

**MINUTES OF FEBRUARY 22, 2010  
BUTTERFIELD PARK DISTRICT  
SPECIAL BOARD MEETING**

President Kryger called the meeting to order at 7:00 p.m.

Upon roll call the following commissioners were present: Commissioner Sandy Cosenza, Michael Kryger, Larry Montgomery and Jim Gavin.

Commissioner excused: Commissioner Lisa Saunderson

Staff Present: Executive Director Harris, Deputy Executive Director Heitz, and Recording Secretary Holz.

Guests: Wally Stock of Mesirow Financial

OPEN COMMUNICATIONS/PUBLIC COMMENTS

N/A

ORDINANCE PROVIDING FOR THE ISSUE OF NOT TO EXCEED \$230,000.00 GENERAL OBLIGATION LIMITED TO TAX PARK BONDS SERIES 2010 OF THE BUTTERFIELD PARK DISTRICT DUPAGE COUNTY ILLINOIS AND FOR THE LEVY OF DISTRICT ANUAL TAX TO PAY IN INTREST ON SAID BONDS #190

Commissioner Montgomery made a motion to approve the Bonds; Seconded by Commissioner Cosenza.

Discussion: Deputy Director Harris stated that Wally Stock and Peter Kokous from Mesirow Financial have provided tremendous support and guidance for this process. Staff has met with them as along with a couple other financial advisers. After meeting with Mesirow they provided guidance to us to conduct the sale of the bond ourselves. By doing this, the Park District is potentially saving approximately \$10,000.00. The District is extremely appreciative of Mesirow's assistance throughout this process.

Wally explained that we are a small district and that we shouldn't be paying a lot of money for someone to execute this, as a friend of the parks we help a lot of park districts out. We want to empower you to do this yourself it might be a little tricky. We kind of started out with a bid form and took an example of that and redrafted it. We worked with Chapman and Cutler a bond counsel in Chicago who provides legal opinion in the nature of bonds. With that bid form and ordinance, Deputy Executive Director Heitz was able to solicit about 30 banks and get some response back, and we have a bid here tonight. The ordinance is just like you have seen before in previous years, it's a maximum amount of \$230,000.00. The bonds are paid back in a perpetual rolling forward way. Every year the bonds hold for one year, it pays off and then another one is right behind it. A tax increase is not a result of this bond it is just a continuation of the levy which was out there last year. The district operates under the tax cap, we are restricted on how we can levy for operating funds and bonds. Another thing the bond goes to make a payment on a larger bond that we have outstanding so there is not much money left over at the end of the day. We can't run out and borrow millions of dollars we can only borrow based on the size of our property taxes. We have 3 million as our tax base, we have to be less than .575%, and our outstanding bond is about 1.6 million. Every year we sell the small one year bond and then we don't levy the tax on the big bond and it doesn't count against our limitations. As long as we keep operating in the capacity of selling the one year bond to pay the larger bond we will be in compliance with the law. The ordinance needs to be approved tonight by the board; this gives the president, treasurer and secretary the directive to sign papers on behalf of the Butterfield Park District for the bond sale. A legal opinion will then be rendered. The bonds will be due December 1<sup>st</sup>, 2010, the interest rate maximum was 5% which we have achieved 2.9% by the bid process. Immediately after passing this within this week Dayna will go file this at the county and that will put the levy in place for this year, as taxes get extended in June and September we will receive the money ahead of time and it will be due in December, a little less than a year from now. We will stop the tax on the larger bond and levy this tax and it is all because of this debt limitations. Commissioner Kryger asked why the figures were broken down the way they were. Wally answered those figures are a function of what is due on the 99 bond. There is \$221,000 due on July 1<sup>st</sup>, 2010 and January 1<sup>st</sup>, 2011. The idea is that we take the proceeds, pay the other bond, and then stay within the limit of your debt under the park code.

Upon a roll call vote, the motion passed:

AYES: 4(Commissioner Sandy Cosenza, Michael Kryger, Larry Montgomery and Jim Gavin)  
EXCUSED: 1 (Commissioner Lisa Saunderson)

NEW BUSINESS

Executive Director Harris discussed that this was a good opportunity to talk about refinancing our 99 bond. This would allow us to generate some additional dollars immediately to dedicate towards capital projects which would also help us with financial stability. We talked about it as staff and board; we thought it was a good opportunity. This is a great opportunity to generate additional dollars dedicated to capitol projects, which right now looking at our budget recommendations for 2010/ 2011 we will not have any money dedicated towards capitol projects as of today, we are still fine tuning the budget. Last year we dedicated very little to capital projects. We feel it is very important if we are able to do this that we do so. Our assets are declining every year and we are just not

