



**EHLERS**  
LEADERS IN PUBLIC FINANCE

October 16, 2018  
Revised November 5, 2018

## Pre-Sale Report for

City of West Allis, Wisconsin

\$6,880,000 General Obligation Corporate Purpose Bonds  
Series, 2018A



**Prepared by:**

Dawn Gunderson-Schiel, CPFO/CIPMA  
Senior Municipal Advisor

Todd Taves, CIPMA  
Senior Municipal Advisor



## Executive Summary of Proposed Debt

Proposed Issue:	\$6,880,000 General Obligation Corporate Purpose Bonds Series, 2018A
Purposes:	<p>The proposed issue includes financing for the following purposes: Streets, Sanitary Sewer, Water System Improvements and Equipment</p> <ul style="list-style-type: none"> <li>• Sewer System Improvements. Debt service will be paid from sewer revenues.</li> <li>• Street Infrastructure. Debt service will be paid from ad valorem property taxes.</li> <li>• Water Equipment, Meters, software. Debt service will be paid from water revenues.</li> <li>• Water Infrastructure. Debt service will be paid from water revenues.</li> </ul>
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 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 \$75 million, which is 39% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$115.8 million.</p>
Term/Call Feature:	<p>The Bonds are being issued for a term of 15 years. Principal on the Bonds will be due on April 1 in the years 2019 through 2033. Interest is payable every six months beginning April 1, 2019.</p> <p>The Bonds will be subject to prepayment at the discretion of the City on April 1, 2025 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>



<p>Rating:</p>	<p>The City’s most recent bond issues were rated by Moody’s Investors Service. The current ratings on those bonds are “Aa2”. The City 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 City's bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>
<p>Basis for Recommendation:</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 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 City’s objectives for term, structure and optional redemption.</li> <li>• The City having adequate General Obligation debt capacity to undertake this financing.</li> <li>• The nature of the projects being financed, a portion of which will yield fees sufficient to abate the property tax required for that share of the issue.</li> <li>• The City’s current Capital Improvements Plan/Utility Financial Plan which identified issuance of General Obligation Bonds to finance these projects.</li> </ul>
<p>Method of Sale/Placement:</p>	<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>
<p>Premium Pricing:</p>	<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 City.</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.</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 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.</p>
<p><b>Review of Existing Debt:</b></p>	<p>We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time that would be cost effective.</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>
<p><b>Continuing Disclosure:</b></p>	<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>
<p><b>Arbitrage Monitoring:</b></p>	<p>Because the Bonds are tax-exempt obligations, 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>
<p><b>Investment of and Accounting for Proceeds:</b></p>	<p>In order to more efficiently segregate funds for this project and maximize interest earnings, we recommend using an investment advisor, to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers Investment Partners, a subsidiary of Ehlers and registered investment advisor, will discuss an appropriate investment strategy with the City.</p>



<p>Risk Factors:</p>	<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 this/these revenue(s) is/are not available, the City is obligated to levy property taxes in an amount sufficient to make all debt payments.</p>
<p>Other Service Providers:</p>	<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> Quarles &amp; Brady LLP</p> <p><b>Paying Agent:</b> Bond Trust Services Corp.</p> <p><b>Rating Agency:</b> Moody's Investors Service</p>



## Proposed Debt Issuance Schedule

Pre-Sale Review by City Council:	October 16, 2018
Conference with Rating Agency:	Scheduled November 13, 2018 at 2:00
Distribute Official Statement:	November 5, 2018
City Council Meeting to Award Sale of the Bonds:	November 20, 2018
Estimated Closing Date:	December 13, 2018

### Attachments

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

### Ehlers Contacts

Municipal Advisors:

Dawn Gunderson-Schiel                      (262) 796-6166  
 Todd Taves                                              (262) 796-6173

Disclosure Coordinator:                      Sue Porter                                              (262) 796-6167

Financial Analyst:                                      Mary Zywiec                                              (262) 796-6171

