

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : February 16, 2023

TO : Supervisor Marcelia Nicholson Chairwoman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller

SUBJECT: **Recommendation for Underwriter for Airport Bond Financings**

The Office of the Comptroller is requesting approval to select **Citigroup Global Markets Inc. (“Citi”)** as underwriter for perspective airport bond financings (refer to **Exhibit 1** for the RFP). Currently the Office of the Comptroller anticipates issuing refunding bonds for the outstanding \$31.6 million of Series 2013A – General Airport Revenue Bonds and the outstanding \$11.6 million of Series 2014A – General Airport Revenue Bonds. In addition, the RFP included options for the County to use the selected underwriter to facilitate subsequent General Airport Revenue Bond issuances that may occur in 2024-2028.

### **Background**

In November 2022, the Office of the Comptroller issued a Request for Proposals (RFP) to hire an underwriter for perspective airport bond financings. “The primary role of the underwriter in a negotiated sale is to market the issuer's bonds to investors. Underwriters often provide ideas and suggestions with respect to structure, timing, and marketing of the bonds being sold.”<sup>1</sup> Notice of the issuance was published in the Bond Buyer and the Daily Reporter. The Bond Buyer is the leading publication for bond financings and related information.

Airport Revenue Bond sales, which are more complicated than general obligation bond sales, are sold on a negotiated basis. Underwriters would be unwilling to purchase the bonds without a thorough understanding of the revenue sources, bond covenants, lease arrangements and feasibility analysis associated with the bonds. In addition, the underwriter's clients tend to respond best to negotiated sales for revenue bond issues knowing that the underwriting firm has undertaken the due diligence necessary to understand the bonds.

Below is the scope of services listed in the RFP.

- Assisting the County and its Financial Advisor in developing the optimal plan of finance, including the quantitative analysis needed to support this effort;
- Participating in planning, structuring and executing the financings contemplated under the plan of finance, as described in the introduction of this Request for Proposals;
- Assessing market conditions and their impact on the timing of any financings;

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<sup>1</sup> Government Finance Officers Association (“GFOA”) Best Practices – Selecting and Managing Underwriters for Negotiated Bond Sales. <https://www.gfoa.org/materials/selecting-and-managing-underwriters-for-negotiated>

- Reviewing all disclosure, sale and other relevant financing documents including the airport consultant feasibility report in conjunction with Co-Bond Counsels and the County's Financial Advisors;
- Assisting in obtaining credit ratings and bond insurance (if necessary), including preparing presentations, and attending and participating in rating agency and bond insurer meetings;
- Managing the marketing and sale of any bonds issued pursuant to the plan of finance;
- Completing all administrative obligations required to properly close any financing; and
- Attending all required meetings and conference calls. Meetings are anticipated to be held virtually.

### **Underwriter Compensation**

Underwriters are compensated through an underwriting spread that can be obtained through the pricing on the bonds. The spread is the difference between the price at which a bond issue is purchased and the price at which the bonds are sold to investors. Milwaukee County will be assisted in negotiations with the Underwriter by the County's co-financial advisors.

The RFP cost responses included the underwriter fees on a per bond basis, which includes the average takedown (or sales commission), management fee, and other expenses. While the costs are known, the yield of the bonds and spread will be determined on the day of sale.

### **Selection of Underwriter**

The Office of the Comptroller received eleven responses that were reviewed by a panel made up of officials with backgrounds in municipal debt financing from Milwaukee County and the City of Milwaukee. The highest scoring proposal and consensus recommendation was **Citigroup Global Markets Inc ("Citi")**.

Citi's Public Finance Department has been a leading underwriter for over two decades, and the #1 or #2 underwriter of negotiated municipal bonds in 22 of the past 23 years. Citi allocates \$35 billion of capital to Municipal Banking and can underwrite up to \$250 million for issuers like the County without any additional approvals. Citi routinely commits capital on its primary market underwritings, specifically supporting other airport issuers in 2022.

Citi's cost proposal included an average takedown of \$1.75 per \$1000 of bonds. The proposal also included miscellaneous expenses of \$1,500. Based on the anticipated 2023 refundings,<sup>2</sup> Citi's underwriter expenses will be \$73,966. Should the County use Citi for financings in 2024-2028 the average takedown will remain \$1.75 per \$1000 of bonds.

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<sup>2</sup> The Cost Proposals, assume a single Current Refunding of the outstanding par amount of \$31,605,000 of Series 2013A General Airport Revenue Bonds and the outstanding par amount of \$11,595,000 of Series 2014A General Airport Revenue Bonds.

Lori Small, Director, will lead the Citi team and will provide day-to-day banking support and quantitative oversight. Ms. Small (Schreckengost), based out of the Chicago office, joined Citi's Municipal Banking Department in July 2010 and provides support to a number of municipal airport and airline clients including Chicago O'Hare International Airport, Gerald R. Ford International Airport, Wayne County Airport Authority, Indianapolis Airport Authority, Minneapolis – St. Paul Metropolitan Airports Commission, Port of Portland (Oregon) and Port of Seattle. Her recent transaction experience also includes the City and the County of Denver and City of Phoenix Civic Improvement Corporation.

### **Underwriter's Counsel**

The underwriter's counsel prepares the legal documents for the underwriter and therefore represents the underwriter. As underwriter, Citi will select the lead underwriter's counsel. The selection of underwriter's counsel will be subject to minimum competency and conflict of interest standards by Milwaukee County.

### **Recommendation**

The Office of the Comptroller, based on the recommendation of the underwriter review panel, recommends adoption of the attached resolution, which requests that Citigroup Global Markets Inc. be retained as underwriter for the 2023 general airport revenue bond refundings and potential new money issuances. In addition, the County may elect to use Citigroup Global Markets Inc. for any other potential airport financings that occur during 2024-2028.

*Scott B. Manske* \_\_\_\_\_

Scott B. Manske  
Comptroller

cc: David Crowley, County Executive  
Supervisor Liz Sumner, Chairwoman, Finance Committee  
Mary Jo Meyers, Chief of Staff  
Kelly Bablitch, Chief of Staff, County Board  
Brian Dranzik, Director, MCDOT-Airport  
James Martin, Deputy Director, MCDOT-Airport  
Pamela Bryant, Capital Finance Director  
Justin Rodriguez, Capital Project Manager  
Stephen Cady, Research Director  
George Christenson, County Clerk  
David Cullen, County Treasurer  
Bridgette Keating, Quarles and Brady  
Emile Banks, Emile Banks & Associates, LLC  
Matthew Schnackenberg, PFM Financial Advisors LLC  
Tionna Reed Pooler, Independent Public Advisors