



Legislation Text

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THE CHAIR

Resolution authorizing the transfer of an Interest Rate Exchange Agreement for Milwaukee Public Schools.

In 2003, Milwaukee Public Schools (MPS) issued its Taxable 2003 Pension Obligation Bonds. The Bonds have a taxable interest rate that changes monthly. In order to substantially eliminate interest rate risk, the City, as Agent for, MPS entered into an Interest Rate Exchange Agreement that effectively fixed the rate on the Bonds.

One of the counter parties would like to transfer its rights and obligations under the Agreement from Morgan Stanley to Wells Fargo. Morgan Stanley would pay for all costs related to the transfer. There would be no change to the terms of the transferred MS Agreement. There is a related existing agreement with Wells Fargo. The transferred MS Agreement would become part of the existing Wells Agreement.

One major benefit of the transfer is that Wells Fargo (Aa rated) has a higher credit rating than Morgan Stanley (A rated). This would reduce the risk for MPS.

Whereas, The City, on behalf of the Milwaukee Public Schools (MPS), in connection with MPS's 2003 Pension Obligation Financing entered into financial advantageous agreements with Morgan Stanley Capital Services Inc., and Wells Fargo Bank, N.A.; and

Whereas, Morgan Stanley Capital Services Inc. has request that it be allowed to transfer its rights and obligation under its agreement to Wells Fargo Bank, N.A., and has agreed to pay for all costs of the transfer; and

Whereas, The transfer is advantageous to the City/MPS because Wells Fargo (Aa) has a higher credit rating than Morgan Stanley (A); and

Whereas, On April 21, 2016, the Milwaukee Board of School Directors approved the transfer of the agreement from Morgan Stanley to Wells Fargo; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee that the transfer of the interest rate exchange agreement from Morgan Stanley to Wells Fargo is hereby approved; and, be it

Further Resolved, That the appropriate officers and employees of the City, working in cooperation with MPS, are authorized to transfer the agreement relating to the 2003 Pension Obligation Bonds from Morgan Stanley

Capital Services to Wells Fargo Bank, N.A., to enter into replacement agreements including a novation agreement, and to take any and all further action so as to provide for the delivery of the replacement agreements and related documents.

Comptroller
Richard Li
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Clerical correction 5/3/16 Chris Lee