

August 26, 2019

Pre-Sale Report for

Village of Elm Grove, Wisconsin

\$2,425,000 General Obligation Corporate Purpose
Bonds, Series 2019A



Prepared by:

Dawn Gunderson-Schiel, CPFO, CIPMA
Senior Municipal Advisor

Jonathan Schatz,
Financial Specialist

Executive Summary of Proposed Debt

Proposed Issue:	\$2,425,000 General Obligation Corporate Purpose Bonds, Series 2019A
Purposes:	<p>The proposed issue includes financing for the following purposes:</p> <ul style="list-style-type: none"> • To current refund the Village’s 2019 State Trust Fund Loan. Debt service will be paid from ad valorem property taxes. <p>The interest rate on the obligations proposed to be refunded is 4.5%. The State Trust Fund was undertaken as an interim financing for the HVAC system and was intended to be taken out for a longer term.</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"> • Financing park projects including the splashpad and the Watertown Plank path. Debt service will be paid from ad valorem property taxes.
Authority:	<p>The Bonds are being issued pursuant to Wisconsin Statutes, Section 67.04.</p> <p>The Bonds will be general obligations of the Village for which its full faith, credit and taxing powers are pledged.</p> <p>The Bonds count against the Village’s General Obligation Debt Capacity Limit of 5% of total Village Equalized Valuation. Following issuance of the Bonds, the Village’s total General Obligation debt principal outstanding will be \$7.9 million, which is 12.7% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$54.6 million.</p>
Term/Call Feature:	<p>The Bonds are being issued for a term of 20 years. Principal on the Bonds will be due on March 1 in the years 2020 through 2039. Interest is payable every six months beginning March 1, 2020.</p> <p>The Bonds will be subject to prepayment at the discretion of the Village on March 1, 2027 or any date thereafter.</p>
Bank Qualification:	<p>Because the Village is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the Village 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 Village’s most recent bond issues were rated by Moody’s Investors Service. The current ratings on those bonds are “Aa2”. The Village 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 Village’s bond rating in the event that the bond rating of the insurer is higher than that of the Village.</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"> • The expectation this form of financing will provide the overall lowest cost of funds while also meeting the Village’s objectives for term, structure and optional redemption. • The Village having adequate General Obligation debt capacity to undertake this financing and anticipating any potential rating impacts. • The nature of the projects being financed, which will not generate user or other fees, that could be pledged to secure a revenue obligation. • The existing General Obligation pledge securing the obligations to be refunded.
<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 Village. Any premium amount received for that portion of the Bond being issued for the purpose of refunding existing debt will be used to reduce the issue size. Any premium amount received for the remainder of the Bonds that is in excess</p>

	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. These adjustments may slightly change the true interest cost of the original bid, either up or down.
Other Considerations:	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 Village retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the Village and find that, other than the obligations proposed to be refunded by the Bonds, there are no other refunding opportunities at this time. We will continue to monitor the market and the call dates for the Village’s outstanding debt and will alert you to any future refunding opportunities.
Continuing Disclosure:	Because the Village has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the Village 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 Village is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds tax-exempt obligations, the Village 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.
Risk Factors:	Current Refunding: The Bonds are being issued to finance a current refunding of prior Village debt obligations. Those prior debt obligations are “callable” on or after March 18, 2019. The new Bonds will not be pre-payable until March 1, 2027.

	<p>This refunding is being undertaken based in part on an assumption that the Village 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>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>Bond Counsel: Quarles & Brady LLP</p> <p>Paying Agent: Bond Trust Services Corp. (if term bonds)</p> <p>Rating Agency: Moody's Investors Service, Inc.</p>

Proposed Debt Issuance Schedule

Pre-Sale Review by Board of Trustees:	August 26, 2019
Due Diligence Call to review Official Statement:	Week of September 9, 2019
Conference with Rating Agency:	Week of September 9, 2019
Distribute Official Statement:	Week of September 16, 2019
Board of Trustees Meeting to Award Sale of the Bonds:	September 23, 2019
Estimated Closing Date:	October 16, 2019
Redemption Date for State Trust Fund Loan Being Refunded:	January 6, 2020

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
	Jonathan Schatz	(262) 796-6195
Disclosure Coordinator:	Brendan Leonard	(262) 796-6169
Financial Analyst:	Mary Zywiec	(262) 796-6171

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

Village of Elm Grove

Estimated Financing Plan

	GO Bonds 2019
Projects	
Refund	
2019 STFL Principal due 1/6/20	1,000,000
Interest due 1/6/20	36,247
Parks and Public Grounds	
Splash Pad	850,000
WTPR Pathway	450,000
Total Project Funds	2,336,247
Estimated Finance Related Expenses	
Municipal Advisor	23,500
Disclosure Counsel	7,200
Bond Counsel	12,000
Rating Agency Fee	12,500
Paying Agent	850
Underwriter Discount	12.50
Total Financing Required	2,422,609
Estimated Interest	0.25%
Assumed spend down (months)	3
Rounding	3,851
Net Issue Size	2,425,000

Notes:



