

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE : March 22, 2019

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

FROM : Scott B. Manske, Comptroller

SUBJECT : **Resolution Authorizing the Issuance of the 2019 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 not-to-exceed amount of \$52,000,000 of Airport Revenue Refunding Bonds to refund the balance of the outstanding Airport Revenue Bonds, Series 2009A (“2009A Revenue Bonds”), Airport Revenue Bonds, Series 2010A (“2010A Revenue Bonds”), and Airport Revenue Refunding Bonds, Series 2010B (“2010B Revenue Refunding Bonds”).

The attached authorizing and parameters bond resolution authorizes the issuance of the 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 sale that fall within the parameters outlined in the resolution.

The Office of the Comptroller anticipates issuing two separate series of refunding bonds. The 2009A Revenue Bonds and 2010A Revenue Bonds are anticipated to be refunded by the 2019A General Airport Revenue Refunding Bonds and the 2010B Revenue Refunding Bonds anticipated to be refunded by the 2019B General Airport Revenue Refunding Bonds.

Background

The County issued \$12,690,000 in Series 2009A Revenue Bonds and \$31,570,000 in Series 2010A Revenue Bonds in 2009 and 2010, respectively. The proceeds for both bond issues were used to finance various capital improvement projects at General Mitchell International Airport (“GMIA”). In 2010, \$51,590,000 in Series 2010B Revenue Refunding Bonds were issued to refund the 2011-2025 maturities of the Airport Revenue Bonds, Series 2000A.

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

Bond Series	Years of Maturities Refunded	Total Outstanding Amount
2009A	2020-2032	\$8,285,000
2010A	2020-2034	\$24,580,000
2010B	2020-2023	\$14,900,000
TOTAL		\$47,765,000

Although the December 1, 2019 maturity is also callable for each of the series, the County will make the payments as scheduled since the County has budgeted airport funds to make the payments that are due in 2019.

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 \$52,000,000 of Airport Revenue Refunding Bonds. The schedules anticipate the issuance of two separate series of refunding bonds. The combined estimated net present value savings is \$2,422,390 (4.78%).¹

The total combined estimated debt service costs is \$63,421,617, including \$15,666,617 in interest costs.

BOND SALE PARAMETERS

The parameters for the financing would consist of the following:

- A total not-to-exceed amount of \$52,000,000.
- Final maturity – the final maturity cannot be later than 2034. Although the latest maturity cannot occur later than 2034; the Office of the Comptroller anticipates that the 2019B Airport Revenue Refunding Bonds will have a final maturity that will occur in 2023.
- Payment Schedule/Savings – The 2019 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 2019 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.
- 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.

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. It is estimated that there are approximately \$720,000 of proceeds of the 2010A Revenue Bonds that will be applied to the refunding.

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 2019 Airport Revenue Refunding Bond issue is a private activity bond issue 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 18 meeting of the Finance and Audit Committee to allow for public comment on the projects.

RECOMMENDATION

The Office of the Comptroller requests that the Finance and Audit 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 \$52,000,000 in general 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 attached resolution.



Scott B. Manske
Comptroller

Attachment

pc: Chris Abele, County Executive
Supervisor James "Luigi" Schmitt, Chairman, Finance and Audit Committee
Joe Lamers, Director, Department of Administrative Services-PSB
Raisa Koltun, Chief of Staff, County Executive
Kelly Bablitch, Chief of Staff, County Board
Brian Dranzik, Director, General Mitchell International Airport
James Martin, Deputy Director, General Mitchell International Airport
Pamela Bryant, Capital Finance Manager
Stephen Cady, Research Director
David Cullen, Treasurer
Brian Lanser, Quarles & Brady LLP
Bridgette Keating, Quarles & Brady LLP
Lafayette Crump, Crump Law Firm
David Anderson, Public Financial Management
Justin Rodriguez, Budget and Management Coordinator

