

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 3/22/19

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request authorizing the reallocation of unspent airport revenue bonds, establishment of an escrow account, and the payment or defeasance of a portion of certain airport revenue bonds.

FISCAL EFFECT:

- | | |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures (If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

| | Expenditure or Revenue Category | Current Year | Subsequent Year |
|-----------------------------------|--|---------------------|------------------------|
| Operating Budget | Expenditure | See Explanation | See Explanation |
| | Revenue | | |
| | Net Cost | | |
| Capital Improvement Budget | Expenditure | | |
| | Revenue | | |
| | Net Cost | | |

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

- A. The Office of the Comptroller requesting authorization to reallocate unspent Airport Revenue Bond ("GARB") proceeds and associated earnings of approximately \$4.9 million and to deposit unspent revenue bond proceeds and any associated investment earnings into an escrow account for the purpose of defeasing a portion of the airport revenue bonds.

The Office of the Comptroller is also requesting approval to also engage, as necessary, a firm to solicit and accept bids for the investment of funds in the escrow account as required under the Internal Revenue Code of 1986 and a certified public accounting firm to provide mathematical verification and related services in connection with this transaction.

The Office of the Comptroller is also requesting approval to process appropriation transfers to accomplish the reallocations.

- B. The Resolution will reallocate unspent airport revenue bonds of approximately \$4.9 million. A vast majority (\$4.6 million) of the \$4.9 million of GARB proceeds are Airport Revenue Bonds, Series 2013A ("2013A Revenue Bonds"). It is anticipated that the 2013A Revenue Bonds and the associated earnings will be placed into the escrow account. The escrow account will make debt service payments that would otherwise have been made by the County, through its trustee (US Bank).

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

The balance of the unspent revenue bond proceeds and associated earnings relates to the Airport Revenue Bonds, Series 2007A ("2007A Revenue Bonds") and Airport Revenue Bonds, Series 2006A ("2006A Revenue Bonds"). It is anticipated that the approximately \$330,000 of 2007A Airport Revenue Bond proceeds and approximately \$20,000 of 2006A Airport Revenue Bond proceeds will be deposited into the Special Redemption Fund, held by the trustee, for the purpose of paying interest on the respective issues.

The Office of the Comptroller will take all necessary steps to facilitate the transaction.

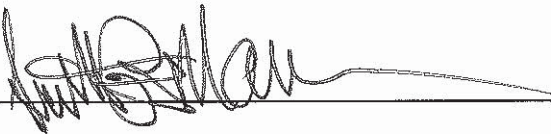
- C. An estimated \$25,000 - \$50,000 of transaction costs (i.e. bond counsel, financial advisor, escrow agent, etc.) will need to be absorbed within the Airport division's 2019 operating budget.

Future Airport operating budgets will need less expenditure authority for debt service as a result of the defeasance. The future debt service amounts that need to be paid from the Airport operating budget will decrease by at least \$4.9 million. Final amounts that will be paid by the escrow will be determined once the escrow agreement is finalized.

- D. The unspent bond amounts were determined by the Airport Division of the Department of Transportation along with assistance from the Office of the Comptroller. Additional analysis will be performed prior to the defeasance to confirm the unspent bond amounts and identify the associated investment earning amounts. Eligible uses of the funds were determined by the County's Bond Counsel and the Office of the Comptroller.

Department/Prepared By Justin Rodriguez

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review?? Yes No Not Required

