

May 4, 2020

## Pre-Sale Report for

## Village of Cottage Grove, Wisconsin

\$1,850,000 General Obligation Park and Public Grounds  
Bonds, Series 2020A



## VILLAGE OF **COTTAGE GROVE, WI**

**Prepared by:**

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## Executive Summary of Proposed Debt

Proposed Issue:	\$1,850,000 General Obligation Park and Public Grounds Bonds, Series 2020A
Purposes:	The proposed issue includes financing for the purpose of financing splash pad with site furnishings and path improvements. Debt service will be paid from ad valorem property taxes.
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 Village for which its full faith, credit and taxing powers are pledged. The Bonds count against the Village’s General Obligation Debt Capacity Limit of 5% of total Village Equalized Valuation. At the end of 2020, the Village’s total General Obligation debt principal outstanding will be approximately \$19.4 million, which is 47% of its estimated debt limit. Remaining General Obligation Borrowing Capacity will be approximately \$21 million.</p>
Term/Call Feature:	The Bonds are being issued for a term of 20 years. Principal on the Bonds will be due on April 1 in the years 2021 through 2040. Interest is payable every six months beginning April 1, 2021. The Bonds will be subject to prepayment at the discretion of the Village on April 1, 2027 or any date thereafter.
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 Bonds as “bank qualified” obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
Rating:	The Village’s most recent bond issues were rated by Standard & Poor’s. The current ratings on those bonds are “AA”. The Village will request a new rating for the Bonds. 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.
Basis for Recommendation:	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:

	<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 Village’s objectives for term, structure and optional redemption.</li> <li>• The Village having adequate General Obligation debt capacity to undertake this financing.</li> <li>• The nature of the projects being financed will not generate user or other fees in amounts sufficient that could be pledged to secure a revenue obligation.</li> <li>• The Village’s current Financial Management Plan 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 Village.</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 Village’s objectives for this financing.</p>

<p>Other Considerations:</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 Village retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds.</p>
<p>Review of Existing Debt:</p>	<p>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.</p>
<p>Continuing Disclosure:</p>	<p>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.</p>
<p>Arbitrage Monitoring:</p>	<p>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 defined 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 contract with Ehlers to assist you.</p>
<p>Investment of Bond Proceeds:</p>	<p>To maximize interest earnings, we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers is a registered investment advisor and can assist the Village in developing an appropriate investment strategy if needed.</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</p>

	<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, 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/Disclosure Counsel:</b> Quarles &amp; Brady LLP</p> <p><b>Paying Agent:</b> Bond Trust Services Corporation</p> <p><b>Rating Agency:</b> Standard &amp; Poor's Global Ratings (S&amp;P)</p>
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### Proposed Debt Issuance Schedule

Pre-Sale Review by Village Board:	May 4, 2020
Due Diligence Call to review Official Statement:	Week of May 18, 2020
Conference with Rating Agency:	Week of May 18, 2020
Distribute Official Statement:	May 22, 2020
Village Board Meeting to Award Sale of the Bonds:	June 1, 2020
Estimated Closing Date:	June 18, 2020

### Attachments

- Summary of existing General Obligation Debt
- Estimated Sources and Uses of Funds
- Estimated Tax Impact Analysis
- G.O. Debt Capacity Analysis

