



## MEMORANDUM

DATE: December 7, 2017  
TO: City of Waukesha Finance Committee  
FROM: Donna Scholl, MS, CPA, Administrative Services Manager  
RE: 2018 Interim Financing for Supply Portion of Great Lakes Project

On December 5<sup>th</sup> the Water Commission held a special meeting and approved a 2018 financing plan that seeks to competitively bid \$32,795,000 of five year Draw Bonds. This same item now comes before your committee.

Over the last few years the Utility chose financing strategies that provide flexibility at the lowest possible cost.

In the next few years there are a number of unknowns that the Utility needs to prepare for financially. The largest one is the construction schedule. All of the financial projections assume that construction will begin in 2020. Yet, we know that Greeley & Hansen is trying to expedite the design so that it can begin in 2019. Expediting the work translates into paying invoices sooner rather than later. Another variable relates to the financing of the return flow portion of the project. Until those arrangements are made, the cash flow projections for 2018 range from \$17.7 million to \$28.3 million.

Given these variables, our financial advisor, Springsted, has researched two different interim funding mechanisms; Draw Bonds and the instrument we have used in the past, Note Anticipation Notes (NANs). Rich Abbott and I have reviewed the analysis, attached. It demonstrates that the Draw Bonds best address the variability of our needs in 2018 and 2019, and they do so cost effectively. They produce a net present value savings over the NANs of \$1.2 million over five years. An interest rate sensitivity analysis indicates that the International LIBOR rate would have to double in the next nine months in order to erase those savings.

The Draw Bonds work much like a line of credit. The Utility will get "approved" for \$32,795,000. This is amount needed to finance just the Supply side of the project for 2018 and 2019. Interest will only be charged when cash is drawn. A "holding" fee is charged on the undrawn amount. Springsted will facilitate the process to competitively bid the Draw Bonds; a copy of the RFP is attached. The large commercial banks that bid on the issue will evaluate the Utility's creditworthiness and propose accordingly. As a result, the Utility will not need to spend money to have the issue rated.

David MacGillivray, Chairman, Springsted Advisors, will attend your meeting to address the finer points of the plan and answer any questions you may have.

Brian Lanser, Attorney, Quarles & Brady, has drafted a Set Sale Resolution for you to review.

Should the Committee approve the plan, an appropriate motion would be:

**Recommended Motion:** Move to recommend to the City Council the Waukesha Water Utility's 2018 financing plan to competitively bid \$32,795,000 of draw bonds as stated in the attached Resolution.

---

**\$32,035,000**

City of Waukesha, Wisconsin

Waukesha Water Utility

Waterworks System Revenue Bond Anticipation Note, Series 2018

2018 Fixed Rate BAN

---

**Sources & Uses**

---

**Dated 03/01/2018 | Delivered 03/01/2018**

---

**Sources Of Funds**

Par Amount of Bonds.....	\$32,035,000.00
Reoffering Premium.....	815,290.75

**Total Sources..... \$32,850,290.75**

**Uses Of Funds**

Deposit to Project Construction Fund.....	32,632,112.00
Costs of Issuance.....	120,850.00
Total Underwriter's Discount (0.300%).....	96,105.00
Rounding Amount.....	1,223.75

**Total Uses..... \$32,850,290.75**

**\$32,035,000**

City of Waukesha, Wisconsin  
Waukesha Water Utility  
Waterworks System Revenue Bond Anticipation Note, Series 2018  
2018 Fixed Rate BAN

