

Addendum to Accounting Administrator’s Monthly Report

TO: Town Board Members
Lisa Potswald, Town Administrator
Micaela Montagne, Town Clerk
Carol Neubauer, Town Treasurer

DATE: Tuesday, August 27th, 2019

FROM: Barb Nelson, Accounting Administrator/Deputy Clerk

RE: Issuing of Municipal (or general obligation) bonds

Earlier this year we had some discussion in the Town Hall regarding the Town’s ability to perhaps issue Municipal/General Obligation bonds for the upcoming projects (Town Dock Improvement and Emergency Services Building) instead of borrowing, and the idea was brought up the other day.

Bonding is usually done for:

- Large projects (size and multi-millions debt)
- Revenue stream is typically generated by the project (*revenue bond*)
- Project bond payback tends to be 20 years or more
- Costly:
 - Heavy administrative work load or
 - Hiring an outside firm to administer, underwriting, rating down, issue, etc
 - Varying levels of interest rates needed to make the bonds attractive to purchasers
- Due to previous municipality forfeitures, small municipal bonding is looked at as rather risky
- Interest earned **may** be Federal tax exempt to purchasers and may also increase the public’s “ownership” of the projects that the bonds are issued for (*community involvement*)
- Subject to the same 5% of equalized value debt limit as general borrowing

The Town is allowed by statute to issue municipal bonds (67.12(12) as well as 60.10(2)(d). The procedure requires town meeting authorization and generally would then require a referendum vote to approve.

The Wisconsin Towns Association gave me the name and phone number of a firm that specializes in these types of investments, that I can follow up if the Town Board is interested.

There is also another type of bonding – a revenue bond. This type wouldn’t apply as there is no revenue to be generated from the project(s). One could argue that the Town receives dock lease revenue, but that is in place already and is not additional revenue from the project.

There may be other types of notes and bonds that I haven’t researched.

Just for your info, the WI Board of Commissioners of Public Lands (State Trust Fund) borrowing rates currently are (general borrowing loans, with an annual March payment):

<u>2 years</u>	<u>3.75%</u>
<u>3 – 5 years</u>	<u>3.75%</u>
<u>6 – 10 years</u>	<u>3.75%</u>
<u>11 - 20 years</u>	<u>4.00%</u>