

AGENDA

Eau Claire County
Committee on Finance and Budget

Tuesday, October 2, 2018 / 6:30 pm
Eau Claire County Courthouse – Room 1273
Eau Claire, WI 54703

1. Call Meeting to Order and Confirmation of Compliance with Open Meetings Law
2. Proposed Resolution 18-19/067 “Initial Resolution Authorizing the Borrowing of Not to Exceed \$10,000,000; and Providing for the Issuance and Sale of General Obligation Promissory Notes Therefor” Discussion / Action
3. Future meetings and agenda items / Discussion
 - a. October 3, 8:30 am – Room 1273
 - b. October 5, 8:30 am – Room 1273
 - c. October 8, 8:30 am – Room 1273
 - d. October 9, 8:30 am – Ag Center, Room 103
4. Adjourn

Post: 09/28/2018

Copy: media, Committee members, Kathryn Schauf, Norb Kirk, Amy Weiss, Janet Loomis, Sean Lentz

Upon reasonable notice, efforts will be made to accommodate the needs of individuals with disabilities through sign language, interpreters or other auxiliary aids. For additional information or to request the service, contact the County ADA Coordinator at 715-839-4710, (FAX) 715-839-1669 or 715-839-4735, tty: use Relay (711) or by writing to the ADA Coordinator, Human Resources, Eau Claire County Courthouse, 721 Oxford Avenue, Eau Claire, WI 54703.

Fact Sheet

File No. 18-19/067

As part of the unanimous approval of the 2018 Eau Claire County Budget, the County Board approved borrowing of \$9,877,250 in general obligation debt to pay for capital projects and highway improvements.

The attached resolution authorizes the sale of not to exceed \$10 million in General Obligation Promissory Notes, allocated as follows:

\$6,023,000	Highway Construction and Improvements
\$3,827,000	Other Capital Projects
\$150,000	Estimated Issuance Related Costs

Finally, as was presented during the 2018 budget process, I estimate that with rates similar to last year's note sale, this issue will add approximately \$1.20 million in additional debt service payments for each of the years 2019-2023, and \$1.10 million in additional debt service payments for each of the years 2024-2028. These amounts are based on five and ten year paybacks, dependent upon the useful life of the projects listed above.

Respectfully submitted,

Norb Kirk
Finance Director

INITIAL RESOLUTION AUTHORIZING THE BORROWING OF NOT TO EXCEED \$10,000,000; AND PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PROMISSORY NOTES THERFOR

WHEREAS, the County Board of Supervisors of Eau Claire County, Wisconsin (the "County") hereby finds and determines that it is necessary, desirable and in the best interest of the County to raise funds for the public purpose of paying the cost of 2018 capital projects and highway improvements (collectively, the "Project"), and there are insufficient funds on hand to pay said costs;

NOW, THEREFORE, BE IT RESOLVED by the County Board of Supervisors of the County that:

Section 1. Authorization of the Notes. For the purpose of paying costs of the Project, there shall be borrowed, through the issuance of general obligation promissory notes pursuant to Section 67.12(12) of the Wisconsin Statutes, a principal sum not to exceed TEN MILLION DOLLARS (\$10,000,000) (the "Notes").

Section 2. Sale of the Notes. The County Board of Supervisors hereby authorizes and directs that the Notes be offered for public sale. At a subsequent meeting, the County Board of Supervisors shall consider such bids for the Notes as may have been received and take action thereon.

Section 3. Notice of Sale. The County Clerk, in consultation with the County's financial advisor, Ehlers & Associates, Inc. ("Ehlers"), is hereby authorized and directed to cause the sale of the Notes to be publicized at such times and in such manner as the County Clerk may determine and to cause copies of a complete, official Notice of Sale and other pertinent data to be forwarded to interested bidders as the County Clerk may determine.

Section 4. Official Statement. The County Clerk shall cause an Official Statement concerning this issue to be prepared by Ehlers. The appropriate County officials shall determine when the Official Statement is final for purposes of Securities and Exchange Commission Rule 15c2-12 and shall certify said Statement, such certification to constitute full authorization of such Statement under this resolution.

