

## COUNTY EXECUTIVE'S 2007 BUDGET

DEPT: GENERAL COUNTY DEBT SERVICE

UNIT NO. 9960

FUND: Debt Service - 0016

### OPERATING AUTHORITY & PURPOSE

Pursuant to the provisions of Section 67.05(10) of the Wisconsin Statutes, the County Board shall levy, by a recorded resolution, a direct annual irrevocable

tax sufficient to pay the interest on bond obligations as they fall due, and to pay the bond principal at maturity.

| BUDGET SUMMARY                    |                 |                |                |
|-----------------------------------|-----------------|----------------|----------------|
|                                   | 2005<br>Actual* | 2006<br>Budget | 2007<br>Budget |
| <u>Expenditures</u>               |                 |                |                |
| Debt Service Principal (8021)     | \$ 36,349,067   | \$ 41,255,239  | \$ 38,619,220  |
| Debt Service Interest (8022)      | 20,629,100      | 19,637,969     | 19,884,393     |
| Total Principal and Interest      | \$ 56,978,167   | \$ 60,893,208  | \$ 58,503,613  |
| Interest Allocation (9880)        | (4,438,932)     | (5,060,456)    | (4,217,258)    |
| <b>Total Expenditures</b>         | \$ 52,539,235   | \$ 55,832,752  | \$ 54,286,355  |
| <u>Contributions</u>              |                 |                |                |
| Reserve for County Bonds (4703)   | \$ 7,475,859    | \$ 2,188,953   | \$ 3,411,558   |
| <b>Total Contributions</b>        | \$ 7,475,859    | \$ 2,188,953   | \$ 3,411,558   |
| <u>Revenues</u>                   |                 |                |                |
| Jail Assessment Surcharge (1315)  | \$ 1,424,970    | \$ 1,566,058   | \$ 1,425,000   |
| Sale of Capital Asset (4905)      | 4,018,000       | 4,018,000      | 3,596,000      |
| Revenue from Project Rents (4999) | 1,323,876       | 1,303,670      | 1,293,557      |
| <b>Total Revenues</b>             | \$ 6,766,845    | \$ 6,887,728   | \$ 6,314,557   |
| <b>Direct Property Tax Levy**</b> | \$ 38,296,531   | \$ 46,756,071  | \$ 44,560,240  |

\* 2005 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2005 information to be reported on a basis comparable to the subsequent year budget summaries.

\*\* County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as fungible (interchangeable).

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## Summary of Bonds and Notes Outstanding

