

COMMISSION FILE NO: 25-105-7 **DATE INTRODUCED:** July 14, 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 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 \$79,081,879 in general obligation promissory notes to finance one capital project. 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 20-year period with the CWFP loan. The District will save an estimated \$20,826,000 in interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (2.200% versus 4.340%). This loan also provides \$2,100,000 of principal forgiveness, further reducing the District's overall cost of borrowing.

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 general obligation bonds or note and provides for the collection of an irrevocable direct annual tax to pay the principal and interest on the bonds or Note (i.e., which is equal to the debt service due on the related CWFP loans). CWFP is the purchaser and owner of the bonds or note.

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 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 up to \$79,081,879 in general obligation promissory note 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>
2025G	3304-01	S02015	South Shore Aeration	79,081,879	2.200%
			Total	<u>\$79,081,879</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	\$ -	\$ 376,957	\$ 376,957
2026 - 2030	7,855,450	8,527,061	16,382,511
2031 - 2045	71,226,429	12,387,237	83,613,666
Total	<u>\$ 79,081,879</u>	<u>\$ 21,291,256</u>	<u>\$ 100,373,134</u>

The District will save an estimated \$20,826,000 in interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (2.200% versus 4.340%).

On the date of closing and including this loan, the District's outstanding general obligation debt is anticipated to be \$960,714,000, which is 0.96% 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 General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

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 note. The bonds or notes are, in effect, sold to the State of Wisconsin.

The attached award resolution for one capital project 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 \$79,081,879 of general obligation sewerage system promissory notes in accordance with the terms and conditions of the award resolutions and the FAA's and (ii) award the sale of the Note to the CWFP as the purchaser.
- Authorize the Commission Chairperson and the Commission Secretary to execute the FAA's.
- Provide security for the State of Wisconsin CWFP loans.
- Provide for levying upon all the taxable property in the District, an irrevocable direct annual tax in an amount sufficient to pay the principal and interest on the note (which is equal to the debt service due on the related CWFP loans set forth in an exhibit to each of the respective FAA's).
- 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 20 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 General Obligation Sewerage System Promissory Notes, Levying Taxes for the Payment Thereof, and All Related Details

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

WHEREAS, the Milwaukee Metropolitan Sewerage Commission intends to authorize, sell, and issue 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 \$79,081,879 General Obligation Sewerage System Promissory Notes, Series 2025G, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3304-01, consisting of aeration system upgrades at the South Shore Water Reclamation Facility which include replacing diffusers in 28 aeration basins with a new tapered grid of standard ethylene propylene diene monomer membrane diffusers, replacing associated piping, valves, electrical, instrumentation and controls, and rehabilitating concrete walls and walkways, as well as construction of a temporary primary polymer system and building.