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March 7, 2017

Mr. Michael Duckett
Executive Director
Southeast Wisconsin Professional
Baseball Park District
Miller Park
One Brewers Way
Milwaukee, WI 53214

Dear Mr. Duckett:

At your request, PFM conducted the annual analysis of the Southeast Wisconsin Professional Baseball Park District's (the "District") projected income and expenses in an attempt to predict when the District could expect to have sufficient funds available to fund future expenses including sufficient funds to completely defease all currently outstanding debt obligations. The financial model used in our analysis has been updated utilizing methodologies and assumptions as further described in this letter.

Consistent with our prior analyses, we calculated a range of potential sunset dates based upon a number of assumptions reflecting a variety of economic trends. In our opinion, this approach provides a more complete understanding of the potential range of sunset dates for the District's sales tax.

There are two key variables that most significantly impact our financial model:

- The amount of sales tax collected, specifically, the annual compounded growth rate in sales tax collections; and,
- The amount of interest earned on the District's investments.

Depending upon the combination of these two variables, we believe the District should be able to satisfy all of its outstanding obligations in either 2019 or 2020. At this point, the sunset date will largely be determined by the earnings that are achieved on funds invested to pay future obligations.



Model Assumptions

The cash flow model seeks to determine the time when the balance of the District's available resources will exceed the amount required for all future obligations including debt service, contractual and statutory obligations through the end of the lease term with the Milwaukee Brewers. This period encompasses not only the initial lease period of the lease between the District and the Milwaukee Brewers, but also assumes that the Brewers exercise their option to extend the lease for the maximum 10 year period provided for in the lease. While the Milwaukee Brewers have not yet committed to a lease extension, it is prudent for the District to plan for this within its sales tax retirement model.

The model also takes into account the Asset Liability Matching and Stabilization Fund created by the District to account for the statutory and contractual obligations of the District that will continue through the term of the lease.

Specific assumptions used in the model are set forth below:

Expenditures

- The Annual Maintenance and Repair Contribution (AMRC) amount of \$310,194 per year through 2018 and \$408,148 from 2019 through 2029. The AMRC is determined in accordance with the lease.
- The District's portion of the Segregated Reserve Fund (SRF) deposit is \$1,889,806 per year through 2018, \$1,791,852 per year from 2019 through 2029, and \$2,200,000 per year from 2030 through 2040, in accordance with the lease.
- The District's share of property insurance expenditures are assumed to be the budget amount of \$230,000 in 2017, \$275,000 in 2018-2020, \$300,000 in 2021-2025, \$350,000 in 2026-2030, \$400,000 in 2031-2035, and \$450,000 in 2036-2040.
- District operations, management and administration expenditures for 2017 are the District's budgeted expenditures. Future expenditures are assumed to be \$950,000 in 2018 and to increase by \$25,000 annually through 2040.
- The District's deposit into a Stabilization Fund are assumed to be \$1,396,315 per year from 2017-2019.
- Debt service expenditures reflect the impact of the District's 2005, 2008, 2015, and 2016 debt defeasances.
- There are no expenditures other than those listed above included in this analysis.



Revenues

- The base amount of the sales and use tax projection is the budgeted revenue in 2017 (\$30,520,000).
- Lease payments to the District from the Milwaukee Brewers in the amount of \$1,200,000 per year through 2020, and \$1,208,401 per year through 2040. Lease payments are assumed to be paid in arrears.
- Interest earnings are calculated based upon the District's fund balance as of December 31 each year except for 2017, which utilizes the District budgeted interest earnings. The analysis does not include funds in the Segregated Reserve Fund.
- The interest yield achieved on future debt defeasance escrows is assumed to be 3.55%, which is the District's historical average return on investments.
- Wisconsin State Statutes authorize the sale of specialized Milwaukee Brewers license plates. Per State Statute, the District's proceeds related to the sale of the license plates shall be exclusively used to retire the District's debt. The District's debt will be legally defeased by the year in which the sales tax sunsets and therefore this revenue is assumed to cease the year in which the sales tax sunsets. The District has budgeted \$225,000 in 2017 revenues from the sale of Milwaukee Brewers license plates. This revenue is assumed to be \$225,000 in future years and end the year the sales tax is sunset.
- There are no revenues other than those listed above available to the District.

Discussion of Results

Based upon the assumptions described above, the cash flow model was used to analyze a number of scenarios utilizing varying sales tax growth rates and investment returns. The results of this analysis are presented in the matrix attached as Exhibit A. The results indicate that the District should be able to satisfy all of its outstanding obligations sometime between 2019 and 2020.

The District experienced an increase in sales tax revenue of 3.20% during 2016. This increase is more in line with the overall average than recent years' increases have been. The historical average increase in sales tax revenue is 3.05%, while the last 10 years' average has only been 1.78%. During 2016 the District earned 2.10% on its investments. This resulted in the average interest earnings declining from 3.63% in the 2016 model to 3.55% in the 2017 model. The average rate of return has declined in each of the last seven years. During this seven year period the average return was only 1.22%, significantly lower than the historical average.



In 2015 and 2016 the District performed defeasances of outstanding debt. In total the District used \$76.6 million in fund balance to eliminate \$103.4 million in future debt service obligations. In addition to the defeasances the District also invested \$11 million in long-term fixed rate securities, which will be used to pay \$14.6 million in future obligations. As a result of these actions, the range of outcomes for the sunset date has been narrowed significantly.

If historical economic trends and interest rates continue going forward, the District sales tax could be retired sometime in either 2019 or 2020.

If you have any questions or would like additional analysis, please let us know. We look forward to discussing this information with you at your earliest convenience.

Sincerely
Public Financial Management, Inc.

A handwritten signature in black ink, appearing to read "David Anderson", with a stylized flourish extending to the right.

David Anderson
Director

Attachment(s)



**Southeastern Wisconsin Professional Baseball Park District
Sunset Date Matrix 2017**

		Average Annual Sales Tax Growth												
		%	0	1.0	2.0	3.0	3.05	4.0	5.0	6.0	7.0	8.0	9.0	10.0
Average Return on Investment	0	2020	2020	2020	2020	2020	2019	2019	2019	2019	2019	2019	2019	2019
	1.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	2.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	3.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	3.55	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	4.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	5.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	6.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	7.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	8.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	9.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	10.0	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019





**Southeastern Wisconsin Professional Baseball Park District
Sunset Date Matrix 2017**

Average Annual Sales Tax Growth

Average Return on Investment		1.00%	3.05% (Average)	6.00%
	1.00%	2019	2019	2019
	3.55% (Average)	2019	2019	2019
	6.00%	2019	2019	2019

