

# Debt Service

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## *Agency Overview*

### Agency Overview

The agency accounts for citywide appropriations that support general obligation loan authorization principal and interest payments for the City other than Tax Increment District (TID) or enterprise debt. All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. General obligation long-term debt comprises the largest share of outstanding debt to the City.

The 2023 Adopted Budget appropriation for general obligation borrowing for new projects is \$187.4 million, \$43.4 million more than the 2022 appropriation. The General Fund general obligation debt service for 2023 is \$52,167,662 in principal and \$9,419,560 in interest for a total of \$61,587,222, a \$5,478,898 increase from 2022, or 9.8 %. The General Fund general obligation debt service for 2022 was \$47,597,931 in principal and \$8,510,393 in interest for a total of \$56,108,324.

As a result of the annual debt review by rating agencies, the City has a Aaa bond rating, the highest quality rating available with Moody's Investors Services.

The debt service fund has advanced amounts to various enterprise funds and component units to fund the repayment of long-term liabilities. Repayment schedules have been established and interest is being charged based on the repayment schedules.

The City of Madison has established a policy to remove from the Capital Budget those items with a useful life of less than the repayment term of General Obligation debt (usually ten years). Those items should be considered in the Operating Budget under MGO 4.02(6)(c)(3).

In December 2012, the Common Council created MGO 4.17 to prohibit the use of unused balances in the debt service fund for operating expenses. The Ordinance states: "In any year when general debt reserves are applied to reduce general fund debt service, an amount at least equal to the general debt reserves applied must be directly appropriated from the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds (2/3) of all members during approval of the budget, votes to do otherwise."

Under Wisconsin State Statutes, the outstanding general obligation long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the city's jurisdiction. At the end of 2021, applicable debt of the City totaled \$564.4 million or 34% of the maximum legal limit of \$1.6 billion.

Revenue bonds are payable only from revenues derived from the operation of the responsible fund. This agency does not include revenue obligations for the enterprise operations of the Water Utility or the Sewer Utility. Revenue obligations of the City's enterprise operations are provided in the respective budgets for these funds.

## 2023 Budget Highlights

### Service: Debt Service

- Includes General Fund general obligation debt service of \$52,167,662 in principal and \$9,419,560 in interest for a total of \$61,587,222.
- Under the General Obligation Debt Service Schedule, general debt reserves reflect \$6.1 million of reoffering premium received from the 2022 debt issuance. Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service. The \$6.1 million of 2022 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2023.
- Under MGO 4.17, whenever an amount is applied in general debt reserves to reduce general fund debt service, an equal amount must be directly appropriated in the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds of all members during approval of the budget, votes to do otherwise. The 2023 Adopted Operating Budget appropriates \$1,110,000 from the general fund for capital projects (see Direct Appropriations). This is \$5.04 million less than the amount applied in general debt reserves to reduce general fund debt service. As such, approval of the lower direct appropriation amount for capital projects was adopted by a separate two-thirds vote of the Council during adoption of the 2023 operating budget.

**Debt Service**

Function: Debt Service

*Budget Overview*

## Agency Budget by Fund

<b>Fund</b>	<b>2021 Actual</b>	<b>2022 Adopted</b>	<b>2022 Projected</b>	<b>2023 Request</b>	<b>2023 Executive</b>	<b>2023 Adopted</b>
Debt Service	101,737,675	99,316,739	99,316,739	104,316,739	107,986,613	107,986,613
<b>Total</b>	<b>\$ 101,737,675</b>	<b>\$ 99,316,739</b>	<b>\$ 99,316,739</b>	<b>\$ 104,316,739</b>	<b>\$ 107,986,613</b>	<b>\$ 107,986,613</b>

## Agency Budget by Service

<b>Service</b>	<b>2021 Actual</b>	<b>2022 Adopted</b>	<b>2022 Projected</b>	<b>2023 Request</b>	<b>2023 Executive</b>	<b>2023 Adopted</b>
Debt Service	101,737,675	99,316,739	99,316,739	104,316,739	107,986,613	107,986,613
<b>Total</b>	<b>\$ 101,737,675</b>	<b>\$ 99,316,739</b>	<b>\$ 99,316,739</b>	<b>\$ 104,316,739</b>	<b>\$ 107,986,613</b>	<b>\$ 107,986,613</b>

