

The logo for the law firm BAIRD, consisting of the word "BAIRD" in white, uppercase, serif font, set against a dark blue, trapezoidal background that is wider at the top and tapers towards the bottom.

City of Appleton

Finance Committee Meeting

August 6, 2018

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City of Appleton

FINANCE COMMITTEE MEETING

August 6, 2018



Timeline

- Finance Committee considers plan of finance..... August 6, 2018
 - Preparations are made for issuance
 - ✓ Official Statement
 - ✓ Bond Rating
 - ✓ Marketing
- Bond/Note PricingSeptember 5, 2018
- Special Finance Committee considers award resolutions.....September 5, 2018
- Common Council meeting to award Bonds/Notes.....September 5, 2018
- Closing (funds available)..... October 8, 2018

City of Appleton

FINANCE COMMITTEE MEETING

August 6, 2018



Borrowing Amount / Structure / Purpose – General Obligation Promissory Notes

Amount:	\$13,840,000
Issue:	G.O. Promissory Notes
Purpose:	\$13,835,397 - 2018 General Fund CIP
Structure:	Matures April 1, 2019-2028
First Interest:	April 1, 2019
Callable:	April 1, 2025
Estimated Interest Rate:	2.94%

City of Appleton

FINANCE COMMITTEE MEETING

August 6, 2018



Example Financing Plan – General Obligation Promissory Notes

**PRELIMINARY
2018 NOTES**

\$13,840,000

General Obligation Promissory Notes

Dated October 8, 2018

(First Interest April 1, 2019)

2018 CIP Projects Financed: \$13,835,397

YEAR DUE	EXISTING NET G.O. DEBT ^(A) (Levy)	*	PRINCIPAL (4/1)	INTEREST (4/1 & 10/1) TIC 2.94%	LESS: Bid Premium	TOTAL	COMBINED G.O. DEBT (Levy)	YEAR DUE
2018	\$5,196,939	*					\$5,196,939	2018
2019	\$6,073,348	*	\$325,000	\$536,336	(\$536,336)	\$325,000	\$6,398,348	2019
2020	\$5,864,790	*	\$1,415,000	\$512,300	(\$157,808)	\$1,769,492	\$7,634,282	2020
2021	\$5,858,410	*	\$1,310,000	\$457,800		\$1,767,800	\$7,626,210	2021
2022	\$5,860,147	*	\$1,365,000	\$404,300		\$1,769,300	\$7,629,447	2022
2023	\$5,594,979	*	\$1,420,000	\$348,600		\$1,768,600	\$7,363,579	2023
2024	\$5,590,953	*	\$1,475,000	\$290,700		\$1,765,700	\$7,356,653	2024
2025	\$4,571,900	*	\$1,535,000	\$230,500		\$1,765,500	\$6,337,400	2025
2026	\$3,988,600	*	\$1,600,000	\$167,800		\$1,767,800	\$5,756,400	2026
2027	\$1,705,200	*	\$1,665,000	\$102,500		\$1,767,500	\$3,472,700	2027
2028		*	\$1,730,000	\$34,600		\$1,764,600	\$1,764,600	2028
	<u>\$50,305,266</u>	*	<u>\$13,840,000</u>	<u>\$3,085,436</u>	<u>(\$694,144)</u>	<u>\$16,231,292</u>	<u>\$66,536,557</u>	

(A) Net of bid premium from 2016 and 2017 notes.

City of Appleton

FINANCE COMMITTEE MEETING

August 6, 2018



Borrowing Amount / Structure / Purpose – Storm Water System Revenue Bonds

Amount:	\$3,000,000
Issue:	Storm Water System Revenue Bonds
Purpose:	\$3,000,000 - Storm Water System Projects
Structure:	Matures April 1, 2022-2039
First Interest:	April 1, 2019
Callable:	April 1, 2027
Estimated Interest Rate:	3.73%



Example Financing Plan – Storm Water System Revenue Bonds

2018 BONDS - PRELIMINARY

\$3,000,000

Storm Water System Revenue Bonds, Series 2018

Dated October 8, 2018

(First Interest April 1, 2019)

