Report of Projected Debt & Debt Service For the Years 2011 through 2020 City of Milwaukee August 11, 2016

Office of the Comptroller
Martin Matson
Comptroller
City of Milwaukee- Public Debt Commission

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The Public Debt Commission's *Policy for the Use of the Balance of the Public Debt Amortization Fund,* approved on October 1, 2015, calls for the Comptroller as Commission Secretary to annually prepare an estimate of projected debt and debt service.

Trends 2011-2015

Over the period 2011-2015, the amount of General Obligation (GO) debt issued varied from $68 million to $153 million per year while the amount retired ranged from $109 million to $120 million per year. Much of the issuance variability between years was due to timing of debt issuance, and not as a result of changes in authorizations or capital spending. Some notable exceptions include: 2013 when $62 million was issued for early payment of the $60 million annual supplemental payment to the Employes' Retirement System (ERS); 2012 saw lower GO issuance due to the conversion of the commercial paper program to non-GO extendable municipal commercial paper; and the $220 million issued in 2011 includes $48 million for one-time debt to be reimbursed by Milwaukee Public Schools, and $49 million of temporary borrowing for Sewers until revenue bonds were issued. With the extendable municipal commercial paper program, variances due to water and sewer bonds were eliminated. However, the EMCP program expires in 2017, and changes to rules for money market funds makes the EMCP program much less attractive to the funds. The EMCP program is likely to be replaced with a program that has the GO Pledge, and that debt may be reflected as soon as 2016. The effects of replacing the EMCP program with a GO Pledge is NOT reflected in this report.

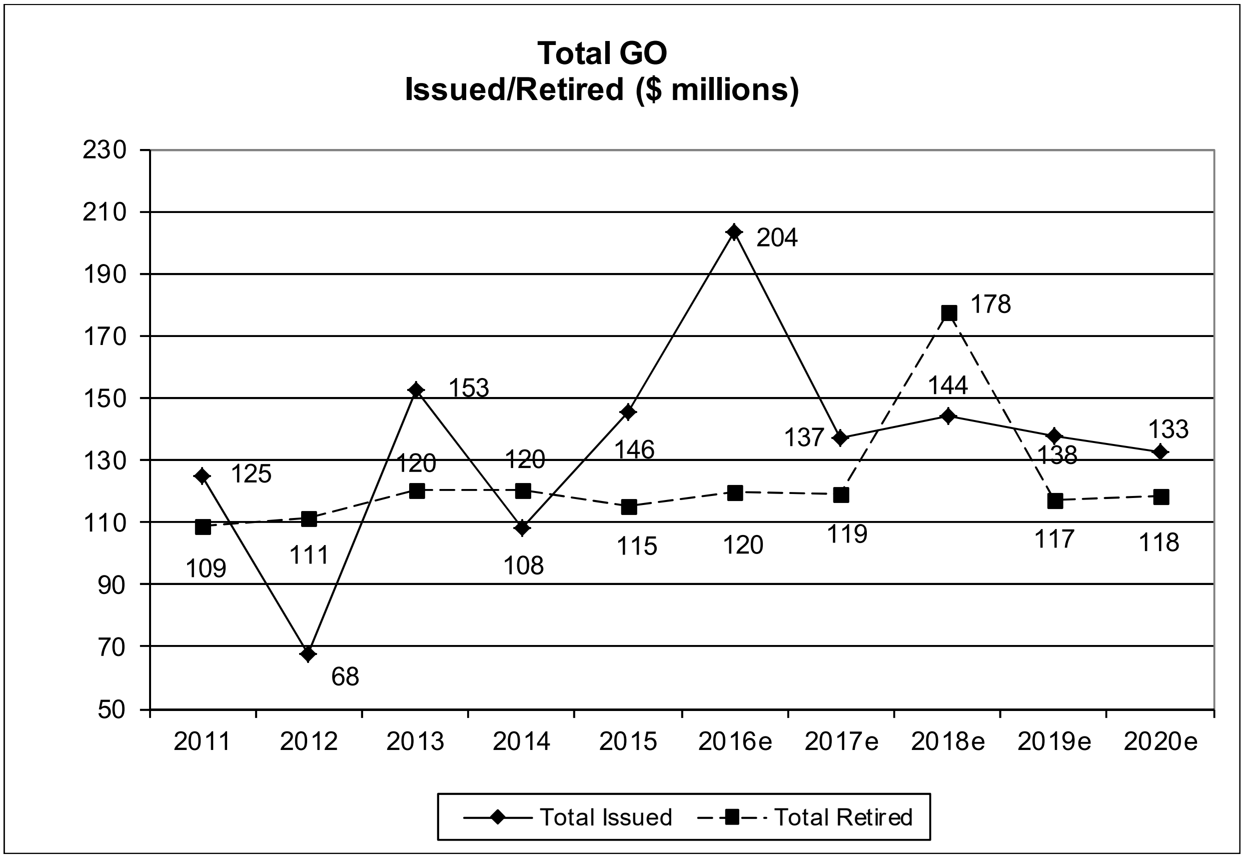
GO debt issuance is projected to average around $150 million per year.

The majority of the net new debt is projected to be for Tax Incremental Districts ($50 million for the Streetcar, $40 million related to the Bucks Arena, and $25 million for the Lake Front Interchange) and Streets. In 2007, $11 million of new borrowing was authorized for Streets. The 2016 Budget and the Capital Improvement Plan has $30+ million per year of new borrowing for Streets.

