

..Number

111567

..Version

Proposed Substitute A

..Reference

..Sponsor

The Chair

..Title

Substitute resolution authorizing the issuance of General Obligation Multi-Modal Notes and Bonds, and related agreements.

..Sections

..Analysis

Resolution 111076 authorizes the issuance of fixed rate general obligation bonds for various corporate purposes. Over the long term, it has been historically beneficial to have a portion of long-term debt in variable rate, short-term interest rate, mode. This resolution permits the issuance of up to \$60 million of bonds for purposes authorized by that resolution as variable rate debt.

Since 2005, the City has had outstanding the \$25 million of Series 2005 V8 General Obligation Bonds as variable rate bonds. Over that period of time, variable interest rates have been significantly lower than fixed rate debt. The Series 2005 V8 Bonds were secured by a Stand-by Bond Purchase Agreement (SBPA) that expires in December of this year. Because of the changes in the market since the 2008 Lehman Bankruptcy, it is anticipated that an extension of the SBPA would be at a significantly higher cost. In anticipation of the expiration of the SBPA, the Series 2005 V8 Bonds were refinanced to fixed rate debt with the Series 2012 N2 Notes.

In anticipation of the expiration of the SBPA, alternative methods to access variable rate debt have been developed. The Extendable Municipal Commercial Paper (EMCP) program approved with file 111565 was the first such program developed. With this file, two other methods are proposed. This resolution authorizes GO Bonds with multiple modes. \$15 million of the bonds are proposed to be issued as Floating Rate Notes (FRN), and \$15 million as Rolling Tender Variable Rate (RTV) Bonds.

The RTV's are like the Series 2005 V8 Bonds where the interest rate is determined weekly. In the event the investor no longer desires to hold the RTV, and the Remarketing Agent cannot find alternative investors, the RTV's have an "Extension" feature similar to the EMCP. This Extension feature is in lieu of the SBPA that secured the Series 2005 V8 Bonds.

The FRN's are bonds that have a variable interest rate tied to the SIFMA index for short-term tax-exempt rates. The investor cannot "put" the FRN's back to the City. Since the investor does not have the right to "put", the investor receives a fixed spread over the

SIFMA index. Just like fixed rate bonds, the longer the term the investor is required to hold the FRN's, the higher the fixed spread.

..Body

Whereas, Common Council Resolution File Number 111076 adopted on February 28, 2012 (CCFN 111076) authorizes the issuance of Corporate Purpose Bonds pursuant to certain terms and conditions; and

Whereas, the outstanding debt of the City is substantially all fixed rate; and

Whereas, it is prudent, and historically beneficial over the long term, to have a portion of the City's debt with a variable short-term interest rate component; and

Whereas, the Common Council desires to authorize the issuance of general obligation debt in a variable rate mode for purposes authorized by CCFN 111076; and

Whereas, it is desirable to enter into a trust indenture for the variable rate debt in multiple modes, and other related agreements;

now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee in accordance with chapter 67 of Wisconsin Statutes, that the Commissioners of the Public Debt are authorized and requested to issue and sell up to \$60,000,000 of general obligation corporate purpose multimodal bonds in various modes (the "Offered Obligations") at private sale for purposes authorized pursuant to CCFN 111076; and, be it

Further Resolved, that the Offered Obligations shall be sold to such underwriters as are selected by the Commissioners of the Public Debt in accordance with Bond Purchase Agreements and Remarketing Agreements approved by the Commissioners of the Public Debt. Such agreements are hereby approved in the form as executed and delivered by the proper City officers who are hereby authorized and directed to execute the same; and, be it

Further Resolved, that the Trust Indenture dated as of July 1, 2012 between the City and U.S. Bank National Association, as Trustee (the "Indenture"), a form of which is attached to this resolution, is approved and the appropriate officers are hereby authorized and directed to execute and deliver the Indenture with such changes as may be recommended and approved by the City Attorney in consultation with the City Comptroller; and, be it

Further Resolved, that a direct annual irrevocable tax shall be levied in each year that such Offered Obligations are outstanding, in an amount sufficient to pay, and for the express purpose of paying the principal of and interest on the Offered Obligations, as it falls due, and shall be extended upon the tax roll of the City of Milwaukee and shall be collected by the officers of the City in the same manner and at the same time as taxes for

general City purposes for such years are extended and collected, the proceeds of said taxes shall be used solely for paying the principal and interest on the Offered Obligations so long as any Offered Obligation of said issue remains outstanding. Provided however, that the City may take into account anticipated remarketings (as provided for in the Indenture), when establishing a levy for principal; and, be it

Further Resolved, that interest on or principal of the Offered Obligations falling due at any time when there shall be on hand insufficient funds from proceeds of the tax levy for the payment of such interest or principal shall be paid promptly when due from other funds of the City, which funds shall be reimbursed thereof out of the proceeds of the taxes above levied when such taxes shall have been collected; and, be it

Further Resolved, that the Offered Obligations may be issued, remarketed, and modes changed from time to time pursuant to the Indenture or any appropriate supplements thereto, provided that the interest rate on such Offered Obligations shall not to exceed 12.00% per annum; and, be it

Further Resolved, that in order to maintain marketability of the Offered Obligations, the Comptroller is authorized, pursuant to Section 9.1 of the Indenture, to execute Supplemental Indentures to change the Maximum Rate, subject to the limitations contained in this resolution; and, be it

Further Resolved, that the City directs the Commissioners of the Public Debt to convert to fixed rate mode and remarket Offered Obligations as necessary in order to remarket the principal on the Offered Obligations; and, be it

Further Resolved, that the City covenants to take all actions necessary to preserve the exclusion of interest on the Offered Obligations from gross income for federal income tax purposes. For such purpose, the City shall comply with the requirements of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 as amended and the regulations of the Internal Revenue Service adopted thereunder or otherwise applicable thereto. No use of the proceeds of the sale of the Offered Obligations shall be made which, if such use had been reasonably expected on the date of issue of the Offered Obligations would have caused such Offered Obligations to be "arbitrage bonds" as defined in Subsection (d)(2) of Section 103 and Section 148 of the U.S. Internal Revenue Code of 1986. The provisions of this section shall be a covenant with the owners of the Offered Obligations; and, be it

Further Resolved, that the Continuing Disclosure Certificate, in substantially the form of the Supplemental Certificate authorized by File Number 100846 adopted on November 23, 2010, is authorized to be executed and delivered, from time to time, by the Comptroller for the Offered Obligations; and, be it

Further Resolved, that the City hereby authorizes and directs the appropriate officers and employees of the City to take all action necessary or appropriate to the issuance, sale and delivery of the Offered Obligations to comply with and carry out all of the provisions of

the Continuing Disclosure Certificate, as amended from time to time. Notwithstanding any other provision of this resolution, failure of the City to perform in accordance with the Continuing Disclosure Certificate shall not constitute a default under this resolution and the Continuing Disclosure Certificate may be enforced only as provided therein.

..Requestor
Comptroller
..Drafter
Comptroller
RL
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