

June 17, 2019

Pre-Sale Report for

Village of Cottage Grove, Wisconsin

\$785,000 General Obligation Promissory Notes,
Series 2019A



VILLAGE OF
COTTAGE GROVE, WI

Prepared by:

Greg Johnson
Senior Municipal Advisor/Vice President

Jonathan Schatz
Financial Specialist

Executive Summary of Proposed Debt

Proposed Issue:	\$785,000 General Obligation Promissory Notes, Series 2019A
Purposes:	The proposed issue includes financing for the following purposes: road improvements, bike route upgrades, and ADA upgrades. Debt service will be paid from ad valorem property taxes.
Authority:	<p>The Notes are being issued pursuant to Wisconsin Statute(s):</p> <ul style="list-style-type: none"> 67.12(12) <p>The Notes will be general obligations of the Village for which its full faith, credit and taxing powers are pledged. The Notes count against the Village's General Obligation Debt Capacity Limit of 5% of total Village Equalized Valuation. By the end of 2019, the Village's total General Obligation debt principal outstanding will be approximately \$19.4 million, which is projected to be about 50% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$19.1 million.</p>
Term/Call Feature:	The Notes are being issued for a term of 10 years. Principal on the Notes will be due on April 1 in the years 2020 through 2029. Interest is payable every six months beginning April 1, 2020. The Notes will be subject to prepayment at the discretion of the Village on any date.
Bank Qualification:	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 Notes as "bank qualified" obligations. Bank qualified status broadens the market for the Notes, which can result in lower interest rates.
Rating:	We recommend selling this issue non-rated as the cost of the rating would not be expected to be offset by the potential lower interest rates resulting from obtaining a rating. For a larger bond issue, or a longer-term bond issue, a rating might broaden the market for the Notes and result in an overall reduction in interest costs.
Basis for Recommendation:	<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 Notes 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.

	<ul style="list-style-type: none"> • The Village having adequate General Obligation debt capacity to undertake this financing. • The nature of the projects being financed, which will not generate user or other fees that could be pledged to secure a revenue obligation. • Based on the Village's Financial Management Plan, a 10-year promissory note with level principal and interest payments will accomplish the financial objectives of the Village.
Method of Sale/Placement:	We will solicit competitive bids for the purchase of the Notes from banks identified by the Village. 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 bank with all or a portion of their compensation in the transaction.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the Village and find that there are no 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 amount of the Bank Notes to be issued is less than \$1,000,000, this issue will be exempt from the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC).
Arbitrage Monitoring:	Because the Notes 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.
Investment of and Accounting for Proceeds:	Ehlers Investment Partners, a subsidiary of Ehlers and registered investment advisor, will discuss an appropriate investment strategy with the Village.
Other Service Providers:	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

	<p>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>
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Proposed Debt Issuance Schedule

Pre-Sale Review by Village Board:	June 17, 2019
Distribute Offering Document:	Week of July 8, 2019
Village Board Meeting to Award Sale of the Notes:	July 15, 2019
Estimated Closing Date:	July 22, 2019

Attachments

- Summary of Existing Debt Outstanding
- Estimated Sources and Uses of Funds
- Tax Impact Analysis
- G.O. Debt Capacity
- TID Out projections
- Assessed value projections

Ehlers Contacts

Municipal Advisors:	Greg Johnson	(262) 796-6168
	Jonathan Schatz	(262) 796-6195
Disclosure Coordinator:	Sue Porter	(262) 796-6167
Financial Analyst:	Kathy Myers	(262) 796-6177

