

Enrolled 158-139
PROPOSED ORDINANCE 158-143

AUTHORIZING THE SALE OF \$14,000,000 GENERAL
OBLIGATION PROMISSORY NOTES, SERIES 2004

WHEREAS on January 27, 2004, the County Board of Supervisors of Waukesha County, Wisconsin (the "County") adopted an ordinance authorizing the issuance of general obligation promissory notes pursuant to Ch. 67, Wis. Stats., in an amount not to exceed \$14,000,000 for the public purpose of paying the cost of capital projects included in the County's 2004 Capital Projects Expenditure Plan consisting of constructing, equipping and furnishing County buildings; constructing, reconstructing and repairing County highways and bridges; and improving County parks; and

WHEREAS the County Board of Supervisors deems it necessary and in the best interest of the County that such general obligation promissory notes now be issued, upon the terms and conditions hereinafter provided; and

WHEREAS the County has duly received bids for its proposed issue of \$14,000,000 General Obligation Promissory Notes, Series 2004 (the "Notes"); and

WHEREAS it has been determined that the best bid received was that submitted by Trust & Savings Bank (the "Purchaser");

THE COUNTY BOARD OF SUPERVISORS OF THE COUNTY OF WAUKESHA ORDAINS that:

Section 1. Award. The bid of the Purchaser for the purchase price of \$14,029,338.00 be and it hereby is accepted and the Chairperson and County Clerk are authorized and directed to execute an acceptance of the offer of said successful bidder on behalf of the County. The good faith deposit of the Purchaser shall be retained by the County Treasurer until the closing of the note issue, and any good faith deposits submitted by unsuccessful bidders shall be promptly returned.

Section 2. The Notes. The Chairperson and County Clerk shall make, execute and deliver the Notes to the Purchaser, for and on behalf of the County. The Notes shall be negotiable, general obligation promissory notes of the County, registered as to both principal and interest, in the denomination of Five Thousand Dollars (\$5,000) each or whole multiples thereof, numbered from R-1 upward and dated April 1, 2004. The Notes shall mature on April 1 of each of the years and shall bear interest at the rates per annum as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2005	\$1,500,000	2.00%
2006	1,000,000	2.25
2007	300,000	2.25
2008	400,000	2.375
2009	1,100,000	2.60
2010	1,500,000	2.75

49	2011	2,100,000	2.875
50	2012	2,200,000	2.875
51	2013	2,200,000	3.05
52	2014	1,700,000	3.20

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54 Interest on the Notes shall be payable on April 1 and October 1 of each year, commencing
55 October 1, 2004.

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57 Notes maturing in the years 2012 through 2014 shall be subject to call and prior payment at the
58 option of the County in whole or from time to time in part on April 1, 2011 or on any date
59 thereafter at the price of par plus accrued interest to the date of redemption. The amounts and
60 maturities of the Notes to be redeemed shall be selected by the County. If less than the entire
61 principal amount of any maturity is to be redeemed, the Notes of that maturity which are to be
62 redeemed shall be selected by lot.

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64 Section 3. Form of Notes. The Notes shall be in substantially the form on file in the County
65 Clerk's office.

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67 Section 4. Tax Provisions.

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(a) *Direct, Annual Irrepealable Tax.* For the purpose of paying the principal of
and interest on the Notes as the same become due, the full faith, credit and
resources of the County are hereby irrevocably pledged and there be and there
hereby is levied on all the taxable property in the County a direct, annual,
irrepealable tax in an amount and at the times sufficient for said purpose; such tax
is levied in the following years and in the following minimum amounts:

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<u>Year of Levy</u>	<u>Amount</u>
2004	\$ 1,868,725.00
2005	1,342,475.00
2006	627,850.00
2007	719,725.00
2008	1,400,675.00
2009	1,765,750.00
2010	2,314,937.50
2011	2,353,125.00
2012	2,287,950.00
2013	1,727,200.00

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(b) *Tax Collection.* The County shall be and continue without power to repeal
such levy or obstruct the collection of said tax until all such payments have been
made or provided for. After the issuance of the Notes, said tax shall be, from year
to year, carried into the tax rolls of the County and collected as other taxes are
collected, provided that the amount of tax carried into said tax rolls may be
reduced in any year by the amount of any surplus money in the Debt Service
Account created in Section 5(A) hereof.

