



Memo

To: Committee on Finance and Budget
Highway Committee
Eau Claire County, WI

From: Sean Lentz, Ehlers

Cc: Kathryn Schauf, Administrator

Date: June 6, 2018

Subject: Cost Comparison of Vehicle Registration Fee and Debt Issuance to Finance \$2,300,000 in Highway Improvements

Background

The County requested we create a model comparing the on-going use of General Obligation debt to finance Highway Improvements. There are a few assumptions the Committees should review and discuss. Attached are three exhibits which are reviewed below:

Exhibit No. 1: \$10 Million General Obligation Promissory Notes of 2019 (Issued to fund County annual capital improvements, including \$2.3 Million in Highway Improvements)

The hypothetical Promissory Notes issue is included to calculate the cost to the County of issuing 10-year debt to fund \$2.3 Million in Highway Improvements. The total issue size is estimated at \$10 Million to reflect the County's past practice of combining all capital projects into a single debt issue. This approach also allows us to prorate issuance costs between Highway projects and other County capital projects. The interest rates used are a conservative representation of the current market conditions. In order to fund \$2.3 Million in Highway Improvements the total issuance amount, including all prorated cost of issuance, is \$2,345,000. The average annual debt payment is **\$269,403** to fully repay the issue over a 10-year period. The total principal and interest payment is estimated at **\$2,694,025** to fund the \$2,300,000 in Highway Improvements.

Exhibit No. 2: Tax Impact on Property Owners of the Exhibit 1 Debt Issue and an impact comparison with a Vehicle Registration Fee as an alternative method to fund the \$2.3 Million in Highway Improvements (Assumes 1 VRF per Property)

Exhibit 2 calculates the impact on various properties within the County of issuing debt to finance the Highway Improvements and compares it with the Vehicle Registration Fee of





\$30. The debt or fee approach are both projected to fund \$2.3 Million in Highway Improvements. As an example, the annual impact on a property with an equalized value of \$200,000 of the debt approach is \$6.84. The full repayment of the debt over the 10-year period is \$68.43 (\$6.84 multiplied by 10). This can be compared with a Vehicle Registration Fee of \$30. The difference is **\$38.43** in favor of the Vehicle Registration Fee approach. The exhibit also includes a comparison over a 10-year period in which the comparison is 10 debt issues and 10 \$30 Vehicle Registration Fees. Over this period the difference is **\$384.32** in favor of the Vehicle Registration Fee approach.

Exhibit No. 3: Tax Impact on Property Owners of the Exhibit 1 Debt Issue and an impact comparison with a Vehicle Registration Fee as an alternative method to fund the \$2.3 Million in Highway Improvements (Assumes 2 VRF per Property)

Exhibit 3 calculates the impact on various properties within the County of issuing debt to finance the Highway Improvements and compares it with the Vehicle Registration Fee of \$60 (Assuming the property owns two vehicles). The debt or fee approach are both projected to fund \$2.3 Million in Highway Improvements. As an example, the annual impact on a property with an equalized value of \$200,000 of the debt approach is \$6.84. The full repayment of the debt over the 10-year period is \$68.43 (\$6.84 multiplied by 10). This can be compared with a Vehicle Registration Fee of \$60. The difference is **\$8.43** in favor of the Vehicle Registration Fee approach. The exhibit also includes a comparison over a 10-year period in which the comparison is 10 debt issues and 10 \$60 Vehicle Registration Fees. Over this period the difference is **\$84.32** in favor of the Vehicle Registration Fee approach.

Please review the attached exhibits and we look forward to discussing this information in more detail with the Committees at the June 7th meeting.



Exhibit 1

For Discussion Only

Eau Claire County, WI

\$10,000,000 General Obligation Promissory Note, Series 2019A

Date	Principal	Rate	Interest	Total P&I	Other County Projects	Highways
2019						
2020	900,000	2.00%	246,453	1,146,453	878,638	267,815
2021	920,000	2.15%	228,453	1,148,453	879,838	268,615
2022	940,000	2.20%	208,673	1,148,673	879,680	268,993
2023	960,000	2.30%	187,993	1,147,993	878,840	269,153
2024	980,000	2.35%	165,913	1,145,913	876,935	268,978
2025	1,005,000	2.45%	142,883	1,147,883	879,310	268,573
2026	1,030,000	2.60%	118,260	1,148,260	880,445	267,815
2027	1,060,000	2.70%	91,480	1,151,480	879,905	271,575
2028	1,085,000	2.80%	62,860	1,147,860	878,035	269,825
2029	1,120,000	2.90%	32,480	1,152,480	879,795	272,685
Totals	10,000,000		1,485,445	11,485,445	8,791,420	2,694,025
Issue Summary						
<u>Key Dates</u>						
Dated Date:				7/1/2019		
First Interest Payment:				7/1/2020		
First Principal Payment:				7/1/2020		
<u>Cost of Fund Calculations</u>						
				<u>Projected</u>		
True Interest Cost (TIC):				2.790%		
All Inclusive Cost (AIC):				2.939%		
Total Principal and Interest:				11,485,445		
<u>Sources and Uses</u>						
				Total	Other County	Highways
Par Amount of Bonds				\$10,000,000	7,655,000	2,345,000
Total Sources				\$10,000,000	\$7,655,000	\$2,345,000
Total Underwriter's Discount				100,000	76,550	23,450
Costs of Issuance				76,000	58,178	17,822
Deposit to Project Construction Fund				9,819,735	7,519,735	2,300,000
Rounding Amount				4,265	537	3,728
Total Uses				\$10,000,000	\$7,655,000	\$2,345,000