| Type of Issue                                                                     | True Interest Rate | Date of Bonds | Final Maturity Date | Bonds or Notes Outstanding 12/31/06 | 2007 Budget Requirements |                      |
|-----------------------------------------------------------------------------------|--------------------|---------------|---------------------|-------------------------------------|--------------------------|----------------------|
|                                                                                   |                    |               |                     |                                     | Principal                | Interest             |
| R                                                                                 | 5.04               | 10/15/93      | 10/01/11            | \$ 17,095,784                       | \$ -                     | \$ -                 |
| R                                                                                 | 4.23               | 03/01/99      | 10/01/12            | 18,725,000                          | 3,210,000                | 783,563              |
| C                                                                                 | 4.48               | 05/01/99      | 10/01/14            | 3,575,000                           | -                        | 178,750              |
| A                                                                                 | 4.60               | 05/01/99      | 10/01/14            | 3,640,000                           | 455,000                  | 167,213              |
| R                                                                                 | 4.67               | 05/27/99      | 10/01/13            | 1,210,000                           | 150,000                  | 56,435               |
| C                                                                                 | 5.46               | 03/01/00      | 09/01/15            | 6,600,000                           | -                        | 354,750              |
| C                                                                                 | 4.40               | 04/01/01      | 10/01/16            | 22,500,000                          | -                        | 1,125,000            |
| TB                                                                                | 6.06               | 06/01/01      | 12/01/11            | 1,250,000                           | 250,000                  | 76,625               |
| R                                                                                 | 3.87               | 10/01/01      | 12/01/11            | 37,575,000                          | 9,825,000                | 1,503,000            |
| AR                                                                                | 4.47               | 10/01/01      | 12/01/11            | 725,000                             | 145,000                  | 31,211               |
| R                                                                                 | 4.08               | 06/01/02      | 09/01/11            | 31,450,000                          | 7,875,000                | 1,552,813            |
| C                                                                                 | 4.20               | 02/01/02      | 08/01/17            | 25,250,000                          | -                        | 1,281,438            |
| C                                                                                 | 3.95               | 02/01/03      | 08/01/18            | 20,775,000                          | 1,725,000                | 1,026,000            |
| R                                                                                 | 3.48               | 07/01/03      | 08/01/17            | 100,025,000                         | -                        | 3,363,805            |
| R                                                                                 | 2.22               | 10/01/03      | 12/01/08            | 12,955,000                          | 6,550,000                | 307,500              |
| C                                                                                 | 3.72               | 02/01/04      | 08/01/19            | 24,470,000                          | 1,825,000                | 872,281              |
| C                                                                                 | 4.24               | 06/01/06      | 12/01/20            | 23,635,000                          | 1,235,000                | 1,019,600            |
| R                                                                                 | 3.89               | 02/01/06      | 10/01/15            | 62,700,000                          | 100,000                  | 3,140,663            |
| C                                                                                 | 4.14               | 04/01/07      | 10/01/25            | 31,595,000                          | 1,465,000                | 2,330,400            |
| Projected Outstanding Balance as of December 31, 2005 and Associated Debt Service |                    |               |                     | \$ 445,750,784                      | \$ 34,810,000            | \$ 19,171,047        |
| STFLP-Pensio                                                                      | 6.00               | 03/15/04      | 03/15/09            | \$ 11,700,362                       | \$ 3,675,638             | \$ 702,022           |
| STFLP-Equip                                                                       | 2.75               | 03/15/05      | 03/15/09            | 411,868                             | 133,582                  | 11,326               |
|                                                                                   |                    |               |                     | \$ 12,112,230                       | \$ 3,809,220             | \$ 713,348           |
|                                                                                   |                    |               |                     | \$ 457,863,014                      | \$ 38,619,220            | \$ 19,884,393        |
| 2007 Total Budgeted Debt Service for General Obligation Bonds                     |                    |               |                     |                                     |                          | \$ 53,981,045        |
| 2007 Total Budgeted Debt Service for State Trust Fund Loan                        |                    |               |                     |                                     |                          | 4,522,568            |
|                                                                                   |                    |               |                     |                                     |                          | <u>\$ 58,503,613</u> |

### Type of Issue Explanation

- A -Airport Bonds
- B -Building Bonds
- C -Corporate Purpose Bonds
- D -Detention Facility Bonds
- N -General Obligation Note
- R -Refunding Bonds
- AR-Airport Refunding Bonds
- TB-Taxable Bonds
- STFLP- State Trust Fund Loan Program

A contribution of \$3,411,558 from the Reserve for County Bonds is anticipated for 2007.

The 2006 General Obligation Corporate Purpose Bonds sold at a premium of \$1,996,438. In addition, there was \$314,595 in unallocated 2006 bond proceeds and \$8,631 in accrued interest applied towards the 2006 interest payment. The total amount of 2006 bond proceeds that will be applied towards the 2007 interest payment is \$2,319,664.

### DEBT SERVICE CONTRIBUTIONS

#### Reserve for County Bonds (4703)

In accordance with Section 67.11, Wisconsin Statutes, the bond premium was applied towards the interest payment on the bonds in 2007.

