

**BAIRD**

# City of Racine

2016 Financing Discussion

July 25, 2016

**Bradley D. Viegut, Managing Director**

[bviegut@rwbaird.com](mailto:bviegut@rwbaird.com)

777 East Wisconsin Avenue

Milwaukee, WI 53202

Phone 414.765.3827

Fax 414.298.7354



# City of Racine

## 2016 FINANCING DISCUSSION

July 25, 2016

### Timeline



- Finance Committee Meeting to discuss financings..... July 25, 2016
  - Preparations are made for issuance
    - ✓ Official Statement
    - ✓ Bond Rating
    - ✓ Marketing
- City Council receives recommendation from Finance Committee..... August 1, 2016
- City Council considers Award Resolutions (finalizes terms and interest rates) ..... August 16, 2016
- Closing (funds available)..... September 7, 2016

# City of Racine

## 2016 FINANCING DISCUSSION

July 25, 2016

### Borrowing / Structure / Purpose



<b>Approximate Size:</b>	\$11,735,000	<b>Approximate Size:</b>	\$3,715,000
<b>Issue:</b>	Note Anticipation Notes	<b>Issue:</b>	Water System Mortgage Revenue Refunding Bonds
<b>Purpose:</b>	2016 CIP Projects	<b>Purpose:</b>	Refunds Remaining 2007 Revenue Bonds
<b>Structure:</b>	Matures August 15, 2017	<b>Structure:</b>	Matures Sept. 1, 2017 – 2021
<b>First Interest:</b>	August 15, 2017	<b>First Interest:</b>	March 1, 2017
<b>Callable:</b>	Dec. 19, 2016 and thereafter	<b>Callable:</b>	Noncallable
<b>Estimated Rate:</b>	2.20%	<b>Estimated Rate:</b>	1.30%
		<b>Estimated Savings:</b>	\$365,002 <sup>1</sup>

<sup>1</sup> Present value calculated using the All-Inclusive Cost (AIC) of 1.63% as the discount rate.

# City of Racine

## 2016 FINANCING DISCUSSION

July 25, 2016



### Illustration of Hypothetical Revenue Refinancing

Calendar Year	BEFORE REFINANCING				AFTER REFINANCING					POTENTIAL DEBT SERVICE SAVINGS	
	\$18,980,000 Water Sys Mort Rev Ref Bonds (AR) Dated April 2, 2007			TOTAL DEBT SERVICE	\$18,980,000 Water Sys Mort Rev Ref Bonds (AR) Dated April 2, 2007		\$3,715,000 Water Sys Mort Rev Ref Bonds (CR) Dated September 7, 2016 <sup>(1)</sup>		TOTAL NEW DEBT SERVICE		
	PRINCIPAL (9/1)	RATE	INTEREST (3/1 & 9/1)		PRINCIPAL (9/1)	INTEREST (3/1 & 9/1)	PRINCIPAL (9/1)	INTEREST (3/1 & 9/1)	TOTAL		
2016	\$1,280,000	4.250%	\$240,600	\$1,520,600	\$1,280,000	\$240,600				\$1,520,600	\$0
2017	\$760,000	4.250%	\$186,200	\$946,200	***		\$745,000	\$88,008	\$833,008	\$833,008	\$113,192
2018	\$755,000	4.750%	\$153,900	\$908,900	***		\$720,000	\$74,600	\$794,600	\$794,600	\$114,300
2019	\$790,000	4.750%	\$118,038	\$908,038	***		\$730,000	\$60,200	\$790,200	\$790,200	\$117,838
2020	\$830,000	4.750%	\$80,513	\$910,513	***		\$750,000	\$45,600	\$795,600	\$795,600	\$114,913
2021	\$865,000	4.750%	\$41,088	\$906,088	***		\$770,000	\$23,100	\$793,100	\$793,100	\$112,988
	\$5,280,000		\$820,338	\$6,100,338	\$1,280,000	\$240,600	\$3,715,000	\$291,508	\$4,006,508	\$5,527,108	\$573,229

Maturities callable 9/1/2016 or any date thereafter.

CALLABLE MATURITIES

\*\*\* REFINANCED WITH 2016 ISSUE.

LESS CHANGE IN DEBT SERVICE RESERVE FUND.....	(\$182,767)
ROUNDING AMOUNT.....	\$334
GROSS SAVINGS.....	\$390,797

(1) This illustration represents a mathematical calculation of potential interest cost savings (cost), assuming hypothetical rates based on current rates for municipal bonds as of 6/28/16. Actual rates may vary. If actual rates are higher than those assumed, the interest cost savings would be lower. This illustration provides information and is not intended to be a recommendation, proposal or suggestion for a refinancing or otherwise to be considered as advice.

(2) PRESENT VALUE SAVINGS \$.....	\$365,002
PRESENT VALUE SAVINGS %.....	9.125%

(2) Present value calculated using the All Inclusive Cost (AIC) of 1.63% as the discount rate.

Interest Rate Sensitivity		
Change in Rates	Est. PV % Savings	Est. PV \$ Savings
-0.30%	10.084%	\$403,376
-0.20%	9.763%	\$390,526
-0.10%	9.443%	\$377,736
+0.10%	8.810%	\$352,390
+0.20%	8.494%	\$339,760
+0.30%	8.180%	\$327,193

Robert W. Baird & Co. Incorporated ("Baird") is not recommending any action to you. Baird is not acting as an advisor to you and does not owe you a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934. Baird is acting for its own interests. You should discuss the information contained herein with any and all internal or external advisors and experts you deem appropriate before acting on the information. Baird seeks to serve as an underwriter (or placement agent) on a future transaction and not as a financial advisor or municipal advisor. The primary role of an underwriter (or placement agent) is to purchase, or arrange for the placement of, securities in an arm's length commercial transaction with the issuer, and it has financial and other interests that differ from those of the issuer. The information provided is for discussion purposes only, in seeking to serve as underwriter (or placement agent). See "Important Disclosures" contained herein.