Grant, Peter

From: David Kirchgessner [kirchgde@milwaukee.k12.wi.us]
Sent: Thursday, March 16, 2006 2:20 PM
To: Grant, Peter
Cc: Christopher Thiel; Michelle Nate
Subject: MPS NSI
Attachments: tab_0005.pdf; tab_0007.pdf

Peter,

As follow-up to our telephone conversation, attached for your reference are copies of the Loan Agreement and the Promissory Note from the transcript of the second NSI bond sale.

Relative to the question concerning making payments from the School Operations Fund, please review the language in Section 7.1 of the Loan Agreement, attachment tab 0005, which states that payments will be made solely from proceeds of Intradistrict Aid, a state aid that flows to the School Operations Fund.

Relative to the question concerning debt payments, please see page 4 of the Promissory Note, attachment tab 0007, wherein RACM assigns to the trustee, BNY Trust Company of Missouri, its rights to payments from MPS. The trustee of course makes the payments to the bondholders.

Finally, relative to the language change to 66.1333(5r)(d)4a, the attorneys indicate that the change is made in support of one of the other changes to 66.1333(5r), specifically the sentence requested to be added to 66.1333(5r)b.

If you have any other questions, please let Chris or I know.
Thank you.

David Kirchgessner
Milwaukee Public Schools
414-475-8740

intradist aid is deposited sch. ops. fund; & law provides payments on loan from RACM are made from sch. ops. fund.
BUT: this authorizes payment from proceeds of prop. sales, which are not currently deposited in sch. ops. fund. ∴ need to AM 119.46 to add the money or to provide the purpose of paying off the debt.

Loan Agreement

material adverse change in its power or ability to perform its obligations under this Loan Agreement.

Section 6.6 Intradistrict Aid

The Borrower represents that it is eligible for Intradistrict Aid and it knows of no facts that would disqualify it from receiving Intradistrict Aid.

Section 6.7 Date and Survival of Representations; Exceptions

The representations of the Borrower made in this Article VI are made as of the date of closing of the Series 2002A Loan, and all such representations shall survive the execution and delivery of this Loan Agreement and the making of the Series 2002A Loan.

ARTICLE VII

COVENANTS OF BORROWER

Section 7.1 Payment of Promissory Notes

The Borrower agrees to make the principal, premium, if any, and interest payments on the Promissory Notes in the manner and amounts and the times and places specified solely from proceeds of Intradistrict Aid.

Section 7.2 Source of Payment for the Loans

The obligations of the Borrower under this Loan Agreement and the Promissory Notes are limited obligations of the Borrower payable solely from Intradistrict Aid, and such obligations are not a debt of the Borrower, the City, the Issuer or the State within the meaning of any State constitutional provision, statutory limitation or charter provision or limitation.

Section 7.3 Pledge of Intradistrict Aid

The Borrower hereby pledges, assigns, hypothecates and transfers to the Issuer, all of the Borrower's right, title and interest in and to the Intradistrict Aid, and hereby grants to the Issuer a lien on, and security interest in, its right, title and interest in and to Intradistrict Aid, the interest thereon and all proceeds thereof, as collateral security for the prompt and complete payment when payable from time to time by the Borrower of all amounts payable under this Loan Agreement. This pledge is for the equal and ratable benefit and security of all Promissory Notes issued and to be issued under the Loan Agreement. The Borrower agrees to do all things necessary to remain eligible to receive Intradistrict Aid in an amount sufficient to pay principal and interest on all Outstanding Bonds. Pursuant to the Agreement, dated as of February 14, 2002, by and among the State Department of Administration, acting on behalf of the State, the Department of Public Instruction, the Borrower and the Issuer, the Borrower

(Promissory Note P. 4)

FOR VALUE RECEIVED, the undersigned Redevelopment Authority of the City of Milwaukee, hereby assigns, without recourse, all its right, title and interest in and to the above Series 2003A Promissory Note to BNY Trust Company of Missouri, or to its successor or successors, as trustee under that certain Indenture of Trust, as amended and supplemented by the First Supplemental Indenture of Trust, each dated as of February 1, 2002, as further amended and supplemented by the Second Supplemental Indenture of Trust, dated as of November 1, 2003, by and between the undersigned and said Trustee, securing the Redevelopment Authority of the City of Milwaukee (Wisconsin) Revenue Bonds, Series 2003A (Milwaukee Public Schools-Neighborhood Schools Initiative) and all series issued or to be issued under said Indenture.

