

Daniel P. Vrakas
County Executive

Norman A. Cummings
Director



October 23, 2014

To: City of Waukesha, City Hall
Ed Henschel, Administrator
201 Delafield Street
Waukesha, WI 53188

RE: Radio System Capital Promissory Notes

The next step in the digital radio system replacement project is the issuance of interest free general obligation promissory notes to finance municipal capital contributions.

The enclosed resolution, drafted by Quarles and Brady, LLP, the County's Bond Counsel, authorizes your municipality's issuance of a general obligation promissory note to the County and approves the 2014 Radio System Contract Addendum. The resolution needs to be adopted in the form presented so there are uniform commitments from all municipalities.

As provided in the 2008 Radio System Contract Addendum, Waukesha County is paying 50% of capital costs. Municipalities share in the project by paying a portion of the remaining 50% of cost. Your community's proportionate share is based on the agreed upon formula that assesses 12.5% of overall system costs equally; 12.5% based on commercial and manufacturing equalized values; 12.5% based on Wisconsin Department of Administration estimated population and 12.5% based on overall system usage.

The 2008 Addendum also established municipal pre-payments in anticipation of the digital radio system replacement. The enclosed promissory note is based on the infrastructure formula, less prepayments and accrued interest from prepayments made toward the digital system project. The promissory note enclosed finances the balance of capital costs over 8 years interest free. A summary of the note calculation is included below:

City of Waukesha	
Municipal Infrastructure Cost Share	\$564,250.00
Less prepayments 2009-2014 and accumulated interest	(\$325,595.00)
Promissory Note (cost - prepayments)	\$238,655.00
Annual Payment (Note/8) (1)	\$29,832.00

(1) 7 payments of \$29,832 and 1 Payment of \$29,831

Please forward the executed resolution, radio system contract addendum and notes by November 30, 2014, to Andrew Thelke at the Waukesha County Administration Center, AC Room 310, Waukesha, WI 53188. If you have questions please feel free to contact me at 262-896-8222.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Thelke".

Andrew Thelke, Business Services and Collections Manager

cc: Mayor Shawn Reilly

515 W. Moreland Blvd.
Administration Center, Room 310
Waukesha, Wisconsin 53188
Phone: (262)548-7020
Fax: (262)548-7913
www.waukeshacounty.gov

RESOLUTION APPROVING 2014 TRUNKED RADIO SYSTEM CONTRACT ADDENDUM
AND AUTHORIZING THE ISSUANCE OF A GENERAL OBLIGATION PROMISSORY
NOTE TO WAUKESHA COUNTY TO PAY INFRASTRUCTURE COSTS OF THE NEW
DIGITAL RADIO SYSTEM

WHEREAS, Waukesha County, Wisconsin (the "County") constructed a county-wide 800 MHz analog trunked radio system (the "Analog System") in 2000 in order to provide interoperable voice communications to all public safety and municipal governments in the County;

WHEREAS, the terms of operation and financing of the Analog System were set forth in a Trunked Radio Services Agreement (the "Agreement") which was entered into by and among the County, the City of Waukesha (the "Municipality") and all of the other municipalities in Waukesha County;

WHEREAS, the Analog System needs to be replaced with a new digital system (the "Digital System") due to changing technology and in order to maintain system reliability;

WHEREAS, the County, the Municipality and the other municipalities participating in the Analog System also entered into a Trunked Radio System Contract Addendum in 2008 (the "2008 Addendum"), which addressed funding for the Digital System;

WHEREAS, pursuant to the 2008 Addendum, the Municipality and the other municipalities participating in the Analog System each prepaid for a portion of the anticipated infrastructure costs of the Digital System (the "Prepaid Amount"), and the County established a reserve to segregate and account for member prepayments and the interest accrued thereon;

WHEREAS, the terms of operation and financing of the Digital System are set forth in the 2014 Trunked Radio System Contract Addendum attached hereto as Exhibit A (the "2014 Addendum") to be entered into by and among the County, the Municipality and the other municipalities who are to participate in the Digital System;

WHEREAS the Municipality is in need of the sum of Two hundred thirty eight thousand six hundred fifty five Dollars (\$238,655.00) to pay its share of the infrastructure costs of the Digital System, which amount represents the portion of the cost of the Digital System that is allocable to the Municipality, determined in accordance with the infrastructure formula set forth in the 2014 Addendum, reduced by the Municipality's portion of the Prepaid Amount; and

WHEREAS, the Council of the Municipality (the "Governing Body") deems it necessary and in the best interest of the Municipality that the monies needed for such purpose be borrowed by issuing a general obligation promissory note to the County pursuant to the provisions of Section 67.12(12), Wis. Stats., upon the terms and conditions hereinafter provided.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Municipality, that:

Section 1. Approval of 2014 Addendum. The 2014 Addendum in substantially the form attached hereto as Exhibit A is hereby approved and the officers of the Municipality are authorized and directed to execute the 2014 Addendum. All other terms of the Agreement and the 2008 Addendum not affected by the 2014 Addendum shall remain in effect.