**Operation Of Project Construction Fund**

Date	Principal	Rate	Interest	-Transfers	Receipts	Disbursements	Cash Balance
03/01/2018	4,843,601.00	1.25000000%	-	-	4,843,601.00	4,843,601.00	-
06/01/2018	4,843,601.00	1.25000000%	86,703.83	(86,703.83)	4,843,601.00	4,843,601.00	-
09/01/2018	4,843,601.00	1.25000000%	71,591.16	(71,591.16)	4,843,601.00	4,843,601.00	-
12/01/2018	4,843,601.00	1.25000000%	56,478.48	(56,478.48)	4,843,601.00	4,843,601.00	-
03/01/2019	3,314,427.00	1.25000000%	41,365.80	(41,365.80)	3,314,427.00	3,314,427.00	-
06/01/2019	3,314,427.00	1.25000000%	31,024.35	(31,024.35)	3,314,427.00	3,314,427.00	-
09/01/2019	3,314,427.00	1.25000000%	20,682.90	(20,682.90)	3,314,427.00	3,314,427.00	-
12/01/2019	3,314,427.00	1.25000000%	10,341.45	(10,341.45)	3,314,427.00	3,314,427.00	-
Total	\$32,632,112.00	-	\$318,187.97	(318,187.97)	\$32,632,112.00	\$32,632,112.00	-

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	GIC
Default investment yield target.....	Unrestricted
Cost of Investments Purchased with Bond Proceeds.....	32,632,112.00
Total Cost of Investments.....	\$32,632,112.00
Target Cost of Investments at bond yield.....	\$32,204,762.49
Yield to Receipt.....	1.25000000%
Yield for Arbitrage Purposes.....	1.7003395%

**\$32,035,000**

**City of Waukesha, Wisconsin**

Waukesha Water Utility

Waterworks System Revenue Bond Anticipation Note, Series 2018

2018 Fixed Rate BAN

**NET DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	Interest	Net New D/S
03/01/2018	-	-	-	-	-	-
09/01/2018	-	-	480,525.00	480,525.00	(158,294.99)	322,230.01
03/01/2019	-	-	480,525.00	480,525.00	(97,844.28)	382,680.72
09/01/2019	-	-	480,525.00	480,525.00	(51,707.25)	428,817.75
03/01/2020	-	-	480,525.00	480,525.00	(10,341.45)	470,183.55
09/01/2020	-	-	480,525.00	480,525.00	-	480,525.00
03/01/2021	-	-	480,525.00	480,525.00	-	480,525.00
09/01/2021	-	-	480,525.00	480,525.00	-	480,525.00
03/01/2022	-	-	480,525.00	480,525.00	-	480,525.00
09/01/2022	-	-	480,525.00	480,525.00	-	480,525.00
03/01/2023	32,035,000.00	3.000%	480,525.00	32,515,525.00	-	32,515,525.00
Total	\$32,035,000.00	-	\$4,805,250.00	\$36,840,250.00	(318,187.97)	\$36,522,062.03

**SIGNIFICANT DATES**

Dated Date.....	3/01/2018
Delivery Date.....	3/01/2018
First Coupon Date.....	9/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$160,175.00
Average Life.....	5.000 Years
Average Coupon.....	3.0000000%
Net Interest Cost (NIC).....	2.5510000%
True Interest Cost (TIC).....	2.5193089%
Bond Yield for Arbitrage Purposes.....	1.7003395%
All Inclusive Cost (AIC).....	2.5992307%