Village of Elm Grove

Allocation of Debt Service

Year	Refunding Portion			Parks and Public Grounds Portion			Totals			
	Principal	Est. Rate	Interest	Principal	Est. Rate	Interest	Principal	Interest	Total	Year
2019			0			0	0	0	0	2019
2020	50,000	1.34%	20,063	60,000	1.34%	25,206	110,000	45,269	155,269	2020
2021	45,000	1.36%	22,336	55,000	1.36%	28,088	100,000	50,424	150,424	2021
2022	45,000	1.38%	21,720	60,000	1.38%	27,300	105,000	49,020	154,020	2022
2023	45,000	1.42%	21,090	60,000	1.42%	26,460	105,000	47,550	152,550	2023
2024	45,000	1.50%	20,433	60,000	1.50%	25,584	105,000	46,017	151,017	2024
2025	50,000	1.59%	19,698	60,000	1.59%	24,657	110,000	44,355	154,355	2025
2026	50,000	1.73%	18,868	60,000	1.73%	23,661	110,000	42,529	152,529	2026
2027	50,000	1.86%	17,970	60,000	1.86%	22,584	110,000	40,554	150,554	2027
2028	50,000	1.96%	17,015	65,000	1.96%	21,389	115,000	38,404	153,404	2028
2029	50,000	2.03%	16,018	65,000	2.03%	20,092	115,000	36,110	151,110	2029
2030	55,000	2.25%	14,891	65,000	2.25%	18,701	120,000	33,593	153,593	2030
2031	55,000	2.35%	13,626	70,000	2.35%	17,148	125,000	30,774	155,774	2031
2032	55,000	2.45%	12,306	70,000	2.45%	15,468	125,000	27,774	152,774	2032
2033	55,000	2.55%	10,931	70,000	2.55%	13,718	125,000	24,649	149,649	2033
2034	60,000	2.60%	9,450	75,000	2.60%	11,850	135,000	21,300	156,300	2034
2035	60,000	2.65%	7,875	75,000	2.65%	9,881	135,000	17,756	152,756	2035
2036	60,000	2.70%	6,270	75,000	2.70%	7,875	135,000	14,145	149,145	2036
2037	65,000	2.75%	4,566	80,000	2.75%	5,763	145,000	10,329	155,329	2037
2038	65,000	2.80%	2,763	80,000	2.80%	3,543	145,000	6,305	151,305	2038
2039	65,000	2.85%	926	85,000	2.85%	1,211	150,000	2,138	152,138	2039
2040			0			0	0	0	0	2040
Total	1,075,000		278,813	1,350,000		350,177	2,425,000	628,990	3,053,990	Total

Notes:



Village of Elm Grove

Tax Impact Analysis

Year	Existing Debt					Proposed Debt Issues			Levy and Tax Rate					
	Total Existing Debt Payments	Less: Stormwater	Less: TID #3	Less: Refunding	Net Tax Levy	Equalized Value (TID OUT)	Tax Rate	Dated Date: Principal (3/1)	GO Bonds 2,425,000 Est. Rate ¹	Interest	Total Net Debt Service Levy	Total Tax Rate for debt service	Levy Change from prior year	Year
2019	963,191	(590,273)	(372,918)	0	0	1,214,228,700	\$0.00				0	\$0.00		2019
2020	1,125,869	(610,073)	(386,518)	(126,360)	2,918	1,220,299,844	\$0.00	110,000	1.34%	45,269	158,187	\$0.13	158,187	2020
2021	1,163,269	(639,273)	(394,718)	(126,360)	2,918	1,226,401,343	\$0.00	100,000	1.36%	50,424	153,342	\$0.13	(4,845)	2021
2022	1,174,571	(647,673)	(397,618)	(126,360)	2,920	1,238,665,356	\$0.00	105,000	1.38%	49,020	156,940	\$0.13	3,598	2022
2023	1,181,145	(654,923)	(399,862)	(126,360)	(0)	1,251,052,010	\$0.00	105,000	1.42%	47,550	152,550	\$0.12	(4,390)	2023
2024	1,004,752	(486,593)	(391,800)	(126,360)	(0)	1,263,562,530	\$0.00	105,000	1.50%	46,017	151,017	\$0.12	(1,533)	2024
2025	1,031,272	(516,363)	(388,550)	(126,360)	0	1,276,198,155	\$0.00	110,000	1.59%	44,355	154,355	\$0.12	3,338	2025
2026	126,360			(126,360)	0	1,288,960,137		110,000	1.73%	42,529	152,529	\$0.12	(1,826)	2026
2027	126,360			(126,360)	0	1,301,849,738		110,000	1.86%	40,554	150,554	\$0.12	(1,975)	2027
2028	126,360			(126,360)	0	1,314,868,235		115,000	1.96%	38,404	153,404	\$0.12	2,850	2028
2029	126,360			(126,360)	0	1,328,016,918		115,000	2.03%	36,110	151,110	\$0.11	(2,294)	2029
2030	0			0	0	1,341,297,087		120,000	2.25%	33,593	153,593	\$0.11	2,483	2030
2031						1,354,710,058		125,000	2.35%	30,774	155,774	\$0.11	2,181	2031
2032						1,368,257,158		125,000	2.45%	27,774	152,774	\$0.11	(3,000)	2032
2033						1,381,939,730		125,000	2.55%	24,649	149,649	\$0.11	(3,125)	2033
2034						1,395,759,127		135,000	2.60%	21,300	156,300	\$0.11	6,651	2034
2035						1,409,716,719		135,000	2.65%	17,756	152,756	\$0.11	(3,544)	2035
2036						1,423,813,886		135,000	2.70%	14,145	149,145	\$0.10	(3,611)	2036
2037						1,438,052,025		145,000	2.75%	10,329	155,329	\$0.11	6,184	2037
2038						1,452,432,545		145,000	2.80%	6,305	151,305	\$0.10	(4,024)	2038
2039						1,466,956,870		150,000	2.85%	2,138	152,138	\$0.10	833	2039
Total	8,149,507	(4,145,171)	(2,731,984)	(1,263,596)	8,756			2,425,000		628,990				Total

