



March 13, 2018

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

**pfm**

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115 South 84<sup>th</sup> Street  
Suite 315  
Milwaukee, WI 53214  
414-771-2700

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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 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.

This year we calculated a range of potential sunset dates based upon a number of assumptions reflecting recent economic trends. Given the relatively short timeframe until the potential sunset date, we believe this approach provides a more realistic 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 interest earned on the District's investments; and,
- The amount of sales tax collected, specifically, the annual compounded growth rate in sales tax collections.

**Assuming no significant shift from current economic conditions, we believe the District should be able to satisfy all of its current and future obligations, and therefore retire the 0.1% sales tax, sometime between late calendar year 2019 and early calendar year 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 in 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 in 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 2018, \$275,000 in 2019-2020, \$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 2018 are the District's budgeted expenditures. Future expenditures are assumed to be \$975,000 in 2019 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 during 2018 and 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 2018 (\$31,085,000).
- 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 2018, which utilizes the District budgeted interest earnings. The analysis does not include any of the District's restricted funds.
- The interest yield achieved on fund balances and future debt defeasance escrows is assumed to be 1.87%, which is the District's average return on investments over the last 10 years.
- 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 \$240,000 in 2018 revenues from the sale of Milwaukee Brewers license plates. This revenue is assumed to be \$240,000 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.

### **2017**

The District experienced an increase in sales tax revenue of 3.14% during 2017. 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 3.06%, while the last 10 years' average has only been 1.78%.

During 2017 the District earned 0.71% on its liquid investments. The District has also invested in long-term fixed rate securities which are earning an average of 2.3%.

### ***Discussion of Results***

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 \$20.9 million in long-term fixed rate securities, which will be used to pay \$28.5 million in future obligations. As a result of these actions, the range of outcomes for the sunset date has been narrowed significantly from earlier analyses.

At this point, the sunset date will largely be determined by the earnings that are achieved on funds invested to pay future obligations. Based on current economic conditions, we believe the District should be able to satisfy all of its current and future obligations, and therefore retire the 0.1% sales tax, sometime between late calendar year 2019 and early calendar year 2020. Given the volatility of monthly sales tax receipts and the unpredictability of interest rates, 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