

Item 23-0958: Brad Viegut with Baird - Presentation of the 2023 General Obligation Notes Sale

Item 23-0959: Request for Finance Director to sell \$20,200,000 of General Obligation Promissory Notes

Finance Committee

Mon, Aug 07, 2023, 5:30PM

Alderperson Brad Firkus (District 3) 02:54

So, from there we will move on to our public hearings and appearances item 23-0958 Brad Viegut with Baird presentation on the 2023 General Obligation note sale.

Brad Viegut (Baird) 03:08

Okay.

Alderperson Brad Firkus (District 3) 03:08

Mic should be on, and the floor is yours, sir.

Brad Viegut (Baird) 03:10

Okay, thank you. I'll walk through the Presentation Packet that was included in your agenda and answer any questions. So just by way of a timeline what the committee is hearing tonight is the presentation of the financing plan. You'll consider a resolution following. And then Baird along with city staff will continue to take steps to bring this note issue to market. That includes preparing the official statement which is a disclosure document surrounding the note. We'll secure a bi—a rating from Moody's Investors Service, variable market these notes to investors nationwide. I will be back at the meeting next week—a special finance committee meeting on the 16th—to present final results from the offering. So, what I'm showing tonight is just an estimate based on current market conditions. So, following that special meeting the Finance Committee next week this would be acted on by Council at its—at regularly scheduled meeting. So, the funds would then—closing would take place on September 6. That's the date that the funds would be wired to the city's accounts.

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Timeline

- Finance Committee considers plan of finance..... August 7, 2023
 - Preparations are made for issuance
 - ✓ Official Statement
 - ✓ Bond Rating
 - ✓ Marketing
- Special Finance Committee considers award resolution August 16, 2023
- Common Council meeting to award Notes August 16, 2023
- Closing (funds available) September 6, 2023

Brad Viegut (Baird) 04:09

By way of summary, this issue size is \$20,200,000. It's a general obligation promissory note. That means that the city is pledging its authority to levy taxes to secure the debt service payments on the notes. There's really three overarching purposes. First is your typical capital improvement program. That's \$6,253,537. There's the second phase of the library financing and this is the final phase of that financing. That's at \$9,922,500. And then there's TID 11 infrastructure projects at \$4,023,776.

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Borrowing Amount / Structure / Purpose – General Obligation Promissory Notes, Series 2023

Amount:	\$20,200,000
Issue:	General Obligation Promissory Notes, Series 2023
Purpose:	2023 CIP: \$6,253,537 Library: \$9,922,500 TID #11: \$4,023,776
Structure:	Matures April 1, 2024-2033
First Interest:	April 1, 2024
Callable:	April 1, 2030
Estimated Interest Rate:	3.75%

Brad Viegut (Baird) 04:48

In terms of a repayment structure, this is a known issue so it's repaid within a 10-year time frame. Payments begin next April 1 and then are annually and through April 1 of 2033. First interest is scheduled for next April 1 also. We've got a call feature on this meaning that at the city's option, this debt can be prepaid and either prepaid with funds on hand or refinanced if there's more attractive interest rates, and that first eligible call date is 2030. So, on April 1, 2030, the city has the option to call the mature—the notes maturing in 2031 through 2033.

Brad Viegut (Baird) 05:26

The estimated interest rate is at 3.75. There's a little bit of a buffer in there. Rates today would be a little bit lower than that, but for planning purposes, I want it to be somewhat conservative on the projections.

Brad Viegut (Baird) 05:39

I'll walk through, the detailed financing plan. On the following page, there's the \$20,200,000 issue. You can see the left-hand side of this page; we're showing the existing debt service payments that are supported by tax levy. So then on the far-right hand side, I'm detailing the existing plus the levy supported portion of this \$20.2 million issue. The TID 11 component of the debt service is not included in that because it's not supported by Levy; it's anticipated to be supported by revenues from the TID.

