

Item 25-0868: Brad Viegut from Baird presentation on the 2025 General Obligation Notes, Water System Revenue Refunding Bonds, Sewerage System Revenue Bonds, and Storm Water System Revenue Refunding Bonds Sales

Item 25-0870: Request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale of not to exceed \$10,865,000 General Obligation Promissory Notes, Series 2025, and all related details

Item 25-0872: Request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale of not to exceed \$8,975,000 Water System Revenue Refunding Bonds, Series 2025, and all related details

Item 25-0878: Request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale of not to exceed \$4,725,000 Sewerage System Revenue Bonds, Series 2025, and all related details

Item 25-0879: Request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale of not to exceed \$8,800,000 Storm Water System Revenue Refunding Bonds, Series 2025, and all related details

Finance Committee

Mon, Jul 21, 2025 5:30PM

Aldersperson Brad Firkus (District 3) 00:56

Public hearings and appearances, we do have one tonight, item, 25-0868. So, Mr. Viegut from Baird Baird—sorry—go ahead. Lead us off with the 2025 general obligation notes and so on and et cetera.

Brad Viegut (Baird) 01:13

Okay, I'll do that, thank you.

Aldersperson Brad Firkus (District 3) 01:15

I'll make—I won't read the whole thing. It's—

Brad Viegut (Baird) 01:17

Yeah, there—I'm here to present the financing for 2025. And a couple things—there's a lot of moving parts with this year's financing. There's four separate obligations. There's funding for new projects, and also refunding or refinancing of other debt for savings. So, I'll walk through everything. I've sort of separated it by purpose, and then I can answer any questions. So, I'll go through the presentation packet that was attached to your agenda.

Brad Viegut (Baird) 01:44

So just to start, by way of a timeline, with your adoption of the resolutions tonight, the full council would consider the resolutions on August 6. I'd be at that meeting also to present this—make a similar presentation. The approach that's being recommended this year for the city is just a little bit different than prior approaches. This year, you've got—it's four, what are called, parameters resolutions in front of you. A parameters resolution establishes a narrow set of parameters that when those parameters are met, then the debt can be issued outside of a regularly scheduled council meeting date, and the authority to finalize the debt then is delegated to the city officials. It's delegated to a signer of either the mayor, the clerk, or the finance director.

Brad Viegut (Baird) 02:32

So just for comparison, the past practice of the city had been to we would finalize rates and terms, and then you would see an award resolution on the same day that the rates and terms are finalized. This approach—shifting to parameters resolution—provides greater flexibility so we can get into the market not just on council meeting dates, and that also allows us to avoid the market on days that there's very high volume, or if there's negative economic announcements or things that might move the market, we stay away from those dates. So, the end result would be the same, just a little bit different way to get there.

Brad Viegut (Baird) 03:10

So, Baird and city staff, then, once the council authorizes us to proceed, would continue to take steps to issue this debt, and that includes securing the bond rating from Moody's, preparing official statements for each issue, and then marketing these obligations to investors nationwide. We're right now penciled in to finalize everything on September 9. Again, that date might move one way or the other, though, just based on market dynamics. And then the closing date is scheduled for October 1.

Brad Viegut (Baird) 03:42

I'll walk through each of the four sets of financings then, starting on page three of the presentation. First is a summary of the general obligation notes. The estimated issue size is \$10,865,000 and that's to fund capital projects that have been approved in your—in the city's capital budget. The amortization period is 10 years, with the first interest scheduled for next April—April 1 of '26. And we've got an estimated interest rate based on current market of 3.81%. The parameters that are in the resolution, including a not to exceed borrowing amount, a not to exceed interest rate, of 4.50. And of course, you'd get the current interest rate—we're going to get you the lowest interest rate available. It's just 4.50 is the cap. And then the maturity schedule is set and structured as one of the parameters, and then the authority to increase or decrease individual principal payment amounts by up to 1 million for \$1.1 million and that's to—so that we can achieve the targeted debt service goals, the targeted payment goals of the city.