**IRS Form 8038**

Net Interest Cost.....	2.4291774%
Weighted Average Maturity.....	5.000 Years

---

**\$32,795,000**

**City of Waukesha, Wisconsin**

Waukesha Water Utility

Waterworks System Revenue Bond Anticipation Note, Series 2018

2018 Line of Credit (Draw Bond) BAN

---

**Sources & Uses**

---

**Dated 03/01/2018 | Delivered 03/01/2018**

**Sources Of Funds**

Par Amount of Bonds..... \$32,795,000.00

**Total Sources..... \$32,795,000.00**

**Uses Of Funds**

Deposit to Project Construction Fund..... 32,632,112.00

Costs of Issuance..... 160,000.00

Rounding Amount..... 2,888.00

**Total Uses..... \$32,795,000.00**



**\$32,795,000**

City of Waukesha, Wisconsin

Waukesha Water Utility

Waterworks System Revenue Bond Anticipation Note, Series 2018

2018 Line of Credit (Draw Bond) BAN

**Operation Of Project Construction Fund**

Date	Principal	Rate	Receipts	Disbursements	Cash Balance
03/01/2018	4,843,601.00	-	4,843,601.00	4,843,601.00	-
06/01/2018	4,843,601.00	-	4,843,601.00	4,843,601.00	-
09/01/2018	4,843,601.00	-	4,843,601.00	4,843,601.00	-
12/01/2018	4,843,601.00	-	4,843,601.00	4,843,601.00	-
03/01/2019	3,314,427.00	-	3,314,427.00	3,314,427.00	-
06/01/2019	3,314,427.00	-	3,314,427.00	3,314,427.00	-
09/01/2019	3,314,427.00	-	3,314,427.00	3,314,427.00	-
12/01/2019	3,314,427.00	-	3,314,427.00	3,314,427.00	-
Total	\$32,632,112.00	-	\$32,632,112.00	\$32,632,112.00	-

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	GIC
Default investment yield target.....	Unrestricted
Cost of Investments Purchased with Bond Proceeds.....	32,632,112.00
Total Cost of Investments.....	\$32,632,112.00
Target Cost of Investments at bond yield.....	\$32,265,347.32
Yield to Receipt.....	-
Yield for Arbitrage Purposes.....	1.4563111%

**\$32,795,000**

**City of Waukesha, Wisconsin**

Waukesha Water Utility

Waterworks System Revenue Bond Anticipation Note, Series 2018

2018 Line of Credit (Draw Bond) BAN

**NET DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	Expenses	Net New D/S
03/01/2018	-	1.281%	-	-	-	-
09/01/2018	-	1.281%	47,969.25	47,969.25	31,709.00	79,678.25
03/01/2019	-	1.281%	108,638.70	108,638.70	19,599.00	128,237.70
09/01/2019	-	1.781%	220,045.90	220,045.90	10,358.00	230,403.90
03/01/2020	-	1.781%	275,766.79	275,766.79	2,072.00	277,838.79
09/01/2020	-	1.530%	252,252.69	252,252.69	-	252,252.69
03/01/2021	-	1.530%	248,819.71	248,819.71	-	248,819.71
09/01/2021	-	2.030%	335,605.16	335,605.16	-	335,605.16
03/01/2022	-	2.030%	330,133.34	330,133.34	-	330,133.34
09/01/2022	-	1.781%	294,439.80	294,439.80	-	294,439.80
03/01/2023	32,795,000.00	1.781%	289,639.15	33,084,639.15	-	33,084,639.15
Total	\$32,795,000.00	-	\$2,403,310.49	\$35,198,310.49	\$63,738.00	\$35,262,048.49

**SIGNIFICANT DATES**

Dated Date.....	3/01/2018
Delivery Date.....	3/01/2018
First Coupon Date.....	9/01/2018

**Yield Statistics**

Bond Year Dollars.....	\$163,975.00
Average Life.....	5.000 Years
Average Coupon.....	1.4656566%
Net Interest Cost (NIC).....	1.4656566%
True Interest Cost (TIC).....	1.4563111%
Bond Yield for Arbitrage Purposes.....	1.4563111%
All Inclusive Cost (AIC).....	1.5974543%

**IRS Form 8038**

Net Interest Cost.....	1.4656566%
Weighted Average Maturity.....	5.000 Years

**City of Waukesha, Wisconsin**  
 Waukesha Water Utility  
 Waterworks System Revenue Bond Anticipation Note, Series 2018  
 \$32,795,000 Line of Credit (Draw Bond) BAN  
 \$32,035,000 Fixed Rate BAN