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





## Equalized Value Growth Projections - TID Out

Valuation Year	Percentage Method		Straight Line Method		Projected Method	
	Equalized Value	Percent Change	Equalized Value	Dollar Value Change	Equalized Value	Percent Change
<b>Historical</b>	<b>5 year trend</b>			<b>21,754,740</b>		
		0.60%				
2012	3,638,962,200		3,638,962,200		3,638,962,200	
2013	3,611,817,200	-0.75%	3,611,817,200	-27,145,000	3,611,817,200	-0.75%
2014	3,625,496,100	0.38%	3,625,496,100	13,678,900	3,625,496,100	0.38%
2015	3,660,116,000	0.95%	3,660,116,000	34,619,900	3,660,116,000	0.95%
2016	3,639,905,800	-0.55%	3,639,905,800	-20,210,200	3,639,905,800	-0.55%
2017	3,630,895,400	-0.25%	3,630,895,400	-9,010,400	3,630,895,400	-0.25%
2018	3,720,590,900	2.47%	3,720,590,900	89,695,500	3,720,590,900	2.47%
<b>Projected</b>						
2019	3,742,946,068	0.60%	3,742,345,640	0.58%	3,757,796,809	1.00%
2020	3,765,435,558	0.60%	3,764,100,380	0.58%	3,795,374,777	1.00%
2021	3,788,060,175	0.60%	3,785,855,120	0.58%	3,833,328,525	1.00%
2022	3,810,820,733	0.60%	3,807,609,860	0.57%	3,871,661,810	1.00%
2023	3,833,718,047	0.60%	3,829,364,600	0.57%	3,910,378,428	1.00%
2024	3,856,752,940	0.60%	3,851,119,340	0.57%	3,949,482,212	1.00%
2025	3,879,926,238	0.60%	3,872,874,080	0.56%	3,988,977,035	1.00%
2026	3,903,238,773	0.60%	3,894,628,820	0.56%	4,028,866,805	1.00%
2027	3,926,691,381	0.60%	3,916,383,560	0.56%	4,069,155,473	1.00%
2028	3,950,284,904	0.60%	3,938,138,300	0.56%	4,109,847,028	1.00%
2029	3,974,020,189	0.60%	3,959,893,040	0.55%	4,150,945,498	1.00%
2030	3,997,898,087	0.60%	3,981,647,780	0.55%	4,192,454,953	1.00%
2031	4,021,919,456	0.60%	4,003,402,520	0.55%	4,234,379,503	1.00%
2032	4,046,085,156	0.60%	4,025,157,260	0.54%	4,276,723,298	1.00%
2033	4,070,396,057	0.60%	4,046,912,000	0.54%	4,319,490,531	1.00%
2034	4,094,853,029	0.60%	4,068,666,740	0.54%	4,362,685,436	1.00%
2035	4,119,456,952	0.60%	4,090,421,480	0.53%	4,406,312,290	1.00%
2036	4,144,208,707	0.60%	4,112,176,220	0.53%	4,450,375,413	1.00%
2037	4,169,109,182	0.60%	4,133,930,960	0.53%	4,494,879,167	1.00%
2038	4,194,159,273	0.60%	4,155,685,700	0.53%	4,539,827,959	1.00%
2039	4,219,359,877	0.60%	4,177,440,440	0.52%	4,585,226,238	1.00%
2040	4,244,711,898	0.60%	4,199,195,180	0.52%	4,631,078,501	1.00%
2041	4,270,216,247	0.60%	4,220,949,920	0.52%	4,677,389,286	1.00%
2042	4,295,873,839	0.60%	4,242,704,660	0.52%	4,724,163,179	1.00%
2043	4,321,685,595	0.60%	4,264,459,400	0.51%	4,771,404,811	1.00%



