

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: February 15, 2024

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

FROM: Scott B. Manske, Comptroller

SUBJECT: **Parameters Resolution for the 2024 Corporate Purpose Bonds and Promissory Notes**

REQUEST

The attached Parameters Resolution gives authority to the Comptroller to approve the sales of the Corporate Purpose Bonds and Promissory Notes within certain parameters. The resolution also authorizes an administrative transfer to pay costs associated with the debt issuances and deposit surplus proceeds to the Debt Service Reserve (“DSR”). The resolution also delegates the bid opening and approval of the winning bidder for the sales to the Comptroller. The Comptroller’s approval is limited to sale results that fall within the parameters outlined in the resolution.

The Office of the Comptroller is requesting approval of the attached parameters resolutions for the issuance of a not-to-exceed (“NTE”) amount of \$247,765,000 of general obligation bonds (“Bonds”) and/or general obligation promissory notes (“Notes”) to finance various capital improvement projects that have already been approved by the County Board and County Executive. The Bonds and Notes are collectively referenced to as “Obligations”. Based on the NTE amount it is anticipated that there will be seven (7) separate series of Obligations. The separate series are presented in the table below.

Issue	Total Par	Anticipated Term	Bond Financing Purpose
Corporate Purpose	\$ 29,135,000.00	15	Various Long Term Projects
Promissory Notes	\$ 12,230,000.00	4	Short Term Equipment Projects
North Shop	\$ 15,760,000.00	15	Construction of New Highway Maintenance Facility
Transit Notes	\$ 8,160,000.00	5	Buses
Taxable Bonds	\$ 54,990,000.00	10	Various Private Activity Projects
MPM Financing	\$ 47,270,000.00	15-20	New Public Museum Construction
Forensic Science	\$ 80,220,000.00	15-20	Construction of new Center for Forensic Science and Protective Medicine
Total	\$ 247,765,000.00		

BACKGROUND

In February 2024, resolutions included in File 24-104 were approved that authorized the issuance of a not-to-exceed amount of \$247,765,000 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.

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 2024 financings. If any projects are delayed, then they will not be part of the 2024 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.

Private Activity Issues

The parameters resolution indicates that if any of the Obligations are issued on a tax-exempt basis, the County will comply with Federal tax law. The resolution represents and covenants that the projects financed by tax-exempt Obligations and the ownership, management and use of the projects will not cause tax-exempt Obligations (other than the Qualified 501 (c) (3) Bonds) to be private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations (the "Regulations").

The Office of the Comptroller, with assistance of the County's bond counsel, will perform a review of projects that will be financed to identify any private activity issues that may prohibit their financing with tax-exempt 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.

PARAMETERS RESOLUTION

The Parameters Resolution delegates authority to the Milwaukee County Comptroller to approve the sale of a not to exceed amount of \$247,765,000 of Obligations.

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

Sale Parameters

The parameters for the financing would consist of the following:

- A not-to-exceed amount of \$247,765,000.
- Payment Schedule – 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 the County's "Outstanding Debt" as level as possible in each year. Outstanding Debt in the previous sentence means all the County's outstanding general obligation debt, including the Obligations to be issued in 2024 plus general obligation debt expected to be issued in the years 2025 through 2039 based on the annual bond limit (defined by County Board File Number 03-263) but shall exclude Obligations issued to finance the Forensic Science Center and the new Milwaukee Public Museum. The final maturity of the Bonds will not occur later than 2044, which would be 20-years. The final maturity of the Notes will not occur later than 10 years from the date of issuance of the Notes.
- Maximum true interest cost (TIC) of 6.0 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.
- Tax-exempt or taxable basis – The Comptroller of the County, in consultation with the County's bond counsel, will determine whether the Obligations of a particular series will be issued on a taxable basis or tax-exempt basis and whether a portion of any tax-exempt Obligations should be designated as Qualified 501 (c) (3) Bonds.

DEBT ISSUANCE CONDITIONS

The Parameters Resolution for the Obligations will require approval by a majority of a quorum of the County Board. File 24-104 was approved in February 2024 and authorized the issuance of a not-to-exceed amount of \$247,765,000 of Obligations and allowed for the reimbursement of project costs that occur prior to the actual closings of the Obligations.

PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS

Some projects included in the 2024 Obligations are considered private activities 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 for a future committee cycle to allow for public comment on the projects authorized for the Milwaukee Public Museum and the Senior Centers/Community Centers if the Comptroller decides to designate any of the tax-exempt Obligations as Qualified 501 (c) (3) Bonds.

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 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, credit rating fees, and other issuance costs.

RECOMMENDATION

The Comptroller's Office requests that the Finance Committee recommends approval by the full County Board of the attached resolution. The resolution delegates, 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 February 2024 as part of File 24-104. The resolution also authorizes 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.

SCOTT MANSKE

Scott B. Manske
Comptroller

Parameters Resolution for 2024 GO Debt Issuances

Attachment

cc: David Crowley, County Executive
Supervisor Liz Sumner, Chairwoman, Finance Committee
Joe Lamers, Director, Department of Administrative Services-SBP
Mary Jo Meyers, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Director
Stephen Cady, Research Director
George Christenson, County Clerk
David Cullen, County Treasurer
Bridgette Keating, Quarles and Brady
Emile Banks, Emile Banks & Associates, LLC
Matthew Schnackenberg, PFM Financial Advisors LLC
Tionna Reed Pooler, Independent Public Advisors
Justin Rodriguez, Capital Projects Manager