

1987 Senate Bill 500

Date of enactment: April 20, 1988
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1987 Wisconsin Act 310

AN ACT to create 67.15 of the statutes, relating to authorizing certain local units of government to issue obligations with variable rates and put options.

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

SECTION 1. 67.15 of the statutes is created to read:

67.15 Variable rate obligations. (1) In this section:

(a) "Credit facility" means a standby or direct payment letter of credit, an insurance policy or other commitment to pay the principal of, or interest on, a municipal obligation.

(b) "Liquidity facility" means a standby or direct payment letter of credit or other commitment to purchase, or provide funds for the purchase of, a municipal obligation presented for purchase under a put option.

(c) "Put option" means the right of the holder or owner of a municipal obligation to present that municipal obligation to the municipality which issued it, its designee or a 3rd party for purchase by that municipality, designee or 3rd party.

(d) "Tendered obligation" means a municipal obligation which is presented for purchase when a put option is exercised.

(e) "Variable interest rate" or "variable rate" means a rate of interest greater than zero which is subject to change from time to time under sub. (2).

(f) "Variable rate obligation" means a municipal obligation which bears interest at a variable rate.

(2) Any municipal obligation issued under this ch. or ch. 66 may have a variable interest rate. If a municipality issues a municipal obligation with a variable interest rate, the governing body of the municipality shall adopt and record a resolution providing the following:

(a) A procedure, method, formula or index by which the interest rate may change from time to time.

(b) A stated maximum interest rate for the municipal obligation or for each maturity of the municipal obligation.

(3) A resolution under sub. (2) may provide for changing the interval at which the interest rate may change and for converting the variable rate to a fixed rate.

(4) In a resolution under sub. (2), a municipality may grant or provide for a put option for the holders or owners of any municipal obligation issued under the resolution and may provide in the resolution for the price at which tendered obligations will be purchased. A put option may provide for exercise at one or more designated times or upon a specified period of notice by holders and owners.

(5) A municipality may contract with a bank, trust company, investment banker or other financial institution, determined by the governing body of the municipality to be qualified, to act as the agent of the municipality in changing the interest rate of variable rate obligations under the procedure, method, formula or index established under sub. (2) (a), in changing the interval at which such interest rate may change and in purchasing and remarketing tendered obligations. A contract under this subsection may be on an exclusive basis, may be negotiated and may provide for payment of a fee to the agent based on a fixed annual amount, a percentage of the outstanding principal amount of the obligations, a percentage of the principal amount of obligations remarketed or any other criteria approved by the governing body of the municipality which is making the contract.

(6) A municipality may contract for the provision of a credit facility or a liquidity facility, or both. A contract under this subsection may be negotiated. A municipality may enter into a separate contract with any party furnishing such credit facility or liquidity facility to provide for repayment by the municipality of amounts paid by that party under the credit facility or liquidity facility, with interest on such amounts at a rate provided in the contract. A municipality's obligation to reimburse a credit facility or liquidity facility for amounts advanced under a contract under this subsection may not be deemed additional debt of the municipality.

(7) Any variable rate obligation, including a bond issued under s. 67.04, which contains any put option allowing any holder or owner of the variable rate obligation to present the variable rate obligation for purchase within one year from the date of the variable rate obligation, may be sold at a public or private sale.

(8) The purchase of a tendered obligation by or on behalf of the municipality may not be deemed to be a redemption thereof, and the remarketing of a tendered obligation may not be deemed to be an issuance of that obligation.

(9) Any tax levied under s. 67.05 (10) or 67.12 (12) (e) 1 to pay the principal and interest on a variable rate obligation may be in an amount sufficient to pay the maximum amount of principal and interest which may be payable under the terms of the obligation or the terms of any contract under sub. (6). If, after payment of interest in any year, there is any amount remaining in the debt service account for the obligation which was collected for the purpose of paying interest on the obligation in that year, the amount of tax carried on to the tax roll for the next year may be reduced by that remaining amount.
