

# LRB – RESEARCH AND ANALYSIS

JULY 22, 2009 AGENDA

ITEM 11, FILE 090330

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #090330 is a proposed substitute resolution authorizing the issuance and sale of up to \$89,215,825.57 in sewerage system second lien revenue bonds.

## **Background & Discussion**

1. The 2000 Budget transferred the funding for the Relief and Relay sewer capital program from the City's Capital Improvement Budget to the Sewer Maintenance Fund.
2. This resolution authorizes the Public Debt Commission to issue and sell City of Milwaukee Sewerage System second lien revenue bonds in an amount not to exceed \$89,215,825.57.
3. The bonds will be sold at a private sale to the State of Wisconsin's Clean Water Fund.
4. The State of Wisconsin's Clean Water Fund Program (CWFP) is one of the subsidized loan programs included in the Environmental Improvement Fund (EIF). The CWFP provides loans to municipalities for wastewater treatment and urban storm water projects.
5. The Clean Water Fund Program has received funds from the American Recovery and Reinvestment Act of 2009 (ARRA), and has indicated that it will use the funds to grant finance up to 50% of qualified projects that are approved. This proposed substitute resolution authorizes the City to apply for grants in connection with the City's application for funding from the Clean Water Fund Program, and upon the awarding of the grant, the Comptroller is authorized to transfer the City's matching share from the Sewer Maintenance Fund capital accounts to the proper Special Purpose Accounts, in an aggregate amount not to exceed \$45,000,000.

## **Fiscal Impact**

If the full amount of \$89,215,825.57 is issued the Comptroller's Office estimates an annual debt service expenditure of \$6.0 million for this borrowing. The Comptroller's estimate assumes an issuance of \$89,215,825.57 in bonds with 20-year level debt payments will be issued at a 3% interest rate. Funding for the Sewerage System revenue bond's debt service is provided by the Sewer Maintenance Fund, not the tax levy. Financing the borrowing through the State of Wisconsin's Clean Water Fund Program reduces the interest rate for the borrowing by approximately 1%. Due to ARRA, the City may get \$21 million of its current \$50 million application funded by Grants.

Cc: Marianne Walsh  
Craig Kammholz  
Mark Nicolini  
W. Martin Morics  
Mike Daun  
Richard Li

Prepared by:  
Jim Carroll, X8679  
LRB Research & Analysis  
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