MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 2/8/19

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: **Authorizing/Parameters Resolution for the 2019 Refunding Bonds or Notes**

FISCAL EFFECT:

☐ No Direct County Fiscal Impact

☐ Existing Staff Time Required

☐ Increase Operating Expenditures
(If checked, check one of two boxes below)

☐ Absorbed Within Agency's Budget

☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ Use of contingent funds

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.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	See Explanation	See Explanation
	Revenue		
	Net Cost		
Capital Improvement Budget	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. [1] 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 Office of the Comptroller is requesting the approval of the attached authorizing resolution and parameters resolutions for the issuance of a not-to-exceed amount of $29,500,000 of Corporate Purpose Refunding Bonds or Notes ("Obligations") to refund the balance of the outstanding debt for the $27,385,000 Taxable General Obligation Corporate Purpose Bonds, Series 2010C ("2010C BABs"). The attached resolution authorizes the issuance of the bonds and provides parameters for the issuance and delegates approval of the sale of the bonds to the Comptroller. The Comptroller's approval is limited to results of the sale that fall within parameters outlined in the resolution.

B. The 2010C BABs have federal subsidies related to the interest expenses. When the Build America Bonds are refunded the County will no longer receive the federal subsidies. The refunding would result in an estimated $1,973,991 loss of federal subsidies between 2020-2026. It is anticipated that the loss of federal subsidies would be more than offset by lower debt service expenses. The estimated net present value savings, including the loss of the federal subsidies, is $251,062. If the BAB subsidies were discontinued, the estimated net present value savings would be $2,075,636. Total estimated debt service for the refunding obligations is $29,775,382, including $5,655,382 of interest expenses. The not-to-exceed amount includes expenditures for the costs of issuance.

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[1] 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.

[2] Community Business Development Partners' review is required on all professional service and public work construction contracts.

C. An administrative transfer will be submitted to the Department of Administrative Services to adjust the Org. Unit 9960 General Debt Service budget in order to pay costs of issuance and to deposit surplus refunding bonds/net bid premium to the Debt Service Reserve.

   There is no anticipated budgetary impact to 2019 since the first debt payments would not be made till 2020. The estimated impact to the 2020 budget, including the loss of the BAB subsidies, is a nominal savings of $43,068.

D. The not-to-exceed amount is $29,500,000. The costs of issuance will not exceed the federally allowable 2% of the par value of the bonds. The estimated rates are based on the current Municipal Market Data ("MMD") AAA Curve adjusted for the County's current bond ratings (Aa2/AA/A+) plus 50 basis points. It is anticipated that there will be separate tax-exempt and taxable series of Obligations. It is also anticipated that available funds budgeted for 2010C BAB debt service will be used to reduce the size of the refunding.

   For purposes of the net present value calculations, the federal subsidies are assumed to continue despite a risk that the subsidies could be reduced or eliminated. Since 2012 Federal Sequestration has reduced the subsidy payments due by 6.6%-8.7%.

Department/Prepared By Justin Rodriguez

Authorized Signature

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

Did CBDP Review?[2] ☐ Yes ☐ No ☒ Not Required