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Combining two years of capital borrowing nets favorable interest rate

Village of Saukville officials decided last week to take advantage of favorable interest rates and authorized borrowing $1 million for capital purchases and projects planned over the next two years.

Ehlers & Associates, the village’s financial consultant, set up the competitive bids on the $1 million in general obligation bonds.

Thanks to the Aa3 bond rating the village received from Moody’s Investors Service, the 11-year issue received a pair of bids with interest rates well under 2.5%.

Trustees approved the low bid from BOSC, Inc., a subsidiary of BOK Financial Corp. of Milwaukee, at a net interest rate of 2.3%.

The interest charges will total $142,375 over the 11 years of the bond.

The other bid was by Baird Financial, also of Milwaukee, at a net interest rate of 2.37%.

By accepting the low bid, the village saved about $3,200 over the life of the bonds.

Officials initially considered 15-year bonds for the borrowing, but chose the shorter term after learning it would save them approximately $65,000 in interest charges.

Additional money was saved when the village decided to combine two years of borrowing in the single bond issue.

A portion of the money borrowed will also be covered by revenue from the sewer and water department.

The bonding will be used for work on two blocks of Colonial Parkway and roofing at the library this year, as well as next year’s reconstruction of Linden Street, a variety of sewer and water projects and the purchase of a public works patrol truck.

With the bonding, the village’s tax rate for debt will increase from $2.48 per $1,000 of assessed property value this year to as much as $2.95 per $1,000 in 2015.

By the last year of the bond issue, the tax rate for debt will fall to $2.14 per $1,000. If the village does no additional borrowing, the tax rate for debt would fall to $1.75 per $1,000 in 2025.

The Moody’s rating service provided a favorable snapshot of the village’s financial picture.

“We expect the village’s financial operations to remain sound given historically healthy general fund reserve levels and management’s conservative fiscal management practices,” the Moody’srating outlook report stated.

“The village has recorded three consecutive general fund operating surpluses from fiscal 2010 through fiscal 2013. The moderate $128,000 surplus in fiscal 2012 resulted in a year-end general fund balance of $1.3 million, or a solid 41.6% of fiscal general fund revenues.”

The rating service noted the village has a policy of maintaining reserves of between 25% and 35% of annual general fund revenues.