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COUNTY OF MILWAUKEE
Interoffice Memorandum

DATE: June 3, 2003

TO: Supervisor Richard D. Nyklewicz, Jr., Chairman, Committee on Finance and Audit

FROM: Rob Henken, County Board Director of Research
Jerome J. Heer, Director of Audits

SUBJECT: Potential Revisions to Sales Tax Ordinance

ISSUE

On May 22, 2003, the County Board of Supervisors adopted Resolution File No. 03-263, which authorized the issuance of bonds to advance refund $91.6 million of corporate purpose debt originally issued from 1994 to 2002. The primary purpose of the advance refunding is to restructure debt payments on the bonds so as to increase the life of the outstanding debt and reduce near-term debt service obligations.

At a May 19, 2003 special meeting, the Committee on Finance and Audit attached an amendment to the bond authorizing resolution (which was adopted by the full County Board) that states that "the primary rationale for adoption of the debt restructuring initiative is to produce surplus sales tax revenue that can be used to address urgent, short-term needs in the County's operating budget". In light of that sentiment, the amendment expresses the intention of the County Board to modify Chapter 22 of the General Ordinances, which currently specifies that any sales tax revenue that is not used to pay debt service costs must be utilized in the Capital Improvements budget.

The amendment also directs County Board staff and the Department of Audit to jointly submit options and/or recommendations to the Finance and Audit Committee for consideration in June 2003 regarding appropriate modifications to Chapter 22. In developing these recommendations, staff are directed to "ensure that any use of sales tax revenue in the County's operating budget occur only to address legitimate fiscal crises and in accordance with sound fiscal policies and principles", and they also are asked to "take into account the possibility of 'sunsetting' any such modifications at an appropriate time in the future." This report responds to that directive.

BACKGROUND

In November 1990, the County Board adopted Chapter 22 of the General Ordinances, which imposed a 0.5% County sales and use tax. Under the original provisions, the revenues from the sales and use tax were to be used for property tax relief. However, in February 1991, the County Board created Section 22.04 of the Ordinances, which specifically dedicates sales and use tax revenues to pay general obligation debt service costs, with any surplus revenues to be used to cash-finance capital improvement projects or pre-pay outstanding bonds. "Whereas" clauses in the Resolution/Ordinance explain that "using 'surplus' sales tax revenues for cash-financing capital would save property taxpayers considerable bond service costs and...would provide real and tangible property tax relief for Milwaukee County residents."

Proposed modifications to Section 22.04 were introduced during 2002 and 2003 budget deliberations and prompted considerable debate regarding the efficacy of the existing sales tax policy. In September 2001, County Executive F. Thomas Ament proposed an ordinance change as part of his 2002 Recommended Budget that would have allowed surplus sales tax revenue to be used for general County purposes. The proposed change was driven by a $9.1 million reduction in debt service that was created by the refunding of prior year bond issues. This reduction produced a $4.5 million sales tax "surplus" (i.e. budgeted sales tax revenue exceeded budgeted debt service obligations by $4.5 million), and the ordinance change was proposed to allow $2.4 million of that amount to be utilized in the operating budget as a property tax levy offset. The Finance and Audit Committee – and ultimately the full County Board – rejected the County Executive's proposed revision, and instead opted to remove Power Plant Sale revenue from the Debt Service account (Org. Unit No. 9960) in order to generate roughly the same amount of property tax savings.

In September 2002, County Executive Scott Walker proposed a one-year waiver of Chapter 22 as part of his 2003 Recommended Budget, as well as a directive for fiscal staff to analyze Chapter 22 and develop recommendations for permanent modifications. The proposed one-year waiver was driven largely by the desire to use a large balance in the Debt Service Reserve (DSR) to reduce the property tax levy. The Recommended Budget utilized $10.8 million from the DSR to create a $5.7 million sales tax surplus. Of that amount, $2.7 million was placed in the Capital Improvements budget per Section 22.04, and the waiver was proposed to allow the remaining $3 million to be retained in the operating budget to offset property tax levy in other areas. The proposed study of potential permanent modifications was justified by the contention that greater flexibility may be appropriate and the need "to recognize the reality that, when actual sales tax revenues during a given year exceeds the budgeted projections, the uncommitted balance goes into the general fund" anyway.

The Finance and Audit Committee adopted a Budget amendment that accepted the one-year waiver, but only allowed the use of the sales tax revenue surplus in the operating budget as a means of supplementing the Appropriation for Contingencies. The impact of this amendment was to increase the Contingency Fund by $3 million and eliminate the $3 million property tax levy offset. The full County Board rejected this amendment, as well as the County Executive's original ordinance modifications, but did not take action to otherwise address the $3 million sales tax surplus. Consequently, the 2003 Adopted Budget includes a $3 million sales tax surplus that is retained in the operating budget as a property tax levy offset even though Section 22.04 has not been modified to allow for this usage.

A huge projected budget shortfall for 2004 again has initiated debate on the appropriate use of sales tax revenue. In April 2003, the Fiscal and Budget Administrator issued a report to the Finance and Audit Committee that projected a $75-$90 million budget shortfall for 2004. Approximately $65 million of the projected shortfall was attributed to four areas: Pension Fund contribution, Employee Health Benefits, Employee Wages and Sick Leave payments to retiring employees. In addition, $10 million was attributed to the projected need to utilize property tax levy to supplement sales tax revenue in order to meet debt service obligations.

As one important option to help address this shortfall, the Department of Administrative Services (DAS) proposed restructuring a significant portion of the County's existing debt. Under a proposed restructuring scenario submitted in April 2003, DAS suggested a refunding bond issue of $123.8 million. The restructuring option presented by the Department included the delay of principal payments on the new bonds for the first seven years, and would have allowed the County to reduce its debt service obligations by $25.6 million in 2004, and by slightly lesser amounts in the next three years. The reduced debt service obligations, in turn, were projected to produce additional sales tax surpluses (above the $3 million surplus contained in the 2003 Adopted Budget) of approximately $16.9 million in 2004, $13.2 million in 2005, $11 million in 2006 and $13.5 million in 2007[1]. It was proposed that these sales tax surpluses then be used to help address operating needs in 2004 and beyond.

In May 2003, the County Board adopted a modified version of the April proposal. The adopted proposal reduces the refunding bond issue from $123.8 million to $98.6 million, which reduces the de-acceleration of debt repayment but also reduces the projected sales tax surpluses. Under the adopted proposal, it is estimated that the County will generate additional sales tax surpluses of $13.9 million in 2004, followed by additional surpluses of $11.6 million in 2005, $7.8 million in 2006 and $6.5 million in 2007.

Failure to modify Chapter 22 to allow for the use of these surplus revenues in the operating budget essentially would require the County to use them as a means of cash-financing capital improvements. This would allow the County to significantly reduce its 2004 G.O. bond issue (which would reduce future debt service obligations), but it also would reduce the net benefit to the 2004 operating budget from roughly $24 million to $10 million. A $10 million benefit still would exist because without the restructuring initiative, DAS had projected that the County would have to devote as much as $10 million in property tax levy to offset a sales tax "deficit" (i.e. debt service obligations were projected to exceed sales tax revenue by $10 million). This need for additional property tax levy can be eliminated without a change to Section 22.04.

DISCUSSION AND ANALYSIS

Fiscal Circumstances that Contributed to Adoption of Section 22.04

Before considering options for modifying Section 22.04, it may be helpful for policymakers to understand the fiscal circumstances that existed when Section 22.04 was created in February 1991, and to compare those circumstances with those that exist today.

An examination of the 1991 County Budget reveals that increasing debt service costs were a pressing concern. Between 1990 and 1991 alone, the amount of property tax levy required to service the County's debt grew from $22.5 million to $33.6 million (49%). This was due in large measure to three successive years of extremely large bond issues from 1988 to 1990 (due largely to construction of a new criminal justice facility, several new Airport projects and the parking structure addition at O'Donnell Park), which increased the County's total direct debt from $173.3 million in 1987 to $285.1 million in 1990.

[1] Sales tax surplus projections prepared by DAS assume annual growth in sales tax revenue of 1.5%. They also build off the 2003 base of $3 million in sales tax surplus monies utilized in the operating budget and assume the County will continue to utilize $2.7 million of sales tax revenue in the Capital Improvements budget each year. The debt service component s of these projections assume the County will pay an interest rate of 4.5% on all future bond issues beginning in 2004. They also take into account existing schedules for revenue offsets in the County's Debt Service account, assume no use of Debt Service Reserve monies or Power Plant Sale revenues to offset debt service costs, and include estimates for interest allocations that are based on 2003 actual allocations.

The County's 1990 "Fiscal Trends Report" – which was released in October 1990 – summarized the County's debt service outlook at the time as follows:

> "The County's debt service payments have increased substantially over the five year period being examined...For the future, further increases in debt service costs are anticipated due to the construction of a new jail and other major construction projects such as expansion of the Airport...traditionally, a large proportion of outstanding debt was issued for enterprise fund departments, and significant portions of the associated debt service costs were recovered through rates and fees. Construction of facilities such as a new jail, however, will increase debt service dramatically without increasing operating revenues."

In addition, the County's five-year capital improvements program indicated that capital spending needs showed no signs of abating. In fact, capital improvement requests from departments indicated the need for a County capital commitment of $121.6 million in 1992, $78.9 million in 1993, and $70 million in 1994. While these only reflected departmental requests and obviously were subject to modification by the County Executive and County Board, they did signal to policymakers that the County's capital improvements needs were ominous at the same time that debt service obligations were growing precipitously.

Today, the County finds itself approaching the tail end of the cycle in which the significant bond issues of the late 1980s and early 1990s are being paid off (this cycle extends beyond 15 years because of previous refunding initiatives). DAS' May report to the Finance and Audit Committee included an attachment that compared the County's projected sales tax collections with its existing debt service obligations under two different scenarios: one in which the County issued $40 million in general obligation bonds each year between now and 2021, and another in which a "debt limitation policy" would be implemented. Under this policy, the County would limit its future borrowing to a $1 million increase from the 2003 base of $25.9 million each year from 2004 until 2008, and then increase borrowing 3% each successive year until 2021. This information indicates that under the limited future debt service scenario, the County would have experienced a significant decline in debt service beginning in 2008, and significant decreases in each of the subsequent five years. Even under the $40 million annual bonding scenario, debt service obligations would have decreased dramatically by 2011.

The restructuring initiatives alters this picture to enable the County to enjoy the benefits of drastically reduced debt service obligations during the next four years, in return for higher payments than otherwise would have been experienced for several years after that. However, an examination of projected debt service obligations under the restructuring/limited debt scenario indicates that even with the restructuring, future annual debt service obligations – even at their peak – will not exceed the original projected 2004 obligation. In addition, these obligations again will decline dramatically beginning in 2015.

Table I below shows the County's projected debt service obligations under the two non-restructuring scenarios described above, and under the recently enacted County policy that includes the restructuring initiative and the new debt limitation policy. This information reinforces the notion that with or without the debt restructuring initiative, and provided that the County comes close to living within the confines of its new debt limitation policy, the County's long-term debt service outlook is markedly different than it was in the early 1990s.

TABLE I – COUNTY DEBT SERVICE OBLIGATIONS UNDER VARIOUS SCENARIOS[2]

	Net Projected Debt Service w/Future Debt of $40 million & No Restructuring	Net Projected Debt Service w/Debt Limitation Policy & No Restructuring	Net Projected Debt Service w/Debt Limitation Policy & Restructuring
2004	$63,541,130	$63,541,130	$41,040,953
2005	$66,816,697	$65,249,146	$43,791,129
2006	$68,522,642	$65,078,699	$48,640,716
2007	$68,376,038	$65,246,529	$50,775,425
2008	$68,931,928	$60,912,398	$55,486,837
2009	$68,566,744	$55,354,649	$56,639,488
2010	$67,580,177	$54,989,328	$59,298,120
2011	$58,789,557	$44,194269	$59,468,814
2012	$52,192,527	$35,794,713	$60,029,425
2013	$48,630,214	$31,825,610	$60,869,225
2014	$48,324,527	$31,416,820	$60,220,926
2015	$45,295,616	$31,502,159	$42,097,741
2016	$44,107,751	$31,635,957	$42,194,988
2017	$44,144,889	$34,285,139	$44,825,510
2018	$44,182,400	$38,369,557	$42,213,354
2019	$45,126,808	$38,823,083	$42,748,986
2020	$45,051,563	$41,269,339	$45,268,105
2021	$44,866,436	$42,410,033	$46,469,923

Potential Sunset Provision

The information presented in Table I also is relevant to the analysis of a potential sunset provision in any modification to Section 22.04. **Table II** below indicates projected County sales tax collections through 2021 with a growth rate of 1.5% per year, and compares those projections to debt service projections under the restructuring/limited debt scenario. Unlike sales tax projections contained in DAS' May report, the projections in Table II indicate projected *gross* sales tax collections without assuming a contribution of sales tax revenue to the Capital Improvements budget, and without building off the 2003 Budget's use of $3 million in surplus sales tax revenue in the 2003 operating budget.[3] These projections indicate that the 2004 sales tax surplus actually will be $19.5 million, and that after decreasing to the $7-$10 million range from 2008 to 2014, the surpluses will be in the $30 million range thereafter. [4]

It is apparent that due to continued growth in sales tax collections and retirement of significant amounts of debt issued in the late 1980s and early 1990s, the County was well on its way to meeting its original policy objective of covering debt service obligations with sales tax revenue even had it not adopted the restructuring initiative. Consequently, within the next four to six years, policymakers likely would have been faced with the dilemma that they are experiencing today, i.e. whether to reconsider the usage of surplus sales tax revenue given the County's dire operating budget needs and the existence of a healthy sales tax surplus.

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[2] The information contained in this table was prepared by the Department of Administrative Services.

[3] It should be noted that the use of some sales tax revenue in the Capital Improvements budget likely will be necessary each year due to the need for certain capital expenditures that cannot be funded with bond proceeds, though perhaps not as much as the $2.7 million that was included in the 2003 Budget.

[4] Again, it should be recognized that these projections utilize a 4.5% interest rate on future County bond issues, and any major variation from that assumed rate would alter the size of projected surpluses.

TABLE II – PROJECTED COUNTY SALES TAX COLLECTIONS VERSUS DEBT SERVICE

	Projected County Sales Tax Collections	Net Projected Debt Service w/Debt Limitation Policy & Restructuring	Sales Tax Surplus/(Deficit)
2004	$60,515,924	$41,040,953	$19,474,971
2005	$61,423,663	$43,791,129	$17,632,534
2006	$62,345,018	$48,640,716	$13,704,302
2007	$63,280,193	$50,775,425	$12,504,768
2008	$64,229,396	$55,486,837	$8,742,559
2009	$65,192,837	$56,639,488	$8,553,349
2010	$66,170,729	$59,298,120	$6,872,609
2011	$67,163,290	$59,468,814	$7,694,476
2012	$68,170,740	$60,029,425	$8,141,315
2013	$69,193,301	$60,869,225	$8,324,076
2014	$70,231,200	$60,220,926	$10,010,274
2015	$71,284,668	$42,097,741	$29,186,927
2016	$72,353,938	$42,194,988	$30,158,950
2017	$73,439,247	$44,825,510	$28,613,737
2018	$74,540,836	$42,213,354	$32,327,482
2019	$75,658,949	$42,748,986	$32,909,963
2020	$76,793,833	$45,268,105	$31,525,728
2021	$77,945,740	$46,469,923	$31,475,817

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Given the fact that significant sales tax surpluses will exist for the foreseeable future and will increase significantly after 2014, the need for a sunset provision to accompany a modification to Section 22.04 could be questioned. Indeed, one could argue that the policy of utilizing surplus sales tax revenues for capital improvements – while appropriate and fiscally prudent in 1991 – has now outlived its usefulness and should be permanently modified to take into account the budgetary realities of the 21st century.

It also could be argued, however, that use of large sales tax surpluses in the Capital Improvements budget to further diminish the issuance of debt was precisely what the authors of the provision had intended. In fact, maintaining this policy in the future could allow the County to virtually eliminate the need to issue debt. In addition, a sunset provision would ensure that the issue will be reconsidered at a future time when the County has gained experience with its new debt limitation policy and has prepared updated projections of sales tax collections versus debt service obligations.

If the County Board does wish to consider a sunset provision to accompany a modification to Section 22.04, then Table II indicates that a logical sunset date would be January 1, 2008. It is projected that the sales tax surplus will decrease from $12.5 million to $8.7 million in the 2008 Budget, which would reduce the County's ability to utilize sales tax monies to provide significant operating budget flexibility. Furthermore, it is possible that two of the most significant problems in the operating budget – the need for increased Pension Fund contributions and sick leave payments (see additional discussion below) – may subside by that time due to improved Pension Fund investment returns and the retirement of a substantial percentage of the long-time County employees who possess large amounts of accumulated sick leave. The looming issue of whether the County may have to pre-fund its health care liability for retired employees also likely should be settled by that time. **Consequently, if the County Board does wish to enact a sunset date to accompany a modification to Section 22.04 of the County ordinances, it is recommended that a sunset date of January 1, 2008 be utilized.**

Potential Modifications to Section 22.04

As noted above, File No. 03-263 directs County Board and Audit staff to develop recommendations for modifying Section 22.04 so as to allow for the use of sales tax revenue in the County's operating budget, but to ensure that such usage "occur only to address legitimate fiscal crises and in accordance with sound fiscal policies and principles." The most important fiscal principle to apply to this discussion is that which dictates that one-time or temporary sources of revenue not be utilized to fund annual operating expenses. The logic behind this principle is the desire to maintain structural balance between operating budget expenditures and revenue streams. If one-time or temporary revenue pays for annual operating expenditures, then a budget hole is created when the revenue source disappears or diminishes.

The $19.5 million in surplus sales tax revenue that is anticipated for 2004 should be viewed as temporary revenue given its projected decline to $8.7 million by 2008, and its projected leveling off to the $7-$8 million range for the next several years after that. As a result, the County ideally should attempt to utilize this surplus to address temporary expenditure increases that will similarly decline or disappear in the future.

There are two necessary expenditure increases in the 2004 Budget that potentially fit that description. The first is the increase in anticipated accrued sick leave payments to retiring employees. **Table III** below is reproduced from a May 2003 report by the Department of Audit. This table indicates that 2,462 current employees that qualify for sick leave payouts will be eligible to retire between 2004 and 2008, and that the County has a potential estimated payout liability of $36.5 million associated with those employees (based on current policies regarding the treatment of accrued sick leave). Table III also indicates that 1,285 of those employees will be eligible to retire as of year-end 2003 with an estimated payout liability of $19.8 million.

TABLE III -- ESTIMATED SICK LEAVE PAYOUT LIABILITY FOR ACTIVE MILWAUKEE COUNTY EMPLOYEES ELIGIBLE TO RETIRE AS OF YEAR-END 2003—2008

Year	Number Eligible	Estimated Payout Liability
2003	1,285	$19,754,747
2004	206	2,591,583
2005	247	3,350,481
2006	237	3,149,949
2007	237	3,573,978
2008	250	4,058,076
Total	**2,462**	**$36,478,814**

Note: Assumes current sick leave balances and wage rates; annual accumulation of 60 additional sick hours and 3% wage increases after 2003. Pending litigation affecting non-represented employees could add approximately $10 million to the total liability identified in this table. It also should be noted that to the extent individuals eligible to retire remain actively employed, these figures have the potential to either increase or decrease based on actual sick leave use.Source: Department of Audit from payroll files as of 4-12-03.

It is likely that a significant percentage of individuals who are eligible to retire will do so in 2004 because they will have earned the maximum 25% pension enhancement provided in the 2001-2004 wage and benefits package. As a result, the County will be responsible for paying out a significant percentage of the $19.8 million liability in 2004 and should budget for that eventuality. In an April 2003 report to the Finance and Audit Committee, the Fiscal and Budget Administrator suggested that $10 million may be an appropriate number to utilize for budgetary purposes, though further analysis will occur prior to release of the 2004 Recommended Budget.

If a significant percentage of the $19.8 million is paid out in 2004, then it is logical to assume that the County's annual sick leave payout obligation will decline in subsequent years, as the remaining liability for those eligible to retire in 2003 likely will be spread out over subsequent years and will be combined with the new liabilities that emerge with each new crop of eligible retirees. As a result, the County may need to budget for a significant increase in sick leave payouts in 2004, but that number should diminish in future years. Based upon these assumptions, it would appear that the utilization of surplus sales tax dollars to pay for sick leave payouts in 2004 would be consistent with the principle that one-time or temporary revenues should be utilized to pay for expenditure increases that are one-time or temporary in nature.

The other logical alternative for use of surplus sales tax revenue is the County's Pension Fund contribution. In May 2003, the Pension Board actuary recommended that the County provide a contribution of $44 million in the 2004 Budget, which would be a $29 million increase above the 2003 contribution. This would certainly qualify as a huge expenditure increase that would benefit from application of the large sales tax revenue surplus.

However, it is important to recognize that while the County's Pension Fund obligations have increased dramatically in recent years, the extent to which the increases are temporary is questionable. Because the actuary's contribution calculations smooth out the impacts of large investment gains or losses by accounting for them over a five-year period, and because those calculations utilize an assumed investment return that is based on a dwindling 10-year average, it is likely that the County's contribution will need to be increased yet again in 2005, even if the Fund meets or exceeds its projected rate of return in 2003. In fact, a report prepared by the Pension Board actuary in October 2002 projected that County contribution requirements could increase to $65 million by 2007, even if a 9% rate of return was realized and the County made its full contribution each year. He also projected that the 2007 contribution requirement could be as high as $99 million if the County contributed only $15 million each year.

These projections obviously would change if the Fund were to realize investment returns of considerably higher than 8.5% for several successive years. Furthermore, it is reasonable to believe – based on the cyclical nature of the stock market – that the County's contribution requirements eventually will plateau and retreat downward. Still, we would question the logic of earmarking surplus sales tax revenue solely to the County's Pension Fund contribution given that the contribution likely will need to increase for the next two to three years, while the sales tax surplus will decline. While the $19.5 million would help the County in its efforts to meet its $44 million obligation in 2004, dependence on this revenue source would create a bigger hole in 2005, when the sales tax surplus is projected to decrease to $17.6 million and the Pension Fund contribution requirement easily could increase by $10 million or more.

RECOMMENDATION

Based on the above discussion, we believe that the sick leave option would constitute a better use of surplus sales tax revenue than the Pension Fund option. However, we question the logic of earmarking this revenue to only one of those uses at the present time. While these items clearly constitute two of the major operating budget challenges for 2004, and while each may be temporary in nature, it is impossible to predict the precise funding needs for these items during the entire 2004-2007 period, which makes it difficult to ascertain whether the projected sales tax surpluses are an appropriate funding source. Furthermore, it is possible that other pressing one-time or temporary funding increases may emerge during this period that will eclipse these two items, such as a new accounting rule that requires the County to pre-fund its liability for retiree health care costs (which could create the need for an additional appropriation of more than $25 million per year as early as 2006), or a negative judgement in one or more pending lawsuits.

Consequently, we recommend that instead of tying its hands with a narrowly prescriptive ordinance change, the County Board should instead consider a broader modification that would allow for the use of surplus sales tax revenue for a limited category of potential needs that are both crisis-oriented and fiscally responsible. That limited category should include pension benefits and retiree health care, as the pre-funding of a future liability is a fiscally responsible action, and the magnitude of projected expenditure increases in those areas has contributed significantly to the existing fiscal crisis. The category of allowable uses also should include sick leave payouts, which would be a fiscally responsible use in 2004 in light of the anticipated one-time spike in expenditure needs.

We also would recommend – in light of the uncertainty regarding how much to budget for future sick leave, Pension Fund and retiree health care obligations – that policymakers be provided the option simply to place all or a portion of surplus sales tax revenue in the Appropriation for Contingencies. This would provide the County Executive and County Board with flexibility that may be needed when it comes time to actually put together budgets in 2004 and beyond.

Our recommendation, therefore, is to modify Section 22.04 of the General Ordinances as follows, with a sunset date of January 1, 2008:

22.04 Application of Sales and Use Tax Revenue ~~Capital funding~~.

Sales and use tax revenues shall be applied toward county ~~capital~~ expenditures as follows:

(1) County sales and use tax revenues shall be dedicated to pay general obligation debt service costs; and

(2) Any surplus county sales and use tax revenues shall be used to:

(a) cash-finance capital improvement projects;
(b) prepay outstanding bonds;
(c) pre-fund employee benefit costs or fund unanticipated or extraordinary annual increases in such costs; or
(d) supplement the Appropriation for Contingencies.

A recommended Ordinance that would effectuate the above recommendation is attached to this report.

FISCAL NOTE

Adoption of the recommendation contained in this report would allow for the use of surplus sales tax revenues in the County's operating budget, provided that they are used only to pre-fund employee benefit costs, fund annual increases in such costs if they are unanticipated or extraordinary in nature, or supplement the Appropriation for Contingencies. According to preliminary projections, this would allow for the use of up to $19.5 million in surplus sales tax revenue in the 2004 operating budget.

Rob Henken
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Jerome J. Heer
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attachments

cc: Lee Holloway, Chairman, County Board of Supervisors
Scott Walker, Milwaukee County Executive
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Terry Kocourek, Fiscal and Budget Administrator
Terrence Cooley, County Board Chief of Staff
Steve Mokrohisky, County Executive's Office
County Board Research Analysts
Lauri Henning, County Board Chief Committee Clerk

File No.
(Journal)

AN ORDINANCE

Amending Section 22.04 of the General Ordinances of Milwaukee County relating to Sales and Use Taxes.

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

SECTION 1. Section 22.04 of the General Ordinances of Milwaukee County, as amended to and including ____________________________, is hereby amended as follows:

22.04 Application of Sales and Use Tax Revenue ~~Capital funding~~.

Sales and use tax revenues shall be applied toward county ~~capital~~ expenditures as follows:

(1) County sales and use tax revenues shall be dedicated to pay general obligation debt service costs; and

(2) Any surplus county sales and use tax revenues shall be used to:

(a) cash-finance capital improvement projects;
(b) prepay outstanding bonds;
(c) pre-fund employee benefit costs or fund unanticipated or extraordinary annual increases in such costs; or
(d) supplement the Appropriation for Contingencies.

SECTION 2. This ordinance shall become effective upon passage and publication and remain in effect through calendar year 2007.

SECTION 3. Effective January 1, 2008, Section 22.04 of the General Ordinances is hereby amended as follows:

22.04: ~~Application of Sales and Use Tax Revenue~~ Capital funding.

Sales and use tax revenues shall be applied toward county capital expenditures as follows:

(1) County sales and use tax revenues shall be dedicated to pay general obligation debt service costs; and

(2) Any surplus county sales and use tax revenues shall be used to:

(a) cash-finance capital improvement projects; or

(b) prepay outstanding bonds~~;~~.

~~(c) pre-fund employee benefit costs or fund unanticipated or extraordinary annual increases in such costs; or~~

~~(d) supplement the Appropriation for Contingencies.~~

FISCAL NOTE: Adoption of this ordinance will not require an additional expenditure of funds in the current budget year.

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