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able to keep up with infrastructure and repairs necessary. So in talking to all our financial vendors we came up with this possibility. Wally explained a little about his background and his company's background. What started all of this was the ability to refinance your existing debt which has higher interest rates than where the markets at right now. You only get certain opportunities which come up typically every 10 years to refinance. When you sell a bond it has a call feature, you might sell a 20 year bond and its first option to be taken away from investors is about 10 years after it's sold. That is the unique opportunity that you are in right now. We sold the bonds in 99 and we could have refinanced it prior to those 10 years but there would be more restrictions on it, so we wait until it's callable. This is a unique opportunity that is there for us right now, the market rates are lower right now than what we found in 99. The district is in a position to attack refinancing and see what kind of new money we can interject. We have a certain payment that we are making every year, try to make it a similar type structure, out a little longer, or a little lower than where it is at right now. Then when you sell the roll over bond every year you get a little extra money \$20,000 or \$30,000 that you can use for your capitol. Page 23 explains different scenarios. Outstanding bond payments of \$220,000 a year at about a 5.75% and the idea with option A is to try to refinance them with a similar time period and annually reduce as much as you can so you are going to take the interest rate from 5.75% to about 3.25% and it would be about \$11,000 dollars a year. Over the life of it would \$121,000 over ten years, present value today would be \$100,000. Based on how much you are refinancing which is 1.6 million it would be 6.29%.

Commissioner Montgomery asked if we were able to sell the baby bond at 2.9% why are we at a 3.3%? Wally explained the way the yield curve works, it rises and then it gets flat, that's one thing. Another thing is your selling the baby bond and it doesn't have a bond rating on it and it is relatively small. This is pretty much where the market is at. This is still a work in progress so there is no guarantee. Trying to put similar level payments in every year, it ended up at the 16 year mark, going out a little further, the interest rate is a little higher the closer to 4%, still some pretty decent present value savings. Here are some of the concerns to be aware of when looking at the refinancing. On page 21 a key thing is your debt limitation, your tax base is \$302 million, you get .575% that you can get into the market and sell without a referendum. You have the alternate bonds at 1.6 million and then the baby bond. Every year you sell the baby bond for \$225,000 to pay the big bond, and the way the law works is that the big bond doesn't count against your debt limit. To sell this bond (page 23) the roll over every year has one of these requirements, debt service coverage requirement you are suppose to have 1.25 times debt service coverage. The idea is that you can sell the roll over every year then you get \$220,000 then you have to come up with \$55,000, then you have \$275,000 and you need the coverage. There are a number of ways to get this, you can go look at your most recent audit and look at your general fund and see if you have \$55,000 in surplus. Or you might have to barrow a little more and put it in the bank. Commissioner Cosenza asked if the easy way would be option A? Wally explained that with option A you still save but again you are kind of binding your hands a little that once you come in and tackle this and you refinance you have to cast it out again and you can't really get back in. The refinancing and taking advantage of the interest rates a little lower is certainly attractive but I think if you really go the extra mile and think through all the possibilities that can be. There are different ways to be creative and think outside of the box now is the best time to recast it out, if there is a need to make improvements in the district. Commissioner Cosenza asked if there could be an option C? With the additional revenue of \$55,000. Wally answered that the bonds are paid back and every year they cannot exceed \$230,000 principles and interest, you have to take the payments which is \$220,000 and get it down to \$160,000. The only way to do that if you have so much money that has to be paid back you have to push it out. That is what is going to be difficult. You could theoretically say we want to refinance we don't want any money just lower payments. That would be more like option B, you would be out 16 years and would have the \$55,000 a year. That would take you 12 years to get 700,000 or 800,000 dollars. Commissioner Kryger asked for option A what is the net benefit dollar wise to the district every year? \$11,216.00? Wally answered yes. Commissioner Kryger asked for Option B the benefit to the district is? Wally answered the money up front, the \$760,000, and coverage factor. Commissioner Montgomery stated that if we use option B we could have use of \$700,000 in money and put \$60,000 somewhere just to cover that 25%. Wally discussed that we can get authorization to do the bonds and take time to carry the process out. In any situation where we are going to want to have new money we are going to have to go through a similar step that we went through tonight where we passed the bond ordinance, we are also going to have to pass an authorize ordinance and have a hearing like you had on February 11th. There is a small resolution that is passed, it's put in the paper in the legal section, and then there is a 30 day waiting period. That resolution has some language like as in this bond ordinance that you are going to sell bonds for a certain amount. Projects are going to be listed, you can list some of the projects, you can list more than what you want to do, but at least have in there what you want to do and then some. Have more than what you want to do in there. Then how you are going to pay it back through this roll over bond. You have to pass that, put that in the paper for 30 days, and that is good for 3 years. You can act on that shortly after that or take some time. After you get that authorization then you have to do the hearing, I think the hearing is good for 3 years again, and then finally the ordinance which we passed tonight. Then after that you can get in the market and sell the bonds, and some of the other credit issues have to be summarized. An offering document has to be put together on how you are going to handle the additional revenue. Commissioner Kryger asked if this is where Mesirow comes in. Wally answered yes. That is a little over 2 million dollars over then for that issue. That will be a little more complicated you are not going to have just one bank wanting to buy that you may have 3 or 4 banks and that is where we will have a little more ability to give our expertise. Commissioner Montgomery stated basically we are going to go from 1.6 million in debt to 2.12 million. Wally added yes you will be adding at least \$760,000 more in debt. What I tried to do was just come to a round figure so that every year was similar. There are other options of going out a little further and making payments a little lower, or keep it the same length and make them a little lower. Commissioner Kryger asked if we could make it a higher number than \$760,000. Wally answered you could go to a higher number by taking them out further. So for each additional year you're going

