

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : November 18, 2014

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 \$23,655,000 of Airport Revenue Refunding Bonds, Series 2014A (**Informational-Only**)

**BACKGROUND**

In July 2014, the Office of the Comptroller received approval from the County Board and County Executive to issue a not-to-exceed amount of \$27,400,000 in bonds to refund the balance of the outstanding debt for the 2004A Airport Revenue Bonds. The resolutions specified parameters for the sale and delegated the approval of the sale of the bonds to the Comptroller. The adopted resolutions also directed the Comptroller to submit an informational report to the Finance, Personnel and Audit Committee on the final sale results.

**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. *The actual maximum coupon is 5.0%.*
- 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. *The TIC, including costs of issuance, is 3.23%.*
- 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 advanced 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 (June 2014) resulted in a net present value savings of approximately \$1.2 million, which represented in excess of 4.5 percent of refunded principal. *The actual NPV savings is \$2.7 million or 9.7 percent of refunded principal.*

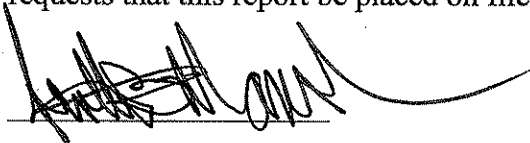
- Minimum purchase price of 99 percent of the par amount of the bonds – The price of the bond reflects the maximum price an investor would want to pay for the bond based on the coupon rate and the market rate. This is known as the yield or rate of return on the bond. When the coupon rate on the bond 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. Whether or not the bond purchase price is a par, discount or premium is dependent upon market conditions on the day of the sale. *The actual purchase price is 114.8 percent of the par amount of the bonds.*

### Results of the Sale

On November 6 2014, the County closed on the sale of \$23,655,000 in Airport Revenue Refunding Bonds, Series 2014A (2014A Bonds). The net present value savings generated from the transaction was \$2,741,023 (9.7%). The true interest cost, including costs of issuance, is 3.2%. The highest coupon on the bonds is 5.0%. The total interest cost is \$10,623,317. The County received a net premium on the sale of \$3,503,029. The premium must be used to pay debt service associated with the 2014A Bonds.

### Committee Action

This is an informational report only. The Office of the Comptroller respectfully requests that this report be placed on file.



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, Budget Director, DAS  
Raisa Koltun, Chief of Staff, County Executive's Office  
Kelly Bablitch, Chief of Staff, County Board  
Pamela Bryant, Capital Finance Manager  
Stephen Cady, County Board Fiscal and Budget Analyst  
Julie Wilson, Corporation Counsel