

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : November 18, 2014

TO : Supervisor Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : Submission of a Report on the Results of the Sale of \$39,240,000 in General Obligation Corporate Purpose Bonds, Series 2014A (**Informational-Only**)

BACKGROUND

In March 2014, the Office of the Comptroller received approval from the County Board and County Executive to issue a not-to-exceed amount of \$42 million in bonds for various capital improvement projects included in the 2014 Capital Improvement Budget and previously approved projects appropriations made prior to that. The resolution also delegated the approval of the sale of the bonds to the Comptroller's Office subject to certain parameters.

The authorizing resolution also included parameters for selling the bonds.

GENERAL OBLIGATION BOND SALE PARAMETERS

The parameters for the financing consisted of the following:

- Maximum coupon rate of 5.0 percent – A coupon rate is the interest rate for each maturity or principal amount. *The actual maximum coupon rate is 3.25%.*
- Maximum true interest cost (TIC) of 4.5 percent – The true interest cost is the actual interest rate paid on bonds, which is expressed as a percentage of the total debt in today's dollars and includes the costs of issuance and other fees. *The actual TIC, including costs of issuance, is 2.66%.*
- 10-year call provision – The 10-year call provision indicates that the County will be able to refund the new bonds prior to maturity. However, the parameters resolution provides that the call provision will be determined by the Comptroller at the time of the sale. *A 10-year call provision is included.*

- 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. Whether or not the bond purchase price is a par, discount or premium is dependent upon market conditions on the day of the sale. *The actual purchase price is 102.7 percent of the par amount of the bonds. The County received a premium on the sale.*

Results of the Sale

On November 6 2014, the County closed on the sale of \$39,240,000 in General Obligation Corporate Purpose Bonds, Series 2014A (2014A Bonds). All parameters set by the Board and County Executive were met in the sale of the 2014 General Obligation Corporate Purpose Bonds for October 2014. The County received eight bids. The winning bidder was Citigroup Global Markets Inc., who won with the lowest interest rate of 2.60%. The total interest costs are \$9,169,510.

The County received a total premium on the sale of \$1,327,873. The premium means that the County met the rule that the minimum purchase price shall be at least 99 percent of the par amount of bonds. The remaining premium must be used to pay interest service associated with the 2014A Bonds. Since there are no debt service payments due this year for the 2014A Bonds, the balance of \$1,327,873 will be deposited to the debt service reserve so that it can be used to pay interest on the 2014A Bonds in future years in accordance with Wisconsin State Statutes.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance, Personnel, and Audit Committee.



Scott B. Manske
Comptroller

Attachments

pc: Chris Abele, County Executive
Supervisor Willie Johnson, Co-Chair, Committee on Finance, Audit and Personnel
Supervisor David Cullen, Co-Chair, Committee on Finance, Audit and Personnel
Don Tyler, Director, Department of Administrative Services
Josh Fudge, Interim Fiscal and Budget Director, DAS
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Manager
Stephen Cady, County Board Fiscal and Budget Analyst
Justin Rodriguez, Budget and Management Coordinator
Julie Wilson, Corporation Counsel