

COMMISSION FILE NO: 20-065-4 **DATE INTRODUCED:** April 15, 2020

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: Initial Resolution Authorizing the Sale and Issuance of Not to Exceed \$28,000,000 General Obligation Refunding Bonds, and Certain Related Details

SUMMARY:

The Commission is requested to authorize the preparation and marketing of general obligation refunding bonds of up to \$28,000,000 for the purpose of refunding the 2021 through 2030 maturities of the Milwaukee Metropolitan Sewerage District's outstanding Taxable General Obligation Sewerage System Bonds, Series 2010L ("2010L Bonds"). The 2010L Bonds were designated as "build America bonds"; therefore, the 2010L Bonds qualify for refunding with tax exempt debt. The authorization provides for engagement of rating agencies and a fiscal agent and procurement of printing services and underwriter services. The sale of refunding bonds may be presented to the Commission for approval as early as May 2020.

A recent calculation by the District's financial advisor indicated a potential net present value savings of more than \$2.6 million by refunding the 2021 through 2030 maturities of the 2010L Bonds ("Refunded Maturities") and redeeming the Refunded Maturities on the first possible redemption date. The Refunded Maturities are callable on October 1, 2020, and on any date thereafter.

It would be advantageous to the District to affect a current refunding of the Refunded Maturities, meaning that the Refunded Maturities will be redeemed within 90 days after the date the proposed refunding bonds are issued. The proposed refunding bonds must, therefore, be issued no earlier than 90 days before the October 1, 2020, redemption date for the Refunded Maturities. An amount from the proceeds of the proposed refunding bonds, together with amounts already on deposit in the debt service fund account for the 2010L Bonds, will be applied to redeem the Refunded Maturities on October 1, 2020, and to pay all interest due on the Refunded Maturities on the redemption date. A two-thirds affirmative vote of the Commission is required for approval.

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

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

KEY ISSUES

Initial Resolution Authorizing the Sale and Issuance of Not to Exceed \$28,000,000 General Obligation Refunding Bonds, and Certain Related Details

Financing Objectives

Governments undertake refundings for a number of reasons, such as to achieve savings on debt service costs (e.g., the District's Series 2015C Refunding Bonds), to restructure outstanding debt (e.g., the District's Series 2007A Refunding Bonds), or to change burdensome bond covenants.

In an advance refunding, the refunded obligations are redeemed more than 90 days after the date the refunding bonds are issued. Advance refundings are no longer permitted on a tax exempt basis. It would be advantageous to the District to affect a current refunding of the Refunded Maturities and issue the proposed refunding bonds on a tax exempt basis within 90 days before the redemption date. Commission Policy 1-73.18, Debt Policy, sets a standard of achieving two percent net present value savings for advance refundings and states that current refundings that produce net present value savings of less than two percent will be considered on a case by case basis.

A recent calculation by the District's financial advisor, Robert W. Baird & Co., indicated that a potential gross savings of over \$2.6 million in debt service costs with a net present value savings of 9.426% could be achieved by refunding \$27,690,000 in outstanding principal amount of the 2021 through 2030 maturities of the Series 2010L Bonds. These savings would be spread over the life of the proposed refunding bonds, from 2021 through as long as 2030, and would reduce the amount of tax levy needed to support the District's debt service requirements.

Timing of the Current Refunding

To take advantage of the low interest rates expected in the near term, staff will consider pricing the proposed refunding bonds in late May 2020 and close as early as July 13, 2020, or on another day within 90 days prior to the October 1, 2020, redemption date.

Staff recommends that the Commission authorize the Executive Director to procure all professional services necessary to proceed with the refunding including engagement of rating agencies and a fiscal agent and procurement of underwriter services and printing services. Further recommended is authorization for the District's financial advisor and bond counsel to perform all services necessary to complete the sale.

Method of Sale

The recommendation of staff and the financial advisor is that a negotiated sale be undertaken for the proposed refunding bonds. For refunding issues a negotiated sale is preferred over a competitive sale because it maximizes the District's flexibility to set the exact date, amount, and maturity schedule of the refunding bonds to ensure that the District achieves its desired savings on debt service costs.

KEY ISSUES (Cont'd)

Initial Resolution Authorizing the Sale and Issuance of Not to Exceed \$28,000,000 General Obligation Refunding Bonds, and Certain Related Details

The District's financial advisor will review the underwriting spread, interest rate component, and small, women, and minority-owned business enterprise participation of the proposed refunding bonds to confirm that all are acceptable to the District.

Staff will request Commission authorization in June for approval of a parameters resolution which will authorize the sale of the proposed refunding bonds, provided that the final pricing meets Commission policy and other defined parameters that will be set forth in said resolution.

RESOLUTION

Initial Resolution Authorizing the Sale and Issuance of Not to Exceed \$28,000,000
General Obligation Refunding Bonds, and Certain Related Details

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the attached Initial Resolution titled, "Initial Resolution Authorizing the Sale and Issuance of Not to Exceed \$28,000,000 General Obligation Sewerage System Refunding Bonds, and Certain Related Details", is adopted.