

# Debt Service

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## *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 Tax Increment District (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 2022 Executive Budget appropriation for general obligation borrowing for new projects is \$142.8 million, \$21.9 million more than the 2021 appropriation. The General Fund general obligation debt service for 2022 is \$47,597,931 in principal and \$8,510,393 in interest for a total of \$56,108,324, a \$195,500 increase from 2021, or .035 %. The General Fund general obligation debt service for 2020 was \$46,574,745 in principal and \$9,338,079 in interest for a total of \$55,912,824.

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 2020, applicable debt of the City totaled \$571.8 million or 34% of the maximum legal limit of \$1.6 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.

### 2022 Budget Highlights

The 2022 Executive Budget includes funding for:

- The General Fund general obligation debt service is \$47,597,931 in principal and \$8,510,393 in interest for a total of \$56,108,324.
- Under the General Obligation Debt Service Schedule, general debt reserves reflect \$8.3 million of reoffering premium received from the 2021 debt issuance. Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service. The \$8.3 million of 2021 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2022.
- 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 2022 Executive Operating Budget appropriates \$915,000 from the general fund for capital projects (see Direct Appropriations). This is \$7.4 million 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 requires a separate two-thirds vote of the Council during adoption of the 2022 operating budget.

**Debt Service****Function: Debt Service (General Func***Budget Overview*

## Agency Budget by Fund

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Debt Service	117,571,604	98,708,006	98,708,006	98,708,006	99,316,739
<b>TOTAL</b>	<b>\$ 117,571,604</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 99,316,739</b>

## Agency Budget by Service

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Debt Service	117,571,604	98,708,006	98,708,006	98,708,006	99,316,739
<b>TOTAL</b>	<b>\$ 117,571,604</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 99,316,739</b>

## Agency Budget by Major-Revenue

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Intergov Revenues	(46,960)	-	-	-	-
Investments & Other Contributions	(723,871)	(400,000)	(400,000)	(400,000)	(400,000)
Other Financing Source	(48,547,405)	(9,182,849)	(9,182,849)	(9,182,849)	(8,413,971)
Transfer In	(68,253,369)	(89,125,157)	(89,125,157)	(89,125,157)	(90,502,768)
<b>TOTAL</b>	<b>\$ (117,571,604)</b>	<b>\$ (98,708,006)</b>	<b>\$ (98,708,006)</b>	<b>\$ (98,708,006)</b>	<b>\$ (99,316,739)</b>

## Agency Budget by Major-Expenses

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Purchased Services	171,435	-	-	-	-
Debt & Other Financing	117,400,169	98,708,006	98,708,006	98,708,006	99,316,739
<b>TOTAL</b>	<b>\$ 117,571,604</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 99,316,739</b>

# Debt Service

Function: Debt Service (General Fund)

## 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 2022 Executive Budget appropriation for general obligation borrowing for new projects of \$142.8 million is \$21.9 million more than the 2021 appropriation.
- The General Fund general obligation debt service is \$47.6 million in principal and \$8.5 million in interest for a total of \$56.1 million.

### Activities Performed by this Service

- Details of the projects funded by the Debt Service Fund are included in the 2022 Executive Capital Budget.

### Service Budget by Fund

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
General	-	-	-	-	-
Other-Expenditures	117,571,604	98,708,006	98,708,006	98,708,006	99,316,739
<b>TOTAL</b>	<b>\$ 117,571,604</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 99,316,739</b>

### Service Budget by Account Type

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Revenue	(117,571,604)	(98,708,006)	(98,708,006)	(98,708,006)	(99,316,739)
Personnel	-	-	-	-	-
Non-Personnel	117,571,604	98,708,006	98,708,006	98,708,006	99,316,739
Agency Charges	-	-	-	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Debt Service**Function: **Debt Service (General Fund)***Line Item Detail*Agency Primary Fund: **Debt Service**

## Investments &amp; Contributions

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Interest	(723,871)	(400,000)	(400,000)	(400,000)	(400,000)
<b>TOTAL</b>	<b>\$ (723,871)</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>

## Other Finance Sources

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
General Obligation Bond Issue	(45,881,113)	-	-	-	-
General Obligation Bond Alloc	(222,489)	-	-	-	-
Premium On Bonds Sold	(2,443,803)	(7,878,041)	(7,878,041)	(7,878,041)	(8,290,716)
Fund Balance Applied	-	(1,304,808)	(1,304,808)	(1,304,808)	(123,254)
<b>TOTAL</b>	<b>\$ (48,547,405)</b>	<b>\$ (9,182,849)</b>	<b>\$ (9,182,849)</b>	<b>\$ (9,182,849)</b>	<b>\$ (8,413,970)</b>

## Transfer In

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Transfer In From General	(54,422,907)	(55,912,825)	(55,912,825)	(55,912,825)	(56,108,323)
Transfer In From Library	(3,045,046)	(2,955,500)	(2,955,500)	(2,955,500)	(2,804,419)
Transfer In From CDBG	(12,188)	(11,711)	(11,711)	(11,711)	(12,406)
Transfer In From Loans	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Transfer In From Other Restric	(123,867)	(113,070)	(113,070)	(113,070)	(136,472)
Transfer In From Impact Fees	(299,042)	(215,241)	(215,241)	(215,241)	(119,796)
Transfer In From Special Asses	(239,977)	(233,848)	(233,848)	(233,848)	(209,932)
Transfer In From Tax Increment	(10,010,342)	(9,010,519)	(9,010,519)	(9,010,519)	(8,224,800)
Transfer In From Water	-	(138,933)	(138,933)	(138,933)	(143,623)
Transfer In From Stormwater	-	(8,019,154)	(8,019,154)	(8,019,154)	(7,636,013)
Transfer In From Cnvtion Cntr	-	(51,223)	(51,223)	(51,223)	(52,826)
Transfer In From Transit	-	(2,064,490)	(2,064,490)	(2,064,490)	(3,823,073)
Transfer In From Golf Courses	-	(44,765)	(44,765)	(44,765)	(44,451)
Transfer In From Fleet Service	-	(9,299,752)	(9,299,752)	(9,299,752)	(9,929,892)
Transfer In From CDA	-	(608,429)	(608,429)	(608,429)	(829,292)
Transfer In From Public Health	-	(345,697)	(345,697)	(345,697)	(327,450)
<b>TOTAL</b>	<b>\$ (68,253,369)</b>	<b>\$ (89,125,157)</b>	<b>\$ (89,125,157)</b>	<b>\$ (89,125,157)</b>	<b>\$ (90,502,768)</b>

## Purchased Services

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Financial Actuary Services	78,500	-	-	-	-
Audit Services	4,000	-	-	-	-
Legal Services	88,935	-	-	-	-
<b>TOTAL</b>	<b>\$ 171,435</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Debt &amp; Other Financing

	2020 Actual	2021 Adopted	2021 Projected	2022 Request	2022 Executive
Principal	79,596,093	82,008,000	82,008,000	82,008,000	84,017,500
Interest	13,248,390	16,690,006	16,690,006	16,690,006	15,289,239
Bond Notes Issuance Services	411,369	-	-	-	-
Paying Agent Services	17,125	10,000	10,000	10,000	10,000
Fund Balance Generated	24,127,191	-	-	-	-
<b>TOTAL</b>	<b>\$ 117,400,169</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 98,708,006</b>	<b>\$ 99,316,739</b>