



City of Waukesha
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Committee: Finance Committee	Date: 2024-04-30
Common Council Item Number: 24-9566	Date: 2024-05-07
Submitted By: Jeff Fortin	City Administrator Approval: Anthony W. Brown
Finance Department Review: Joseph P. Ciarro	City Attorney's Office Review: Brian Running
Subject: Review and act on a Final Resolution Regarding Industrial Revenue Bond Financing for 405 Commerce St., LLC Project	

Details:
On March 19, 2024 the Common Council adopted an Initial Resolution for Industrial Revenue Bond (IRB) financing in an amount not to exceed \$8,000,000 for Midwest Engineered Systems, Inc. who currently operates a manufacturing facility at W238 N1800 Rockwood Drive in the City of Pewaukee. The industrial Revenue Bonds would be used to purchase and upgrade the property at 405 Commerce Street (formerly Wildeck) where Midwest Engineered Systems will open another facility.

They are now requesting approval of the Final Resolution for the Industrial Revenue Bonds for this project. It should be noted the "not to exceed" amount has decreased from \$8 million to \$5.6 million. Also, they also they have created a new entity for this project, "405 Commerce Street, LLC"

Industrial Revenue Bonds are a financing mechanism that allows companies to use municipal bonds to finance projects. The City's role in approving these bonds is only to act as a conduit or pass-through. 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 this bond structure

The way IRB's work is a lending institution will directly purchase the bonds. The lender for the bonds will look solely to the Company for repayment and not to the City. 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 of the bonds, nor do the bonds count against the City's borrowing capacity. In the event of the borrower defaulting on the loans, the City is not responsible for repayment, nor would that default have any effect on the City's credit or bond rating.

There is a two-step process for issuing Industrial Revenue Bonds. The Initial Resolution approved in March was

the first step. This next and final step requires a Finance Committee and Council approval of the Final Resolution. Prior to the Council taking action on May 7, 2024, there will also be a Public Hearing at 6:00pm at this meeting.

Options & Alternatives:

1. Approve the Final Resolution
2. Deny the Final resolution and the applicant will need to seek alternative funding sources for this project

Financial Remarks:

The Resolution would have no financial impact on the City. All costs incurred will be the responsibility of the applicant.

Executive Recommendation:

Staff recommends the Common Council approve the Final Resolution Regarding Industrial Development Revenue Bond Financing for the 405 Commerce Street, LLC Project.