Waukesha Water Utility
SERVING WAUKESHA SINCE 1886
115 DELAFIELD STREET
WAUKESHA, WI 53188-3615
Telephone: (262) 521-5272 • Fax: (262) 521-5265 • E-mail: contactus@waukesha-water.com

MEMORANDUM

DATE: December 5, 2017

TO: Commissioners

FROM: Donna Scholl, Administrative Services Manager

RE: Interim Financing

Over the last few year the Utility has chosen 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 that decision is 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). The analysis, attached, 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.

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. 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.

A representative from Springsted will be available at the Special Commission Meeting to address the finer points of the plan and answer any questions you may have. Should the Commission approve the plan, it will move to the City’s Finance Committee and Common Council.

Recommended Motion: Move to approve the 2018 financing plan that competitively bids $32,795,000 of five year Draw Bonds.

$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	1.2500000%	-	-	4,843,601.00	4,843,601.00	-
06/01/2018	4,843,601.00	1.2500000%	86,703.83	(86,703.83)	4,843,601.00	4,843,601.00	-
09/01/2018	4,843,601.00	1.2500000%	71,591.16	(71,591.16)	4,843,601.00	4,843,601.00	-
12/01/2018	4,843,601.00	1.2500000%	56,478.48	(56,478.48)	4,843,601.00	4,843,601.00	-
03/01/2019	3,314,427.00	1.2500000%	41,365.80	(41,365.80)	3,314,427.00	3,314,427.00	-
06/01/2019	3,314,427.00	1.2500000%	31,024.35	(31,024.35)	3,314,427.00	3,314,427.00	-
09/01/2019	3,314,427.00	1.2500000%	20,682.90	(20,682.90)	3,314,427.00	3,314,427.00	-
12/01/2019	3,314,427.00	1.2500000%	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..	1.2500000%
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%

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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	-	-	-	1.0000000x	-
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