

BAIRD

South Central Library System

2022 Financing Discussion

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SUMMARY OF POTENTIAL FUNDING OPTIONS

Option 1: The System as the borrower

- o Section 43.17(9)(b) permits the System to borrow so long as all outstanding debt does not exceed an amount equal to the System's receipts for the fiscal year ending 12/31/2021.
- o The System could issue tax-exempt* revenue bonds under Section 66.0621* (like water system revenue bonds). The System cannot issue general obligation bonds or notes.
- o The bond counsel and disclosure counsel costs for the System to be the borrower would probably be 2 or 3 times the cost of option 2 because they would be starting from scratch with documents.
- o Generally, interest rates on a revenue bond will be higher than a general obligation bond.

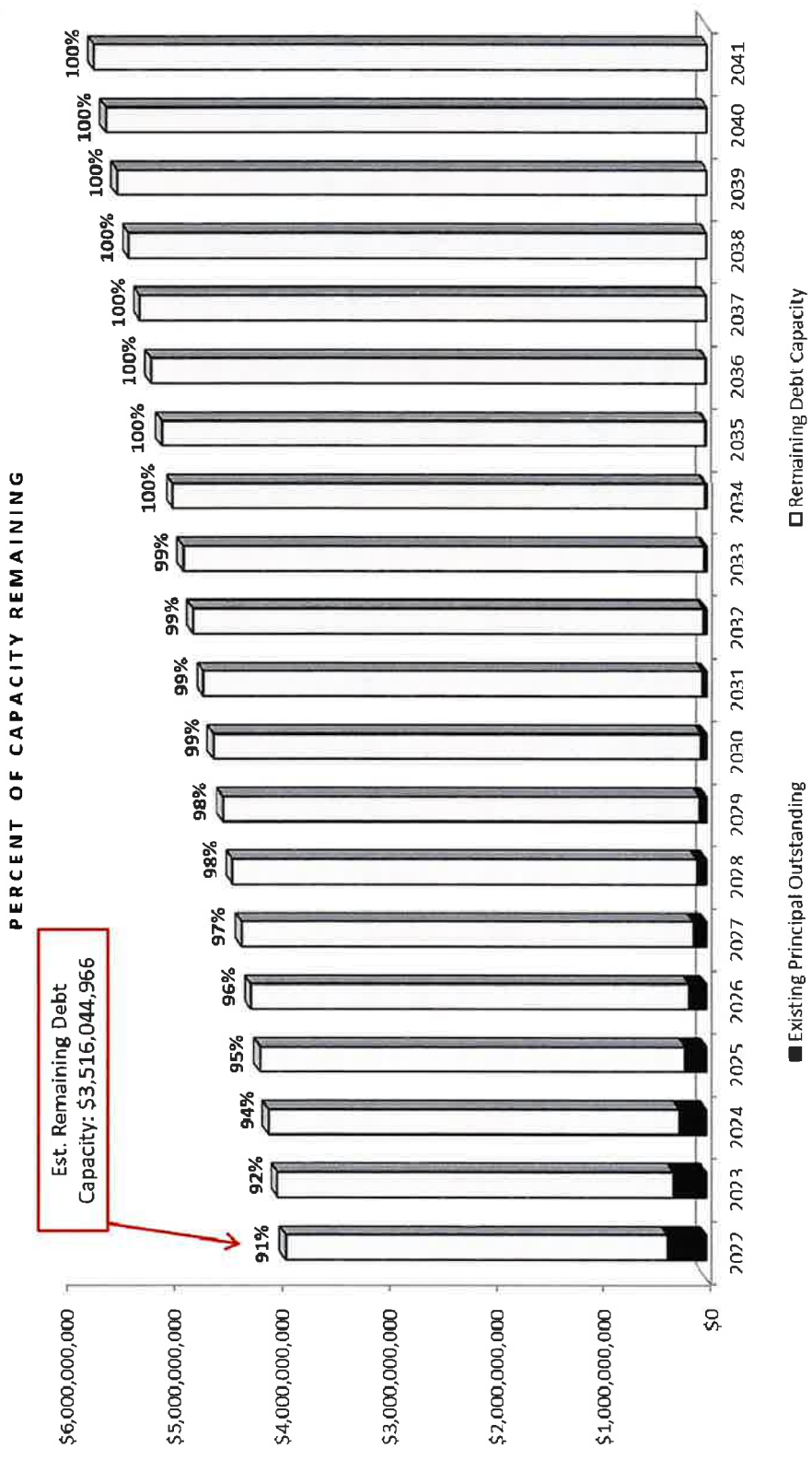
Option 2: A county that is a participant in the System as the borrower (Most cost effective)