**Cash Flow Comparison @ 1.7003395%**

DATE	Line of Credit BAN	Fixed Rate BAN	Savings	PV Factor	PV Savings
03/01/2018	-	-	-	1.000000x	-
09/01/2018	79,678.25	322,230.01	242,551.76	0.9915700x	240,069.30
03/01/2019	128,237.70	382,680.72	254,443.02	0.9832110x	249,888.45
09/01/2019	230,403.90	428,817.75	198,413.85	0.9749225x	193,284.13
03/01/2020	277,838.79	470,183.55	192,344.76	0.9667039x	185,889.53
09/01/2020	252,252.69	480,525.00	228,272.31	0.9585545x	218,811.46
03/01/2021	248,819.71	480,525.00	231,705.29	0.9504739x	220,229.83
09/01/2021	335,605.16	480,525.00	144,919.84	0.9424614x	136,581.35
03/01/2022	330,133.34	480,525.00	150,391.66	0.9345164x	140,543.47
09/01/2022	294,439.80	480,525.00	186,085.20	0.9266384x	172,433.69
03/01/2023	33,084,639.15	32,515,525.00	(569,114.15)	0.9188268x	(522,917.35)
Total	\$35,262,048.49	\$36,522,062.03	\$1,260,013.54	-	\$1,234,813.86



**City of Waukesha, Wisconsin  
Waukesha Water Utility**

**REQUEST FOR PROPOSALS  
FOR DIRECT PRIVATE PLACEMENT FOR  
\$32,795,000 (approx.) Waterworks System Revenue Bond Anticipation Note, Series 2018**

**DATE OF RFP: December 20, 2017**

**RESPONSES DUE: January 8, 2018, 4:00PM CT**

**INTRODUCTION AND OBJECTIVES**

Springsted Incorporated on behalf of the Waukesha Water Utility (the "Utility") and the City of Waukesha, Wisconsin (the "City" or the "Issuer") is requesting proposals for the financing of approximately \$32,795,000 through the issuance of this Waterworks System Revenue Bond Anticipation Note, Series 2018 (the "Note"). The proposed financing is to be in the form of this line of credit or revolving draw facility (the "Loan") or similar financing instrument not to exceed \$33 million for a term of five years, whereby the City will make draws on the Loan to fund expenses as they arise. The terms "Note" and "Loan" are interchangeable.

The financing is being undertaken to (i) fund expenses related to the City's Water Utility (the "Water Utility") including various improvements to the Water Utility (the "Project") and (ii) to refund in advance of maturity the City's Waterworks System Revenue Bonds, Series 2008, (the "2008 Bonds"), as further described below under "Project and Financing Description". The Loan is expected to be repaid from the proceeds of a long-term bond issue to be issued near the completion of the Project.

The City is distributing this request for proposals (the "RFP") to a limited group of financial institutions (the "Respondents").

**PROJECT AND FINANCING DESCRIPTION**

**Issuer:** City of Waukesha, Wisconsin, on behalf of the Waukesha Water Utility.

**Plan of Finance:** This short-term financing is to pay for planning, engineering, deposits, site preparation and infrastructure related to the future construction of water supply, transmission and distribution improvements to the Water Utility as detailed and to refund the outstanding maturities of the City's 2008 Bonds. The proposed financing is as follows:

