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Richland County Finance and Personnel Committee

Short-Term Loan Financing Option

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Levy Limit Challenges for Operating Budget

Restricts County's ability to generate additional revenue to pay expenses inside the operating budget.

Expenses inside the operating budget include: 1. Operational Expenses; and 2. Capital Expenses

Debt Service – Levy for general obligation debt service is calculated as a separate levy outside of Levy Limits

Historical Equalized Valuations, Tax Levies and Tax Rates (Includes both operating and debt service)

Budget Year	Equalized Valuation	Tax Levy	Tax Rate
2015	$1,023,336,700	$6,787,135	$6.63
2016	$1,072,141,000	$6,882,990	$6.42
2017	$1,095,683,400	$8,337,004	$7.61
2018	$1,150,730,900	$8,746,695	$7.60
2019	$1,202,545,400	$8,853,958	$7.36

Options to Increase Room Inside Operating Levy Limits

1. Operating Referendum

Requests Permission to Levy Taxes for Operating Budget - Results in Tax Increase if Approved by Electorate. County Board Must Adopt Referendum Resolutions at Least 75 Days in Advance of Referendum Date

2. Borrowing for Capital Projects Included or Not Included in the Operating Budget

If capital projects are included in Operating Budget - The dollar amount allocated for those projects would be borrowed for, and would "free up" that amount for operating expenses. The projects could be borrowed for on a long-term or short-term basis depending on the project and its useful life (example: building projects).

Or

If "recurring" capital projects are not included in Operating Budget (example: Highway projects, fleet management, I.T. infrastructure) – These projects could be borrowed for on a "short-term" basis each year.

Richland County's Existing Debt

Below is all of the County's existing debt (County purposes and Pine Valley) included in the tax levy/tax rate.

- - - - TOTAL GENERAL OBLIGATION DEBT - - - -

Year Due	Total Principal	Total Interest	Total Debt Service
2020	$ 1,533,069	$ 729,050	$ 2,262,119
2021	1,880,568	707,795	2,588,363
2022	1,905,000	635,335	2,540,335
2023	1,875,000	590,437	2,465,437
2024	1,870,000	543,715	2,413,715
2025	1,920,000	496,725	2,416,725
2026	1,820,000	449,850	2,269,850
2027	1,875,000	403,100	2,278,100
2028	1,880,000	356,950	2,236,950
2029	1,180,000	317,801	1,497,801
2030	1,215,000	282,624	1,497,624
2031	1,265,000	244,663	1,509,663
2032	1,305,000	203,663	1,508,663
2033	1,350,000	159,925	1,509,925
2034	1,395,000	114,687	1,509,687
2035	1,440,000	67,975	1,507,975
2036	1,475,000	22,125	1,497,125
	$27,183,637	$6,326,420	$33,510,057

Note: The County received $31,645 of premium from the sale of the 2020 G.O. Notes to offset the debt service impact for 2021.

Borrowing for Recurring Capital Projects

Like other annual operating expenses, certain capital projects require an annual expenditure to maintain County operations, equipment or highways. They would be considered "recurring" expenses. Some of Richland County's "recurring" expenses would include I.T. infrastructure, vehicles (squad cars) and highway improvements.

Also, the completion of highway projects each year, impacts the GTA formula, which determines aid the County is eligible to receive.

The borrowing cannot fund operating expenses.

Because these expenses are "recurring" any borrowing would be done as a short-term, general obligation promissory note. The short-term borrowing would need to occur each year as a "recurring" practice to fund the "recurring" expenses.

Short-Term Borrowing Structure

The County would issue a General Obligation Promissory Note in November with a repayment date of March 1 the following year (4 months). As a General Obligation Promissory Note, the County is allowed to levy a tax to repay the entire principal and interest on the Note, outside of levy limits, which will be a tax increase.

The Note would not be rated by Moody's due to its short-term. If the Note were issued as a municipal security in the marketplace, there would be expenses of issuance for Municipal Advisor, Bond Counsel and underwriting (approximately $20,000). Current market interest rates for this type of Note is approximately 0.50%.

Example of Tax Rate Impact Per $1 Million Borrowed

$1,000,000 General Obligation Promissory Notes Est. Debt Service Schedule

Date	Principal	Rate	Interest	Total P+I
11/02/2020	-	-	-	-
03/01/2021	1,000,000.00	0.500%	1,652.78	1,001,652.78
Total	**$1,000,000.00**	**-**	**$1,652.78**	**$1,001,652.78**

Calculation: $1,001,652.78 divided by 2019 Equalized Value - $1,202,545,400 = $0.83 Tax Rate

Borrowing Procedures for Counties

1. Authority to Borrow under Wisconsin Statutes – County Board must **authorize** the borrowing by adopting a resolution stating a not to exceed dollar amount and the purpose of the borrowing by a **¾ vote of the County Board Members elect.** ("Authorizing Resolution")

2. Preparing to enter the Municipal Bond Market – prepare and distribute an Official Statement; prepare legal documents.

3. Sale or Award Resolution – Bids received from underwriters – County Board adopts an award resolution locking in interest rate and tax levy. This allows County to tax for the principal and interest due on the Note.

Timing of Borrowing

The timing must coincide with the County's budget process to determine what operating or capital expenses may be included in the upcoming budget.

For example: The Authorizing Resolution would be considered by the County Board in September.
The Sale and Award Resolution would occur at the October County Board meeting.
Closing of the Borrowing (Funds Delivered to County) – early November
Repayment of the Short-Term Note – March 1 the following year

Goals of a Short-Term Borrowing Program

Short-term borrowing for recurring capital expenses may free up room inside levy limits to be used for operating expenses.

Or

Provide funding for recurring capital expenditures that are not able to be included in the operating budget unless other expenses were removed.

Provide funding for highway projects to enhance aid through the GTA formula.

Determining the dollar amount of short-term borrowing – based on project costs / based on tax rate impact

THE BORROWING WILL NOT PROVIDE FUNDS FOR OPERATING EXPENSES - THE COUNTY STILL MUST ADDRESS RISING COSTS WITHIN OPERATING BUDGET