Section 2: Issuance of Note. The Municipality shall sell and deliver its \$238,655.00 General Obligation Promissory Note (Digital Radio System) (the "Note") to the County for the purpose of paying the Municipality's share of the infrastructure costs of the Digital System.

Section 3. The Note. The Mayor (the "Chief Executive Officer") and Municipal Clerk shall make, execute and deliver the Note to the County, for and on behalf of the Municipality. The Note shall be a negotiable, general obligation promissory note of the Municipality, issued as a single note and shall mature in installments on February 15 in the years and principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2015	\$29,832.00
2016	29,832.00
2017	29,832.00
2018	29,832.00
2019	29,832.00
2020	29,832.00
2021	29,832.00
2022	29,831.00

The installments of the Note shall bear interest at the rate of 0% per annum.

At the option of the Municipality, the installments of the Note shall be subject to prepayment at any time. Said installments shall be prepayable, as a whole or from time to time in part.

Section 4. Form of Note. The Note shall be in substantially the form set forth on Exhibit B and incorporated herein by this reference.

Section 5. Tax Provisions.

(A) Direct Annual Irrepealable Tax Levy. For the purpose of paying the principal of the Note as the same becomes due, the full faith, credit and resources of the Municipality are hereby irrevocably pledged, and there is hereby levied upon all of the taxable property of the Municipality a direct annual irrepealable tax in the years 2014 through 2021 for the payments due in the years 2015 through 2022 in the amounts set forth in Section 3 above.

(B) Tax Collection. So long as any part of the principal of the Note remains unpaid, the Municipality shall be and continue without power to repeal such levy or obstruct the collection of said tax until all such payments have been made or provided for. After the issuance of the Note, said tax shall be, from year to year, carried onto the tax roll of the Municipality and collected in addition to all other taxes and in the same manner and at the same time as other taxes of the Municipality for said years are collected, except that the amount of tax carried onto the tax roll may be reduced in any year by the amount of any surplus money in the Debt Service Fund Account created below.

(C) Additional Funds. If at any time there shall be on hand insufficient funds from the aforesaid tax levy to meet principal payments on said Note when due, the requisite amounts shall be paid from other funds of the Municipality then available, which sums shall be replaced upon the collection of the taxes herein levied.

Section 6. Segregated Debt Service Fund Account.

(A) Creation and Deposits. There be and there hereby is established in the treasury of the Municipality, if one has not already been created, a debt service fund, separate and distinct from every other fund, which shall be maintained in accordance with generally accepted accounting principles. Debt service or sinking funds established for obligations previously issued by the Municipality may be considered as separate and distinct accounts within the debt service fund.

Within the debt service fund, there hereby is established a separate and distinct account designated as the "Debt Service Fund Account for General Obligation Promissory Note (Digital Radio System)" (the "Debt Service Fund Account") and such account shall be maintained until the indebtedness evidenced by the Note is fully paid or otherwise extinguished. The Municipal Treasurer shall deposit in the Debt Service Fund Account (i) all accrued interest received by the Municipality at the time of delivery of and payment for the Note; (ii) any premium which may be received by the Municipality above the par value of the Note and accrued interest thereon; (iii) all money raised by the taxes herein levied and any amounts appropriated for the specific purpose of meeting principal of the Note when due; (iv) such other sums as may be necessary at any time to pay principal of the Note when due; (v) surplus monies in the Borrowed Money Fund as specified below; and (vi) such further deposits as may be required by Section 67.11, Wisconsin Statutes.

(B) Use and Investment. No money shall be withdrawn from the Debt Service Fund Account and appropriated for any purpose other than the payment of principal of the Note until all such principal has been paid in full and the Note canceled; provided (i) the funds to provide for each payment of principal of the Note prior to the scheduled receipt of taxes from the next succeeding tax collection may be invested in direct obligations of the United States of America maturing in time to make such payments when they are due or in other investments permitted by law; and (ii) any funds over and above the amount of such principal payments on the Note may be used to reduce the next succeeding tax levy, or may, at the option of the Municipality, be invested by purchasing the Note as permitted by and subject to Section 67.11(2)(a), Wisconsin Statutes, or in permitted municipal investments under the pertinent

provisions of the Wisconsin Statutes ("Permitted Investments"), which investments shall continue to be a part of the Debt Service Fund Account.

