



2023 GO Borrowing

Overview

Parameters Resolution

“Green” Bonds

MBE/DBE Advisor

Finance Committee
September 12, 2023

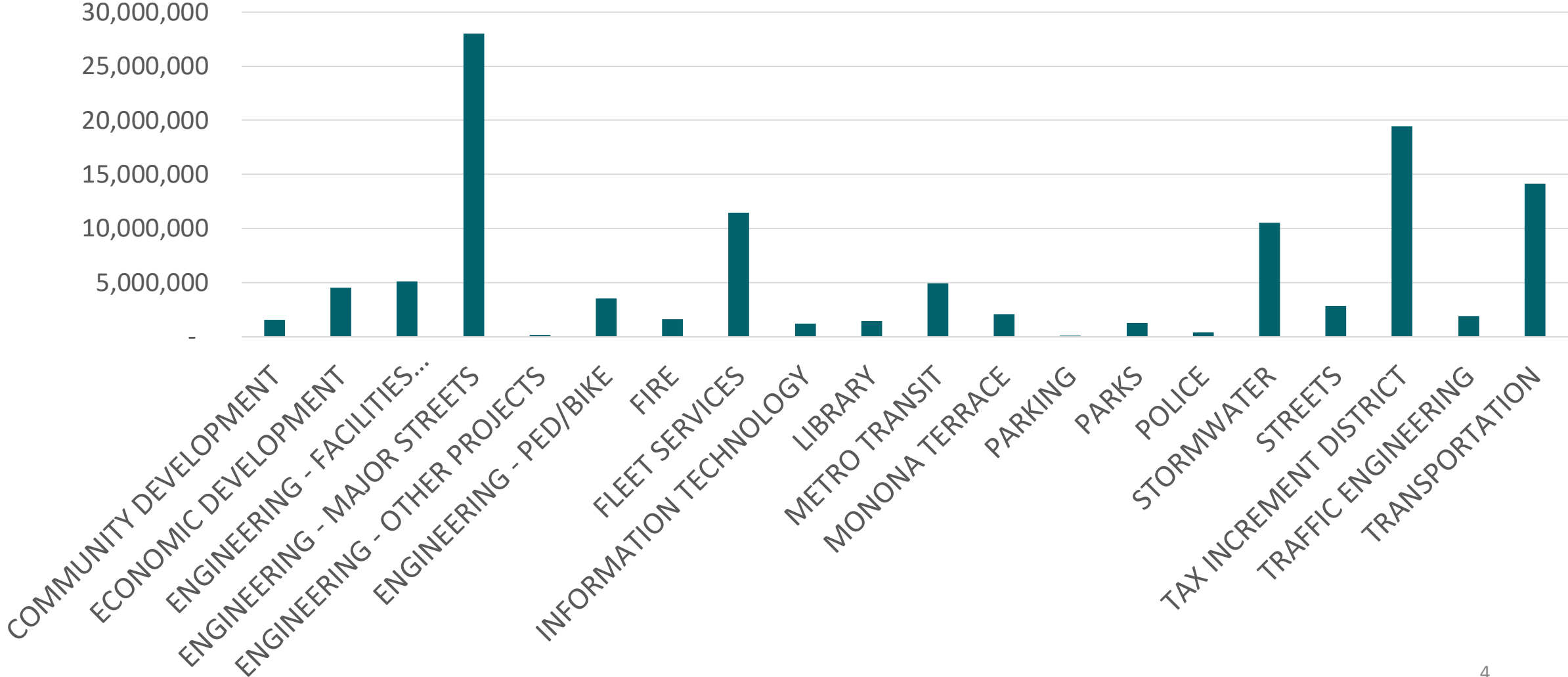
GO Borrowing Overview

What is “GO Borrowing”?

- General obligation tax-exempt 10 year promissory notes (“debt” or “borrowing”) are sold by the City to finance projects included in the 2023 adopted capital budget.
- Both new and carryforward projects are included in the adopted capital budget and financed with this debt.
- The debt is a “general obligation” of the city – meaning the city has pledged its full faith and credit through authorizing an irrevocable property tax levy to repay the debt, with interest.
- The property tax levy to repay this debt will be first included in 2023 property taxes (levied in December 2023 and due in 2024).
- [Other city revenues](#) repay some of this debt, reducing the overall amount of property taxes needed.
- Issuing approximately 40% of authorized borrowing due to project timing, associated cash flow needs, and arbitrage considerations under federal tax law.

