

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : May 1, 2012

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

FROM : Patrick Farley, Director, Department of Administrative Services

SUBJECT: **Recommendation for Underwriter Services for Refinancing of the 2009B Pension Obligation Notes**

**Background**

In April of 2009, Milwaukee County issued \$400,000,000 of taxable pension notes. The purpose of the issuance was to fund a portion of the County's unfunded prior service liability for its Employees' Retirement System (ERS), to stabilize the County's annual contribution levels to the ERS, to achieve budgetary savings, and to provide a greater funding ratio for the ERS.

The 2009 plan of finance was set up to provide level debt service payments over a 25-year period and involved the initial issuance of two series of notes. Approximately two-thirds of the principal amount (\$265,000,000) was issued as the Series 2009A Notes that mature in the years 2010 through 2028 (consistent with the maximum maturity of 20 years allowed by state statutes). The balance of the principal amount (\$135,000,000) was issued as the series 2009B Notes. The Series 2009B Notes mature on December 1, 2013. The initial plan of finance anticipated that the 2009B Notes would be refunded with bonds maturing in the years 2009 through 2033.

It is anticipated that the County will likely refinance the 2009B notes prior to December 2013. If the bonds are not refinanced, then \$135 million of principal and additional interest costs will be due in 2013. The POB Workgroup decided that it is best to have an underwriter in place to assist with determining the appropriate time to proceed with the refunding. Therefore, the Department of Administrative Services (DAS) issued a Request for Proposals (RFP) for underwriter services for the refinancing of the County's 2009B Taxable Pension Obligation Notes (refer to **Exhibit 1** for the RFP). The purpose of the RFP was to solicit information from qualified firms concerning the issuance taxable refunding bonds.

It should be noted that no cost will be incurred by the County if it decides not to pursue the issuance of taxable refunding bonds. Any costs for underwriter services for work performed by them will be their responsibility if the County decides not to move forward with the refunding. The services provided by the underwriters are necessary at this time to provide assistance with the development of the structure and analysis necessary for any potential refunding.

Recommendation for Underwriter Services  
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While the County anticipates utilizing more than one underwriter (refer to Selection of Underwriters section below for actual recommendations), the scope of services for the senior managing underwriter firms included the following:

- 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;
- Assessing market conditions and their impact on the timing of the refunding;
- Reviewing all disclosure, sale and other relevant financing documents in conjunction with Bond Counsel;
- Assisting in obtaining credit ratings, including preparing presentations, and attending and participating in rating agency meetings;
- Managing the marketing and sale of any bonds issued pursuant to the plan of finance;
- Completing all administrative obligations required to properly close the issue;
- Attending all required meetings and conference calls;
- At the County's option, utilize the selected underwriting team to provide assistance with the refunding other outstanding bond issues;

### **Selection of Underwriters**

The RFP was issued on March 23, 2012 and notice of it was published in the Bond Buyer and the Daily Reporter. The Bond Buyer is the leading publication for bond financings and related information. The Department of Administrative Services – Fiscal Affairs Division (DAS – Fiscal) received 13 responses that were reviewed by a convened panel that consisted of a representative from the Public Policy Forum, the Milwaukee Metropolitan Sewerage District, the City of Milwaukee, and Milwaukee County. The recommendation of the firms to serve in an underwriting capacity for Milwaukee County was reached by a unanimous decision of the RFP review panel after reviewing all 13 proposals and interviewing the four top respondents.

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J.P. Morgan Securities was recommended as the lead book-running underwriter by the panel. J.P. Morgan Chase & Company, a publicly held company headquartered in New York, New York, is a global financial services company dating back to 1799 with over 180,000 employees through the United States and approximately 230,000 worldwide. J.P. Morgan Chase & Company is one of the largest financial institutions in the United States and one of the world's premier financial services institutions.

J.P. Morgan Securities is an established leader in POB financings since 2006. Since January 1, 2010, J. P. Morgan Securities has acted as the senior managing underwriting firm on more than \$6.8 billion in taxable municipal transactions where each transaction was at least \$100 million.

J.P. Morgan Securities was the lead book-running underwriter for the County's 2009 \$400 million POB issuance and the project team assigned to the proposed refunding bonds is very familiar with the County's existing debt, existing bondholders as well as the goals and objectives of the original POB plan of finance. During the 2009 debt issuance, the firm demonstrated its ability and willingness to use its own capital to purchase unsold bonds.

Royal Bank of Canada Capital Markets, LLC (RBCCM) was selected as a co-senior managing underwriter. RBC is a diversified global financial services company. RBCCM is a full service investment bank based out of New York, New York and has been the most active lead manager for negotiated issues twelve of the past thirteen years based upon the number of transactions underwritten. RBCCM presented a marketing plan which would be complementary to the plan presented by J.P. Morgan Securities and would provide for a broader base of potential buyers of the County's taxable refunding bonds.

Siebert Brandford Shank & Company, LLC (Siebert) was selected as co-managing underwriter. Siebert is a full-service municipal finance firm headquartered in New York, New York with offices strategically located throughout the country. Siebert is a certified as Minority Business Enterprise with the Wisconsin Department of Administration, but they are not certified with the County. Siebert served as a co-managing underwriter on the County's 2009 \$400 million POB issuance and sold more bonds than the other co-managing firms that participated on the sale.

#### **Underwriter's Counsel**

The underwriter's counsel prepares the legal documents for the underwriter and therefore represents the underwriter. As lead underwriter, J. P. Morgan securities will select the lead underwriter's counsel, with approval by the County.

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**Recommendation**

The Department of Administrative Services, based on the consensus recommendation of the underwriter review panel, recommends adoption of the attached resolution in **Exhibit 2**, which requests that J.P. Morgan Securities be retained as lead book-running underwriter for the refunding of the 2009B taxable pension notes. The Department also recommends that RBCCM be retained as the co-senior managing underwriter and Siebert be retained as co-managing underwriter.



Patrick Farley  
Director, Department of Administrative Services

**Attachments**

pc: Chris Abele, County Executive  
Willie Johnson, Jr., Chair, Finance and Audit Committee  
Amber Moreen, Chief of Staff, County Executive's Office  
Kelly Bablitch, Chief of Staff, County Board  
Craig Kammholz, Fiscal and Budget Administrator, DAS – Fiscal  
Pamela Bryant, Capital Finance Manager, DAS – Fiscal  
Stephen Cady, Fiscal and Budget Analyst, County Board  
Justin Rodriguez, Capital Finance and Planning Analyst, DAS – Fiscal  
Chuck Jarik, Chapman and Cutler  
Emile Banks, Emile Banks and Associates  
Leticia Peralta Davis, Peralta and Garcia  
David Anderson, Public Financial Management