



Legislation Details (With Text)

File #: 031037 **Version:** 1

Type: Resolution **Status:** Passed

File created: 11/5/2003 **In control:** FINANCE & PERSONNEL COMMITTEE

On agenda: **Final action:** 11/25/2003

Effective date:

Title: Substitute resolution approving the terms and authorizing the execution and delivery of a swap agreement of the City on behalf of the Milwaukee Board of School Directors. (Comptroller)

Sponsors: THE CHAIR

Indexes: AGREEMENTS, MILWAUKEE PUBLIC SCHOOLS

Attachments: 1. Comptroller's Cover Letter.pdf, 2. Fiscal note.PDF, 3. Term Sheet.PDF, 4. Fiscal Review Analysis.pdf, 5. Budget Reply.PDF

Date	Ver.	Action By	Action	Result	Tally
11/7/2003		FINANCE & PERSONNEL COMMITTEE	REFERRED TO		
11/7/2003		FINANCE & PERSONNEL COMMITTEE	REFERRED TO		
11/11/2003	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
11/12/2003	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
11/17/2003	1	CITY CLERK	DRAFT SUBMITTED		
11/19/2003	1	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR ADOPTION	Pass	3:0
11/25/2003	1	COMMON COUNCIL	ADOPTED	Pass	16:0
11/26/2003	1	MAYOR	SIGNED		
4/30/2013	0	COMMON COUNCIL	ASSIGNED TO		

031037

SUBSTITUTE 1

THE CHAIR

Substitute resolution approving the terms and authorizing the execution and delivery of a swap agreement of the City on behalf of the Milwaukee Board of School Directors. (Comptroller)

This resolution authorizes entering into a Swap related to the issuance of up to \$200,000,000 of General Obligation Notes ("Notes") and/or Redevelopment Authority of the City of Milwaukee Bonds ("Bonds") for the purpose of paying Milwaukee Public School's ("MPS") unfunded prior service liability ("UPSL") to the Wisconsin Retirement System ("WRS"). The Notes and Bonds will provide the amount required to payoff the UPSL, which is estimated at \$167,364,354 as of June 30, 2003.

Under current WRS 2% payment requirement, interest assessment, and assuming a 3% growth in MPS covered payroll, the UPSL will never be paid off. With the combined City and RACM financing, the total debt service will approximate the projected WRS payments, and be fully retired in 40 years.

Part of the RACM Bonds will be issued as variable rate Auction Rate Securities. The proposed Swap will convert the variable rate obligation into a fixed rate obligation. MPS will pay the Swap a fixed rate of interest, and MPS will receive from the Swap a variable rate of interest. The variable rate of interest received on the swap will approximate the variable rate of interest paid on the Auction Rate Securities. The variable rate received and paid substantially offset each other, and the net effect is a fixed rate obligation to the Swap.

Whereas, Pursuant to Section 119.50 of the Wisconsin Statutes, the City of Milwaukee, Wisconsin (the "City") through its Treasurer holds all school moneys of the Milwaukee Board of School Directors ("MPS"), such moneys to be disbursed by the City Treasurer on the written order of the Superintendent of Schools, countersigned by the auditing officer of the City; and

Whereas, MPS, pursuant to the authority of 2003 Wisconsin Act 43, enacted August 11, 2003, is borrowing money from the Redevelopment Authority of the City of Milwaukee (the "Authority") in order to finance the payment of MPS's unfunded prior service liability contributions under the Wisconsin Retirement System; and

Whereas, In connection with such loan the Authority, MPS and the City, as custodian of MPS's school money, plan to enter into a Loan Agreement whereby the Authority will loan proceeds of a bond issue of the Authority to MPS and MPS will agree to repay such loan from moneys in the School Operations Fund held by the City; and

Whereas, As evidence of the loan, the City on behalf of MPS will issue a note to the Authority, which will bear interest at a variable rate from time to time and the payments under the Note will be applied to the payment of the Authority's Bonds, which also bear interest at a variable rate from time to time; and

Whereas, The City, under Section 15-15 of its Home Rule Charter, has the authority to enter into an interest rate swap or exchange agreement at the time of issuance of an obligation of MPS; and

Whereas, The City is proposing to enter into an interest rate swap or exchange agreement (the "Swap Agreement") and has solicited proposals from various entities providing such agreements and will select such entity which grants the most beneficial terms to MPS (the "Swap Provider"), whereby the obligation of MPS to pay interest under the Loan Agreement at a variable rate will be exchanged with the Swap Provider so that MPS will pay a fixed rate of interest to the Swap Provider on an amount equal to the principal amount of the Note and the Swap Provider will pay a variable rate to MPS on the same amount; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee as follows:

Section 1. Approval of Certain Terms, Conditions and Provisions of a Swap Agreement with the Swap Provider; Execution and Delivery of Agreement. The Swap Agreement between the City and the Swap Provider shall be subject to those terms, conditions and provisions referred to in the attached Term Sheet, presented to and filed with the minutes of the meeting at which this resolution is being

adopted, and the terms, conditions and provisions thereof, are hereby approved, ratified and confirmed by the Common Council, and the appropriate officers of the City are hereby authorized and directed to execute and deliver to the Swap Provider a Swap Agreement in substantial compliance with such Term Sheet, any modification thereto to be determined by the Comptroller of the City in his absolute discretion, including the interest rate to be paid by the Swap Provider. The Swap Agreement may be entered into as one or more agreements with one or more providers.

Section 2. Further Actions. The appropriate officers of the City are hereby authorized and directed to take any and all further action so as to provide for the delivery of the aforesaid agreement.

Section 3. Invalidity of Sections, Paragraph, Clauses or Provisions. If any section, paragraph, clause or provision of this resolution shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this resolution.

Section 4. Headings of Sections. The headings of the sections of this resolution shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections or of this resolution.

Section 5. Effective Date. This resolution shall take effect upon its adoption.

Comptroller

Comptroller
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