

March 15, 2016

## Pre-Sale Report for

City of West Allis, Wisconsin

\$6,295,000 General Obligation Corporate Purpose Bonds  
2016A



**Prepared by:**

Michael C. Harrigan, CIPMA  
Senior Municipal Advisor/Chairman of the Board

And

Dawn Gunderson-Schiel, CIMPA  
Senior Municipal Advisor/Vice President



## Executive Summary of Proposed Debt

|                     |  |
|---------------------|--|
| Proposed Issue:     | \$6,295,000 General Obligation Corporate Purpose Bonds 2016A   |
| Purposes:           | <p>The proposed issue includes financing for the following purposes:</p> <p>Finance Street, Sewer and Water Projects</p> <ul style="list-style-type: none"> <li>• \$2,535,000 to finance Sanitary Sewer projects. Debt service will be paid from sewer revenues.</li> <li>• \$2,750,000 to finance Streets Improvements. Debt service will be paid from ad valorem property taxes.</li> <li>• \$1,010,000 to finance Water projects. Debt service will be paid from water revenues.</li> </ul>   |
| Authority:          | <p>The Bonds are being issued pursuant to Wisconsin Statute:</p> <ul style="list-style-type: none"> <li>• 67.04</li> </ul> <p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p> <p>The Bonds count against the City's General Obligation Debt Capacity Limit of 5% of total City Equalized Valuation. Following issuance of the Bonds, the City's total General Obligation debt principal outstanding will be approximately \$87 million, which is 46% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$99 million.</p> |
| Term/Call Feature:  | <p>The Bonds are being issued for a 15 year term. Principal on the Bonds will be due on April 1 in the years 2017 through 2031. Interest is payable every six months beginning October 1, 2016.</p> <p>The Bonds maturing on and after April 1, 2025 will be subject to prepayment at the discretion of the City on April 1, 2024 or any date thereafter.</p>  |
| Bank Qualification: | <p>Because the City is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the City will be able to designate the Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.</p>  |
| Rating:             | <p>The City's most recent bond issues were rated "Aa2" by Moody's Investors Service and "AA" by Standard &amp; Poor's. The City will request new ratings for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the ratings for the issue may be higher than the City's bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>   |



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| <p><b>Basis for Recommendation:</b></p> | <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 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 City’s objectives for term, structure and optional redemption.</li> <li>• The City having adequate General Obligation debt capacity to undertake this financing and has a policy of issuing General Obligation debt for all of its borrowing needs.</li> </ul>  |
| <p><b>Method of Sale/Placement:</b></p> | <p>In order to obtain the lowest interest cost to the City, we will competitively bid the purchase of the Bonds from local and national underwriters/banks.</p> <p>We have included an allowance for discount bidding equal to 1.250% of the principal amount 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 lower your borrowing amount.</p> <p><b>Premium Bids:</b> Under current market conditions, most 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.”</p> <p>For this issue of Bonds, 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 Bonds. We anticipate using any premium amounts received to reduce the issue size to the extent available.</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 City’s objectives for this financing.</p> |
| <p><b>Other Considerations:</b></p>     | <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</p>  |



|                          |   |
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|                          | <p>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 City retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds. The City has engaged the services of Bond Trust Services Corporation in the past on issues with term bonds.</p>   |
| Review of Existing Debt: | <p>We have reviewed all outstanding indebtedness for the City and find that other than the taxable refunding proposed to sell on the same date as this issue, there are no other refunding opportunities at this time.</p> <p>We will continue to monitor the market and the call dates for the City's outstanding debt and will alert you to any future refunding opportunities.</p>   |
| Continuing Disclosure:   | <p>Because the City has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the City 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 City 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>Because the Bonds are tax-exempt securities/tax credit securities, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Tax Exemption Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.</p> |
| Risk Factors:            | <p><b>GO with Planned Abatement:</b> The City expects to abate a portion of the City debt service with water utility revenues and sewer utility revenues. In the event these revenues are not available, the City is obligated to levy property taxes in an amount sufficient to make all debt payments.</p>  |
| 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</p>  |



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|  | <p>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, so their 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 Attorney:</b> Quarles &amp; Brady LLP</p> <p><b>Paying Agent:</b> Issuer, unless term bonds then Bond Trust Services Corp.</p> <p><b>Rating Agencies:</b> Moody's Investors Service and Standard &amp; Poor's</p> |
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This presale report summarizes our understanding of the City's objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the City's objectives.