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In addition, the County lapsed \$1,465,749 in bond proceeds at year-end 2005 to be applied towards the interest payment on the 2001-2005 Corporate Purpose Bonds. The lapsed proceeds amount has been reduced by \$89,249 to reconcile an arbitrage liability for the 2004 Corporate Purpose Bonds and a budget correction of \$34,607 to the debt service reserve. Therefore, the total net amount of lapsed bond proceeds budgeted in 2007 is \$1,091,894.

### Estimated Arbitrage Liability

The County booked \$1,186,309 at year-end 2001 to pay arbitrage penalties for the 1996-2000 bonds.

Federal arbitrage rules for bond proceeds subject to rebate allow a five-year period from the closing date of the bonds to calculate rebate liability and require that the first payment be made at the end of the five-year period.

The total estimated arbitrage liability has been reconciled as of December 31, 2005. The table below lists the liabilities and the payments.

| Year  | Total<br>Estimated<br>Liability | Payments<br>To Date | Surplus<br>Proceeds | Remaining<br>Liability |
|-------|---------------------------------|---------------------|---------------------|------------------------|
| 1996  | \$ 708                          |                     | \$ 708              | \$ -                   |
| 1997  | \$ 3,605                        |                     | \$ 3,605            | \$ -                   |
| 1998  | \$ 271,992                      | \$ 123,836          | \$ 148,156          | \$ -                   |
| 1999  | \$ 448,250                      |                     | \$ 448,250          | \$ -                   |
| 2000  | \$ 796,151                      | \$ 796,151          |                     | \$ -                   |
| 2001  | \$ 519,803                      | \$ 519,803          |                     | \$ -                   |
| 2002  | \$ 139,561                      | \$ 139,561          |                     | \$ -                   |
| 2003  | \$ -                            |                     |                     | \$ -                   |
| 2004  | \$ 89,249                       | \$ 89,249           |                     | \$ -                   |
| Total | \$ 2,269,318                    | \$ 1,579,351        | \$ 600,718          | \$ -                   |

The total amount budgeted from the debt service reserve is \$3,411,558, which consists of \$2,319,664 in premium and excess bond proceeds from the sale of the 2006 Corporate Purpose Bonds and net lapsed bond proceeds of \$1,091,894.

The balance in the debt service reserve net of the 2006 Budget allocation will be approximately \$0.

### Jail Assessment Surcharge (1315)

Jail Assessment Surcharge Revenue of \$1,425,000 is projected to be used to pay 2007 debt service costs for the construction of the Criminal Justice

Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

### Investment Earnings for Bond Proceeds (1842)

Beginning with the 2007 budget, investment earnings for bond proceeds are budgeted in the capital projects fund for the general fund and proprietary fund departments. Prior to 2007, investment earnings were budgeted in the capital projects for the proprietary fund departments only, with an offset in the Earnings on Investment Budget. The earnings for general fund capital projects were tracked separately. An estimated \$2,170,000 in investment earnings is budgeted in the Earnings on Investment Budget for the unspent bonds for the general fund and proprietary fund departments. The abatement for capitalized interest for general fund and proprietary departments (excluding the Airport) is \$960,000. Debt service on the Airport Revenue Bonds is budgeted in Airport's operating budget. The estimated amount for capitalized interest for Airport capital projects is \$449,700 for 2007.

### Sale of Capital Asset (4905)

#### Doyle Hospital Sale Revenues

Based on the sale agreement between Milwaukee County and Froedtert Memorial Lutheran Hospital (Froedtert), the County will receive annual payments over 20 years beginning in 1997 and ending in 2016 based on the net operating cash flow generated by Froedtert. Based on 5.25 percent of net operating cash flow, the estimated revenue for 2007 is \$3,596,000.

| Year | Budget       | Actual       | Surplus/<br>Deficit |
|------|--------------|--------------|---------------------|
| 2004 | \$ 2,162,035 | \$ 3,434,000 | \$ 1,271,965        |
| 2005 | \$ 3,434,000 | \$ 4,018,000 | \$ 584,000          |
| 2006 | \$ 4,018,000 | \$ 2,596,000 | \$ (1,422,000)      |

The County has realized surpluses of \$1,271,965 and \$584,000 in 2004 and 2005, respectively. The surpluses were deposited in Org. 1945 – Appropriation for Contingencies in compliance with the budget directive for 2003 and forward regarding unbudgeted revenues. (See org. unit 1945 – Appropriation for Contingencies for detailed explanation). The 2006 payment was below the budgeted amount of \$4,018,000 by \$1,422,000.