(c) *Additional Funds.* If at any time there shall be on hand insufficient funds
from the aforesaid tax levy to meet principal and/or interest payments on said

97 Notes when due, the requisite amounts shall be paid from other funds of the
98 County then available, which sums shall be replaced upon the collection of the
99 taxes herein levied.

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101 (d) *Appropriation.* There be and there hereby is appropriated from funds of the
102 County on hand the sum of \$ 191,862.50 to be deposited in the Debt Service
103 Account to meet payments with respect to debt service due on October 1, 2004.
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105 Section 5. Debt Service Fund and Account.

106 (a) *Creation and Deposits.* Within the debt service fund previously established in
107 the treasury of the County, there be and there hereby is established a separate and
108 distinct account designated as the "Debt Service Account for \$14,000,000
109 'General Obligation Promissory Notes, Series 2004' dated April 1, 2004" (the
110 "Debt Service Account") and such account shall be maintained until the
111 indebtedness evidenced by the Notes is fully paid or otherwise extinguished. The
112 County Treasurer shall deposit in such Debt Service Account (i) all accrued
113 interest received by the County at the time of delivery of and payment for the
114 Notes; (ii) the taxes herein levied for the specific purpose of meeting principal of
115 and interest on the Notes when due; (iii) such other sums as may be necessary at
116 any time to pay principal of and interest on the Notes when due; (iv) any premium
117 which may be received by the County above the par value of the Notes and
118 accrued interest thereon; (v) surplus monies in the Borrowed Money Fund as
119 specified in Section 6 hereof; and (vi) such further deposits as may be required by
120 Sec. 67.11, Wis. Stats.
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122 (b) *Use and Investment.* No money shall be withdrawn from the Debt Service
123 Account and appropriated for any purpose other than the payment of principal of
124 and interest on the Notes until all such principal and interest has been paid in full
125 and canceled; provided (i) the funds to provide for each payment of principal of
126 and interest on the Notes prior to the scheduled receipt of taxes from the next
127 succeeding tax collection may be invested in direct obligations of the United
128 States of America maturing in time to make such payments when they are due or
129 in other investments permitted by law; and (ii) any funds over and above the
130 amount of such principal and interest payments on the Notes may be used to
131 reduce the next succeeding tax levy, or may, at the option of the County, be
132 invested by purchasing the Notes as permitted by and subject to Section
133 67.11(2)(a), Wis. Stats., in interest-bearing obligations of the United States of
134 America, in other obligations of the County or in other investments permitted by
135 law, which investments shall continue to be a part of the Debt Service Account.
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137 (c) *Remaining Monies.* When all of the Notes have been paid in full and
138 canceled, and all permitted investments disposed of, any money remaining in the
139 Debt Service Account shall be deposited in the general fund of the County, unless
140 the County Board of Supervisors directs otherwise.
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142 Section 6. Proceeds of the Notes. All monies received by the County upon the delivery of the
143 Notes to the purchaser thereof, except for accrued interest and premium, if any, shall be
144 deposited by the County Treasurer into a special fund (the "Borrowed Money Fund") which shall

145 be maintained separate and distinct from all other funds of the County and shall be used for no
146 purpose other than the purposes for which the Notes are issued. In no event shall monies in the
147 Borrowed Money Fund be used to fund operating expenses of the general fund of the County or
148 of any special revenue fund of the County that is supported by property taxes. Monies in the
149 Borrowed Money Fund may be temporarily invested as provided in Section 66.0603(1m), Wis.
150 Stats. Any monies, including any income from permitted investments, remaining in the
151 Borrowed Money Fund after the purposes for which the Notes have been issued have been
152 accomplished, and, at any time, any monies as are not needed and which obviously thereafter
153 cannot be needed for such purposes shall be deposited in the Debt Service Account.

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155 Section 7. No Arbitrage. All investments permitted by this resolution shall be legal investments,
156 but no such investment shall be made in such a manner as would cause the Notes to be "arbitrage
157 bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended
158 (the "Code"), or the Regulations of the Commissioner of Internal Revenue thereunder (the
159 "Regulations"); and an officer of the County, charged with the responsibility for issuing the
160 Notes, shall certify as to facts, estimates, circumstances and reasonable expectations in existence
161 on the date of closing which will permit the conclusion that the Notes are not "arbitrage bonds,"
162 within the meaning of the Code or Regulations.