## Proposed Debt Issuance Schedule

|  |                        |
|--|------------------------|
| Pre-Sale Review by City Council:                 | March 15, 2016         |
| Distribute Official Statement:                   | April 22, 2016         |
| Conference with Rating Agency:                   | Week of April 18, 2016 |
| City Council Meeting to Award Sale of the Bonds: | May 3, 2016            |
| Estimated Closing Date:                          | May 25, 2016           |

### Attachments

Sources and Uses of Funds  
Proposed Debt Service Schedule and allocation  
Tax Rate Impact  
Bond Buyer Index

### Ehlers Contacts

|                         |                  |                |
|-------------------------|------------------|----------------|
| Municipal Advisors:     | Michael Harrigan | (262) 796-6165 |
|                         | Dawn Gunderson   | (262) 796-6166 |
| Disclosure Coordinator: | Sue Porter       | (262) 796-6167 |
| Financial Analyst:      | Mary Zywiec      | (262) 796-6171 |

The Official Statement for this financing will be mailed to the City Council at their home address or e-mailed for review prior to the sale date.





*City of West Allis*  
Sizing Worksheet - 2016 Issue



|   | Streets          | Sanitary Sewer   | Water            | preliminary<br>Tax-Exempt G.O.<br>Bonds | preliminary<br>Taxable G.O.<br>Bonds |
|---|------------------|------------------|------------------|---|--------------------------------------|
| <b>New Projects</b>   |                  |                  |                  |   |                                      |
| Streets   | 2,713,680        |                  |                  | 2,713,680                               |                                      |
| Sanitary Sewer  |                  | 2,500,000        |                  | 2,500,000                               |                                      |
| Water   |                  |                  | 1,000,000        | 1,000,000                               |                                      |
| <b>Refunding</b>  |                  |                  |                  |   |                                      |
| Advance Refund 2009 \$7,105,000 Taxable G.O. Bonds dated 3/27/09 (Years 2020-24)<br>Est. Escrow Cost  |                  |                  |                  |   | 5,688,591                            |
| Less: Levied Funds available  |                  |                  |                  |   | (93,148)                             |
| Advance Refund 2010 \$17,605,000 Taxable G.O. Bonds dated 3/29/10 (Years 2019-29)<br>Est. Escrow Cost |                  |                  |                  |   | 10,783,407                           |
| Less: Levied Funds available  |                  |                  |                  | 0                                       | (138,249)                            |
| <b>Total Amount Needed for Capital Projects &amp; Refunding</b>                                       | 2,713,680        | 2,500,000        | 1,000,000        | 6,213,680                               | 16,240,601                           |
| <b>Issuance Expenses to be Paid by City excluding discount ( New Money)</b>                           | (26,506)         | (24,434)         | (9,735)          | (60,675)                                |                                      |
| <b>Bid Premium Deposit to DS/Transfer</b>   |                  |                  |                  |   |                                      |
| <b>Estimated Issuance Expenses</b>  |                  |                  |                  |   |                                      |
| Financial Advisor (2nd issue discount on smaller issue)   | 6,116            | 5,638            | 2,246            | 14,000                                  | 21,500                               |
| Bond Counsel  | 6,553            | 6,041            | 2,407            | 15,000                                  | 21,500                               |
| Disclosure Counsel (If chosen)  | 2,621            | 2,416            | 963              | 6,000                                   | 12,000                               |
| Underwriter's Discount  | 34,375           | 31,688           | 12,625           | 78,688                                  | 165,150                              |
| Paying Agent (If terms)   | 295              | 272              | 108              | 675                                     | 675                                  |
| Advance Refunding Fee   |                  |                  |                  | 0                                       | 2,000                                |
| Escrow Agent  |                  |                  |                  | 0                                       | 2,500                                |
| CPA Verification  |                  |                  |                  | 0                                       | 3,000                                |
| OPM Bidding Agent Fee   |                  |                  |                  | 0                                       | 6,900                                |
| Rating Fee (Moody's and S & P)  | 10,921           | 10,068           | 4,011            | 25,000                                  | 35,000                               |
| <b>TOTAL TO BE FINANCED</b>   | 2,748,055        | 2,531,688        | 1,012,625        | 6,292,368                               | 16,510,826                           |
| Estimated Interest Earnings <sup>1</sup>  | (678)            | (625)            | (250)            | (1,553)                                 | 0                                    |
| Rounding  | 2,623            | 3,938            | (2,375)          | 4,186                                   | 4,174                                |
| <b>NET BOND SIZE</b>  | <b>2,750,000</b> | <b>2,535,000</b> | <b>1,010,000</b> | <b>6,295,000</b>                        | <b>16,515,000</b>                    |