Adopted, approved and recorded October 2, 2018.

I hereby certify that the foregoing correctly represents the taken by the undersigned Committee on _____, by a vote of ___ for, ___ against.

Chairperson Stella Pagonis
Committee on Finance & Budget

Nick Smiar, County Board Chair
Eau Claire County Board of Supervisors

Attest:

Janet K. Loomis
Eau Claire County Clerk

(SEAL)



EHLERS
LEADERS IN PUBLIC FINANCE

October 2, 2018 (DRAFT)

Pre-Sale Report for

Eau Claire County, Wisconsin

\$10,000,000 General Obligation Promissory Notes,
Series 2018A



Prepared by:

Sean Lentz, CIPMA
Senior Municipal Advisor

Brian Reilly, CIPMA
Senior Municipal Advisor

Chris Hetland,
Financial Specialist



Executive Summary of Proposed Debt

Proposed Issue:	\$10,000,000 General Obligation Promissory Notes, Series 2018A
Purposes:	The proposed issue includes financing for the following purposes: Finance 2018 Capital Projects including Highway Projects
Authority:	The Notes are being issued pursuant to Wisconsin Statute Section: <ul style="list-style-type: none"> • 67.12(12) <p>The Notes will be general obligations of the County for which its full faith, credit and taxing powers are pledged.</p> <p>The Notes count against the County’s General Obligation Debt Capacity Limit of 5% of total County Equalized Valuation. Following issuance of the Notes, the County’s total General Obligation debt principal outstanding will be \$85,321,360, which is 19% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$352,418,730.</p>
Term/Call Feature:	Principal on the Notes will be due on September 1 in the years 2019 through 2028. Interest is payable every six months beginning September 1, 2019.
Bank Qualification:	The Notes will be subject to prepayment at the discretion of the County on September 1, 2024 or any date thereafter.
Bank Qualification:	Because the County is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the County will be able to designate the Notes as “bank qualified” obligations. Bank qualified status broadens the market for the Notes, which can result in lower interest rates.
Rating:	The County’s most recent bond issues were rated by Moody’s Investors Service. The current ratings on those bonds are “Aa1”. The County will request a new rating for the Notes.
Rating:	If the winning bidder on the Notes elects to purchase bond insurance, the rating for the issue may be higher than the County's bond rating in the event that the bond rating of the insurer is higher than that of the County.
Basis for Recommendation:	Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of Notes as a suitable option based on: <ul style="list-style-type: none"> • The expectation this form of financing will provide the overall lowest cost of funds while also meeting the County’s objectives for term, structure and optional redemption.



	<ul style="list-style-type: none"> • The County having adequate General Obligation debt capacity to undertake this financing. • The County’s current Capital Improvements Plan which identified issuance of General Obligation Notes to finance these projects.
<p>Method of Sale/Placement:</p>	<p>We will solicit competitive bids for the purchase of the Notes from underwriters and banks.</p> <p>We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Notes are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.</p>
<p>Premium Pricing:</p>	<p>Under current market conditions, most investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.”</p> <p>The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2% to 10% of the face amount of the issue. This means that an issuer with a \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.</p> <p>Any premium amount received for the Bonds that is in excess of the underwriting discount must be placed in the debt service fund and used to pay a portion of the interest payments due on the Bonds. These adjustments may slightly change the true interest cost of the original bid, either up or down.</p> <p>The amount of premium allowed can be restricted in the bid specifications. Restrictions on premium may result in fewer bids but may also eliminate large adjustments on the day of sale and unintended results with respect to debt service payment impacts.</p> <p>For this issue of Notes we will limit the amount of premium to 2%. This limitation will ensure the County stays below \$10 Million in total tax-exempt indebtedness for 2018. As discussed earlier in this report, bank qualified status broadens the market for the Notes, which can result in lower interest rates.</p>
<p>Other Considerations:</p>	<p>The Notes will be offered with the option of the successful bidder utilizing a term bond structure. By offering underwriters the option to “term up” some of the maturities at the time of the sale, it gives them more flexibility in finding a market for your Notes. This makes your issue more marketable, which can result in lower borrowing costs. In the event that the successful bidder utilizes a term bond structure, we</p>



