



Kronenwetter, WI

Financing Options 2025 Sewer Projects

February 11, 2025, UC Meeting

Funding: Cash or Debt

- PSC = 90 days
- Rating Agencies = 150 days (varying measurements)
- 2023 Sewer Rate Study recommended 5 mos. Op. Exp. plus upcoming debt payment
 - ✓ 5 mos. of 2023 audited O&M = 372,856
 - ✓ No debt currently
- Village staff estimates 341,278 on hand

Two main kinds of debt

- General Obligation debt secured by irrepealable tax levy
 - ✓ Can be abated by other revenues (i.e. utility)
- Revenue debt secured by a pledge of revenues from a revenue generating enterprise, most often a public utility

General Obligation (GO) Debt

- General Obligation debt in Chapter 67
- Debt limit is 5% of the equalized market value including TID
 - ✓ Village currently has 34.6M of capacity
- Three types of debt count (up to 20 years)
 - ✓ Bonds (up to 20 years)
 - Enumerated Purposes - Defined by Statutes
 - Competitive Sale Requirement
 - ✓ Notes (up to 20 years)

Revenue Bonds

- Wisconsin Statutes, Chapter 66
- Ability to issue bonds supported by system revenues of municipal utilities
- Most common revenue bonds are issued for Water, Sanitary Sewer, Storm Sewer and Electric
- Debt Limit - none
- Debt coverage at least 1.25 times

Financing Vehicle

- Commercial Market
- Private Placement
- State/Federal Program
 - ✓ DNR Environmental Improvement Fund Loan Program
 - ✓ USDA Rural Development Loans
 - ✓ State Trust Fund Loans

Debt Options – G.O. Debt

Type	Advantages	Disadvantages
Commercial market	<ul style="list-style-type: none">• Lowest interest rates• Fixed rates for up to 20 years• Most cost-effective for larger debt issues	<ul style="list-style-type: none">• Highest costs of issuance• More onerous process• Not typically pre-payable for 7-8 years
Bank loan	<ul style="list-style-type: none">• Usually pre-payable at any time• Low costs of issuance• Simple process	<ul style="list-style-type: none">• Banks often unwilling to offer fixed rates for longer terms.• May not be available for large transactions
State Trust Fund Loan	<ul style="list-style-type: none">• Pre-payable between 1/1 and 8/31 each year• Fixed rate for up to 20 years• Simple process• Doesn't distinguish between taxable and tax-exempt	<ul style="list-style-type: none">• Rates often a little higher than bank or commercial market

Debt Options – Revenue Debt (part 1)

Type	Advantages	Disadvantages
Commercial market	<ul style="list-style-type: none">• Fixed rates for up to 40 years.• Available for wide range of projects	<ul style="list-style-type: none">• Highest costs of issuance• Not typically pre-payable for 7-8 years• Usually requires debt service reserve
Clean Water Fund Loan (sewer) or Safe Drinking Water Loan (water)	<ul style="list-style-type: none">• Fixed rates for 20 years• Rates usually below market• No debt service reserve requirement• Sometimes include principal forgiveness component	<ul style="list-style-type: none">• Not pre-payable with specific authorization• Only available for sewer, water and stormwater projects.• Timing/ possible interim financing

Debt Options – Revenue Debt (part 2)

Type	Advantages	Disadvantages
USDA Rural Development	<ul style="list-style-type: none">• Fixed rate up to 40 years• Often includes grant component• Pre-payable at any time• Available for wide range of projects	<ul style="list-style-type: none">• Higher rates and high interest cost when repaid over 40 years• 40-year repayment may exceed life of asset• Requires interim financing
State Trust Fund Loan	<ul style="list-style-type: none">• Fixed rate up to 20 years• Pre-payable between 1/1 and 8/31 each year• Available for wide range of projects• No debt service reserve requirement	<ul style="list-style-type: none">• Higher rates• Payment date (3/15) & senior position requirement presents problems with issuing other types of revenue debt backed by same revenue source

Current STFL Rates

Current General Obligation Loan Interest Rates (eff. 01/08/2025)

Loan Term	Interest Rate
2 Years	5.75%
3 - 5 Years	6.00%
6 - 10 Years	6.25%
11 - 20 Years	6.50%

- Estimated Payment
 - ✓ 10-year, 6.25%, 200k, G.O., STFL: 27,500
 - ✓ 10-year, 6.25%, 600k, G.O., STFL: 82,500

Initial Thoughts

- Determine borrowing amount desired
 - ✓ From documentation from Village staff 200k-600k depending on desired use of cash
- Given the low par amount commercial market COI may outweigh potential lower interest rate compared to other options
- Reach out to local banks where the Village has a relationship to see if they would be willing to assist and fund willingness on term, rate, and pledge
- Understand 2024 financial results to determine ability to pay
 - ✓ From 2025 budget document Sewer Utility produced 80,605.79 revenues over expenditures (included 91,760 of capital outlay)