

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE : January 14, 2013

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

FROM : Pamela Bryant, Capital Finance Manager

SUBJECT : **Airport Bond Initial Authorizing Resolutions**

Request

The Office of the Comptroller is requesting the approval of the attached authorizing resolution and final bond resolution for the issuance of a not-to-exceed amount of \$60 million of General Airport Revenue Bonds (GARBs) to finance various airport capital improvement projects included in the 2011-2013 Capital Improvement Budgets.

The attached final bond resolution authorizes the issuance of the bonds and 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 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

The 2011-2013 Adopted Capital Improvements Budget included \$67,111,500 of new airport bond financing for various capital projects. This amount was reduced by \$13,272,000 due the reallocation of PFC-Backed GARBs proceeds from the GMIA Snow Equipment Storage Building. Subsequent to budget adoption and the sale of the 2010 Airport Revenue Bonds, the Airport decided to utilize space at the former 440th Airport Hangar to store the snow equipment. Therefore, the \$13,272,000 in PFC-Backed GARBs are available to finance the Baggage Claim Project that is included in the 2013 Adopted Capital Improvements Budget.

The bond issue amount is \$60 million. The differences between the not-to-exceed amount and the budgeted bond amount reflects the estimated issuance costs, funding for the debt service reserve fund and provides flexibility for any adjustments that may occur prior to the issuance of the bonds. The Comptroller's Office has prepared estimated debt service schedules for the issuance of \$60 million in GARBs. The total estimated debt service costs would be \$85,785,330, including \$27,270,330 in interest costs.

BOND SALE PARAMETERS

The parameters for the financing would consist of the following:

- Maximum coupon rate of 6 percent – A coupon rate is the interest rate for each maturity or principal amount.

- Maximum true interest cost (TIC) of 5.5 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.
- No call provision – The no call provision indicates that the County will not be able to refund the new bonds prior to maturity. The remaining years of the refunded bonds is 9 years, with an amount of \$375,000 for each year. Therefore, it is unlikely that the County would refund the new bonds. In addition, due to the low amount for each maturity, a no call provision may be necessary to obtain a low interest rate and encourage investor interest in the bonds.
- 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 2013 budget authorizes the Office of the Comptroller to increase the amount of the 2013 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

The 2013 bond issue is a private activity bond issue 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.

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 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 \$60 million in bonds to finance projects approved in the 2011-2013 Airport Capital Improvement Budgets. 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
Pat Farley, Director, Department of Administrative Services
Amber Moreen, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Manager
Stephen Cady, County Board Fiscal and Management Analyst
Joseph Czarnecki, County Clerk
Daniel Diliberti, County Treasurer
Chuck Jarik, Chapman and Cutler LLP
Emile Banks, Emile Banks and Associates
David Anderson, Public Financial Management
Justin Rodriguez, Fiscal and Management Analyst
Carol Mueller, Finance and Audit Committee Clerk