

Debt Service

Agency Overview

Agency Overview

The agency accounts for citywide appropriations that support general obligation loan authorization principal and interest payments for the City other than TID or enterprise debt. All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. General obligation long-term debt comprises the largest share of outstanding debt to the City.

The 2020 Executive Budget appropriation for general obligation borrowing for new projects of \$96.6 million is \$31.2 million less than the 2019 appropriation. The General Fund general obligation debt service for 2020 is \$45,742,039 in principal and \$8,980,868 in interest for a total of \$54,722,907. The General Fund general obligation debt service for 2019 was \$46,670,448 in principal and \$8,038,262 in interest for a total of \$54,708,710.

As a result of the annual debt review by rating agencies, the City has a Aaa bond rating, the highest quality rating available with Moody's Investors Services.

The debt service fund has advanced amounts to various enterprise funds and component units to fund the repayment of long-term liabilities. Repayment schedules have been established and interest is being charged based on the repayment schedules.

The City of Madison has established a policy to remove from the Capital Budget those items with a useful life of less than the repayment term of General Obligation debt (usually ten years). Those items should be considered in the Operating Budget under MGO 4.02(6)(c)(3).

In December 2012, the Common Council created MGO 4.17 to prohibit the use of unused balances in the debt service fund for operating expenses. The Ordinance states: "In any year when general debt reserves are applied to reduce general fund debt service, an amount at least equal to the general debt reserves applied must be directly appropriated from the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds (2/3) of all members during approval of the budget, votes to do otherwise."

Under Wisconsin State Statutes, the outstanding general obligation long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the city's jurisdiction. At the end of 2018, applicable debt of the City totaled \$487 million or 33.9% of the maximum legal limit of \$1.436 billion.

Revenue bonds are payable only from revenues derived from the operation of the responsible fund. This agency does not include revenue obligations for the enterprise operations of the Water Utility or the Sewer Utility. Revenue obligations of the City's enterprise operations are provided in the respective budgets for these funds.

2020 Budget Highlights

The 2020 Executive Budget includes funding for:

- The General Fund general obligation debt service of \$45,742,039 in principal and \$8,980,868 in interest for a total of \$54,722,907.
- A \$1 million decrease from 2019 levels in Direct Appropriation to Capital Projects (see Direct Appropriations).
- Under the General Obligation Debt Service Schedule, general debt reserves reflect \$5.8 million of reoffering premium received from the 2019 debt issuance and \$1.9 million of premium remaining from the 2018 debt issuance. Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service. The \$7.7 million of 2018 and 2019 premium is allocated in the Debt Service Schedule as follows -- \$2,974,877 to pay Transit Utility debt service in 2020, \$722,742 to pay Fleet Service debt service in 2020 and \$4,000,000 to pay General Fund debt service in 2020.
- Under MGO 4.17, whenever an amount is applied in general debt reserves to reduce general fund debt service, an equal amount must be directly appropriated in the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds of all members during approval of the budget, votes to do otherwise. The 2020 executive operating budget appropriates \$1,612,063 from the general fund for capital projects (see Direct Appropriations). This is \$2,387,937 less than the amount applied in general debt reserves to reduce general fund debt service. As such, approval of the lower direct appropriation amount for capital projects will require a separate two-thirds vote of the Council during adoption of the 2020 operating budget.

Debt Service**Function:****Debt Service***Budget Overview*

Agency Budget by Fund

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Debt Service	71,650,471	91,889,214	91,889,214	91,889,214	96,185,237
TOTAL	\$ 71,650,471	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237

Agency Budget by Service

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Debt Service	71,650,471	91,889,214	91,889,214	91,889,214	96,185,237
TOTAL	\$ 71,650,471	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237

Agency Budget by Major-Expenses

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Purchased Services	143,420	-	-	-	-
Debt & Other Financing	71,507,051	91,889,214	91,889,214	91,889,214	96,185,237
TOTAL	\$ 71,650,471	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237

Debt Service

Function: Debt Service

Service Overview

Service: Debt Service

Citywide Element: Debt

Service Description

This service accounts for the interest and principal costs and payments of the general obligation notes and bonds issued by the City to fund capital projects other than TID or enterprise debt.

Major Budget Changes

- The 2020 Executive Budget appropriation for general obligation borrowing for new projects of \$96.6 million is \$31.2 million less than the 2019 appropriation.
- The General Fund general obligation debt service is \$45,742,039 in principal and \$8,980,868 in interest for a total of \$54,722,907.

Activities Performed by this Service

- Details of the projects funded by the Debt Service Fund are included in the 2020 Executive Capital Budget.

Service Budget by Fund

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
General	-	-	-	-	-
Other-Expenditures	71,650,471	91,889,214	91,889,214	91,889,214	96,185,237
TOTAL	\$ 71,650,471	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237

Service Budget by Account Type

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Revenue	-	-	-	-	-
Personnel	-	-	-	-	-
Non-Personnel	71,650,471	91,889,214	91,889,214	91,889,214	96,185,237
Agency Charges	-	-	-	-	-
TOTAL	\$ 71,650,471	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237

Debt ServiceFunction: **Debt Service***Line Item Detail*Agency Primary Fund: **Debt Service**

Intergovernmental Revenue

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Federal Revenues Operating	(241,690)	(213,817)	(213,817)	(213,817)	(68,381)
TOTAL	\$ (241,690)	\$ (213,817)	\$ (213,817)	\$ (213,817)	\$ (68,381)

Investments & Contributions

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Interest	(870,035)	(1,300,000)	(1,300,000)	(1,300,000)	(1,300,000)
TOTAL	\$ (870,035)	\$ (1,300,000)	\$ (1,300,000)	\$ (1,300,000)	\$ (1,300,000)

Other Finance Sources

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
General Obligation Bond Issue	(800,000)	-	-	-	-
General Obligation Bond Alloc	(243,850)	-	-	-	-
Premium On Bonds Sold	(4,759,354)	-	-	-	-
TOTAL	\$ (5,803,204)	\$ -	\$ -	\$ -	\$ -

Transfer In

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Transfer In From General	(47,239,110)	(54,708,710)	(54,708,710)	(54,708,710)	(54,722,907)
Transfer In From Library	(2,648,112)	(2,826,376)	(2,826,376)	(2,826,376)	(3,045,046)
Transfer In From CDBG	(11,041)	(11,601)	(11,601)	(11,601)	(12,188)
Transfer In From Loans	(100,000)	-	-	-	-
Transfer In From Other Restrict	(130,261)	(21,277,779)	(21,277,779)	(21,277,779)	(10,651,163)
Transfer In From Impact Fees	(321,382)	(309,508)	(309,508)	(309,508)	(299,042)
Transfer In From Capital	(560,295)	-	-	-	-
Transfer In From Special Asses	(251,976)	(245,976)	(245,976)	(245,976)	(239,977)
Transfer In From Tax Increment	(13,473,365)	(10,629,560)	(10,629,560)	(10,629,560)	(10,010,342)
Transfer In From Stormwater	-	-	-	-	(7,766,679)
Transfer In From Fleet Service	-	-	-	-	(8,012,555)
Transfer In From Public Health	-	(365,887)	(365,887)	(365,887)	(356,957)
TOTAL	\$ (64,735,542)	\$ (90,375,397)	\$ (90,375,397)	\$ (90,375,397)	\$ (95,116,856)

Purchased Services

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Financial Actuary Services	72,500	-	-	-	-
Audit Services	2,000	-	-	-	-
Legal Services	68,920	-	-	-	-
TOTAL	\$ 143,420	\$ -	\$ -	\$ -	\$ -

Debt & Other Financing

	2018 Actual	2019 Adopted	2019 Projected	2020 Request	2020 Executive
Principal	58,613,021	75,895,000	75,895,000	75,895,000	79,238,500
Interest	11,623,298	15,984,214	15,984,214	15,984,214	16,936,737
Bond Notes Issuance Services	293,531	-	-	-	-
Paying Agent Services	15,625	10,000	10,000	10,000	10,000
Fund Balance Generated	961,576	-	-	-	-
TOTAL	\$ 71,507,051	\$ 91,889,214	\$ 91,889,214	\$ 91,889,214	\$ 96,185,237