### Ehlers Contacts

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# 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)	(100,455)	(252,972)	(3,000)	530,087	663,178,200	\$0.80	592,922,804	\$0.89	2019
2020	2,348,224	1,800	(1,160,744)	(190,255)	(99,248)	(287,922)	(3,000)	608,856	698,056,700	\$0.87	599,323,537	\$1.02	2020
2021	2,373,695	1,000	(1,192,489)	(191,872)	(97,478)	(284,930)	(3,000)	604,925	722,488,685	\$0.84	722,488,685	\$0.84	2021
2022	3,334,255	1,000	(2,158,321)	(191,462)	(96,007)	(277,099)	(3,000)	609,366	747,775,788	\$0.81	729,081,394	\$0.84	2022
2023	2,429,809	1,000	(1,119,219)	(368,350)	(74,950)	(263,064)	(3,000)	602,227	773,947,941	\$0.78	735,250,544	\$0.82	2023
2024	2,389,269	1,000	(1,100,244)	(358,150)	(73,238)	(260,119)	(3,000)	595,519	833,956,319	\$0.71	771,409,595	\$0.77	2024
2025	2,408,624	1,000	(1,041,084)	(441,525)	(66,675)	(262,173)	(3,000)	595,167	850,635,445	\$0.70	765,571,901	\$0.78	2025
2026	1,945,996	1,000	(1,080,600)		(35,550)	(263,989)	(3,000)	563,857	867,648,154	\$0.65	759,192,135	\$0.74	2026
2027	937,169	1,000	(76,125)		(34,800)	(260,655)	(3,000)	563,589	952,514,417	\$0.59	809,637,255	\$0.70	2027
2028	860,632	1,000			(34,050)	(262,244)	(3,000)	562,339	971,564,706	\$0.58	801,540,882	\$0.70	2028
2029	758,462	1,000			(33,300)	(164,056)	(3,000)	559,106	990,996,000	\$0.56	990,996,000	\$0.56	2029
2030	531,606	1,000			(32,550)	(165,231)	(3,000)	331,825	1,010,815,920	\$0.33	985,545,522	\$0.34	2030
2031	512,881	1,000			(31,800)	(161,331)	(3,000)	317,750	1,031,032,238	\$0.31	979,480,626	\$0.32	2031
2032	257,541	1,000			(30,988)	(152,353)	(3,000)	72,200	1,051,652,883	\$0.07	972,778,917	\$0.07	2032
2033	255,422	1,000			(35,025)	(143,384)	(3,000)	75,013	1,072,685,941	\$0.07	965,417,347	\$0.08	2033
2034	257,866	1,000			(33,938)	(144,366)	(3,000)	77,563	1,094,139,659	\$0.07	957,372,202	\$0.08	2034
2035	259,731	1,000			(32,813)	(145,075)	(3,000)	79,844	1,116,022,453	\$0.07	948,619,085	\$0.08	2035
2036	251,369	1,000			(31,688)	(145,556)	(3,000)	72,125	1,138,342,902	\$0.06	939,132,894	\$0.08	2036
2037	247,866	1,000			(30,563)	(140,897)	(3,000)	74,406	1,161,109,760	\$0.06	1,161,109,760	\$0.06	2037
2038	106,772	1,000				(106,772)	(1,000)	0	1,184,331,955	\$0.00	1,154,723,656	\$0.00	2038
2039													2039
Total	24,703,445	20,800	(10,081,109)	(1,940,072)	(1,005,113)	(4,144,189)	(58,000)	7,495,762					Total

Notes:

1. TID #7 closure projected to impact 2024 budget
2. TID #5 and TID #6 closure projected to impact 2027 budget.

# Village of Cottage Grove

## Financing Plan

**G.O. Bonds  
6/18/2020**

Projects		
Vilas Creek Crossing Path		197,000
Splsh Pad and Site Furnishings		1,573,135
Total Project Funds		<u>1,770,135</u>
Estimated Finance Related Expenses		
Municipal Advisor		20,200
Bond Counsel		11,000
Disclsoure Counsel		7,500
Rating Agency Fee		16,500
Paying Agent		850
Underwriter Discount	<b>12.50</b>	23,125
Total Financing Required		1,849,310
Estimated Interest	<b>0.15%</b>	(664)
Assumed spend down (months)	3	
Rounding		1,354
Net Issue Size		<b>1,850,000</b>