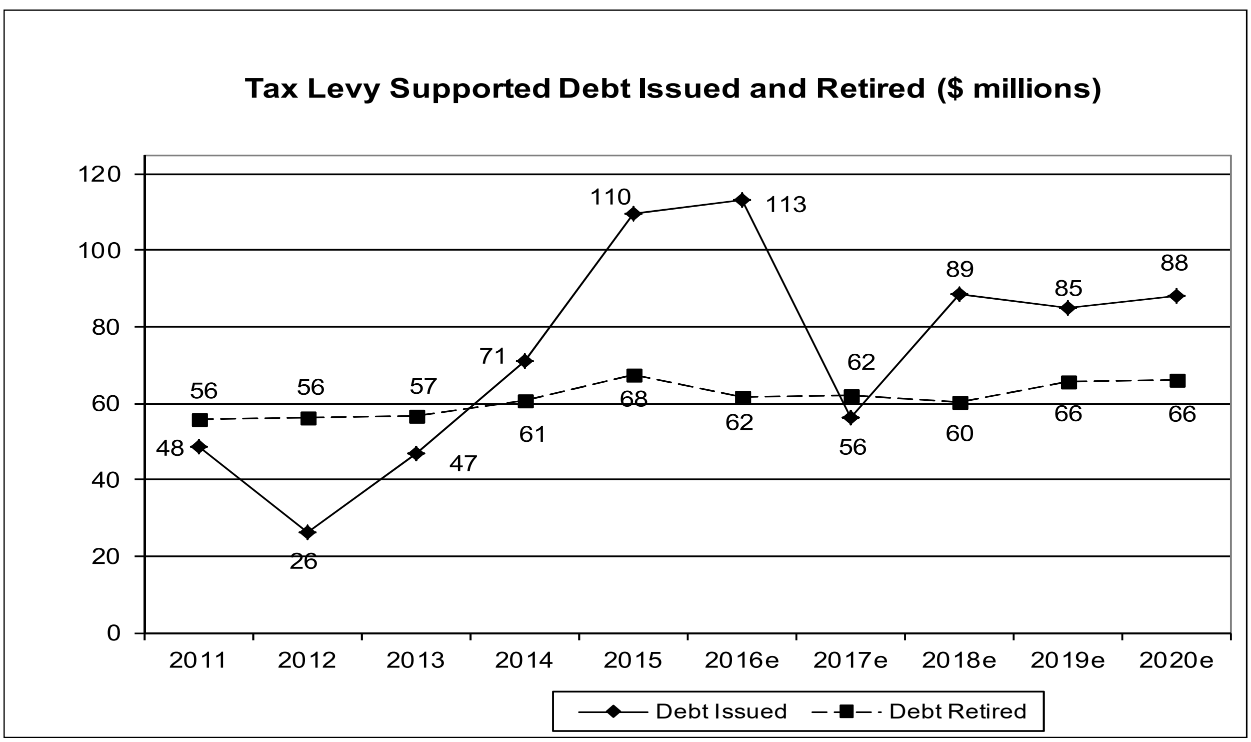
On average, the issuance of tax-levy supported debt has exceeded debt retired. It is projected that new tax-levy supported debt will exceed tax-levy retired debt by $20 million per year.

Self-supporting Debt issued amounts include one-time amounts of $48 million in 2011 of reimbursed debt for Milwaukee Public Schools (MPS), for which interest is paid by the Federal Government, and $12 million for refunding of the remaining four years of a lease for school buildings. The $62 million for the ERS is categorized as self-supporting debt. Although it will be paid by tax levy (or other general revenues of the City), it is not anticipated to be paid from the tax levy for debt service. The spike in self-supporting debt retired in 2018 is due to the ERS financing.

CHART 1



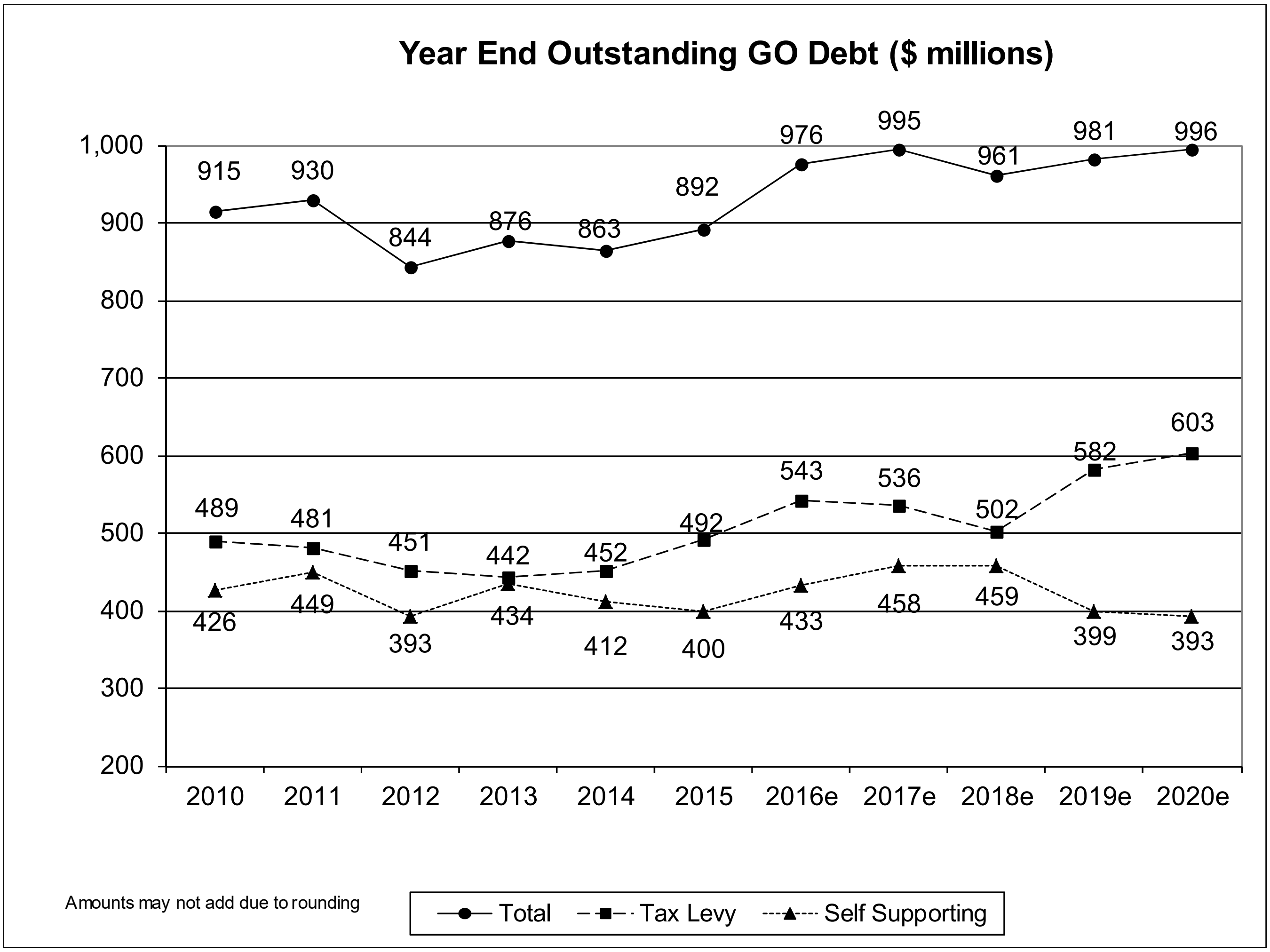
Total GO
Issued/Retired ($ millions)
230
210
190
170
150
130
110
90
70
50
2011
2012
2013
2014
2015
2016e
2017e
2018e
2019e
2020e
125
68
153
108
146
204
137
144
138
133
109
111
120
120
115
120
119
178
117
118
Total Issued
Total Retired



