

## Item 24-0956: Brad Viegut from Baird presentation on the 2024 General Obligation Notes and Sewerage System Revenue Bond Sales

Finance Committee

Mon, Jul 22, 2024 5:30PM

### Alderperson Brad Firkus (District 3) 01:01

Public hearings 24-0956. We have one tonight. Brad Viegut from Baird presentation on the 2024 General Obligation notes and sewerage system revenue bond sales. So, I'm going to get that microphone on for you. And the floor is yours.

### Brad Viegut (Baird) 01:16

All right, thank you. I'll walk through the presentation packet which was included with your agenda packet and answer any questions. By way of a timeline on the next page, the committee we are looking at this plan tonight and with your authorization or really this would next move to the Council for a special—you'd have a special finance committee meeting August 7 to review the final interest rates, the final terms of the notes and the bonds. And then that would go to Council that same evening for adoption of the two award resolutions, one for a sewer system revenue bond and one for the general obligation notes, which would fund the city's capital program.

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### Timeline

- Finance Committee considers plan of finance ..... July 22, 2024
  - Preparations are made for issuance
    - ✓ Official Statement
    - ✓ Bond Rating
    - ✓ Marketing
- Notes/Bonds Pricing ..... August 7, 2024
- Special Finance Committee considers award resolutions ..... August 7, 2024
- Common Council meeting to award Notes/Bonds ..... August 7, 2024
- Closing (funds available) ..... August 28, 2024



### Brad Viegut (Baird) 01:55

So subsequent to this presentation tonight, Baird along with city staff is going to continue to take efforts or make efforts to bring this issue to market. We'll finalize the official statements, which are the disclosure documents surrounding the offerings. We have a rating call scheduled tomorrow with Moody's Investors Service to have a rating assigned for both of the issues. We don't expect any changes to the city's rating. And then Baird would market these obligations nationwide. And I will be back at that August 7 meeting then with final results. And then the issue would close on or issues would close at the end of August—August 28.

**Brad Viegut (Baird) 02:31**

So, the next page then I have a summary of the general obligation note issue. It's \$13,500,000, and it funds really two major components. First is your capital improvement program for 2024, and that's in the amount of \$8,777,300. And then there's infrastructure projects in TID number 13, \$4,721,700. So, the CIP portion would be supported by the tax levy of the city, and the TID portion it's anticipated would be supported and paid from TID revenues.

**Brad Viegut (Baird) 03:07**

In terms of a repayment structure, there's a 10-year repayment. So, the first scheduled principal payment is next April 2025 with the final payment and 2034. There's a call feature. So, the final three maturities would be callable at the city's option beginning April 1 of 2031.

**Brad Viegut (Baird) 03:26**

I'm using 3.84% for the estimated interest rate, that's a little bit conservative. Rates today are about a quarter of a percentage point lower than that 3.84, but just for planning purposes, I want it to be a little more conservative in these projections.

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Borrowing Amount / Structure / Purpose – General Obligation Promissory Notes, Series 2024

<b>Amount:</b>	\$13,500,000
<b>Issue:</b>	General Obligation Promissory Notes, Series 2024
<b>Purpose:</b>	2024 CIP: \$8,777,300 TID #13: \$4,721,700
<b>Structure:</b>	Matures April 1, 2025-2034
<b>First Interest:</b>	April 1, 2025
<b>Callable:</b>	April 1, 2031
<b>Estimated Interest Rate:</b>	3.84%

**Brad Viegut (Baird) 03:42**

So, on the following page, then, in the center of the page, you'll see the boxed in area. That's the debt service schedule that's been developed for the \$13.5 million issue. The left-hand side of that page is existing debt payments that's supported by the tax levy of the city. We layer in this new issue, and what you'll see is going into 2025, we're holding the debt service payments level. So, there's no material increase in the debt—in the levy to support these debt service payments compared to what you levied this year.

