

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE : February 13, 2025

TO : Supervisor Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM : Liz Sumner, Comptroller

SUBJECT: **Resolution Authorizing and Providing parameters for the issuance of Airport Revenue Bonds**

Request

The Office of the Comptroller is requesting the approval of the attached resolution for the issuance of a not-to-exceed amount of \$17,765,000 of Airport Revenue Bonds to finance adopted Airport projects.

The attached resolution authorizes the issuance of the bonds (Airport Revenue Bonds), provides parameters for the issuance, authorizes appropriation transfers to facilitate the transaction, and delegates approval of the sale of the bonds to the Comptroller. The Comptroller’s approval is limited to results of the sales that fall within the parameters outlined in the resolutions.

Background

The Office of the Comptroller anticipates issuing Airport Revenue Bonds to finance adopted airport bond financed projects. The table below contains a list of approved projects and the associated not-to-exceed amount. The Office of the Comptroller plans to issue a not-to-exceed amount of \$17,765,000 to finance the airport projects.

Project	Project Description	Amount
WA043302	MKE Passenger Loading Bridge Replacement - Phase 2	\$ 7,971,460
WA043303	MKE Passenger Loading Bridge Replacement - Phase 3	\$ 7,302,520
WA043701	MKE Saver Lot A Parking Rehab	\$ 413,910
	Project Costs	\$ 15,687,890
	Debt Service Reserve Contribution	\$ 1,249,212
	Contingency	\$ 470,000
	Cost of Issuance	\$ 177,650
	Underwriter's Discount	\$ 177,650
	Rounding	\$ 2,598
	Total Not to Exceed	\$ 17,765,000

The not-to-exceed amount consists of the project amounts of \$15,687,890, a contribution to the airport debt service reserve of \$1,249,212, cost of issuance and underwriter’s discount of \$355,300 (reflects the Federal limit of 2 percent of the par amount of the bonds), and project contingency amount of \$470,000. The project contingency is included to account for adjustments to the bond amount due to changes in the project amount(s).

Airport Debt Service Reserve Requirement

The Airport must adhere to a Reserve Requirement because the bonds are revenue bonds. Revenue bonds are bonds that are issued by a revenue generating enterprise such as the Airport. The Airport Revenue Bonds are backed by airline rates and charges (general airport revenue bonds or GARBs) and passenger facility charge (PFC) revenue for PFC approved projects (PFC Backed – GARBs). The purpose of the reserve is to pay debt service payments if there are insufficient airport revenues to do so.

The current Reserve Requirement is \$9,547,591. Under the General Airport Bond Resolution, the County has established a Reserve Account within the Special Redemption Fund. The Reserve Requirement for the Reserve Account is an amount equal to the least of 1) maximum annual debt service on the Bonds then outstanding during the then-current or any future fiscal year; 2) 125% of the average annual debt service on the Bonds then Outstanding or 3) 10% of the principal amount of all Bonds then Outstanding upon original issue thereof. After the issuance of the 2025 Airport Revenue Bonds, it is estimated that a contribution of bond proceeds of \$1,249,212 will be needed to meet the Reserve Requirement.

Estimated Debt Service

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$17,765,000 of Airport Revenue Bonds. The total estimated debt service cost is \$27,791,753 including \$10,026,753 in interest costs. As stated above, Airport debt service expenses are paid from airport revenues.

Bond Sale Parameters

The parameters for the financing consist of the following:

- A total not-to-exceed amount of \$17,765,000.
- Final maturity – the final maturity cannot be later than 2045.
- Payment Schedule – The Comptroller shall determine the payment schedule provided that the principal due each year shall be substantially equal.
- Maximum true interest cost (TIC) of 7.0 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 for each series and will be set forth in the Approving Certificate.

- Minimum purchase price of 99 percent of the par amount of the bonds for each series – 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.

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. An administrative appropriation transfer will be processed to increase expenditure authority to pay for the cost of issuance. Anticipated expenses include bond counsel fees, airport consultant fees, financial advisory fees, credit rating fees and other issuance costs.

PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS

The 2025 Airport Revenue Bonds are private activity bonds 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 March 13, 2025 meeting of the Finance Committee to allow for public comment on the projects.

FISCAL AGENT

US Bank serves as the trustee for the Milwaukee County Airport Revenue Bonds in accordance with the General Resolution approved in June 2000 for the issuance of Airport Revenue Bonds. To better manage the Airport Revenue Bond proceeds, the Office of the Comptroller is recommending approval of the attached resolution to allow the Comptroller to enter into an agreement with the Trustee for the Trustee to hold the funds to be deposited in a construction fund and disburse such funds as needed by the County to pay project costs.

RECOMMENDATION

The Office of the Comptroller requests that the Finance Committee approve and recommend approval by the full County Board of the attached resolution. The resolution authorizes the issuance of a not-to-exceed amount of \$17,765,000 in Airport Revenue 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 resolution.



Liz Sumner
Comptroller

Attachment

cc: David Crowley, County Executive
Supervisor Willie Johnson, Jr., Chairman, Finance Committee
Mary Jo Meyers, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Samta Bhatnagar, Finance Director, MCDOT-Airport
Pamela Bryant, Capital Finance Director
Justin Rodriguez, Capital Projects Manager
Vince Masterson, Capital Budget Manager
Stephen Cady, Research Director
Bridgette Keating, Quarles and Brady
Craig Maxwell, Emile Banks & Associates
Matthew Schnackenberg, Public Financial Management
Tionna Reed Pooler, Independent Public Advisors