

**COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION**

DATE: February 16, 2018

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

FROM: Scott B. Manske, Comptroller

SUBJECT: **Parameters Resolutions for the 2018 Corporate Purpose Bonds and Promissory Notes**

**REQUEST**

The attached Parameters Resolutions give authority to the Comptroller to approve the sales of the Corporate Purpose Bonds and Promissory Notes within certain parameters. The resolutions also authorize an administrative transfer to pay costs associated with the debt issuances. Collectively, the bonds and notes being sold are referred to as the "Obligations." The resolutions also delegate the bid opening and approval of the winning bidder for the sales of the Obligations to the Comptroller. The Comptroller's approval is limited to sale results that fall within the parameters outlined in the resolutions.

The Office of the Comptroller is requesting approval of the attached parameters resolutions for the issuance of a not-to-exceed amount of \$31,350,000 of general obligation bonds (the "Corporate Purpose Bonds") and a not-to-exceed amount of \$22,230,000 of general obligation notes ("Promissory Notes") to finance various capital improvement projects. It is anticipated that there will be four separate series of Promissory Notes. The separate series are anticipated to be for 1) Project WO602 Enterprise Platform Modernization (\$9,600,000) 2) Various Short-term Equipment (\$8,400,000) 3) Project WP512 McKinley Marina Parking Lots (\$2,250,000) 4) Project WO890 Marcus Center for the Performing Arts ("MCPA") Uihlein Hall Stage (\$1,980,000).

**BACKGROUND**

January 2018 resolutions (File 18-78) were approved that authorized the issuance of a not-to-exceed amount of \$53,580,000 in General Obligation Corporate Purpose Bonds or General Obligation Promissory Notes and allowed for the reimbursement of project costs that occur prior to the actual closing of the Obligations. File 18-78 did not include a parameters resolution since the Comptroller's Office was still preparing debt service schedules.

## COMPTROLLER REVIEW

### Timeliness of Project Spending

The Office of the Comptroller will perform a review of the progress that is being made on all projects that are authorized to be part of the 2018 financings. If any projects are delayed then they will not be part of the 2018 financings and will be part of a future financing instead.

### Capitalization/Bond Eligibility

The Office of the Comptroller will perform another review of projects that were budgeted with bond revenues, but may require additional cash financing. If the review results in any determinations that additional cash financing is required, the Office of the Comptroller will submit an appropriation transfer for consideration by the County Board and County Executive.

The 2017 and 2018 Adopted Capital Improvements Budgets included appropriations of \$8,034,125 and \$5,781,106 respectively to fund Project WO602 Enterprise Platform Modernization. Financing is being provided from sales tax and general obligation bonds. The budgeted breakout of bond eligible and cash financed expenses was done based on information included in the request for proposals prior to contract execution. The 2018 Adopted Capital Improvements Budget indicated that if additional cash financing is required for the project that an appropriation transfer would be submitted prior to the issuance of the 2018 bonds to move cash to the project from the Debt Service Reserve. The Office of the Comptroller will continue to monitor the project throughout the year to determine if any additional cash financing is needed.

### Private Activity Issues

The Office of the Comptroller will perform a review of any private activity issues that may jeopardize the tax exempt status of the Obligations. Private activity issues may result in the need to cash finance or issue taxable debt for a project in lieu of tax-exempt financing.

The 2016 Adopted Capital Improvements Budget included an appropriation of \$365,000 for the planning and design phase of Project WP51201 McKinley Marina Parking Lot. Financing was provided from 2016A Corporate Purpose Bonds.

The 2018 Adopted Capital Improvements Budget included an appropriation of \$2,141,305 for the first of three construction phases of construction of the McKinley Marina Parking Lot project.

The 2018 Adopted Budget included language related to the implementation of a pay-to-park program. A January report (CB File 18-98) submitted by the Department of Parks, Recreation and Culture included information related to a Parking Management RFP. If the County enters into a contractual relationship with a vendor to manage the parking operations it could impact the tax status of existing debt related to the McKinley Marina Parking Lot or future debt that is anticipated to be issued to finance the project.



At this time it is still unknown what the potential impact of having a private operator manage parking operations at the McKinley Marina Parking Lot would be on the 2018 financing. The authorizing resolution includes the McKinley Marina Parking Lot project in the not-to-exceed amount for the 2018 financings. The ultimate contractual relationship may result in private activity concerns related to the 2018 Obligations and existing outstanding debt. Additional analysis will need to be performed by the Office of the Comptroller to determine the County's options for financing (e.g. cash, tax-exempt debt, taxable debt).

The 2018 Adopted Capital Improvements Budget included an appropriation of \$1,882,526 for Project WO89001 Marcus Center for the Performing Arts Uihlein Hall Stage Lifts. 2015 Wisconsin Act 60 ("Act 60") provides the terms for financing a sports arena in downtown Milwaukee. Section 115 of Act 60 also provides for the County to transfer ownership of the Marcus Center to the Wisconsin Center District (WCD). Due to the uncertainty surrounding the transfer of ownership to the WCD and the County's relationship with the Marcus Center, the financing of the Marcus Center project will likely be done for a term of three years or less. The last principal payment related to existing debt issued for improvements at the Marcus Center is due in 2028. In addition, the attached parameters resolution for the Promissory Notes gives discretion to the Comptroller to issue the Marcus Center notes as a separate series and to issue these notes as or tax-exempt. Issuing the notes as a separate series would make it easier to defease the debt if it becomes necessary.

