

# THE BOND BUYER

## Bankers picked for local borrowing on Foxconn project

By

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Morgan Stanley will run the books on several negotiated deals that are part of about \$360 million in local government borrowing planned for the \$10 billion Foxconn Technology Group manufacturing plant in southeastern Wisconsin.

A special committee made up of Mount Pleasant and Racine County's financial advisors, state debt manager Dave Erdman, and others recommended to the village and county boards that Morgan Stanley serve as senior manager.

Four other firms – Bank of America Merrill Lynch, JPMorgan, Robert W. Baird & Co., and Stifel Nicolaus & Co. Inc. – were placed in a pool of co-seniors officials will draw from for the deals.

“The firms were selected based on their responses” to a request for proposals process and “what they brought to the table,” said Todd Taves, a senior municipal advisor at Ehlers & Associates Inc., which is advising the village. PFM Financial Advisors LLC is advising the county.

The Taiwanese company's choice of Wisconsin for the plant was announced by Gov. Scott Walker, President Donald Trump and firm leaders at a White House ceremony last year. Walker has argued the \$3 billion in incentives is worth the thousands of jobs and economic development the Foxconn project will bring to the state.

More advanced planning on the deals and sale method and timing will now begin. Some are expected to sell in June.

“We wanted to have the team on board to have those conversations,” Taves added.

The village and county boards recently approved the picks. The local borrowing is part of \$764 million in local incentives struck under a development agreement with the Taiwanese electronics manufacturer. The local funding will help cover

the costs of public improvements, land acquisition and other expenditures necessary to support the project.

The village is planning a \$56.4 million sewerage system revenue bond anticipation note. Officials may privately place that debt. The village will refund that debt in 2021 through a state clean water fund loan.

The county is planning a \$43.1 million taxable bond anticipation note. That deal may sell competitively this year. The county is also planning a \$33.2 million GO development bond issue that would be sold competitively next year.

A \$124.2 million taxable general obligation refunding deal by the county is planned for next year. It would refund the \$43.1 million of taxable BANs and \$79 million of BANs that sold last year. It is expected to come to market in a negotiated sale.

A \$142.5 million negotiated tax-increment financing issue is planned through the village's community development authority. It would sell in two pieces, one this year and the other next year. The TIF bonds would carry the state's moral obligation backing.

The village is also borrowing \$20 million through a state trust fund loan.

The campus will house a 20 million square foot facility for the production and distribution of liquid crystal display panels.

The site is home to a TIF district established last November and an Electronics and Information Technology Manufacturing Zone is located in the TIF. The TIF's incremental valuation must achieve \$1.4 billion by 2023 and be maintained through 2047, with the company on the hook for any revenue shortfall.

Racine County took a rating hit ahead of its sale late last year of \$79 million in notes tied to the project when Moody's Investors Service lowered the county's general obligation rating to Aa2 from Aa1.

The downgrade "reflects current and anticipated growth in the county's direct debt burden and likely growth in its overlapping debt burden tied to borrowing in support of" the Foxconn project, Moody's wrote. "The county's rising debt burden is balanced by its very healthy financial position, moderate revenue raising flexibility, and large tax base."

Racine County is north of the Illinois border, about 30 miles south of Milwaukee. It has a population of 195,000 and a tax base of \$14.2 billion. More rapid growth in the county's debt burden or overlapping debt burdens could drive further credit deterioration, Moody's said.

Under the incentives package, the state will grant Foxconn \$3 billion in tax incentives over a 15-year period. The project has been billed as the largest economic development project in the state's history. It's also the largest subsidized incentives package ever awarded by a state.

Construction is expected to begin this year with completion targeted for 2023.

The state legislation also authorizes \$252 million of general fund supported state borrowing to finance state highway infrastructure improvements.