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164 Section 8. Persons Treated as Owners; Transfer of Notes. The County Clerk shall keep books
165 for the registration and for the transfer of the Notes. The person in whose name any Note shall
166 be registered shall be deemed and regarded as the absolute owner thereof for all purposes and
167 payment of either principal or interest on any Note shall be made only to the registered owner
168 thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon
169 such Note to the extent of the sum or sums so paid.

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171 Any Note may be transferred by the registered owner thereof by surrender of the Note at the
172 office of the County Clerk, duly endorsed for the transfer or accompanied by an assignment duly
173 executed by the registered owner or his attorney duly authorized in writing. Upon such transfer,
174 the Chairperson and County Clerk shall execute and deliver in the name of the transferee or
175 transferees a new Note or Notes of a like aggregate principal amount, series and maturity, and
176 the County Clerk shall record the name of each transferee in the registration book. No
177 registration shall be made to bearer. The County Clerk shall cancel any Note surrendered for
178 transfer.

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180 The County shall cooperate in any such transfer, and the Chairperson and County Clerk are
181 authorized to execute any new Note or Notes necessary to effect any such transfer.

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183 The fifteenth day of each calendar month next preceding each interest payment date shall be the
184 record dates for the Notes. Payment of interest on the Notes on any interest payment date shall
185 be made to the registered owners of the Notes as they appear on the registration book of the
186 County at the close of business on the corresponding record date.

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188 Section 9. Compliance with Federal Tax Laws.

189 (a) The County represents and covenants that the projects financed by the Notes
190 and their ownership, management and use will not cause the Notes to be "private
191 activity bonds" within the meaning of Section 141 of the Code. The County
192 further covenants that it shall comply with the provisions of the Code to the extent

193 necessary to maintain the tax-exempt status of the interest on the Notes including,
194 if applicable, the rebate requirements of Section 148(f) of the Code. The County
195 further covenants that it will not take any action, omit to take any action or permit
196 the taking or omission of any action within its control (including, without
197 limitation, making or permitting any use of the proceeds of the Notes) if taking,
198 permitting or omitting to take such action would cause any of the Notes to be an
199 arbitrage bond or a private activity bond within the meaning of the Code or would
200 otherwise cause interest on the Notes to be included in the gross income of the
201 recipients thereof for federal income tax purposes. The County Clerk or other
202 officer of the County charged with the responsibility of issuing the Notes shall
203 provide an appropriate certificate of the County certifying that the County can and
204 covenanting that it will comply with the provisions of the Code and Regulations.
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206 (b) The County also covenants to use its best efforts to meet the requirements and
207 restrictions of any different or additional federal legislation which may be made
208 applicable to the Notes provided that in meeting such requirements the County
209 will do so only to the extent consistent with the proceedings authorizing the Notes
210 and the laws of Wisconsin and to the extent that there is a reasonable period of
211 time in which to comply.
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213 Section 10. Utilization of The Depository Trust Company Book-Entry-Only System. In order to
214 make the Notes eligible for the services provided by The Depository Trust Company, New York,
215 New York, the County agrees to the applicable provisions set forth in the Blanket Issuer Letter of
216 Representations previously executed on behalf of the County and on file in the County Clerk's
217 office.
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219 Section 11. Ratification. The Notice of Note Sale, which is on file in the County Clerk's office,
220 is ratified and approved. In addition, all actions taken by any committee of the County Board, by
221 the officers and employees of the County and by the County's financial consultant, Hutchinson,
222 Shockey, Erley & Co., in connection with the offering and sale of the Notes, including the
223 preparation and distribution of the Official Statement concerning the Notes, are ratified and
224 approved.
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226 Section 12. Undertaking to Provide Continuing Disclosure. The County covenants and agrees,
227 for the benefit of the holders of the Notes, to enter into a written undertaking (the "Undertaking")
228 required by SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission
229 pursuant to the Securities and Exchange Act of 1934 (the "Rule") to provide continuing
230 disclosure of certain financial information and operating data and timely notices of the
231 occurrence of certain events in accordance with the Rule. The Undertaking shall be enforceable
232 by the holders of the Notes or by the original purchaser(s) of the Notes on behalf of such holders
233 (provided that the rights of the holders and the purchaser(s) to enforce the Undertaking shall be
234 limited to a right to obtain specific performance of the obligations thereunder and any failure by
235 the County to comply with the provisions of the Undertaking shall not be an event of default
236 with respect to the Notes).
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238 The County Clerk, or other officer of the County charged with the responsibility for issuing the
239 Notes, shall provide a Continuing Disclosure Certificate for inclusion in the transcript of
240 proceedings, setting forth the details and terms of the County's Undertaking.

