City of Madison

City of Madison
Madison, WI 53703
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Legislation Details (With Text)

File #:	79590	**Version:** 1	**Name:**	General Obligation Promissory Notes 2023	
Type:	Resolution		**Status:**	Passed	
File created:	8/29/2023		**In control:**	Attorney's Office	
On agenda:	9/19/2023		**Final action:**	9/19/2023	
Enactment date:	9/25/2023		**Enactment #:**	RES-23-00592	

Title: Authorizing the Issuance and Establishing the Parameters for the sale of not to exceed $74,400,000 General Obligation Promissory Notes, Series 2023-A and $42,075,000 General Obligation Promissory Notes, Series 2023-B (Green Notes), of the City of Madison, Wisconsin, and Directing the Final Approval of the Terms Thereof.

Sponsors: Satya V. Rhodes-Conway

Indexes:

Code sections:

Attachments: 1. 79590 Body, 2. 2023 GO Borrowing Overview -- 9-11-2023.pdf, 3. Winning Bid Form Signed By Purchaser 2023A.pdf, 4. Winning Bid Form Signed By Purchaser 2023B.pdf

Date	Ver.	Action By	Action	Result
9/19/2023	1	COMMON COUNCIL	Adopt Unanimously	Pass
9/11/2023	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT (15 VOTES REQUIRED) - REPORT OF OFFICER	Pass
9/5/2023	1	COMMON COUNCIL	Referred	
8/29/2023	1	Attorney's Office	Referred for Introduction	

Fiscal Note

This resolution authorizes the issuance of up to $116,475,000 in general obligation promissory notes and an irrevocable property tax sufficient for the purpose of paying principal and interest on the notes. These notes will be used to finance current year projects and programs authorized in the 2023 adopted capital budget. A description of the specific expenditure purposes is included in the resolution.

The notes will be issued in two series -- Series A is for various projects that total up to $74.4 million and Series B is for various environmental-related projects for up to $42.1 million. Series B will be marketed as a "Green" bond for environmental, social and governance (ESG) purposes. "Green" bonds have become attractive to certain investors that are interested in supporting projects that have a benefit to the environment.

The resolution establishes parameters for maximum amount issued (described above) and a maximum true interest cost (interest rate) of 4.25 percent. Under the resolution, the Finance Director is authorized to certify that the qualifying low bid based on the parameters. The Mayor and City Clerk are authorized to approve the sale as certified by the Finance Director. It is expected that the sale will occur prior to September 30, 2023.

Interest on the $116.5 million of the two series is estimated to total $29.4 million over the 10 year repayment period of the notes. Annual principal and interest payments (debt service) on the notes are estimated to be $16.9 million in 2024 and gradually decline to $12.1 million by the last year of repayment in 2033. The city repays debt on a level principal basis (equal principal amounts each year). This approach reduces the overall interest cost compared with a level debt service basis (equal principal and interest costs each year).

The final sale is expected to include a reoffering premium. In recent years, the final purchasers of the city's debt have been willing to pay cash upfront in order to receive higher interest payments from the city in future years. Reoffering premiums reflect purchasers' interest in hedging against a low interest rate investment if interest rates rise in the future. The city has placed parameters on bids in recent years in order to limit the amount of premium received to approximately 5% to 10% of the par value of the debt and avoid associated higher coupon interest rates.

The premium from the amounts for capital projects in the two promissory note series, net of issuance costs and underwriter's discount, are estimated to be $7.4 million. The premium represents approximately 6% of the par value of the tax-exempt debt and compares favorably to the ratio of premium to par values in prior years:

2022 - 9%
2021 - 8%
2020 - 8%
2019 - 5%
2018 - 5%
2017 - 7%
2016 - 5%
2015 - 6%
2014 - 9%
2013 - 7%
2012 - 11%

The average coupon rates for the 10 year tax exempt notes are expected to be approximately 4.65% which reflects current market conditions.

The estimated $7.4 million in net premium received will be used to pay debt service, as required under Wisconsin Statutes.

Title

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Body

Please see Legistar File No. 79590 Body in Attachments.