

**COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION**

DATE : July 3, 2014

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

FROM : Scott B. Manske, Comptroller

SUBJECT : **Airport Refunding Bonds 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 \$27,400,000 of Airport Revenue Refunding Bonds to refund the balance of the outstanding debt for the \$37,360,000 Airport Revenue Bonds, Series 2004 (Series 2004A Revenue Bonds).

The attached final bond resolution authorizes the issuance of the bonds, 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 the 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**

In 2004, the County issued \$37,360,000 in Series 2004A Airport Revenue Bonds. A vast majority (approximately \$30 million) of the proceeds were used to finance the construction of the C Concourse Expansion. The \$27,160,000 in outstanding Series 2004A Airport Revenue Bonds is callable beginning December 1, 2014. The estimated net present value savings is \$1,242,130 (or 4.57%) over the years 2014-2029.

The bond issue amount is estimated to be \$24,675,000. The differences between the not-to-exceed amount of \$27,400,000 and the principal amount of \$24,675,000 reflects flexibility for any adjustments that may occur prior to the issuance of the bonds. The Office of the Comptroller has prepared estimated debt service schedules for the issuance of \$24,675,000 in GARBs. The total estimated debt service costs would be \$36,008,031, including \$11,333,032 in interest costs.

**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.
- Net present value savings of 3 percent – Net present value is a financing principle that allows for the analysis of costs that are incurred today and savings that occur in the future to be evaluated in today’s dollars (time value of money). Positive net present values reflect positive savings. The County has established a standard of at least 3 percent of refunded principal for advance refundings. Although, based on Federal rules, the airport bonds are not eligible to be advanced refunded, the County typically uses this rule as a criteria for refundings in general. The preliminary analysis resulted in a net present value savings of approximately \$1.2 million, which represents in excess of 4.5 percent of refunded principal.
- 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 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**

The 2014 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 as an item for the July meeting of the Finance, Audit and Personnel Committee to allow for public comment on the projects.

## RECOMMENDATION

The Office of the Comptroller 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 \$27,400,000 in bonds to refund the \$27,160,000 balance of the outstanding debt for the \$37,360,000 Airport Revenue Bonds, Series 2004A. An informational report will be submitted to the Finance, Personnel and Audit Committee to communicate the final results of the bond sale.



Scott B. Manske  
Comptroller

### Attachment

pc: Chris Abele, County Executive  
Supervisor Willie Johnson, Co-Chairman, Finance and Audit Committee  
Supervisor David Cullen, Co-Chairman, Finance and Audit Committee  
Don Tyler, Director, Department of Administrative Services  
Josh Fudge, Director, Department of Administrative Services-PSB  
Kelly Bablitch, Chief of Staff, County Board  
James Martin, Deputy Director, MCDOT  
Pat Walslager, Deputy Director, MCDOT-GMIA  
Pamela Bryant, Capital Finance Manager  
Stephen Cady, County Board Fiscal and Management Analyst  
Joseph Czarnecki, County Clerk  
Rex Queen, Deputy Treasurer  
Brian Lanser, Quareles & Brady LLP  
Lafayette Crump, Crump Law Firm  
David Anderson, Public Financial Management  
Justin Rodriguez, Budget and Management Coordinator  
Janelle Jenkins, Finance, Personnel and Audit Committee Clerk