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	Net Tax Levy	Equalized Value (TID OUT)	Equalized Tax Rate	Assessed Value (TID OUT)	Assessed Tax Rate	G.O. Park & Public Grounds Bonds, Series 2020 \$1,850,000 Dated Date: 06/18/20				Total Net Debt Service Levy	Levy Change from prior year	Equalized Tax Rate for debt service	Assessed tax rate for debt service	Annual Taxes \$250,000 Home (equalized)		Change from prior year taxes
2019	2,236,255	1,000	(1,707,168)	530,087	663,178,200	\$0.80	592,922,804	\$0.89					530,087		\$0.80	\$0.89	\$200		2019
2020	2,348,224	1,800	(1,741,168)	608,856	698,056,700	\$0.87	599,323,537	\$1.02					608,856	78,770	\$0.87	\$1.02	\$218	\$18	2020
2021	2,373,695	1,800	(1,769,769)	605,725	722,488,685	\$0.84	722,488,685	\$0.84	70,000	1.45%	48,588	118,588	724,313	115,457	\$1.00	\$1.00	\$251	\$33	2021
2022	3,334,255	1,800	(2,725,890)	610,166	747,775,788	\$0.82	729,081,394	\$0.84	75,000	1.50%	36,596	111,596	721,762	(2,552)	\$0.97	\$0.99	\$241	(\$9)	2022
2023	2,429,809	1,800	(1,828,582)	603,027	773,947,941	\$0.78	735,250,544	\$0.82	80,000	1.55%	35,414	115,414	718,441	(3,321)	\$0.93	\$0.98	\$232	(\$9)	2023
2024	2,389,269	1,800	(1,794,750)	596,319	833,956,319	\$0.72	771,409,595	\$0.77	80,000	1.57%	34,166	114,166	710,485	(7,956)	\$0.85	\$0.92	\$213	(\$19)	2024
2025	2,408,624	1,800	(1,814,458)	595,967	850,635,445	\$0.70	765,571,901	\$0.78	80,000	1.60%	32,898	112,898	708,864	(1,621)	\$0.83	\$0.93	\$208	(\$5)	2025
2026	1,945,996	1,800	(1,383,139)	564,657	867,648,154	\$0.65	759,192,135	\$0.74	85,000	1.65%	31,556	116,556	681,213	(27,651)	\$0.79	\$0.90	\$196	(\$12)	2026
2027	937,169	1,800	(374,580)	564,389	952,514,417	\$0.59	809,637,255	\$0.70	85,000	1.70%	30,133	115,133	679,522	(1,691)	\$0.71	\$0.84	\$178	(\$18)	2027
2028	860,632	1,800	(299,294)	563,139	971,564,706	\$0.58	801,540,882	\$0.70	85,000	1.75%	28,666	113,666	676,805	(2,717)	\$0.70	\$0.84	\$174	(\$4)	2028
2029	758,462	1,800	(200,356)	559,906	990,996,000	\$0.56	990,996,000	\$0.56	90,000	1.80%	27,113	117,113	677,018	213	\$0.68	\$0.68	\$171	(\$3)	2029
2030	531,606	1,800	(200,781)	332,625	1,010,815,920	\$0.33	985,545,522	\$0.34	90,000	1.85%	25,470	115,470	448,095	(228,923)	\$0.44	\$0.45	\$111	(\$60)	2030
2031	512,881	1,800	(196,131)	318,550	1,031,032,238	\$0.31	979,480,626	\$0.33	90,000	2.00%	23,738	113,738	432,288	(15,808)	\$0.42	\$0.44	\$105	(\$6)	2031
2032	257,541	1,800	(186,341)	73,000	1,051,652,883	\$0.07	972,778,917	\$0.08	95,000	2.15%	21,816	116,816	189,816	(242,471)	\$0.18	\$0.20	\$45	(\$60)	2032
2033	255,422	1,800	(181,409)	75,813	1,072,685,941	\$0.07	965,417,347	\$0.08	95,000	2.20%	19,750	114,750	190,563	746	\$0.18	\$0.20	\$44	(\$1)	2033
2034	257,866	1,800	(181,303)	78,363	1,094,139,659	\$0.07	957,372,202	\$0.08	95,000	2.25%	17,636	112,636	190,999	436	\$0.17	\$0.20	\$44	(\$1)	2034
2035	259,731	1,800	(180,888)	80,644	1,116,022,453	\$0.07	948,619,085	\$0.09	100,000	2.40%	15,368	115,368	196,011	5,013	\$0.18	\$0.21	\$44	\$0	2035
2036	251,369	1,800	(180,244)	72,925	1,138,342,902	\$0.06	939,132,894	\$0.08	105,000	2.45%	12,881	117,881	190,806	(5,205)	\$0.17	\$0.20	\$42	(\$2)	2036
2037	247,866	1,800	(174,459)	75,206	1,161,109,760	\$0.06	1,161,109,760	\$0.06	105,000	2.50%	10,283	115,283	190,489	(318)	\$0.16	\$0.16	\$41	(\$1)	2037
2038	106,772	1,800	(107,772)	800	1,184,331,955	\$0.00	1,154,723,656	\$0.00	115,000	2.55%	7,504	122,504	123,304	(67,185)	\$0.10	\$0.11	\$26	(\$15)	2038
2039					1,208,018,594		1,147,617,664		115,000	2.60%	4,543	119,543	119,543	(3,761)	\$0.10	\$0.10	\$25	(\$1)	2039
2040					1,232,178,966		1,139,765,543		115,000	2.65%	1,524	116,524	116,524	(3,019)	\$0.09	\$0.10	\$24	(\$1)	2040
Total	24,703,445	35,200	(17,228,482)	7,510,162					1,850,000		465,639	2,315,639	9,825,801					Total	

