

March 12, 2020 Finance/Administration Committee  
March 17, 2020 County Board

## Pre-Sale Report for

## Kenosha County, Wisconsin

## \$3,815,000 Taxable General Obligation Refunding Bonds, Series 2020A



### Prepared by:

Dawn Gunderson-Schiel, CPFO/CIPMA  
Senior Municipal Advisor

Greg Johnson, CIPMA  
Senior Municipal Advisor

## Executive Summary of Proposed Debt

Proposed Issue:	\$3,815,000 Taxable General Obligation Refunding Bonds, Series 2020A
Purposes:	<p>The proposed issue includes financing for the following purposes:</p> <p>Current refund Taxable 2010D and advance refund tax exempt 2011B with an estimated reduction in debt service totaling \$126,020.</p> <ul style="list-style-type: none"> <li>Current Refunding of the 2010D Taxable General Obligation Bonds. Debt service will be paid from ad valorem property taxes.</li> </ul> <p>Interest rates on the obligations proposed to be refunded are 3.55% to 3.75%.</p> <p>This refunding is considered to be a Current Refunding as the obligations being refunded are either callable (pre-payable) now, or will be within 90 days of the date of issue of the new Bonds.</p> <ul style="list-style-type: none"> <li>Advance Refunding 2011B General Obligation Bonds. Debt service will be paid from ad valorem property taxes.</li> </ul> <p>Interest rates on the obligations proposed to be refunded are 3.00% to 4.25%.</p> <p>This refunding is considered an Advance Refunding as the new Bonds will be issued more than 90 days prior to the call date of the obligations being refunded.</p>
Authority:	<p>The Bonds are being issued pursuant to Wisconsin Statute(s):</p> <ul style="list-style-type: none"> <li>67.04</li> </ul> <p>The Bonds will be general obligations of the County for which its full faith, credit and taxing powers are pledged.</p> <p>The Bonds count against the County's General Obligation Debt Capacity Limit of 5% of total County Equalized Valuation. Following issuance of the Bonds, the County's total General Obligation debt principal outstanding will be approximately \$130.9 million, which is 16% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$710.6 million.</p>
Term/Call Feature:	<p>The Bonds are being issued for a term of 11 years. Principal on the Bonds will be due on March 1 in the years 2021 through 2031. Interest is payable every six months beginning September 1, 2020.</p> <p>The Bonds will be subject to prepayment at the discretion of the County on March 1, 2027 or any date thereafter.</p>

Bank Qualification:	Because the Bonds are taxable obligations they will not be designated as “bank qualified” obligations.
Rating:	<p>The County’s most recent bond issues were rated by Standard &amp; Poor’s and Fitch. The current ratings on those bonds are “AA+” with both rating agencies. The County will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the County’s bond rating in the event that the bond rating of the insurer is higher than that of the County.</p>
Basis for Recommendation:	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of Bonds as a suitable option based on:</p> <ul style="list-style-type: none"> <li>• The expectation this form of financing will provide the overall lowest cost of funds while also meeting the County’s objectives for term, structure and optional redemption.</li> <li>• The County having adequate General Obligation debt capacity to undertake this financing.</li> <li>• The existing General Obligation pledge securing the obligations to be refunded.</li> </ul>
Method of Sale/Placement:	<p>We will solicit competitive bids for the purchase of the Bonds from underwriters and banks.</p> <p>We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.</p>
Premium Pricing:	<p>In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or “discount”) but will pay the remainder of the premium to the County.</p>

	<p>For this issue, any premium amount received that is in excess of the underwriting discount and any capitalized interest amounts must be placed in the debt service fund and used to pay a portion of the interest payments due on the Notes. We anticipate using any premium amounts received to reduce the issue size.</p> <p>The amount of premium allowed can be restricted in the bid specifications. Restrictions on premium may result in fewer bids, but may also eliminate large adjustments on the day of sale and unintended results with respect to debt service payment impacts. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the County's objectives for this financing.</p>
Other Considerations:	<p>The Bonds will be offered with the option of the successful bidder utilizing a term bond structure. By offering underwriters the option to "term up" some of the maturities at the time of the sale, it gives them more flexibility in finding a market for your Bonds. This makes your issue more marketable, which can result in lower borrowing costs. In the event that the successful bidder utilizes a term bond structure, we recommend the County retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds.</p>
Review of Existing Debt:	<p>We have reviewed all outstanding indebtedness for the County and find that, other than the obligations proposed to be refunded by the Bonds, there are no other refunding opportunities at this time.</p> <p>We will continue to monitor the market and the call dates for the County's outstanding debt and will alert you to any future refunding opportunities.</p>
Continuing Disclosure:	<p>Because the County has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the County will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the "MSRB"), as required by rules of the Securities and Exchange Commission (SEC). The County is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.</p>
Arbitrage Monitoring:	<p>The Bonds are taxable obligations and are therefore not subject to IRS arbitrage and yield restriction requirements.</p>
Risk Factors:	<p><b>Current Refunding:</b> The Bonds are being issued to finance a current refunding of prior County debt obligations. Those prior debt obligations are "callable" on or after March 1, 2017. The new Bonds will not be pre-payable until March 1, 2027.</p>

