



City of Racine

Finance & Personnel Committee Meeting

August 24, 2020

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City of Racine

Finance & Personnel Committee Meeting

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Timeline

- Finance Committee Meeting to discuss financing plans August 24, 2020
 - Preparations are made for issuance
 - ✓ Official Statement
 - ✓ Bond Rating
 - ✓ Marketing
- City Council receives recommendation from Finance CommitteeSeptember 1, 2020
- City Council considers Award Resolutions (finalizes terms and interest rates)September 15, 2020
- Closing (funds available) October 06, 2020

Borrowing / Structure / Purpose

Approximate Size:	\$14,305,000	\$10,530,000
Issue:	Note Anticipation Notes	Taxable General Obligation Refunding Bonds
Purpose:	Capital Improvement Projects & Equipment	Refinance 2010 BABs, 2012 Bonds & 2013 Bonds
Structure:	Matures April 6, 2021	Matures December 1, 2021-2027
First Interest:	April 6, 2021	June 1, 2021
Callable:	December 18, 2020	Non-callable
Estimated Rate:	2.15%	1.14%
Estimated Savings¹:	N/A	\$375,322

¹ Present value calculated using the All-Inclusive Cost (AIC) of 1.24% as the discount rate.

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Illustration of Refinancing

BEFORE REFINANCING														
Calendar Year	\$9,850,000 Taxable G.O. Refunding Bonds (BABs) Dated November 24, 2010				\$9,830,000 G.O. Refunding Bonds (CR) Dated December 27, 2012				\$26,450,000 G.O. Refunding Bonds (CR) Dated November 6, 2013				TOTAL DEBT SERVICE	
	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	BABS SUBSIDY ⁽¹⁾ -35%	TOTAL	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	TOTAL	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)		TOTAL
2020	\$620,000	3.900%	\$140,960	(\$46,425)	\$714,535	\$760,000	4.000%	\$221,150	\$981,150	\$705,000	4.000%	\$259,000	\$964,000	\$2,659,685
2021	\$635,000	4.100%	\$116,780	(\$38,543)	\$713,237	\$790,000	3.000%	\$190,750	\$980,750	\$730,000	4.000%	\$230,800	\$960,800	\$2,654,787
2022	\$655,000	4.300%	\$90,745	(\$29,950)	\$715,795	\$815,000	3.000%	\$167,050	\$982,050	\$760,000	4.000%	\$201,600	\$961,600	\$2,659,445
2023	\$670,000	4.500%	\$62,580	(\$20,655)	\$711,925	\$840,000	4.000%	\$142,600	\$982,600	\$790,000	4.000%	\$171,200	\$961,200	\$2,655,725
2024	\$690,000	4.700%	\$32,430	(\$10,704)	\$711,726	\$870,000	4.000%	\$109,000	\$979,000	\$820,000	4.000%	\$139,600	\$959,600	\$2,650,326
2025						\$910,000	4.000%	\$74,200	\$984,200	\$855,000	4.000%	\$106,800	\$961,800	\$1,946,000
2026						\$945,000	4.000%	\$37,800	\$982,800	\$890,000	4.000%	\$72,600	\$962,600	\$1,945,400
2027										\$925,000	4.000%	\$37,000	\$962,000	\$962,000
	<u>\$3,270,000</u>		<u>\$443,495</u>	<u>(\$146,277)</u>	<u>\$3,567,218</u>	<u>\$5,930,000</u>		<u>\$942,550</u>	<u>\$6,872,550</u>	<u>\$6,475,000</u>		<u>\$1,218,600</u>	<u>\$7,693,600</u>	<u>\$18,133,368</u>

Maturities callable 12/1/20
or any date thereafter.

CALLABLE MATURITIES

Maturities callable 12/1/2022
or any date thereafter.

Maturities callable 12/1/2023
or any date thereafter.

(1) BABs subsidy reduced by 5.9% on 12/1/2020 and 5.7% thereafter (Sequestration).

Interest Rate Sensitivity		
Change in Rates	Est. PV % Savings	Est. PV \$ Savings
-0.30%	5.286%	\$512,958
-0.20%	4.810%	\$466,809
-0.10%	4.337%	\$420,889
+0.10%	3.399%	\$329,901
+0.20%	2.933%	\$284,655
+0.30%	2.471%	\$239,788

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Illustration of Refinancing (Cont.)

AFTER REFINANCING												
Calendar Year	\$9,850,000 Taxable G.O. Refunding Bonds (BABs) Dated November 24, 2010			\$9,830,000 G.O. Refunding Bonds (CR) Dated December 27, 2012			\$26,450,000 G.O. Refunding Bonds (CR) Dated November 6, 2013		\$10,530,000 Taxable G.O. Ref. Bonds (AR/CR) Dated October 06, 2020 ⁽²⁾		TOTAL NEW DEBT SERVICE	POTENTIAL DEBT SERVICE SAVINGS
	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	BABS SUBSIDY ⁽⁴⁾ -35%	PRINCIPAL (12/1)	RATE	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1)	PRINCIPAL (12/1)	INTEREST (6/1 & 12/1) TIC= 1.14%		
2020	\$620,000	\$140,960	(\$46,425)	\$760,000	4.000%	\$221,150	\$705,000	\$259,000			\$2,659,685	\$0
2021	***			\$790,000	3.000%	\$48,150	\$730,000	\$91,200	\$825,000	\$98,065	\$2,582,415	\$72,372
2022	***			\$815,000	3.000%	\$24,450	\$760,000	\$62,000	\$840,000	\$82,733	\$2,584,183	\$75,262
2023	***			***	4.000%		\$790,000	\$31,600	\$1,690,000	\$78,029	\$2,589,629	\$66,097
2024	***			***	4.000%		***		\$2,510,000	\$66,706	\$2,576,706	\$73,621
2025				***	4.000%		***		\$1,860,000	\$47,881	\$1,907,881	\$38,120
2026				***	4.000%		***		\$1,870,000	\$32,071	\$1,902,071	\$43,330
2027					0.000%		***		\$935,000	\$11,314	\$946,314	\$15,687
	<u>\$620,000</u>	<u>\$140,960</u>	<u>(\$46,425)</u>	<u>\$2,365,000</u>		<u>\$293,750</u>	<u>\$2,985,000</u>	<u>\$443,800</u>	<u>\$10,530,000</u>	<u>\$416,796</u>	<u>\$17,748,880</u>	<u>\$384,488</u>

*** REFINANCED WITH 2020 ISSUE

ROUNDING AMOUNT.....	\$3,243
POTENTIAL GROSS SAVINGS.....	\$387,731
(3) POTENTIAL PRESENT VALUE SAVINGS \$.....	\$375,322
POTENTIAL PRESENT VALUE SAVINGS %.....	3.867%
POTENTIAL NEGATIVE ARBITRAGE.....	\$142,757

(2) This illustration represents a mathematical calculation of potential interest cost savings (cost), assuming hypothetical rates based on current rates for municipal bonds as of 8/4/20. 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.

(3) Present value calculated using the All Inclusive Cost (AIC) of 1.24% as the discount rate.

(4) Assumes subsidy is received up to 12/1/20.