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### Revenue from Project Rents (4999)

#### **Milwaukee Kickers Soccer Club**

The County issued a total of \$3,750,000 in 1994 and 1995 General Obligation Bonds for the Milwaukee Kickers Soccer Club (MKSC) for the purpose of purchasing land and developing an indoor/outdoor sports complex to be located at the Uihlein Soccer Park at 7101 West Good Hope Road in Milwaukee. The MKSC agreed to repay the County for debt service on these bonds.

On July 23, 1998, the County Board of Supervisors approved Resolution File No. 98-427, which authorized an amendment of the lease agreement between the MKSC and Milwaukee County to restructure the lease payment schedule. The new payment plan reflects the donation to MKSC of the Uihlein Soccer Park land and associated costs by establishing a level payment schedule of \$430,000 annually and extending the schedule from 2010 to 2011, beginning in 1998.

In addition, the payment dates were changed from June and December to August and February, beginning in 1999. On October 18, 2001, Milwaukee County issued \$49,925,000 in Corporate Purpose Refunding Bonds to refund a portion of the 1994, 1995 and 1996 bonds. The bonds sold at a premium, which has been budgeted under the Debt Service Revenues section. A portion of the refund savings and premium have been applied to the outstanding Milwaukee Kickers debt, which has reduced the lease payment from \$430,000 to \$424,000 for 2003 and future years.

The payment amount for 2007 is \$424,000.

#### **Marcus Center Renovation**

The County issued a total of \$5,802,000 in General Obligation Bonds during 1994 and 1995 for the purpose of renovating the interior of the Marcus Center for the Performing Arts. The Marcus Center is undertaking a private fund-raising effort to repay the County for bonds issued for this \$12.7 million project. Based on information provided by the Marcus Center, current pledges are sufficient to repay bonds issued by Milwaukee County for this project. The budget amount for 2007 is \$476,187.

#### **Intergovernmental Cooperation Council**

The County issued \$2,500,000 General Obligation Building Bonds, Series 1997A on July 17, 1997 on behalf of the Intergovernmental Cooperation Council (ICC) for the development of an animal control shelter. The County and ICC have developed a final agreement as required for the release of the bond proceeds to the ICC. The ICC will repay the County for actual debt service costs on this issue.

In 2005, Milwaukee County refunded the debt, which resulted in savings of \$55,643 over the life of the issue. The debt service payments reflect the savings per maturity.

Reimbursement for debt service costs for 2007 totals \$223,392.

#### **Private Geographic Members (PGMs)**

In 2003, Milwaukee County issued general obligation bonds to finance Project WG008 – Milwaukee County Grounds Roadway Rehabilitation. Milwaukee County Ordinance 98.01 states that the Private Geographic Members (PGM's) shall share in the cost of improvements at the County Grounds on an equitable basis. The PGM's consist of Milwaukee County (DHHS – Behavioral Health Division), Froedtert Hospital, Children's Hospital, Medical College of Wisconsin, Curative Rehabilitation and Blood Center of Southeastern Wisconsin.

The cost allocations for improvements are based on a cost sharing formula that is determined by the square footage of building area that the geographic members bear to the total gross square feet of the building area of all geographic members combined. The square footage is evaluated annually and is expressed as a percentage. Presently, the allocation for the County is 17.8 percent and the combined percentage for the remaining PGM's is 82.2 percent. Therefore, 82.2 percent of the debt service costs for the roadway improvements will be paid by the remaining PGMs. The budgeted amount for 2007 is \$169,977.

