

# City Debt

2021 Budget Overview

Finance & Personnel Committee

October 2, 2020

# Community Goals & Objectives

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## **Community Goal**

Increase investment and economic vitality throughout the City

## **Mission**

Manage and control outstanding debt through equitable financing of capital improvements

## **Objective**

Limit annual growth in the debt service levy to 2% or less

# 2021 Proposed Budget Summary

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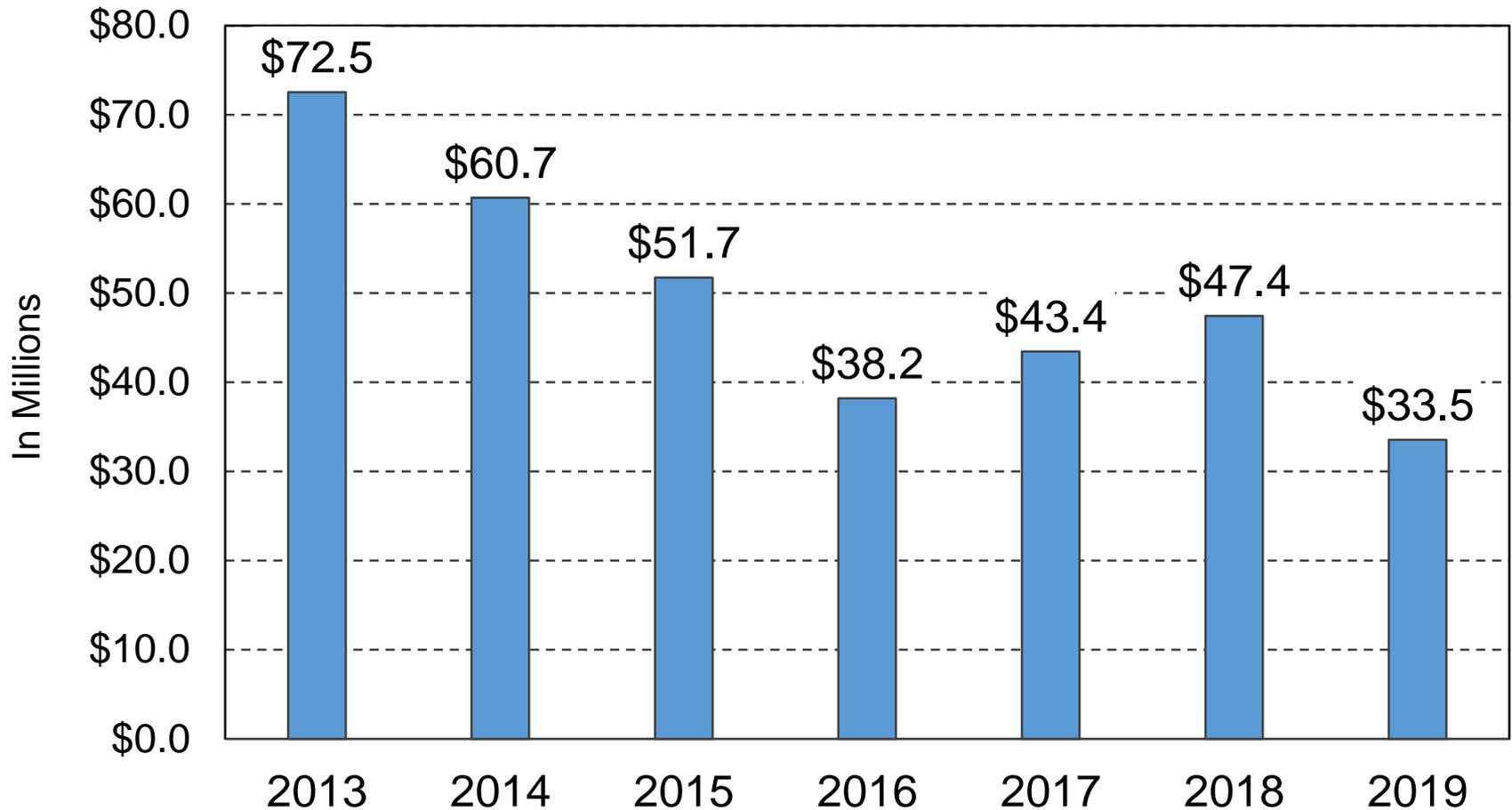
- 2021 Budget for City Debt: \$258.8 million
  - Decrease of \$8.7 million from 2020 budget
- Withdrawal from PDAF increased by \$1.5 million from 2020
  - 2021 PDAF withdrawal: \$10.5 million
- The City continues to aggressively repay debt
  - 90% of GO debt is repaid within 10 years
- 2021 Debt Service Levy: \$83.5 million
  - \$9.9 million increase from 2020 (+13.5%)

