

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : March 22, 2019

TO : Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : **Request authorizing the reallocation of unspent airport revenue bonds, establishment of an escrow account, and the payment or defeasance of a portion of certain airport revenue bonds.**

REQUEST

The Office of the Comptroller is requesting approval to reallocate unspent Airport Revenue Bond (“GARB”) proceeds and associated earnings of approximately \$4.9 million¹.

The Office of the Comptroller is requesting approval to deposit unspent revenue bond proceeds and any associated investment earnings into an escrow account. The escrow account will be used to defease the latest maturing bonds of each respective bond issue.

A vast majority (\$4.6 million) of the \$4.9 million of GARB proceeds are Airport Revenue Bonds, Series 2013A (“2013A Revenue Bonds”). It is anticipated that the 2013A Revenue Bonds and the associated earnings will be placed into the escrow account.

The balance of the unspent revenue bond proceeds and associated earnings relates to the Airport Revenue Bonds, Series 2007A (“2007A Revenue Bonds”) and Airport Revenue Bonds, Series 2006A (“2006A Revenue Bonds”). It is anticipated that the approximately \$330,000 of 2007A Airport Revenue Bond proceeds and approximately \$20,000 of 2006A Airport Revenue Bond proceeds will be deposited into the Special Redemption Fund, held by the trustee, for the purpose of paying interest on the respective issues.

The Office of the Comptroller is requesting approval to process appropriation transfers to accomplish the reallocations.

The Office of the Comptroller is also requesting approval to also engage, as necessary, a firm to solicit and accept bids for the investment of funds in the escrow account as required under the Internal Revenue Code of 1986 and a certified public accounting firm to provide mathematical verification and related services in connection with this transaction.

¹ The estimated \$4.9 million of unspent airport revenue bond proceeds does not include an estimated \$720,000 of unspent Series 2010A General Airport Revenue Bond proceeds. These proceeds are being requested to be used to reduce the size of the 2019 General Airport Revenue Bond Refundings that are being requested in File 19-332 to refund the outstanding Series 2009A General Airport Revenue Bonds, Series 2010A General Airport Revenue Bonds and the 2010B General Airport Revenue Refunding Bonds.

BACKGROUND**Identification of Unspent Revenue Bond Proceeds**

The Office of the Comptroller worked with the Airport Division of the Milwaukee County Department of Transportation (MCDOT) to identify unspent GARB proceeds. Based on that analysis there was \$5,640,504² in unspent airport revenue bond proceeds. After meetings between the Office of the Comptroller, the Airport Division and the County's Co-Bond Counsel regarding the use of the unspent bonds, it was determined, that in order to comply with the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations it is necessary and desirable for the County to, within ninety (90) days of adoption of this Resolution, transfer the unspent proceeds and associated investment earnings of the bond issues to either the Special Redemption Fund (held by the trustee) or the escrow account. The unspent 2010A Revenue Bond proceeds will be applied towards the anticipated 2019 airport revenue bond refundings, which include the remaining maturities of the 2010A Revenue Bonds (*File 18-332*).

Airport Unspent Bonds by Bond Year						
Project Number	Description	2006	2007	2010	2013	Total
WA042	Baggage Claim Expansion				\$954,465	\$954,465
WA044	Inline Baggage Screening				\$2,665,125	\$2,665,125
WA094	Runway Safety Area Improvements			\$506,802		\$506,802
WA108	HVAC Replacement		\$327,616			\$327,616
WA133	Concourse D Restrooms	\$17,410				\$17,410
WA149	SRE Building			\$3,351		\$3,351
WA153	Gate 52 Renovation			\$206,735		\$206,735
WA177	Parking Structure Repairs				\$959,000	\$959,000
	Total	\$17,410	\$327,616	\$716,888	\$4,578,590	\$5,640,504

² The Office of the Comptroller is still in process of finalizing the exact unspent amounts (including associated investment earnings) with the Airport Division and with the County's financial advisor. The current estimated unspent amounts do not include the associated investment earnings.

Defeasance Expenses

The attached resolution authorizes and directs the Comptroller also requesting approval to also engage, as necessary, a firm to solicit and accept bids for the investment of funds in the escrow account as required under the Internal Revenue Code of 1986 and a certified public accounting firm to provide mathematical verification and related services in connection with this transaction. An administrative appropriation transfer may be processed to increase expenditure authority to pay for the cost of issuance. Costs will be paid from airport funds. Anticipated expenses include bond counsel fees, financial advisory fees, escrow agent fees, bidding agent fees, verification agent fees and other related costs.

RECCOMENDATION

The Office of the Comptroller recommends the adoption of the attached resolution that will direct the Office of the Comptroller to take all necessary steps to reallocate unspent general airport revenue bond proceeds to the Special Redemption Fund (held by the trustee) or to a newly created Escrow Account for the defeasance of a portion of the Airport Revenue Bonds, Series 2006A; Airport Revenue Bonds, Series 2007A; and/or Airport Revenue Bonds, Series 2013A.



Scott B. Manske
Comptroller

Attachments

- pc: Chris Abele, County Executive
Supervisor James "Luigi" Schmitt, Chairman, Finance and Audit Committee
Joe Lamers, Director, Department of Administrative Services-PSB
Raisa Koltun, Chief of Staff, County Executive
Kelly Bablitch, Chief of Staff, County Board
Brian Dranzik, Director, General Mitchell International Airport
James Martin, Deputy Director, General Mitchell International Airport
Pamela Bryant, Capital Finance Manager
Stephen Cady, Research Director
David Cullen, Treasurer
Brian Lanser, Quarles & Brady LLP
Bridgette Keating, Quarles & Brady LLP
Lafayette Crump, Crump Law Firm
David Anderson, Public Financial Management
Justin Rodriguez, Budget and Management Coordinator

