(509) 493-2996

SPECIAL MEETING

Agenda

**Wednesday November 28th 2018,
at Station 31, 200 Husum Street, Husum WA. 98623.**

Call to order:

Attendance:

Approval of Agenda:

1. 2019 Budget Certification:

- a) Review information for the 2019 Budget and regular levy.
- b) Take action on Fulltime employee certification documentation
- c) Take action on 2019 certification of levy amounts (includes regular levy and anticipated bond levy for 2019).
- d)

2. 2018 Capital Bond:

- a) Review Bond process and timeline
- b) Review and take action on Resolution 2018-16 Registration of Bond obligations of the district.
- c) Review and take action on the Resolution 2018-17 Bond Delegation of authority.
- d) Post Issuance Procedures for Tax Exempt Bonds – To be signed by the Chief
- e) Review initial bank offers for Bond
- f)

Adjourn: _____

Klickitat County Fire District No. 3
For Discussion Purposes (As of 11/28/2018)

	<u>Capital One Bank</u>	<u>Commerce Bank (4)</u> assume 1%+	<u>Commerce Bank (4)</u> assume 2.28%+
<u>Par Amount of Bonds:</u>	6/29/2018 \$3,065,000	11/26/2018 \$3,235,750	11/26/2018 \$3,235,750
<u>Net Proceeds:</u>	\$3,000,000	\$3,203,752	\$3,203,752
<u>Est. Average Annual Payment (1):</u>	\$235,335	\$224,890	\$226,386
<u>Est. Net Borrowing Cost (1):</u>	4.50%	3.89%	3.45%
Tax Levy Impact (1): (dollars per \$1,000 of assessed valuation)	\$0.48	\$0.48	\$0.46
<u>Tax impact on a homeowner of:</u>			
Annual Increase (1):	\$143.56	\$143.58	\$138.10
Monthly Increase (1):	\$11.96	\$11.96	\$11.51

Assumptions:

1. Net Borrowing Cost is preliminary and subject to change.
2. Assumed Assessed value for the 2019 Tax Collection year: \$491,776,841
3. Assumes a bank financing.
4. Fixed interest rate at 3.34% for the first 15 years. The last 5 years are variable with interest rate re-sets in years 2023, 2028 and 2033. You can lock the rate after 5 years for the last 5 years. The option 1%+ assumes interest rates increase by 1% above the 3.04%. The option 2.28% assume interest rates increase by 2.28% above the 3.04%.

**Level Debt Service with assumed annual growth rate in Assessed Value of 3%
Receive Net Proceeds of \$3,203,752**

Period Ending	Principal (1)	Coupon (1)	Interest (1)	Annual Payment (1)	103% Target	
					Assessed Value (1)	Levy Rate (1)
12/1/2019	174,362	3.340%	102,971	277,333	491,776,841	0.5639
12/1/2020	175,083	3.340%	102,250	277,333	506,530,146	0.5475
12/1/2021	180,930	3.340%	96,403	277,333	521,726,051	0.5316
12/1/2022	186,974	3.340%	90,360	277,333	537,377,832	0.5161
12/1/2023	193,218	3.340%	84,115	277,333	553,499,167	0.5011
12/1/2024	199,672	3.340%	77,661	277,333	570,104,142	0.4865
12/1/2025	206,341	3.340%	70,992	277,333	587,207,266	0.4723
12/1/2026	213,233	3.340%	64,100	277,333	604,823,484	0.4585
12/1/2027	220,355	3.340%	56,978	277,333	622,968,189	0.4452
12/1/2028	227,715	3.340%	49,618	277,333	641,657,235	0.4322
12/1/2029	235,320	3.340%	42,013	277,333	660,906,952	0.4196
12/1/2030	243,180	3.340%	34,153	277,333	680,734,160	0.4074
12/1/2031	251,302	3.340%	26,031	277,333	701,156,185	0.3955
12/1/2032	259,696	3.340%	17,637	277,333	722,190,871	0.3840
12/1/2033	268,369	3.340%	8,964	277,333	743,866,597	0.3728
12/1/2034	0	0.000%	0	0	766,172,295	0.0000
12/1/2035	0	0.000%	0	0	789,157,463	0.0000
12/1/2036	0	0.000%	0	0	812,832,187	0.0000
12/1/2037	0	0.000%	0	0	837,217,153	0.0000
12/1/2038	0	0.000%	0	0	862,333,667	0.0000
Total	3,235,750		924,245	4,159,995		
Est. True Interest Cost:	3.340%					

(1) Preliminary and subject to change.

Estimated 2019 Bond Payment:	\$277,333
Plus assumed 6% Tax Delinquency:	\$16,667
Estimated Combined 2019 Bond Payment with 6% Tax Delinquency:	\$294,000
Estimated 2019 Combined Bond Levy Rate:	\$0.5978
Estimated Annual Tax Increase on a \$300,000 home:	\$179.35
Estimated Monthly Tax Increase on a \$300,000 home:	\$14.95

Est. Par Amount	\$3,235,750
Est. Original Issue Premium	\$0
Est. Total Sources of Funds	\$3,235,750
Deposit to Construction Fund	\$3,203,752
Est. Total Financing Costs	\$31,998
Est. Contingency/Rounding Amount	\$0
Est. Total Uses of Funds	\$3,235,750

