

**CITY OF MADISON
OFFICE OF THE CITY ATTORNEY
Room 401, CCB
266-4511**

Date: December 7, 2012

MEMORANDUM

TO: Mayor Soglin and Common Council

FROM: Anne P. Zellhoefer, Assistant City Attorney

RE: File No. 28362, Resolution Approving Issuance by the CDA of Lease Revenue Refunding Bonds (Monona Terrace)

Monona Terrace Community and Convention Center was constructed by the State of Wisconsin on behalf of the City, and then conveyed to the City and the CDA, pursuant to a Conveyance Agreement by and among the State, the City and the CDA. The CDA holds a one-third undivided interest in the facility, and the City holds a two-thirds undivided interest; the State owns the associated parking ramp.

In 1995 the CDA issued \$14,300,000 Lease Revenue Bonds, the proceeds of which were used to partially fund construction of the facility. At the same time, the City and CDA entered into a Lease Agreement under which the CDA leased to the City the CDA's interest in the facility. The City is responsible under the Lease for the maintenance, operation and repair of the facility. The rents payable by the City under the Lease were equal to the debt service owed on the 1995 Bonds.

In 2002 the 1995 Bonds were refunded in order to take advantage of debt service savings, and the Lease Agreement was amended to revise the rent schedule to match the new debt service on the 2002 Refunding Bonds. All debt service since the original 1995 Bond issue has been paid solely through rentals from the City which were derived from room tax receipts.

The 2002 Refunding Bonds are being refunded again, in order to take advantage of debt service savings. The proceeds of the 2013 Bonds, along with available CDA funds, will be used to defease and refund the 2014 through 2020 maturities of the 2002 Refunding Bonds. The 2013 Bonds are limited obligations of the CDA, payable solely from amounts required to be paid pursuant to the Lease between the CDA and City. The amended Lease between the CDA and City terminates March 1, 2020, which is the final maturity of the 2013 Bonds. During the term of the Lease, the City is required to make semiannual payments scheduled to be sufficient to pay when due all principal and interest on the 2013 Bonds. The City will covenant in the Lease to pay all rentals owing under the Lease. However, the City has no legal obligation to appropriate such amounts in any fiscal year. The Lease does not constitute an indebtedness of the City and the 2013 Bonds are not secured by the full faith and credit or taxing power of the City. The rents will continue to be paid using room tax receipts, as authorized by the Council in each annual budget.

Please let me know if you have any questions.