#### **State Trust Fund Loan Program**

In 2004, Milwaukee County borrowed \$539,524 from the State Trust Fund Loan Program to finance various equipment items. The County borrowed an additional \$18,627,012 to finance a portion of its pension contribution variance. The amortization period is four years for the equipment loan and five

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years for the pension loan. Principal and interest amounts are \$3,809,220 and \$713,348, respectively, for 2007. These amounts are included in the account 8021 and 8022 for the payment of principal and interest. The total loan payment for 2007 is \$4,522,568.

1993 Levy Rate Cap: Effective August 12, 1993, Section 59.605, Wisconsin Statutes imposed a property tax rate limit for Wisconsin counties. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual tax rate adopted for 1993 budget purposes. The County cannot exceed these operating levy rate and debt levy rate limits unless one or more conditions apply, as described below. The statute establishes specific penalties for failure to meet the tax rate limit requirements. Among the penalties for exceeding the tax rate limits are reductions in State shared revenues and transportation aids.

Under the terms of the 1993 levy rate cap, general obligation debt can be issued only if one of the following conditions is met: (1) a referendum is held that approves the debt issuance; (2) the County Board of Supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; (3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of 1993 Wisconsin Act 16 (August 12, 1993); (4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.5(7)(f); (5) the debt is issued to fund or refund outstanding municipal obligations; or (6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board.

2005 Levy Cap: Effective July 27, 2005, Section 66.0602, 2005 Wisconsin Act 25 Local Levy Limits has been enacted so that no city, village, town or county may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. The "valuation factor" means a percentage equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year but not less than 2.

The 2005 levy cap combines operating and debt service levy amounts. The conditions under which the levy limit may be adjusted include:

- (a) if a political subdivision transfers to another governmental unit responsibility for providing any service that the political subdivision provided in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is decreased to reflect the cost that the political subdivision would have incurred to provide that service as determined by the department of revenue;
- (b) if a political subdivision increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is increased to reflect the costs of that service, as determined by the department of revenue;
- (c) if a city or village annexes territory from a town, the city's or village's levy increase limit otherwise applicable under this section is increased in the current year by an amount equal to the town levy on the annexed territory in the preceding year and the levy increase limit otherwise applicable under this section in the current year for the town from which the territory is annexed is decreased by that same amount, as determined by the department of revenue;
- (d) (1) if the amount of debt service for a political subdivision is the preceding year is less than the amount of debt service needed in the current year, as a result of the political subdivision adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit otherwise applicable to the political subdivision in the current year is increased by the difference between these two amounts, as determined by the department of revenue and (2) if the limit does not apply to amounts levied by a political subdivision for the payment of any general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision, interest on outstanding

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debt of the political subdivision, or the payment of related issuance costs or redemption premiums, authorized on or after July 1, 2005, and secured by the full faith and credit of the political subdivision;

- (e) the limit does not apply to the amount that a county levies in that year for a county children with disabilities education board;

and, (f) the limit does not apply to the amount that a 1st class city levies for school purposes. The County is required to comply with both the 1993 levy rate cap and the 2005 levy cap.

### INTEREST ALLOCATION (9880)

| Org.<br>No. | Capitalized and Operating Interest Expense<br>for Proprietary Fund Departments | 2007<br>Amount      |
|-------------|--------------------------------------------------------------------------------|---------------------|
| 1162        | DAS-Information Management Services Division                                   | \$ 688,447          |
| 5041        | DPW-Airport Divison                                                            | 328,419             |
| 5300        | DPW-Fleet Maintenance Division                                                 | 336,725             |
| 5605        | Milwaukee County Transit/Paratransit Services                                  | 1,049,726           |
| 5725        | DPW-Facilities Management Division                                             | 853,941             |
| 1200-1850   | Capitalized Interest                                                           | 960,000             |
|             | <b>Total</b>                                                                   | <b>\$ 4,217,258</b> |