- o A county that is a participant in the System could issue tax-exempt general obligation bonds or notes to finance the project and the refunding "on behalf of" the System. It would help, but not be dispositive, if the county that is the issuer has at least 5% voting power on the System board.
- o The issuer and the System would have to enter into an intergovernmental agreement pursuant to Section 66.0301 with the purpose of documenting that the issuer is issuing the bonds/notes as a participant of the System to achieve certain efficiencies and cost savings in the borrowing process which in turn benefits the residents of the issuer. Bond Counsel would want the agreement to specifically say that the county is taking on the responsibility for refunding the System's existing debt. The System would have to promise to pay the debt service.
- o Debt costs would be apportioned in the same manner that operational expenses are apportioned.
- o The issuer would ultimately bear the risk/burden of the debt because of its general obligation pledge.



Potential candidate to be the Issuer and help out the System

Dane County HYPOTHETICAL G.O. DEBT CAPACITY AS OF 12/31



Note: Future capacity based on 2021 Equalized Valuation (TID-IN) of \$76,889,801,300 with annual growth of 2.00%.



AMOUNT OF BORROWING/STRUCTURE

Issue:	General Obligation Refunding Bonds	General Obligation Promissory Notes
Approximate Size:	\$5,500,000	\$1,025,000
Purpose:	Refinance existing State Trust Fund Loan for future debt service savings	Fund Building Projects
Type of Offering:	<u>Public Offering</u> <ul style="list-style-type: none"> Unlimited buyer pool 	<u>Public Offering</u> <ul style="list-style-type: none"> Bid out to local/national banks
Structure:	Matures February 1, 2023 – 2041 (Term does NOT change)	Annually February 1, 2023-2032
First Interest:	February 1, 2023	February 1, 2023
Callable:	February 1, 2029 or any date thereafter	Any date with 30 day call notice
Estimated Interest Rate:	3.20% - 3.26%	2.23%
Estimated Present Value Savings:	\$297,129 - \$269,348 (Factors in est. issuance costs)	N/A
Estimated Present Value Savings %:	5.402% - 4.897%	N/A



Hypothetical Financing Plan (Scenario 1)

Calendar Year	BEFORE REFINANCING				AFTER REFINANCING			
	\$5,500,000 State Trust Fund Loan Dated December 10, 2021				\$5,230,000 G.O. Refunding Bonds (AR) Dated June 1, 2022			
	PRINCIPAL (3/15)	RATE	INTEREST (3/15)	TOTAL	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1)	TOTAL	TOTAL NEW DEBT SERVICE
2023	\$145,798	4.000%	\$277,260	\$423,059	\$150,000	\$249,898	\$399,898	\$399,898
2024	\$208,304	4.000%	\$214,755	\$423,059	\$195,000	\$206,870	\$401,870	\$401,870
2025	\$217,223	4.000%	\$205,836	\$423,059	\$200,000	\$198,970	\$398,970	\$398,970
2026	\$225,912	4.000%	\$197,147	\$423,059	\$210,000	\$190,770	\$400,770	\$400,770
2027	\$234,948	4.000%	\$188,111	\$423,059	\$220,000	\$182,170	\$402,170	\$402,170
2028	\$243,856	4.000%	\$179,202	\$423,059	\$230,000	\$173,170	\$403,170	\$403,170
2029	\$254,100	4.000%	\$168,958	\$423,059	\$240,000	\$163,770	\$403,770	\$403,770
2030	\$264,264	4.000%	\$158,794	\$423,059	\$250,000	\$153,720	\$403,720	\$403,720
2031	\$274,835	4.000%	\$148,224	\$423,059	\$260,000	\$143,010	\$403,010	\$403,010
2032	\$285,452	4.000%	\$137,606	\$423,059	\$270,000	\$131,880	\$401,880	\$401,880
2033	\$297,246	4.000%	\$125,812	\$423,059	\$280,000	\$120,330	\$400,330	\$400,330
2034	\$309,136	4.000%	\$113,923	\$423,059	\$295,000	\$108,255	\$403,255	\$403,255
2035	\$321,501	4.000%	\$101,557	\$423,059	\$305,000	\$95,655	\$400,655	\$400,655
2036	\$334,119	4.000%	\$88,940	\$423,059	\$320,000	\$82,530	\$402,530	\$402,530
2037	\$347,726	4.000%	\$75,332	\$423,059	\$330,000	\$68,880	\$398,880	\$398,880
2038	\$361,635	4.000%	\$61,423	\$423,059	\$345,000	\$54,705	\$399,705	\$399,705
2039	\$376,101	4.000%	\$46,958	\$423,059	\$360,000	\$39,900	\$399,900	\$399,900
2040	\$391,057	4.000%	\$32,001	\$423,059	\$375,000	\$24,465	\$399,465	\$399,465
2041	\$406,787	4.000%	\$16,271	\$423,059	\$395,000	\$8,295	\$403,295	\$403,295
	\$5,500,000		\$2,538,112	\$8,038,112	\$5,230,000	\$2,397,243	\$7,627,243	\$7,627,243