Total Borrowing -- \$116.2m

Borrowing by Agency

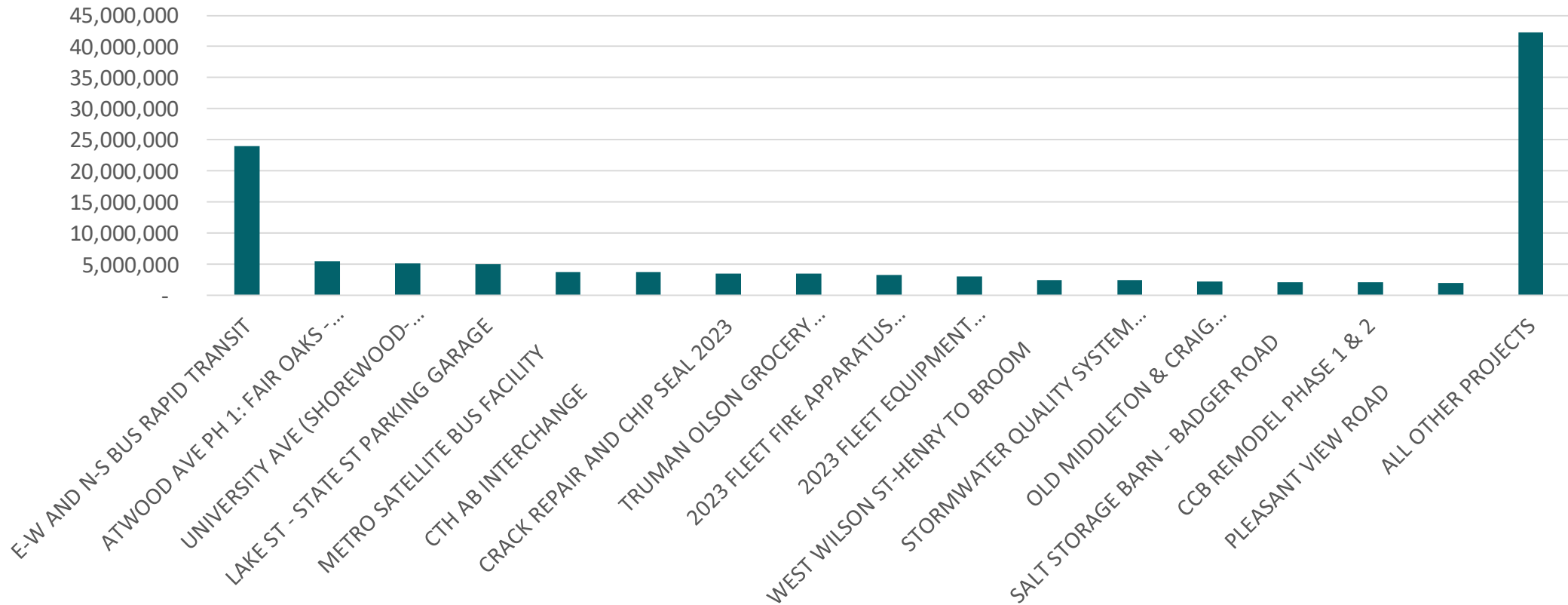


Borrowing by Project/Program