<sup>1</sup> Estimated interest earnings at .001

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# City of West Allis



## 2016A ISSUE PLANNING - Tax-Exempt G.O. Bonds - Bank Qualified

Sizing Worksheet - 2016 Issue

Streets \$2,750,000  
 Sanitary Sewer \$2,535,000  
 Water \$1,010,000  
 Dated May 25, 2016 \$6,295,000

### Pre Sale Estimates

|              | Streets            |                  | Net Total          |
|--------------|--------------------|------------------|--------------------|
|              | Principal 1-Apr    | Interest         |                    |
| 2016         |                    | \$14,895         | \$14,895           |
| 2017         | \$275,000          | \$41,319         | \$316,319          |
| 2018         | \$275,000          | \$38,363         | \$313,363          |
| 2019         | \$275,000          | \$34,925         | \$309,925          |
| 2020         | \$275,000          | \$31,316         | \$306,316          |
| 2021         | \$275,000          | \$27,294         | \$302,294          |
| 2022         | \$275,000          | \$22,894         | \$297,894          |
| 2023         | \$275,000          | \$18,150         | \$293,150          |
| 2024         | \$275,000          | \$13,131         | \$288,131          |
| 2025         | \$275,000          | \$7,975          | \$282,975          |
| 2026         | \$275,000          | \$2,681          | \$277,681          |
| 2027         |                    |                  |                    |
| 2028         |                    |                  |                    |
| 2029         |                    |                  |                    |
| 2030         |                    |                  |                    |
| 2031         |                    |                  |                    |
| <b>TOTAL</b> | <b>\$2,750,000</b> | <b>\$252,942</b> | <b>\$2,988,042</b> |

|              | Sanitary Sewer     |                  | Net Total          |
|--------------|--------------------|------------------|--------------------|
|              | Principal 1-Apr    | Interest         |                    |
|              |                    | \$15,748         | \$15,748           |
|              | \$170,000          | \$44,230         | \$214,230          |
|              | \$170,000          | \$42,403         | \$212,403          |
|              | \$170,000          | \$40,278         | \$210,278          |
|              | \$170,000          | \$38,046         | \$208,046          |
|              | \$170,000          | \$35,560         | \$205,560          |
|              | \$170,000          | \$32,840         | \$202,840          |
|              | \$170,000          | \$29,908         | \$199,908          |
|              | \$170,000          | \$26,805         | \$196,805          |
|              | \$170,000          | \$23,618         | \$193,618          |
|              | \$170,000          | \$20,345         | \$190,345          |
|              | \$170,000          | \$16,988         | \$186,988          |
|              | \$170,000          | \$13,460         | \$183,460          |
|              | \$165,000          | \$9,776          | \$174,776          |
|              | \$165,000          | \$5,981          | \$170,981          |
|              | \$165,000          | \$2,021          | \$167,021          |
| <b>TOTAL</b> | <b>\$2,535,000</b> | <b>\$398,006</b> | <b>\$2,917,258</b> |

|              | Water              |                  | Total              |
|--------------|--------------------|------------------|--------------------|
|              | Principal 1-Apr    | Interest         |                    |
|              |                    | \$6,240          | \$6,240            |
|              | \$70,000           | \$17,513         | \$87,513           |
|              | \$70,000           | \$16,760         | \$86,760           |
|              | \$70,000           | \$15,885         | \$85,885           |
|              | \$70,000           | \$14,966         | \$84,966           |
|              | \$70,000           | \$13,943         | \$83,943           |
|              | \$70,000           | \$12,823         | \$82,823           |
|              | \$70,000           | \$11,615         | \$81,615           |
|              | \$65,000           | \$10,384         | \$75,384           |
|              | \$65,000           | \$9,165          | \$74,165           |
|              | \$65,000           | \$7,914          | \$72,914           |
|              | \$65,000           | \$6,630          | \$71,630           |
|              | \$65,000           | \$5,281          | \$70,281           |
|              | \$65,000           | \$3,851          | \$68,851           |
|              | \$65,000           | \$2,356          | \$67,356           |
|              | \$65,000           | \$796            | \$65,796           |
| <b>TOTAL</b> | <b>\$1,010,000</b> | <b>\$156,121</b> | <b>\$1,159,881</b> |

