My responsibilities as county administrator includes working with the finance department and an independent financial advisor to evaluate the most advantageous method for financing long-term debt. In my experience, the most appropriate means for debt financing is the sale of promissory notes or bonds in a competitive sale. Bonds or notes sold in this manner for a term of 10 or 20 years, likely provides a lower true interest cost than can be realized by using the BCPL State Trust Fund Loan (STFL) Program.

However, depending upon the circumstances, there can be advantages to using STFL, including a simplified application process, no pre-payment penalty, and no cost of issuance. Since 1999, La Crosse County has used the STFL program on nine different occasions.

In 1999, La Crosse County borrowed $1.5 million to assist a group of local investors to purchase the assets of Heileman Brewery – one of the area’s iconic employers – in order to create the City Brewery Company. At the time, it seemed unlikely that the bond market would offer a favorable rate for such a venture and the debt might require a penalty for early payment. As it turned out, the county only needed to lend $616,000 to the brewery and the entire loan was fully repaid by 2003 without risk to the county. This employer is still in business today.

In 2004, the county chose to use STFL to refinance its outstanding pension liability to the Wisconsin Retirement System at a 5.25%, instead of the 8% charged by the state. The county later refinanced the remaining balance in 2010, combined with other debt needs, for a lower interest rate and a slightly longer term without incurring a penalty to repay STFL early.

The most innovative use of the STFL program was in 2015 and 2016 when La Crosse County converted two General Obligation debt issues to Revenue Debt ($7.8 million and $5.475 million) for the county's solid waste enterprise. The debt was originally incurred mainly to install environmental improvements to reduce air pollution from the Waste-To-Energy plant operated by Xcel energy. The plant burns refuse-derived fuel (municipal solid waste) generating electricity for about 20% of the homes in the City of La Crosse, while reducing the amount of waste buried in the landfill.

The original debt was required to be a taxable issue with much higher rates of up to 4.5% and 5.95% as General Obligation Debt. BCPL agreed to refinance these two issues as Revenue Debt at a fixed rate of 3.75% and 4%, lowering the cost of debt service. Because the solid waste enterprise has always been able to cover debt obligations from tipping fees, the county felt this use of Revenue Debt presented a better picture to Moody’s Investor Service when conducting their annual rating review. La Crosse County’s long-term debt has been rated at Aa1 since 2010, only one step below the highest rating of Aaa.

It is always best to use an independent financial advisor to help each local government consider the pros and cons of the best means of financing. A financial advisor has a fiduciary responsibility to recommend the best option for your situation. That said, using STFL could be advantageous this year, due to the market volatility for municipal debt at this time.