(C) Remaining Monies. When all of the Note has been paid in full and canceled, and all Permitted Investments disposed of, any money remaining in the Debt Service Fund Account shall be transferred and deposited in the general fund of the Municipality, unless the Governing Body directs otherwise.

Section 7. Persons Treated as Owners; Transfer of Note. The Municipality shall keep books for the registration and for the transfer of the Note. The person in whose name the Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of principal on the Note shall be made only to the registered owner thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

The Note may be transferred by the registered owner thereof by surrender of the Note at the office of the Municipal Clerk, duly endorsed for the transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing. Upon such transfer, the Chief Executive Officer and Municipal Clerk shall execute and deliver in the name of the transferee a new Note of a like aggregate principal amount, series and maturity and shall record the name of each transferee in the registration book. No registration shall be made to bearer. The Municipal Clerk shall cancel any Note surrendered for transfer.

The Municipality shall cooperate in any such transfer, and the Chief Executive Officer and Municipal Clerk are authorized to execute any new Note or Notes necessary to effect any such transfer.

Section 8. Record Book. The Municipal Clerk shall provide and keep the transcript of proceedings as a separate record book (the "Record Book") and shall record a full and correct statement of every step or proceeding had or taken in the course of authorizing and issuing the Note in the Record Book.

Section 9. Closing. The Chief Executive Officer and Municipal Clerk of the Municipality are hereby authorized and directed to execute and deliver the Note to the County. The Chief Executive Officer and Municipal Clerk may execute the Note by manual or facsimile signature but at least one of said officers shall sign the note manually.

The officers of the Municipality are hereby directed and authorized to take all steps necessary or convenient to issue the Note as soon as practicable hereafter; and said officers are hereby authorized and directed to execute and deliver such documents, certificates and acknowledgements as may be necessary or convenient in accordance therewith.

Adopted, approved and recorded _____, 2014.

Chief Executive Officer

ATTEST:

Clerk

(SEAL)

EXHIBIT A

2014 Trunked Radio System Contract Addendum

(See Attached)

EXHIBIT A

2014 TRUNKED RADIO SYSTEM CONTRACT ADDENDUM

Background:

Waukesha County constructed a county-wide 800 MHz trunked radio system in 2000 which became operable in 2001 in order to provide interoperable voice communications to all public safety and municipal governments. The system was funded 50% by with the member municipalities and fire districts through an interest free loan which has been paid back to the County over nine years with the last payment year in 2008.

Due to changing technology, and in order to maintain system reliability, replacement of the analog system with a digital system was planned to occur in the years 2013-2014. In 2008, an addendum to the original Radio System Contract was sent to and signed by all municipalities addressing funding for the new system for the years 2009-2013. By signing the addendum, municipalities knew their operating costs for those years and could prepay for a portion of the anticipated infrastructure costs. The County established a reserve to segregate and account for member pre-payments and interest has been allocated and credited to each member in the same manner the County allocates interest to its own funds.

In 2013, the project was bid, but due to the timing of the project capital costs were unknown at the time municipalities were preparing their 2014 budgets. Municipalities continued annual payments in the amount calculated in the 2008 addendum.

Promissory notes will be required by November 30, 2014, however first payments toward the notes will not be required until 2015. The accumulated prepayments (2008-2014), plus accrued interest through the end of the first quarter 2014, will be used to reduce each municipalities proportionate cost share and will be reflected in the promissory notes issued by the municipality.

Infrastructure Costs:

Based on the contracts signed by the County, infrastructure costs for the new digital system are \$7.08 million. As with the current 800 MHz trunked radio system, Waukesha County will pay for 50% of the cost of the system which is \$3.54 million, and the remaining members paying for 50% of the cost of the system at \$3.54 million. Each municipality's share of the infrastructure is based on the infrastructure formula, less the amount municipalities prepaid toward the digital system project.

Infrastructure Formula:

Final municipal cost shares are calculated using the four-part formula infrastructure formula updated for the most recent State Department of Administration (updated population figures) and Department of Revenue (updated equalized value) figures as outlined below:

1. 12.5% of overall system cost distributed equally across all municipal partners.

The remaining 37.5% of overall system costs are allocated across municipal partners based on the following three equally weighted components:

2. Proportionate share of commercial and manufacturing equalized values as a percentage of the entire County provided by the Wisconsin Department of Revenue (August 15, 2013)
3. Proportionate Share of County population as estimated by the Wisconsin Department of Administration for 2013.
4. Proportionate share of municipal system usage, as an average system usage from 2011-2013.

Promissory Notes

Promissory notes will reflect the balance of the municipal capital contributions less prepayments and accumulated interest through the first quarter of 2014. The example below illustrate the calculation to determine the interest free note and annual payments.