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Section 13. Records. The County Clerk shall provide and keep a separate record book and shall record a full and correct statement of every step or proceeding had or taken in the course of authorizing and issuing these Notes.

Section 14. Bond Insurance. If the purchaser of the Notes determines to obtain municipal bond insurance with respect to the Notes, the officers of the County are authorized to take all actions necessary to obtain such municipal bond insurance. The Chairperson and County Clerk are authorized to agree to such additional provisions as the bond insurer may reasonably request and which are acceptable to the Chairperson and County Clerk including provisions regarding restrictions on investment of Note proceeds, the payment procedure under the municipal bond insurance policy, the rights of the bond insurer in the event of default and payment of the Notes by the bond insurer and notices to be given to the bond insurer. In addition, appropriate reference to the municipal bond insurance policy shall be made in the form of Note provided herein.

Section 15. Closing. The Chairperson and County Clerk of the County are hereby authorized and directed to execute and deliver the Notes to the purchaser thereof upon receipt of the borrowed funds, accrued interest to date of delivery and premium, if any. The Chairperson and County Clerk may execute the Notes by manual or facsimile signature, but at least one of said officers shall sign the Notes manually.

The officers of the County are hereby directed and authorized to take all steps necessary or convenient to close this issue as soon as practicable hereafter, in accordance with the terms of sale thereof; and said officers are hereby authorized and directed to execute and deliver such documents, certificates and acknowledgments as may be necessary or convenient in accordance therewith.

Section 16. Effect of Ordinance. This action by the County Board of Supervisors is taken pursuant to Section 67.12(12), Wis. Stats., and is intended to constitute a "resolution" for purposes of that section.

AUTHORIZING THE SALE OF \$14,000,000 GENERAL
OBLIGATION PROMISSORY NOTES, SERIES 2004

Approved by:
Finance Committee

Patricia A. Haukohl
Patricia A. Haukohl, Chair

Absent
James R. Behrend

Donald M. Broesch
Donald M. Broesch

Genia C. Bruce
Genia C. Bruce

Joseph F. Griffin
Joseph F. Griffin

Joe C. Marchese
Joe C. Marchese

Bonnie J. Morris
Bonnie J. Morris

The foregoing legislation adopted by the County Board of Supervisors of Waukesha County, Wisconsin,
was presented to the County Executive on:

Date: March 12, 2004, Kelly S. Upger Deputy
Kathy Nickolaus, County Clerk

The foregoing legislation adopted by the County Board of Supervisors of Waukesha County, Wisconsin,
is hereby:

Approved: _____
Vetoed: _____

Date: 3-12-04, D. M. Finley
Daniel M. Finley, County Executive

\$14,000,000
Waukesha County, Wisconsin
General Obligation Promissory Notes
Series 2004

Bid Tabulation

	TIC%
1. Harris Trust & Savings Bank Chicago, Illinois	2.858
2. ABN Amro New York, New York	2.867
3. Citigroup Global Markets Inc. New York, New York	2.949
4. Robert W. Baird & Co. Milwaukee, Wisconsin	2.963
5. Morgan Keegan & Co. Memphis, Tennessee	2.978
6. A. G. Edwards St. Louis, Missouri	3.041
7. Legg Mason Wood Walker Chicago, Illinois	3.041
8. Hutchinson, Shockey, Erley & Co. Chicago, Illinois	3.052
9. Piper Jaffray Inc. Minneapolis, Minnesota	3.108

**Waukesha County, Wisconsin
General Obligation Promissory Notes, Series 2004**

Comparable Municipal Bond and Note Sales on March 9, 2004 (based upon reoffering yields)

