

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE : January 9, 2015

TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller

SUBJECT : **2015 Corporate Purpose Refunding Bonds Authorizing/Parameters Resolution**

Request

The Office of the Comptroller is requesting the approval of the attached resolution for the issuance of a not-to-exceed amount of \$15,500,000 of General Obligation Refunding Bonds to refund the balance of the outstanding debt for the \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A (Series 2006A Bonds).

The attached resolution authorizes the issuance of the bonds, provides parameters for the issuance and delegates approval of the sale of the bonds to the Comptroller. The Comptroller's approval is limited to results of the sale that fall within the parameters outlined in the resolution. An informational report will be submitted to the Finance, Personnel, and Audit Committee to communicate the final results of the bond sale.

Background

In 2006, the County issued \$31,595,000 in Series 2006A Bonds. The proceeds of the Series 2006A Bonds were used finance non-airport projects that were included in the 2006 Capital Improvements Budget. The \$15,180,000 in outstanding Series 2006A Bonds is callable beginning October 1, 2015. The estimated net present value savings is \$1,195,712 (or 7.88%) over the years 2016-2021.

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$15,500,000 in refunding bonds. The total estimated debt service costs would be \$16,785,433, including \$1,285,433 in interest costs.

BOND SALE PARAMETERS

The parameters for the financing would consist of the following:

- Net present value savings of 3 percent – Net present value is a financing principle that allows for the analysis of costs that are incurred today and savings that occur in the future to be evaluated in today's dollars (time value of money). Positive net present values reflect positive savings. The County has established a standard of at least 3 percent of refunded principal for advance refundings; however, the County typically uses this rule as a criterion for refundings in general. The preliminary analysis resulted in a net present value savings of approximately \$1.2 million, which represents in excess of 7.8 percent of refunded principal.

- Minimum purchase price of 99 percent of the par amount of the bonds – The price of the bond reflects the maximum price an investor would want to pay for the bond based on the coupon rate and the market rate. This is known as the yield or rate of return on the bond. When the coupon rate on the bond is equal to the market rate the purchase price is equal to the principal amount of the bond (par). If the coupon rate is lower than the market rate, the bonds will be purchased at a discount. If the coupon is higher than the market rate, the bonds will be purchased at a premium. If there is a premium paid, the amount of the premium would be used to reduce the amount of the refunding bond issue. Whether or not the bond purchase price is a par, discount or premium is dependent upon market conditions on the day of the sale.

DEBT ISSUANCE EXPENSES

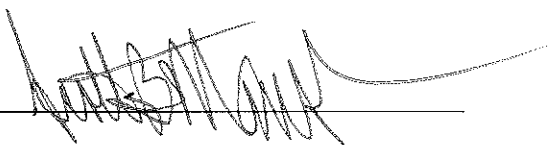
The 2015 budget authorizes the Office of the Comptroller to increase the amount of the 2015 borrowing to pay debt issuance expenses. The attached resolution authorizes and directs the Comptroller to request credit ratings and to pay all professional services and other issuance expenses related to the issuance of the bonds from debt proceeds. An administrative appropriation transfer will be processed to increase expenditure authority to pay for the cost of issuance. Anticipated expenses include bond counsel, financial auditor and financial advisory fees, official statement printing and mailing costs, credit rating fees and expenses and other issuance costs such as publication costs and express mail.

PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS

Some of the projects funded with the Series 2006A Bonds (which will be refunded with the 2015 issue) are private activities within the meaning of the federal tax code. The issuance of tax-exempt bonds for these purposes requires that a public hearing be scheduled to allow citizens to comment on the issuance of the bonds. A public hearing will need to be scheduled as an item for the January 29 meeting of the Finance, Audit and Personnel Committee to allow for public comment on the projects.

RECOMMENDATION

The Office of the Comptroller requests that the Finance, Personnel and Audit Committee approve and recommend approval by the full County Board of the attached resolution. The resolution authorizes the issuance of the bonds and delegates, to the Comptroller, the authority to approve the final terms and conditions of the bond sale provided that those terms and conditions are within the parameters set forth in the attached resolution. The sale will consist of the issuance of a not-to-exceed amount of \$15,500,000 in bonds to refund the \$15,180,000 balance of the outstanding debt for the \$31,595,000 General Obligation Corporate Purpose Bonds, Series 2006A. An informational report will be submitted to the Finance, Personnel and Audit Committee to communicate the final results of the bond sale.



Scott B. Manske
Comptroller

Attachment

pc: Chris Abele, County Executive
Supervisor Willie Johnson, Co-Chairman, Finance and Audit Committee
Supervisor Theo Lipscomb, Sr., Co-Chairman, Finance and Audit Committee
Josh Fudge, Director, Department of Administrative Services-PSB
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Manager
Stephen Cady, County Board Fiscal and Management Analyst
Joseph Czarnecki, County Clerk
David Cullen, Treasurer
Brian Lanser, Quareles & Brady LLP
Lafayette Crump, Crump Law Firm
David Anderson, Public Financial Management
Tionna Pooler, Independent Public Advisors, LLC
Justin Rodriguez, Budget and Management Coordinator
Janelle Jensen, Finance, Personnel and Audit Committee Clerk