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Example Financing Plan – General Obligation Promissory Notes, Series 2023



		POS 2023 NOTES					
		\$20,200,000					
		General Obligation Promissory Notes, Series 2023					
		September 6, 2023					
		(First Interest April 1, 2024)					
		2023 CIP Projects: \$6,253,537; 2023 Library: \$9,922,500; TID #11: \$4,023,776					
YEAR	EXISTING LEVY SUPPORTED DUE	PRINCIPAL (4/1)	INTEREST (4/1 & 10/1) TIC 3.75%	LESS: HYPOTHETICAL BID PREMIUM	TOTAL	TOTAL EXISTING & 2023 DEBT SERVICE (Ley)	YEAR DUE
	DEBT SERVICE ^(A)						
2023	\$13,437,689					\$13,437,689	2023
2024	\$13,006,003	\$1,010,000	\$923,028	(\$655,402)	\$1,277,626	\$13,797,195	2024
2025	\$12,916,425	\$540,000	\$827,750		\$1,367,750	\$13,798,347	2025
2026	\$12,538,675	\$525,000	\$804,453		\$1,329,453	\$13,382,284	2026
2027	\$12,010,800	\$640,000	\$778,969		\$1,418,969	\$12,944,566	2027
2028	\$9,237,613	\$2,605,000	\$707,984		\$3,312,984	\$12,061,800	2028
2029	\$7,733,050	\$2,725,000	\$591,391		\$3,316,391	\$10,562,816	2029
2030	\$6,242,400	\$2,845,000	\$469,547		\$3,314,547	\$9,073,150	2030
2031	\$3,531,800	\$2,970,000	\$342,344		\$3,312,344	\$6,358,941	2031
2032	\$1,698,300	\$3,100,000	\$209,563		\$3,309,563	\$4,522,128	2032
2033		\$3,240,000	\$70,875		\$3,310,875	\$2,825,484	2033
	<u>\$92,352,754</u>	<u>\$20,200,000</u>	<u>\$5,725,903</u>	<u>(\$655,402)</u>	<u>\$25,270,501</u>	<u>\$112,764,400</u>	

(A) Net of bid premium from the 2021 & 2022 Notes.

Brad Viegut (Baird) 06:11

Got an allocation then on the following page, showing the CIP debt service, library, and the TID.

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Debt Service Allocation – General Obligation Promissory Notes, Series 2023



2023 DEBT SERVICE ALLOCATION				
YEAR	CIP	LIBRARY	TID #11	YEAR
DUE	(Ley)	(Ley)	(TID Supported)	DUE
2023	\$0	\$0	\$0	2023
2024	\$692,022	\$99,170	\$486,433	2024
2025	\$447,922	\$434,000	\$485,828	2025
2026	\$409,609	\$434,000	\$485,844	2026
2027	\$499,766	\$434,000	\$485,203	2027
2028	\$947,453	\$1,876,734	\$488,797	2028
2029	\$949,094	\$1,880,672	\$486,625	2029
2030	\$949,203	\$1,881,547	\$483,797	2030
2031	\$947,781	\$1,879,359	\$485,203	2031
2032	\$944,828	\$1,879,000	\$485,734	2032
2033	\$945,234	\$1,880,250	\$485,391	2033
	<u>\$7,732,913</u>	<u>\$12,678,733</u>	<u>\$4,858,855</u>	

Brad Viegut (Baird) 06:19

And then on the page subs—after that, we always—we've been making a habit of not looking at any one debt issue in isolation. We want to really model out the city's forward looking capital improvement program. And so, we have a good understanding of implications of future debt service costs and future potential Levy. So, there's future financings included on this page that go out to 2033. And then there's three projects that are significant one-time infrastructure improvements.