Brad Viegut (Baird) 04:52

I've got a detail on page four. I've got the detail of the of the repayment schedule—the projection of the repayment schedule. The existing payments for city obligations is on the left-hand side of this page. Center of the page is the estimate for the new issue—the \$10.865 million issue. You'll see that there's a bid premium; that's funds that the city receives that closing as a component of this borrowing, and that premium would be applied to the first two interest payments, so it would offset the levy for those first payments. And then the total, the existing plus this new issue, is reflected on the right-hand side. For longer term planning, once we've got an updated CIP going into the fall of this year, then I would run the longer-term projections for city officials on what future financings might look like.

Brad Viegut (Baird) 05:49

The following page, on page five, this is the sewerage system revenue bonds, and this is to fund new projects of \$4,352,875. To do that, we have an estimated borrowing amount of \$4,530,000. The repayment structure here is a 20-year period, and that's what common practice is for the city's utilities, for your enterprise funds to finance projects over 20 years. The estimated rate 4.73%. And you can see the parameters below—the not to exceed borrowing amount, not to exceed interest rate of five and a quarter, the maturity schedule, and then the authority to increase or decrease individual maturities by up to \$500,000.

Brad Viegut (Baird) 06:33

The repayments—the detail of the repayment schedule is included on the following page, on page six, this issue layers in nicely with the existing obligations of the sewage system and the coverage, that is how much operating

revenue net of operating expenses is available for debt service. It's very solid coverage. You can see we're maintaining roughly 1.6 times coverage for the first four years, and then the coverage actually increases as obligations are retired.

Brad Viegut (Baird) 07:06

On the following page, page seven, there's detail of the water system bonds. There's two components to this financing. First, there's \$2.941 million for water projects. And then second is a refinancing—it's called current refunding—of the 2013 and 2014 bonds that were issued for water projects. So, we've got, again, a 20-year repayment, 4.31 for the estimated interest rate. And the savings generated from the refunding portion is estimated to be \$136,000. So, we're reducing the that service cost on prior obligations, and we're funding new projects with this finance. The not—the parameters are listed below, not to exceed par, not to exceed interest rate of five and a quarter, and the authority to increase or decrease individual principal payments by a million—up to a million dollars.

Brad Viegut (Baird) 08:02

At the time of pricing, if the refinancing does not work, if there's not meaningful savings, we can pull one or both of those issues from the transaction and then—but still proceed with the issuance of the new money to fund your the projects. This resolution that you—or the resolution that you'll be considering, would provide that flexibility.

Brad Viegut (Baird) 08:23

And then there's a couple sets of debt schedules related to the water system. First on page eight is the funding for the new projects. Very solid coverage. You'll see that the coverage is—after the issuance remains at 2.26 times, and then increases from there.

Brad Viegut (Baird) 08:43

And then, on page nine, I've got the water system bonds from 2013 and 2014 detailed. You'll see that the—all of these are fixed rate, and everything is locked in. Rates range from four and a quarter—four—I'm sorry, from 4 to 5% on these two sets of bonds.

Brad Viegut (Baird) 09:02

And if you flip to page 10, it'll show the impact of the refinancing, and it's really that far right-hand column that says "potential debt service savings." That's the annual savings that would be generated, or it's estimated to be generated, from the refinancing. So, ranges from in the low year, just \$3,700 but up to \$20,000 beginning next year. And then the present value calculation is detailed on the bottom.

Brad Viegut (Baird) 09:32

On page 11, we've got the storm water issuance. There's no new projects associated the storm water utility. This is just a refinancing of prior obligations. So, this is refunding debt that was issued in 2013, '14, and '15. The estimated rate here is 3.55%, an estimated savings of just under \$143,000. So, the parameters to accomplish this, maximum power of 8.8 million, not to exceed interest rate of four and a half percent, and the authority to increase or decrease principal by \$1.275 million annually. Also got the authority to pull individual issues, the '13 or the '14 or the '15, if the savings aren't sufficient to move forward.

Brad Viegut (Baird) 10:20

So then on pages 12 and 13, we've got the detail of the remaining payments as currently structured for the '13, '14, and '15 bonds. On page following page, on 13, show the impact of the refinancing. So, the far-right hand column is giving the annual savings to the utility, and then the present value calculation down towards the

bottom. So that's the sets of financings that's in front of you this evening. I can certainly go—I went sort of quickly through that, but I can go into more detail if there's questions, or I can answer any questions.