Existing Debt Service Sources of Repayment and Levy Impact Analysis- Base Case

Debt Service

Abatement Sources

Projected Rate Impact

YEAR	General Obligation Debt	Total of All Obligations	Bid Premium Deposit to General Fund	TID 5	TID 6	TID 7	TID 9	TID 10	TID 11	Water	Sewer	Storm	Total of All Sources	Tax Levy for Debt	Projected Equalized Value	% Change	Net Rate	YEAR
2018	11,591,794	11,591,794	(2,032,098)	(139,785)	(595,235)	(254,999)	(116,880)	(87,061)	(1,471,994)	(2,259,278)	(1,09,683)	(7,281,815)	4,309,978	3,630,895,400	2.47%	1.19	2018	
2019	10,393,190	10,393,190	(2,031,014)	(137,456)	(278,866)	(69,893)	(114,980)	(254,045)	(1,430,116)	(2,160,672)	(113,133)	(6,676,530)	3,716,660	3,720,590,900	2.47%	1.00	2019	
2020	9,676,244	9,676,244	(1,993,603)	(151,043)	(179,153)	(68,449)	(117,811)	(286,758)	(1,398,763)	(2,093,403)	(111,533)	(6,340,514)	3,335,730	3,757,796,809	1.00%	0.89	2020	
2021	9,172,937	9,172,937	(1,930,745)	(154,201)	(179,920)	(71,853)	(115,453)	(496,738)	(1,272,748)	(1,795,964)	(114,458)	(6,132,078)	3,040,879	3,795,374,777	1.00%	0.80	2021	
2022	8,595,561	8,595,561	(1,974,781)	(161,989)	(180,270)	(70,083)	(117,868)	(496,273)	(1,158,687)	(1,567,612)	(112,168)	(5,839,723)	2,755,638	3,833,328,525	1.00%	0.72	2022	
2023	8,126,768	8,126,768	(1,970,074)	(159,458)	(180,068)	(68,163)	(114,988)	(495,233)	(1,076,273)	(1,482,602)	(114,905)	(5,661,761)	2,465,006	3,871,661,810	1.00%	0.64	2023	
2024	6,749,406	6,749,406	(2,015,760)	(156,656)	(179,413)	(71,051)	(116,864)	(499,059)	(946,121)	(1,320,290)	(112,318)	(5,417,531)	1,331,875	3,910,378,428	1.00%	0.34	2024	
2025	4,838,762	4,838,762	(688,096)	(148,710)	(183,240)	(68,760)	(113,515)	(496,340)	(868,889)	(1,177,683)	(114,543)	(3,859,775)	978,988	3,949,482,212	1.00%	0.25	2025	
2026	4,335,890	4,335,890	(664,356)	(165,378)	(181,330)	(71,295)	(114,955)	(504,815)	(737,281)	(948,570)	(116,518)	(3,640,465)	695,425	3,988,977,035	1.00%	0.17	2026	
2027	2,788,239	2,788,239	(516,975)	(181,330)	(171,810)	(181,330)	(116,110)	(422,562)	(511,606)	(795,031)	(118,211)	(2,654,589)	409,388	4,028,866,805	1.00%	0.10	2027	
2028	2,022,123	2,022,123		(152,250)			(116,915)	(425,600)	(400,397)	(679,694)	(119,690)	(1,891,248)	130,675	4,069,155,473	1.00%	0.03	2028	
2029	1,502,300	1,502,300					(438,400)	(430,600)	(296,656)	(532,381)	(117,013)	(1,374,350)	127,950	4,150,945,498	1.00%	0.03	2029	
2030	1,032,756	1,032,756					(437,425)	(430,600)	(190,547)	(286,734)		(907,881)	124,875	4,192,454,953	1.00%	0.03	2030	
2031	792,238	792,238					(438,000)	(438,000)	(116,581)			(670,588)	121,650	4,234,379,503	1.00%	0.03	2031	
2032	438,000	438,000					(443,200)	(443,200)				(438,000)	4,276,723,298	4,276,723,298	1.00%	0.00	2032	
2033	443,200	443,200					(447,600)	(447,600)				(443,200)	4,319,490,531	4,319,490,531	1.00%	0.00	2033	
2034	447,600	447,600					(451,258)	(451,258)				(447,600)	4,362,685,436	4,362,685,436	1.00%	0.00	2034	
2035	451,258	451,258					(104,000)	(104,000)				(104,000)	4,406,312,290	4,406,312,290	1.00%	0.00	2035	
2036	104,000	104,000											4,450,375,413	4,450,375,413	1.00%	0.00	2036	
2037													4,494,879,167	4,494,879,167	1.00%	0.00	2037	
2038													4,539,827,959	4,539,827,959	1.00%	0.00	2038	
2039													23,676,565	23,676,565			2039	
TOTALS	87,078,637	87,078,637	(291,159)	(1,631,835)	(1,880,065)	(1,956,163)	(824,544)	(1,393,695)	(8,148,477)	(12,724,180)	(1,837,326)	(1,490,110)	(63,400,072)					

NOTES:



## Capital Financing Plan Sizing

	Proposed 2018A Bonds
<b>Projects</b>	
Streets	2,728,000
Sanitary Sewer	2,600,000
Water (Infrastructure)	1,000,000
Water (Hydrants, Meters, Software, Equipment)	500,000
<b>Project Needs</b>	6,828,000
<b>Issuance Expenses to be Paid by City excluding discount (New Money)</b>	(54,400)
<b>Issuance Expenses</b>	
Municipal Advisor	17,750
Bond Counsel	13,000
Disclosure Counsel	7,800
Paying Agent BTSC	850
Rating	15,000
Reoffering Premium (built into rates)	
Underwriter Discount est @\$12.50/\$1,000 Bonds	86,000
<b>Total Funds Needed</b>	6,914,000
Less Interest 2.0% for 3 months	(34,140)
Rounding	140
<b>Size of Issue</b>	<b>6,880,000</b>