Planning and Engineering costs: \$15,360,289

CIP projects: \$15,344,711

	Refunding the 2008 Bond: \$2,090,000
<b>Principal Amount:</b>	Not to exceed \$33,000,000.
<b>Term:</b>	Five-year term.
<b>Authority and Security:</b>	<p>The Loan is being issued pursuant to Wisconsin Statutes, Section 66.0621 and a resolution to be adopted by the City.</p> <p>The Loan will be a special obligation of the City, payable from net revenues of the City's Water Utility and by the issuance of a long-term bond issue.</p> <p>The Loan will be subordinate to the City's 2008 Bonds (until defeased or retired) and the 2013 City's State Water Drinking Loan.</p> <p>Although the City does not have any current plans to issue additional bonds other than the issuance of bonds to repay the Loan, the City reserves the right to issue additional bonds either on a parity with its 2008 Bonds or as subordinate debt with the same pledge of revenues as the Loan.</p>
<b>Source of Payment:</b>	Net revenues of the City's Water Utility and the issuance of bonds to provide long-term financing are pledged to the repayment of the Loan.
<b>Repayment Term and Interest Payment Dates:</b>	The Loan will have a five-year term with a final maturity no later than March 1, 2023. Principal will be due upon maturity. Interest will be paid semi-annually each March 1 and September 1, commencing September 1, 2018 (based on a proposed settlement date of March 1, 2018). Interest will be calculated on the basis of a 360-day year consisting of twelve 30 day months.
<b>Bank Qualification:</b>	The Loan will not be deemed bank qualified.
<b>Tax Status:</b>	Tax-exempt.
<b>Optional Redemption:</b>	The City seeks to have an optional two-year prepayment provision, in whole or in part. Any prepayment will be at a price of par plus accrued interest.
<b>Credit Rating:</b>	The Loan will not be rated. The City's outstanding water revenue debt is currently rated Aa2 by Moody's Investors Service.
<b>Primary and Continuing Disclosure:</b>	<p>The City would prefer not to provide a primary disclosure document, but will provide one if advantageous to the transaction.</p> <p>The Respondents should include in their proposals if they will require additional continuing disclosure besides that currently provided for the water system revenue debt, and if so, in what form.</p>

**Construction Draw Schedule:**

The table below is a projected construction cash flow based on a cashflow worksheet provided by the Utility. **These figures are projections only and are subject to change.** The Utility seeks flexibility in the Loan in regard to the amounts and timing of the draws.

Date	Estimated	
	Draw	Balance
3/1/2018	4,843,601	27,788,511
6/1/2018	4,843,601	22,944,910
9/1/2018	4,843,601	18,101,309
12/1/2018	4,843,601	13,257,708
3/1/2019	3,314,427	9,943,281
6/1/2019	3,314,427	6,628,854
9/1/2019	3,314,427	3,314,427
12/1/2019	3,314,427	0

**Consultants**

Respondents should be aware the Issuer has retained other professional advisors to assist in the completion of the financing. These advisors and their general areas of responsibility are as follows:

Municipal Advisor

Springsted Incorporated  
Mr. David MacGillivray, Chairman  
380 Jackson Street, Suite 300  
Saint Paul, MN 55101

Bond Counsel

Quarles & Brady, LLP  
Mr. Brian Lanser, Attorney  
411 East Wisconsin Avenue, Suite 2040  
Milwaukee, WI 53202-5775

**Legal Documents**

Issuance and delivery of the Loan is subject to, among other things: (i) approval by resolution of the Common Council of the terms and conditions of the Loan, (ii) negotiation, execution and delivery of any applicable agreements with respect to the Loan and of customary closing papers, including a no-litigation certificate; and (iii) receipt of an approving legal opinion of Quarles & Brady, LLP, Milwaukee, Wisconsin.

## FORM OF PROPOSAL AND RELATED INFORMATION

### Response Design and Content

The City/Utility request that the Respondent address the following items in their proposal (not to exceed 12 pages plus exhibits). No extraneous promotional material should be provided.

The RFP response should include the following information:

1. **Brief description of the Bank and Representatives that will be working with the City/Utility on this financing**
2. **Indications and/or Credit rating(s) of the Bank**
3. **Relative experience in similar financings**
4. **Description of the Loan Program - including but not limited to the following:**
  - a. overall mechanics of the program
  - b. repayment structure
  - c. basis for establishing the interest rate
  - d. variable rate or fixed rate. **If a variable rate is proposed, please provide a maximum rate.**
  - e. description of any other major mechanics of the loan program; i.e. how frequently can draws be made? Are there minimum draw amounts? What rate will be applied to the used amount and the unused portion? Any other noteworthy proposed terms or mechanics.
5. **Fees and/or Expenses not included in the interest rate above, if applicable. If 'all-in interest' rate, please so state.**
6. **Will your firm be represented by legal counsel? If so, name of firm and fee.**
7. **Draft Legal Documents: if you have "typical" legal documents required for this type of transaction, please submit draft documents as an exhibit.**

### Potential Conflicts of Interest

Describe any current or historical engagement or relationship with any public or private party that could potentially create a conflict of interest with the Issuer or related entities and how those would be mitigated.