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Debt Service Allocation – General Obligation Promissory Notes, Series 2024



2024 DEBT SERVICE ALLOCATION			
	CIP	TID #13	
YEAR DUE	(Lewy)	(TID Supported)	YEAR DUE
2024	\$0	\$0	2024
2025	\$0	\$572,199	2025
2026	\$415,281	\$575,268	2026
2027	\$463,928	\$576,018	2027
2028	\$994,053	\$570,893	2028
2029	\$1,258,053	\$574,768	2029
2030	\$1,628,928	\$572,518	2030
2031	\$1,627,553	\$574,143	2031
2032	\$1,631,601	\$574,139	2032
2033	\$1,630,768	\$572,488	2033
2034	\$1,630,943	\$574,420	2034
	<b>\$11,281,104</b>	<b>\$5,736,850</b>	

**Brad Viegut (Baird) 04:17**

And then on the following page, I have an allocation of the components supported by the levy that's funding the capital improvement program, and then next to that the TID 13 component.

**Brad Viegut (Baird) 04:30**

Finally, on—er on the following page then we've got—you know, we never want to look at any debt in isolation. We want to take into consideration potential future financings. Now you or the Council are not being asked to make any, you know, to provide any authorization for these financings at this meeting, but we wanted to include these potential financings as placeholders. And this is really following a plan that was first developed about two years ago, where we're trying to get your debt payments to level off and to not to see increases year after year. And you can see under this plan, based on the current figures we have penciled in for the financings and out into the future, this plan does level off your debt this year, and next year stays at the same level that you had been that you budgeted for 2024. And then in '27 through '34, there's one additional upward step, but the debt payments remain equal then throughout the extent of the schedule.

**Brad Viegut (Baird) 05:31**

And the summary or the projections, I should say, of future financings are summarized on the bottom of the page. They're general, say, CIP traditional projects towards the left hand side. And then we've got placeholders for other significant projects that could be layered in.

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Potential Future Borrowing Debt Service – General Obligation



YEAR DUE	TOTAL EXISTING & 2024 NOTES DEBT SERVICE (Levy)	POTENTIAL FUTURE BORROWING DEBT SERVICE				COMBINED G.O. DEBT SERVICE (Levy)	YEAR DUE
		CIP					
		BORROWINGS <sup>(B)(C)</sup> (Levy)	2026 <sup>(B)(C)</sup>	2028 <sup>(B)(C)</sup>	2030 <sup>(B)(C)</sup>		
2024	\$13,794,989	\$0				\$13,794,989	2024
2025	\$13,795,384	\$0				\$13,795,384	2025
2026	\$13,796,906	\$0				\$13,796,906	2026
2027	\$13,406,678	\$359,575	\$380,217			\$14,146,469	2027
2028	\$12,997,740	\$770,639	\$376,900			\$14,145,279	2028
2029	\$11,761,053	\$1,251,775	\$377,713	\$756,097		\$14,146,637	2029
2030	\$10,639,403	\$2,372,450	\$378,150	\$756,723		\$14,146,725	2030
2031	\$7,927,453	\$4,746,928	\$378,213	\$754,310	\$335,500	\$14,142,403	2031
2032	\$6,100,701	\$6,573,271	\$377,900	\$756,285	\$336,538	\$14,144,695	2032
2033	\$4,400,068	\$8,272,271	\$381,750	\$752,648	\$338,838	\$14,145,573	2033
2034	\$1,630,943	\$11,042,777	\$381,275	\$753,118	\$335,875	\$14,143,987	2034

(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
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		
2032	\$6,500,000		
2033	\$6,500,000		
2034	\$6,500,000		