	<p>This refunding is being undertaken based in part on an assumption that the County does not expect to pre-pay off this debt prior to the new call date and that market conditions warrant the refunding at this time.</p> <p><b>Advance Refunding:</b> The Bonds are being issued for the purpose of “advance” refunding prior County debt obligations. An advance refunding of an original tax-exempt debt obligation must be a taxable financing under current IRS rules. This refunding is being undertaken based in part on the following assumptions:</p> <ul style="list-style-type: none"> <li>• Since the new Bonds will extend the “call” date for this debt from August 1, 2021 to March 1, 2027, we are assuming that the County does not expect to have revenues available to pre-pay the current obligations prior to this new call date.</li> </ul>
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p><b>Bond Counsel:</b> Foley &amp; Lardner LLP</p> <p><b>Paying Agent:</b> To be named by Issuer</p> <p><b>Rating Agency:</b> Standard &amp; Poor's Global Ratings (S&amp;P) and Fitch Ratings</p> <p><b>CPA Escrow Verification Agent:</b> To Be Determined</p> <p><b>Escrow Agent:</b> To be Determined</p>

## Proposed Debt Issuance Schedule

Pre-Sale Review by County Board:	March 17, 2020
Due Diligence Call to review Official Statement:	Week of April 6, 2020
Conference with Rating Agency:	Week of April 6, 2020
Distribute Official Statement:	Week of April 13, 2020
County Board Meeting to Award Sale of the Bonds:	April 21, 2020
Estimated Closing Date:	May 7, 2020
Redemption Date for Bonds Being Refunded:	June 1, 2020
Redemption Date for Bonds Being Refunded:	August 1, 2021

### Attachments

Estimated Sources and Uses of Funds  
 Estimated Proposed Debt Service Schedule  
 Estimated Debt Service Comparison  
 Bond Buyer Index

### Ehlers Contacts

Municipal Advisors:	Dawn Gunderson-Schiel	(262) 796-6166
	Greg Johnson	(262) 796-6168
Disclosure Coordinator:	Sue Porter	(262) 796-6167
Financial Analyst:	Kathy Myers	(262) 796-6177

The Preliminary Official Statement for this financing will be sent to the County Board at their home or email address for review prior to the sale date.

# Kenosha County, WI

## \$3,815,000 Taxable General Obligation Refunding Bonds, Series 2020A

### Issue Summary

Dated: May 7, 2020 Assumes TAXABLE NR Elkhart Lake sale of 1/6/20

### Total Issue Sources And Uses

Dated 05/07/2020 | Delivered 05/07/2020

	CR 2010D Taxable GO	AR 2011B GO	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$1,850,000.00	\$1,965,000.00	\$3,815,000.00
Transfers from Prior Issue Debt Service Fund:	22,124.17	145,189.92	167,314.09
Additional funds on hand	15,000.00	-	15,000.00
<b>Total Sources</b>	<b>\$1,887,124.17</b>	<b>\$2,110,189.92</b>	<b>\$3,997,314.09</b>
<b>Uses Of Funds</b>			
Total Underwriter's Discount (1.000%)	18,500.00	19,650.00	38,150.00
Municipal Advisor...(second issue discount)	11,347.31	12,052.69	23,400.00
Consulting Fees	969.86	1,030.14	2,000.00
Bond Counsel	7,273.92	7,726.08	15,000.00
Paying Agent	412.19	437.81	850.00
Bidding Agent	1,430.54	1,519.46	2,950.00
Escrow Agent	1,212.32	1,287.68	2,500.00
Rating Agency Fee...split with 2020B	3,879.42	4,120.58	8,000.00
Rating Agency #2 split with 2020B	3,879.42	4,120.58	8,000.00
Deposit to Net Cash Escrow Fund	1,836,627.50	2,055,868.63	3,892,496.13
Rounding Amount	1,591.69	2,376.27	3,967.96
<b>Total Uses</b>	<b>\$1,887,124.17</b>	<b>\$2,110,189.92</b>	<b>\$3,997,314.09</b>