|              | TOTAL              |                  | TOTAL DEBT SERVICE |
|--------------|--------------------|------------------|--------------------|
|              | PRINCIPAL          | INTEREST         |                    |
|              | \$0                | \$36,883         | \$36,883           |
|              | \$515,000          | \$103,061        | \$618,061          |
|              | \$515,000          | \$97,525         | \$612,525          |
|              | \$515,000          | \$91,088         | \$606,088          |
|              | \$515,000          | \$84,328         | \$599,328          |
|              | \$515,000          | \$76,796         | \$591,796          |
|              | \$515,000          | \$68,556         | \$583,556          |
|              | \$515,000          | \$59,673         | \$574,673          |
|              | \$510,000          | \$50,320         | \$560,320          |
|              | \$510,000          | \$40,758         | \$550,758          |
|              | \$510,000          | \$30,940         | \$540,940          |
|              | \$235,000          | \$23,618         | \$258,618          |
|              | \$235,000          | \$18,741         | \$253,741          |
|              | \$230,000          | \$13,628         | \$243,628          |
|              | \$230,000          | \$8,338          | \$238,338          |
|              | \$230,000          | \$2,818          | \$232,818          |
| <b>TOTAL</b> | <b>\$6,295,000</b> | <b>\$807,068</b> | <b>\$7,102,068</b> |

March 15, 2016





# City of West Allis

## Summary of 2016 Proposed Issues & Projected Tax Impact



**EHLERS**  
LEADERS IN PUBLIC FINANCE

**Existing Debt Only Does NOT include issues to be refunded**

|               | Equalized Value Projection | Change in EV | Annual P&I Payment | Less Non-Levy <sup>2V</sup> Sources | Less TID 6 Rev 2016B | Bid Premium Deposit Debt Service/adj to Levied Funds | Net Debt Service  | New Rate Impact (Equalized) |               |
|---------------|----------------------------|--------------|--------------------|-------------------------------------|----------------------|--|-------------------|-----------------------------|---------------|
| YEAR          |                            |              |                    |                                     |                      |  |                   |                             | YEAR          |
| 2016          | 3,660,116,000              | 0.95%        | 10,918,286         | (7,151,412) <sup>3</sup>            | (16,265)             | (16,549)   | 3,796,884         | 1.04                        | 2016          |
| 2017          | 3,660,116,000              | 0.00%        | 9,562,993          | (6,071,349) <sup>8</sup>            | (66,346)             |  | 3,958,059         | 1.08                        | 2017          |
| 2018          | 3,669,266,290              | 0.25%        | 9,212,746          | (6,011,688) <sup>8</sup>            | (66,066)             |  | 3,668,639         | 1.00                        | 2018          |
| 2019          | 3,678,439,456              | 0.25%        | 7,028,931          | (4,774,430) <sup>4</sup>            | (149,927)            |  | 3,301,999         | 0.90                        | 2019          |
| 2020          | 3,696,831,653              | 0.50%        | 5,745,177          | (3,900,354) <sup>6</sup>            | (157,721)            |  | 2,915,186         | 0.79                        | 2020          |
| 2021          | 3,724,557,890              | 0.75%        | 4,877,523          | (3,334,249) <sup>9</sup>            | (165,014)            |  | 2,633,503         | 0.71                        | 2021          |
| 2022          | 3,761,803,469              | 1.00%        | 4,158,780          | (2,915,343) <sup>3</sup>            | (171,775)            |  | 2,360,333         | 0.63                        | 2022          |
| 2023          | 3,799,421,504              | 1.00%        | 3,691,405          | (2,746,056) <sup>0</sup>            | (168,096)            |  | 2,085,398         | 0.55                        | 2023          |
| 2024          | 3,856,412,827              | 1.50%        | 3,118,265          | (2,465,273) <sup>8</sup>            | (164,148)            |  | 941,123           | 0.24                        | 2024          |
| 2025          | 3,914,259,019              | 1.50%        | 2,548,904          | (2,231,165) <sup>0</sup>            | (155,075)            |  | 600,715           | 0.15                        | 2025          |
| 2026          | 3,982,758,552              | 1.75%        | 2,026,004          | (2,026,004) <sup>8</sup>            | (175,470)            |  | 277,681           | 0.07                        | 2026          |
| 2027          | 4,062,413,723              | 2.00%        | 1,572,303          | (1,572,303) <sup>5</sup>            | (189,894)            |  | 0                 | 0.00                        | 2027          |
| 2028          | 4,143,661,997              | 2.00%        | 1,110,487          | (1,110,487) <sup>1</sup>            | (178,858)            |  | 0                 | 0.00                        | 2028          |
| 2029          | 4,226,535,237              | 2.00%        | 819,092            | (819,092)                           | (162,920)            |  | 0                 | 0.00                        | 2029          |
| 2030          | 4,311,065,942              | 2.00%        | 457,194            | (457,194)                           |                      |  | 0                 | 0.00                        | 2030          |
| 2031          | 4,397,287,261              | 2.00%        | 0                  | 0                                   |                      |  | 0                 | 0.00                        | 2031          |
| <b>TOTALS</b> |                            |              | <b>66,848,089</b>  | <b>(47,586,398)<sup>1</sup></b>     | <b>(1,987,574)</b>   | <b>(16,549)</b>                                      | <b>26,539,521</b> |                             | <b>TOTALS</b> |