# 2021 Debt Service Levy

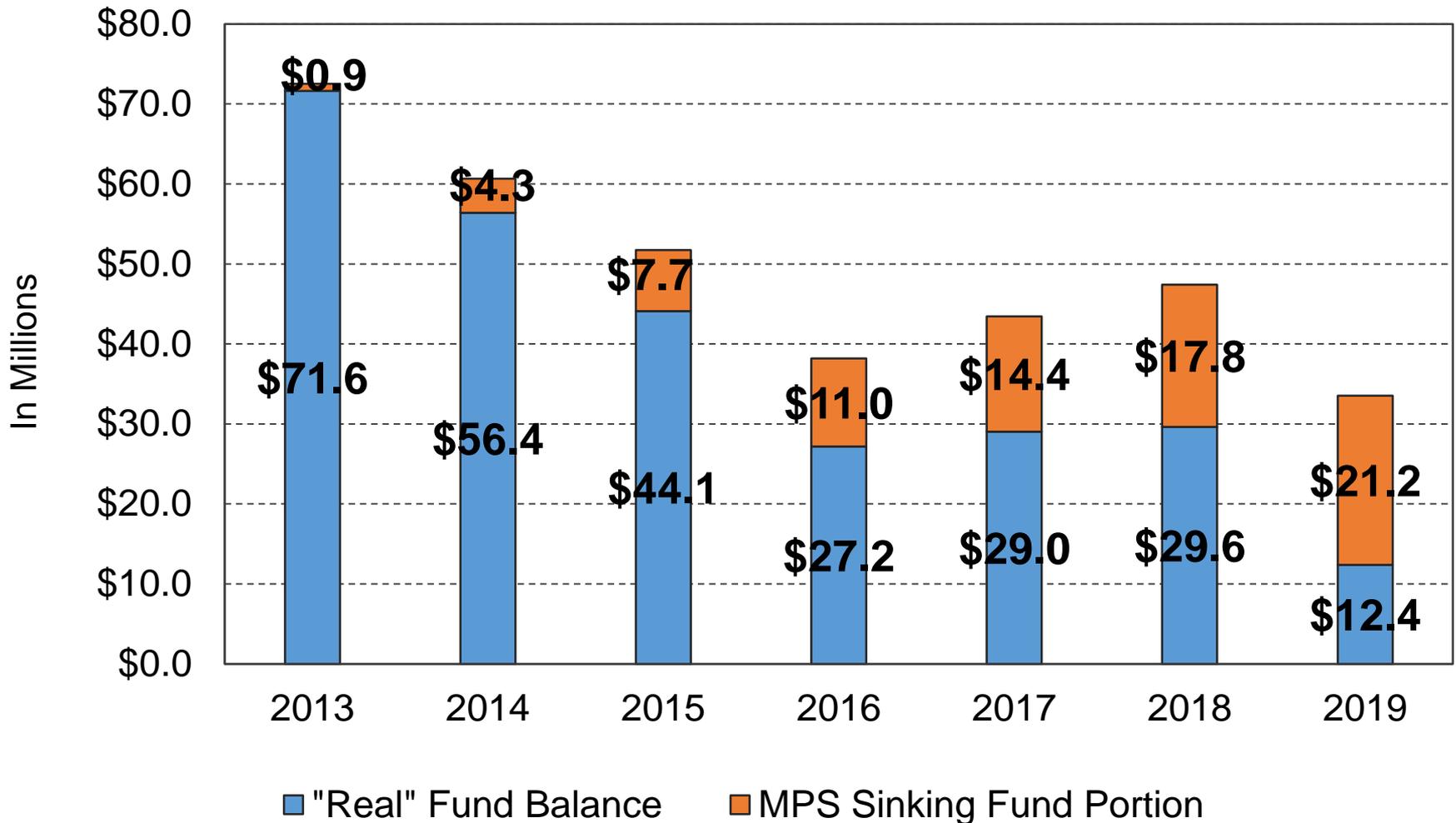
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- In recent years, City Debt budgets have relied on drawdowns from the Debt Service Fund to help limit increases to the Debt Service Levy
- Decreases in fund balance of the Debt Service Fund prevent the City from using fund balance to stabilize the Debt Service Levy in the 2021 budget
- \$8.6 million of the \$9.9 million increase in the Debt Service Levy results directly from the inability to draw from the Debt Service Fund in 2021