Callible 1/1 - 8/31 Annually	***	REFINANCED WITH 2022 ISSUE	ROUNDING AMOUNT.....	\$3,634
			POTENTIAL GROSS SAVINGS.....	\$414,502
			(2) POTENTIAL PRESENT VALUE SAVINGS \$.....	\$297,129
			POTENTIAL PRESENT VALUE SAVINGS %.....	5.402%

ESTIMATED SOURCES & USES

Sources of Funds:	
Par Amount	\$5,230,000
Premium (est.)	\$518,283
Uses of Funds:	
Cash Deposit	\$5,604,274
Cost of Issuance (est.)	\$75,000
Underwriter's Discount	\$65,375
Rounding	3,634
	\$5,748,283

Interest Rate Sensitivity

Change In Rates	Est. PV % Savings	Est. PV \$ Savings
-0.30%	8.223%	\$452,256
-0.20%	7.275%	\$400,099
-0.10%	6.329%	\$348,089
+0.10%	4.465%	\$245,554
+0.20%	3.559%	\$195,750
+0.30%	2.660%	\$146,303

(1) This illustration represents a mathematical calculation of potential interest cost savings (Cost), assuming hypothetical rates based on current rates +25bps for municipal bonds as of 3/3/22. 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 3.35% as the discount rate.

Hypothetical Financing Plan (Scenario 1 Cont.)

		PROJECT FUND: \$1,000,000 PRIVATE PLACEMENT				
		\$1,025,000 G.O. PROMISSORY NOTE Dated June 1, 2022 (First interest 2/1/23)				
LEVY YEAR	YEAR DUE	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1) TIC = 2.23%	TOTAL	EXISTING DEBT SERVICE (A)	COMBINED DEBT SERVICE
2022	2023	\$90,000	\$24,999	\$114,999	\$399,898	\$514,898
2023	2024	\$95,000	\$19,649	\$114,649	\$401,870	\$516,519
2024	2025	\$97,000	\$17,685	\$114,685	\$398,970	\$513,655
2025	2026	\$99,000	\$15,582	\$114,582	\$400,770	\$515,352
2026	2027	\$101,000	\$13,402	\$114,402	\$402,170	\$516,572
2027	2028	\$104,000	\$11,137	\$115,137	\$403,170	\$518,307
2028	2029	\$106,000	\$8,779	\$114,779	\$403,770	\$518,549
2029	2030	\$108,000	\$6,356	\$114,356	\$403,720	\$518,076
2030	2031	\$111,000	\$3,865	\$114,865	\$403,010	\$517,875
2031	2032	\$401,880	\$1,300	\$115,300	\$401,880	\$517,180
2032	2033	\$400,330			\$400,330	\$400,330
2033	2034	\$403,255			\$403,255	\$403,255
2034	2035	\$400,655			\$400,655	\$400,655
2035	2036	\$402,530			\$402,530	\$402,530
2036	2037	\$398,880			\$398,880	\$398,880
2037	2038	\$399,705			\$399,705	\$399,705
2038	2039	\$399,900			\$399,900	\$399,900
2039	2040	\$399,465			\$399,465	\$399,465
2040	2041	\$403,295			\$403,295	\$403,295
		\$1,025,000	\$122,754	\$1,147,754	\$7,627,243	\$8,774,997

