



Current Trends in Debt Management

2022 WASBO Fall Conference

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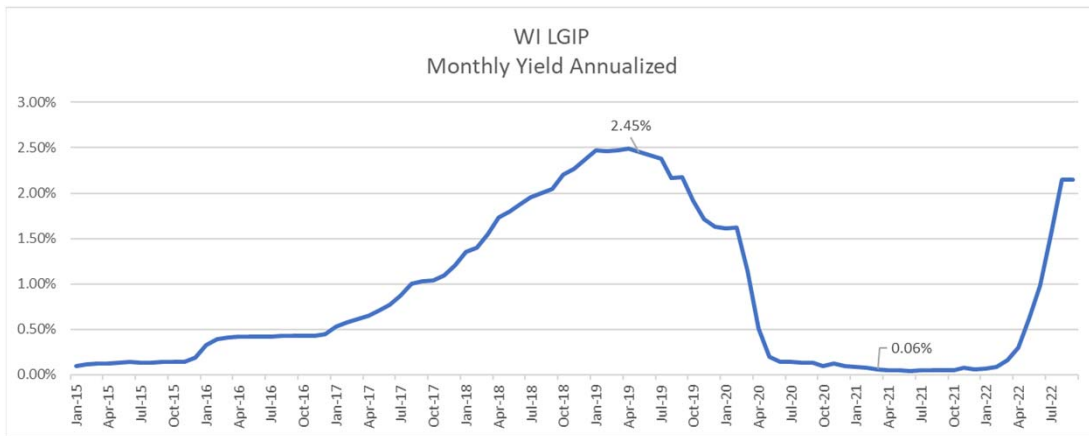


MARKET TRENDS & CASH MANAGEMENT

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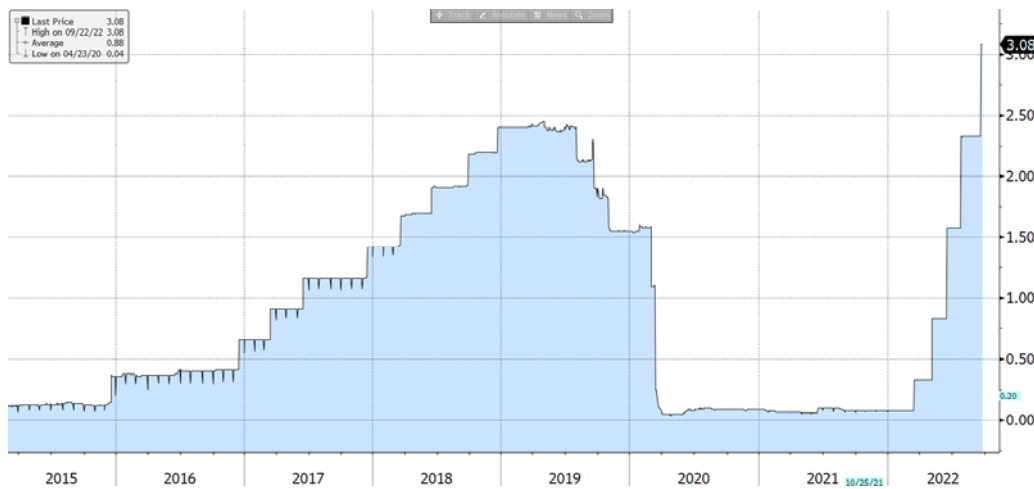
Market Trends - WI LGIP



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Market Trends - Fed Funds Rate 2015-2022



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Market Trends - 3 Year Treasury



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3 Month Treasury Bill

3-Month Bill



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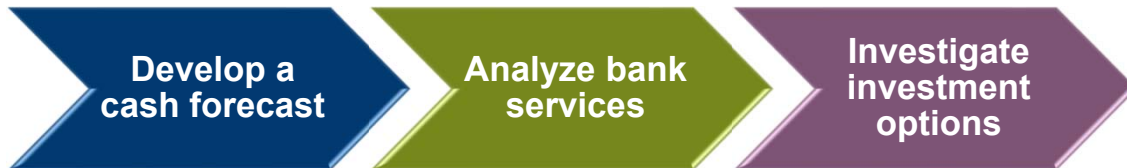
Market Trends - 90 Day Treasury



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Optimize Earnings: Manage Cash Balances Efficiently



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Cash Flow Forecasting



Identifies liquidity needs in operational or project cash balances



Uncovers cash shortfalls or irregularities. Minimizes borrowing needs or liquidation of longer-term investments



Optimizes investment opportunities. Put idle cash to work!



