

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** 10/5/12

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** Initial Authorizing Resolution for the Pension Obligation Bonds

**FISCAL EFFECT:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact                                     | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required  | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues     |
| <input type="checkbox"/> Absorbed Within Agency's Budget   | <input type="checkbox"/> Decrease Capital Revenues     |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget   |  |
| <input type="checkbox"/> Decrease Operating Expenditures   | <input type="checkbox"/> Use of contingent funds       |
| <input type="checkbox"/> Increase Operating Revenues   |  |
| <input type="checkbox"/> Decrease Operating Revenues   |  |

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	<b>Expenditure or Revenue Category</b>	<b>Current Year</b>	<b>Subsequent Year</b>
<b>Operating Budget</b>	Expenditure	t	see explanation
	Revenue	0	
	Net Cost	0	
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The Pension Obligation Bond Workgroup, is seeking approval of the attached resolution authorizing the refunding of a not-to-exceed amount of \$145,000,000 in Taxable General Obligation Pension Obligation Notes to replace the \$135,000,000 Taxable Note Anticipation Notes (Anticipation Notes). The Anticipation Notes were issued, along with the \$265,000,000 Taxable Pension Obligation Notes, to partially fund the County's unfunded actuarially accrued liability (UAAL).

The attached resolution provides parameters for the refunding and delegates approval of the sale of the notes to the Comptroller. The Comptroller's approval is limited to results of the sale that fall within the parameters outlined in the resolution. An informational report will be submitted to the Finance, Personnel and Audit Committee to communicate the final results of the note sale.

B. Savings are anticipated since the market conditions reflect a low interest rate environment. The POB Workgroup is the process of determining the structure, which would dictate the estimated savings.


C. The 2013 Recommended budget reflects an interest rate payment of \$8,916,500, which is approximately \$1.6 million above the interest rate of \$7,276,500 for the \$135,000,000 Note Anticipation Notes.

D. The parameters for the financing would consist of the following: both maximum coupon rate and true interest costs (TIC) of 5.5 percent, par call provision, minimum purchase price of 98 percent of the par amount of the bonds, no call provision and a minimum purchase price of 100 percent of the par amount of the bonds. (Please see the Initial Authorizing Resolution for the Pension Obligation Bonds report for details for each parameter).

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Department/Prepared By Pamela Bryant

Authorized Signature 

Did DAS-Fiscal Staff Review?  Yes  No