



CASE STUDY

September 22, 2022

**\$2,158,000**

**City of Caseville, Michigan**

Water Supply and Distribution System Revenue Refunding Bonds, Series 2022

Placement Agent

Pricing Date: 09/01/2022



**BACKGROUND:** Northland Public Finance (“Northland”) serving as Placement Agent to City of Caseville (the “City”) announces the successful sale of \$2,158,000 Water Supply and Distribution System Revenue Refunding Bonds, Series 2022 (the “Refunding Bonds”).

The Refunding Bonds refinanced the City’s outstanding Water Supply and Distribution System Revenue Bonds, Series 2005A & 2005B, issued through the United States Department of Agriculture, collectively (the “Prior USDA Bonds”). The Refunding Bonds refinanced the Prior USDA Bonds maturing July 1, 2023, through July 1, 2045, at an interest rate of 4.125%.

Northland - working with Miller Canfield Paddock & Stone as Bond Counsel - proposed selling the Refunding Bonds through a private placement with a large sophisticated investor or a local bank. The City agreed to this method of sale allowing the City to limit issuance expenses and expeditiously sell the Refunding Bonds, given the rising interest rate environment.

**STRUCTURING:** Working with the City, Northland identified the City’s refinancing goals before preparing a Private Placement Memorandum that was sent to over 40 local and national institutional investors.

The City decided to utilize rear loaded savings which would not cause much change to the debt service payments in the early years, allowing the City to shorten the length of amortization and realize savings in the later years.

The Prior USDA Bonds required the City to keep a Repair, Replacement, and Improvement Fund (“RRI Fund”) which had a balance of approximately \$220,000 that the City decided to contribute to the transaction. Also, the Prior USDA Bonds required a Debt Service Reserve Fund (“DSRF”) which had a balance of \$172,000. The City preferred to receive bids without a DSRF requirement so they could contribute the DSRF from the Prior USDA Bonds to shorten the amortization of the Refunding Bonds.

**RESULTS:** As the finance team approached the due date for bids, many potential bidders were not able to place a bid due to the length of the amortization. Northland received an aggressive bid from one of the City’s local banks that met the City’s goals. The refinancing was successfully completed for the City with an interest rate of 3.79%, with no DSRF requirement. This allowed the City to shorten the amortization by 5 years with a final maturity of July 1, 2040. The refinancing saved the City approximately \$962,000, or \$547,000 net of the RRI and DSRF contributions.

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SOURCE: Northland Securities