

**COUNTY EXECUTIVE'S 2009 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 general obligation bond and loan obligations as they fall due, and to pay the bond principal at maturity.

<b>BUDGET SUMMARY</b>			
	2007 Actual*	2008 Budget	2009 Budget
<u>Expenditures</u>			
Debt Service Principal (8021)	\$ 31,363,227	\$ 47,032,113	\$ 52,294,017
Debt Service Interest (8022)	19,725,243	19,546,854	41,884,980
Total Principal and Interest	\$ 51,088,470	\$ 66,578,967	\$ 94,178,997
Interest Allocation (9880)	(4,252,643)	(4,247,540)	(25,540,863)
<b>Total Expenditures</b>	\$ 46,835,827	\$ 62,331,427	\$ 68,638,134
<u>Contributions</u>			
Reserve for County Bonds (4703)	\$ 0	\$ 3,009,454	\$ 3,198,161
<b>Total Contributions</b>	\$ 0	\$ 3,009,454	\$ 3,198,161
<u>Revenues</u>			
Jail Assessment Surcharge (1315)	\$ 1,236,910	\$ 1,360,000	\$ 1,373,600
Golf Course Enhancement Fee - Debt Service (4207)	0	300,000	0
Sale of Capital Asset (4905)	2,919,000	2,919,000	2,919,000
Revenue from Project Rents (4999)	1,293,557	1,311,060	1,278,164
<b>Total Revenues</b>	\$ 5,449,467	\$ 5,890,060	\$ 5,570,764
<b>Direct Property Tax Levy**</b>	\$ 41,386,360	\$ 53,431,913	\$ 59,869,209

\* 2007 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2007 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 interchangeable.

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**Summary of Bonds and Notes Outstanding**

Type of Issue	True Interest Rate	Date of Bond Issue	Final Maturity Date	Bonds or Notes Outstanding 12/31/07	2009 Budget Requirements	
					Principal	Interest
R	5.04	10/15/93	10/01/11	\$ 18,078,379	\$ 6,180,964	\$ 592,461
R	4.23	03/01/99	10/01/12	12,340,000	3,135,000	528,163
C	4.48	05/01/99	10/01/14	3,575,000	3,575,000	178,750
A	4.60	05/01/99	10/01/14	2,730,000	455,000	127,628
R	4.67	05/27/99	10/01/13	905,000	165,000	42,860
C	5.46	03/01/00	09/01/15	3,300,000	3,300,000	177,375
C	4.40	04/01/01	10/01/16	20,000,000	2,500,000	1,000,000
TB	6.06	06/01/01	12/01/11	750,000	250,000	46,625
R	3.87	10/01/01	12/01/11	18,075,000	9,450,000	723,000
AR	4.47	10/01/01	12/01/11	435,000	145,000	19,140
R	4.08	06/01/02	09/01/11	15,700,000	7,850,000	785,000
C	4.20	02/01/02	08/01/17	22,725,000	2,525,000	1,155,188
C	3.95	02/01/03	08/01/18	17,325,000	1,725,000	888,000
R	3.48	07/01/03	08/01/17	100,025,000	-	3,363,805
C	3.72	02/01/04	08/01/19	20,955,000	955,000	784,406
C	4.24	06/01/06	12/01/20	21,050,000	1,400,000	916,200
R	3.89	02/01/06	10/01/15	62,500,000	2,705,000	3,132,663
C	4.14	04/01/07	10/01/21	28,980,000	0	1,449,000
C	4.12	06/01/08	12/01/22	32,100,000	770,000	1,298,175
C	3.93	06/01/08	12/01/23	<u>30,860,000</u>	<u>520,000</u>	<u>1,730,325</u>
Projected Outstanding Balance as of December 31, 2007 and Associated Debt Service				\$ 432,408,379	\$ 47,605,964	\$ 18,938,764
STFLP-Pension	6.00	03/15/04	03/15/09	\$ 4,129,867	\$ 4,129,867	\$ 247,792
STFLP-Equip	2.75	03/15/05	03/15/09	141,030	141,030	3,889
STFLP-Housing	6.00	03/15/09	03/15/17	<u>1,000,000</u>	<u>64,797</u>	<u>81,813</u>
				\$ 5,270,898	\$ 4,335,694	\$ 333,494
				\$ 437,679,277	\$ 51,941,658	\$ 19,272,256
2009 Proposed Pension Obligation Bonds Debt Service						\$ 22,965,083
2009 Total Budgeted Debt Service for General Obligation Bonds						\$ 89,509,809
2009 Total Budgeted Debt Service for State Trust Fund Loan						<u>4,669,188</u>
						<u>\$ 94,178,997</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

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**DEBT SERVICE CONTRIBUTIONS**

**Pension Obligation Bond Debt Service Abatement**

The 2009 Budget assumes the issuance of Pension Obligation Bonds (POB) in the fall of 2008. A POB workgroup has been meeting throughout 2008 to develop a proposal for the issuance of the bonds. The final issuance amount and structure have not been approved at this time. Therefore, the 2009 budget is based on a structure similar to the 2008 Adopted Budget proposal. The amount of debt service has changed since the May 2008 actuarial report indicated an unfunded actuarial accrued liability (UAAL) of \$398,000,000 as of January 1, 2008. This compares to a UAAL amount of \$329,000,000 as of January 1, 2007 for the 2008 Adopted Budget. (See Org 1950-Employee Fringe Benefits for details on the POB proposal.)

The 2009 Recommended Budget includes a proposal to bond for a UAAL of \$393,800,000. The 2009 debt service costs for the proposed 2008 bond issuance are \$22,965,082. To accurately reflect all benefit related costs, this amount is budgeted in the Org. 1950 - Employee Fringe Benefits. In addition, to accurately reflect all debt service costs, this amount is also included in the principal and interest amounts within the General Debt Service Fund Budget. To avoid duplication of the debt service costs, the amount is abated in the General Debt Service Budget.

**Reserve for County Bonds (4703)**

A contribution of \$3,198,161 from the Reserve for County Bonds is anticipated for 2009.

The reserve proceeds consist of accrued interest and unallocated bond proceeds of \$297,802 from the sale of the 2008 General Obligation Corporate Purpose Bonds that will be applied towards the 2009 interest payment for those bonds in accordance with State Statute. In addition, \$855,088 in lapsed bond proceeds from completed or abandoned capital projects, \$45,271 in surplus 2007 bond proceeds and \$2,000,000 from the 2007 year-end surplus will be applied towards the 2009 debt service payment.

As of September 2008, the available service reserve balance is \$161,577.

**Jail Assessment Surcharge (1315)**

Jail Assessment Surcharge Revenue of \$1,373,000 is projected to be used to pay 2009 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

**Golf Course Enhancement Fee – Debt Service (4702)**

In 2008, a new Golf Course Enhancement Fee was created (50 cents for every nine holes of golf played) with the revenue generated to offset debt service expenditures for capital improvements related to golf courses. There are no golf revenues budgeted in General Debt Service Fund Budget for 2009. All golf revenues are budgeted in the Parks Department operating budget.

**Sale of Capital Asset (4905)**

**Doayne 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 2009 is \$2,919,000.

Year	Budget	Actual	Surplus / Deficit
2006	\$ 4,018,000	\$ 2,596,000	\$ (1,422,000)
2007	\$ 3,796,000	\$ 2,919,000	\$ (877,000)
2008	\$ 2,919,000	\$ 6,877,000	\$ 3,958,000

Revenues for 2008 exceeded the budget by nearly \$4 million due to a reclassification of various financial accounts by Froedtert Hospital. Since this was a one-time reclassification, 2009 revenues are budgeted based on historical trends.

**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.

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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. 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 2009 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 2009 is \$431,126.

### **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 2009 total \$222,645.

### **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 2009 is \$200,393.

### **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. In 2007, the County borrowed \$1,000,000 from the State Trust Fund Loan Program to finance housing for persons with mental illness. The amortization periods are four years for the equipment loan, five years for the pension loan and 10 years for the housing loan. The 2009 principal and interest amounts for the loans are \$4,335,694 and \$333,494, respectively. These amounts are included in the account 8021 and 8022 for the payment of principal and interest. Total loan payments for 2009 are \$5,270,898.

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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. The operating levy rate is \$4.08 per \$1,000 equalized value and the debt levy rate limit is \$1.42 per \$1,000 equalized value. The baseline for the rate limit is the 1992 actual tax rate adopted for 1993 budget purposes. The County cannot exceed the 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.

2007 Levy Cap: As passed by the State Legislature, Senate Bill 40 prohibits any city, village, town or county from increasing its levy in 2007 (payable in 2008) by more than the allowable percentage increase for 2007(08) levies of net new construction of 3.86 percent plus the terminated TID percentage. The State allowed for a 3.86 percent levy limit increase payable in 2007 only.

Milwaukee County net new construction percentage for 2007 (payable in 2008) is 2.54 percent plus the terminated TID percentage for 2007 (payable in 2008) of .52 percent. According to the State of Wisconsin the levy cap for 2008 will not be released until October of 2008. It is anticipated that the 2008 (payable in 2009) levy limit will consist of net new

construction, which is 1.683 for 2008 (payable in 2009) plus the terminated TID percentage percent. The 2007 terminated TID percentage was .52 percent. This percentage may change for 2008.

The 2007 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 in 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

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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 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)**

<b>Org. No.</b>	<b>Capitalized and Operating Interest Expense for Proprietary Fund Departments</b>	<b>2009 Amount</b>
1162	DAS-Information Management Services Division	\$ 570,680
5041	DTPW-Airport Divison	222,140
5605	Milwaukee County Transit/Paratransit Services	979,460
	<b>Sub-Total</b>	<b>\$ 1,772,280</b>
1200-1850	Capitalized Interests	\$ 803,500
1950	Potential Pension Obligation Bond Debt Service Amount	<u>\$ 22,965,083</u>
	<b>Total Estimated 2009 Debt Service Abatement</b>	<b>\$ 25,540,863</b>