2018 Projects Financed: \$3,000,000

YEAR DUE	EXISTING STORM WATER DEBT ⁽¹⁾ (Revenue Only)	PRINCIPAL (4/1)	INTEREST (4/1 & 10/1) TIC 3.73%	BID PREMIUM	TOTAL	COMBINED STORM WATER DEBT (Revenue Only)	DEBT SERVICE COVERAGE ⁽²⁾ (DRAFT 2017 Net Revenues)	PROJECTED NET REVENUES ⁽³⁾	PROJECTED DEBT SERVICE COVERAGE ⁽²⁾⁽³⁾	YEAR DUE
2018	\$4,763,584					\$4,763,584	1.23	\$6,074,869	1.23	2018
2019	\$4,900,334		\$126,124	(\$126,124)	\$0	\$4,900,334	1.20	\$7,489,088	1.49	2019
2020	\$4,933,171		\$128,625	(\$2,845)	\$125,780	\$5,058,952	1.20		1.48	2020
2021	\$4,934,646		\$128,625		\$128,625	\$5,063,271	1.20		1.48	2021
2022	\$4,598,571	\$110,000	\$126,425		\$236,425	\$4,834,996	1.26		1.55	2022
2023	\$4,441,796	\$115,000	\$121,925		\$236,925	\$4,678,721	1.30		1.60	2023
2024	\$4,166,321	\$120,000	\$116,625		\$236,625	\$4,402,946	1.38		1.70	2024
2025	\$3,913,369	\$130,000	\$110,375		\$240,375	\$4,153,744	1.46		1.80	2025
2026	\$3,907,536	\$135,000	\$103,750		\$238,750	\$4,146,286	1.47		1.81	2026
2027	\$3,660,821	\$140,000	\$96,875		\$236,875	\$3,897,696	1.56		1.92	2027
2028	\$3,291,074	\$150,000	\$90,263		\$240,263	\$3,531,337	1.72		2.12	2028
2029	\$2,886,531	\$155,000	\$83,934		\$238,934	\$3,125,465	1.94		2.40	2029
2030	\$1,940,919	\$160,000	\$77,398		\$237,398	\$2,178,316	2.79		3.44	2030
2031	\$1,937,019	\$165,000	\$70,654		\$235,654	\$2,172,673	2.80		3.45	2031
2032	\$1,941,781	\$175,000	\$63,599		\$238,599	\$2,180,380	2.79		3.43	2032
2033	\$1,625,588	\$180,000	\$56,233		\$236,233	\$1,861,820	3.26		4.02	2033
2034	\$1,134,238	\$190,000	\$48,555		\$238,555	\$1,372,793	4.43		5.46	2034
2035	\$878,181	\$195,000	\$40,566		\$235,566	\$1,113,748	5.45		6.72	2035
2036	\$576,463	\$205,000	\$32,266		\$237,266	\$813,729	7.47		9.20	2036
2037	\$367,388	\$215,000	\$23,551		\$238,551	\$605,939	10.03		12.36	2037
2038	\$365,850	\$225,000	\$14,421		\$239,421	\$605,271	10.04		12.37	2038
2039		\$235,000	\$4,876		\$239,876	\$239,876	25.33		31.22	2039
	\$61,165,181	\$3,000,000	\$1,665,664	(\$128,969)	\$4,536,695	\$65,701,876				

2017 Net Revenues Available for Debt Service:

\$6,074,869

(Net Revenue Coverage Test and Additional Bonds Test requires 1.2x max annual debt service)

(1) Net of bid premium from 2017 bonds.

(2) Debt service coverage is based on debt service gross of bid premium applied to interest.

(3) Assumes 15% rate increase for services beginning 1/1/2019. Coverage is against 2019 projected net revenues in 2019 and thereafter.



Borrowing Amount / Structure / Purpose – Sewer System Revenue Refunding Bonds

Amount:	\$5,345,000
Issue:	Sewer System Revenue Refunding Bonds
Purpose:	Current Refunding of Series 2006, 2007 and 2008 Revenue Bonds
Structure:	Matures May 1, 2019-2028
First Interest:	May 1, 2019
Callable:	May 1, 2026
Estimated Interest Rate:	2.99%
Estimated Present Value Savings:	\$392,402



Illustration of Hypothetical Refunding – Sewer System Revenue Refunding Bonds

BEFORE REFINANCING										
<i>Calendar Year</i>	\$3,265,000 <i>Sewer Sys. Rev. Bonds, 2006</i> <i>Dated August 9, 2006</i>			\$2,350,000 <i>Sewer Sys. Rev. Bonds, 2007</i> <i>Dated September 5, 2007</i>			\$4,330,000 <i>Sewer Sys. Rev. Bonds, 2008</i> <i>Dated September 10, 2008</i>			TOTAL DEBT SERVICE
	PRINCIPAL <i>(5/1)</i>	RATE	INTEREST <i>(5/1 & 11/1)</i>	PRINCIPAL <i>(5/1)</i>	RATE	INTEREST <i>(5/1 & 11/1)</i>	PRINCIPAL <i>(5/1)</i>	RATE	INTEREST <i>(5/1 & 11/1)</i>	
	2018	\$175,000	4.500%	\$85,888	\$115,000	4.375%	\$68,266	\$200,000	4.000%	
2019	\$175,000	4.500%	\$78,013	\$120,000	4.375%	\$63,125	\$215,000	4.000%	\$111,953	\$763,090
2020	\$185,000	4.500%	\$69,913	\$125,000	5.000%	\$57,375	\$220,000	4.000%	\$103,253	\$760,540
2021	\$195,000	5.000%	\$60,875	\$135,000	5.000%	\$50,875	\$230,000	4.250%	\$93,965	\$765,715
2022	\$200,000	5.000%	\$51,000	\$140,000	5.000%	\$44,000	\$240,000	4.650%	\$83,498	\$758,498
2023	\$215,000	5.000%	\$40,625	\$145,000	5.000%	\$36,875	\$255,000	4.650%	\$71,989	\$764,489
2024	\$225,000	5.000%	\$29,625	\$155,000	5.000%	\$29,375	\$265,000	4.650%	\$59,899	\$763,899
2025	\$235,000	5.000%	\$18,125	\$160,000	5.000%	\$21,500	\$275,000	4.650%	\$47,344	\$756,969
2026	\$245,000	5.000%	\$6,125	\$170,000	5.000%	\$13,250	\$290,000	4.500%	\$34,425	\$758,800
2027				\$180,000	5.000%	\$4,500	\$305,000	4.500%	\$21,038	\$510,538
2028							\$315,000	4.500%	\$7,088	\$322,088
	<u>\$1,850,000</u>		<u>\$440,188</u>	<u>\$1,445,000</u>		<u>\$389,141</u>	<u>\$2,810,000</u>		<u>\$754,701</u>	<u>\$7,689,029</u>
	<i>Callable 5/1/16 @ Par</i>			<i>Callable 5/1/17 @ Par</i>			<i>Callable 5/1/18 @ Par</i>			

