

REVISED
LRB – FISCAL SECTION ANALYSIS

MAY 31, 2002 AGENDA **ITEM 11, FILE 020222**

FINANCE & PERSONNEL COMMITTEE **JAMES CARROLL**

File #020222 is a Communication from the City Comptroller transmitting the Annual Report of the Public Debt Amortization Fund for the year ended December 31, 2001.

Background

1. State Statutes and the City Charter provide for the establishment of a Public Debt Commission (PDC) to oversee the issuance of debt and the Public Debt Amortization Fund (PDAF). The Commission consists of three members appointed by the Mayor and confirmed by the Common Council.
2. The PDAF receipts are from the following sources per Section 67.101(1)(b) of the Wisconsin State Statutes:
 - ❖ 1/3 of all interest on any invested city funds
 - ❖ 1/3 of all interest on any funds to the interest of which the city is entitled
 - ❖ 1/3 of interest received on delinquent personal property taxes
 - ❖ 100% of interest on installment payments on special assessments
3. The practical impact of PDAF utilization is a reduction to the property tax levy, which would otherwise be required for debt service or cash-financed capital projects.
4. Credit agency reports indicate the existence of a well-funded PDAF enhances the credit quality of city debt. Credit quality factors significantly influence the cost of City debt.
5. The PDC report investments at fair market value in accordance with Government Accounting Standards Board (GASB) Statement #31.

2001 PDAF Experience

1. The report indicates the PDAF unsegregated fund balance increased by \$202,127 from \$43.45 to \$43.65 million in 2001. The Fund Balance remains below the PDC's Statement of Policy that calls for maintaining balance limits of between 15% and 20% of the non-self supporting debt. The 2001 non-self supporting debt was \$421.7 million with a mid-point target level (17.5%) of \$73.8 million. The balance is below the target range at 10.35%.
2. The Public Debt Amortization Fund withdrew a total of \$10.3 million dollars in 2001 of which \$7 million was used to purchase and cancel City debt. \$3.3 million was paid from Segregated Fund Balance for Special Assessment debt service payments.
3. The 2001 unsegregated portion of the PDAF received revenues totaling over \$7.2 million. Approximately \$4.0 million is attributed to City contributions and the balance of \$3.2 million is due to investment interest earnings of Fund holdings.

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