Quick Cash Flow Model

- Gather 2-3 years of monthly:
 - ✓ Bank statements
 - ✓ Receipts
 - ✓ Disbursements
- Identify your “perfect storm”

Lowest 24-36 Month Bank Balance	\$8,000,000
Lowest Revenue Collection Month	\$1,000,000
Highest Expenditure Total Month	\$2,000,000
Worst Case Liquidity Scenario	\$7,000,000



Cash Management

Liquidity = actual cash or near liquid balances

- Funds can be invested: use pool, money market, or other 30-/60-day investments

Core = longer term reserve funds

- Funds should be invested with maturities to match anticipated project or major operational expenditures
- Potentially longer term, based on duration or maturity targets, investment policy

Project Funds Based on Draw Schedule

- Invest debt proceeds based upon project timeline



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Cash Management & Investments Resources

[GFOA Simplified Monthly Forecasting Model](#)

[Financial Policies Best Practices](#)

[Investment Policy Best Practices](#)

[Wisconsin GFOA](#)

[WI Permissible Investments 66.0603](#)



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DEBT ISSUANCE WITHOUT REFERENDUM

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Fund 38: Non-Referendum Debt Service

- Used to account for transactions for repayment of debt issues that were either:
 - ✓ Not authorized by school board resolution before August 12, 1993
 - ✓ Incurred without referendum approval after that date.
- A fund balance may exist

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Debt Issuance without Referendum

- Debt (often G.O. promissory notes) can be issued without a referendum, however:
 - ✓ 30 day petition period will apply for voters to force a referendum
 - ✓ Principal & interest will be absorbed inside revenue limit formula – (something will most likely need to be reduced operationally-speaking)

Note: \$1 million dollar exception can still apply, but not often utilized due to current-day project costs.



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General Obligation Promissory Notes

- Notes must mature in 10 years or less
- Unlimited amount as long as principal being issued plus district's prior indebtedness does not exceed constitutional and statutory debt limitations



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General Process for Non-Referendum Promissory Notes

- School board adoption (simple majority unless special board rules apply)
- Notice to electors published within 10 days following adoption stating electors have right to petition for referendum within 30 days
- Adequate petition filed
 - ✓ Signed by lesser of 7,500 electors or 20% of number of last voting in gubernatorial election.

Note: Balloon maturity is allowable, but notes must mature in 10 years or less.



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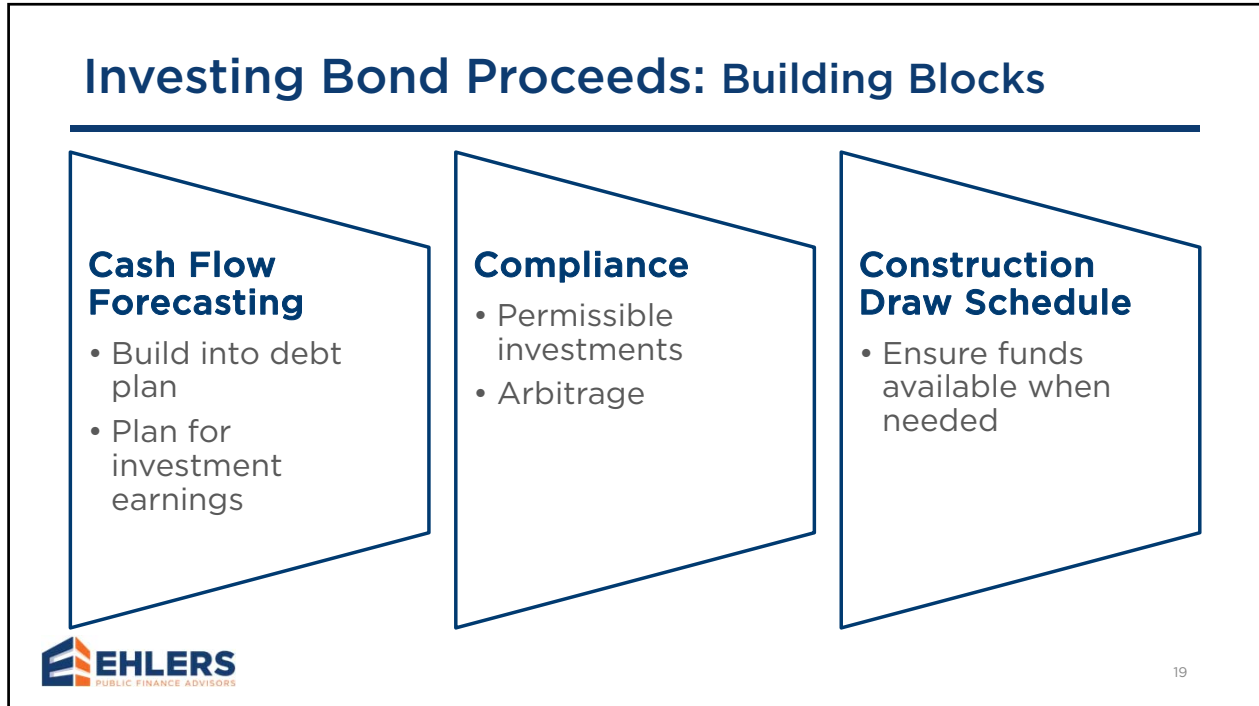
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Investing Bond Proceeds: First Steps