Tax Levy Supported Debt Issued and Retired ($ millions)
120
100
80
60
40
20
0
2011
2012
2013
2014
2015
2016e
2017e
2018e
2019e
2020e
48
26
47
71
110
113
56
89
85
88
56
56
57
61
68
62
62
60
66
66
Debt Issued
Debt Retired

At the end of 2015, GO debt outstanding was at $892 million. This amount represents a $32 million increase (4%) from $860 million (excluding temporary borrowing for sewers) at the end of 2010. During that same time period, tax-levy supported debt declined, but then returned to 2010 levels, and self-supporting debt (excluding temporary borrowings) increased by $29 million (8%).

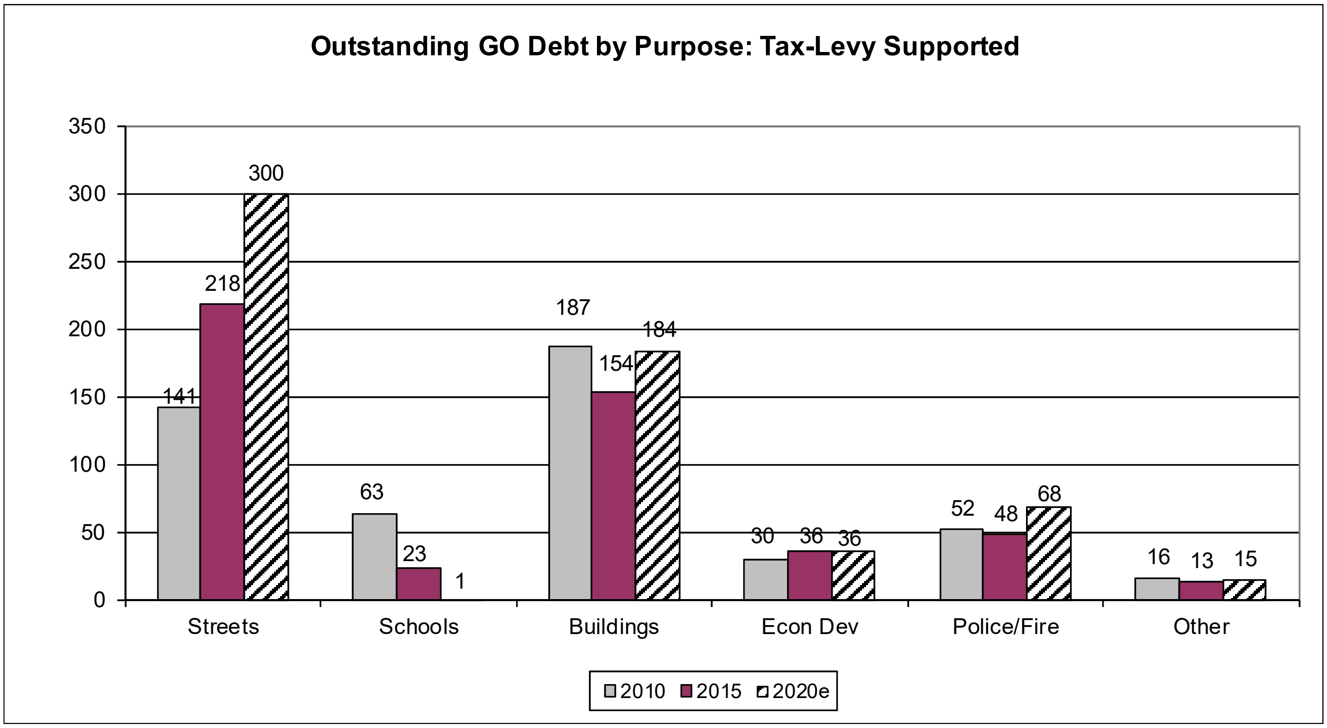
CHART 2



Total Outstanding GO debt is projected to increase by $62 million (7%), from $863 million in 2014 to $925 million in 2020. During that same time period, tax-levy supported debt is projected to increase by $132 million (27%).

The major increase in tax-levy supported debt is for the Streets program. The major increases in self-supporting debt is for Tax Increment Districts and Other (ERS borrowing).