	recommend the County retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds.
Review of Existing Debt:	<p>We have reviewed all outstanding indebtedness for the County and find that there are no refunding opportunities at this time.</p> <p>We will continue to monitor the market and the call dates for the County’s outstanding debt and will alert you to any future refunding opportunities.</p>
Continuing Disclosure:	<p>Because the County has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the County will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The County is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.</p>
Arbitrage Monitoring:	<p>Because the Notes are tax-exempt obligations, the County must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Tax Exemption Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you. We also recommend that you establish written procedures regarding compliance with IRS rules.</p>
Investment of and Accounting for Proceeds:	<p>In order to more efficiently segregate funds for this project and maximize interest earnings, we recommend using an investment advisor, to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers Investment Partners, a subsidiary of Ehlers and registered investment advisor, will discuss an appropriate investment strategy with the County.</p>
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service</p>



providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

Bond Counsel: Quarles & Brady LLP

Paying Agent: To be determined

Rating Agency: Moody's Investors Service



Proposed Debt Issuance Schedule

Pre-Sale Review by Board of Supervisors:	October 2, 2018
Distribute Official Statement:	Week of October 1, 2018
Conference with Rating Agency:	Week of October 8, 2018
Board of Supervisors Meeting to Award Sale of the Bonds:	October 16, 2018
Estimated Closing Date:	November 1, 2018

Attachments

- Estimated Sources and Uses of Funds & Proposed Debt Service Schedule
- Projected General Obligation Borrowing Capacity with 2018A Notes
- Projected Total County Debt Levy with 2018A Notes

Ehlers Contacts

Municipal Advisors:	Sean Lentz	(651) 697-8509
	Brian Reilly	(651) 697-8541
	Chris Hetland	(651) 697-8582
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Beth Mueller	(651) 697-8553

The Preliminary Official Statement for this financing will be sent to the Board of Supervisors at their home or email address for review prior to the sale date.



Exhibit 1

For Discussion Only

Eau Claire County, WI

Estimated Debt Service and Capitalization Schedule

\$10,000,000 General Obligation Promissory Notes, Series 2018A

Year	Principal	Rate	Interest	Total P&I	5 Year	10 Year
2018				-		
2019	970,000	2.05%	224,096	1,194,096	71,444	1,122,652
2020	945,000	2.25%	249,030	1,194,030	71,400	1,122,630
2021	965,000	2.40%	227,768	1,192,768	69,938	1,122,830
2022	985,000	2.45%	204,608	1,189,608	68,378	1,121,230
2023	1,015,000	2.55%	180,475	1,195,475	71,785	1,123,690
2024	965,000	2.70%	154,593	1,119,593		1,119,593
2025	995,000	2.85%	128,538	1,123,538		1,123,538
2026	1,020,000	3.00%	100,180	1,120,180		1,120,180
2027	1,055,000	3.15%	69,580	1,124,580		1,124,580
2028	1,085,000	3.35%	36,348	1,121,348		1,121,348
Totals	10,000,000		1,575,213	11,575,213	352,944	11,222,270
Issue Summary						
Key Dates						
	Dated Date:		11/1/2018			
	First Interest Payment:		9/1/2019			
	First Principal Payment:		9/1/2019			
Projected Interest Rates						
Rates Projected 25 Basis Points Above Current GO BQ "AA1" Market Rates						
	True Interest Cost (TIC):		3.09%			
	All Inclusive Cost (AIC):		3.21%			
	Total Principal and Interest:		11,575,213			
Sources and Uses					5 Year	10 Year
			Total			
Par Amount of Bonds			10,000,000	330,000	9,670,000	
Total Sources			\$10,000,000	\$330,000	\$9,670,000	
Underwriter's Discount			100,000	3,300	96,700	
Costs of Issuance			58,650	1,935	56,715	
Deposit to Project Fund			9,839,885	323,300	9,516,585	
Rounding Amount			1,465	1,465	-	
Total Uses			\$10,000,000	\$330,000	\$9,670,000	

