

VILLAGE OF EPHRAIM

FOUNDED 1853



STREETSCAPE FINANCE AD-HOC COMMITTEE MINUTES WEDNESDAY, JULY 18, 2018 - 10:00 A.M.

Present: Dick Christianson- Chair, Paul Roppuld, Chuck Pearson
Staff: Brent Bristol- Administrator, Susan Shallow- Deputy Clerk
Guests: Jim Peterman, Jackson Parr, Dick Van De Ven, Rob Krebs

1. **Call to Order:** Meeting called to order by Chair Christianson at 10:00 am July 18, 2018.
2. **Quorum:** A quorum is present for this meeting
3. **Changes in Agenda:** None
4. **Visitors' Comments:** None
5. **Discussion and recommendation regarding streetscape financing options:** Christianson reminded that this Committee was appointed just last week, so they haven't had a lot of time to address this. The first proposal we received was from Ehlers for a Bond issue for the full \$4.85 million; the administrative costs would be \$125,000. The effective Bond rate would be at 3.35%, we are rated at AA-.

Since their original proposal Nicolet Bank has offered a new loan option. The new terms are 3.56% for the full amount 5 million with a 2 year fixed commitment, no prepayment penalty.

A representative for Associated Bank was here on Monday and they have proposed a 20 year with a 5-7 year fixed rate.

The first idea would be to get the bond immediately, the funds would not become available for 3-5 months. The second is short term financing with a loan then roll it over into a Bond issue after we have firm cost numbers, this may be the only option based on our timeline.

We have 2 options

Option 1- Assumes a line of credit at 3.56% 2 years fixed rate for temporary financing that we would roll into a bond as early as possible (assumed to be Jan of 2019). The first tentative draw would be Sept 15th for 1,500,000.00 for utility burial. The second draw would be Nov 1, \$600,000 will be needed for a winter start on stormwater work under the highway. On or about January 1, 2019 the Bond funds would become available. Additional draws will occur until fall of 2019 for the balance of construction.

The overall expenses (administrative bond costs and interest paid over the full term) equal \$1,894,885

Option 2 – Assumes a line of credit at 3.56% two year fixed rate from Nicolet Bank that we would roll into a bond in September of 2019.

Draw schedule remains the same but interest paid is changed.

The overall expenses (administrative bond costs and interest paid over the full term) equal \$2,000,768

The risks in waiting to lock are interest rates. The Fed may be bumping rates once or twice yet this year. It was noted by Christianson that for each .1 increase in the interest rates results in approximately \$60,000 in total end costs.

Pearson is nervous about interest rates due to recent activities in the global market, feels that the sooner we can lock in a rate the better off we will be. The Village needs to be rigorous about maintaining the hard number of \$4.85 million for this project as they presented the Village residents. Pearson supports option 1. If there are aspects of our want list that we need to back off on based on construction costs then that is what we should do.

Roppuld was all for flexibility at the last Board meeting however after recent events in the market that opinion has changed. Today he would say we need to be very diligent in moving cautiously but quickly to secure our finances for this project, Roppuld agrees with Pearson that we should choose option 1, and that we should live within the amount we told the Village we would need.

Question about the cost of the fees for the Bond issue. Krebs thinks that while we have construction fees at \$4.85 million we should add on the cost of obtaining the financing into the borrowing.

Based on new rates obtained this package reduces the total cost by several hundred thousand over the full term as presented by Nicolet stated Christianson.

There are 2 primary firms that handle Municipal Bond issues in Wisconsin, Baird and Ehlers, we will be meeting with a representative from Baird next week.

Bristol stated that Associated has inquired if we want them to present a proposal for the short term loan. We have compensating balances with Nicolet but not with Associated, Christianson feels we are getting the best rate from Nicolet.

This must be held under strict control noted Roppuld.

Motion per Pearson to recommend option 1 to the Board for approval, seconded by Roppuld, all ayes and motion carried.

6. Adjournment

Motion per Roppuld to adjourn this meeting of the Ephraim Streetscape Finance AD HOC Committee, seconded by Pearson, all ayes and motion carried.

Recorded by,
Susan Shallow- Deputy Clerk