Village of Cottage Grove

Existing G.O. Debt Base Case

Year	Existing Debt												Year
	Total Debt Payments	Other expenses	Less: TID #5	Less: TID #7	Less: Water	Less: Sewer	Less: investment income	Net Tax Levy	Equalized Value (TID OUT)	Equalized Tax Rate	Assessed Value (TID OUT)	Assessed Tax Rate	
2019	2,236,255	1,000	(1,152,283)	(198,458)	(100,155)	(252,972)	(3,000)	530,387	663,178,200	\$0.80	592,922,609	\$0.89	2019
2020	2,259,018	1,000	(1,160,744)	(190,255)	(99,248)	(287,922)	(3,000)	518,850	686,389,437	\$0.76	603,379,059	\$0.86	2020
2021	2,283,569	1,000	(1,192,489)	(191,872)	(97,478)	(284,930)	(3,000)	514,800	710,413,067	\$0.72	710,413,067	\$0.72	2021
2022	3,244,139	1,000	(2,158,321)	(191,462)	(96,007)	(277,099)	(3,000)	519,249	735,277,525	\$0.71	724,248,362	\$0.72	2022
2023	2,339,757	1,000	(1,119,219)	(368,350)	(74,950)	(263,064)	(3,000)	512,175	761,012,238	\$0.67	738,181,871	\$0.69	2023
2024	2,299,338	1,000	(1,100,244)	(358,150)	(73,238)	(260,119)	(3,000)	505,588	820,486,866	\$0.62	783,564,957	\$0.65	2024
2025	2,317,883	1,000	(1,041,084)	(441,525)	(66,675)	(262,173)	(3,000)	504,425	836,896,604	\$0.60	786,682,807	\$0.64	2025
2026	1,855,514	1,000	(1,080,600)		(35,550)	(263,989)	(3,000)	473,375	853,634,536	\$0.55	789,611,946	\$0.60	2026
2027	846,017	1,000	(76,125)		(34,800)	(260,655)	(3,000)	472,438	920,748,826	\$0.51	837,881,432	\$0.56	2027
2028	768,894	1,000			(34,050)	(262,244)	(3,000)	470,600	939,163,803	\$0.50	840,551,604	\$0.56	2028
2029	667,206	1,000			(33,300)	(164,056)	(3,000)	467,850	957,947,079	\$0.49	957,947,079	\$0.49	2029
2030	531,606	1,000			(32,550)	(165,231)	(3,000)	331,825	977,106,021	\$0.34	962,449,430	\$0.34	2030
2031	512,881	1,000			(31,800)	(161,331)	(3,000)	317,750	996,648,141	\$0.32	966,748,697	\$0.33	2031
2032	257,541	1,000			(30,988)	(152,353)	(3,000)	72,200	1,016,581,104	\$0.07	970,834,954	\$0.07	2032
2033	255,422	1,000			(35,025)	(143,384)	(3,000)	75,013	1,036,912,726	\$0.07	974,697,962	\$0.08	2033
2034	257,866	1,000			(33,938)	(144,366)	(3,000)	77,563	1,057,650,980	\$0.07	978,327,157	\$0.08	2034
2035	259,731	1,000			(32,813)	(145,075)	(3,000)	79,844	1,078,804,000	\$0.07	981,711,640	\$0.08	2035
2036	251,369	1,000			(31,688)	(145,556)	(3,000)	72,125	1,100,380,080	\$0.07	984,840,172	\$0.07	2036
2037	247,866	1,000			(30,563)	(140,897)	(3,000)	74,406	1,122,387,682	\$0.07	1,122,387,682	\$0.07	2037
2038	106,772	1,000			(106,772)	(1,000)	(1,000)	0	1,144,835,435	\$0.00	1,127,662,904	\$0.00	2038
2039													2039
Total	23,798,643	20,000	#####	(1,940,072)	(1,004,813)	(4,144,189)	(58,000)	6,590,461					Total

Notes:
2019 levy was \$530,087 per budget

Village of Cottage Grove

Estimated Financing Plan

G.O. Notes
7/22/2019

Projects		
Cottage Grove Road Pavement Work		614,947
Bike Route Upgrade		89,914
ADA Upgrades		63,733
Total Project Funds		<u>768,594</u>
Estimated Finance Related Expenses		
Municipal Advisor		7,500
Bond Counsel		7,500
Rating Agency Fee		0
Paying Agent		0
Underwriter Discount	5.00	3,925
Total Financing Required		787,519
Estimated Interest	1.50%	(2,882)
Assumed spend down (months)	3	
Rounding		363
Net Issue Size		785,000

