

LRB – FISCAL SECTION ANALYSIS
JUNE 9, 2004 AGENDA
ITEM 21, FILE 040105
FINANCE & PERSONNEL COMMITTEE
JAMES CARROLL

File #040105 is a Communication from the City Comptroller transmitting the Annual Report of the Public Debt Amortization Fund for the year ended December 31, 2003.

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 table below shows the PDAF balance and withdrawal for the last ten years.

PUBLIC DEBT AMORTIZATION FUND (PDAF)		
HISTORICAL PREPAYMENTS (WITHDRAWALS)		
(\$ IN MILLIONS)		
YEAR (DEC.31)	AMORTIZATION FUND UNSEGREGATED FUND BALANCE (1)	PDAF PREPAYMENT (IN FOLLOWING YEAR)
1994	\$ 57.1	\$ 8.2
1995	\$ 56.9	\$ 11.2
1996	\$ 53.8	\$ 13.2
1997	\$ 53.1	\$ 11.0
1998	\$ 52.7	\$ 11.0
1999	\$ 45.1	\$ 11.5
2000	\$ 43.4	\$ 11.0
2001	\$ 43.7	\$ 7.0
2002	\$ 44.6	\$ 5.0
2003	\$ 44.2	\$ 4.0

(1) FOLLOWING THE PDAF DRAW DOWN FOR THE SUBSEQUENT YEAR'S BUDGET

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2003 PDAF Experience

1. The report indicates the 2003 PDAF unsegregated fund balance decreased by approximately \$440,000 from 2002's balance of \$44.61 million to \$44.16 million. The Fund's 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 2003 balance is below the target range at 9.6%. This is a slight decline from the 2002 balance of 9.8%. The primary reason for the decline in the percentage is the decrease in the Fund's balance and slight increase in debt outstanding.
2. The Public Debt Amortization Fund withdrew a total of approximately \$7.3 million dollars in 2003 of which \$4 million was used to purchase and cancel City debt. \$3.3 million was paid from the Segregated Fund Balance for Special Assessment debt service payments.
3. The 2003 unsegregated portion of the PDAF received revenues totaling approximately \$3.6 million. Approximately \$2.7 million is attributed to City contributions and the balance of approximately \$900,000 is due to the total earnings on the Fund's investment.

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LRB Fiscal Section
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