

COMMISSION FILE NO: 19-145-10 **DATE INTRODUCED:** October 14, 2019

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 \$13,612,205 in general obligation notes to finance two capital projects. These loans are included in the Milwaukee Metropolitan Sewerage District 2019 Capital Budget.

Approval of the attached sale resolutions will enable the District to finance project expenditures over a 20-year period with two CWFP loans. The District will save an estimated \$1,109,418 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 (1.65% versus 2.35%).

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

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

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 \$13,612,205 in general obligation notes as security for two CWFP loans 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>
2019D	3251-01	P01005	Interplant Pipeline Improvements - Phase I	7,397,308	1.65%
2019E	3253-01	J06061	Dryer Conversion for Additional Landfill Gas	6,214,897	1.65%
Total				<u>\$13,612,205</u>	

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 3.00%. The compliance maintenance interest rate is currently 55% of the CWFP market rate or 1.65% (3.00% x 55%).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ -	\$ -
2020 - 2024	2,524,985	1,033,048	3,558,033
2025 - 2039	11,087,220	1,427,872	12,515,092
Total	<u>\$ 13,612,205</u>	<u>\$ 2,460,920</u>	<u>\$ 16,073,125</u>

The District will save an estimated \$1,109,418 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 (1.65% versus 2.35%).

On the date of closing and including these two loans, the District's outstanding general obligation debt is anticipated to be \$765,922,909 which is 1.21% of equalized value. Commission Policy is to maintain debt levels below 2.5% of equalized value.

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

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 to finance 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 2019 Capital Budget and long-range financing plan.
- Authorize the District to sell up to \$13,612,205 of notes for the CWFP to the State of Wisconsin in accordance with the terms and conditions of the FAA's.
- Authorize 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 loans).
- 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

WHEREAS, the State of Wisconsin Clean Water Fund Program permits the Milwaukee Metropolitan Sewerage District 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 the Clean Water Fund Program project 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 Clean Water Fund Program, including reduced issuance costs, flexible draw-down of principal and favorable interest rates.

NOW, THEREFORE, BE IT RESOLVED, by the Commission that the resolutions attached hereto and described below are hereby adopted.

1. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$7,397,308 General Obligation Sewerage System Promissory Notes, Series 2019D, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3251-01, consisting of replacements and improvements to valves and piping within the Interplant Sludge System pump stations, junction structures, and receiving stations at the Jones Island and South Shore facilities and includes ancillary structural, heating, ventilation, and air conditioning, electrical, and controls work.
2. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$6,214,897 General Obligation Sewerage System Promissory Notes, Series 2019E, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3253-01, consisting of upgrades to the Milorganite Dryer Burners at the Jones Island facility, which includes the installation of 600 feet of 12-inch high density polyethylene gas pipe between the landfill gas metering facility and the Jones Island facility, installation of landfill gas piping inside Jones Island facility and new burner systems capable of burning landfill gas and natural gas, and demolition of existing fuel oil firing components, equipment, piping, and controls.