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Potential Future Borrowing Debt Service – General Obligation



Periods of level
payments are boxed

YEAR DUE	TOTAL EXISTING & 2023 NOTES DEBT SERVICE (Lewy)	POTENTIAL FUTURE BORROWING DEBT SERVICE					COMBINED G.O. DEBT SERVICE (Lewy)	YEAR DUE
		CIP BORROWINGS ^{(B)(C)} (Lewy)	2026 ^{(B)(C)}	2028 ^{(B)(C)}	2030 ^{(B)(C)}			
2023	\$13,437,689						\$13,437,689	2023
2024	\$13,797,195	\$0					\$13,797,195	2024
2025	\$13,798,347	\$611					\$13,798,958	2025
2026	\$13,382,284	\$417,097					\$13,799,381	2026
2027	\$12,944,566	\$817,461	\$380,217				\$14,142,243	2027
2028	\$12,061,800	\$1,701,979	\$376,900				\$14,140,679	2028
2029	\$10,562,816	\$2,446,299	\$377,713	\$756,097			\$14,142,924	2029
2030	\$9,073,150	\$3,930,306	\$378,150	\$756,723			\$14,138,329	2030
2031	\$6,358,941	\$6,314,500	\$378,213	\$754,310	\$335,500		\$14,141,463	2031
2032	\$4,522,128	\$8,149,627	\$377,900	\$756,285	\$336,538		\$14,142,478	2032
2033	\$2,825,484	\$9,840,009	\$381,750	\$752,648	\$338,838		\$14,138,728	2033

(B) This information is provided for information purposes only. It does not recommend any future issuances and is not intended to be, and should not be regarded as, advice.
(C) Assumes future borrowings, as described below, using estimated interest rates of approximately 3.00%:

	Potential Future Borrowings		
	General Purposes	2026	2028
2024	\$9,000,000		
2025	\$9,000,000		
2026	\$6,350,000	\$4,500,000	
2027	\$10,500,000		
2028	\$8,500,000		\$9,000,000
2029	\$9,500,000		
2030	\$7,500,000		
2031	\$6,500,000		\$4,000,000
2032	\$6,500,000		
2033	\$6,500,000		

Brad Viegut (Baird) 06:53

You're not taking formal action on any of this information tonight, but this is here for planning purposes. So that we what we're really trying to avoid is spikes and peaks in the debt service payments. And I've shown graphically on the last page of this presentation that we've got gotten to a point where the city's debt service, that is principal and interest, has really plateaued and it's going to—and there's a downward slope out into the future.

Brad Viegut (Baird) 07:19

That downward slope includes annual financings of six and a half million dollars in here as placeholders—again, because it's not realistic to think you're going to just stop borrowing. So, we do have future financings. But the real message from this graph is that we've plateaued, that service should start to, to go down, you know, unless

