

The logo for Baird, featuring the word "BAIRD" in white, uppercase, serif font, set against a blue, parallelogram-shaped background.

# City of Racine

Finance Committee Meeting

October 24, 2016

**Bradley D. Viegut, Managing Director**

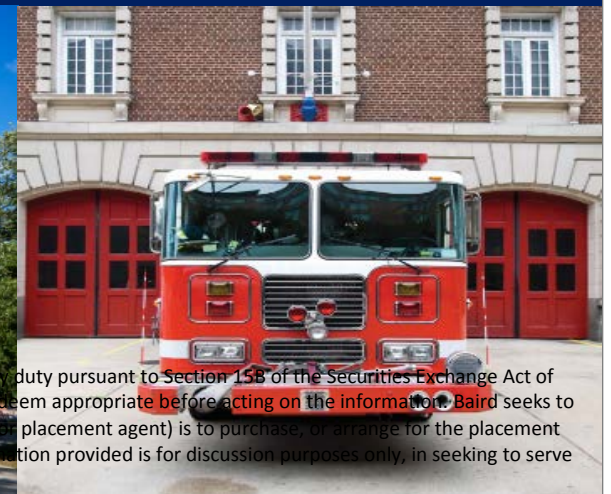
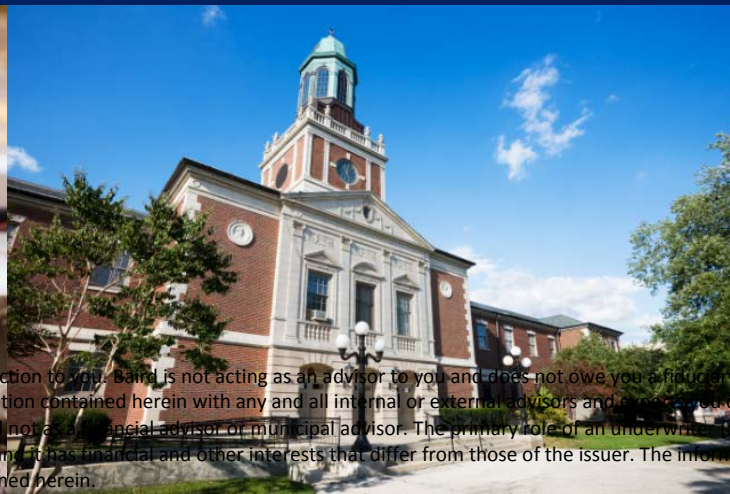
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### Timeline

- Finance Committee Meeting to discuss financing ..... October 24, 2016
  - Preparations are made for issuance
    - ✓ Official Statement
    - ✓ Bond Rating
    - ✓ Marketing
- City Council considers Award Resolution (finalizes terms and interest rates)..... November 15, 2016
- Closing (funds available).....December 7, 2016

### Borrowing / Structure / Purpose

<b>Approximate Size:</b>	\$18,290,000
<b>Issue:</b>	G.O. Refunding Bonds
<b>Purpose:</b>	<ul style="list-style-type: none"> <li>• Refunds 2016 NAN</li> <li>• Partially Refunds October 5, 2006A Bonds</li> <li>• Refunds November 13, 2007A Bonds</li> <li>• Refunds December 9, 2008 Bonds</li> <li>• Partially Refunds October 25, 2011 Bonds</li> </ul>
<b>Structure:</b>	Matures June 1, 2017 – 2018 & Dec. 1, 2017-2030
<b>First Interest:</b>	June 1, 2017
<b>Callable:</b>	Dec. 1, 2027 and thereafter callable on Dec. 1, 2026
<b>Estimated Rate:</b>	2.14%
<b>Estimated Savings<sup>1</sup>:</b>	\$198,786

<sup>1</sup> Present value calculated using the All-Inclusive Cost (AIC) of 1.91% as the discount rate.