Alderman Brad Firkus (District 3) 10:57

I'll open it up to rest of the committee. I myself don't have any questions. I think you did, as usual, a great job explaining this to us. Definitely helps to hear the reasoning and the thinking and with the refinancing aspect of this. So that would have been the area I would have had questions, but you have answered everything I had. So, thank you. Anyone else? Alder Van Zeeland.

Alderman Katie Van Zeeland (District 5) 11:19

Thank you. My—well, actually, my question is for staff, not for the speaker, is that okay? Okay, so regarding the change to this type of ordinance, can someone explain why we didn't go to this more flexible option previously? I guess I didn't even realize it was an option.

Alderman Brad Firkus (District 3) 11:43

Five? I was gonna get there eventually. Was starting to turn them on.

Director Jeri Ohman (Finance) 11:46

Thank you, Chair. That's a good question. I think we started talking about this late in the process last year, and it really came into effect last year when we were looking at the date that we needed to go to market, and the market was doing this, and it's like this, now, having this parameters resolution, helps us to pinpoint if we need to hold off to let everything slow down. We can do that now with this type of resolution.

Alderman Katie Van Zeeland (District 5) 12:16

Could I just follow up? So is this something that in discussions with legal, we became aware this was a possibility. Is this something that happens in other cities that we became aware of? How did it come to be?

Director Jeri Ohman (Finance) 12:28

It was it was Brad letting us know that we could do this.

Alderman Katie Van Zeeland (District 5) 12:32

Okay. Okay, excellent. Thank you, and thank you for that feedback, because I think it was last year that we got lucky and we're able to lock things in, and I'd rather have this flexibility. Thank you.

Alderman Brad Firkus (District 3) 12:46

I was just thinking that same thing when you mentioned that part of this component this year, of how lucky it seemed we got at least a couple times in recent years where the market just bounced just right at the middle of the week. And so, thank you. Appreciate that. And if there are no other questions, then we're set, and we'll be looking forward to hear from you in a couple weeks.

Brad Viegut (Baird) 13:08

Okay, thank you.

Alderman Brad Firkus (District 3) 13:09

Thanks.

Alderman Brad Firkus (District 3) 13:13

All right, with that we'll move on to our action items, starting with 25-0870, request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale not to exceed \$10,865,000 general obligation Promissory Note series 2025 and all related details.

Alderman Denise Fenton (District 6) 13:31

Move to approve.

Alderman Katie Van Zeeland (District 5) 13:32

Second.

Alderman Brad Firkus (District 3) 13:33

Motion and a second. Are there any further questions on this item? Seeing none, we'll go ahead and vote. All those in favor? Aye. Opposed? Abstentions? That passes four to zero.

Alderman Brad Firkus (District 3) 13:48

25-0872, request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale not to exceed \$8,975,000 water system revenue refunding bonds Series, 2025, and all related details.

Alderman Chris Croatt (District 14) 14:03

Move to approve.

Alderman Katie Van Zeeland (District 5) 14:05

Second.

Alderman Brad Firkus (District 3) 14:06

Motion and a second and any questions? Seeing none, we'll go ahead and vote. All those in favor? Aye. Opposed? Abstentions? That passes four to zero.

Alderman Brad Firkus (District 3) 14:17

25-0878, request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale not to exceed \$4,725,000 sewage sewerage system revenue bond series 2025, and all related details.

Alderman Denise Fenton (District 6) 14:33

Move to approve.

Alderman Katie Van Zeeland (District 5) 14:35

Second.

Alderman Brad Firkus (District 3) 14:36

All right, we have a motion a second. Any questions? Seeing none, we'll go ahead and vote. All those in favor? Aye. Opposed? Abstentions? That passes four to zero.

Alderson Brad Firkus (District 3) 14:48

25-0879, request to approve a resolution authorizing and providing for the issuance and establishing parameters for the sale of not to exceed \$8,800,000 stormwater system revenue refunding bonds, Series 2025, and all related details.

Alderson Chris Croatt (District 14) 15:04

Move to approve.

Alderson Denise Fenton (District 6) 15:05

Second.

Alderson Brad Firkus (District 3) 15:06

All right, we have a motion a second. Any questions? Seeing none, we'll go ahead and vote. All those in favor? Aye. Opposed. Abstentions? That passes four to zero. All right, that is—takes care of the block of bonding and revenue.