249 Projects/Programs

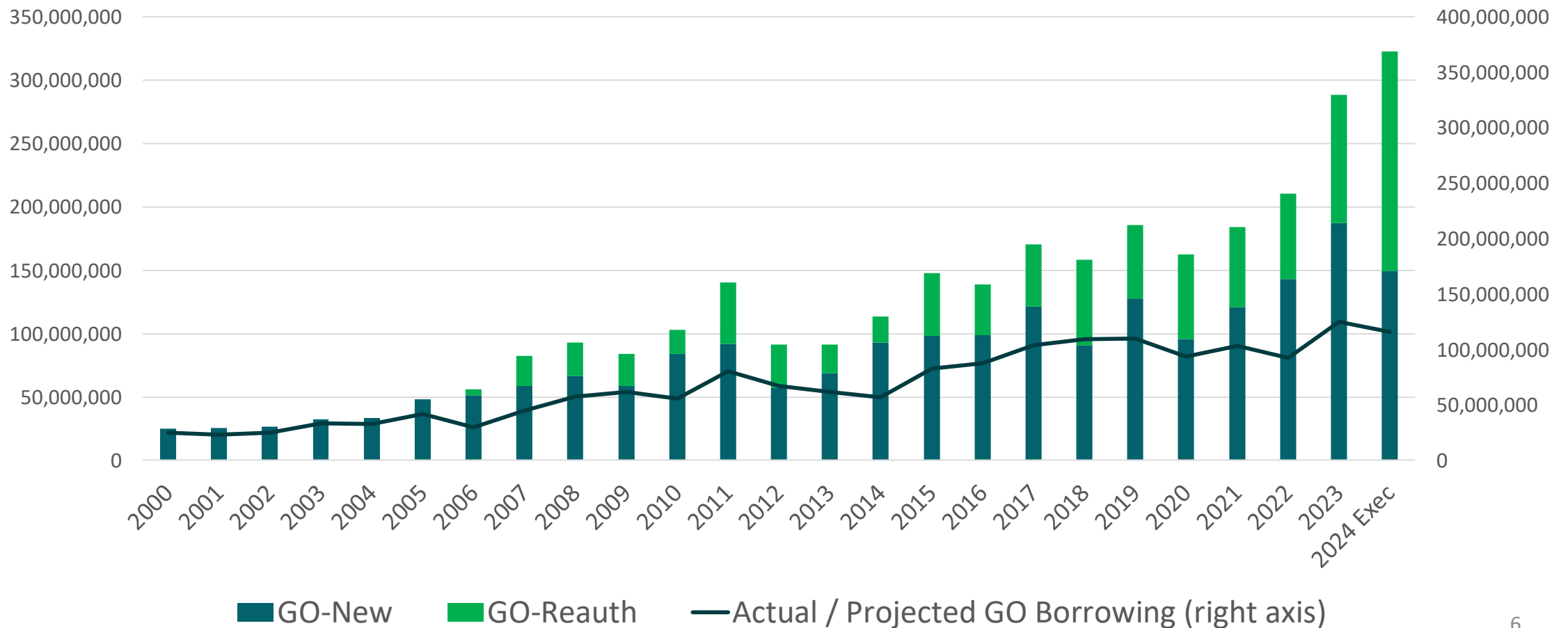
16 Projects/Programs over \$2m each – \$73m total