**Brad Viegut (Baird) 05:51**

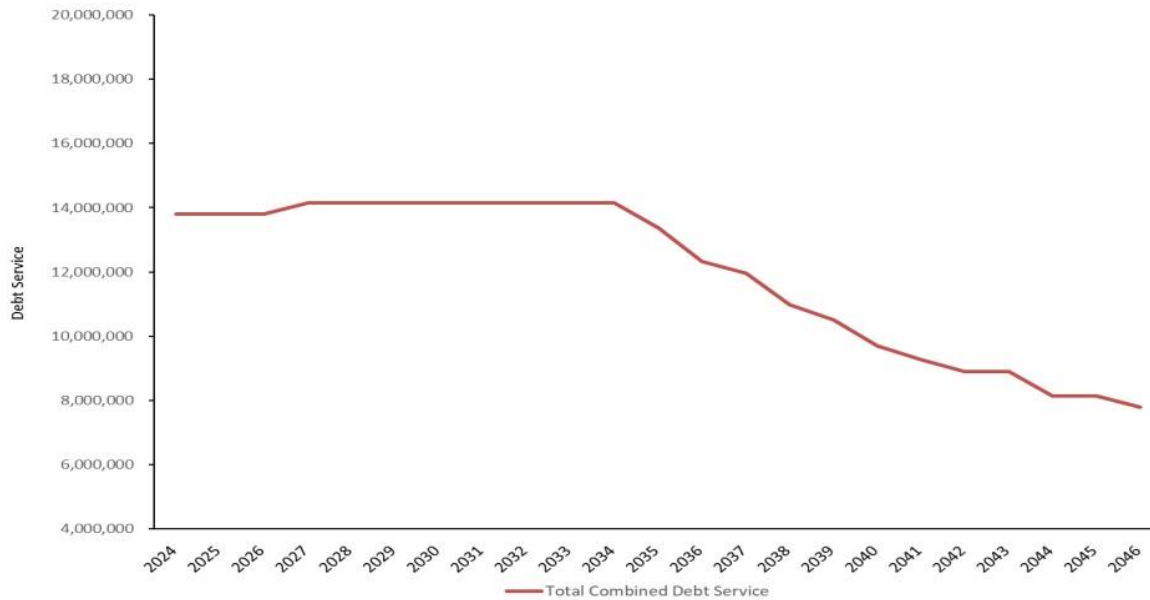
So, I show this graphically on the next page, and this graph represents the debts—the combined debt service that's existing, plus new. And this is just levy supported debt. So, this excludes any of the TIDs or any of the enterprise systems. This is just what's the impact to the taxpayers. And you can see this graphically represents what I showed on the prior page where the debt service is level out through, you know, '34, where you start to see the that service drop off. We're not including future financings there, so don't expect a significant drop like that, but it does tell us there's going to be room to layer in future borrowings, that might happen after 2034.

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Total Combined Debt Service



Note: Includes existing and hypothetical future issues.

**Brad Viegut (Baird) 06:32**

Alright, on the following page, then we get into the sewer system revenue bonds, the borrowing amount here is 12—it's going to be approximately \$12,910,000, and that might change just a little bit based on the market conditions on August 7. The purpose of this financing is to fund \$12,550,000 of sewer system projects. This is repaid over a 20-year period. And that's consistent with the city's practice for these enterprise supported projects—repay that debt over 20 years because the user fees are responsible for paying debt service. And that's as opposed to your general obligation debt, which we historically have structured a 10-year repayment.

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Amount / Structure / Purpose – Sewerage System Revenue Bonds, Series 2024



<b>Amount:</b>	\$12,910,000
<b>Issue:</b>	Sewerage System Revenue Bonds, Series 2024
<b>Purpose:</b>	\$12,550,000 - Sewer System Projects
<b>Structure:</b>	Matures May 1, 2026-2044
<b>First Interest:</b>	May 1, 2025
<b>Callable:</b>	May 1, 2032
<b>Estimated Interest Rate:</b>	4.44%

**Brad Viegut (Baird) 07:13**

So, the interest rate here a little bit higher than the geo debt, and it's because of primarily because of the longer term. It's projected at 4.44%. We do have a call feature, and this issue May 1 of 2032, the debt could be called at the city's option.

**Brad Viegut (Baird) 07:31**

And then I put together a estimated repayment schedule for the sewer bonds. The existing sewer bonds—debt service is on the left hand side. The new issue towards the center of the page and then the combination of the two—the existing plus the new. The significance of that of that boxed number is just where we're showing the peak debt service payment would take place in 2026, and from there, it starts to drop again. Again, this allows for layering in of future financings for capital needs for the sewer enterprise. So, with that, I'd be glad to answer questions, go into more detail if the committee like.

