

File No. 001381 is a resolution relating to the issuance of general obligation short-term promissory notes under sec. 67.12(12) Stats, for a public purpose, to-wit: for financing of current year unanticipated shortfalls in operating expenses in an amount not to exceed \$20 million.

Background

1. Sec. 18-06-9 of the charter authorizes the City to borrow in the absence of authority in the budget only in the case of great emergency when necessary, to protect the public health and safety and only when authorized by the common council by a three-fourths vote of all aldermen.

Discussion

1. The 2001 Budget authorized Contingent Borrowing in the amount of \$75 million for unanticipated circumstances or expenses which were currently not determinable and for which the Council's Contingent Fund is insufficient. Borrowing is in the form of the issuance of general obligation bonds or notes.
2. The resolution, as submitted, does not specify the unanticipated operating expense shortfalls. From previous discussions it is surmised the shortfalls are primarily due to the following 2000 operating expense accounts :
 - DER expects a shortfall in the Basic Plan Claims SPA account of \$1.3 to \$2.1 million this year
 - DER expects a shortfall in the HMO SPA account for 2000 of \$2.2 to \$2.8 million.
 - DPW experienced an increase in various unspecified operating expenses including the record December 2000 snowfall which caused the department's snow removal budget to far exceed the 2000 authorized Budget amount.
 - Higher than anticipated increases in personnel expense.
3. The resolution does not specify whether 2000 or 2001 Contingent Borrowing authority will be used. The Council may wish to use 2000 Contingent Borrowing authority because these expenses were incurred in 2000 and this would leave the 2001 authority intact for emergencies which may occur this year. The 2000 Contingent Borrowing authority is \$45 million.
4. The Committee may wish the Budget Office to provide specific information as to what accounts experienced shortfalls and the amount of the shortfalls.

Fiscal Impact

1. The fiscal impact is not known at this time because the file does not specify the minimum amount that the City will need to cover the anticipated operating shortfalls.
2. The promissory notes will bear interest payable semi-annually at a rate not to exceed 9.25% with a maturity date not to exceed 10 years.

Other Information

1. The Common Council's Contingent Fund balance is \$2, 929,533 currently.

Cc: Marianne C. Walsh
Laura Engan
W. Martin Morics

Prepared by Hattie E. Billingsley
LRB – Fiscal Review
January 30, 2001