



Addison Fire Protection District (IL)

Taxable General Obligation Bonds (Alternate Revenue Source), Series 2021 (the "POBs")

"AA- / AA" Ratings

January 20, 2021

Senior Manager

Addison Fire Protection District (the "District") Pension Obligations

- The Firefighters' Pension Plan ("Plan") had an unfunded actuarial accrued liability ("UAAL") of \$33.3 million and a funded ratio of under 62%.
- The District's annual pension levy has grown on average 11.3% each of the last five years and represented an increasing percentage of the District's overall levy (16.7% in levy year 2015 vs. 22.4% in levy year 2019).
- The District's annual UAAL amortization payments were expected to nearly double by 2040.
- The current funding methodology was unsustainable given the District's dependence on property tax levies to make these payments and its limited revenue raising capability.

POB Structure:

- The POBs were issued as general obligation alternate revenue source bonds with a pledge of the District's firefighter pension levy and corporate fund tax levy to meet the 1.25x coverage requirement.
 - ✓ The District intends to abate the debt service levy each year and use the pension levy to pay debt service on the POBs.
- Annual debt service on the POBs were structured to be more level and affordable into the future.
- The District lowered its actuarial rate from 7.0% to 6.75% in conjunction with the POB issuance to be more in line with historical and expected investments returns.

Rating Agency Guidance

- The District applied for an inaugural bond rating from S&P which was recommended by Baird in its RFP response.
- Baird and the District's municipal advisor drafted a rating presentation book of the District's plan of finance, which touched on the potential benefits, risks, mitigation strategies and structure of the POBs.
- Our rating agency approach was well received by S&P and resulted in an inaugural rating for the District of "A+".
- The District qualified for municipal bond insurance and as a result, the POBs carried a "AA" insured rating by Build America Mutual.

Marketing and Pricing

- Baird started pre-marketing two days prior to pricing.
- After the initial order period, all but two maturities were **oversubscribed two to six times**.
- In total, the underwriting team received \$99,545,000 in orders (2.95x the par amount) with **\$85,930,000 (86.3%) in orders from Baird alone**.
- Allowed Baird to tighten **(lower) yields by 2 to 5 basis points (0.02% to 0.05%)** across many maturities, **increasing anticipated POB savings by approximately \$115,000**.

Key Results

- **2.28% bond rate and an all-in true interest cost of 2.39%**, well below the 6.75% interest paid on the UAAL.
- **\$23.8 million in expected gross savings** and \$17.5 million in present value savings (52.5% of the UAAL funded) assuming the Plan achieves an average rate of return of 6.75% over the next 20 years.
- **Lowered District UAAL payments by as much as \$2.27 million** with a level debt service structure.

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