

**Item 24-1014: Request to approve a resolution authorizing and providing for the sale and issuance of \$13,500,000 General Obligation Promissory Notes, Series 2024 and all related details**

**Item 24-1015: Request to approve a resolution authorizing and providing for the sale and issuance of ~~\$12,910,000~~ \$12,630,000 Sewerage System Revenue Bonds, Series 2024 and all related details**

Common Council

Wed, Aug 07, 2024 7:00PM

**Mayor Jake Woodford** 16:34

Okay, anyone else? All right. Hearing none, let's get to the items from Finance Committee, first of which is item 24-1014 request to approve a resolution authorizing and providing for the sale and issuance of \$13.5 million dollars general obligation promissory notes series 2024 and all related details. We have a motion and a second. All right, any discussion? Alder Croatt.

**Alderman Chris Croatt (District 14)** 17:19

Thank you, Mayor. I wasn't sure if Chair Firkus was going to do this or not, but I'd like to—because of the great news that we heard at Finance, I'd like to suspend the rules to allow the representative from Baird, Brad Viegut to comment on the interest rate savings that the city is going to benefit from and the timing of the issuance.

**Mayor Jake Woodford** 17:38

If there are no objections, we'll invite Brad up just to give us the greatest hits.

**Alderman Chris Croatt (District 14)** 17:42

And maybe can comment on both at the same time?

**Mayor Jake Woodford** 17:45

Oh yeah, that'd be fine. Yeah. Brad, welcome.

**Brad Viegut (Baird)** 17:48

Okay. All right, thank you. Certainly, do have very good news to report out to the Council. Very favorable interest rate environment in the last three to four days. We saw a substantial decrease in municipal interest rates starting on Friday after economic news was released regarding jobs reports. So bottom line for the city, the 13 and a half million dollar general obligation note issue has a final interest rate today of 3.29%. For comparison purposes, this information was presented to the Finance Committee July 22, and the interest rate used for planning purposes at that meeting was 3.84%. So better than a half percentage point lower rates today. And today the rates are final. So, the presentation to the Finance was just for projection purposes.

**Brad Viegut (Baird)** 18:38

To put this into dollars, the total interest cost savings from projections compared to final is more than \$531,000 in lower costs.

**Brad Viegut (Baird)** 18:51

The city also is issuing sewer system revenue bonds today. The interest rate there 3.87%, and that compares to 4.44% used for planning purposes—57 basis points or 0.57% lower interest rates.

**Brad Viegut (Baird) 19:08**

The dollar, the cost savings in total debt service—that is, the principal and interest payments—are more than \$1.1 million less than what was used for projections. So overall, this is certainly going to be a benefit to the rate payers for the sewer system and for the taxpayers in terms of the general obligation levy supported debt. And I can answer questions, if you like.

**Mayor Jake Woodford 19:31**

Any questions from the Council? Okay. Well, I said it at finance, but I'll say it again. I want to thank Brad for his great work. He he's been an integral partner for us as we developed our long-term debt strategy that has really stabilized our debt situation and has been a great partner to us. Really appreciate the good work that he did for us in the days leading up to this bond issue and the work today to lock in these great rates. So, thank you very much, Brad. Appreciate it. Alder Fenton.

**Aldersperson Denise Fenton (District 6) 20:03**

Thank you, Your Honor. Um, can I go ahead—may I go ahead and ask a question about the sewerage bonds? Since it's not on—

**Mayor Jake Woodford 20:11**

If we could hold the sewage bond question until we take up that item. Let's resolve this one first, then we'll get to that.

**Aldersperson Denise Fenton (District 6) 20:19**

Perfect.

**Mayor Jake Woodford 20:19**

Anything else on this one? All right, we have a motion and a second to approve. Please cast your votes. Motion passes 14 to zero. The item has been approved.

**Mayor Jake Woodford 20:39**

All right, moving on then to item 24-1015 request to approve—and I'll just make note of this. What was what was printed in your materials is actually higher than the than the actual amount. So, what I'll be reading now will be the item as moved, if you so move. So, request to approve a resolution authorizing and providing for the sale and issuance of \$1,263,000—or 12 million, excuse me, \$12,630,000. We have a motion and a second to approve. And with that, Alder Fenton.

**Aldersperson Denise Fenton (District 6) 21:22**

Thank you, Your Honor. And if I can direct the question to Mr. Viegut?

**Mayor Jake Woodford 21:27**

Yeah.

**Aldersperson Denise Fenton (District 6) 21:27**

Just so my question is, obviously, we're very excited about the decreased interest rate. Can you explain the mechanics a little bit of the that the reason the principal is lower on those bonds?

**Brad Viegut (Baird) 21:42**

Sure. On the sewer system bonds we're funding really two primary components. You're funding the project costs for the sewer system, and you're funding a reserve fund. It's a debt service reserve that's held by the city, and if for whatever reason the city is unable to make a payment on the bonds, the investors would have access to that reserve fund. Ultimately, at the final payment date of the bonds, that reserve fund is applied towards the final payment.

**Brad Viegut (Baird) 22:06**

The reserve—the those two major components are funded through a principal issuance and also a premium that's associated by the difference between the interest rates the city pays (that's the coupon rates) and the yields. Yields is effectively the cost of the bonding. As the yields come down and the interest rate—the coupon—stays the same, there's more premium. So, we can offset dollar for dollar the premium generated with principal issued. So, we're able to reduce the principal amount.

**Aldersperson Denise Fenton (District 6) 22:35**

Thank you very much.

**Mayor Jake Woodford 22:38**

Any further discussion? Seeing none, we have a motion and a second to approve. Please cast your votes. That motion passes 14 to zero. The item has been approved.