CHART 3



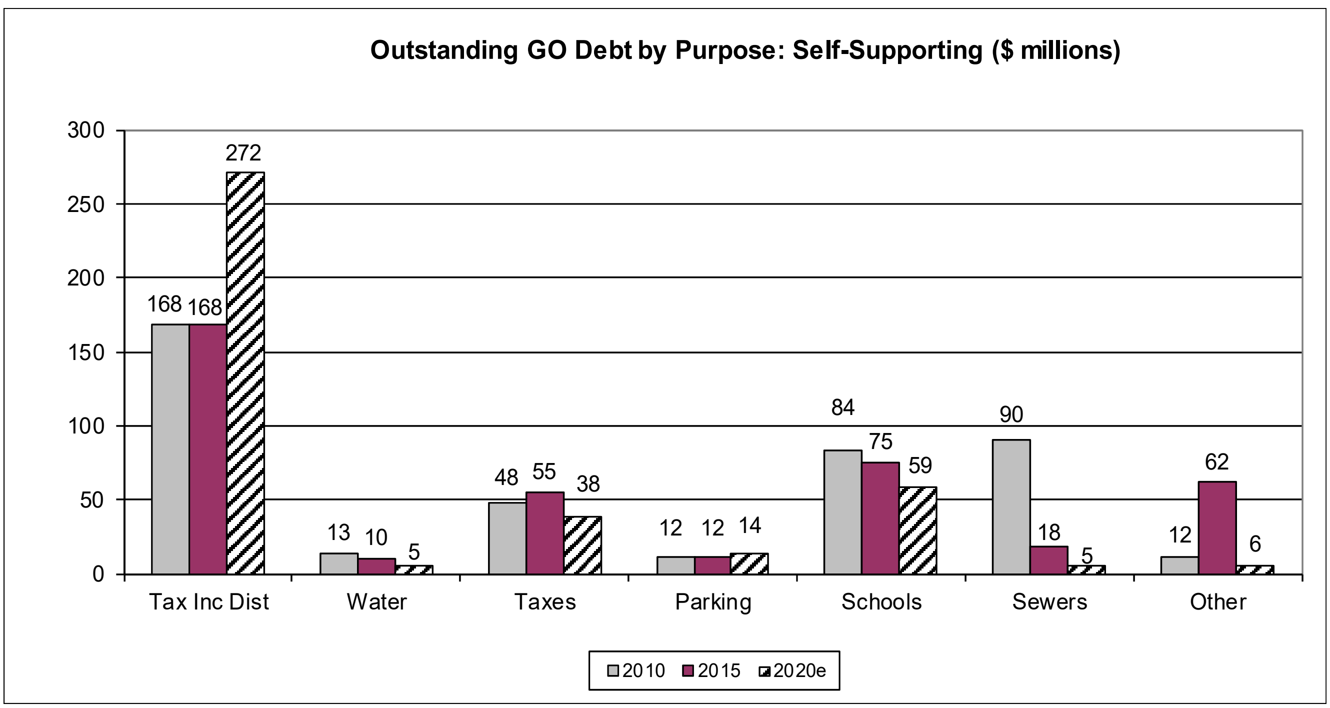
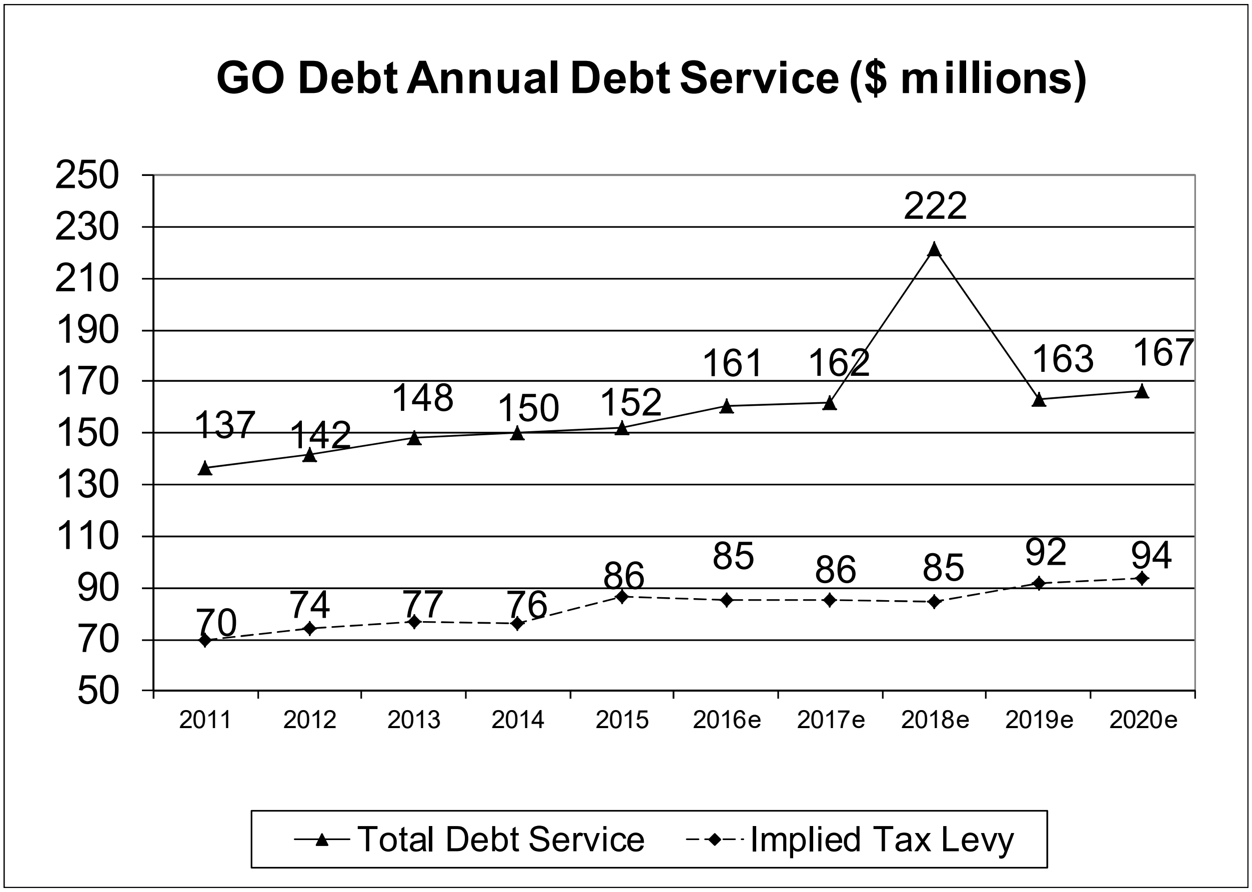


