

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE : February 17, 2023

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

FROM : Scott B. Manske, Comptroller

SUBJECT: Resolution Authorizing the Issuance of the Airport Revenue Refunding Bonds

Request

The Office of the Comptroller is requesting the approval of the attached authorizing and parameters resolution for the issuance of a combined not-to-exceed amount of \$44,085,000 for the Airport Revenue Refunding Bonds, Series 2023B and Series 2023C (Airport Revenue Refunding Bonds). The Airport Revenue Refunding Bonds will refund the balance of the outstanding Airport Revenue Bonds, Series 2013A and Series 2014A, respectively.

The attached resolution authorizes the issuance of the Airport Revenue Refunding Bonds, provides parameters for the issuances, 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 two separate series of Airport Revenue Refunding Bonds. The two Airport Revenue Refunding Bonds issues will current refund the 2013A Airport Revenue Bonds and 2014A Airport Revenue Refunding Bonds.

The County issued \$47,095,000 in Series 2013A Airport Revenue Bonds and \$23,655,000 in Series 2014A Airport Revenue Refunding Bonds in 2013 and 2014, respectively. The proceeds for the 2013A Revenue Bonds were used to finance various capital improvement projects at General Mitchell International Airport ("GMIA"). The 2014A Revenue Refunding Bonds were issued to refund the 2015-2029 maturities of the Airport Revenue Bonds, Series 2004A.

The following outstanding maturities are callable and requested to be refunded:

Table 2

Bond Series	Years of Maturities Refunded	Total Outstanding Amount
2013A	2024-2037	\$31,605,000
2014A	2024-2029	\$11,595,000
TOTAL		\$43,200,000

Although the December 1, 2023, maturity is also callable for each of the series, the County will make the 2023 payments as scheduled since the County has budgeted airport funds to make the payments that are due.

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Estimated Debt Service Savings

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$44,085,000 for the two Airport Revenue Refunding Bonds. The not-to-exceed amount of \$44,085,000, includes \$881,700 for cost of issuance expenses and \$3,300 for rounding.

Table 3

Category	Total Outstanding Amount
2013A	\$31,605,000
2014A	\$11,595,000
	\$43,200,000
Cost of Issuance	\$881,700
Rounding	\$3,300
Not-To-Exceed	\$44,085,000

The schedules reflect the issuance of two separate series of refunding bonds. The savings amounts are based on the issuance of \$32,250,000 in Airport Revenue Refunding Bonds, Series 2023B to refund the outstanding \$31,605,000 in 2013A Revenue Bonds and \$11,835,000 in Airport Revenue Refunding Bonds, Series 2023C to refund the \$11,595,000 in 2014A Revenue Refunding Bonds. **The estimated net present value savings are \$2,156,781 or 6.82¹ percent and \$261,173 or 2.25 percent, respectively.**

The total combined estimated debt service cost is \$55,703,309, including \$11,618,309 in interest costs.

Bond Sale Parameters

The parameters for the financing consist of the following:

- A total not-to-exceed amount of \$44,085,000.
- Final maturity – the final maturity cannot be later than 2037.
- Payment Schedule/Savings – The 2023 Airport Revenue Refunding Bonds shall mature in the years and in the amounts as the Comptroller shall determine; provided that the aggregate debt service on the 2023 Airport Revenue Refunding Bonds in all years combined shall not be greater than the aggregate debt service on the refunded bonds in all years combined.
- Maximum true interest cost (TIC) of 6.0 percent – The true interest cost is the actual

¹ Although not included in the estimated savings calculations, the parameters resolution permits any remaining proceeds of the bonds being refunded to be applied to the refunding which would decrease the total debt service costs and increase the net present value savings.

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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. If there is a premium paid, the amount of the premium would be used to reduce the amount of the refunding bond issue. 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 may 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 2023 Airport Revenue Refunding Bonds issues are private activity bond issues 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 April 13 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. The Resolution provides for the County to change the scope of work for the Trustee. 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 change the scope of work for the Trustee to include the disbursement of Airport Revenue Bond proceeds to the bond financed airport projects.

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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 \$44,085,000 in Airport Revenue Refunding 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.

Scott B. Manske _____

Scott B. Manske
Comptroller

Attachment

pc: David Crowley, County Executive
Supervisor Liz Sumner Chairwoman, Finance Committee
Mary Jo Meyers, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Director
Justin Rodriguez, Capital Projects Manager
Vince Masterson, Capital Budget Manager
Stephen Cady, Research Director
Bridgette Keating, Quarles and Brady
Emile Banks, Emile Banks & Associates
Matthew Schnackenberg, Public Financial Management
Tionna Reed Pooler, Independent Public Advisors