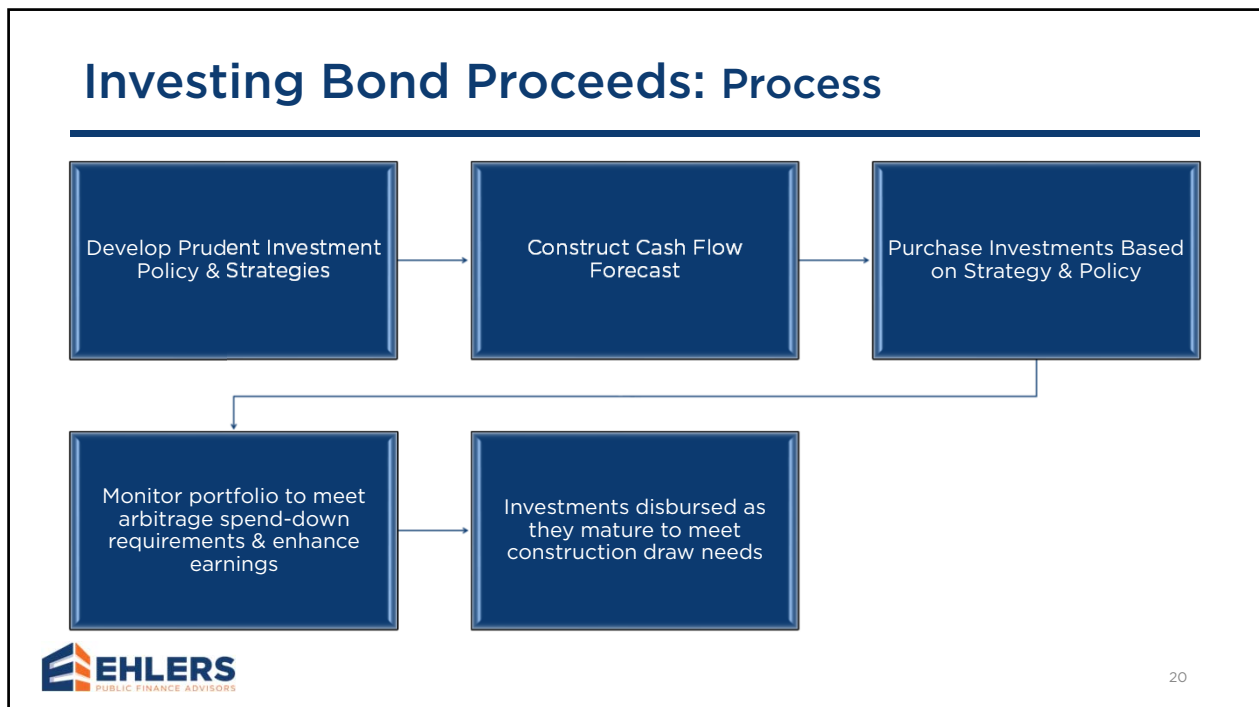


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Debt Management: Revenue vs. Expense

Revenue

- Levy for calendar year
- P&I payments
- ✓ November 2022 levy -
Spring & Fall 2023 payments

Expense

- Budget for fiscal year
- P&I payments
- ✓ 2022-2023 Budget - Fall
2022 payments & Spring
2023 payments



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DEFEASANCES

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Defeasance

A defeasance is a formal process of funding an escrow with cash that is available now to pay future bond payments that are more than 90 days from their call date. Future bond principal & associated interest payments are funded from the escrow account until the original bonds are paid off at the call date.