Dated as of November 18, [illegible]

SPECIMEN

REDEVELOPMENT AUTHORITY OF
THE CITY OF MILWAUKEE

By _____
Tom D. Mellencamp
Its Chairperson

[Seal]

Attest _____
Julie A. Penman
Its Executive Director – Secretary

001.1521915.1

Grant, Peter

From: Christopher Thiel [thielcj@milwaukee.k12.wi.us]
Sent: Friday, March 17, 2006 2:40 PM
To: Grant, Peter
Cc: David Kirchgessner; rleonard@broydrick.com
Subject: MPS-sponsored change to Wis. Stat. 119.60
Attachments: 5833637_2.DOC.doc$

Peter,

Thanks again for your help as we sort out the detail on this. Please see the explanation below with regard to the additional piece of language that you will find in the attachment. The language changes that we asked for under 119.60 remain the same with the additional language to be added after "maturity."

maturity, or the establishment of a defeasance escrow account for such bonds in an amount sufficient to provide for the payment of principal, any redemption premium and interest on such bonds when due, whether at maturity or upon prior redemption, and to pay any fees and expenses associated with the establishment of the defeasance escrow account.

Explanation:
"Attached for your review pursuant to our discussion is a draft of revised language to amend Section 119.60 of the Wisconsin Statutes which would allow proceeds of the sale of real property to also be applied to the defeasance of NSI bonds issued under 66.1333(5r)(b).

As we discussed, to accomplish defeasance, trust indentures typically require depositing funds sufficient to provide for the payment of principal, redemption premium (if any) and interest on bonds to their maturity or redemption date. The proposed language of the amendment to Section 119.60 previously did not permit sale proceeds to be applied to payment of interest on NSI bonds. Therefore, I have added language which explicitly authorizes sale proceeds to be applied for the establishment of a defeasance escrow, to include payment of interest on defeased bonds. In addition, I have suggested language that would allow for the payment of fees and expenses associated with the establishment of such a defeasance escrow (these typically consist of an accountants' verification fee, financial advisory fee, escrow agent/trustee fee and bond counsel fee)."

Thank you,

Chris

Christopher J. Thiel
Legislative/Fiscal Policy Analyst
Milwaukee Public Schools
414-475-8190
414-475-8270 fax

This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this transmission in error, please notify the sender immediately and delete the transmission from your system. In addition, in order to comply with Treasury Circular 230, we are required to inform you that unless we have specifically stated to the contrary in writing, any advice we provide in this email or any attachment concerning federal tax issues or submissions is not

119.60 Real Property. (1) If any real property[1] within the city which is used for school purposes is sold, the proceeds of the sale shall not go into the general city fund but shall[2] either:

(a) become part of the school construction fund to be applied on the purchase of real property for school purposes; or

(b) become part of the school operations fund to be applied[3] for the payment of principal[4] due on any bonds issued under s. 66.1333(5r)(b), the making of sinking fund payments with respect to such bonds, the purchase or redemption of such bonds, the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity, or the establishment of a defeasance escrow account for such bonds in an amount sufficient to provide for the payment of principal, any redemption premium and interest on such bonds when due, whether at maturity or upon prior redemption, and to pay any fees and expenses associated with the establishment of the defeasance escrow account.

Drafting Notes:

[1] The class of properties the sale proceeds of which could be so applied might, in concept, also be limited--perhaps to property sold as a consequence (in some degree) of the Board's implementation of the NSI plan (which, in statute-speak, is referred to as "the report approved under 1999 Wisconsin Act 9, section 9159(7tw)(b)"). If such a causal link were ventured, however, the particular nexus ("because of," "as consequence of," "as part of," "as an incident to") and triggering event (change in enrollment patterns, changes in enrollment policies adopted under NSI, shifts in population distribution contemplated by NSI, etc.) would likely be somewhat difficult to specify.

[2] **Possible insert**: ", at the discretion of the board,". Perhaps worth adding if there's any concern among legislators that either (i) the administration or (ii) some outside authority might seek to direct the use of the pertinent sale proceeds.

[3] **Possible insert**: If a time limit is desired, consider "in the then-current school year [or in the school year next ensuing]"

[4] **Possible insert**: "or interest". The prospect of making current interest payments with proceeds from the sale of capital assets would, of course, trigger considerable controversy.

2005 **Date (time) needed** TUES.