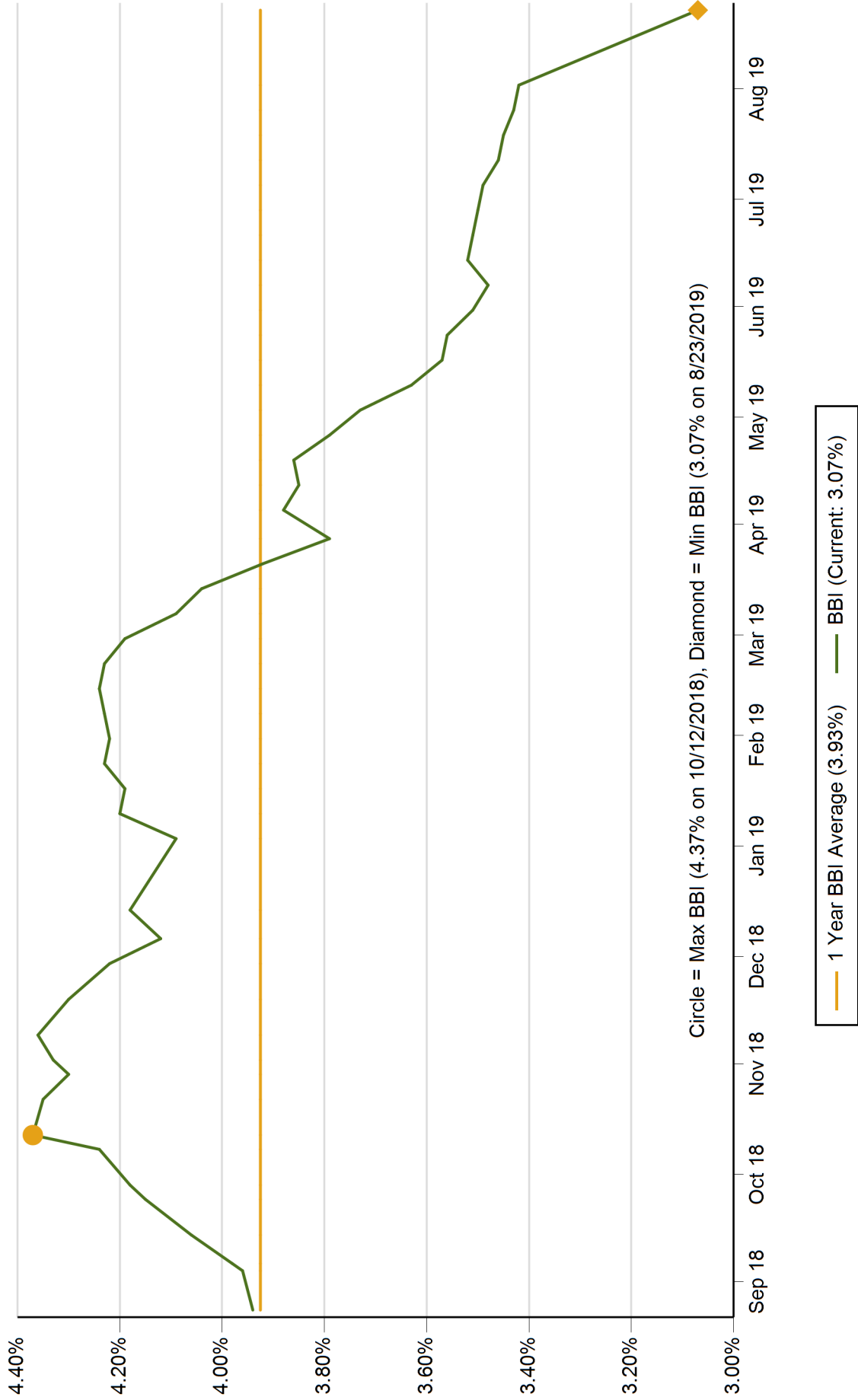
Notes:

¹ Estimated rates based upon a AA (Insured) sale of 8/13/19 + 25 basis points



1 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates August, 2018 - August, 2019



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.