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Example Financing Plan – Sewerage System Revenue Bonds, Series 2024

<b>PRELIMINARY</b>						
<b>\$12,910,000</b>						
Sewerage System Revenue Bonds, Series 2024						
Dated August 28, 2024						
(First Interest May 1, 2025)						
<b>2024 Projects Financed: \$12,550,000</b>						
YEAR DUE	EXISTING SEWERAGE SYSTEM DEBT (Revenue Only)	PRINCIPAL (5/1)	INTEREST (5/1 & 11/1) TIC= 4.44%	TOTAL	COMBINED SEWERAGE SYSTEM DEBT (Revenue Only)	DEBT SERVICE COVERAGE (2023 Net Revenues)
2024	\$3,102,763				\$3,102,763	2.10
2025	\$3,091,188		\$751,794	\$751,794	\$3,842,982	1.70
2026	\$3,095,538	\$200,000	\$634,825	\$834,825	<b>\$3,930,363</b>	1.66
2027	\$2,868,488	\$440,000	\$618,825	\$1,058,825	\$3,927,313	1.66
2028	\$2,698,863	\$465,000	\$596,200	\$1,061,200	\$3,760,063	1.74
2029	\$2,393,863	\$490,000	\$572,325	\$1,062,325	\$3,456,188	1.89
2030	\$2,398,288	\$515,000	\$547,200	\$1,062,200	\$3,460,488	1.89
2031	\$2,099,488	\$540,000	\$520,825	\$1,060,825	\$3,160,313	2.06
2032	\$1,829,188	\$570,000	\$493,075	\$1,063,075	\$2,892,263	2.26
2033	\$1,824,113	\$600,000	\$463,075	\$1,063,075	\$2,887,188	2.26
2034	\$1,825,413	\$630,000	\$430,788	\$1,060,788	\$2,886,200	2.26
2035	\$1,830,138	\$665,000	\$396,794	\$1,061,794	\$2,891,931	2.26
2036	\$1,828,288	\$700,000	\$360,963	\$1,060,963	\$2,889,250	2.26
2037	\$1,830,838	\$735,000	\$323,294	\$1,058,294	\$2,889,131	2.26
2038	\$1,827,763	\$775,000	\$283,656	\$1,058,656	\$2,886,419	2.26
2039	\$1,832,256	\$820,000	\$241,788	\$1,061,788	\$2,894,044	2.25
2040	\$1,829,244	\$865,000	\$197,556	\$1,062,556	\$2,891,800	2.26
2041	\$1,324,325	\$910,000	\$150,963	\$1,060,963	\$2,385,288	2.74
2042	\$873,169	\$955,000	\$106,781	\$1,061,781	\$1,934,950	3.37
2043		\$995,000	\$65,344	\$1,060,344	\$1,060,344	6.15
2044		\$1,040,000	\$22,100	\$1,062,100	\$1,062,100	6.14
	<b>\$40,403,206</b>	<b>\$12,910,000</b>	<b>\$7,778,169</b>	<b>\$20,688,169</b>	<b>\$61,091,376</b>	
<b>2023 Audited Net Revenues Available for Debt Service:</b>					<b>\$6,525,132</b>	
<small>Additional Bonds Test: Net Revenues at least 1.20 times the maximum annual combined principal and interest requirement annual combined principal and interest requirement.</small>						

**Aldersperson Brad Firkus (District 3) 08:13**

Alright, does anyone on the committee or any other alders have any questions? Alder Fenton was that a hand raise or...?

**Aldersperson Denise Fenton (District 6) 08:19**

No.

**Aldersperson Brad Firkus (District 3) 08:19**

Okay, sorry. I thought I saw you out of the corner of my eye. All right, anyone? All right. Well, your presentation was very informative. Very good. So, I mean, you have definitely answered all my questions, and really honestly, even looking through the slides ahead of time, I felt I had a pretty good feel of what you're coming to say, and I think this is a pretty decent situation, all things considered. Good to see that we have a leveling off point here. So, gives us an opportunity to at least try and hold that line. So, see no other questions. Thank you.

**Brad Viegut (Baird) 08:55**

Okay, thank you.