LRB – 4649/1

BILL

PG : lmk :

Use the appropriate components and routines developed for bills.

AN ACT . . . [generate catalog] ***to repeal*** . . . ; ***to renumber*** . . . ; ***to consolidate and renumber*** . . . ; ***to renumber and amend*** . . . ; ***to consolidate, renumber and amend*** . . . ; ***to amend*** . . . ; ***to repeal and recreate*** . . . ; and ***to create*** . . . of the statutes; **relating to:** proceeds from the sale of real property located in the city of Milwaukee and used for school purposes.

[NOTE: See section 4.02 (2) (br), Drafting Manual, for specific order of standard phrases.]

Analysis by the Legislative Reference Bureau

If titles are needed in the analysis, in the component bar:
For the main heading, execute: . . . . . **create → anal: → title: → head**
For the subheading, execute: . . . . . **create → anal: → title: → sub**
For the sub–subheading, execute: . . . . . **create → anal: → title: → sub–sub**
For the analysis text, in the component bar:
For the text paragraph, execute: . . . . . **create → anal: → text**

(attached) see last page

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION #.

Section #. 65.07 (1) (e) of the statutes is amended to read:

65.07 **(1)** (e) A school operations fund, as constituted and for the purposes specified in s. 119.46.

History: 1971 c. 152 s. 38; 1971 c. 154; 1973 c. 90, 333; 1975 c. 39, 80, 200, 224; 1977 c. 113 ss. 4, 6; 1977 c. 203 s. 101; 1977 c. 418 ss. 402 to 407, 929 (42); 1979 c. 34; 1981 c. 20, 61, 93; 1983 a. 27; 1983 a. 207 ss. 93 (8), 95; 1985 a. 29, 135; 1985 a. 225 ss. 28, 100; 1987 a. 27, 377; 1993 a. 437; 1995 a. 27; 1999 a. 150 s. 672.

SEC. RN; 66.1333(5r)(b)(intro.); 66.1333(5r)(b)1.(intro.)

SEC #RN; 66.1333(5r)(b)1.; 66.1333(5r)(b)1.a.

SEC. # RN; 66.1333(5r)(b)2.; 66.1333(5r)(b)2.b.

SEC. CR. 66.1333(5r)(b)2(m)

66.1333(5r)(b)2(m) The authority of a 1st class city may issue refunding bonds to fund, refund, or advance refund any bonds previously issued by the authority under subd. 1., to fund a debt service reserve fund for such refunding bonds, to pay capitalized interest with respect to such refunding bonds, and to pay the costs incurred in connection with the issuance of such refunding bonds.

LRB Wisconsin Legislative Reference Bureau

Section #. 66.1333 (5r) (c) of the statutes is amended to read:

66.1333 **(5r)** (c) *Terms and conditions.* The terms and conditions of bonds issued under this subsection shall be those specified in sub. (5) (a) 4. except that it shall not be necessary that the financed property be located in a project area or a blighted area. The bonds may not have a maturity in excess of 20 years and other than refunding bonds may not be issued later than October 1, 2004.

History: 1973 c. 172; 1975 c. 4, 94, 350; 1979 c. 89, 110, 221; 1981 c. 20, 112, 232; 1983 a. 24, 189; 1985 a. 219; 1987 a. 27, 403; 1989 a. 31, 89; 1991 a. 316; 1993 a. 16, 112, 172, 184, 268, 301; 1995 a. 27, 225; 1999 a. 9; 1999 a. 150 ss. 441 to 446; Stats. 1999 s. 66.1333; 1999 a. 185 s. 58; 2001 a. 30; 2003 a. 43, 320.

Section #. 66.1333 (5r) (d) 4. a. of the statutes is amended to read:

66.1333 **(5r)** (d) 4. a. The bonds to be refunded by the refunding bonds are ~~to be issued to fund, refund or advance refund bonds~~ secured by a special debt service reserve fund.

History: 1973 c. 172; 1975 c. 4, 94, 350; 1979 c. 89, 110, 221; 1981 c. 20, 112, 232; 1983 a. 24, 189; 1985 a. 219; 1987 a. 27, 403; 1989 a. 31, 89; 1991 a. 316; 1993 a. 16, 112, 172, 184, 268, 301; 1995 a. 27, 225; 1999 a. 9; 1999 a. 150 ss. 441 to 446; Stats. 1999 s. 66.1333; 1999 a. 185 s. 58; 2001 a. 30; 2003 a. 43, 320.