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### Illustration of Hypothetical NAN Refinancing



		CIP: \$9,700,000		POS									
		Equip: \$2,035,000		\$11,660,000		GENERAL OBLIGATION REFUNDING BONDS							
		\$11,735,000		\$11,660,000									
		NANs		NANs									
		Dated: Sept. 7, 2016		Dated: December 7, 2016									
		Due: August 15, 2017		14-Year Amortization									
LEVY YEAR	YEAR DUE	EXISTING DEBT SERVICE (A)	INTEREST	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (6/1)	INTEREST (6/1 & 12/1)	TOTAL	FUTURE ISSUES (C)	COMBINED NET DEBT SERVICE	GROWTH	FUTURE ANNUAL BORROWING AMOUNT (C)	
			TIC = 1.97%					TIC = 2.28%					
2015	2016	\$16,571,490	\$74,811							\$16,571,490		2016	
2016	2017	\$15,637,818								\$17,523,483	5.74%	2017	\$11,800,000
2017	2018	\$15,054,177	NAN Principal and	\$465,000	\$226,700	\$1,615,000	\$47,743	\$1,885,665	\$1,438,000	\$17,612,277	0.51%	2018	\$14,300,000
2018	2019	\$12,429,308	Interest Refunded	\$630,000	\$217,400	\$420,000	\$8,400	\$1,120,100	\$4,425,800	\$17,702,508	0.51%	2019	\$12,500,000
2019	2020	\$10,523,611	with Bonds;	\$655,000	\$204,800			\$859,800	\$6,409,800	\$17,793,211	0.51%	2020	\$12,750,000
2020	2021	\$8,924,700	NANs to be called	\$670,000	\$191,700			\$861,700	\$8,094,000	\$17,880,400	0.49%	2021	\$13,005,000
2021	2022	\$8,184,619	12/19/2016	\$680,000	\$178,300			\$858,300	\$8,929,100	\$17,972,019	0.51%	2022	\$13,265,000
2022	2023	\$7,398,893		\$755,000	\$164,700			\$919,700	\$9,742,500	\$18,061,093	0.50%	2023	\$13,530,000
2023	2024	\$5,690,963		\$770,000	\$149,600			\$919,600	\$11,539,800	\$18,150,363	0.49%	2024	\$13,800,000
2024	2025	\$4,808,050		\$785,000	\$134,200			\$919,200	\$12,516,400	\$18,243,650	0.51%	2025	\$14,080,000
2025	2026	\$3,717,400		\$795,000	\$118,500			\$913,500	\$13,703,600	\$18,334,500	0.50%	2026	\$14,360,000
2026	2027	\$2,729,000	(B)	\$820,000	\$102,600			\$922,600	\$14,772,000	\$18,423,600	0.49%	2027	\$14,645,000
2027	2028	\$1,770,200		\$840,000	\$78,000			\$918,000	\$15,825,500	\$18,513,700	0.49%	2028	\$14,935,000
2028	2029	\$901,250		\$865,000	\$52,800			\$917,800	\$16,788,900	\$18,607,950	0.51%	2029	\$15,235,000
2029	2030			\$895,000	\$26,850			\$921,850	\$17,780,300	\$18,702,150	0.51%	2030	\$15,540,000
		\$114,341,479		\$9,625,000	\$2,069,072	\$2,035,000	\$56,143	\$13,785,215	\$141,965,700	\$270,092,394			\$193,745,000

- (A) Levy Supported net of BABs subsidy; includes WRS related debt service
- (B) Indicates Maturities callable in 2026 or after.
- (C) Assumes annual borrowings beginning in 2017 with an average interest rate of 4%:

	Short Term Borrowing	Long Term Borrowing
2017	2,100,000	9,700,000
2018	2,800,000	11,500,000
2019	2,300,000	10,200,000
2020 & thereafter: 2% annual growth in amount borrowed		

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.

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### Illustration of Hypothetical G.O. Refinancing



