

DEBT SERVICE (9960) BUDGET

DEPT: Debt Service

UNIT NO. 9960
FUND: Debt Service - 0016

Budget Summary

Category	2012 Budget	2012 Actual	2013 Budget	2014 Budget	2014/2013 Variance
Expenditures					
Personnel Costs	\$0	\$0	\$0	\$0	\$0
Operation Costs	\$0	\$238,752	\$0	\$0	\$0
Debt & Depreciation	\$107,528,075	\$135,742,829	\$107,009,294	\$105,268,403	(\$1,740,891)
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Interdept. Charges	(\$41,069,747)	(\$45,219,175)	(\$39,489,094)	(\$41,474,462)	(\$1,985,368)
Total Expenditures	\$66,458,328	\$90,762,406	\$67,520,200	\$63,793,941	(\$3,726,259)
Revenues					
Direct Revenue	\$9,905,727	\$28,506,330	\$14,036,565	\$19,863,890	\$5,827,325
Intergov Revenue	\$0	\$1,920,157	\$1,920,157	\$1,740,502	(\$179,655)
Indirect Revenue	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$9,905,727	\$30,426,487	\$15,956,722	\$21,604,392	\$5,647,670
Tax Levy	\$56,552,601	\$60,335,919	\$51,563,478	\$42,189,549	(\$9,373,929)
Personnel					
Full-Time Pos. (FTE)	0	0	0	0	0
Seas/Hourly/Pool Pos.	0	0	0	0	0
Overtime \$	\$0	\$0	\$0	\$0	\$0

Department Mission/Description: The Debt Service Fund accounts for and reports the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt. Because these items are largely technical in nature, they have no strategic outcomes and no activity data or performance measures.

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Strategic Program Area 1: Debt Service

How We Do It: Program Budget Summary					
Category	2012 Budget	2012 Actual*	2013 Budget	2014 Budget	2014/2013 Var
Expenditures	\$66,458,328	\$90,762,406	\$67,520,200	\$63,793,941	(\$3,726,259)
Revenues	\$9,905,727	\$30,426,487	\$15,956,722	\$21,604,392	\$5,647,670
Tax Levy**	\$56,552,601	\$60,335,919	\$51,563,478	\$42,189,549	(\$9,373,929)
FTE Positions	0	0	0	0	0

* 2012 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2012 information to be reported on a basis comparable to the subsequent year budget summaries. 2012 actual also does not include transactions relating to the 2012 General Obligation Bond Refunding.

** 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 12/31/13	2014 Requirements	
					Principal	Interest
R	3.48	07/01/03	08/01/17	44,755,000	24,670,000	1,595,165
C	3.72	02/01/04	08/01/19	0	-	-
C	4.24	06/01/06	12/01/20	1,700,000	1,700,000	68,000
R	3.89	02/01/06	10/01/15	10,730,000	7,665,000	544,163
C	4.14	04/01/07	10/01/21	20,230,000	2,525,000	1,011,500
C	4.12	06/01/08	12/01/22	25,100,000	2,420,000	1,018,175
C	3.93	06/01/08	12/01/23	26,300,000	2,000,000	1,038,625
C	5.04	08/01/09	10/01/24	24,775,000	0	1,221,733
R	2.00	08/01/09	10/01/16	5,350,000	500,000	134,294
C	4.87	08/01/10	08/01/24	29,470,000	960,000	1,386,363
N	2.55	08/01/10	08/01/19	8,250,000	1,795,000	230,013
C	4.60	04/01/11	10/01/29	22,725,000	0	992,743
N	2.37	04/01/11	10/01/18	8,120,000	1,540,000	202,113
C	4.78	10/01/11	10/01/26	36,920,000	1,375,000	1,674,858
N	2.82	10/01/11	10/01/20	7,785,000	1,040,000	214,075
R	5.04	10/01/11	10/01/18	24,230,000	6,225,000	1,211,500
R	1.00	12/03/12	12/01/20	23,105,000	1,740,000	924,200
C	2.43	08/14/13	09/01/23	<u>26,935,000</u>	<u>1,840,000</u>	<u>739,287</u>
Projected Outstanding Balance as of December 31, 2013 and Associated Debt Service				\$ 346,480,000	\$ 57,995,000	\$ 14,206,807
Taxable GO Notes	6.84	12/01/09	12/01/33	\$ 129,161,037	\$ 3,730,635	\$ 8,933,260
Taxable GO Notes	3.28	03/15/13	12/31/30	138,730,000	5,005,000	3,927,421
Taxable GO Notes	2.76	06/20/13	12/01/24	<u>99,300,000</u>	<u>9,225,000</u>	<u>2,245,280</u>
				\$ 367,191,037	\$ 17,960,635	\$ 15,105,961
Total 2014 Debt						\$ 105,268,403

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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PENSION OBLIGATION BONDS

Pension Obligation Bond Debt Service

In 2009, Milwaukee County sold \$400 million in pension obligation bonds to improve the funding ratios of the pension system and to take advantage of higher investment rates of returns compared to the interest rate of taxable general obligation bonds. The original debt consisted of two bond issues: \$265 million in taxable general obligation promissory notes for a 20-year term and \$135 million in taxable pension anticipation notes for a five-year term with a December 2013 maturity date. In March 2013, the County issued taxable general obligation pension notes to replace the anticipation notes.

In 2013, the Office of the Comptroller was contacted by JP Morgan to inquire if the County would be interested in purchasing the County's outstanding 2024 notes that were part of the 2009 issue. The Office of the Comptroller subsequently received initial authorization from the County Board and County Executive to issue new pension obligation notes to refund any of the 2009 pension obligation notes that the County is able to achieve an appropriate level of savings. In June 2013, the County closed on the issuance of \$99,300,000 of 2013B Taxable General Obligation Pension Refunding Bonds. These proceeds were used in order to purchase outstanding 2024 notes and the County achieved \$1,571,900 of net present value savings.

The 2014 debt service costs for the pension obligation notes issued in 2009 and 2013 is \$33,066,596.

To accurately reflect all benefit related costs, the pension obligation debt service expenses are 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.

DEBT SERVICE CONTRIBUTIONS

Reserve for County Bonds (4703)

A contribution of \$12,099,198 from the Reserve for County Bonds is included for 2014. Of the \$12,099,198, \$697,798 is a result of the net premium of \$538,700 and unallocated amount of \$159,098 from the 2013A General Obligation Corporate Purpose Bond Issuance. The 2013 issuance included an original net issue premium of \$838,285.45.

County Fleet Debt Service Abatement

The 2014 principal costs for the \$24,574,000 issued for vehicles and equipment in 2009, 2010 and 2013 is \$3,615,000. To accurately reflect all fleet-related costs, this amount is budgeted in the Org. 5300 – Fleet Management Division and crosscharged to user departments. 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.

Internal Revenue Service (IRS) Build America Bond (BAB)/Recovery Zone Bond Interest Payments Reimbursements (2410)

In February of 2009, the U.S Congress enacted the American Recovery and Reinvestment Act (ARRA). The ARRA contained many provisions that provide Federal tax credits and stimulate the investment market. In an effort to expand the number of investors and broaden the tax-exempt municipal market, the ARRA contained provisions that allowed state and local governments to issue taxable Build America Bonds (BABs) that provide a credit to investors or credit to issuers that is equal to 35 percent of the interest costs for bonds issued in 2009 and 2010. The ARRA also provided state and local governments the opportunity to issue Recovery Zone Bonds. The Recovery Zone Bonds provide a tax credit of 45 percent on the interest payment on the bonds.

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In March 2013, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended ("Sequester") automatic spending reductions occurred across various areas of the Federal Budget. As determined by the Office of Management and Budget, payments to issuers from the budget accounts associated with BASs and Recovery Zone Bonds were subjected to a reduction of 8.7%. The Sequestration Budget reduction is currently scheduled to apply to reimbursements until the end of the current fiscal year (September 30, 2013).

For 2014, \$1,740,502 is anticipated to be received from the IRS as reimbursement for \$5,275,695 of 2014 interest expenses relating to Build America Bonds and Recovery Zone Bonds. The 2014 estimate includes a reduction of 8.7% as a result of the continuing impact of Sequestration.

Jail Assessment Surcharge (1315)

Jail Assessment Surcharge revenue of \$1,458,104 is projected to be used to pay 2014 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

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 25 years beginning in 1996 and ending in 2020 based on the net operating cash flow generated by Froedtert.

Based on the 2013 estimated payment, the budget for 2014 is projected to be \$6,100,000.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Surplus/(Deficit)</u>
2009	\$ 3,190,000	\$ -	\$ (3,190,000)
2010	\$ 3,900,000	\$ 6,125,756	\$ 2,225,756
2011	\$ 6,300,000	\$ 8,378,000	\$ 2,078,000
2012	\$ 6,300,000	\$ 4,439,000	\$ (1,861,000)
2013*	\$ 6,075,550	\$ 6,100,000	\$ 24,450

*2013 Actual is estimated as Froedtert is currently auditing its year-end financials. Froedtert staff anticipates final figures to be released in early October, 2013.

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Revenue from Project Rents (4999)

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 2013 total \$229,294 and represents the final year of repayments. There is no budgeted in payment for 2014.

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 2014 is \$206,588.

State Trust Fund Loan Program

The County borrowed \$1,000,000 from the State Trust Fund Loan Program in 2007 and \$2,000,000 in 2009 to finance housing for persons with mental illness. In August 2012, the County made an additional payment in order to retire the remaining principal balances on the loans. For 2014, there is no principal or interest due for state trust fund loans.

INTEREST ALLOCATION (9880)

Org. No.	Capitalized and Operating Interest Expense for Proprietary Fund Departments	2014 Amount
1160	DAS-Information Management Services Division	\$ 349,562
5041	DOT-Airport Division	9,414
5300	Fleet Management Division (Prior Year Debt Service)	472,755
5300	Fleet Management Division (Vehicle Initiative)	3,615,000
5500	DAS - Utility	183,713
5605	Milwaukee County Transit/Paratransit Services	1,101,626
5725	DAS - Facilities Management Division	446,196
1200-1850	Capital Projects (Capitalized Interest)	<u>2,229,600</u>
	Sub-Total	\$ 8,407,866
1950	Taxable Pension Obligation Notes	\$ 33,066,596
	Total Estimated 2014 Debt Service Abatement	\$ 41,474,462