

**COMMISSION FILE NO:** 16-150-11 **DATE INTRODUCED:** November 14, 2016

**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:** Authorizing and Providing for the Sale and Issuance of Two 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 up to \$7,286,199 in general obligation notes to finance two capital projects. These loans are included in the District's 2017 Capital Budget.

Approval of the attached sale resolutions will enable the Milwaukee Metropolitan Sewerage District (District) to finance project expenditures over a 20-year period with two CWFP loans. The District will save an estimated \$504,168 in interest costs over the 20-year period of debt repayment by obtaining low interest financing from the CWFP as compared to issuing its own debt (1.96% versus 2.55%).

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 of general obligation bonds or notes and provides for the collection of a non-repealable, direct annual tax to pay the principal and interest on the bonds or notes (i.e., the CWFP loans). The State is the purchaser and owner of the securities.

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

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

*PFP\_Sale\_Issuance\_Promissory\_Notes\_3225\_3238\_legislative\_file.docx*  
10-21-16

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

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

## BACKGROUND

### Authorizing and Providing for the Sale and Issuance of Two 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 up to \$7,286,199 in general obligation notes as security for two CWFP loans for the following projects:

<b>Note Series</b>	<b>CWFP Number</b>	<b>District Project</b>	<b>Project Name</b>	<b>Maximum Loan Amount</b>	<b>Interest Rate</b>
2016A	3225-01	J06058 S06026	Building Roof Replacements	\$4,389,671	1.96%
2016B	3238-01	C98045	Aeration Basin Concrete Rehabilitation	\$2,896,528	1.96%
			Total	\$7,286,199	

District projects undertaken to maintain permit compliance are eligible for 20-year loans from the CWFP at an interest rate below the effective rate for state revenue bonds, with market rate funds currently available at 2.80%. The compliance maintenance interest rate is currently 70% of the CWFP market rate or 1.96% (2.80% x 70%).

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

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 0	\$ 129,322	\$ 129,322
2018 – 2022	1,665,025	633,728	2,298,753
2023 – 2036	<u>5,621,174</u>	<u>805,934</u>	<u>6,427,108</u>
<b>Total</b>	<b><u>\$7,286,199</u></b>	<b><u>\$1,568,984</u></b>	<b><u>\$8,855,183</u></b>

The District will save an estimated \$504,168 in interest costs over the 20-year period of debt repayment by obtaining low interest financing from the CWFP as compared to issuing its own debt (1.96% versus 2.55%).

## KEY ISSUES

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

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Each 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. The 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 a sale of general obligation bonds or notes for the purpose of financing capital projects and provides for the collection of a direct 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.

The attached sale resolutions for the two capital projects accomplish the following objectives:

- Provide low interest rate financing of capital project expenditures within the financing objectives set in the 2017 Capital Budget and long-range financing plan.
- Authorize the District to sell up to \$7,286,199 of notes for the CWFP to the State of Wisconsin in accordance with the terms and conditions of the FAA's. Authorizes the Commission Chairperson and the Commission Secretary to execute the FAA's.
- Provide security for the State of Wisconsin.
- Provide for levying upon all the taxable property in the District, a non-repealable, direct annual tax in an amount sufficient to pay the principal and interest on the notes (i.e., the CWFP loan).
- 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

Authorizing and Providing for the Sale and Issuance of Two Series of 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 (CWFP) permits the Milwaukee Metropolitan Sewerage Commission (Commission) to obtain financial assistance for the construction of eligible wastewater pollution abatement projects; and

**WHEREAS**, the Commission intends to authorize, sell, and issue general obligation sewerage system promissory notes for two separate CWFP projects as described below; and

**WHEREAS**, the Commission has determined to sell the notes by private rather than public sale due to efficiencies of borrowing through the CWFP, 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 resolutions attached hereto and described below are hereby adopted.

"A Resolution Authorizing and Providing for the Sale and Issuance of up to \$4,389,671 General Obligation Sewerage System Promissory Notes, Series 2016A, Levying Taxes for the Payment Thereof, and All Related Details" for CWFP Project Number 3225-01, consisting of phase two of the repair and replacement of roofing systems for various buildings at the Jones Island and South Shore Water Reclamation Facilities.

"A Resolution Authorizing and Providing for the Sale and Issuance of up to \$2,896,528 General Obligation Sewerage System Promissory Notes, Series 2016B, Levying Taxes for the Payment Thereof, and All Related Details" for CWFP Project Number 3238-01, consisting of phase two of improvements to the existing concrete walls, sidewalks, and precast plank sections (mostly above water level) at Aeration Basins 5, 6, 7, 8, 9, 13, 15, and 24 at the South Shore Water Reclamation Facility.