



Legislation Details (With Text)

File #: 28365 **Version:** 2 **Name:** Debt Reserves
Type: Ordinance **Status:** Passed
File created: 11/15/2012 **In control:** BOARD OF ESTIMATES (ended 4/2017)
On agenda: 12/11/2012 **Final action:** 12/11/2012
Enactment date: 12/20/2012 **Enactment #:** ORD-12-00155
Title: AMENDED Creating Section 4.17 of the Madison General Ordinances to prohibit the use of unused balances in the debt service fund for operating expenses.
Sponsors: Paul R. Soglin

Indexes:

Code sections:

Attachments: 1. Structural Budget Issues -- 12-10-12.pdf, 2. Version 1

Date	Ver.	Action By	Action	Result
12/11/2012	1	COMMON COUNCIL	Adopt the Following Amendment(s)	Pass
12/11/2012	1	COMMON COUNCIL	Adopt As Amended	Pass
12/3/2012	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
11/27/2012	1	COMMON COUNCIL	Referred	Pass
11/15/2012	1	Attorney's Office/Approval Group	Referred for Introduction	

Fiscal Note

The proposed ordinance would require that any general debt reserves applied to reduce general fund debt service be matched by an equal appropriation from the general fund for capital projects. General debt reserves are a non-recurring revenue source derived from issuance of general obligation debt. Use of these non-recurring revenues, particularly premiums received as part of city general obligation borrowing, for one-time capital project costs is consistent with maintaining a positive structural budget balance (i.e., on-going revenues are sufficient to meet on-going expenditures).

General debt reserves applied to reduce general fund debt service totaled \$3.5 million in 2011 and \$11.2 million in 2012. The 2013 adopted budget applies \$5 million from general debt reserves to reduce general fund debt service. Direct appropriations for capital projects totaled \$507,000 in 2011 and \$6.95 million in 2012. The 2013 adopted budget includes a \$4.16 million direct appropriation to capital projects (net of funding from the general fund balance for capital projects).

Title

AMENDED Creating Section 4.17 of the Madison General Ordinances to prohibit the use of unused balances in the debt service fund for operating expenses.

Body

DRAFTER'S ANALYSIS: Unused balances in the debt service fund (general debt reserves) can result from underspending in debt-financed capital projects and from receipt of bond sale premiums. These balances do not represent on-going revenue sources for city expenditures. Application of these balances in support of on-going city spending could create future structural budget deficits, compromising provision of city services. This ordinance would prohibit the use of this one-time revenue source for on-going expenditures by requiring that use of general debt reserves be matched by an equal amount of expenditures on capital projects. **The Council may, by a separate two-thirds (2/3) vote taken as an amendment during consideration of the**

annual budget, determine not to follow this restriction.

The Common Council of the City of Madison do hereby ordain as follows:

Section 4.14 entitled "Savings Resulting from Use of General Debt Reserves" of the Madison General Ordinances is created to read as follows:

"4.17 SAVINGS RESULTING FROM USE OF GENERAL DEBT RESERVES.

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.**"