

## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** 09/18/17

Original Fiscal Note ☒

Substitute Fiscal Note ☐

**SUBJECT:** Request to Reallocate Net Bid Premiums and Surplus Bonds from the Debt Service Reserve

### FISCAL EFFECT:

- |  |  |
|--|--|
| <input 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 checked="" type="checkbox"/> Decrease Operating Expenditures                                    | <input type="checkbox"/> Use of contingent funds       |
| <input type="checkbox"/> Increase Operating Revenues   |  |
| <input checked="" 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.*

	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.<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 Office of the Comptroller requests approval of the attached resolution to approve an appropriation transfer to reallocate net bid premiums (\$655,962) and surplus refunding bonds (\$3,461) from the Debt Service Reserve (DSR) to the 9960 – General County Debt Service Budget in order to pay interest costs. The transfer will also reallocate levy made available from the surplus bid premiums/refunding bonds to provide expenditure authority that will be used to apply cash towards the 2017 General Obligation Refunding Bond issuance (2017 Refunding Issuance).

The cash contribution would allow the Office of the Comptroller to address current private activity issues within projects that are financed by the 2008 general obligation bonds without having to include them as part of the 2017 Refunding Bond Issuance. Not including projects with current known private activity issues would reduce the risk that the future private activities issues would jeopardize the tax status of the outstanding debt. These private activity issue result from facilities or assets that are financed with tax-exempt debt being leased to or used by private entities in a manner that is not allowed by the Internal Revenue Service (IRS). The cash contribution would have an added benefit of reducing future debt service expenses.

The bid premium and the surplus 2016 refunding proceeds can only be used to pay debt service on the bonds.

Finally, surplus 2016B Qualified Energy Conservation Bonds (QECBs) of \$53,677 are being reallocated from the DSR to Project WT026 Bus Replacement Program, which will reduce the amount of 2017 general obligation bonds that are necessary to finance the 2017 bus purchases. The QECBs can only be applied towards eligible projects. The County's Bond Counsel has determined, based on the Federal criteria for the program, that the Bus Replacement Program is eligible for QECB financing.

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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.

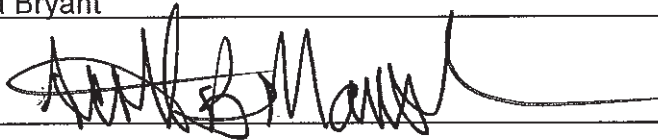
<sup>2</sup> Community Business Development Partners' review is required on all professional service and public work construction contracts.

The total amount to be reallocated is \$713,100.

- B. The projected savings from the 2017 Refunding Issuance would increase from a net present value savings of \$780,000 to \$1,450,000. The projected average annual savings would increase from \$130,000 to \$240,000.
- C. See B
- D. A true interest rate for the 2017 Refunding Issuance, which is based on market conditions from September 7, 2017, was used to calculate the estimated savings amount from allocating \$659,423 towards the refunding.

Department/Prepared By Pamela Bryant

Authorized Signature



Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

Did CBDP Review?<sup>2</sup> ☐ Yes ☐ No ☒ Not Required