

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE : February 21, 2014

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

FROM : Pamela Bryant, Capital Finance Manager, Office of the Comptroller

SUBJECT : **Authorizing Resolutions for Corporate Purpose Bonds**

REQUEST

The Office of the Comptroller is requesting the approval of the attached initial authorizing resolutions and final bond resolution for the issuance of a not-to-exceed amount of \$42 million of bonds (the "Corporate Purpose Bonds") to finance various capital improvement projects. The majority of the projects are included in the 2014 Capital Improvements Budget. The balance of the projects has been previously approved by the County Board and County Executive, but has not yet received financing.

The attached resolutions authorize the issuance of the Corporate Purpose Bonds provide parameters for the issuance and delegate approval of the sale of the Corporate Purpose to the Comptroller. The resolutions also delegate the bid opening and approval of the winning bidder for the sale of the Corporate Purpose to the Comptroller. The Comptroller's approval is limited to results of the sale that fall within the parameters outlined in the resolutions. An informational report will be submitted to the Finance, Personnel, and Audit Committee to communicate the final results of the bond sales.

BACKGROUND

The 2014 Corporate Purpose Bond Issue will finance projects contained in the 2014 Adopted Capital Improvements Budget, 2013 Adopted Capital Improvements Budget, Courthouse Infrastructure Improvements Relating to Courthouse Fire project, and replacing reallocated 2010 bond proceeds for the Estabrook Dam Rehabilitation project.

2014 Capital Improvements Budget

The 2014 Capital Improvements Budget included \$37,466,557 of general obligation bond financing. Based on discussions with Department of Transportation, \$1,044,306 of the \$2,224,306 in general obligation bonds for capital project WH02015 – South North Cape Road (Hi-View Drive to South Carroll Circle) will not be needed until 2015. In addition, the \$107,074 in 2010 unspent bond proceeds from capital project WH03006 – Whitnall Park Bridge – Root River have been reallocated to finance capital project WH01017 – South 76th Street (West Puetz Road to Imperial Drive). The planning for the Whitnall Park Bridge - Root River project will be completed in 2014. Therefore, the construction will not occur until

2015. To assist the County with complying with Internal Revenue Service (IRS) rules regarding expending the bonds, the \$107,074 in 2010 bonds will be reallocated. For the same reason, the 2014 bonding amount for the South North Cape Road project has been reduced by \$1,044,306. It is anticipated that the financing for these projects will be included in a future bond issuance. The table below lists the various financing changes to the projects.

Project Number	Description	2014 Adopted Capital Bonding	Prior Year Bonds	2014 Bond Issue	2015 Bond Issue or Future Bond Issue
WH02015	South North Cape Road (Hi-View Drive to South Carroll Circle)	\$2,224,306	\$0	\$1,200,000	\$1,044,306
WH01017	South 76th Street (West Puetz Road to Imperial Drive)	\$733,000	\$107,074	\$625,926	\$0
WH03006	Whitnall Park Bridge over Root River	\$0	(\$107,074)	\$0	\$107,074
	2014 Adopted Capital				

2013 Capital Improvement Budget Projects

In June 2013, Resolution File No. 13-537 authorized the reallocation of unspent bonds from existing capital projects to projects included in the 2013 Capital Improvements Budget. The resolution also delayed all or portions of bond financing associated with projects that were included in the 2013 Adopted Capital Improvements Budget but would not be able to meet IRS expenditure targets. These projects included:

- WG014- Grounds South Reservoir Rehabilitation (\$1,219,200)
- WO517- War Memorial Renovation (\$571,341)
- WP264- Estabrook Dam Impoundment Sediment Remediation (Phase 2) (\$1,200,000)

In addition to the projects listed above, there were two projects that were included as part of the unspent bond reallocation, but did not receive all of the funding that was budgeted since the total amount of unspent bonds changed subsequent to the adoption of the resolution. These projects include:

- WT056- Replace HVAC System at Kinnickinnic Garage (\$315)
- WT066- Replace Bus Wash System at Fiebrantz Garage (\$30,797)

Courthouse Complex Infrastructure Improvements Relating to the Courthouse Fire

In September 2013, Resolution File No. 13-708 established capital project WO151 - Courthouse Infrastructure Improvements Relating to Courthouse Fire to provide a budget and financing mechanism for expenditures that the County believes are related to the Courthouse Fire but are not reimbursable by insurance. In addition, the County Board and County Executive approved a reimbursement resolution to express the County’s intent to reimburse itself with future bond proceeds to finance these expenditures. The not-to-exceed amount for the reimbursement resolution is \$2 million. To date, there have been no charges to the project.