Projects/Programs over \$2 million



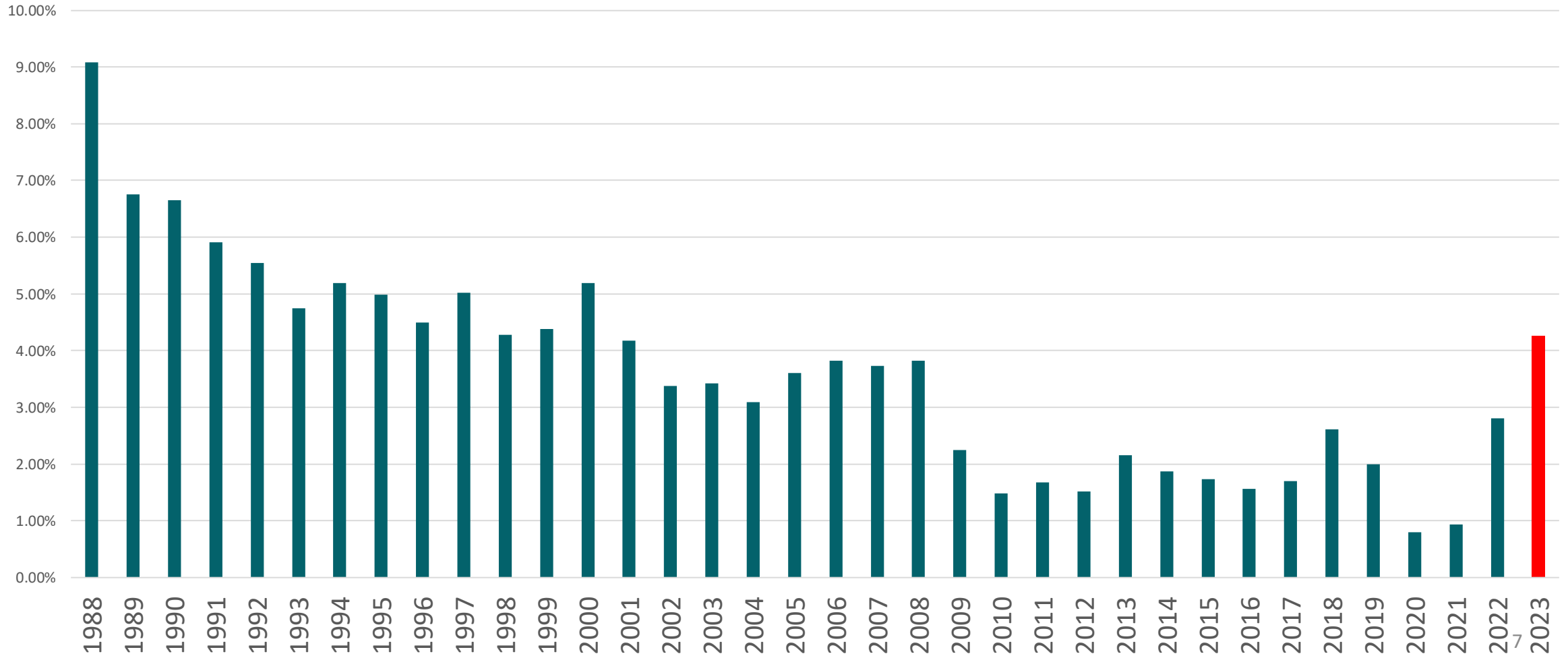
Borrowing 40% of Authorized Level

Adopted / Proposed Capital Budgets 2000 to 2024



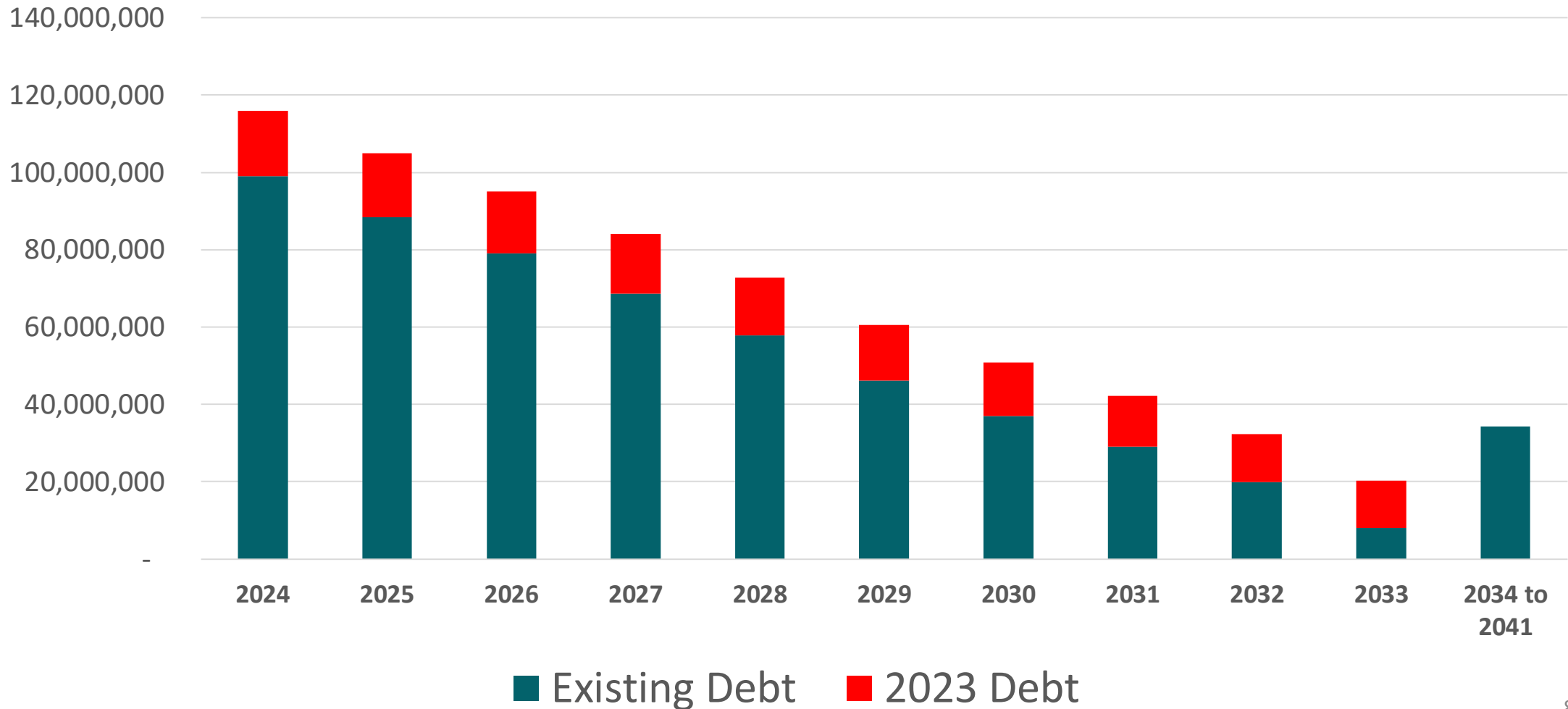
Historical Interest Rates on City Debt

(2023 maximum)



Existing Debt Service and New Debt Service from 2023 Issuance

“Debt Service” = Annual principal and Interest payments made in operating budget



Parameters Resolution

September 11, 2023 Finance Committee

Modernizing Debt Issuance Process

- Rather than requiring the sale of bonds to occur on a Common Council meeting date, the new approach allows the City to schedule the sale of its bonds and notes on a more optimal date.
- Great example – September 19th Common Council meeting date is on the first day of the Federal Reserve’s Open Markets Committee (FOMC) meeting in which short-term interest rates are set and fiscal policy addressed. These FOMC actions often cause market volatility that could negatively impact municipal bond pricing.
- Another example – in 2022 and in order to match up with Common Council meeting schedule and avoid an FOMC meeting, the City sold bonds and notes on the Tuesday morning following the Labor Day weekend. While the sale was successful, general practice is to avoid a sale of this magnitude on the date following a long-holiday weekend.
- Parameters resolution allows the Finance Director to carry out the intent of the Common Council by determining the final terms and awarding the sale of bonds on any subsequent date ***provided the parameters included in the resolution are met.***
- Modernized approach used by many governmental entities.
- Parameters for Madison promissory notes include maximum par amount, maximum true interest cost (TIC) rate to the City, and maximum amount of cost of issuance paid with note proceeds.

Parameters

- Maximum par amount -- \$116,475,000
 - Series A -- \$74,400,000
 - Series B “Green Notes” -- \$42,075,000
- Maximum True Interest Cost – 4.25 percent
- Maximum Cost of Issuance – \$263,600
 - Municipal advisory services, bond counsel, registration of notes
- Expiration of parameters authority – December 31, 2023
- Expected date of sale – September 25, 2023

