

DEBT SERVICE (9960) BUDGET

DEPT: GENERAL COUNTY DEBT SERVICE

UNIT NO. 9960
FUND: Debt Service - 0016

Budget Summary

Category	2015 Budget	2015 Actual	2016 Budget	2017 Budget	2017/2016 Variance
Expenditures					
Personnel Costs	\$0	\$0	\$0	\$0	\$0
Operation Costs	\$0	\$0	\$0	\$0	\$0
Debt & Depreciation	\$90,203,767	\$105,740,254	\$89,751,032	\$91,056,268	\$1,305,236
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Interdept. Charges	(\$39,680,926)	(\$44,720,905)	(\$39,451,433)	(\$39,652,102)	(\$200,669)
Total Expenditures	\$50,522,841	\$61,019,348	\$50,299,599	\$51,404,166	\$1,104,567
Revenues					
Direct Revenue	\$14,815,233	\$26,812,353	\$19,059,468	\$15,857,190	(\$3,202,278)
Intergov Revenue	\$1,750,364	\$1,801,806	\$1,790,396	\$1,930,538	\$140,142
Indirect Revenue	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$16,565,597	\$28,614,159	\$20,849,864	\$17,787,728	(\$3,062,136)
Tax Levy	\$33,957,244	\$32,405,189	\$29,449,735	\$33,616,438	\$4,166,703
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

* 2015 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2015 information to be reported on a basis comparable to the subsequent year budget summaries.

** 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 12/31/16	2017 Requirements				
					Principal	Interest			
R	3.48	07/01/03	08/01/17	6,655,000	6,655,000	259,545			
C	3.93	06/01/08	12/01/23	18,900,000	2,700,000	766,125			
C	5.04	08/01/09	10/01/24	24,775,000	2,690,000	1,221,733			
C	4.87	11/15/09	08/01/24	25,715,000	1,560,000	1,257,631			
N	2.55	11/15/09	08/01/19	3,485,000	1,485,000	112,050			
C	4.60	05/01/10	10/01/25	19,175,000	2,020,000	879,280			
N	2.37	05/01/10	10/01/18	3,380,000	1,665,000	97,238			
C	4.79	12/21/10	10/01/26	32,240,000	2,345,000	1,548,123			
N	2.82	12/21/10	10/01/20	4,815,000	495,000	165,075			
R	1.73	03/15/11	10/01/18	5,545,000	3,935,000	277,250			
R	1.00	12/03/12	12/01/20	14,050,000	3,905,000	562,000			
C	2.43	08/14/13	09/01/23	19,515,000	2,790,000	557,550			
C	2.60	11/06/14	12/01/29	34,000,000	2,620,000	931,694			
C	2.50	11/12/15	10/01/30	30,275,000	1,385,000	771,400			
N	1.27	11/12/15	10/01/19	2,700,000	900,000	49,500			
Q	2.34	11/12/15	10/01/25	4,370,000	490,000	89,825			
R	1.25	11/12/15	10/01/21	12,055,000	2,520,000	311,900			
B	TBD	TBD	TBD	7,660,000	0	111,996			
C	TBD	TBD	TBD	32,840,000	0	1,163,996			
N	TBD	TBD	TBD	9,500,000	1,500,000	336,722			
R	TBD	TBD	TBD	17,245,000	2,870,000	330,560			
M	TBD	TBD	TBD	3,050,000	610,000	108,106			
Q	TBD	TBD	TBD	5,765,000	580,000	204,337			
Projected Outstanding Balance as of December 31, 2016 and Associated Debt Service				\$ 337,710,000	\$ 45,720,000	\$ 12,113,634			
Taxable GO Notes				6.84	12/01/09	12/01/33	\$ 125,277,169	\$ 4,473,957	\$ 8,332,828
Taxable GO Notes				3.28	03/15/13	12/31/30	123,630,000	5,105,000	3,825,081
Taxable GO Notes				2.76	06/27/13	12/01/23	71,555,000	9,440,000	2,005,768
				\$ 320,462,169	\$ 19,018,957	\$ 14,163,677			
Totals				\$ 658,172,169	\$ 64,738,957	\$ 26,277,311			
Total 2017 Debt Service						\$ 91,016,268			

**The 2016 Debt Issuances have not yet been issued. The 2017 Requirements in the table above for the 2016 issuances are estimates*

Type of Issue Explanation

- C- Corporate Purpose Bonds
- N-General Obligation Notes
- M- General Obligation Notes (Marcus Center)
- R -Refunding Bonds or Notes
- Q-Qualified Energy Conservation Bonds
- B- Taxable Bank Loan

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DEBT SERVICE EXPENSES (8021 and 8022)

The 2017 Budget includes an increase of \$1,441,880 in principal payments associated with general obligation debt from \$63,297,077 to \$64,738,957. The Budget also includes a decrease of \$151,644 of interest expenses from \$26,428,955 to \$26,277,311. The net change to overall debt service principal and interest expenses is an increase of \$1,290,236 from \$89,726,032 to \$91,016,268.

The Budget contains assumptions related to the 2016 debt issuances that have not yet been issued. The 2016 financings include long term corporate purpose bonds, short term general obligation notes, qualified energy conservation bonds, corporate purpose refunding bonds and a taxable bank loan to finance the County's responsibilities under the 2003 Standby Reimbursement Agreement. The amounts related to the 2016 bond issuances will be revised during the budget process and will be final once the bond issues close.

DEBT ISSUANCE EXPENSE (8026)

Beginning in 2015, the expenditures and revenues for debt issuance expense that were previously budgeted in Org. Unit 1987 – Debt Issuance Expense were instead incorporated into Org. Unit 9960 – Debt Service.

Currently, a significant portion of debt issue expenses are paid from the proceeds of each financing. Under current Federal law, up to 2 percent of each financing may be used to cover expenses related to the issue. Once the corporate purpose financing amounts have been determined and more robust debt issuance expense estimates have been identified by the Office of the Comptroller, the Department of Administrative Services will process an administrative appropriation transfer in order to make the necessary adjustments.

In recent years, additional levy has been needed to finance additional bond counsel expenses associated with investigating the impact to outstanding bonds associated with the potential disposition of County assets, leasing/contracting out areas in which the County has or may issue tax exempt debt and complying with the new disclosure rules that have been implemented by the Federal government. For 2017, the amount of levy for these expenses increases by \$15,000 to \$40,000.

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 2017 debt service costs for the pension obligation notes issued in 2009 and 2013 is \$33,182,634.

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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 \$6,750,000 from the Reserve for County Bonds is included for 2017. This is a decrease of \$3,750,000 from the use of reserves in 2016.

County Fleet Debt Service Abatement

The 2017 principal costs for the debt issued for vehicles and equipment in 2009-2016 is \$3,691,836. 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. The ARRA also provided state and local governments the opportunity to issue Recovery Zone Bonds and Qualified Energy Conservation Bonds (QECBs). The RZBs provide a tax credit of 45 percent on the interest payments on the bonds and the QECBs provide a tax credit that covers the entire interest payments.

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.

In September 2015, the Internal Revenue Service (IRS) issued guidance regarding the sequestration reduction for reimbursements between October 1, 2015 and September 30, 2016. The sequestration rate during this period is 6.8%.

For 2017, \$1,930,538 is anticipated to be received from the IRS as reimbursement for \$5,200,929 of 2017 interest expenses relating to Build America Bonds, Recovery Zone Bonds, and Qualified Energy Conservation Bonds. The 2017 estimate includes a reduction of 6.8% as a result of the continuing impact of Sequestration.

Jail Assessment Surcharge (1315)

Jail Assessment Surcharge revenue of \$912,000 is projected to be used to pay 2017 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2). The 2017 estimate represents a reduction of \$248,000 compared to the 2016 budgeted amount and is based on the five year trend of actual surcharges.

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Sale of Capital Asset (4905)

Doyme 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 previous year’s actual amount, the budget for 2017 is projected to be \$8,000,000.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Suplus (Deficit)</u>
2011	\$6,300,000	\$8,378,000	\$2,078,000
2012	\$6,300,000	\$4,439,000	(\$1,861,000)
2013	\$6,075,550	\$10,798,000	\$4,722,450
2014	\$6,100,000	\$7,013,000	\$913,000
2015	\$7,000,000	\$8,550,000	\$1,550,000
2016*	\$7,200,000	\$8,000,000	\$800,000
2017	\$8,000,000		

**2016 Actual is estimated as Froedtert is currently auditing its year-end financials. Froedtert staff anticipated final figures to be released in early October, 2016.*

Revenue from Project Rents (4999)

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. 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 2017 is \$195,190.

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INTEREST ALLOCATION (9880)

Org. No.	Capitalized and Operating Interest Expense for Proprietary Fund Departments	2017 Amount
1160	DAS-Information Management Services Division	\$ 320,333
5041	DOT-Airport Divison	1,407
5300	Fleet Management Division (Vehicle Initiative-Principal)	3,691,836
5300	Fleet Management Division (Vehicle Interest)	436,228
5500	DAS - Utility	181,754
5605	Milwaukee County Transit/Paratransit Services	1,464,418
5725	DAS - Facilities Management Division	373,492
	Sub-Total	\$ 6,469,468
1950	Taxable Pension Obligation Notes	\$ 33,182,634
	Total Estimated 2017 Debt Service Abatement	\$ 39,652,102