



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller

DATE : September 4, 2015
TO : Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT : Annual Debt Service Reserve Report **(For Information Only)**

Background on the Debt Service Reserve

Wisconsin Statute 59.60 (5) (g) authorizes the County, by a two-thirds vote, to adopt a resolution to deposit surplus funds into a sinking fund ("Debt Service Reserve").

In 2014, the County adopted Financial Policies that included policies relating to the Debt Service Reserve (DSR). The policies limited use of funds in the DSR to the following:

- Reduce taxpayer costs for debt service;
- Provide cash financing for one-time capital projects, or for one-time operating items that result in improved County service and/or reduced ongoing County costs in future years;
- Provide cash financing for the refinancing of debt when financially advantageous;
- Respond to emergencies as allowed by §59.60 (5) (g).
- The County will seek to build and maintain a minimum balance of \$10 million in the Debt Service Reserve.

Although, the DSR can be used to finance Debt Service payments or capital projects, the cash in the DSR cannot be used to directly finance operating items. However, if the County has budgeted to pay budgeted debt service with sales tax revenue and/or property tax levy and subsequently decides to use funds from the debt service reserve to pay debt service, the resulting surplus sales tax revenue and/or property tax levy could be used to fund adopted operating appropriations.

When the County lapses unspent bonds to the DSR, Federal rules and State Statute require that bond proceeds must be used to finance capital project expenses or pay interest during the project construction period. A portion of the DSR are unspent bond proceeds related to Build America Bonds that were issued by the County in 2009/2010. Build America Bonds, in accordance with Federal rules, are limited to financing capital project expenses. As of August 2015, there are approximately \$1.7 million of bond proceeds in the DSR.

2014 Fiscal Year Impact on DSR

Based on audited financial results, the County ended 2014 with a surplus of \$24.6 million. Of that amount \$19.6 million was transferred to the debt reserve per the policy adopted on April 23, 2015 in County Board File No. 15-271. The remaining \$5.0 million will be used toward the 2016 Adopted Budget.

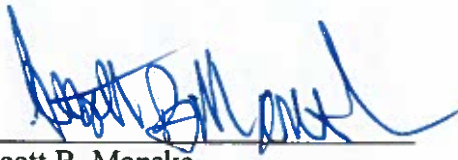
Annual Report on the Debt Service Reserve

This report provides an update of the status of the Reserve as of July 2015. The table below begins with the 2014 Beginning Balance and tracks activities in the DSR through August 2015.

2014 Beginning Balance	34,965,644
2014 Activity	
2014 Budget Commitment	(12,099,198)
Radios	(3,000,000)
City Campus Move	(1,100,000)
Marcus Center Electrical System	(300,000)
Various Capital Projects (Sept 2014 Transfers	(355,376)
Lapsed Bonds	559,574
Unspent Bonds WG017 & WG018	598,420
Premium on 2014 Bonds	1,106,019
Unallocated Proceeds	221,853
2014 Activity Total	(14,368,708)
2014 Contribution	19,640,838
2014 Ending Balance/2015 Starting Balance	40,237,774
2015 Activity	
2015 Budget Commitment	(6,327,873)
Election Machines	(1,861,975)
Transit Signal Priorities	(1,500,000)
Parks Improvements Major Maintenance	(1,000,000)
Parks Improvements CIC Projects	(4,000,000)
2015 Activity Total Year to Date	(14,689,848)
2015 Year to Date Balance	25,547,926

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance, Personnel and Audit Committee.



Scott B. Manske
Comptroller

cc: Chris Abele, County Executive
Supervisor Willie Johnson, Jr., Co-Chairman, Finance, Personnel &
Audit Committee
Supervisor Jim Schmitt, Co-Chairman, Finance, Personnel & Audit
Committee
Finance, Audit and Personnel Committee
Teig Whaley-Smith, Director, Department of Administrative Services
Steven Kreklow, Director, Office of Performance, Strategy and Budget
Janelle Jensen, Committee Coordinator, Office of the County Clerk