1. Interest rates based on Aa2 sale of 4/20/2020 plus 40 basis points

# 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. Bonds Series 2020	Combined Principal existing & proposed	% of Limit	Residual Capacity	
2019	<b>798,718,600</b>	39,935,930	19,477,973	<b>49%</b>		\$19,477,973	<b>49%</b>	\$20,457,957	2019
2020	826,673,751	41,333,688	17,640,366	<b>43%</b>	1,850,000	\$19,490,366	<b>47%</b>	\$21,843,322	2020
2021	855,607,332	42,780,367	15,728,528	<b>37%</b>	1,780,000	\$17,508,528	<b>41%</b>	\$25,271,839	2021
2022	885,553,589	44,277,679	12,792,400	<b>29%</b>	1,705,000	\$14,497,400	<b>33%</b>	\$29,780,280	2022
2023	916,547,965	45,827,398	10,691,921	<b>23%</b>	1,625,000	\$12,316,921	<b>27%</b>	\$33,510,478	2023
2024	948,627,143	47,431,357	8,577,027	<b>18%</b>	1,545,000	\$10,122,027	<b>21%</b>	\$37,309,330	2024
2025	981,829,093	49,091,455	6,386,656	<b>13%</b>	1,465,000	\$7,851,656	<b>16%</b>	\$41,239,799	2025
2026	1,016,193,112	50,809,656	4,606,739	<b>9%</b>	1,380,000	\$5,986,739	<b>12%</b>	\$44,822,916	2026
2027	1,051,759,870	52,587,994	3,801,211	<b>7%</b>	1,295,000	\$5,096,211	<b>10%</b>	\$47,491,783	2027
2028	1,088,571,466	54,428,573	3,050,000	<b>6%</b>	1,210,000	\$4,260,000	<b>8%</b>	\$50,168,573	2028
2029	1,126,671,467	56,333,573	2,380,000	<b>4%</b>	1,120,000	\$3,500,000	<b>6%</b>	\$52,833,573	2029
2030	1,166,104,969	58,305,248	1,920,000	<b>3%</b>	1,030,000	\$2,950,000	<b>5%</b>	\$55,355,248	2030
2031	1,206,918,642	60,345,932	1,465,000	<b>2%</b>	940,000	\$2,405,000	<b>4%</b>	\$57,940,932	2031
2032	1,249,160,795	62,458,040	1,255,000	<b>2%</b>	845,000	\$2,100,000	<b>3%</b>	\$60,358,040	2032
2033	1,292,881,423	64,644,071	1,040,000	<b>2%</b>	750,000	\$1,790,000	<b>3%</b>	\$62,854,071	2033
2034	1,338,132,273	66,906,614	815,000	<b>1%</b>	655,000	\$1,470,000	<b>2%</b>	\$65,436,614	2034
2035	1,384,966,902	69,248,345	580,000	<b>1%</b>	555,000	\$1,135,000	<b>2%</b>	\$68,113,345	2035
2036	1,433,440,744	71,672,037	345,000	<b>0%</b>	450,000	\$795,000	<b>1%</b>	\$70,877,037	2036
2037	1,483,611,170	74,180,558	105,000	<b>0%</b>	345,000	\$450,000	<b>1%</b>	\$73,730,558	2037
2038	1,535,537,561	76,776,878	0	<b>0%</b>	230,000	\$230,000	<b>0%</b>	\$76,546,878	2038
2039	1,589,281,375	79,464,069		<b>0%</b>	115,000	\$115,000	<b>0%</b>	\$79,349,069	2039
2040	1,644,906,223	82,245,311		<b>0%</b>	0	\$0	<b>0%</b>	\$82,245,311	2040

Notes:

1. EV projected at 3.5% growth