



Legislation Text

File #: 160691, **Version:** 2

160691

SUBSTITUTE 2

The Chair

Substitute resolution authorizing general obligation direct loan program, related agreements, and refunding of outstanding debt.

This resolution creates a Direct Loan Program for the liquidity needs of the City. \$30 million of the line will be used to refund the 2012 V10 variable rate bonds, and \$50 million will be used to partially replace the EMCP program. The EMCP program expires in May, 2017. Recent changes to rules for Money Market Funds make the 2012 V10 and EMCP programs unattractive to Money Market Funds.

WHEREAS, the City has existing programs to meet the primary liquidity needs of the City; and

WHEREAS, it is desirable to replace such programs in order to save costs and to diversify the City's access to liquidity in the event of market disruptions; and

WHEREAS, the City desires to enter into a Revolving Loan Agreement for the general obligation promissory note to provide a revolving direct loan source of liquidity for the City; and

WHEREAS, the City desires to refund the City's General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (the "Series 2012 V10 Bonds") with the revolving loan;

NOW, THEREFORE, BE IT

RESOLVED, By the Common Council of the City of Milwaukee in accordance with Chapter 67 of Wisconsin Statutes, that the Comptroller is authorized and requested to issue and sell General Obligation Promissory Note (the "Direct Loan Note") at private sale and be designated "General Obligation Promissory Note, Series 2016 N9"; and, be it

FURTHER RESOLVED that the Direct Loan Note may be issued to refinance certain existing liquidity programs such as the Extendable Municipal Commercial Paper Program, to fund certain cash flow deficits in anticipation of the receipt of taxes or other revenues, to finance certain capital expenditures in advance of a bond or note issuance, and for other liquidity purposes as may be determined by the Common Council from time to time; and, be it

FURTHER RESOLVED, that the Revolving Loan Agreement for the Direct Loan Note (the "Agreement"), a

form of which is attached to this resolution, is approved and the appropriate officers are authorized and directed to execute and deliver the Agreement with such changes as may be recommended and approved by the City Attorney in consultation with the Comptroller; and, be it

FURTHER RESOLVED, that Direct Loan Note may be issued, reissued, and redeemed from time to time, provided that the aggregate amount of the Direct Loan Note outstanding at any time shall not exceed \$80,000,000; and be it

FURTHER RESOLVED, that the Direct Loan Note shall:

- (1) bear interest at a maximum coupon rate not to exceed 15.00% per annum;
- (2) mature no later than 10 years from the date of issuance; and
- (3) be sold at a price of not less than 100% of the principal amount thereof; and, be it

FURTHER RESOLVED, that a direct annual irrepealable tax shall be levied in each year that such Direct Loan Note is outstanding, in an amount sufficient to pay, and for the express purpose of paying the interest on the Direct Loan Note, as it falls due, and also to pay and discharge the principal thereof at maturity, 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 as follows:

**General Obligation Promissory Note Series 2016
N9**

<u>Levy Year</u>	<u>Year Due</u>	<u>Amount Due</u>
2016	2017	\$ 12,000,000
2017	2018	12,000,000
2018	2019	92,000,000
2019	2020	92,000,000
2020	2021	92,000,000
2021	2022	92,000,000
2022	2023	92,000,000
2023	2024	92,000,000
2024	2025	92,000,000
2025	2026	92,000,000

the proceeds of said taxes shall be used solely for paying the principal and interest on the Direct Loan Note so long as any Direct Loan Note remains outstanding. Provided however, that the City may take into account the amortization period and repayment provisions and amount outstanding under the Agreement to abate and extend the levy; and, be it

FURTHER RESOLVED, that interest on or principal of the Direct Loan Note 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, the City covenants that (i) throughout the term of the Direct Loan Note and (ii) through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") it will comply with the provisions of Sections 103 and 141 through 150 of the Code, and the applicable regulations of the Internal Revenue Service adopted thereunder, that must be satisfied in order that interest on the Direct Loan Note shall be and continue to be excluded from gross income for federal income tax purposes under said Section 103; and, be it

FURTHER RESOLVED that if the initial maturity of the Direct Loan Note is less than 10 years from the initial date of issuance, the Comptroller is authorized to periodically extend the Agreement and the maturity date of the Direct Loan Note, subject to the maximum of 10 years from the initial date of issuance; and, be it

FURTHER RESOLVED that the maximum rate may be changed from time to time to reflect market conditions, and if increased, the authorization shall include a levy of a direct annual irrepealable tax for the repayment of the Direct Loan Note adequate to pay the additional interest, but in any event shall never exceed 20% per annum; and, be it

FURTHER RESOLVED that the Comptroller is authorized, without further action by the Commissioners of the Public Debt, to draw on the Agreement (A) for up to \$50,000,000 (i) for purposes that General Obligation Promissory Notes pursuant to file number 151262 may be issued, and (ii) to refund maturing Extendable Municipal Commercial Paper Notes; and (B) for up to \$30,000,000 to refund the Series 2012 V10 Bonds; and, be it

FURTHER RESOLVED, that the Commissioners of the Public Debt are authorized to approve, and the appropriate officers of the City are authorized and directed to execute and deliver such other documents to support the Direct Loan Note and to refund the Series 2012 V10 Bonds as may be recommended and approved by the City Attorney in consultation with the Comptroller.

Comptroller

RSL
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