### Resolution Breakdowns

Streets	2,750,000
Sanitary Sewer	2,620,000
Water	1,510,000
Total	6,880,000



## Projected Impact of Proposed Projects



Existing General Obligation Debt Only						
YEAR	Equalized Value Projection	Change in EV TID OUT	Total Payment (P&I)	Total Less Non Levy Revenues	Net Debt Service Levy	Debt Service Tax Rate
2018	3,630,895,400	-0.25%	11,591,794	(7,281,815)	4,309,978	1.19
2019	3,720,590,900	2.47%	10,393,190	(6,676,530)	3,716,660	1.00
2020	3,757,796,809	1.00%	9,676,244	(6,340,514)	3,335,730	0.89
2021	3,795,374,777	1.00%	9,172,957	(6,132,078)	3,040,879	0.80
2022	3,833,328,525	1.00%	8,595,361	(5,839,723)	2,755,638	0.72
2023	3,871,661,810	1.00%	8,126,768	(5,661,761)	2,465,006	0.64
2024	3,910,378,428	1.00%	6,749,406	(5,417,531)	1,331,875	0.34
2025	3,949,482,212	1.00%	4,838,762	(3,859,775)	978,988	0.25
2026	3,988,977,035	1.00%	4,335,890	(3,640,465)	695,425	0.17
2027	4,028,866,805	1.00%	3,576,553	(3,167,165)	409,388	0.10
2028	4,069,155,473	1.00%	2,788,239	(2,654,589)	133,650	0.03
2029	4,109,847,028	1.00%	2,022,123	(1,891,248)	130,875	0.03
2030	4,150,945,498	1.00%	1,502,300	(1,374,350)	127,950	0.03
2031	4,192,454,953	1.00%	1,032,756	(907,881)	124,875	0.03
2032	4,234,379,503	1.00%	792,238	(670,588)	121,650	0.03
2033	4,276,723,298	1.00%	438,000	(438,000)	0	0.00
2034	4,319,490,531	1.00%	443,200	(443,200)	0	0.00
2035	4,362,685,436	1.00%	447,600	(447,600)	0	0.00
2036	4,406,312,290	1.00%	451,258	(451,258)	0	0.00
2037	4,450,375,413	1.00%	104,000	(104,000)	0	0.00
2038	4,494,879,167	1.00%			0	0.00
2039	4,539,827,959	1.00%			0	0.00
2040	4,585,226,238	1.00%			0	0.00
<b>TOTALS</b>			<b>87,078,637</b>	<b>(63,400,072)</b>	<b>23,678,565</b>	

Projected Debt Service										
YEAR	General Obligation Bonds, 2018A Bonds \$6,880,000 Dated 12-13-18				Sewer Revenues 2018	Water Revenues 2018	Total Projected Debt Service less abatements	Net Debt Service Levy	Debt Service Tax Rate @ 1.00% Growth	YEAR
	Prin (4/1)	Rate	Interest	Total						
2018	525,000	2.250%	149,299	674,299	(219,598)	(143,191)	311,511	4,309,978	1.19	2018
2019	495,000	2.350%	176,378	671,378	(216,444)	(139,385)	315,550	4,028,170	1.08	2019
2020	510,000	2.440%	164,340	674,340	(217,910)	(141,929)	314,501	3,355,380	0.88	2020
2021	525,000	2.530%	151,477	676,477	(219,119)	(144,257)	313,101	3,068,739	0.80	2021
2022	535,000	2.630%	137,800	672,800	(215,120)	(141,419)	316,262	2,781,268	0.72	2022
2023	545,000	2.730%	123,326	668,326	(215,898)	(138,471)	313,957	1,645,832	0.42	2023
2024	565,000	2.830%	107,892	672,892	(216,379)	(140,342)	316,171	1,295,158	0.33	2024
2025	580,000	2.920%	91,429	671,429	(216,563)	(141,963)	312,904	1,008,329	0.25	2025
2026	600,000	3.020%	73,901	673,901	(216,438)	(143,323)	314,140	723,528	0.18	2026
2027	615,000	3.100%	55,309	670,309	(216,006)	(139,498)	314,805	448,455	0.11	2027
2028	260,000	3.190%	41,629	301,629	(220,185)	(81,444)		130,875	0.03	2028
2029	270,000	3.260%	33,081	303,081	(218,976)	(84,105)		127,950	0.03	2029
2030	275,000	3.310%	24,129	299,129	(217,488)	(81,641)		124,875	0.03	2030
2031	285,000	3.350%	14,804	299,804	(215,744)	(84,060)		121,650	0.03	2031
2032	295,000	3.400%	5,015	300,015	(218,655)	(81,360)		0	0.00	2032
2033						0				2033
2034										2034
2035										2035
2036										2036
2037										2037
2038										2038
2039										2039
2040										2040
<b>TOTALS</b>	<b>6,880,000</b>		<b>1,349,808</b>	<b>8,229,808</b>	<b>(3,260,522)</b>	<b>(1,826,386)</b>	<b>3,142,901</b>	<b>26,821,466</b>		<b>TOTALS</b>