	Waukesha County, WI	Madison, CT	Watertown, MA	Sumpter County, SC	Boulder County, CO
2005	1.05%	-	1.00%	1.10%	1.10%
2006	1.22%	-	1.13%	1.30%	1.36%
2007	1.50%	1.45%	1.41%	1.60%	1.53%
2008	1.85%	1.80%	1.76%	1.90%	1.93%
2009	2.15%	2.10%	2.05%	2.20%	2.23%
2010	2.38%	2.30%	2.30%	2.40%	2.45%
2011	2.65%	2.58%	2.58%	2.65%	2.70%
2012	2.90%	2.86%	2.83%	2.90%	2.95%
2013	3.12%	3.13%	3.02%	3.10%	3.15%
2014	3.28%	3.25%	3.20%	3.25%	3.32%
Rating	Aaa/AAA	Aa1/AAA	Aaa/AAA	Aa1	AAA/XL Capital
Bank Qualified	No	No	No	No	No
Financial Advisor	Hutchinson, Shockey	Independent Bond	First Southwest	Ross Sinclair	Kirkpatrick Pettis
Underwriter	Harris Trust	Roosevelt & Cross	Fidelity Capital	Wachovia	George K. Baum
Taxable In State	Yes	No	No	No	No
Issue Size	\$14,000,000	\$9,000,000	\$5,263,000	\$8,535,000	\$4,215,000

county's General Fund balance stood at \$55.5 million, or a strong 70% of General Fund revenues. Three-quarters of this is either intended for subsequent years' expenditures (reserved or designated) or remains undesignated. Unaudited fiscal 2003 results indicate an operating surplus of \$2.6 million, although reserves are expected to be tapped for cash defeasance of outstanding general obligation debt as well as for one-time startup costs associated with a new regional public safety communications facility. The county enjoys significant financial flexibility, given a continuously increasing operating tax margin and an unused sales tax option. Although state-wide property caps on Wisconsin counties limit Waukesha's ability to raise its property tax rate, strong valuation growth has enabled the county to actually reduce its property tax rate, allowing for \$32.6 million of available operating margin in 2003, up from \$27.9 million the previous year. Additional financial flexibility is provided by an available local sales tax option, which if utilized could generate an estimated \$29 million annually. Moody's anticipates that these revenue sources will continue to provide the county with strong operating flexibility.

ABOVE AVERAGE WEALTH INDICES; RESIDENTIAL AND COMMERCIAL DEVELOPMENT EXPECTED TO CONTINUE

Waukesha County's proximity to Milwaukee (G.O. debt rated Aa2/negative outlook) and the vast business and transportation network centered on that city contributes to the favorable development characteristics of this suburban community. The county's sizable suburban taxbase, currently at \$37.5 billion, has grown at an average of 8.2% annually over the last five years. Ample employment opportunities are also available within the county with manufacturing, services and retail sectors all well represented. Unemployment, while exhibiting a rate that is continually well below state and national averages, at 3.8% in December 2003 versus the state's 4.8%, remained unchanged over the previous year demonstrating a possible return to the county's typically low structural unemployment rate and an element of stability following the recent national recession. Despite the steadiness in this figure, the effect upon unemployment in the recent economic downturn was comparable to that experienced across the state, signifying that despite the county's low structural unemployment rate, the importance of durable goods manufacturing results in employment volatility that is comparable to that of the State of Wisconsin, which it should be noted remains relatively low versus the nation. The population, 360,767 as of the 2000 Census, in this 75% residential county has increased approximately 15% since 1990, which has helped to maintain fairly steady building permit activity and, consequently, continued valuation growth. New development has provided approximately one-third of the county's prior increases in taxable values. Residential growth is expected to continue in this desirable area, in addition to the planned large-scale Pabst Farm commercial development. Resident wealth indices exceed the state averages by approximately 37%.

FAVORABLE DEBT POSITION; RAPID AMORTIZATION AND COMPARATIVELY MODERATE ANNUAL BORROWING EXPECTED

Moody's anticipates that the county's debt position will remain favorable, with relatively low levels of outstanding debt rapidly retired (100% payout in eleven years). The overall debt burden, at 2.3% (0.2% direct), is low compared to similarly sized counties and is indicative of regular borrowing by the 33 underlying issuers. Annual debt service is manageable at a dropping 6.1% of core expenditures in fiscal 2002. The county's five year capital plan indicates approximately \$58 million in new debt evenly over the next four years. Favorably, the county has not only set aside excess cash to decrease borrowing for a recent jail project, but it also expects to maintain its rapid, 10-year defeasance schedule for future borrowings.