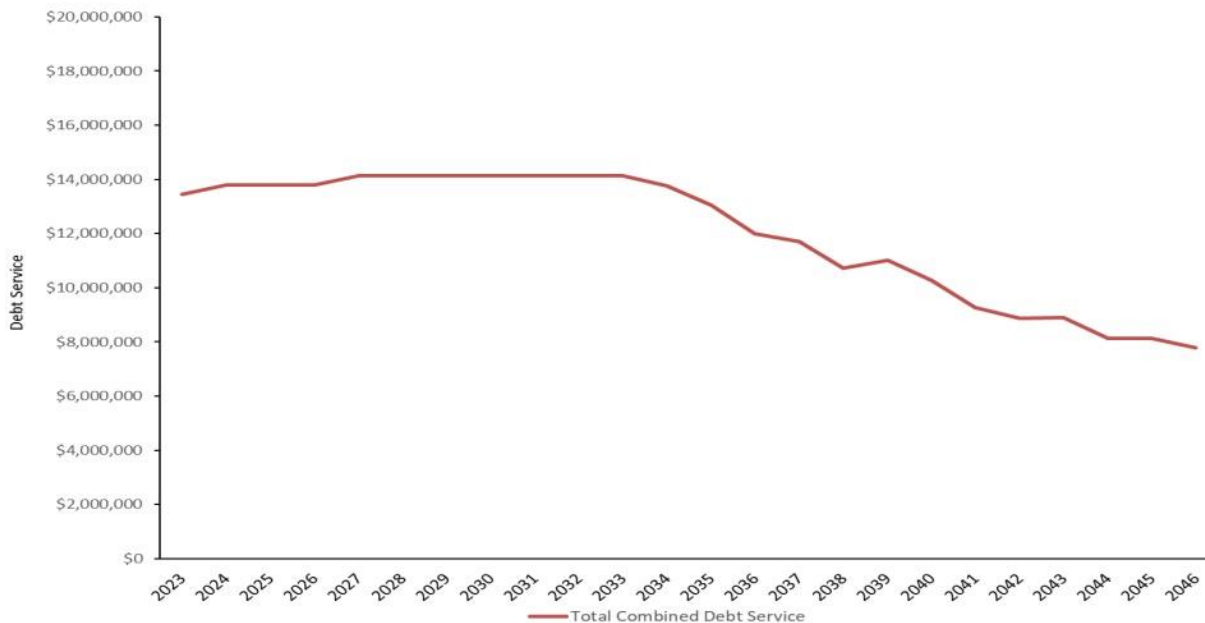
there's significantly more capital improvement programs or other one-time infrastructure projects that are layered in. With that I'd be glad to go into more detail if you like or answer any questions.

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Total Combined Debt Service



Note: Includes levy supported existing and hypothetical future issues.

Alderson Brad Firkus (District 3) 07:50
Alder Fenton,

Alderson Denise Fenton (District 6) 07:51

I just have one possibly silly question. When I add those up, it's \$187 different than what we have is the total.

Brad Viegut (Baird) 08:00
When you add the—

Alderson Denise Fenton (District 6) 08:02
When I add the three

Brad Viegut (Baird) 08:03

Sure. These notes are issued in \$5,000 increments. So, once we have enough money to cover that last dollar that's needed, the remainder—that rounding amount—will be deposited to the city's debt service fund on closing.

Alderson Denise Fenton (District 6) 08:15

Okay. Thank you.

Brad Viegut (Baird) 08:16

Sure.

Alderson Brad Firkus (District 3) 08:18

Is there anyone else? All right, seeing, no—oh, go ahead, Alder Hartzheim.

Alderson Sheri Hartzheim (District 13) 08:24

I apologize for the delay on that. Could you answer please whether 3.75% is—is this a good thing? Or are we looking at—I mean, you're saying that this is a very conservative estimate? So, it could actually be lower?

Brad Viegut (Baird) 08:39

Right? Yeah, if we were locking this in today, I would expect to be right around 3.50.

Alderson Sheri Hartzheim (District 13) 08:44

Okay. And in previous years, we've seen this be very similar or...?

Brad Viegut (Baird) 08:51

Rates—we're at a higher interest rate level now than we've seen in really like about the last 10 years. So, for the last number of years, the city has been borrowing at much lower rates than the 3.75. Now, in a 30-year context, 3.75 is a good rate. But in a 10 year, it looks pretty high.

Alderson Sheri Hartzheim (District 13) 09:10

Thank you.

Alderson Brad Firkus (District 3) 09:12

Anyone else? All right, seeing none. Thank you for the information.

Brad Viegut (Baird) 09:17

Thank you.

Alderson Brad Firkus (District 3) 09:21

That gets us through public hearings and appearances for the evening. So, we'll move on to action items starting with 23-0959 requests for finance director to sell \$20,200,000 of general obligation promissory notes.

Alderson Denise Fenton (District 6) 09:35

Move to approve.

Alderson Katie Van Zeeland (District 5) 09:36

Second.

Alderson Brad Firkus (District 3) 09:37

Alright, have a motion and a second. Any comments or discussions on this item? All right, I don't see any so we will go ahead and vote. All of those in favor? Aye. Opposed? Abstentions? Motion passes five zero.