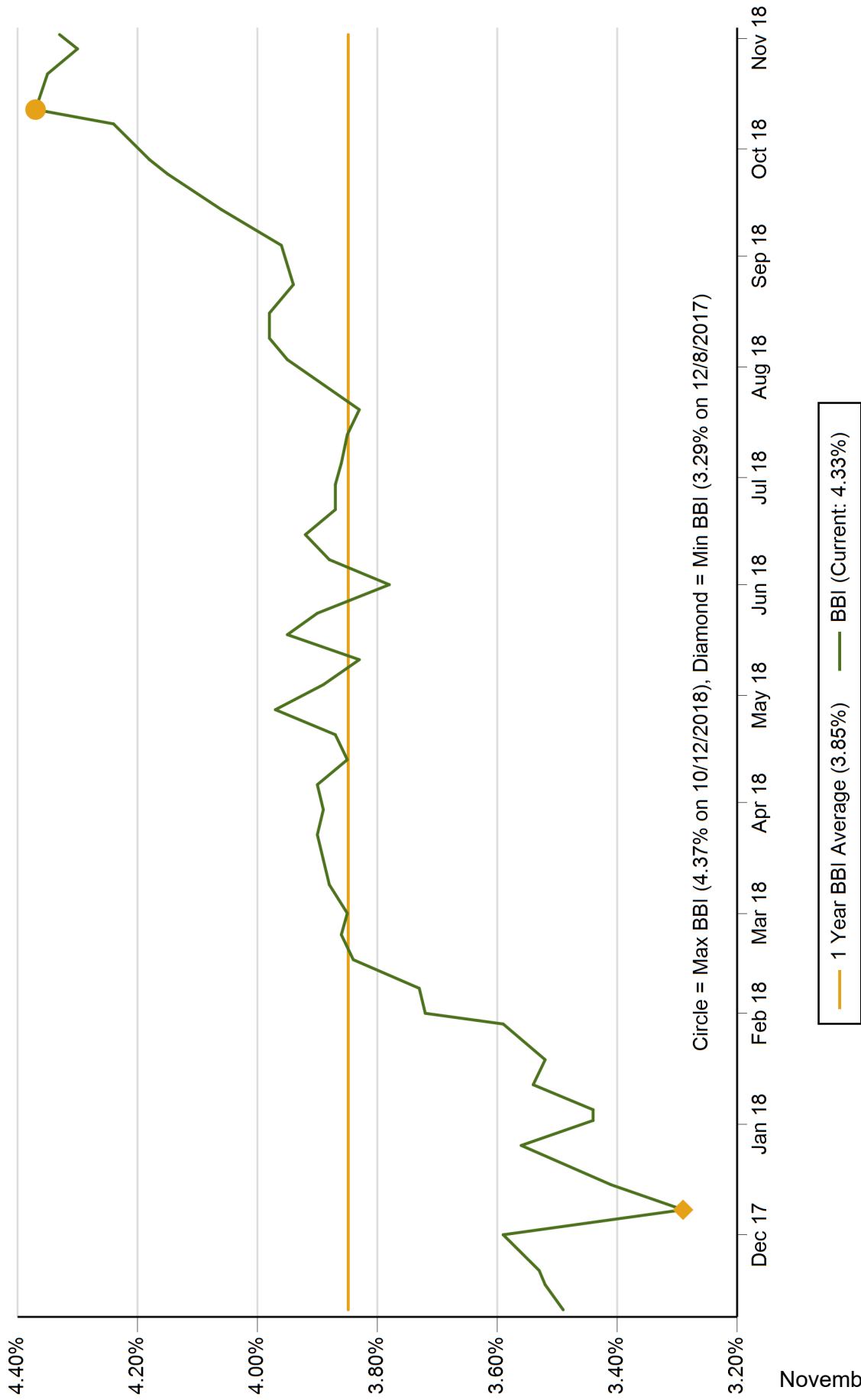
Rates based on AA scale 10/01/18 + .35

NOTES



# 1 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates November, 2017 - November, 2018



November 5, 2018  
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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.



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