



**City of Waukesha**  
 201 Delafield St. Waukesha, WI 53188  
 Tel: 262.542.3700  
 waukesha-wi.gov

<b>Committee:</b> Finance Committee	<b>Date:</b>
<b>Common Council Item Number:</b> ID#24-9096 Midwest Engineered Systems IRB	<b>Date:</b> 2024-03-19
<b>Submitted By:</b> Jennifer Andrews	<b>City Administrator Approval:</b> Anthony W. Brown
<b>Finance Department Review:</b> Joseph P. Ciarro	<b>City Attorney's Office Review:</b> Brian Running
<b>Subject:</b> Consideration of an Initial Resolution Regarding Industrial Development Revenue Bond Financing for Midwest Engineered Systems, Inc. Project. Information with respect to the job impact of the project will be available at the time of consideration of the Initial Resolution.	

**Details:**  
 Midwest Engineered Systems currently operates a manufacturing facility at W238 N1800 Rockwood Drive (the "Pewaukee Facility") located in the City of Pewaukee, Wisconsin (mailing address is City of Waukesha but the facility is located within the City of Pewaukee). The Pewaukee Facility has 141 full time employees. Midwest Engineered Systems desires to expand and open the Waukesha Facility. The industrial Revenue Bonds would be used to purchase and upgrade the property at 405 Commerce Street (formerly Wildeck). Midwest Engineered Systems expects to have 50 FTEs at the Waukesha facility with a payroll of \$1,500,000 per month.

These IRBs are municipal bonds; however, they are not general obligations of the City. If the City agrees to issue bonds to benefit the proposed Project:

1. The City will not be liable for payment of the principal and interest on the bonds;
2. The City will not have ongoing responsibilities of monitoring or reporting with regard to the bonds or the Project.
3. The bonds do not count against the City's borrowing capacity. The City will not levy a tax for payment of the bonds.
4. The City will be reimbursed for all fees and costs incurred because of the IRB.

The City acts strictly as a conduit, which enables the Company to borrow at a lower rate of interest. Because the bonds are issued by a governmental entity, the holder of the bond may exclude the interest on the bonds from gross income for federal tax purposes.

By acting as the conduit issuer, the City can grant the Company a significant monetary benefit, at no cost to the City, because the Company will enjoy a lower interest rate as a result of using a bond structure. A lending institution will directly purchase the bonds. The lender for the bonds will look solely to the Company for repayment. Bondholders will not look to the City for payment. The City will assign all of its rights, liability and responsibilities under the bonds to the lender as the bondholder. The Company will be fully responsible for repaying the loan and must make the arrangements with the lender for the payment on the bonds. If the Company is not able to meet its payment obligations, the lender will realize on its collateral and enforce its rights against the Company. The City is not liable for payment.

The foregoing is just a brief discussion of tax-exempt financing. By issuing the bonds, the City will give the Company an interest rate benefit, because the tax-exempt bonds will be tax-exempt in the hands of the bondholders and, therefore, the cost savings passed along to the Company. It must be emphasized that the City will not be liable in any way on the bonds; the bonds are special, limited obligations of the City.

**Options & Alternatives:**

1. Recommend approval of the IRB request to the Common Council.
2. Recommend denial of the IRB request to the Common Council.

**Financial Remarks:**

1. The City will not be liable for payment of the principal and interest on the bonds;
2. The City will not have ongoing responsibilities of monitoring or reporting with regard to the bonds or the Project.
3. The bonds do not count against the City's borrowing capacity. The City will not levy a tax for payment of the bonds.
4. The City will be reimbursed for all fees and costs incurred because of the IRB.

The City acts strictly as a conduit, which enables the Company to borrow at a lower rate of interest. Because the bonds are issued by a governmental entity, the holder of the bond may exclude the interest on the bonds from gross income for federal tax purposes.

**Executive Recommendation:**

Recommend approval to the Common Council.