

**COMMISSION FILE NO:** 25-029-2 **DATE INTRODUCED:** February 10, 2025

**INTRODUCED BY:** Executive Director (Signature on File in the Office of the Commission)

**REFERRED BY COMMISSION CHAIRPERSON TO:** Policy, Finance, and Personnel Committee

**RELATING TO:** A Resolution Authorizing and Providing for the Sale and Issuance of One Series of Taxable General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

**SUMMARY:**

As part of the State of Wisconsin Clean Water Fund Program (CWFP), the Commission is requested to approve the issuance of an aggregate of up to \$27,946,664 in taxable general obligation promissory notes to finance green infrastructure projects. This loan is included in the District's 2025 Capital Budget.

Approval of the attached award resolution will enable the District to finance project expenditures over a 15-year period with a CWFP loan. The District will save an estimated \$8,948,000 in interest costs over the 15-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (0.000% versus 3.880%). This loan will be a zero interest loan.

The State of Wisconsin requires that all borrowing municipalities provide security for repayment of loans. One form of security is a general obligation pledge of ad valorem taxes. This pledge requires a resolution authorizing a sale and issuance of taxable general obligation bonds or notes and provides for the collection of an irrepealable direct annual tax to pay the principal and interest on the bonds or notes (which is equal to the debt service due on the related CWFP loan). The CWFP is the purchaser and owner of the bonds or notes.

A two-thirds affirmative vote of the Commission is required for approval.

**ATTACHMENTS:** **BACKGROUND** ☒ **KEY ISSUES** ☒ **RESOLUTION** ☒  
**FISCAL NOTE** ☐ **S/W/MBE** ☐ **OTHER** ☒ Sale Resolution

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**COMMITTEE ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**COMMISSION ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

## BACKGROUND

A Resolution Authorizing and Providing for the Sale and Issuance of One Series of Taxable General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

The Commission is requested to approve the issuance of an aggregate of up to \$27,946,664 in taxable general obligation promissory notes as security for one CWFP loan for the following project:

<u>Note Series</u>	<u>CWFP Number</u>	<u>District Project</u>	<u>Project Name</u>	<u>Maximum Loan Amount</u>	<u>Interest Rate</u>
2025F	3248-01	n/a	n/a	27,946,664	0.000%
			Total	<u>\$27,946,664</u>	

Estimated principal and interest payments for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ -	\$ -
2026 - 2030	9,980,951	0	9,980,951
2031 - 2039	17,965,713	0	17,965,713
Total	<u>\$ 27,946,664</u>	<u>\$ -</u>	<u>\$ 27,946,664</u>

The District will save an estimated \$8,948,000 in interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (0.000% versus 3.880%).

On the date of closing and including this loan, the District's outstanding general obligation debt is anticipated to be \$963,147,000, which is 1.13% of equalized value. Commission Policy is to maintain debt levels below 2.5% of equalized value.

## KEY ISSUES

### A Resolution Authorizing and Providing for the Sale and Issuance of One Series of Taxable General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

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The financial assistance agreement (FAA) for a CWFP loan requires that the borrowing municipality establish one or more dedicated sources of revenue that the State of Wisconsin Department of Administration deems sufficient for repayment of a project loan or loans. A municipality's obligation to repay a project loan may be in the form of a general obligation or a revenue obligation. The District has elected to make a general obligation pledge of ad valorem taxes.

This pledge requires a resolution authorizing the sale and issuance of general obligation bonds or notes to finance capital projects and levies a direct irrevocable annual tax sufficient in amount to pay and discharge the principal and interest on these bonds or notes. The bonds or notes are, in effect, sold to the State of Wisconsin. This particular loan will be a zero interest loan.

The attached award resolution for green infrastructure capital projects accomplishes the following objectives to:

- Provide financing of capital project expenditures within the financing objectives set in the 2025 Capital Budget and long-range financing plan.
- Authorize the District to (i) sell and issue an aggregate of up to \$27,946,664 of taxable general obligation sewerage system promissory notes in accordance with the terms and conditions of the award resolutions and the FAA and (ii) award the sale of the notes to the CWFP as purchaser.
- Authorize the Commission Chairperson and the Commission Secretary to execute the FAA.
- Provide security for the State of Wisconsin CWFP loan.
- Provide for levying upon all the taxable property in the District an irrevocable direct annual tax in an amount sufficient to pay the principal of the notes (which is equal to the debt service due on the CWFP loan set forth in an exhibit to the FAA).
- Provide for continuing disclosure to bondholders in compliance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission.
- Provide a repayment schedule up to 15 years.

A two-thirds affirmative vote of the Commission is required for approval.

## RESOLUTION

A Resolution Authorizing and Providing for the Sale and Issuance of One Series of Taxable General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

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**WHEREAS**, the State of Wisconsin Clean Water Fund Program permits the Milwaukee Metropolitan Sewerage Commission to obtain financial assistance for the construction of eligible pollution abatement projects; and

**WHEREAS**, the Milwaukee Metropolitan Sewerage Commission intends to authorize, sell, and issue taxable general obligation sewerage system promissory notes for the Clean Water Fund Program project as described below; and

**WHEREAS**, the Milwaukee Metropolitan Sewerage Commission has determined to sell the notes by private rather than public sale due to efficiencies of borrowing through the Clean Water Fund Program, including reduced issuance costs, flexible draw-down of principal, and favorable interest rates.

**NOW, THEREFORE, BE IT RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that the resolution attached hereto and described below is hereby adopted.

1. “A Resolution Authorizing and Providing for the Sale and Issuance of up to \$27,946,664 Taxable General Obligation Sewerage System Promissory Notes, Series 2025F, Levying Taxes for the Payment Thereof, and All Related Details” for Clean Water Fund Program Project Number 3248-01, consisting of a portion of the installation of green infrastructure through the implementation of two wet weather management programs, the Fresh Coast Protection Partnership and the Green Infrastructure Partnership Program, designed to reduce the duration, frequency, and magnitude of combined sewer overflows and to reduce the adverse effects of the overflows, which will contribute to the established goal of installing enough green infrastructure by 2035 to capture 740 million gallons of water after a rain event.