KEY STATISTICS

2000 population: 360,767

County unemployment rate (12/2003): 3.8%

2003 full valuation: \$37.5 billion

Full value per capita: \$103,807

Overall debt burden: 2.3% (0.2% direct)

Payout of principal (10 years): 98%

Fiscal 2002 General Fund balance: \$55.5 million (70% of General Fund revenues)

Fiscal 2002 undesignated General Fund balance: \$27.8 million (35.1% of General Fund revenues)

Unaudited fiscal 2003 undesignated General Fund balance: \$24.9 million (32.6% of General Fund revenues)

2000 median family income as a % of state: 136%

2000 per capita income as a % of state: 137%

Post-sale parity debt outstanding: \$78.9 million including the current issue

Tax Supported
New Issue

Waukesha County, Wisconsin

Ratings

New Issue

General Obligation Promissory Notes,
Series 2004 AAA

Outstanding Debt

General Obligation Promissory Notes .. AAA
Rating Outlook Stable

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New Issue Details

\$14,000,000 General Obligation Promissory Notes, Series 2004, are scheduled for competitive sale on March 9. Dated April 1, 2004, the notes mature serially April 1, 2005–2014 and pay semiannual interest commencing Oct. 1, 2004. **Security:** The notes represent a general obligation of Waukesha County, payable from ad valorem property taxes levied without limit as to rate or amount.

Purpose: Note proceeds will finance a portion of the county's 2003 capital plan, including the expansion of the county's jail/justice facility and various park and public works improvements.

■ Outlook

The 'AAA' rating reflects Waukesha County's diverse and growing tax base, high wealth levels, solid financial position, considerable financial flexibility, and low debt burden. The Rating Outlook is Stable, as the county continues to attract new residents and businesses that enhance its property tax base, which has allowed the county to decrease its property tax rate for the past 14 consecutive years. Untapped property and sales tax capacities, along with ample operating reserves, provide financial flexibility to address unexpected economic disruptions and capital needs. While the county's capital plan includes an increased level of borrowing to finance the construction of a jail/justice center addition, significant use of internal resources and rapid retirement of outstanding debt should sustain its low direct debt burden.

■ Rating Considerations

Located in southeastern Wisconsin immediately west of Milwaukee County, Waukesha County ranks as the state's third largest county in terms of population and second in terms of wealth. The county posted consistent economic gains over the past decade, led by a growing service sector, which reduced the influence of manufacturing in the economy. Despite regional and national trends of increasing unemployment, the county's unemployment rate in December 2003 was 4.1%, well below the state and national averages of 4.8% and 5.4%, respectively. The county's per capita income level equals 142% of the state and 136% of the national averages. Continued residential and commercial growth has generated a 7.6% average annual gain in the county's property tax base since 1996.

Increased financial resources generated by the strong economy and management's conservative budget practices produced consistent financial operations and above-average reserve levels over the past six years. For 2002, the county's general fund balance equaled 76.5% of expenditures and transfers out. The county maintains significant financial flexibility through its capacity to adjust property tax rates, which are well below the state limit. Furthermore, the county maintains the ability to levy a 0.5% local option sales tax, which it estimates could generate approximately \$29 million if imposed.

The county's use of current revenues to finance a large portion of its capital plan results in a low direct debt burden of \$198 per capita and 0.2% of full market value. The county's five-year capital plan includes \$72 million in new debt, most of which will finance the construction of a jail/justice facility addition. However, the county should sustain low debt levels, as the future issuance is consistent with rapid amortization of outstanding debt, all of which will retire within 10 years. The moderate use of debt by the county's underlying municipal entities results in an

March 2, 2004

average overall debt burden of \$2,333 per capita and 2.3% of full market value.

■ Strengths

- Well-diversified and growing tax base, above-average income, and low unemployment.
- Strong management practices sustain the county's sound financial position.
- Sizable reserves and untapped revenue-raising capacity produce substantial financial flexibility.
- Moderate capital needs and use of internal resources sustain low direct debt burden.

■ Risks

- Minimal.