# Kenosha County, WI

## \$3,815,000 Taxable General Obligation Refunding Bonds, Series 2020A

### Issue Summary

Dated: May 7, 2020 Assumes TAXABLE NR Elkhart Lake sale of 1/6/20

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/07/2020	-	-	-	-	-
09/01/2020	-	-	24,722.16	24,722.16	24,722.16
03/01/2021	1,040,000.00	1.900%	39,035.00	1,079,035.00	-
09/01/2021	-	-	29,155.00	29,155.00	1,108,190.00
03/01/2022	1,110,000.00	1.900%	29,155.00	1,139,155.00	-
09/01/2022	-	-	18,610.00	18,610.00	1,157,765.00
03/01/2023	160,000.00	1.900%	18,610.00	178,610.00	-
09/01/2023	-	-	17,090.00	17,090.00	195,700.00
03/01/2024	165,000.00	1.900%	17,090.00	182,090.00	-
09/01/2024	-	-	15,522.50	15,522.50	197,612.50
03/01/2025	170,000.00	2.000%	15,522.50	185,522.50	-
09/01/2025	-	-	13,822.50	13,822.50	199,345.00
03/01/2026	175,000.00	2.100%	13,822.50	188,822.50	-
09/01/2026	-	-	11,985.00	11,985.00	200,807.50
03/01/2027	180,000.00	2.200%	11,985.00	191,985.00	-
09/01/2027	-	-	10,005.00	10,005.00	201,990.00
03/01/2028	190,000.00	2.300%	10,005.00	200,005.00	-
09/01/2028	-	-	7,820.00	7,820.00	207,825.00
03/01/2029	200,000.00	2.400%	7,820.00	207,820.00	-
09/01/2029	-	-	5,420.00	5,420.00	213,240.00
03/01/2030	210,000.00	2.500%	5,420.00	215,420.00	-
09/01/2030	-	-	2,795.00	2,795.00	218,215.00
03/01/2031	215,000.00	2.600%	2,795.00	217,795.00	-
09/01/2031	-	-	-	-	217,795.00
<b>Total</b>	<b>\$3,815,000.00</b>	<b>-</b>	<b>\$328,207.16</b>	<b>\$4,143,207.16</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$14,645.58
Average Life	3.839 Years
Average Coupon	2.2409975%
Net Interest Cost (NIC)	2.5014856%
True Interest Cost (TIC)	2.5154473%
Bond Yield for Arbitrage Purposes	1.9007933%
All Inclusive Cost (AIC)	2.9934760%

### IRS Form 8038

Net Interest Cost	2.2409975%
Weighted Average Maturity	3.839 Years



# Kenosha County, WI

## \$3,815,000 Taxable General Obligation Refunding Bonds, Series 2020A

### Issue Summary

Dated: May 7, 2020 Assumes TAXABLE NR Elkhart Lake sale of 1/6/20

### Debt Service Comparison -- Accrual Basis

Calendar Year	Total P+I	Net New D/S	Old Net D/S	Savings
2020	24,722.16	24,722.16	24,722.16	(0.00)
2021	1,108,190.00	1,108,190.00	1,120,030.00	11,840.00
2022	1,157,765.00	1,157,765.00	1,173,025.00	15,260.00
2023	195,700.00	195,700.00	204,812.50	9,112.50
2024	197,612.50	197,612.50	209,212.50	11,600.00
2025	199,345.00	199,345.00	208,212.50	8,867.50
2026	200,807.50	200,807.50	212,012.50	11,205.00
2027	201,990.00	201,990.00	215,412.50	13,422.50
2028	207,825.00	207,825.00	218,412.50	10,587.50
2029	213,240.00	213,240.00	226,012.50	12,772.50
2030	218,215.00	218,215.00	228,012.50	9,797.50
2031	217,795.00	217,795.00	229,350.00	11,555.00
-	\$4,143,207.16	\$4,143,207.16	\$4,269,227.16	\$126,020.00

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	253,208.48
Net PV Cashflow Savings @ 2.993%(AIC)	253,208.48
Transfers from Prior Issue Debt Service Fund	(167,314.09)
Net Present Value Benefit	\$85,894.39
Net PV Benefit / \$3,800,000 Refunded Principal	2.260%
Net PV Benefit / \$3,815,000 Refunding Principal	2.251%

### Refunding Bond Information

Refunding Dated Date	5/07/2020
Refunding Delivery Date	5/07/2020

# 10 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates March, 2010 - March, 2020



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer