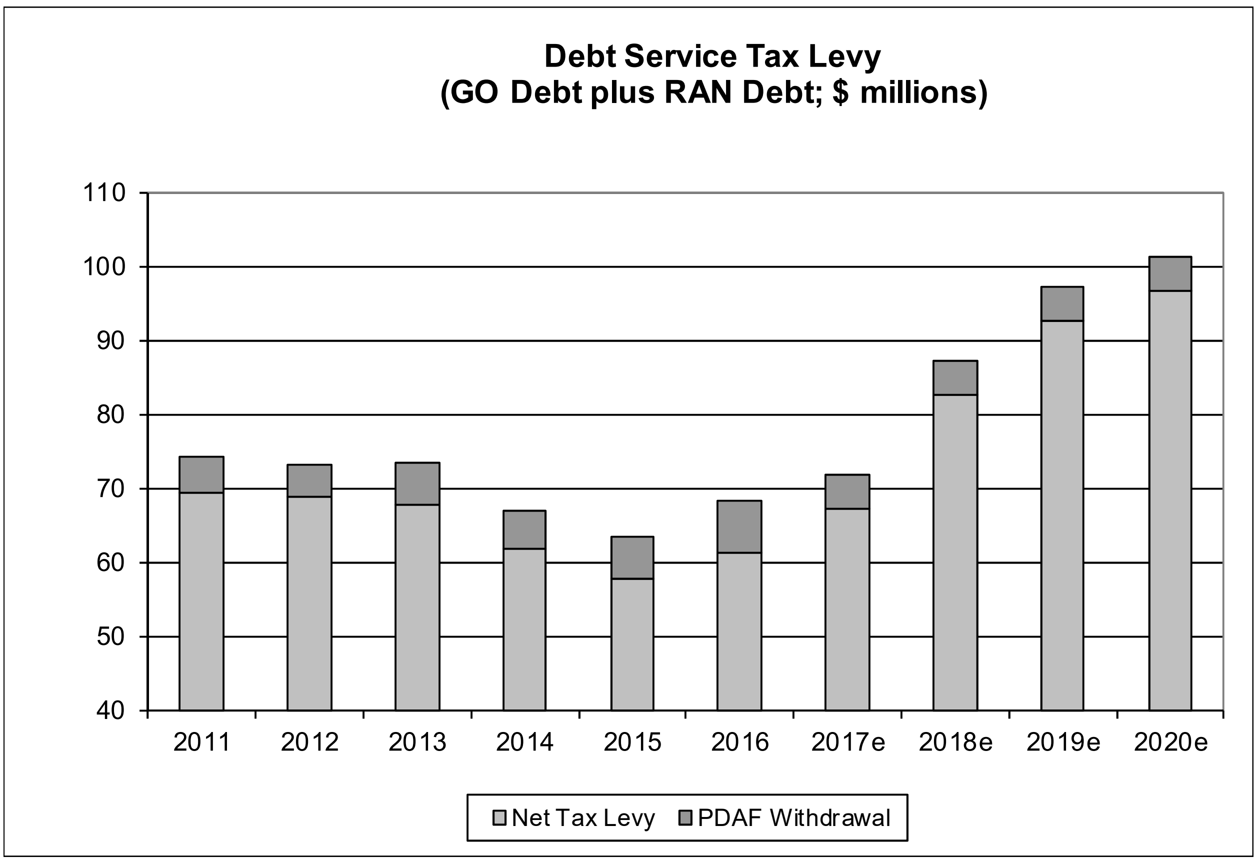
CHART 4


GO Debt Annual Debt Service ($ millions)
250
230
210
190
170
150
130
110
90
70
50
222
137
142
148
150
152
161
162
163
167
70
74
77
76
86
85
86
85
92
94
2011
2012
2013
2014
2015
2016e
2017e
2018e
2019e
2020e
Total Debt Service
Implied Tax Levy

The City's tax levy for debt service has been relatively stable between 2011-2013. The tax levy in 2014-2016 was lower due to a use of $8-10 million per year of one-time excess in the Debt Service Fund balance. 2017 is expected to see $10 million of Debt Service Fund balance used to reduce the tax levy for debt service. Depending upon the results of an examination, that amount may or may not need to be repaid in future years. 2018-2020 shows the expected trend without the benefit of use of Debt Service Fund balance. Approximately $7 million of the projected growth in the tax levy over the next five years (from 2011-2014 levels) is due to a projected increase in short-term interest rates on the annual cash flow RAN borrowings. Short-term rates are projected to rise significantly from 0.40% to a more normal 3.00% rate.

Based upon projected issuance, the tax levy for debt service is projected to grow from $57 million in 2015 to $96 million in 2020. This assumes an annual draw of $4.5 million on the PDAF for 2017-2020.

