

LRB – FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 21, 2005 AGENDA

ITEM 24, FILE 050609

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #050609 is a resolution authorizing the Commissioners of the Public Debt to market general obligation notes, in the amount not to exceed \$15,000,000, pursuant to the provisions of Chapter 67, Wisconsin Statutes, for purchase by the Public Debt Amortization Fund (PDAF).

Background

1. The Public Debt Amortization Fund (PDAF) is authorized by State Statutes to purchase and cancel debt of the City. However, the State Statutes do not permit a direct transfer from the PDAF to the Debt Service Fund. The Public Debt Commission has annually approved a withdrawal from the PDAF. The withdrawal is used to offset the tax levy impact of the following year's debt service.
2. In 2004, the draw on the PDAF was effected by a refunding of outstanding debt. While this method would still work, the Comptroller's Office indicates that the method has proved cumbersome to avoid accounting and State reimbursement issues.

Discussion

1. This resolution authorizes the Public Debt Commission to issue and sell City of Milwaukee general obligation notes in the amount not to exceed \$15,000,000 to effect a draw on the Public Debt Amortization Fund to reduce the Debt Service levy. The notes shall be immediately cancelled upon purchase.
2. According to Comptroller's Office this resolution provides the most direct method, consistent with State Statutes, to effect a transfer from the PDAF to the Debt Service Fund to reduce the Debt Service Levy of the City.
3. On September 14, 2005, the Public Debt Commission (PDC) approved a \$5.0 million withdrawal from the unsegregated portion of the PDAF. At the September 14, 2005 meeting, the PDC also approved a withdrawal of \$3,551,000 from the segregated portion of the PDAF. The withdrawals will be used to offset the tax levy impact of 2006 debt service.

Fiscal Impact

Approval of this resolution will facilitate the withdrawal of \$8,551,000 from the PDAF and deposit of \$8,551,000 in the Debt Service Fund to reduce the Debt Service Levy of the City.

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