Illustrative - Promissory Note Calculation

Municipal Infrastructure Cost Share	\$99,000
Contributions 2009-2014 with accumulated interest through March 2014	(\$50,000)
Estimated Promissory Note	\$49,000
Estimated Annual Payment (Note/8)	\$6,125

Operating Costs:

In the year 2009, the method of payment was modified in order to continue funding the current system operational costs for the 2009 to 2013 budget years. Each current user was billed based on the average use of a three-year period. Each year a budget amount was determined and the members' costs were based solely on that budget. For example: in 2013 cost were based on activity from 1/1/09 – 12/31/11.

If a member did not have a three year history, they were assigned a percent/dollar amount by the county comparable to another user of a similar type agency with a similar amount of radios until they have a three year history.

Non-members of the Waukesha County Communications Center (WCC) were credited a 10% reduction to their operating costs to reflect the minutes that are attributed to the County for WCC member communities. During this original 5-year extension 2009-2013 the County was responsible for 40% of the annual costs, up from 32% in previous years. The increase in the County's share was made to offset the credit to non-WCC communities.

In anticipation of system replacement, the 2014 operating charge was based billed based on activity for a three year period (1/1/2010- 12/31/2012) based on 2013 system costs plus 3%.

Beginning in 2015 member operating costs are based on annual system operating costs and member system activity (including the County), as measured by the average minutes used over a three year period. Member minute averages are used to determine proportional member system usage. Non-members of the Waukesha County Communication Center (WCC) will be credited a 10% reduction to their calculated operating costs to reflect the minutes that are attributed to the County for WCC member communities. This 10% reduction for non-WCC communities will be funded by the County.

The three periods used for the operating calculation are for the most recent complete years available. For example; 2015 operating costs are based average minutes over the 2011-2013 calendar years. If a members do not have a three year history, they will be assigned a percent/dollar amount by the county comparable to another user of a similar type agency with a similar amount of radios until they have a three year history.

Original Terms and Conditions Continue:

All other terms and of the original agreement conditions not affected by this Addendum shall remain in effect.

Date: _____

Date: _____

Norman Cummings
Director of Administration
Waukesha County

Authorized Municipal Member Representative

For the prompt payment of this Note and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the Municipality are hereby irrevocably pledged.

This Note is issued by the Municipality pursuant to the provisions of Section 67.12(12), Wisconsin Statutes, for the purpose of paying a portion of the infrastructure costs of a new county-wide digital trunked radio system, all as authorized by a resolution of the _____ duly adopted by said governing body at a meeting held on _____, 2014. Said resolution is recorded in the official minutes of the _____ for said date.

At the option of the Municipality, the installments of this Note are subject to prepayment at any time. Said installments are prepayable, as a whole or from time to time in part.

This Note is transferable by a written assignment duly executed by the registered owner hereof or by such owner's duly authorized legal representative. Upon such transfer a new registered Note, in the same aggregate principal amount, shall be issued to the transferee in exchange hereof.

The Municipality may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and for all other purposes, and the Municipality shall not be affected by notice to the contrary.

It is hereby certified and recited that all conditions, things and acts required by law to exist or to be done prior to and in connection with the issuance of this Note have been done, have existed and have been performed in due form and time; that the aggregate indebtedness of the Municipality, including this Note, does not exceed any limitation imposed by law or the Constitution of the State of Wisconsin; and that a direct annual irrepealable tax has been levied sufficient to pay this Note when and as payable.

No delay or omission on the part of the owner hereof to exercise any right hereunder shall impair such right or be considered as a waiver thereof or as a waiver of or acquiescence in any default hereunder.

IN WITNESS WHEREOF, the _____ of _____, Waukesha County, Wisconsin, by its governing body, has caused this Note to be executed for it and in its name by the manual or facsimile signatures of its duly qualified Chief Executive Officer and Municipal Clerk; and to be sealed with its official or corporate seal, if any, all as of the original date of issue specified above.

OF _____
WAUKESHA COUNTY, WISCONSIN

By: _____

(SEAL)

By: _____
Clerk

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

(Social Security or other Identifying Number of Assignee)

the within Note and all rights thereunder and hereby irrevocably constitutes and appoints _____, Legal Representative, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

(e.g. Bank, Trust Company
or Securities Firm)

(Registered Owner)

(Authorized Officer)

NOTICE: This signature must correspond with the name of the registered owner as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

Section 67.09, Wisconsin Statutes provides that the Municipal Clerk of the Municipality when acting as the registrar shall record the registration of each note or bond in its bond registrar. Therefore, if this Note is to be assigned, the Municipal Clerk of the Municipality should be notified and a copy of this Assignment should be sent to the Municipal Clerk of the Municipality for his or her records.