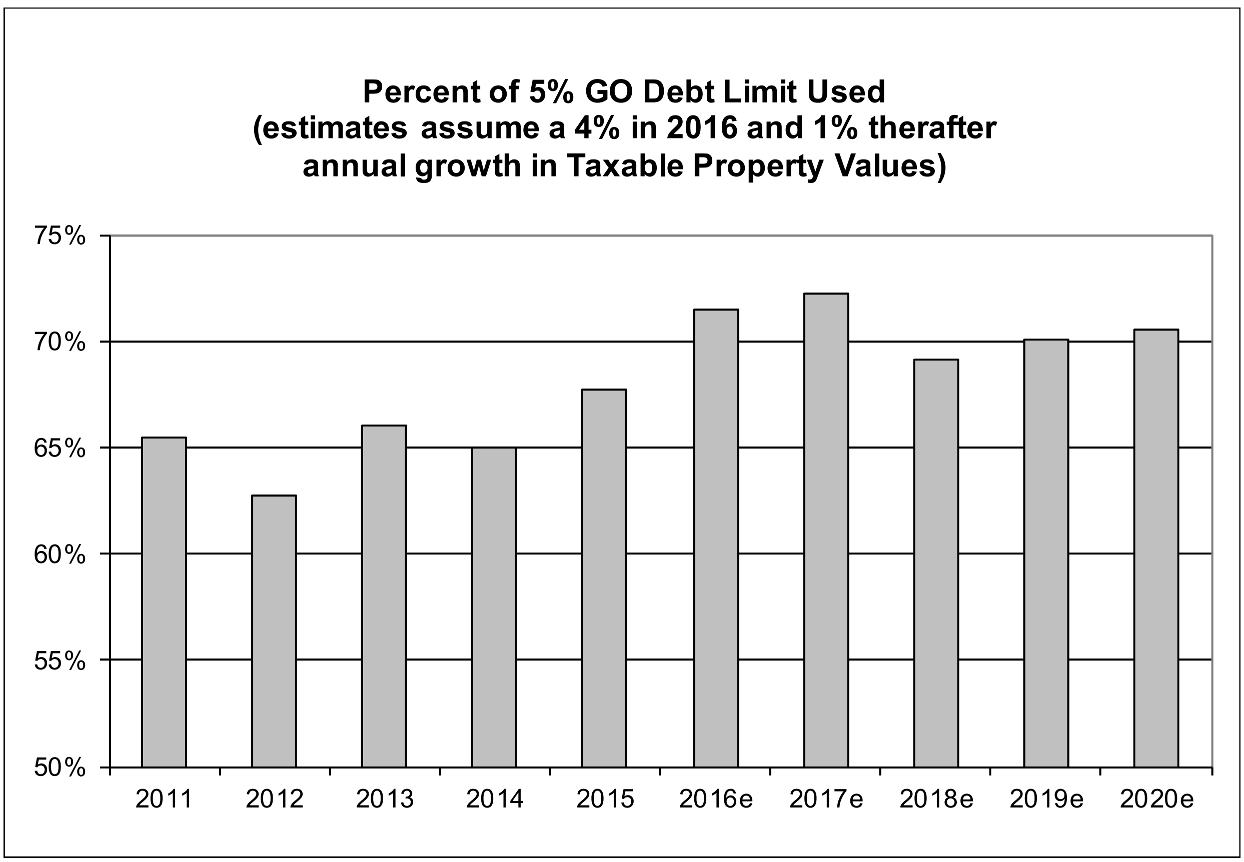
CHART 5



One measure of the City's ability to repay debt is its wealth (property tax base). The relationship between year-to-year debt trends and comparable property tax base trends is monitored closely by the national bond rating agencies. The State's Constitution limits the amount of GO debt a municipality can issue to five percent of its equalized (market) property value (e.g., the property tax base). Since 2011, the growth in debt, and decline in property values have resulted in an increase in the legal debt limit used from 61% in 2011 to 68% in 2015. The chart below assumes a 4.0% change in Equalized Value in 2016, and +1.0% in 2017-2020.

Between 1996-2000, the percent of legal debt limit used, grew from 57% to 69%. Between 2000-2007, the ratio declined to 45% due to the unusually large increases in the valuation of existing properties. The 60-65% level is high, but manageable. Exceeding the 65-70% level over an extended period of time would be a concern. Assuming a limit of 80%, in 2017, the available practical debt limit would be $107 million of additional debt. Some of the total available capacity is required to be maintained for the $200 million Extendable Commercial Paper program, and $60 million in 2018 for a continuation of the ERS prepayment program.

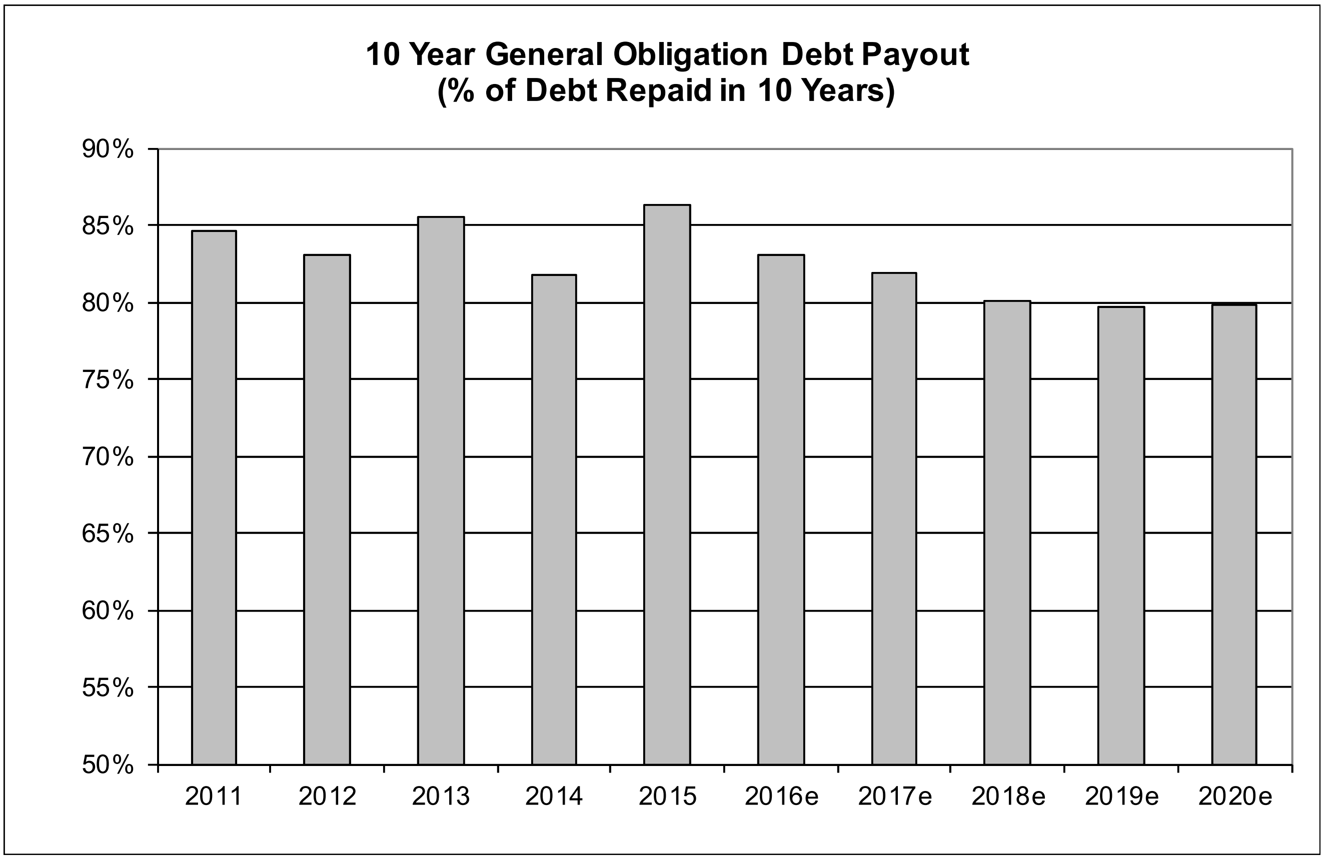
CHART 6



The rate of debt payout is another important facet of debt management (see Chart 7). The term "10 Year Debt Payout" is defined as the percent of total GO debt that will be retired/repaid within the next 10 years. It is a measure of how aggressively the City is repaying its debt. The higher the percentage, the faster debt is scheduled to be paid off. The City's 10 Year Debt Payout percentage remains very high, ranging from 82% to 86% in 2011-2015. It is projected to decline to 80% in 2018, still well above the industry guideline of 50%.