Notes:

Village of Cottage Grove, Wisconsin

Tax Impact Analysis

Year	Existing Debt								Proposed Debt Issues				Levy and Tax Rate				Year
	Total Debt Payments	Other expenses	Less: Non-Levy Revenues	Equalized Net Tax Levy	Equalized Value (TID OUT)	Equalized Tax Rate	Assessed Value (TID OUT)	Assessed Tax Rate	G.O. Promissory Notes, Series 2019A \$785,000				Total Net Debt Service Levy	Levy Change from prior year	Equalized Tax Rate for debt service	Assessed tax rate for debt service	
									Dated Date: Principal (4/1)	Est. Rate	Interest	Total					
2019	2,236,255	1,000	(1,706,868)	530,387	663,178,200	\$0.80	592,922,609	\$0.89					530,387		\$0.80	\$0.89	2019
2020	2,259,018	1,000	(1,741,168)	518,850	686,389,437	\$0.76	603,379,059	\$0.86	64,000	3.10%	28,007	92,007	610,857	80,470	\$0.89	\$1.01	2020
2021	2,283,569	1,000	(1,769,769)	514,800	710,413,067	\$0.72	710,413,067	\$0.72	71,000	3.10%	21,251	92,251	607,050	(3,807)	\$0.85	\$0.85	2021
2022	3,244,139	1,000	(2,725,890)	519,249	735,277,525	\$0.71	724,248,362	\$0.72	73,000	3.10%	19,019	92,019	611,267	4,217	\$0.83	\$0.84	2022
2023	2,339,757	1,000	(1,828,582)	512,175	761,012,238	\$0.67	738,181,871	\$0.69	75,000	3.10%	16,725	91,725	603,900	(7,368)	\$0.79	\$0.82	2023
2024	2,299,338	1,000	(1,794,750)	505,588	820,486,866	\$0.62	783,564,957	\$0.65	77,000	3.10%	14,369	91,369	596,956	(6,943)	\$0.73	\$0.76	2024
2025	2,317,883	1,000	(1,814,458)	504,425	836,896,604	\$0.60	786,682,807	\$0.64	80,000	3.10%	11,935	91,935	596,360	(596)	\$0.71	\$0.76	2025
2026	1,855,514	1,000	(1,383,139)	473,375	853,634,536	\$0.55	789,611,946	\$0.60	82,000	3.10%	9,424	91,424	564,799	(31,561)	\$0.66	\$0.72	2026
2027	846,017	1,000	(374,580)	472,438	920,748,826	\$0.51	837,881,432	\$0.56	85,000	3.10%	6,836	91,836	564,273	(526)	\$0.61	\$0.67	2027
2028	768,894	1,000	(299,294)	470,600	939,163,803	\$0.50	840,551,604	\$0.56	88,000	3.10%	4,154	92,154	562,754	(1,519)	\$0.60	\$0.67	2028
2029	667,206	1,000	(200,356)	467,850	957,947,079	\$0.49	957,947,079	\$0.49	90,000	3.10%	1,395	91,395	559,245	(3,509)	\$0.58	\$0.58	2029
2030	531,606	1,000	(200,781)	331,825	977,106,021	\$0.34	962,449,430	\$0.34					331,825	(227,420)	\$0.34	\$0.34	2030
2031	512,881	1,000	(196,131)	317,750	996,648,141	\$0.32	966,748,697	\$0.33					317,750	(14,075)	\$0.32	\$0.33	2031
2032	257,541	1,000	(186,341)	72,200	1,016,581,104	\$0.07	970,834,954	\$0.07					72,200	(245,550)	\$0.07	\$0.07	2032
2033	255,422	1,000	(181,409)	75,013	1,036,912,726	\$0.07	974,697,962	\$0.08					75,013	2,813	\$0.07	\$0.08	2033
2034	257,866	1,000	(181,303)	77,563	1,057,650,980	\$0.07	978,327,157	\$0.08					77,563	2,550	\$0.07	\$0.08	2034
2035	259,731	1,000	(180,888)	79,844	1,078,804,000	\$0.07	981,711,640	\$0.08					79,844	2,281	\$0.07	\$0.08	2035
2036	251,369	1,000	(180,244)	72,125	1,100,380,080	\$0.07	984,840,172	\$0.07					72,125	(7,719)	\$0.07	\$0.07	2036
2037	247,866	1,000	(174,459)	74,406	1,122,387,682	\$0.07	1,122,387,682	\$0.07					74,406	2,281	\$0.07	\$0.07	2037
2038	106,772	1,000	(107,772)	0	1,144,835,435	\$0.00	1,127,662,904	\$0.00					0	(74,406)	\$0.00	\$0.00	2038
Total	23,798,643	20,000	(17,228,182)	6,590,461					785,000		133,113	918,113					Total