CALLABLE MATURITIES

City of Appleton

FINANCE COMMITTEE MEETING

August 6, 2018



Illustration of Hypothetical Refunding – Sewer System Revenue Refunding Bonds

AFTER REFINANCING											
Calendar Year	\$3,265,000 Sewer Sys. Rev. Bonds, 2006 Dated August 9, 2006		\$2,350,000 Sewer Sys. Rev. Bonds, 2007 Dated September 5, 2007		\$4,330,000 Sewer Sys. Rev. Bonds, 2008 Dated September 10, 2008		\$5,345,000 Sewerage Sys. Rev. Ref. Bonds (CR) Dated October 8, 2018 ⁽¹⁾			TOTAL NEW DEBT SERVICE	POTENTIAL DEBT SERVICE SAVINGS
	PRINCIPAL (5/1)	INTEREST (5/1 & 11/1)	PRINCIPAL (5/1)	INTEREST (5/1 & 11/1)	PRINCIPAL (5/1)	INTEREST (5/1 & 11/1)	PRINCIPAL (5/1)	INTEREST (5/1 & 11/1)	TOTAL		
2018	\$175,000	\$85,888	\$115,000	\$68,266	\$200,000	\$120,253				\$764,406	\$0
2019	***		***		***		\$485,000	\$218,552	\$703,552	\$703,552	\$59,538
2020	***		***		***		\$520,000	\$184,745	\$704,745	\$704,745	\$55,795
2021	***		***		***		\$545,000	\$163,445	\$708,445	\$708,445	\$57,270
2022	***		***		***		\$560,000	\$141,345	\$701,345	\$701,345	\$57,153
2023	***		***		***		\$590,000	\$118,345	\$708,345	\$708,345	\$56,144
2024	***		***		***		\$610,000	\$94,345	\$704,345	\$704,345	\$59,554
2025	***		***		***		\$630,000	\$69,545	\$699,545	\$699,545	\$57,424
2026	***		***		***		\$660,000	\$43,745	\$703,745	\$703,745	\$55,055
2027			***		***		\$450,000	\$21,320	\$471,320	\$471,320	\$39,218
2028			***		***		\$295,000	\$6,048	\$301,048	\$301,048	\$21,040
	\$175,000	\$85,888	\$115,000	\$68,266	\$200,000	\$120,253	\$5,345,000	\$1,061,435	\$6,406,435	\$7,170,840	\$518,189

*** REFINANCED WITH Dated October 8, 2018 (1) ISSUE.

LESS CHANGE IN DSRF.....	(\$61,115)
ROUNDING AMOUNT.....	\$4,510
POTENTIAL GROSS SAVINGS.....	\$461,584

(1) This illustration represents a mathematical calculation of potential interest cost savings (cost), assuming hypothetical rates based on current rates +10bps for municipal bonds as of 5/25/18. Actual rates may vary. If actual rates are higher than those assumed, the interest cost savings would be lower. This illustration provides information and is not intended to be a recommendation, proposal or suggestion for a refinancing or otherwise to be considered as advice.

(2) POTENTIAL PRESENT VALUE SAVINGS.....	\$392,402
POTENTIAL PV SAVINGS %.....	6.988%

(2) Present value calculated using the All Inclusive Cost (AIC) of 3.13% as the discount rate.

Interest Rate Sensitivity		
Change in Rates	Est. PV % Savings	Est. PV \$ Savings
-0.30%	8.425%	\$473,092
-0.20%	7.944%	\$446,052
-0.10%	7.467%	\$419,297
+0.10%	6.519%	\$366,062
+0.20%	6.048%	\$339,575
+0.30%	5.578%	\$313,201