## **PARAMETERS RESOLUTIONS**

The Parameters Resolutions delegate authority to the Milwaukee County Comptroller to approve the sale of a not to exceed amount of \$31,350,000 Corporate Purpose Bonds and a not to exceed amount of \$22,230,000 of Promissory Notes.

The specific parameters for each of the Obligations are identified in the sections below.

### **Sale Parameters- Corporate Purpose Bonds**

The parameters for the financing would consist of the following:

- A not-to-exceed amount of \$31,350,000.
- Payment Schedule – For the years 2019 through 2033, the Comptroller of the County will determine the amount, if any, of principal that shall be due in any such year in an effort to make the annual debt service payments on all of the outstanding debt of the County, including the Corporate Purpose Bonds and projected future debt based on the County's annual bond limit, to be as level as possible in such years. The final maturity of the Bonds will not occur later than 2033.



- Maximum true interest cost (TIC) of 5.0 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.
- Call provision – The parameters resolution provides that the call provision will be determined by the Comptroller at the time of sale. However, it is anticipated that the bonds will have a 10-year call provision so that the County will be able to refund them prior to maturity.
- 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.

#### Sale Parameters- General Obligation Promissory Notes

The parameters for the financing would consist of the following

- A not-to-exceed amount of \$22,230,000
- Principal Payment Schedule –The Comptroller of the County will determine the amount, if any, of principal that shall be due in each year in an effort to make the annual debt service payments on all of the outstanding debt of the County, including the Corporate Purpose Bonds and projected future debt based on the County’s annual bond limit, to be as level as possible in such years.
- Maximum true interest cost (TIC) of 4.0 percent – The true interest cost is the actual interest rate paid on the Promissory Notes, which is expressed as a percentage of the total debt in today’s dollars and includes the costs of issuance and other fees.
- Term – The promissory notes are limited to a ten-year term and shall be issued in one or more series. Although the term is limited to ten years, it is anticipated that the final structure of the notes will have a term no longer than five years.
- Minimum purchase price of 99 percent of the par amount of the Promissory Notes – The price of the Promissory Notes reflects the maximum price an investor would want to pay for the Promissory Notes based on the coupon rate and the market rate. This is known as the yield or rate of return on the Promissory Notes. When the coupon rate on the Promissory Note is equal to the market rate the purchase price is equal to the principal amount of the Promissory Notes (par). If the coupon rate is lower than the market rate, the Promissory Notes will be purchased at a discount. If the coupon is higher than the market rate, the Promissory Notes will be purchased at a premium. Whether or not the Promissory Notes purchase price is a par, discount or premium is dependent upon market conditions on the day of the sale.

**DEBT ISSUANCE CONDITIONS**

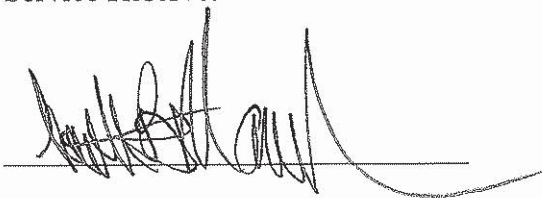
The parameters resolutions for the Corporate Purpose Bonds and Promissory Notes will require approval by a majority of a quorum of the County Board. File 18-78 was approved in January 2018 and authorized the issuance of a not-to-exceed amount of \$53,580,000 of Obligations and allowed for the reimbursement of project costs that occur prior to the actual closings of the Obligations.

**DEBT ISSUANCE EXPENSES**

The attached resolutions authorize and direct 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, disclosure 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.

**RECOMMENDATION**

The Comptroller's Office requests that the Finance and Audit Committee approve and recommend approval by the full County Board of the attached resolutions. The resolutions delegate, to the Comptroller, the authority to approve the final terms and conditions of the sales provided that those terms and conditions are within the parameters set forth in the attached resolutions and that the terms and conditions are within the authorizing resolution that was already passed in January 2018 as part of File 18-78. The resolutions also authorize an administrative transfer to provide budget authority to pay cost of issuance expenses and allocate the net bid premium and surplus proceeds to the Debt Service Reserve.

A handwritten signature in black ink, appearing to read "Scott B. Manske", is written over a horizontal line. The signature is fluid and cursive.

Scott B. Manske  
Comptroller



Attachment

pc: Chris Abele, County Executive  
Supervisor Peggy West, Chair, Finance and Audit Committee  
Teig Whaley-Smith, Director, Department of Administrative Services  
Raisa Koltun, Chief of Staff  
Kelly Bablitch, Chief of Staff, County Board  
Pamela Bryant, Capital Finance Manager  
Stephen Cady, Research Director  
George Christenson, County Clerk  
David Cullen, County Treasurer  
Brian Lanser, Quarles and Brady  
Lafayette Crump, Crump Law Firm  
David Anderson, PFM Financial Advisors LLC  
Tionna Reed Pooler, Independent Public Advisors  
Justin Rodriguez, Budget and Management Coordinator