



March 12, 2019

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

pfm

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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 to help determine when the District could expect to have sufficient funds available to fund future contractual obligations and defease all outstanding debt obligations. Our financial analysis has been updated utilizing methodologies and assumptions as further described in this letter.

At this point, there is a very short timeframe until the potential sunset date. The primary factor that will affect the timing of acquiring sufficient funds to begin the sales tax sunset date process will be the amount of the monthly sales tax receipts. As we've said in the past, there is a fairly significant volatility in the monthly sales tax receipts. For example, the monthly receipts in 2018 ranged from \$1.8 million to \$3.5 million, a difference of \$1.7 million. **However, assuming no dramatic decline in sales tax receipts, we believe the District will have accumulated sufficient funds in late 2019 or early 2020, and therefore be in a position to begin the process to sunset the sales tax.**

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 \$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 \$1,791,852 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 \$220,000 in 2019, \$275,000 in 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 2019 are the District's budgeted expenditures. Future expenditures are assumed to be \$1,000,000 in 2020 and to increase by \$25,000 annually through 2040.
- The District's deposit into a Stabilization Fund is assumed to be \$1,331,085 in 2019 in accordance with the District's financial policy.
- Debt service expenditures reflect the impact of the District's 2005, 2008, 2015, and 2016 debt defeasances. In addition, the analysis assumes the final debt defeasance is performed in accordance with Resolution #2013-02.
- There are no expenditures other than those listed above included in this analysis.

Revenues

- The sales and use tax projection is the budgeted revenue in 2019 (\$32,130,000).
- 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.
- The interest earnings projection is the budgeted revenue in 2019 (\$800,000). The analysis does not include any of the District's restricted funds.
- The interest yield achieved on the final debt defeasance escrow has a range of assumptions between 2.08% and 3.08%, which is based on +/-50 basis points of current (1/23/19) rates.
- The License Plate Sales projection is the budgeted revenue in 2019 (\$240,000).
- There are no revenues other than those listed above available to the District.



Discussion of Results

The District is now in a position where the sales tax sunset date is within a very short timeframe. **Assuming no dramatic decline in sales tax receipts, we believe the District will have accumulated sufficient funds in late 2019 or early 2020, and therefore be in a position to begin the process to sunset the sales tax.** Given the volatility of monthly sales tax receipts any further refinement of that estimated range would be impractical and unreliable.

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,

David Anderson
Director
PFM Financial Advisors LLC