



Office of the Comptroller

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Willie L. Hines, Jr.
President, Milwaukee Common Council
City Hall, Room 205
Milwaukee, WI 53202

RE: Questions – PabstCity

President Hines:

In your letter of June 19, you asked a number of questions regarding the proposed PabstCity project. Below are your questions and our responses:

1) The City's current TIF capacity & 2) impact of the PabstCity TIF on current TIF capacity (% and dollar amount) – According to the DCD,

“the state statute governing tax incremental financing limits the incremental value in all TIF Districts in any municipality to 11% of total equalized property value. The City of Milwaukee currently has \$709 million in incremental value in TIF Districts, an amount that represents 3.0% of our total equalized value.

Pabst City will add \$175 million of incremental value, bringing the City to 3.8%, still only about one-third of the statutory limit. Put more simply, this leaves nearly \$1.7 billion in possible TIF capacity before we hit our statutory limit.”

3) Total TIF debt –

The City's current General Obligation debt totals \$113.5 million. In addition, the City has authorized monetary obligations and support of the repayment of City Redevelopment Authority borrowings for TID purposes totaling an additional \$65-\$70 million. Thus, City long term obligations authorized related to TIFs equal roughly \$178-\$183 million.

4) Annual TIF allotment/allocation –

The General Obligation borrowing authority for TIFs since 2000 are as follows:

2000.....	\$ 8.0 million
2001.....	\$19.5 million
2002.....	\$14.5 million
2003.....	\$14.0 million
2004.....	\$19.0 million
2005.....	\$20.0 million.

Both developer loans (monetary obligations) and support for the repayment of RACM borrowings committed by the City of Milwaukee for TIF purposes are not counted in the above figures and not part of the City budget. We do not know what if any allocation is made annually for these added forms of City TIF financial support.

5) Length of time associated with delays for other projects if PabstCity is approved.

Given that \$20 million was budgeted for all new City TID GO borrowing in 2005, it is likely that the PabstCity Project was not anticipated to be financed (GO) in 2005. If the PabstCity Project is approved, GO financing is the lowest cost option available. Hence, either other City capital projects must be deferred or eliminated given level TIF borrowing or the City must issue one-time additional debt to avoid any TIF or other project deferral. *If the City was to limit its TIF borrowing to past budgeted levels, the \$47-\$48 million (including capitalized interest) would constitute a 2-3 year deferral.*

6) TIF repayment schedules

Generally, the City borrows for TIF projects over 17 years, with the first two years financed with interest only payments sourced from the borrowed proceeds (capitalized interest). For the remaining 15 years we structure the debt with equal repayments.

If the feasibility study by S.B. Friedman holds true, the PabstCity TIF would be retired in about 25 years. The developer's guarantee for PabstCity guarantees a lower minimum TIF revenue over 30 years.

7) Current bond rating and how it will be impacted?

The City retains a high investment grade bond rating (AA+ and AA) – higher than that of Milwaukee County and the State of Wisconsin. This lowers City interest costs. The impact of the PabstCity Project on the City's bond rating will be determined by three major factors:

- A) Clear signs of the Project's success – a bond rating plus (or failure, a negative):
- B) How the City handles its other debt financing responsibilities, namely the on-going preservation of its streets, alleys, underground cable network, sewer-water, etc. If PabstCity borrowing causes the City to defer spending on its infrastructure, such borrowing could have a negative affect on the bond rating. However, should the City of Milwaukee continue to adequately maintain its infrastructure spending, there should be no negative impact.
- C) How well the City maintains its Tax Stabilization and debt reserves. If in order to keep taxes down, the City offsets additional cost of PabstCity debt service through the depletion of its reserves, this again could have a negative bond rating impact. However, as long as these reserves are maintained at current levels, no negative impact should occur.

Should you have any questions regarding this letter, please contact me at your convenience.

Sincerely,



W. Martin Morics
Comptroller

Cc Members of the Zoning, Neighborhoods & Development Committee
Commissioner Richard Marcoux
Joel Brennan
James Scherer

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