## SELECTION PROCESS AND RELATED INFORMATION

### Approach and Criteria for Selection

The City/Utility will use the following criteria in evaluating the responses and making its subsequent selection:

- Applicability to best accomplish the City's/Utility's primary objectives
- Respondent's experience with similar programs to public entities, and
- Total overall cost

**Selection and Financing Calendar**

The following timeline is anticipated for the selection and financing process:

Date	Event
	Water Commission approves 2018 Interim Financing Plan.
	Finance Committee recommends Financing Plan to Common Council.
	City Council approves set sale resolution.
	Distribution of Request for Proposal
	Last day for respondents to submit written questions
	Responses to questions distributed to all parties
	Written proposals are due before 4:00 p.m. CT
No later than	Bank selected
TBD	Financing terms finalized with bank
No later than	Settlement of Loan

**Delivery of Proposal**

Your proposal must be executed by an officer of the Respondent authorized to commit the firm. The Proposal must be *delivered by email not later than:*

Day, Date and Time Proposal is due: ..... January 8, 2018, no later than 4:00 PM, Central Time

Send Proposal to: ..... [dmacgillivray@springsted.com](mailto:dmacgillivray@springsted.com)

**Questions on the RFP**

All questions regarding this RFP should be **in writing and sent via email no later than January 4, 2018 at 4:00 PM CST to:**

David MacGillivray, Chairman  
 Springsted Incorporated  
[dmacgillivray@springsted.com](mailto:dmacgillivray@springsted.com)

**Prohibition Against Contact**

No City staff person, elected official or professional advisors should be contacted during the solicitation process unless you are specifically directed to do so. The City reserves the right to reject the response of any respondent failing to comply with this provision, and the risk of receipt of misinformation that could result will be borne solely by such respondent. All questions received and their answers will be provided in writing to each firm known to be in receipt of this RFP in accordance with the calendar stated below.

*Representatives of any firm contacting Issuer officials without prior approval may be excluded from any further consideration for selection.*

**Public Process**

Please be aware the Issuer is committed to full public disclosure of information upon proper request. Public disclosure of the information requested in this response may be disseminated to the general public if requested.

**Additional Information**

The following documents will be provided along with this RFP:

- Most recent rating report from Moody's
- Utility's 2015/2016 Annual Report

DRAFT

Resolution No. \_\_\_\_\_

RESOLUTION PROVIDING FOR THE ISSUANCE OF A  
WATERWORKS SYSTEM REVENUE BOND ANTICIPATION NOTE, SERIES 2018,  
IN THE AMOUNT OF APPROXIMATELY \$32,795,000

WHEREAS the City of Waukesha, Waukesha County, Wisconsin (the "City") is presently in need of approximately \$32,795,000 for the public purpose of paying the costs of water utility projects and refunding the outstanding Waterworks System Revenue Bonds, Series 2008;

WHEREAS the City intends to issue Waterworks System Revenue Bonds for such purpose pursuant to Section 66.0621 of the Wisconsin Statutes;

WHEREAS it is desirable to anticipate the issuance of such bonds through the issuance of a revenue bond anticipation note pursuant to Section 66.0621(4)(L), Wis. Stats.; and

WHEREAS it is in the best interest of the City to structure the bond anticipation note financing in the form of a line of credit, revolving draw facility or similar financing instrument.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City shall issue a Waterworks System Revenue Bond Anticipation Note, Series 2018, in the amount of approximately \$32,795,000 (the "Note") for the purpose above specified.

2. The Common Council hereby authorizes and directs the officers of the City to take all actions necessary to request proposals from financial institutions for the purchase of the Note in accordance with the terms of a Request for Proposals in substantially the form attached to this Resolution. At a subsequent meeting, the Common Council shall take further action to approve the details of the Note and authorize the issuance and sale of the Note.

Passed this 19th day of December, 2017.

Approved this 19th day of December, 2017.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk