

# 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 2024 Adopted Budget appropriation for general obligation borrowing for new projects is \$153.4 million, \$34.0 million less than the 2023 appropriation. The General Fund general obligation debt service for 2024 is \$54,412,143 in principal and \$9,467,758 in interest for a total of \$63,879,900, a \$2,292,678 increase from 2023, or 3.7 %. The General Fund general obligation debt service for 2023 was \$52,167,662 in principal and \$9,419,560 in interest for a total of \$61,587,222.

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 2022, applicable debt of the City totaled \$588.1 million or 30.5% of the maximum legal limit of \$1.9 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.

## 2024 Budget Highlights

### Service: Debt Service

- Includes General Fund general obligation debt service of \$54,412,143 in principal and \$9,467,758 in interest for a total of \$63,879,900.
- Under the General Obligation Debt Service Schedule, general debt reserves reflect \$7.8 million of reoffering premium received from the 2023 debt issuance. Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service. The \$7.8 million of 2023 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2024.
- 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 2024 Adopted Operating Budget appropriates \$1,233,000 from the general fund for capital projects (see Direct Appropriations). This is \$6.61 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 was adopted by a separate two-thirds vote of the Council during adoption of the 2024 operating budget.

**Debt Service**

Function: Debt Service

*Budget Overview*

## Agency Budget by Fund

| <b>Fund</b>  | <b>2022 Actual</b>   | <b>2023 Adopted</b>   | <b>2023 Projected</b> | <b>2024 Request</b>   | <b>2024 Executive</b> | <b>2024 Adopted</b>   |
|--------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Service | 85,864,626           | 107,986,613           | 107,986,613           | 107,986,613           | 116,324,921           | 116,324,921           |
| <b>Total</b> | <b>\$ 85,864,626</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 116,324,921</b> | <b>\$ 116,324,921</b> |

## Agency Budget by Service

| <b>Service</b> | <b>2022 Actual</b>   | <b>2023 Adopted</b>   | <b>2023 Projected</b> | <b>2024 Request</b>   | <b>2024 Executive</b> | <b>2024 Adopted</b>   |
|----------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Service   | 85,864,626           | 107,986,613           | 107,986,613           | 107,986,613           | 116,324,921           | 116,324,921           |
|                | <b>\$ 85,864,626</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 116,324,921</b> | <b>\$ 116,324,921</b> |

## Agency Budget by Major-Revenue

| <b>Major Revenue</b> | <b>2022 Actual</b>     | <b>2023 Adopted</b>     | <b>2023 Projected</b>   | <b>2024 Request</b>     | <b>2024 Executive</b>   | <b>2024 Adopted</b>     |
|----------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Invest Other Contrib | (651,842)              | (1,100,000)             | (1,100,000)             | (1,100,000)             | (2,100,000)             | (2,100,000)             |
| Other Finance Source | (12,854,059)           | (6,262,253)             | (6,262,253)             | (6,262,253)             | (7,631,282)             | (7,631,282)             |
| Transfer In          | (72,358,726)           | (100,624,360)           | (100,624,360)           | (100,624,360)           | (106,593,639)           | (106,593,639)           |
| <b>Total</b>         | <b>\$ (85,864,626)</b> | <b>\$ (107,986,613)</b> | <b>\$ (107,986,613)</b> | <b>\$ (107,986,613)</b> | <b>\$ (116,324,921)</b> | <b>\$ (116,324,921)</b> |

## Agency Budget by Major-Expense

| <b>Major Expense</b> | <b>2022 Actual</b>   | <b>2023 Adopted</b>   | <b>2023 Projected</b> | <b>2024 Request</b>   | <b>2024 Executive</b> | <b>2024 Adopted</b>   |
|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Purchased Services   | 160,475              | -                     | -                     | -                     | -                     | -                     |
| Debt Othr Financing  | 85,704,151           | 107,986,613           | 107,986,613           | 107,986,613           | 116,324,921           | 116,324,921           |
| <b>Total</b>         | <b>\$ 85,864,626</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 116,324,921</b> | <b>\$ 116,324,921</b> |

**Debt Service**

Function:

**Debt Service***Service Overview***Service:** Debt Service

## 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.

## Activities Performed by this Service

- Details of the projects funded by the Debt Service Fund are included in the 2024 Adopted Capital Budget.

## Service Budget by Fund

|                    | 2022 Actual          | 2023 Adopted          | 2023 Projected        | 2024 Request          | 2024 Executive        | 2024 Adopted          |
|--------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General            | -                    | -                     | -                     | -                     | -                     | -                     |
| Other-Expenditures | 85,864,626           | 107,986,613           | 107,986,613           | 107,986,613           | 116,324,921           | 116,324,921           |
| <b>Total</b>       | <b>\$ 85,864,626</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 107,986,613</b> | <b>\$ 116,324,921</b> | <b>\$ 116,324,921</b> |

## Service Budget by Account Type

|               | 2022 Actual  | 2023 Adopted  | 2023 Projected | 2024 Request  | 2024 Executive | 2024 Adopted  |
|---------------|--------------|---------------|----------------|---------------|----------------|---------------|
| Revenue       | (85,864,626) | (107,986,613) | (107,986,613)  | (107,986,613) | (116,324,921)  | (116,324,921) |
| Non-Personnel | 85,864,626   | 107,986,613   | 107,986,613    | 107,986,613   | 116,324,921    | 116,324,921   |
| <b>Total</b>  | <b>\$ 0</b>  | <b>\$ -</b>   | <b>\$ -</b>    | <b>\$ -</b>   | <b>\$ -</b>    | <b>\$ -</b>   |

**Debt Service**

Function:

Debt Service

Line Item Detail

Agency Primary Fund: Debt Service

|                                   | 2022 Actual            | 2023 Adopted            | 2023 Projected          | 2024 Request            | 2024 Executive          | 2024 Adopted            |
|-----------------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Invest Other Contrib              |                        |                         |                         |                         |                         |                         |
| Interest                          | (651,842)              | (1,100,000)             | (1,100,000)             | (1,100,000)             | (2,100,000)             | (2,100,000)             |
| <b>Invest Other Contrib Total</b> | <b>\$ (651,842)</b>    | <b>\$ (1,100,000)</b>   | <b>\$ (1,100,000)</b>   | <b>\$ (1,100,000)</b>   | <b>\$ (2,100,000)</b>   | <b>\$ (2,100,000)</b>   |
| Other Finance Source              |                        |                         |                         |                         |                         |                         |
| General Obligation Bond Alloc     | (290,087)              | -                       | -                       | -                       | -                       | -                       |
| Premium On Bonds Sold             | (6,310,064)            | -                       | -                       | -                       | -                       | -                       |
| Fund Balance Applied              | (6,253,908)            | (6,262,253)             | (6,262,253)             | (6,262,253)             | (7,631,282)             | (7,631,282)             |
| <b>Other Finance Source Total</b> | <b>\$ (12,854,059)</b> | <b>\$ (6,262,253)</b>   | <b>\$ (6,262,253)</b>   | <b>\$ (6,262,253)</b>   | <b>\$ (7,631,282)</b>   | <b>\$ (7,631,282)</b>   |
| Transfer In                       |                        |                         |                         |                         |                         |                         |
| Transfer In From General          | (56,108,323)           | (61,587,222)            | (61,587,222)            | (61,587,222)            | (63,879,900)            | (63,879,900)            |
| Transfer In From Library          | (2,804,419)            | (2,667,314)             | (2,667,314)             | (2,667,314)             | (2,539,627)             | (2,539,627)             |
| Transfer In From CDBG             | (12,406)               | (13,038)                | (13,038)                | (13,038)                | (13,711)                | (13,711)                |
| Transfer In From Loans            | (100,000)              | (200,000)               | (200,000)               | (200,000)               | (200,000)               | (200,000)               |
| Transfer In From Other Restrict   | (567,296)              | (758,793)               | (758,793)               | (758,793)               | (1,056,491)             | (1,056,491)             |
| Transfer In From Impact Fees      | (140,789)              | (115,144)               | (115,144)               | (115,144)               | (63,252)                | (63,252)                |
| Transfer In From Capital Proj     | (190,760)              | -                       | -                       | -                       | -                       | -                       |
| Transfer In From Special Asses    | (209,933)              | (201,916)               | (201,916)               | (201,916)               | (193,816)               | (193,816)               |
| Transfer In From Tax Incremen     | (12,224,800)           | (8,067,720)             | (8,067,720)             | (8,067,720)             | (10,247,982)            | (10,247,982)            |
| Transfer In From Water Utility    | -                      | (2,891,773)             | (2,891,773)             | (2,891,773)             | (2,869,993)             | (2,869,993)             |
| Transfer In From Stormwater       | -                      | (8,488,685)             | (8,488,685)             | (8,488,685)             | (8,934,195)             | (8,934,195)             |
| Transfer In From Cnvt Center      | -                      | (56,941)                | (56,941)                | (56,941)                | (59,880)                | (59,880)                |
| Transfer In From Transit          | -                      | (3,825,525)             | (3,825,525)             | (3,825,525)             | (3,790,806)             | (3,790,806)             |
| Transfer In From Golf Courses     | -                      | (44,361)                | (44,361)                | (44,361)                | (44,214)                | (44,214)                |
| Transfer In From Fleet Service    | -                      | (10,716,340)            | (10,716,340)            | (10,716,340)            | (11,756,734)            | (11,756,734)            |
| Transfer In From CDA              | -                      | (686,766)               | (686,766)               | (686,766)               | (659,836)               | (659,836)               |
| Transfer In From Public Health    | -                      | (302,822)               | (302,822)               | (302,822)               | (283,202)               | (283,202)               |
| <b>Transfer In Total</b>          | <b>\$ (72,358,726)</b> | <b>\$ (100,624,360)</b> | <b>\$ (100,624,360)</b> | <b>\$ (100,624,360)</b> | <b>\$ (106,593,639)</b> | <b>\$ (106,593,639)</b> |
| Purchased Services                |                        |                         |                         |                         |                         |                         |
| Financial Actuary Services        | 84,500                 | -                       | -                       | -                       | -                       | -                       |
| Audit Services                    | 2,000                  | -                       | -                       | -                       | -                       | -                       |
| Legal Services                    | 73,975                 | -                       | -                       | -                       | -                       | -                       |
| <b>Purchased Services Total</b>   | <b>\$ 160,475</b>      | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ -</b>             |
| Debt Othr Financing               |                        |                         |                         |                         |                         |                         |
| Principal                         | 73,808,452             | 89,920,000              | 89,920,000              | 89,920,000              | 95,404,169              | 95,404,169              |
| Interest                          | 11,686,883             | 18,056,613              | 18,056,613              | 18,056,613              | 20,910,752              | 20,910,752              |
| Bond Notes Issuance Services      | 194,067                | -                       | -                       | -                       | -                       | -                       |
| Paying Agent Services             | 14,750                 | 10,000                  | 10,000                  | 10,000                  | 10,000                  | 10,000                  |
| <b>Debt Othr Financing Total</b>  | <b>\$ 85,704,151</b>   | <b>\$ 107,986,613</b>   | <b>\$ 107,986,613</b>   | <b>\$ 107,986,613</b>   | <b>\$ 116,324,921</b>   | <b>\$ 116,324,921</b>   |