

COMMISSION FILE NO: 20-163-10 **DATE INTRODUCED:** October 12, 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: A 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

SUMMARY:

As part of the State of Wisconsin Clean Water Fund Program (CWFP), the Commission is requested to approve the issuance of up to \$5,277,417 in general obligation promissory notes to finance two capital projects. These loans are included in the District's 2021 Capital Budget.

Approval of the attached award resolutions will enable the District to finance project expenditures over a 20-year period with two CWFP loans. The District will expend an estimated \$66,266 in additional interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (1.65% versus 1.54%). This is the first time that the market rate for District issued debt is lower than the 55% subsidized CWFP rate and is anticipated to be temporary as the State adjusts its rate. This rate of 1.65% is the lowest rate paid by the District for a CWFP 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 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 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 Resolutions

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

BACKGROUND

A 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

The Commission is requested to approve the issuance of up to \$5,277,417 in general obligation promissory notes as security for two CWFP loans for the following projects:

<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>
2020E	3261-01	S04030	Aeration Basin Concrete Rehab - Phase III	2,840,059	1.65%
2020F	3262-01	P02003	LFG Pipeline Piggling Station	2,437,358	1.65%
Total				<u>\$5,277,417</u>	

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021 - 2025	978,930	400,994	1,379,924
2026 - 2040	4,298,487	553,583	4,852,069
Total	<u>\$ 5,277,417</u>	<u>\$ 954,576</u>	<u>\$ 6,231,993</u>

The District will spend an estimated \$66,266 in additional interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (1.65% versus 1.54%).

On the date of closing and including these two loans, the District's outstanding general obligation debt is anticipated to be \$776,348,306, which is 1.18% 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 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. 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.

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

- Provide financing of capital project expenditures within the financing objectives set in the 2020 Capital Budget and long-range financing plan.
- Authorize the District to sell up to \$5,277,417 of notes for the CWFP to the State of Wisconsin in accordance with the terms and conditions of the FAA's and awards the notes to the CWFP.
- 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

A 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 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 projects 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 resolutions attached hereto and described below are hereby adopted.

1. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$2,840,059 General Obligation Sewerage System Promissory Notes, Series 2020E, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3261-01, consisting of the rehabilitation of aeration basin concrete at the South Shore Water Reclamation Facility, including removal and replacement of concrete on five aeration basins and related work.
2. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$2,437,358 General Obligation Sewerage System Promissory Notes, Series 2020F, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3262-01, consisting of the installation of a landfill gas pipeline pigging station including the piping, valves, and appurtenances for cleaning and inspection of the landfill gas pipe.