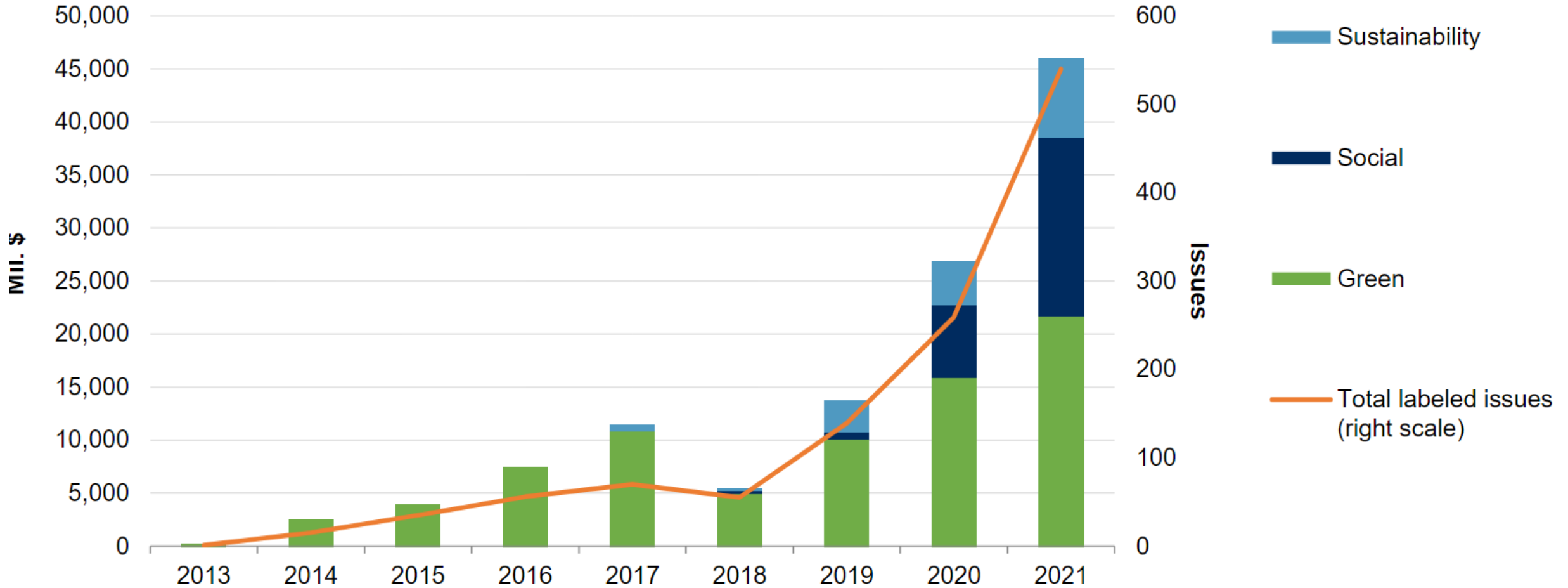
“Green” Notes

September 11, 2023 Finance Committee

Why Issue “Green” Notes?

- Issuance of green notes reflects approximately \$42 million of City projects being funded at this time with borrowed proceeds that demonstrate some form of environmental benefit.
- Opportunity for City to showcase its sustainability and resiliency efforts and components of Imagine Madison.
- Certain investors are looking for obligations that finance projects that will benefit the environment; market is seeing increased creation of green funds for this purpose.
- Issuance of such designated bonds has occurred nationally since 2012 but with upward trend since that time.
- Data on next slide is from Standard & Poor’s – note there has been an overall decrease in municipal bond issuance in 2022 (down nearly 20%) and YTD 2023 (down another 15%) has impacted the volume of designated bonds but not the discussion and interest.

Municipal Sustainable Debt By Label: Par Amount And Issues



Source: S&P Global Ratings

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Project Selection

- City is self-designating based on review of projects being funded with the 2023 promissory notes; review utilized project categories in the ICMA Green Bond principles, which is one of the commonly utilized standards for this designation.
- Some issuers will procure a third-party to provide independent opinion or certification for this designation; at this time the City is just self-designating and providing information about both the funded projects and City initiatives in the disclosure document.
- Will the City receive better bond pricing in 2023 due to this designation? It is possible, but the City will receive more interest from more investors. This increased interest and demand for the City's obligations in both the secondary and primary markets should have a positive impact on the City's borrowing rates over time.

MBE/DBE Financial Advisor

September 11, 2023 Finance Committee

Overview

- City requested that Baker Tilly Municipal Advisors identify a minority / disadvantaged enterprise to assist with debt sale work as a part of overall equity goals; process similar to identification of MBE/DBE bond counsel by City Attorney's Office.
- is the sub-contractor
- Baker Tilly Municipal Advisors selected Cabrera Capital Markets LLC based on location of office, commitment to Wisconsin, registration status as municipal advisor, and past working experiences with firm.
- Cabrera originated business in 2001 and is both a registered municipal advisor firm and a broker-dealer firm.
- Brian King is primary contact; 17 years of experience as public finance investment banking after 13 years as Deputy Comptroller for City of Chicago.
- Certified by the State of Wisconsin as minority-owned business enterprise.
- For over 15 years, the State of Wisconsin has placed Cabrera in its pool of qualified underwriters.
- For the City's pending issuances, Cabrera is assisting with municipal bond market information related to the Green Notes and other bidding terms of the promissory notes.