



DIRECT MARKETING OF SMALLER DENOMINATION BONDS

Discussion with Finance Committee
June 25, 2018

TYPICAL NOTE / BOND SALE

Investment banks purchase city debt through a competitive sale.

Notes / bonds sold in \$5,000 denominations with 10 year or 20 year maturity and annual coupons.

Banks market the debt – institutional investors, individual investors, mutual funds, etc.

SMALLER DENOMINATION BONDS — “MINI-BONDS”

\$500 to \$1,000 increments

Shorter amortization periods

Maximum amount per purchaser

Smaller issuance

Direct marketing to retail investors

Focused geographic area for sale — city, region, state

Community engagement / connection opportunity
(strengthens local social capital)

MANAGING “MINI-BOND” PROGRAMS

In-house – Denver mini bond program; Madison experience in the 1970’s. Requires staff to manage the sale, including marketing, sale and operating efforts.

Third party – Neighborly – a broker that develops marketing materials, provides the sale platform, often will underwrite the bonds. Issuer responsible for marketing activities and public outreach.

NEIGHBORLY IN OTHER CITIES

Cambridge, MA

<https://neighborly.com/issuers/casestudy/cambridge>

Lawrence, KS

<https://neighborly.com/issuers/casestudy/lawrence>

NEIGHBORLY MARKETING MATERIALS AND TIMELINE

Sample marketing materials: https://drive.google.com/file/d/1zqaMOpjkbZesLB-C_jU1KSePBXQB5bg/view

Timeline:

[\\Fps4\data4\Fnroot\CAPBUD\2018\2018 Borrowing\Neighborly -- Sample Marketing Timeline \(003\).pdf](\\Fps4\data4\Fnroot\CAPBUD\2018\2018 Borrowing\Neighborly -- Sample Marketing Timeline (003).pdf)

MINI-BOND PROJECT — OLBRICH GARDENS

- \$10 million project – 50% funded by City.
- \$4.5 million GO borrowing authorized in 2018 capital budget
- \$2 million of the GO borrowing will be allocated for mini-bonds.
- Marketing, underwriting, bond rating, financial advisor and other issuance costs will be charged to the project (same as other bond issues).

NEXT STEPS

Develop marketing plan – coordinating with Neighborly, Parks, Olbrich, IT and Mayor's Office; Neighborly develops content, City responsible for dissemination.

- Public meetings
- Social media
- Web presence
- E-mail distribution

Link with larger GO debt offering.

- Negotiate with Neighborly on price and timing.
- Order window will occur during the week after the October 2nd GO competitive sale (helps with setting interest rate).
- “Parameters” resolution will be introduced soon authorizing sale of mini-bonds and means of establishing the interest rate.