Section #. 119.46 of the statutes is renumbered 119.46 (1) and amended to read:

plain

119.46 Taxes for school operations fund. (B) (1) As part of the budget transmitted annually to the common council under s. 119.16 (8) (b), the board shall report the amount of money required for the ensuing school year to operate all public schools in the city under this chapter, to repair and keep in order school buildings and equipment, to make material improvements to school property and to purchase necessary additions to school sites. The common council shall levy and collect a tax upon all the property subject to taxation in the city, which shall be equal to the amount of money required by the board for the purposes set forth in this ~~section~~ subsection, at the same time and in the same manner as other taxes are levied and collected. Such taxes shall be in addition to all other taxes which the city is authorized to levy. The taxes so levied and collected, ~~together with the~~ any other funds provided by law and placed at the disposal of the city for the same purposes, and the moneys deposited in the school operations fund under s. 119.60 (1), shall constitute the school operations fund.

History: 1975 c. 353; 1993 a. 437; 1995 a. 27.

SEC. CR. 119.46(2)

119.46 (B) (2) If moneys specified in s. 119.60(1) are deposited in the school operations fund, ~~[illegible]~~ the moneys shall be used to pay ~~[illegible]~~ the principal due on any bonds issued under s. 66.1333 (5r)(b), to make sinking fund payments with respect to such bonds, to purchase or redeem such bonds; ~~or~~ to pay any redemption premium required to be paid when such bonds are redeemed prior to maturity;

or to establish a defeasance escrow account for such bonds in an amount sufficient to provide for the payment of principal, any redemption premium and interest on such bonds when due, whether at maturity or upon prior redemption, and to pay any fees or expenses associated with the establishment of the defeasance escrow account.

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Wisconsin Legislative Reference Bureau

Section #. 119.48 (1) of the statutes is amended to read:

119.48 **(1)** If the board adopts a resolution by a two–thirds vote of the members–elect to provide funds, in addition to receipts from the sale of bonds, to purchase school sites, to construct school buildings and additions thereto or to remodel existing buildings, the board may include, as part of the budget transmitted to the common council under s. 119.16 (8) (b), a communication stating the amount of funds needed for such purposes. Upon receipt of the communication, the common council shall levy and collect a tax upon all property subject to taxation in the city, which shall be equal to the amount of money required by the board for the purposes set forth in the communication, at the same time and in the same manner as other taxes are levied and collected. Such taxes shall be in addition to all other taxes which the city is authorized to levy. The taxes so levied and collected shall constitute the school construction fund. The board may allow the school construction fund to accumulate from year to year.

History: 1987 a. 27; 1999 a. 182.

under s. 119.60 (1) that are

are the moneys deposited in the school construction fund

If moneys specified under s. 119.60 (1) are deposited in the school construction funds the moneys shall be used for the purchase of real property for school purposes.

Section #. 119.60 (1) of the statutes is amended to read:

are deposited in the school operations fund under s. 119.46 or are ~~deposited~~ in

the board shall determine whether

119.60 **(1)** If any real property within the city which is used for school purposes is sold, the proceeds of the sale ~~shall not go into the general city fund but shall become part of~~ the school construction fund ~~to be applied on the purchase of real property for school purposes.~~

History: 1983 a. 224.

under s. 119.48

(End)

~~; or are deposited in the school operations fund, to be applied to the payment of principal due on any bonds issued under s. 66.1335 (5r) (b), the making of sinking fund payments with respect to such bonds, the purchase or redemption of such bonds, or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity~~

Analysis

¶ Under current law, whenever real property that is located in the city of Milwaukee and used for school purposes is sold, the proceeds are deposited in the school construction fund, to be applied to the purchase of real property for school purposes.

¶ Under this bill, the Board of the Milwaukee Public Schools may, in its discretion, deposit the proceeds of the sale in the school operations fund, ~~[illegible]~~ to be applied to the payment of principal on bonds issued by the city's redevelopment authority for the purpose of financing certain school facilities.

FE-SL

LRB Wisconsin Legislative Reference Bureau

Northrop, Lori

From: Riley, Neci
Sent: Tuesday, March 28, 2006 9:19 AM
To: LRB.Legal
Subject: Draft Review: LRB 05-4649/1 Topic: Sales of real property in Milwaukee Public Schools

Please Jacket LRB 05-4649/1 for the ASSEMBLY.