ESTIMATED SOURCES & USES	
Sources of Funds:	
Par Amount	1,025,000
	1,025,000
Uses of Funds:	
Project Fund	1,000,000
Cost of Issuance (est.)	25,000

Callable Maturities
(A) Debt service after hypothetical refinancing of 2021 State Trust Fund Loan.

Hypothetical Financing Plan (Scenario 2)

Calendar Year	BEFORE REFINANCING				AFTER REFINANCING				TOTAL NEW DEBT SERVICE	POTENTIAL DEBT SERVICE SAVINGS
	\$5,500,000 State Trust Fund Loan Dated December 10, 2021				\$5,225,000 G. O. Refunding Bonds (AR) Dated June 1, 2022					
	PRINCIPAL (3/15)	RATE	INTEREST (3/15)	TOTAL	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1)	TOTAL	TOTAL		
2023	\$145,798	4.000%	\$277,260	\$423,059	\$105,000	\$251,382	\$356,382	\$356,382	\$66,677	
2024	\$208,304	4.000%	\$214,755	\$423,059	\$150,000	\$210,070	\$360,070	\$360,070	\$62,989	
2025	\$217,223	4.000%	\$205,836	\$423,059	\$155,000	\$203,970	\$358,970	\$358,970	\$64,089	
2026	\$225,912	4.000%	\$197,147	\$423,059	\$160,000	\$197,670	\$357,670	\$357,670	\$65,389	
2027	\$234,948	4.000%	\$188,111	\$423,059	\$165,000	\$191,170	\$356,170	\$356,170	\$66,889	
2028	\$243,856	4.000%	\$179,202	\$423,059	\$175,000	\$184,370	\$355,370	\$355,370	\$63,889	
2029	\$254,100	4.000%	\$168,958	\$423,059	\$180,000	\$177,270	\$357,270	\$357,270	\$65,789	
2030	\$264,264	4.000%	\$158,794	\$423,059	\$190,000	\$169,680	\$359,680	\$359,680	\$63,379	
2031	\$274,835	4.000%	\$148,224	\$423,059	\$195,000	\$161,595	\$356,595	\$356,595	\$66,464	
2032	\$285,452	4.000%	\$137,606	\$423,059	\$205,000	\$153,195	\$358,195	\$358,195	\$64,864	
2033	\$297,246	4.000%	\$125,812	\$423,059	\$330,000	\$141,960	\$471,960	\$471,960	(\$48,901)	
2034	\$309,136	4.000%	\$113,923	\$423,059	\$345,000	\$127,785	\$472,785	\$472,785	(\$49,726)	
2035	\$321,501	4.000%	\$101,557	\$423,059	\$360,000	\$112,980	\$472,980	\$472,980	(\$49,921)	
2036	\$334,119	4.000%	\$88,940	\$423,059	\$375,000	\$97,545	\$472,545	\$472,545	(\$49,486)	
2037	\$347,726	4.000%	\$75,332	\$423,059	\$390,000	\$81,480	\$471,480	\$471,480	(\$48,421)	
2038	\$361,635	4.000%	\$61,423	\$423,059	\$410,000	\$64,680	\$474,680	\$474,680	(\$51,621)	
2039	\$376,101	4.000%	\$46,958	\$423,059	\$425,000	\$47,145	\$472,145	\$472,145	(\$49,086)	
2040	\$391,057	4.000%	\$32,001	\$423,059	\$445,000	\$28,875	\$473,875	\$473,875	(\$50,816)	
2041	\$406,787	4.000%	\$16,271	\$423,059	\$465,000	\$9,765	\$474,765	\$474,765	(\$51,706)	
	\$5,500,000		\$2,538,112	\$8,038,112	\$0	\$0	\$2,612,587	\$7,837,587	\$200,525	

Callable 1/1 - 8/31 Annually

CALLABLE MATURITIES

REFINANCED WITH 2022 ISSUE

ROUNDING AMOUNT

\$3,234

\$203,759

(1) This illustration represents a mathematical calculation of potential interest cost savings (cost), assuming hypothetical rates based on current rates +25bps for municipal bonds as of 3/3/22. 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 3.41% as the discount rate.