## Agency Budget by Major-Revenue

<b>Major Revenue</b>	<b>2021 Actual</b>	<b>2022 Adopted</b>	<b>2022 Projected</b>	<b>2023 Request</b>	<b>2023 Executive</b>	<b>2023 Adopted</b>
Intergov Revenues	(147)	-	-	-	-	-
Invest Other Contrib	(165,055)	(400,000)	(400,000)	(400,000)	(1,100,000)	(1,100,000)
Other Finance Source	(27,896,079)	(8,413,971)	(4,413,971)	(8,413,971)	(6,262,253)	(6,262,253)
Transfer In	(73,676,395)	(90,502,768)	(94,502,768)	(95,502,768)	(100,624,360)	(100,624,360)
<b>Total</b>	<b>\$ (101,737,675)</b>	<b>\$ (99,316,739)</b>	<b>\$ (99,316,739)</b>	<b>\$ (104,316,739)</b>	<b>\$ (107,986,613)</b>	<b>\$ (107,986,613)</b>

## Agency Budget by Major-Expense

<b>Major Expense</b>	<b>2021 Actual</b>	<b>2022 Adopted</b>	<b>2022 Projected</b>	<b>2023 Request</b>	<b>2023 Executive</b>	<b>2023 Adopted</b>
Purchased Services	150,049	-	-	-	-	-
Debt Othr Financing	98,840,949	99,316,739	99,316,739	104,316,739	107,986,613	107,986,613
Transfer Out	2,746,677	-	-	-	-	-
<b>Total</b>	<b>\$ 101,737,675</b>	<b>\$ 99,316,739</b>	<b>\$ 99,316,739</b>	<b>\$ 104,316,739</b>	<b>\$ 107,986,613</b>	<b>\$ 107,986,613</b>

**Debt Service**

Function:

**Debt Service***Service Overview***Service:** Debt Service

## Service Description

This service accounts for the interest and principal costs and payments of the general obligation notes and bonds issued by the City to fund capital projects other than TID or enterprise debt.

## Activities Performed by this Service

- Details of the projects funded by the Debt Service Fund are included in the 2023 Adopted Capital Budget.

## Service Budget by Fund

	2021 Actual	2022 Adopted	2022 Projected	2023 Request	2023 Executive	2023 Adopted
General	-	-	-	-	-	-
Other-Expenditures	101,737,675	99,316,739	99,316,739	104,316,739	107,986,613	107,986,613
<b>Total</b>	<b>\$ 101,737,675</b>	<b>\$ 99,316,739</b>	<b>\$ 99,316,739</b>	<b>\$ 104,316,739</b>	<b>\$ 107,986,613</b>	<b>\$ 107,986,613</b>

## Service Budget by Account Type

	2021 Actual	2022 Adopted	2022 Projected	2023 Request	2023 Executive	2023 Adopted
Revenue	(101,737,675)	(99,316,739)	(99,316,739)	(104,316,739)	(107,986,613)	(107,986,613)
Non-Personnel	101,737,675	99,316,739	99,316,739	104,316,739	107,986,613	107,986,613
<b>Total</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Debt Service**