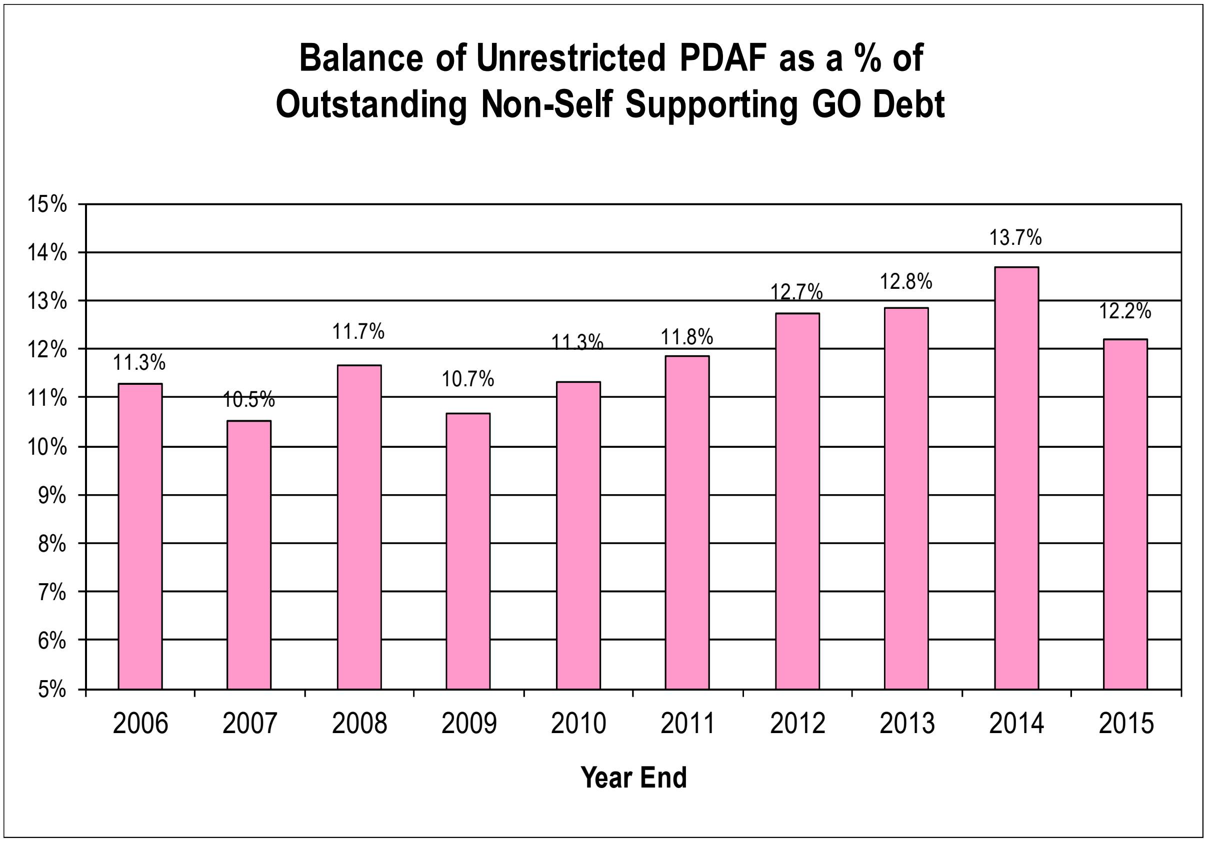
The decrease the payout percentage in 2012 was due to the replacement of short-term GO Commercial Paper with non-GO debt, and $30 million of variable rate debt with a stated 20 year maturity. That debt is anticipated to be retired well ahead of the stated maturity. The increase in 2013 and decrease in 2018 is primarily due to the 5-year $62 million ERS pre-payment program.

CHART 7



The Commission's Policy (adopted 10/1/15) targets an Unrestricted PDAF balance between 5-15% of non-self supporting (tax-levy) GO debt (the "Balance Ratio"). The increase for 2014 is due to a transfer of $4.9 million of the excess in the Segregated portion to the Unrestricted portion of the PDAF.

CHART 8



Projections 2016-2020

The following table presents the data supporting the historic trends and projections presented above. These projections are based on the borrowing projections and the adopted 2016 Budget.

TABLE 1

Report of Past & Projected Debt and Debt Service
For the Years 2011 to 2020
($ in millions)

	Actual					Act/Proj	Projected			
Outstanding General Obligation Debt - Year End	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Self-Sustaining Debt	$449	$393	$434	$412	$400	$433	$458	$459	$399	$393
Non Self-Sustaining (Tax Levy) Debt	$481	$451	$442	$452	$492	$543	$536	$502	$582	$603
Total Oustanding G.O. Debt	$930	$844	$876	$863	$892	$976	$995	$961	$981	$996

	Actual					Act/Proj	Projected			
Debt Service for the Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total G.O. Debt Service	$136.7	$141.9	$148.1	$149.9	$152.1	$160.7	$161.6	$221.7	$163.4	$166.5
Plus: Net RAN Debt Service	0.5	0.3	0.3	0.4	0.2	0.6	1.5	3.8	7.5	9.6
Total Debt Service	$137.2	$142.1	$148.4	$150.3	$152.3	$161.3	$163.2	$225.5	$170.9	$176.1
Debt Service Revenues	(63.1)	(68.9)	(75.1)	(83.5)	(89.0)	(93.1)	(91.4)	(138.4)	(73.8)	(75.0)
Debt Levy Requirements before PDAF Draw	$74.1	$73.2	$73.3	$66.8	$63.3	$68.2	$71.8	$87.2	$97.1	$101.1
Application of PDAF Draw	$4.9	$4.5	$5.5	$5.0	$5.5	$7.0	$4.5	$4.5	$4.5	$4.5
Debt Service Levy after PDAF Draw	**$69.2**	**$68.7**	**$67.8**	**$61.8**	**$57.8**	**$61.2**	**$67.3**	**$82.7**	**$92.6**	**$96.6**

