

COMMISSION FILE NO: 21-092-6 **DATE INTRODUCED:** June 14, 2021

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 Four 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 \$15,491,039 in general obligation promissory notes to finance four 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 four CWFP loans. The District will save an estimated \$289,449 in interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (1.485% versus 1.650%). This rate of 1.485% 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 Four 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 \$15,491,039 in general obligation promissory notes as security for four 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>
2021B	3258-01	S06039	South Shore Roofs Phase 4	989,946	1.485%
2021C	3264-01	J04065	D&D First Stage Classification	6,645,074	1.485%
2021D	3275-01	S02013	System	2,888,498	1.485%
2021E	3278-01	J04035	Aeration Galleries RAS Header Piping	4,967,521	1.485%
			Replace Greens Grade Train		
			Total	<u>\$15,491,039</u>	

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 68,374	\$ 68,374
2022 - 2026	2,744,018	839,421	3,583,439
2027 - 2041	12,747,021	1,573,586	14,320,607
Total	<u>\$ 15,491,039</u>	<u>\$ 2,481,380</u>	<u>\$ 17,972,419</u>

The District will save an estimated \$289,449 in interest costs over the 20-year period of debt repayment by obtaining financing from the CWFP as compared to issuing its own debt (1.485% versus 1.650%).

On the date of closing and including these four loans, the District's outstanding general obligation debt is anticipated to be \$781,868,311, which is 1.19% 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 Four 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 four capital projects accomplish the following objectives to:

- Provide financing of capital project expenditures within the financing objectives set in the 2021 Capital Budget and long-range financing plan.
- Authorize the District to sell up to \$15,491,039 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 Four 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 \$989,946 General Obligation Sewerage System Promissory Notes, Series 2021B, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3258-01, consisting of the removal and replacement of the roofs on four of six buildings inspected and evaluated for the South Shore Water Reclamation Facility Building Roof Replacement Project, Phase Four.
2. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$6,645,074 General Obligation Sewerage System Promissory Notes, Series 2021C, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3264-01, consisting of the removal and replacement of equipment at Jones Island Water Reclamation Facility in the Dewatering and Drying Facility (Structure 258) which includes, the replacement of two first stage classification trains, an existing overflow bucket elevator and dust collection ductwork to connect new equipment to the existing dust collection system; electrical work; modification of existing motor control centers; installation of new instrumentation and control equipment; and painting.

RESOLUTION (Cont'd)

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

3. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$2,888,498 General Obligation Sewerage System Promissory Notes, Series 2021D, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3275-01, consisting of the replacement or refurbishment of corroded, worn-out return activated sludge header piping and associated components at the South Shore Water Reclamation Facility which includes, the return activated sludge piping, valves, fittings, and components in the return activated sludge header system's Battery 1, 3, and 4; providing a return activated sludge suction and discharge header flushing and drain piping system; replacing pipe supports, including concrete repair and painting; and removing an abandoned chlorine gas piping system.
4. "A Resolution Authorizing and Providing for the Sale and Issuance of up to \$4,967,521 General Obligation Sewerage System Promissory Notes, Series 2021E, Levying Taxes for the Payment Thereof, and All Related Details" for Clean Water Fund Program Project Number 3278-01, consisting of the removal and replacement of dried biosolids processing equipment and associated components at the Jones Island Water Reclamation Facility in the Dewatering and Drying Facility (Building No. 258) known as the Greens Grade Train Replacement, which includes the removal and replacement of product classification and handling equipment that has reached the end of its useful life; associated electrical work; installation of process control equipment; and painting.