POTENTIAL PRESENT VALUE SAVINGS \$3,234

POTENTIAL PRESENT VALUE SAVINGS % 4.897%

ESTIMATED SOURCES & USES	
Sources of Funds:	
Par Amount	\$5,225,000
Premium (est.)	\$522,821
Uses of Funds:	
Cash Deposit	\$5,604,274
Cost of Issuance (est.)	\$75,000
Underwriter's Discount	\$65,313
Rounding	3,234
	\$5,747,821



Hypothetical Financing Plan (Scenario 2 Cont.)

PROJECT FUND: \$1,000,000 PRIVATE PLACEMENT		G.O. PROMISSORY NOTE Dated June 1, 2022 (First Interest 2/1/23)		TOTAL		
LEVY YEAR	YEAR DUE	EXISTING DEBT SERVICE (A)	PRINCIPAL (2/1)	INTEREST (2/1 & 8/1) TIC= 2.23%	COMBINED DEBT SERVICE	YEAR DUE
2022	2023	\$356,382	\$90,000	\$24,999	\$114,999	2023
2023	2024	\$360,070	\$95,000	\$19,649	\$114,649	2024
2024	2025	\$358,970	\$97,000	\$17,685	\$114,685	2025
2025	2026	\$357,670	\$99,000	\$15,582	\$114,582	2026
2026	2027	\$356,170	\$101,000	\$13,402	\$114,402	2027
2027	2028	\$359,370	\$104,000	\$11,137	\$115,137	2028
2028	2029	\$357,270	\$106,000	\$8,779	\$114,779	2029
2029	2030	\$359,680	\$108,000	\$6,356	\$114,356	2030
2030	2031	\$356,595	\$111,000	\$3,865	\$114,865	2031
2031	2032	\$358,195	\$114,000	\$1,300	\$115,300	2032
2032	2033	\$471,960				2033
2033	2034	\$472,785				2034
2034	2035	\$472,980				2035
2035	2036	\$472,545				2036
2036	2037	\$471,480				2037
2037	2038	\$474,680				2038
2038	2039	\$472,145				2039
2039	2040	\$473,875				2040
2040	2041	\$474,765				2041
		\$7,837,587		\$122,754	\$1,147,754	\$8,985,340

ESTIMATED SOURCES & USES	
Sources of Funds:	
Par Amount	1,025,000
	1,025,000
Uses of Funds:	
Project Fund	1,000,000
Cost of Issuance (est.)	25,000

Callable Maturities
(A) Debt service after hypothetical refinancing of 2021 State Trust Fund Loan.

Summary of Parameters Resolution

Purpose: Establish parameters for the sale of General Obligation Refunding Bonds and General Obligation Promissory Notes. A Parameters Resolution allows for issues to be sold and rates locked with investor(s) between Board meetings as long as parameters met.

Not to Exceed Par Amount	\$5,500,000	\$1,050,000
Not to Exceed True Interest Cost (%)	3.25%	3.00%
Approving Certificate Delegated to:	TBD	TBD

Next Steps

- o Identify issuing County
- o Create Resolutions and intergovernmental agreement between issuing County and System
 - Quarles & Brady LLP, as Bond Counsel to System and County
- o Adopt Resolutions and intergovernmental agreement at future County Board meeting

Pros for moving forward

- o Future debt service savings to Library System
- o Frees up capacity to invest in other capital projects
- o Shows support for System
 - Dane County issues General Obligation debt regularly.
 - Dane County would still have \$3.5 Billion in available borrowing capacity after these two additional Series of notes/bonds.

Cons for moving forward

- o Interest rates continue to increase
- o Dane County would have two additional Series of notes/bonds on their books
- o Dane County/Library System would need to coordinate debt payments, which takes staff time



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