The attached initial authorizing resolution includes \$2 million to finance bond-eligible expenditures that are related to the Courthouse Complex fire, but are not reimbursable by insurance. At this time it is not known how much of the \$2 million will be issued in 2014. By including the \$2 million in this initial authorizing resolution, the County retains the option to use 2014 bond proceeds to finance these expenditures without reallocating bond proceeds from existing projects. Although the amount has been included in this authorization, it is anticipated that the County will not have to issue bonds for these expenditures.

Estabrook Dam Rehabilitation project

The 2010 Adopted Capital Improvements Budget included an appropriation of \$2,100,000 to repair the Estabrook Dam by applying structural repairs to the dam and other nearby structures and the removal of debris to access the dam and structures for repairs. These costs were financed with 2010 general obligation bonds.

In 2013, the Office of the Comptroller received authorization from the County Board to reallocate unspent bonds, primarily from projects that had been delayed, to various capital projects that are continuing projects and/or contained in the Five Year Capital Improvements Plan. This would enable the County to comply with IRS rules regarding tax-exempt bonds.

The Estabrook Dam Rehabilitation project was one of the projects that had been delayed due to permitting requirements for the project and an Environmental Assessment (EA) required for the dam repairs and the impoundment river remediation work being conducted upstream from the dam by the Environmental Protection Agency (EPA). The river remediation work will need to be completed prior to re-commissioning the repaired dam or other options regarding the dam. The County Board and County Executive through the approval of Resolution File No. 13-537 authorized the reallocation of the bond proceeds and directed the DAS to administratively transfer a not-to-exceed amount of \$1,630,000 in expenditure authority and general obligation bond proceeds to reestablish capital project WP063022 – Estabrook Dam Rehabilitation Project. The actual amount of expenditure authority and 2010 bond proceeds reallocated in 2013 from the Estabrook Dam Rehabilitation project to various capital projects was \$1,589,789.

The Office of the Comptroller and DAS – Performance, Strategy and Budget met with staff from Parks Administration and DAS-Architecture, Environment and Engineering Services, who are responsible for project management, to discuss the status of the Estabrook Dam Rehabilitation and Estabrook Dam Impoundment Remediation projects. One of the objectives of the meeting was to determine if the project should be included in the 2014 bond financing.

According to the Departments, the Estabrook Dam Impoundment Remediation project is scheduled to be completed in 2014 in accordance with the EPA schedule. Also, an EA examining all options for the Estabrook Dam must be completed. A decision must be made regarding which dam repair option to pursue in order to meet the Wisconsin Department of Natural Resources mandated repair completion date of December 31, 2014. Two main options regarding the Estabrook Dam have been identified for evaluation in the EA: rehabilitate as stated in the 2010 capital project mentioned above, or demolish all or part of the dam and construct rock ramps in the river to control the flow and height of the river. The second option will require approval of a change in project scope by policymakers. The initial

authorizing resolution will include language that will allow for either scope to be pursued.

\$42 MILLION CORPORATE PURPOSE ISSUANCE

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$42 million in bonds/notes. The \$42 million bond amount is the sum of the 2014 Capital Improvements Projects, the 2013 (delayed/unfunded) Capital Improvements Projects and Project WO151 Courthouse Complex Improvements relating to the Courthouse Fire. The sum also includes funding for cost of issuance expenses. Below is a list of the various components:

Project Number	Description	2014 Bond Issue
	2014 Adopted Capital Improvement Bond Financing	\$37,466,557
WH02015	S. North Cape Rd. (Hi-View Dr. to S. Carroll Cir	(\$1,044,306)
WH03006	Whitnall Park Bridge over Root River	(\$107,074)
	2014 Capital Projects as Modified Above	\$36,315,177
WO517	War Memorial Improvements	\$571,341
WP063	Estabrook Dam Repair	\$1,589,710
WP264	Estabrook Dam Impoundment Remediation	\$200,000
WT056	Replace HVAC System at Kinnickinnic Garage	\$315
WT066	Replace Bus Wash System at Fiebrantz Garage	\$30,797
	Estimated Cost of Issuance (Federal Allowable Amount)	\$712,660
	Rounding	\$580,000
	Total	\$3,684,823
	Sub-Total	\$40,000,000
WO151	Courthouse Infrastructure Improvements Relating to Courthouse Fire	\$2,000,000
	Total Not-To-Exceed Amount	\$42,000,000

The estimated debt structure for the bonds consists of a level principal repayment of \$2,800,000 over a 15-year term, beginning in 2015. The total estimated debt services costs would be \$52,993,960, including \$10,993,960 in interest.

BOND SALE PARAMETERS

The parameters for the financing would consist of the following:

- Maximum coupon rate of 5 percent – A coupon rate is the interest rate for each maturity or principal amount.

- 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.
- 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 sale.
- 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.

DEBT ISSUANCE CONDITIONS

Wisconsin State Statute 67.045 outlines the conditions for which a governing body may issue debt. To comply with the referenced State Statute, approval of the attached an initial authorizing resolution with respect to the Corporate Purpose Bonds will require a $\frac{3}{4}$ vote (14 votes) of the County Board of Supervisors. The parameter resolution for the Corporate Purpose Bonds will require approval by a majority of a quorum of the County Board.

DEBT ISSUANCE EXPENSES

The 2014 budget authorizes the Office of the Comptroller to increase the amount of the 2014 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

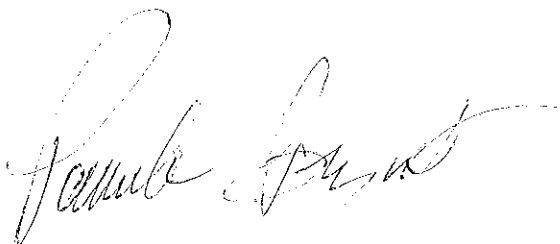
Some projects included in the 2014 bond issue are considered private activities within the meaning of the federal tax code. The issuance of tax-exempt bonds for these purposes requires that a public hearing be scheduled to allow citizens to comment on the issuance of the bonds. A public hearing will need to be scheduled to allow for public comment on the projects authorized for such entities as the Milwaukee Public Museum, Research Park, St Charles Youth and Family Services (CATC building), War Memorial and the Charles Allis Museum.

AUTHORIZING RESOLUTIONS

Attached are the authorizing resolutions for the 2014 Corporate Purpose Bonds which include initial resolutions, a resolution directing publication of notices to the electors and a resolution authorizing the sale of the Corporate Purpose Bonds. Each of the items in the resolution requires Finance, Personnel and Audit Committee and County Board approval.

RECOMMENDATION

The Comptroller's Office requests that the Finance, Personnel and Audit Committee approve and recommend approval by the full County Board of the attached resolutions. The resolutions authorize the issuance and sale of the Corporate Purpose and delegate, 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 resolutions. The sale will consist of the issuance of a not-to-exceed amount of \$42 million in bonds/notes to finance projects various capital improvement projects. An informational report will be submitted to the Finance, Personnel and Audit Committee to communicate the final results of the bond sale.



Pamela Bryant
Capital Finance Manager

Attachment

pc: Chris Abele, County Executive
Supervisor Willie Johnson, Co-Chairman, Finance and Audit Committee
Supervisor David Cullen, Co-Chairman, Finance and Audit Committee
Scott B. Manske, Comptroller
Don Tyler, Director, Department of Administrative Services
Amber Moreen, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Josh Fudge, Fiscal and Budget Administrator
Stephen Cady, Research Director
Joseph Czarnecki, County Clerk
Daniel Diliberti, County Treasurer
Brian Lanser, Quarles and Brady
Lafayette Crump, Crump Law Firm
David Anderson, Public Financial Management
Justin Rodriguez, Fiscal and Management Analyst
Carol Mueller, Finance and Audit Committee Clerk