

Reply to Common Council File No. 060091
From DOA-Budget and Management Division

January 8, 2009

Ref: 06010

Common Council File 060091 is a resolution authorizing the issuance and sale of up to \$59,909,500 sewerage system second lien revenue bonds. These bonds are necessary to finance sewer projects authorized in the 2004, 2005, and 2006 budgets. The bonds will be sold to the State of Wisconsin Clean Water Fund program, which provides loans that are 35%-45% below market rate, leading to substantial debt service savings for the City of Milwaukee and sewer rate payers.

It should be noted that the Comptroller's estimated debt service of \$5 million annually at a rate of 5% is extremely conservative. The latest Clean Water Fund loan made by the State went for 2.365%. While interest rates have been rising, the actual interest rate will likely be substantially lower than 5%, leading to annual debt service that is several hundred thousand dollars less than \$5 million.

RECOMMENDATION: ADOPT FILE 060091 AUTHORIZING THE SALE OF THE \$59,909,500 IN SEWERAGE SYSTEM SECOND LIEN REVENUE BONDS.

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