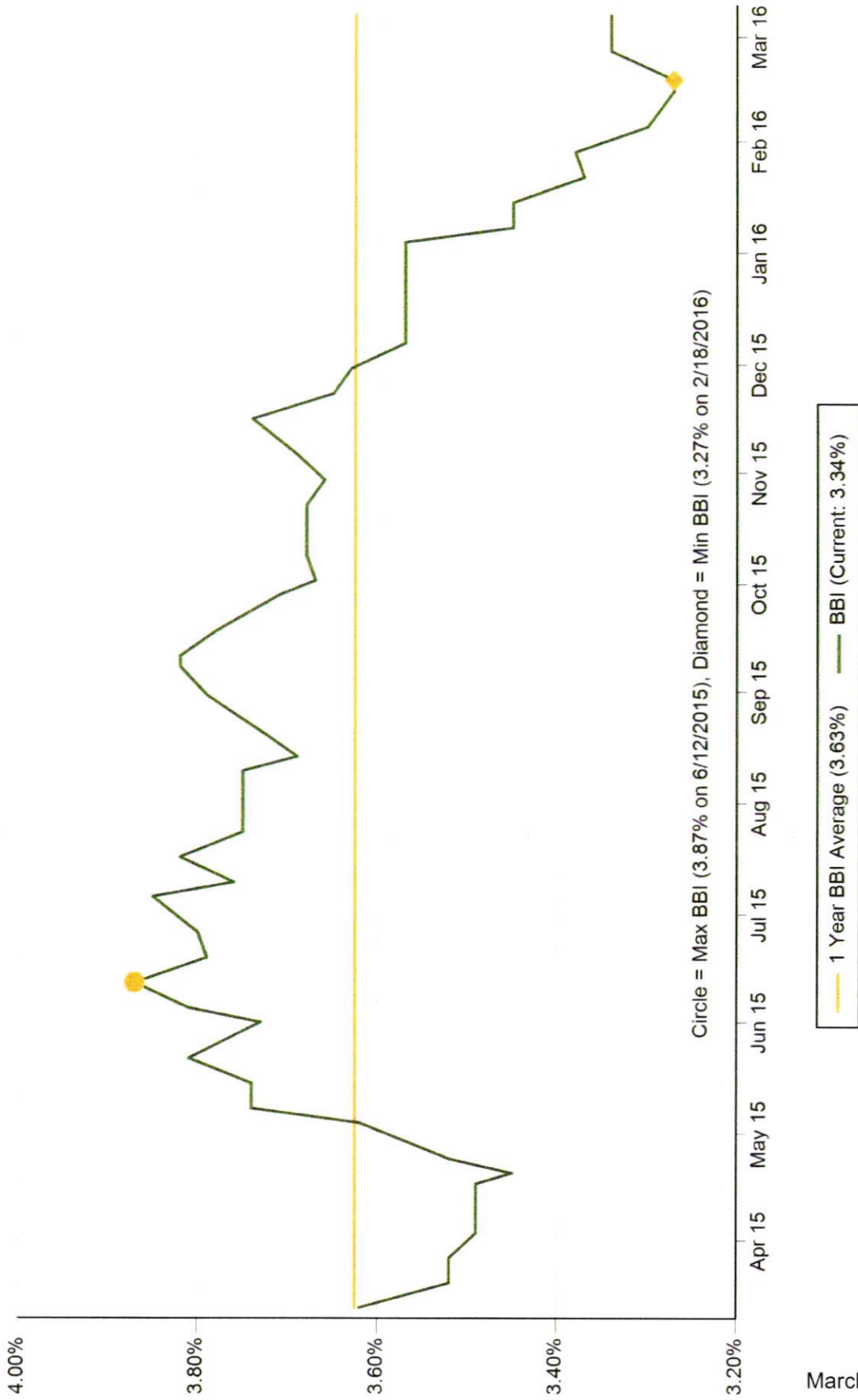
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# 1 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates March, 2015 - March, 2016



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Source: The Bond Buyer

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.

