

COMMISSION FILE NO: 16-124-9 **DATE INTRODUCED:** September 12, 2016

INTRODUCED BY: Executive Director (Signature on File in the Office of the Commission)

REFERRED BY COMMISSION CHAIRPERSON TO: Policy, Finance, and Personnel Committee

RELATING TO: Transferring Additional Money to the Debt Service Fund

SUMMARY:

The Commission is requested to approve a transfer of \$18,258,000 from working capital to the Debt Service Fund (a sinking fund for the District's bonds) to abate the required 2016 tax levy to \$98,380,000. The transfer requires a two-thirds affirmative vote of the Commission for adoption.

For each District-issued bond or low interest loan from the Clean Water Fund Program, State law requires the District to levy an irrevocable, direct annual tax in an amount sufficient to pay the principal of and interest on the bonds or notes for the following year. The required tax levy may be reduced in any year by the amount of any surplus money in the Debt Service Fund available to pay debt service.

Table 1 details the calculation of the amount to be transferred to the Debt Service Fund. Gross debt service to be paid in 2017 for tax supported obligations is estimated to be \$122,964,544. Gross debt service is reduced by surplus funds in the Debt Service Fund, resulting in net debt service of \$116,638,000. The requested transfer of \$18,258,000 from working capital to the Debt Service Fund would further reduce net debt service and the required tax levy to \$98,380,000, an increase of 2.50% from last year's levy.

It is the advice of bond counsel that the actual transfer of funds should occur in the month prior to adoption of the tax levy. The Commission will be asked to adopt the 2017 tax levy on October 24, 2016.

ATTACHMENTS: **BACKGROUND** ☐ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☐ **S/W/MBE** ☐ **OTHER** ☐ _____

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

Transferring Additional Money to the Debt Service Fund

TRANSFERRING ADDITIONAL MONEY TO THE DEBT SERVICE FUND

Table 1

Calculation of Transfer from Working Capital to Debt
Service Fund to Fund General Obligation Debt Service

| <u>Series</u> | 2017 Debt Service Fund | | |
|---|-------------------------------------|--|-----------------------------------|
| | <u>Gross</u> <u>Debt Service</u> | <u>Less Surplus</u> <u>in Debt</u> <u>Service Fund</u> | <u>Net</u> <u>Debt Service</u> |
| 2003I | \$6,467,250 | \$11,250 | \$6,456,000 |
| 2005A | \$6,305,738 | \$8,738 | \$6,297,000 |
| 2007A | \$22,442,438 | \$67,438 | \$22,375,000 |
| 2008F | \$3,395,750 | \$165,750 | \$3,230,000 |
| 2010L | \$4,000,003 | \$4,003 | \$3,996,000 |
| 2015A | \$3,700,225 | \$3,700,225 | \$0 |
| 2015C | \$1,808,638 | \$518,638 | \$1,290,000 |
| New Bond | <u>\$2,250,000</u> | <u>\$0</u> | <u>\$2,250,000</u> |
| Sub-Total | \$50,370,042 | \$4,476,042 | \$45,894,000 |
| Clean Water Fund Loans | \$72,242,502 | \$1,850,502 | \$70,392,000 |
| New Clean Water Fund Loans | <u>\$352,000</u> | <u>\$0</u> | <u>\$352,000</u> |
| Sub-Total | <u>\$72,594,502</u> | <u>\$1,850,502</u> | <u>\$70,744,000</u> |
| Total Debt Service Sinking Fund | \$122,964,544 | <u>\$6,326,544</u> | \$116,638,000 |
| Intergovernmental Loan - Ryan Creek* | <u>\$4,165,927</u> | | |
| Total Debt Service | <u>\$127,130,471</u> | | |
| Less Tax Levy (2.5% increase from prior year) | | | <u>\$98,380,000</u> |
| Transfer from Working Capital | | | <u>\$18,258,000</u> |

* This loan is not secured with pledge of tax levy

RESOLUTION

Transferring Additional Money to the Debt Service Fund

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that \$18,258,000 be transferred from working capital to the 2007A Debt Service Fund account on or before September 30, 2016, to abate a like amount of the 2016 tax levy for 2017 purposes.