Exhibit 2

For Discussion Only

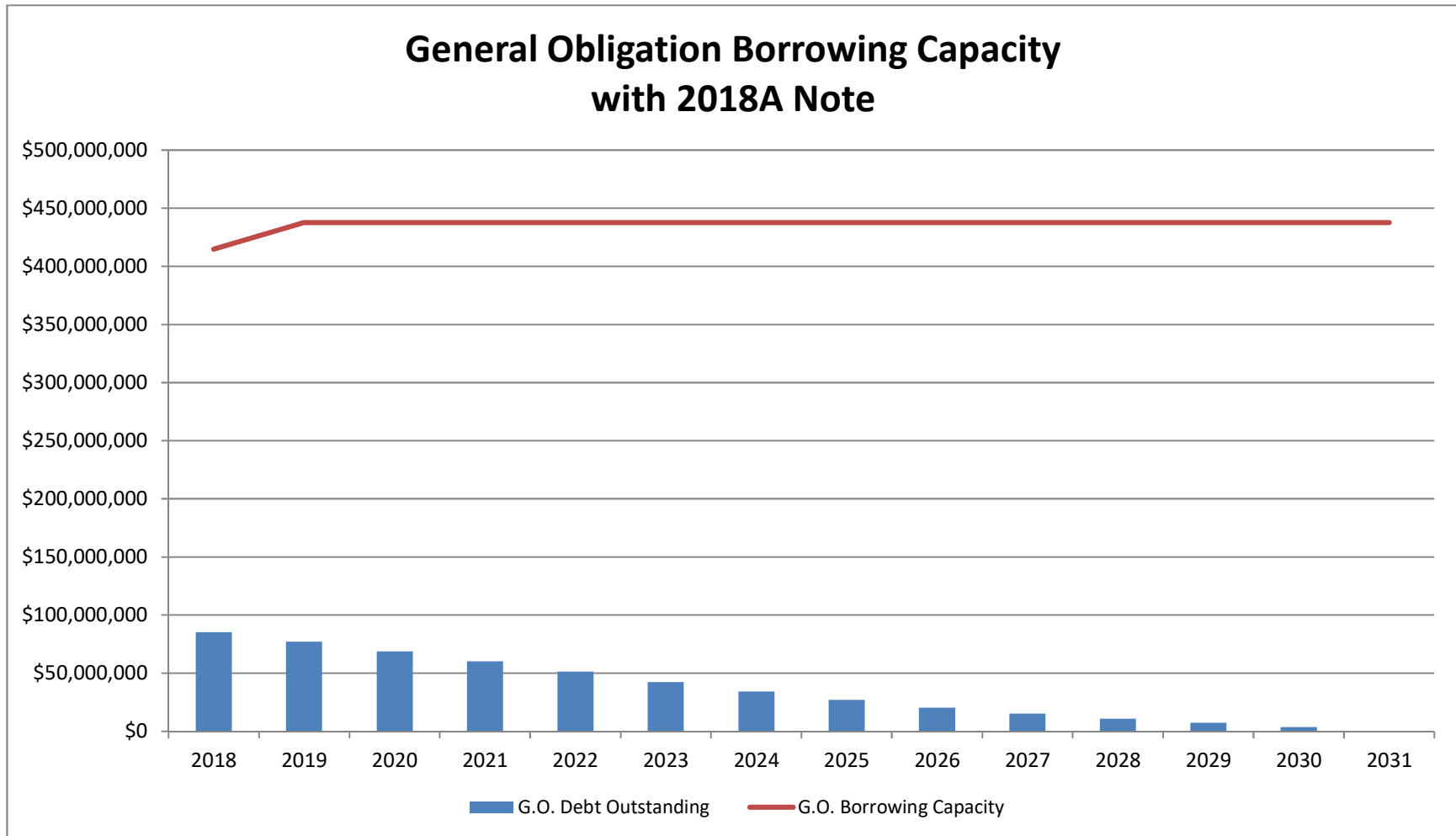


Exhibit 3

For Discussion Only

