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Richland County Finance and Personnel Committee

Short-Term Note Financing for Capital Projects

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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

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), highway improvements and building maintenance.

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

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.

THE BORROWING CAN NOT PROVIDE FUNDS FOR OPERATING EXPENSES - THE COUNTY MUST CONTINUE TO ADDRESS RISING OPERATIONAL COSTS WITHIN THE OPERATING BUDGET

2020 Borrowing for Capital Projects with Short-Term General Obligation Promissory Notes

For the 2021 Budget, the County borrowed \$1,050,000 as a short-term note for “recurring” capital projects traditionally included in the County’s operating budget.

The \$1,050,000 was received in late November 2020, the principal and interest payment (\$1,052,829.17) was levied for outside of levy limits; the Note was repaid on March 1, 2021.

The tax rate impact for the Note was an increase of \$0.83 per \$1,000 of equalized value.

Not including the capital projects in the operating budget created room in the budget for operating expenses. The short-term note provided the funds for the capital projects.

2021 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 (approximately 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.

The 2020 Note was paid off in 2021 creating a \$1,100,000 decline in the County’s 2022 debt service payments (see page 4). This decline will accommodate the new debt service payment (up to \$1,100,000) for a 2021 short-term Note without a tax increase.

The 2021 Note will be “sized” to provide for capital projects and to pay expenses of issuance.

The 2021 Note will not be rated by Moody’s due to its short-term. Notes issued as a municipal security in the marketplace will have expenses of issuance for Municipal Advisor, Bond Counsel and underwriting (approximately \$20,000).

Example of Tax Rate Impact Per \$1 Million Borrowed

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

Date	Principal	Rate	Interest	Total Est. P+I
11/23/2021	-	-	-	-
03/01/2022	1,000,000.00	1.000%	2,722.22	1,002,722.22
Total	\$1,000,000.00	-	\$2,722.22	\$1,002,722.22

Calculation: \$1,002,722.22 divided by 2020 Equalized Value - \$1,260,855,200 = \$0.79 Tax Rate

Initial Resolution – County Board Authority to Borrow under Wisconsin Statutes

- Resolution Prepared with a Not to Exceed Dollar Amount - Determined by the County
- Language Includes the Purpose of Borrowing. Example: financing capital improvement projects, including highway improvements, vehicles and fleet management, technology capital improvements, facility maintenance and improvements. (Language drafted by Bond Counsel, Quarles & Brady).
- Requires $\frac{3}{4}$ vote of County Board members elect (16 “yes” votes).
- Does not commit the Board to borrowing, but rather provides “authority” to borrow at a later date.
- “Authority” is good for five years

Preliminary Timeline for 2021 Short-Term Note 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. Below is a preliminary timeline for the borrowing process:

August 24		Final decision on dollar amount for borrowing and list of capital projects
September 7		Finance and Personnel Committee Review/Discussion (Includes Initial Resolution)
September 21		County Board Considers Initial Resolution
October 13		Official Statement and Notice of Sale Distributed into Municipal Market
October 26	A.M.	Underwriter Bids Received and Verified
	P.M.	County Board Adopts Award Resolution Locking in Interest Rate
November 23		Closing; Delivery of Funds to County
March 1, 2022		Repayment of Short-Term Note

Richland County's Existing General Obligation Debt

Below is all of the County's existing debt (County purposes and Pine Valley). The principal and interest payments are included in the County's annual tax levy/tax rate, which is outside of levy limits. The 2021 year includes the short-term note issued for capital projects.

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

Year Due	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2021	\$2,930,568	\$710,624	\$3,641,192
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	<u>1,475,000</u>	<u>22,125</u>	<u>1,497,125</u>
	<u>\$26,700,568</u>	<u>\$5,600,199</u>	<u>\$32,300,767</u>

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

<u>Budget Year</u>	<u>Equalized Valuation</u>	<u>Tax Levy</u>	<u>Tax Rate</u>
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
2020	\$1,260,855,200	\$10,493,886	\$8.32