

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: February 20, 2020

TO: Supervisor Theodore Lipscomb, Chair, County Board of Supervisors

FROM: Aaron Hertzberg, Director, DAS, Economic Development

SUBJECT: **Supplemental Report to File No. 20-116**

Revenue bond financing by the Public Finance Authority of a project located at 4001 S. 68th Street, Milwaukee, pursuant to Wis. Stat. 66.0304(11)(a) and Milwaukee County Code of Ordinances Section 32.97

REQUEST

A resolution approving the revenue bond financing by the Public Finance Authority (“PFA”) of a project located in Milwaukee County for the benefit of St. John’s Evangelical Lutheran Church (“St. John’s”), pursuant to Wis. Stat. 66.0304(11)(a) and Milwaukee County Code of Ordinances Section 32.97.

Previous Legislation

File 13-744 – Action Item to approve PFA conduit bonds for Hope Christian Schools
File 14-247 – Action Item to approve PFA conduit bonds for Crown Court Prairie Haven
File 16-418 – Action Item to approve PFA conduit bonds for BHP Inc.
File 17-156 – Recommended Procedures for PFA Requests
File 17-365 – Adoption of Procedures to Review PFA Requests
Milwaukee County Code of Ordinances Section 32.97

Background

PFA is a governmental entity created by the legislature and authorized to issue tax-exempt, taxable, and tax conduit bonds for public and private entities. PFA is sponsored by the National Association of Counties, National League of Cities, Wisconsin Counties Association and League of Wisconsin Municipalities. PFA was established as an alternative to local government issuance of bonds and reduces cost, staff time and liability to cities and counties in relation to requests for these types of bonds. PFA does provide an opportunity to weigh in on the issuance of bonds within a community through a requirement to hold a public hearing and approve the financing prior to issuance of the bonds by PFA.

Report

During the Economic and Community Development Committee meeting of February 6, 2020 and at the County Board of Supervisors meeting on the same day, there were

questions raised with regard to the PFA bond project, including the source of funding for public projects by private non-profit agencies. These items include PFA's funding sources and structure and previous votes taken by the Board to adopt similar resolutions. The Board's decision was to have this item referred back to Committee.

The local government requirement to the proposed financing is sought in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") and Section 4 of PFA's Joint Exercise of Powers Agreement. PFA is the authority to issue tax-exempt bonds and uses no public subsidies or tax dollars to facilitate its operations. For this project, the bond is issued by PFA, then assigned to the National Exchange Bank as the original purchaser. Essentially, the bond is the same as a mortgage for the bank – they hold and the school repays it. PFA is the conduit to connect the two of them for issues of non-profit tax exempt bonds. All bonds issued by PFA are considered conduit debt obligations solely of PFA. No liability for debt repayment is attributed to the local government agency. PFA is the party responsible for determining whether the bond will meet the tax-exempt status as defined under federal regulations and guidelines.

PFA's governing board is comprised of representatives appointed by the Sponsors and approved by the Wisconsin founding members consisting of the City of Lancaster and the counties of Adams, Buffalo, Waupaca, and Bayfield. The PFA board determines all of PFA's financing policies and procedures, which includes a streamlined review and approval process for each proposed financing.

PFA's sponsors are National Association of Counties, National League of Cities, Wisconsin Counties Association and League of Wisconsin Municipalities.



Aaron Hertzberg
Director, DAS, Economic Development

cc: Chris Abele, County Executive
Teig Whaley-Smith, Director, Department of Administrative Services
Economic and Community Development Committee Members
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Raisa Koltun, Chief of Staff, County Executive's Office
Ken Smith, Research Analyst
Allyson Smith, Committee Coordinator
Scott Manske, Comptroller
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