Exhibit 2

For Discussion Only

Eau Claire County, WI

\$2.3 Million General Obligation Debt for Highway Projects - Estimated Tax Impact and comparison with \$30 Vehicle Registration Fee (Assumes property owner owns 1 vehicle)

2018 TID-Out Equalized Value: 7,873,610,400
Average Projected Annual Payments for 2019 Notes: \$269,403
 Projected Equalized Mill Rate with 2019 Notes: 0.0342

Property Value	Est. Taxes for Annual Repayment of the 2019 Notes	ONE YEAR COMPARISON			TEN YEAR COMPARISON		
		Est. Taxes for Total Repayment of the 2019 Notes	Vehicle Registration Fee (1 Year)	Difference	Est. Taxes for Repayment of the 2019-2028 Notes	Vehicle Registration Fee (10 Years)	Difference
100,000	\$3.42	\$34.22	\$30	\$4.22	\$342.16	\$300	\$42.16
150,000	\$5.13	\$51.32	\$30	\$21.32	\$513.24	\$300	\$213.24
200,000	\$6.84	\$68.43	\$30	\$38.43	\$684.32	\$300	\$384.32
250,000	\$8.55	\$85.54	\$30	\$55.54	\$855.40	\$300	\$555.40
300,000	\$10.26	\$102.65	\$30	\$72.65	\$1,026.48	\$300	\$726.48
350,000	\$11.98	\$119.76	\$30	\$89.76	\$1,197.56	\$300	\$897.56
400,000	\$13.69	\$136.86	\$30	\$106.86	\$1,368.64	\$300	\$1,068.64
450,000	\$15.40	\$153.97	\$30	\$123.97	\$1,539.71	\$300	\$1,239.71
500,000	\$17.11	\$171.08	\$30	\$141.08	\$1,710.79	\$300	\$1,410.79

Notes:

1. Tax impacts are based on equalized value
2. The Debt or Vehicle Registration Fee are projected to fund \$2,300,000 in Highway projects annually

Exhibit 3

Eau Claire County, WI

\$2.3 Million General Obligation Debt for Highway Projects - Estimated Tax Impact and comparison with \$30 Vehicle Registration Fee (Assumes property owns 2 vehicles)

2018 TID-Out Equalized Value: 7,873,610,400
Average Projected Annual Payments for 2019 Notes: \$269,403
 Projected Equalized Mill Rate with 2019 Notes: 0.0342

Property Value	Est. Taxes for Annual Repayment of the 2019 Notes	ONE YEAR COMPARISON			TEN YEAR COMPARISON		
		Est. Taxes for Total Repayment of the 2019 Notes	Vehicle Registration Fee (1 Year)	Difference	Est. Taxes for Repayment of the 2019-2028 Notes	Vehicle Registration Fee (10 Years)	Difference
100,000	\$3.42	\$34.22	\$60	(\$25.78)	\$342.16	\$600	(\$257.84)
150,000	\$5.13	\$51.32	\$60	(\$8.68)	\$513.24	\$600	(\$86.76)
200,000	\$6.84	\$68.43	\$60	\$8.43	\$684.32	\$600	\$84.32
250,000	\$8.55	\$85.54	\$60	\$25.54	\$855.40	\$600	\$255.40
300,000	\$10.26	\$102.65	\$60	\$42.65	\$1,026.48	\$600	\$426.48
350,000	\$11.98	\$119.76	\$60	\$59.76	\$1,197.56	\$600	\$597.56
400,000	\$13.69	\$136.86	\$60	\$76.86	\$1,368.64	\$600	\$768.64
450,000	\$15.40	\$153.97	\$60	\$93.97	\$1,539.71	\$600	\$939.71
500,000	\$17.11	\$171.08	\$60	\$111.08	\$1,710.79	\$600	\$1,110.79

Notes:

1. Tax impacts are based on equalized value
2. The Debt or Vehicle Registration Fee are projected to fund \$2,300,000 in Highway projects annually