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to go out further you are adding close to \$200,000. So going out 20 years you would probably be close to a million dollars. There is no issue even though economy is bad right now because you have a large tax base. It's not as large as others but its relatively diverse, you have good collections, there are a lot of other safety nets out there. Commissioner Kryger asked what is the maximum amount that we are able to take out if we went 20 years with 1.3 or 1.5 million. Wally replied I would have to run some numbers you would probably get over the 20 million dollar mark. There are a couple ways to look at that, there could be the similar payment structure at the \$220,000 mark and how much max could you get. There might be another option where you go out to 20 years and you try to get that \$40,000 or \$50,000 a year. Then see if you can still get \$750,000 or \$800,000 up front but then leave \$40,000 every year. Commissioner Kryger replied hypothetically if we get the \$760,000 and improved all the parks and fixed everything up that needed to be fixed and it was all done you will still be left with the same situation year after year of being dry. Wally discussed that were selling limited tax bonds on an annual basis with an interest rate of 4% plus a little for cost, how much you net out, \$220,000 might be pushing it a little. That is the logic with payments every year of selling that baby bond, making it lower would probably be a little more conservative. The credit, you have no underlying rating this is a little bit of what is in up the air. You will have to probe into the market, and try to get in the A range. You're going to be between the triple B+ and the A. Commissioner Montgomery asked about the Federal Reserve Bank and Interest Rates announced an increase last week. Wally replied they announced an increase on the overnight lending rate that charges to member banks. It's not that there are two different rates there is the overnight lending rate and then the discount rate. Commissioner Montgomery asked if that starts moving upward will that affect our cost of refinancing the bonds. Wally answered it is going to take some time to play out, it could, the message from the feds of what I recall reading was that is not suppose to be an indication that they are getting ready to raise that discount rate, they still don't know what they want to do with that. The district has not had an opportunity like this for 10 years. So be thoughtful and be proactive and make your mark. Executive Director Harris stated that we will take it under advisement, talk about it, and then proceed finalizing selling the bonds for this year and then we will talk about how we move forward. Commissioner Kryger stated that he thinks we should investigate borrowing, more getting cash to supplement, and borrowing less and seeing what the dollars look like. I don't think we want to get into a situation were we borrow so much and not have anything for the next 10 or 15 years coming in to supplement the money you borrowed. Operating on a shoe string budget as it is, you can only cut back so much as far as economics go, and you have to infuse some money somehow. I think you need to look at some kind of number that you can borrow initially to fix the infrastructure and have some money for years to come to make sure you're not bleeding every year. I would look into that scenario or maybe borrow less but even then have something to supplement your cash flow. I don't think we want to waste six months. Commissioner Montgomery said let's make up our mind. Commissioners agree to have a Finance meeting in March to discuss this further. Wally informed that you can be general in the publication documents. List some specific sites and things that you are looking at as far as the wording. You can get that going and then have the 30 days to go from there.

Executive Director Harris stated once again his appreciation to Wally for all of his help.

**ADJOURNMENT**

At 8:00 p.m. Commissioner Kryger moved to adjourn; seconded by Commissioner Cosenza.

On voice vote, motion passed.

PRESIDENT \_\_\_\_\_

BOARD SECRETARY \_\_\_\_\_

Respectfully submitted by Recording Secretary Karin Holz