BEFORE REFINANCING													
Calendar Year	\$7,130,000 G.O. Ref Bonds, Series 2006A Dated October 5, 2006			\$7,610,000 G.O. Ref Bonds, Series 2007A Dated November 13, 2007			\$7,680,000 G.O. Ref Bonds Dated December 9, 2008			\$8,080,000 G.O. Ref Bonds Dated October 25, 2011			TOTAL DEBT SERVICE
	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	
2016	\$465,000	4.000%	\$74,625	\$640,000	4.250%	\$85,000	\$595,000	4.500%	\$119,775			\$304,200	\$2,283,600
2017	\$635,000	4.500%	\$56,025	\$665,000	4.250%	\$57,800	\$625,000	4.500%	\$93,000			\$304,200	\$2,436,025
2018	\$610,000	4.500%	\$27,450	\$695,000	4.250%	\$29,538	\$650,000	4.750%	\$64,875			\$304,200	\$2,381,063
2019	****			****			\$680,000	5.000%	\$34,000			\$304,200	\$1,018,200
2020	****			****			****					\$304,200	\$304,200
2021				****			****			\$1,850,000	3.500%	\$304,200	\$2,154,200
2022							****			\$1,950,000	3.500%	\$239,450	\$2,189,450
2023										\$2,050,000	4.000%	\$171,200	\$2,221,200
2024										\$1,180,000	4.000%	\$89,200	\$1,269,200
2025										\$1,050,000	4.000%	\$42,000	\$1,092,000
	<u>\$1,710,000</u>		<u>\$158,100</u>	<u>\$2,000,000</u>		<u>\$172,338</u>	<u>\$2,550,000</u>		<u>\$311,650</u>	<u>\$8,080,000</u>		<u>\$2,367,050</u>	<u>\$17,349,138</u>
	Maturities callable 12/1/2016 or any date thereafter. City Purpose			Maturities callable 12/1/2017 or any date thereafter. City Purpose			Maturities callable 12/1/2018 or any date thereafter. City Purpose			Maturities callable 12/1/2020 or any date thereafter. City Purpose			

\*\*\*\* CALLABLE MATURITIES  
REFUNDED BY 2013 & 2014 BONDS

(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 10/12/2016. 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 calculated using the All Inclusive Cost (AIC) of 1.91% as the discount rate.

Interest Rate Sensitivity		
Change in Rates	Est. PV % Savings	Est. PV \$ Savings
-0.30%	5.024%	\$314,726
-0.20%	4.401%	\$275,729
-0.10%	3.785%	\$237,136
+0.10%	2.566%	\$160,737
+0.20%	1.962%	\$122,948
+0.30%	1.363%	\$85,383

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Illustration of Hypothetical G.O. Refinancing



AFTER REFINANCING													POTENTIAL DEBT SERVICE SAVINGS	
Calendar Year	\$7,130,000 G.O. Ref Bonds, Series 2006A Dated October 5, 2006			\$7,610,000 G.O. Ref Bonds, Series 2007A Dated November 13, 2007		\$7,680,000 G.O. Ref Bonds Dated December 9, 2008		\$8,080,000 G.O. Ref Bonds Dated October 25, 2011		\$6,630,000 G.O. Refunding Bonds (CR/AR) Dated December 7, 2016				TOTAL NEW DEBT SERVICE
		PRINCIPAL (12/1)	AT (6/1 & 12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	TOTAL	
											TIC= 1.85%			
2016	\$465,000		\$74,625	\$640,000	\$85,000	\$595,000	\$119,775		\$304,200				\$2,283,600	\$0
2017	\$635,000		\$28,575	\$665,000	\$28,263	\$625,000	\$59,000		\$133,000	\$105,000	\$152,220	\$257,220	\$2,431,058	\$4,968
2018	***			***		\$650,000	\$30,875		\$133,000	\$1,360,000	\$152,700	\$1,512,700	\$2,326,575	\$54,488
2019	***			***		***			\$133,000	\$735,000	\$125,500	\$860,500	\$993,500	\$24,700
2020	***			***		***			\$133,000	\$40,000	\$110,800	\$150,800	\$283,800	\$20,400
2021				***		***		\$1,850,000	\$133,000	\$40,000	\$110,000	\$150,000	\$2,133,000	\$21,200
2022				***		***		\$1,950,000	\$40,000	\$40,000	\$109,200	\$149,200	\$2,167,450	\$22,000
2023								***		\$2,090,000	\$108,400	\$2,198,400	\$2,198,400	\$22,800
2024								***		\$1,180,000	\$66,600	\$1,246,600	\$1,246,600	\$22,600
2025								***		\$1,040,000	\$31,200	\$1,071,200	\$1,071,200	\$20,800
	\$1,100,000	\$103,200	\$103,200	\$1,305,000	\$113,263	\$1,870,000	\$209,650	\$3,800,000	\$1,037,450	\$6,630,000	\$966,620	\$7,596,620	\$17,135,183	\$213,955

\*\*\* REFINANCED WITH 2016 ISSUE.

ROUNDING AMOUNT.....	\$890
POTENTIAL GROSS SAVINGS.....	\$214,845
(2) POTENTIAL PRESENT VALUE SAVINGS \$.....	\$198,786
POTENTIAL PRESENT VALUE SAVINGS %.....	3.173%



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