Notes:

Village of Cottage Grove, Wisconsin

G.O. Debt Capacity Projection

Year Ending	Existing & Proposed Debt								Year Ending
	Projected Equalized Value (TID IN)	Debt Limit	Existing Principal Outstanding	% of Limit	Proposed G.O. Notes	Combined Principal existing & proposed	% of Limit	Residual Capacity	
2018	746,059,000	37,302,950	20,381,961	55%		\$20,381,961	55%	\$16,920,989	2018
2019	772,171,065	38,608,553	18,692,973	48%	785,000	\$19,477,973	50%	\$19,130,580	2019
2020	799,197,052	39,959,853	16,919,366	42%	721,000	\$17,640,366	44%	\$22,319,487	2020
2021	827,168,949	41,358,447	15,078,528	36%	650,000	\$15,728,528	38%	\$25,629,920	2021
2022	856,119,862	42,805,993	12,215,400	29%	577,000	\$12,792,400	30%	\$30,013,593	2022
2023	886,084,058	44,304,203	10,189,921	23%	502,000	\$10,691,921	24%	\$33,612,282	2023
2024	917,097,000	45,854,850	8,152,027	18%	425,000	\$8,577,027	19%	\$37,277,823	2024
2025	949,195,395	47,459,770	6,041,656	13%	345,000	\$6,386,656	13%	\$41,073,114	2025
2026	982,417,233	49,120,862	4,343,739	9%	263,000	\$4,606,739	9%	\$44,514,122	2026
2027	1,016,801,836	50,840,092	3,623,211	7%	178,000	\$3,801,211	7%	\$47,038,881	2027
2028	1,052,389,901	52,619,495	2,960,000	6%	90,000	\$3,050,000	6%	\$49,569,495	2028
2029	1,089,223,547	54,461,177	2,380,000	4%	0	\$2,380,000	4%	\$52,081,177	2029
2030	1,127,346,371	56,367,319	1,920,000	3%		\$1,920,000	3%	\$54,447,319	2030
2031	1,166,803,494	58,340,175	1,465,000	3%		\$1,465,000	3%	\$56,875,175	2031
2032	1,207,641,617	60,382,081	1,255,000	2%		\$1,255,000	2%	\$59,127,081	2032
2033	1,249,909,073	62,495,454	1,040,000	2%		\$1,040,000	2%	\$61,455,454	2033
2034	1,293,655,891	64,682,795	815,000	1%		\$815,000	1%	\$63,867,795	2034
2035	1,338,933,847	66,946,692	580,000	1%		\$580,000	1%	\$66,366,692	2035
2036	1,385,796,532	69,289,827	345,000	0%		\$345,000	0%	\$68,944,827	2036
2037	1,434,299,410	71,714,971	105,000	0%		\$105,000	0%	\$71,609,971	2037
2038	1,484,499,890	74,224,994	0	0%		\$0	0%	\$74,224,994	2038

Notes:

- EV projected at 3.5% growth

Cottage Grove TID OUT EV Projection				
	As of 1/1	Equalized Value (TID Out)	Percentage Change	Projected TID Closures
	2014	553,062,500	2.80%	
	2015	576,123,500	4.17%	
	2016	611,528,200	6.15%	
	2017	636,892,600	4.15%	
	2018	663,178,200	4.13%	
Projection	2019	686,389,437	3.50%	
	2020	710,413,067	3.50%	
	2021	735,277,525	3.50%	
	2022	761,012,238	3.50%	
	2023	820,486,866	7.82%	32,839,200 TID #7
	2024	836,896,604	2.00%	
	2025	853,634,536	2.00%	
	2026	920,748,826	7.86%	50,041,600 TID #5 and TID #6
	2027	939,163,803	2.00%	
	2028	957,947,079	2.00%	
	2029	977,106,021	2.00%	
	2030	996,648,141	2.00%	
	2031	1,016,581,104	2.00%	
	2032	1,036,912,726	2.00%	
	2033	1,057,650,980	2.00%	
	2034	1,078,804,000	2.00%	
	2035	1,100,380,080	2.00%	
	2036	1,122,387,682	2.00%	
	2037	1,144,835,435	2.00%	
	2038	1,167,732,144	2.00%	
	2039	1,191,086,787	2.00%	
	2040	1,214,908,523	2.00%	
	2041	1,239,206,693	2.00%	
	2042	1,263,990,827	2.00%	

Cottage Grove TID OUT ASSESSED Value Projections							
	As of 1/1	Equalized Value (TID Out)	Assessment Ratio	Change in	TID Out	% Change	
				Assessment Ratio	Assessed Value	in TID OUT Assessed	Projected TID Closures
Actual	2013	537,976,400	1.0367704750		557,758,048		
	2014	553,062,500	1.017748888	(0.019)	562,878,744	0.92%	
	2015	576,123,500	0.987390243	(0.030)	568,858,723	1.06%	
	2016	611,528,200	0.959869877	(0.028)	586,987,498	3.19%	
	2017	636,892,600	0.92074309	(0.039)	586,414,460	-0.10%	
	2018	663,178,200	0.894062273	(0.027)	592,922,609	1.11%	
Projection	2019	686,389,437	0.879062273	(0.015)	603,379,059	1.76%	
	2020	710,413,067	1.000000000	0.121	710,413,067	17.74%	
	2021	735,277,525	0.985000000	(0.015)	724,248,362	1.95%	
	2022	761,012,238	0.970000000	(0.015)	738,181,871	1.92%	
	2023	820,486,866	0.955000000	(0.015)	783,564,957	6.15%	TID #7
	2024	836,896,604	0.940000000	(0.015)	786,682,807	0.40%	
	2025	853,634,536	0.925000000	(0.015)	789,611,946	0.37%	
	2026	920,748,826	0.910000000	(0.015)	837,881,432	6.11%	TID #5 and TID #6
	2027	939,163,803	0.895000000	(0.015)	840,551,604	0.32%	
	2028	957,947,079	1.000000000	0.105	957,947,079	13.97%	
	2029	977,106,021	0.985000000	(0.015)	962,449,430	0.47%	
	2030	996,648,141	0.970000000	(0.015)	966,748,697	0.45%	
	2031	1,016,581,104	0.955000000	(0.015)	970,834,954	0.42%	
	2032	1,036,912,726	0.940000000	(0.015)	974,697,962	0.40%	
	2033	1,057,650,980	0.925000000	(0.015)	978,327,157	0.37%	
	2034	1,078,804,000	0.910000000	(0.015)	981,711,640	0.35%	
	2035	1,100,380,080	0.895000000	(0.015)	984,840,172	0.32%	
	2036	1,122,387,682	1.000000000	0.105	1,122,387,682	13.97%	
	2037	1,144,835,435	0.985000000	(0.015)	1,127,662,904	0.47%	
	2038	1,167,732,144	0.970000000	(0.015)	1,132,700,180	0.45%	
	2039	1,191,086,787	0.955000000	(0.015)	1,137,487,881	0.42%	
	2040	1,214,908,523	0.940000000	(0.015)	1,142,014,011	0.40%	
	2041	1,239,206,693	0.925000000	(0.015)	1,146,266,191	0.37%	
	2042	1,263,990,827	0.910000000	(0.015)	1,150,231,653	0.35%	