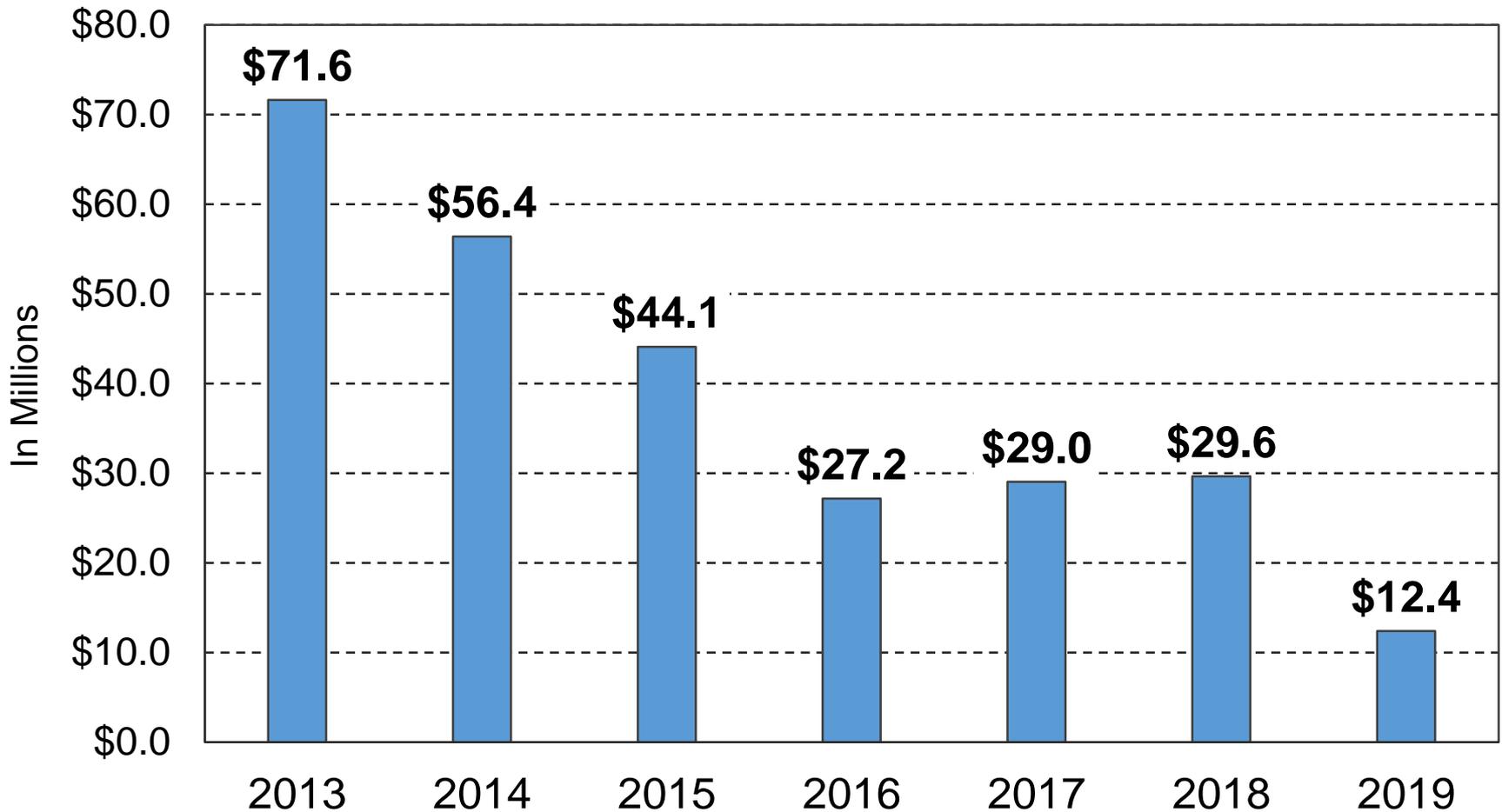
# “Presumed” Debt Service Fund Balance: 2013-2019



# “Real” Debt Service Fund Balance vs. MPS Sinking Fund Portion: 2013-2019



# “Real” Debt Service Fund Balance: 2013-2019



# City of Milwaukee Bond Rating

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- In September 2020, S&P downgraded the City's bond rating from "AA-" to "A" with a negative outlook
- From S&P Ratings Summary:
  - "Should the city be unable to address its continued budget shortfalls in an expedited fashion, either through materially significant expenditure reductions or increased revenue, the rating could be lowered, potentially by multiple notches. In addition, **if the city continues to experience operational deficits, and, in our view, fails to execute its plan to address these imbalances, a determination of structural imbalance could be made, leading to a rating cap of 'BBB+'.**"
- The use of Tax Stabilization Fund balance in the 2021 proposed budget will be closely scrutinized by bond rating agencies

# Other Key Considerations in City Debt Budget

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- Control future increases in debt service levy by limiting new levy-supported borrowing in capital budget
- Comptroller's Office is implementing initiatives to take advantage of current low interest rate environment
  - Lock in current short-term borrowing rates for the next 10 years
  - Exploring use of pre-expenditure borrowing to secure current market rates for all remaining borrowing authority that has not yet been borrowed