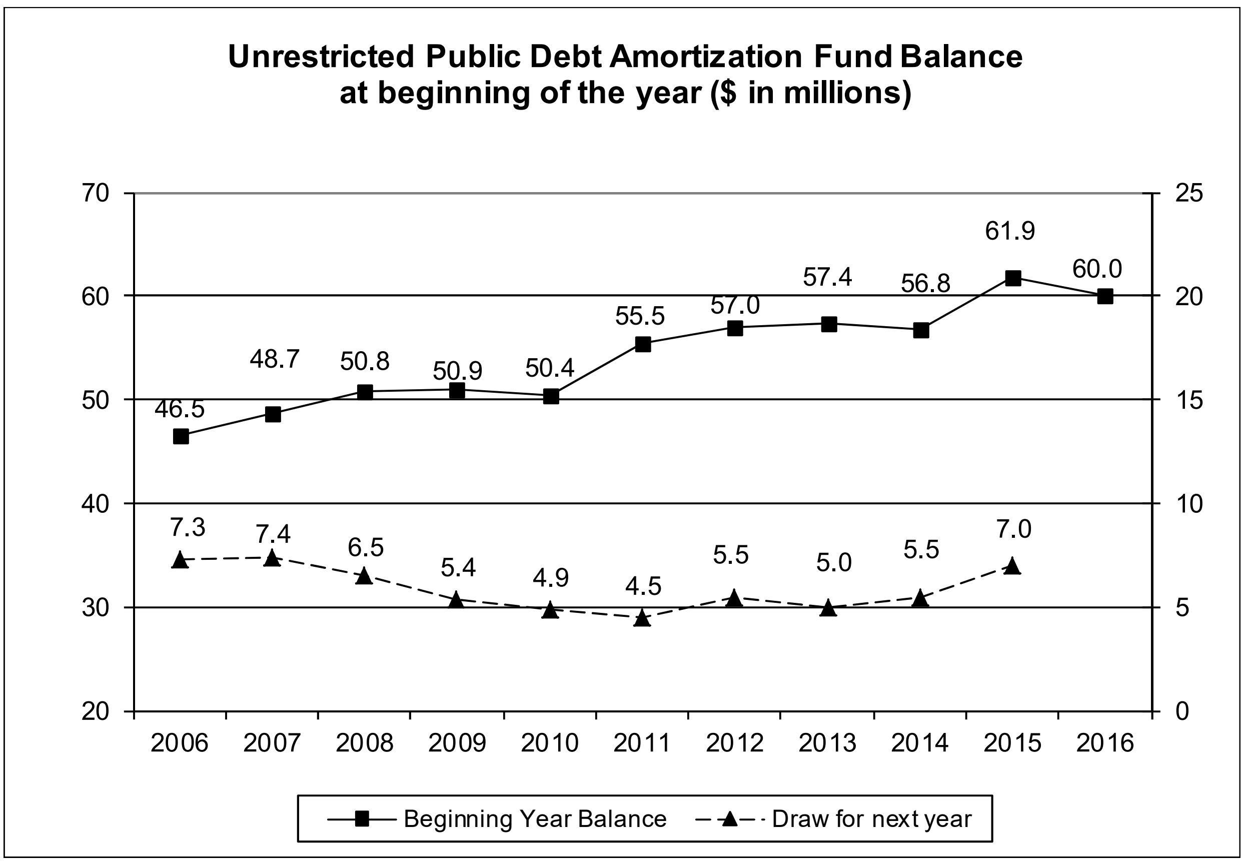
Amounts may not add due to rounding

Trends in the Public Debt Amortization Fund Balance

Each summer, the Public Debt Commission determines the amount to be withdrawn from the "unrestricted" (unreserved) balance in the Public Debt Amortization Fund (PDAF). In making this decision, the Commission balances the competing goals of reducing the next year's debt service tax levy versus maintaining a reserve balance sufficient to help preserve the City's bond rating and meet potential debt related budget issues in future years.

Chart 9 below shows the trend in annual PDAF withdrawals and the beginning unrestricted reserve balance levels. Over the past 10 years, withdrawal amounts have ranged between $4.5 to $7.4 million. The PDAF Unrestricted balance at the start of 2006 totaled $46.5 million. The balance on January 1, 2016 totaled $60.0 million, an increase of $13.5 million (29%) over the last ten years.

CHART 9



Glossary of Terms

In examining this data, please note the definitions and assumptions contained in the following pages. These statements are essential elements leading to the projections appearing in Table 1 and Charts 1-8.

Self-Supporting (Non-tax levy) Debt: Borrowing repaid from sources other than the general property tax levy for debt service. Such borrowing includes: financing of delinquent property taxes; special assessment financing; parking; sewers; tax incremental district financing (TID); Water Works capital borrowing; school borrowing reimbursed by MPS; and the ERS borrowing.

Tax-Levy Supported Debt includes: streets, bridges, buildings, police, fire, economic development, public schools – not reimbursed, and other non-reimbursed purposes.

Outstanding Debt: Incurred General Obligation borrowing (both bonds and promissory notes, principal only) for which repayment has yet to occur. Only the outstanding principal amount is included in this figure, excluding all future interest payments due.

Annual Debt Service: Total of principal and interest due in a specified year. In addition, interest on non-general obligation Revenue Anticipation (Cash Flow) Notes is included within Annual Debt Service requirements in the City Debt Service budget.

Debt Service Revenues: Any funding provided to meet Annual Debt Service needs other than ad valorem property tax receipts (Debt Service Levy). Examples of such revenues include TID tax increment revenues, transfer payments from the Water and Sewer utilities, delinquent tax payments, parking, special assessments, and interest earned by the Debt Service Fund.

Debt Service Levy: Ad valorem property tax levy for purpose of meeting Annual Debt Service needs.

Assumptions

1. All future borrowing for water and sewer replacement purposes will be accomplished through revenue supported bonds and notes. No future GO borrowing is assumed to be needed for these purposes.

2. GO Borrowing Projections – For 2016 through 2020, capital borrowing is based upon anticipated levels as appearing in the draft City of Milwaukee 2016 - 2021 Capital Improvements Plan (the “CIP”), recent trends, and Contingent Borrowing approved through August 1, 2016.

3. Borrowing Levels - Delinquent Taxes: Estimate is based upon recent historical experience.

4. Interest Cost: Interest rates are projected, and maturity dates reflect the specific structuring of each type issue. For instance, Tax Incremental District related interest levels are structured for 17-year level debt service while a regular capital projects borrowing interest level relates to a 15-year level annual principal retirement structuring.

5. No borrowing or debt service is included for the use of any contingent borrowing authority not already borrowed as of August 1, 2016.

6. No new borrowing or debt service is included to finance City or MPS pension contributions, or Other Post Employment Benefits, beyond what has already been issued.

7. General Debt Service revenues will not be subject to any material unanticipated change in interest rates, borrowing amounts or other major changes.

8. Revenues for enterprises, schools, and tax incremental districts, are adequate to reimburse the Debt Service Fund for debt service payments on self-supporting debt.