Function: Debt Service

Line Item Detail

Agency Primary Fund: Debt Service

	2021 Actual	2022 Adopted	2022 Projected	2023 Request	2023 Executive	2023 Adopted
Intergov Revenues						
Federal Revenues Operating	(147)	-	-	-	-	-
<b>Intergov Revenues Total</b>	<b>\$ (147)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Invest Other Contrib						
Interest	(165,055)	(400,000)	(400,000)	(400,000)	(1,100,000)	(1,100,000)
<b>Invest Other Contrib Total</b>	<b>\$ (165,055)</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (1,100,000)</b>	<b>\$ (1,100,000)</b>
Other Finance Source						
General Obligation Bond Alloc	(188,644)	-	-	-	-	-
Premium On Bonds Sold	(8,647,860)	-	-	-	-	-
Fund Balance Applied	(19,059,575)	(8,413,971)	(4,413,971)	(8,413,971)	(6,262,253)	(6,262,253)
<b>Other Finance Source Total</b>	<b>\$ (27,896,079)</b>	<b>\$ (8,413,971)</b>	<b>\$ (4,413,971)</b>	<b>\$ (8,413,971)</b>	<b>\$ (6,262,253)</b>	<b>\$ (6,262,253)</b>
Transfer In						
Transfer In From General	(55,912,824)	(56,108,323)	(56,108,323)	(61,108,323)	(61,587,222)	(61,587,222)
Transfer In From Library	(2,885,756)	(2,804,419)	(2,804,419)	(2,804,419)	(2,667,314)	(2,667,314)
Transfer In From CDBG	(11,736)	(12,406)	(12,406)	(12,406)	(13,038)	(13,038)
Transfer In From Loans	(100,000)	(100,000)	(100,000)	(100,000)	(200,000)	(200,000)
Transfer In From Other Restrict	(120,718)	(136,472)	(136,472)	(136,472)	(758,793)	(758,793)
Transfer In From Impact Fees	(237,583)	(119,796)	(119,796)	(119,796)	(115,144)	(115,144)
Transfer In From Capital Proj	(2,432,882)	-	-	-	-	-
Transfer In From Special Asses	(231,978)	(209,932)	(209,932)	(209,932)	(201,916)	(201,916)
Transfer In From Tax Increment	(11,742,918)	(8,224,800)	(12,224,800)	(8,224,800)	(8,067,720)	(8,067,720)
Transfer In From Water Utility	-	(143,623)	(143,623)	(143,623)	(2,891,773)	(2,891,773)
Transfer In From Stormwater	-	(7,636,013)	(7,636,013)	(7,636,013)	(8,488,685)	(8,488,685)
Transfer In From Cnvt Center	-	(52,826)	(52,826)	(52,826)	(56,941)	(56,941)
Transfer In From Transit	-	(3,823,073)	(3,823,073)	(3,823,073)	(3,825,525)	(3,825,525)
Transfer In From Golf Courses	-	(44,451)	(44,451)	(44,451)	(44,361)	(44,361)
Transfer In From Fleet Service	-	(9,929,892)	(9,929,892)	(9,929,892)	(10,716,340)	(10,716,340)
Transfer In From CDA	-	(829,292)	(829,292)	(829,292)	(686,766)	(686,766)
Transfer In From Public Health	-	(327,450)	(327,450)	(327,450)	(302,822)	(302,822)
<b>Transfer In Total</b>	<b>\$ (73,676,395)</b>	<b>\$ (90,502,768)</b>	<b>\$ (94,502,768)</b>	<b>\$ (95,502,768)</b>	<b>\$ (100,624,360)</b>	<b>\$ (100,624,360)</b>
Purchased Services						
Financial Actuary Services	82,500	-	-	-	-	-
Audit Services	4,000	-	-	-	-	-
Legal Services	63,549	-	-	-	-	-
<b>Purchased Services Total</b>	<b>\$ 150,049</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Debt Service**

Function:

Debt Service

Line Item Detail

Agency Primary Fund: Debt Service

	2021 Actual	2022 Adopted	2022 Projected	2023 Request	2023 Executive	2023 Adopted
Debt Othr Financing						
Principal	85,834,779	84,017,500	84,017,500	89,017,500	89,920,000	89,920,000
Interest	12,600,726	15,289,239	15,289,239	15,289,239	18,056,613	18,056,613
Bond Notes Issuance Services	392,144	-	-	-	-	-
Paying Agent Services	13,300	10,000	10,000	10,000	10,000	10,000
<b>Debt Othr Financing Total</b>	<b>\$ 98,840,949</b>	<b>\$ 99,316,739</b>	<b>\$ 99,316,739</b>	<b>\$ 104,316,739</b>	<b>\$ 107,986,613</b>	<b>\$ 107,986,613</b>
Transfer Out						
Transfer Out to Tax Increment	2,746,677	-	-	-	-	-
<b>Transfer Out Total</b>	<b>\$ 2,746,677</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Transfer In 2021 Actual Note: Enterprise fund general obligation debt is charged directly to the enterprise agencies in the city's financial statements. The offset for these charges is shown in Fund Balance Applied.