

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : August 30, 2013

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 \$26,935,000 in General Obligation Corporate Purpose Bonds, Series 2013A

BACKGROUND

In February 2013, the Office of the Comptroller received approval from the County Board and County Executive to issue a not-to-exceed amount of \$36,100,000 in bonds for various capital improvement projects included in the 2013 Capital Improvement Budget and previously approved projects from 2011 and 2012. The resolution also delegated the approval of the sale of the bonds to the Comptroller's Office subject to certain parameters.

In June 2013, the Office of the Comptroller received approval from the County Board and County Executive to reallocate approximately \$5.8 million of unspent bond proceeds to projects that were included as part of the 2013 Capital Improvements Budget. This reallocation resulted in a reduction of the bond amount.

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.
- 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.

- 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. Under the rule adopted by the County Board and County Executive, the County could issue these bonds at any premium, par or a maximum discount of 1%. 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.

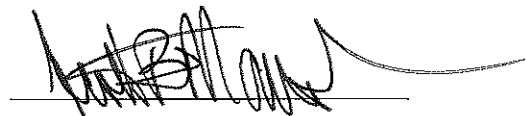
Results of the Sale

On August 14 2013, the County closed on the sale of \$26,935,000 in General Obligation Corporate Purpose Bonds, Series 2013A (2013A Bonds). All parameters set by the Board and County Executive were met in the sale of the 2013 General Obligation Corporate Purpose Bonds for June 2013. The County received four bids. The winning bidder was Robert W. Baird Co., Inc., who won with the lowest interest rate of 2.43%. The total interest costs are \$4,334,336.

The County received a net premium on the sale of \$838,285. 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. Of the \$838,285, a total of \$299,585 was used to pay the Underwriter's Discount. The remaining premium must be used to pay debt service associated with the 2013A Bonds. Since there are no debt service payments due this year for the 2013A Bonds, the balance of \$697,798 will be deposited to the debt service reserve so that it can be used to pay debt service in a future year.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance 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
Amber Moreen, Chief of Staff, County Executive's Office
Raisa Koltun, 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, Capital Finance Analyst
Mark Grady, Corporation Counsel