

Gayla Sink

From: John Gulley <jgulley@franklincountyil.org>
Sent: Wednesday, February 01, 2017 10:34 AM
To: Randall Crocker; Gayla Sink
Cc: Teri Woolard; 'Pam Smith'
Subject: Special meeting to approve debt certificates

Randall-

Since you won't be here Monday, I have been trying to anticipate what questions the public or other board members may have for the meeting on Monday. We should talk about these before the end of the week.

Q: What is the term of this loan?

A: This is a 17 year loan. The first seven years are fixed at 3.75% interest. The remaining years will be prime minus ½% with a cap of 4.75%. This means that the rate will never go over 4.75%, but could go lower than 3.75%. The debt certificates are tax free, which gives us a better rate.

Q: Were other banks given the opportunity to bid?

A: This is not a conventional loan. The county cannot borrow money in a conventional manner because we cannot use our real estate as collateral. The county is issuing debt certificates which is similar to issuing bonds. The rates for bonds and debt certificates are set by the market. The county worked with a local bond consultant—Forrest Langenfeld—rather than using a larger, more expensive bond underwriter as we have done in the past. Southern Illinois Bank immediately offered to buy the debt certificates.

Q: Did we refinance the 2013 debt certificates as was originally discussed?

A: No. The majority of the 2013 debt certificates were used to put a new HVAC system in the jail. Since the jail is used to house federal prisoners from time-to-time, those debt-certificates could not be issued as tax-free certificates. It was to the county's advantage to issue the new debt certificates separately so they can be tax free. Plus, it was brought to our attention that the 2013 debt certificates could not be redeemed early, so it was a moot point. We owe two more principal payments on the 2013 debt certifications. Those payments will be made in October 2017 and October 2018. Once those payments are made, the 2013 debt certificates will be paid off. The annual debt service on the 2017 debt certificates will be \$43,000 per year. This is \$14,000 per year less than the current 2013 debt certificates.

John Gulley
Franklin County Treasurer
President, Illinois County Treasurers' Association
P.O. Box 967
Benton, IL 62812

618-438-7311
Fax 618-438-3510
www.franklincountyil.gov