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Defeasance

“Paying Off” Debt

- Pay all or a portion prior to payment date
- Escrow account
- Excess operating funds
- Levy in advance

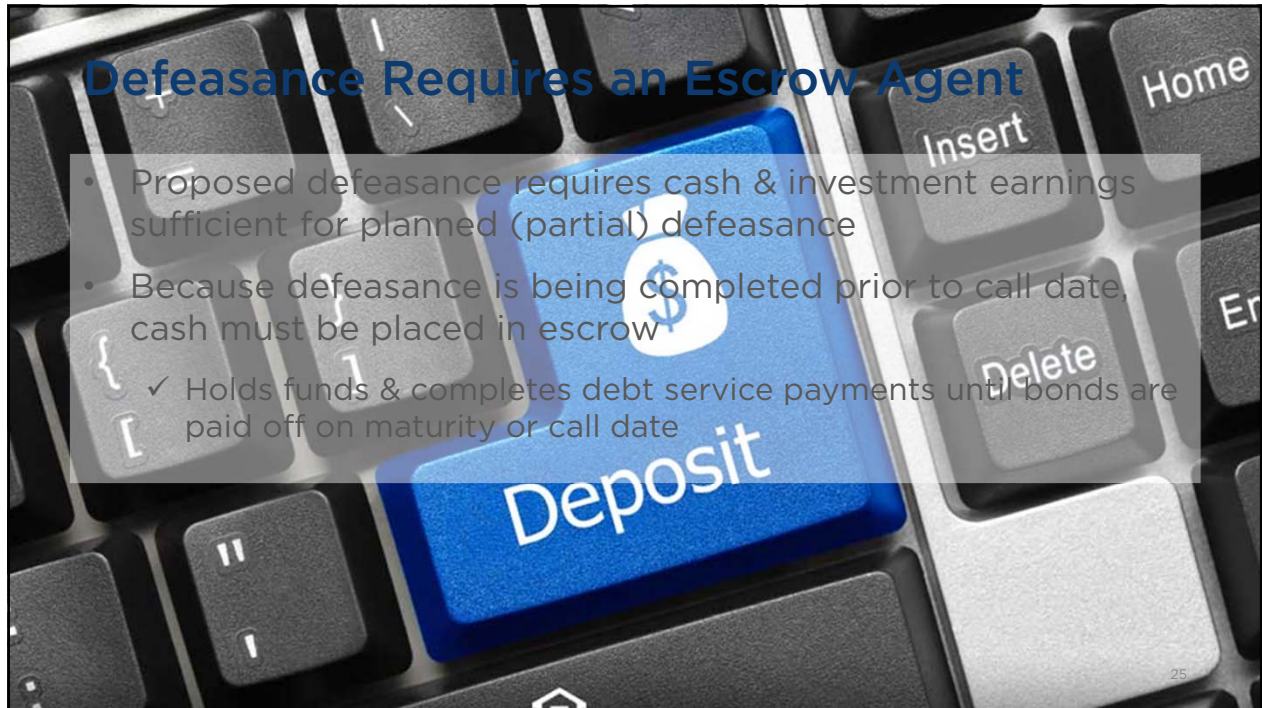
Why?

- Debt service & tax savings
- Debt restructuring - Stabilize mill rate for future plans
 - ✓ Future bond planning & capital needs



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Defeasance Service Providers

Bond Counsel

Original Paying Agent

CPA Escrow Verification Agent

Escrow Agent

Bidding Agent (if State & Local Government Series Market - SLGS - is closed)



No official statement or rating required!

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PAYING AGENT

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Paying Agent – Increased Usage by Issuers

- Facilitates delivery of payments through Depository Trust & Clearing Corporation (DTCC)
- Trust company or issuer
- Typically paid flat fee by issuer, generally from bond proceeds



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Key Takeaways

- Plan for use of debt proceeds, investing & spend down
- Monitor expenses & levy management
- Partner with your Municipal Advisor to identify refunding or defeasance opportunities
- Questions? Ask your Municipal Advisor!



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Thank You!

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