■ Debt

The county sustains its minimal debt burden through strong planning and extensive use of current resources to pay for capital expenditures. After this issue and the retirement of \$2.8 million of 1997 notes from cash reserves, the county's direct debt will equal a low \$198 per capita and 0.2% of full market value. Overall debt, which includes borrowings by the county's underlying cities, villages, towns, and school districts, equals a moderate \$2,333 per capita and 2.3% of full market value.

The county's conservative debt practices include limiting annual debt service to 10% of total expenditures, repaying outstanding debt within 10 years, and when funds are available, retiring debt in advance of maturity. Furthermore, capital and operating budget costs are projected for buildings and grounds, information technology, and fleet replacement, the latter of which is funded through the maintenance of several internal service funds.

The county's current five-year capital plan totals \$116.8 million and will be financed through a combination of borrowed funds, a tax levy, and other sources. The largest project in the plan is a phased expansion of the county's jail/justice facility over the next 10 years. Due to the scope of this project, the county's scheduled borrowing needs are projected to grow from \$14 million in 2004 to \$16 million in 2005, with an additional \$14 million annually in 2006, 2007, and 2008. While this represents an increase in county borrowing, it should minimally impact the county's debt levels, as planned issuance matches the county's current rapid retirement schedule. Furthermore, much of the plan remains

Debt Statistics (\$000)

This Issue	14,000
Outstanding Debt	<u>59,465</u>
Total Direct Debt	73,465
Overlapping Debt	<u>792,569</u>
Total Overall Debt	866,034

Debt Ratios

Direct Debt per Capita (\$)*	198
As % of Full Market Value**	0.2
Overall Debt per Capita (\$)*	2,333
As % of Full Market Value**	2.3

*Population: 371,189 (2003 estimate).

**Full market value: \$36,910,435,000 (2003).

discretionary in nature, providing the county with flexibility to adjust its capital plan should circumstances warrant.

■ Finances

Exceptional financial management has produced high fund balance reserves and maximized financial flexibility. The county's undesignated fund balance consistently exceeds its formal policy target of 11% of general and special revenue fund expenditures, as well as its working target of 15% of spending and transfers. By adhering to its conservative budgeting philosophies, the county's total general fund balance fluctuated between 66% and 80% of expenditures and transfers out over the past six years. The county's total general fund balance equaled 76.5% of spending in 2002, up from 66.4% in 2001. The undesignated general fund balance equaled \$27.8 million, or 38.3% of general fund spending, in 2002, compared with \$20.6 million, or 27.5%, in 2001.

The county posted these strong financial results while consistently reducing its property tax rate since 1990. The current rate of \$2.21 per \$1,000 of taxable assessed valuation is well below the county's state cap of \$3.23. Furthermore, the county maintains the ability to levy a 0.5% local option sales tax, which it estimates could generate approximately \$29 million if imposed. These two potential sources of additional revenue provide the county with significant financial flexibility to address changes either in service demands or the economy.

The county's unaudited figures for 2003 indicate a slight operating surplus, with the total general fund balance rising to \$55.8 million, or 73.6% of spending. The unreserved/undesignated portion declined to \$24.9 million, or 32.8%, as the county set aside some

General Fund Financial Summary

(\$000, Audited Years Ended Dec. 31)

	1996	1997	1998	1999	2000	2001	2002
Revenues	61,169	63,232	65,688	63,943	70,071	72,049	78,348
Expenditures	<u>54,403</u>	<u>58,138</u>	<u>57,967</u>	<u>60,561</u>	<u>63,104</u>	<u>71,853</u>	<u>70,510</u>
Net Change	6,766	5,094	7,721	3,382	6,967	196	7,837
Transfers In	28	97	0	0	0	740	870
Transfers Out	<u>(2,073)</u>	<u>(2,026)</u>	<u>(6,084)</u>	<u>(6,624)</u>	<u>(1,208)</u>	<u>(2,953)</u>	<u>(2,053)</u>
Net Income/(Loss)	4,721	3,165	1,637	(3,242)	5,759	(2,017)	6,654
Total Fund Balance	43,861	47,025	48,662	45,910	51,699	49,683	55,490
As % of Expenditures and Transfers Out	77.7	78.2	76.0	68.3	80.4	66.4	76.5
Unreserved Fund Balance	30,052	29,536	34,647	32,937	32,389	28,465	34,593
As % of Expenditures and Transfers Out	53.2	49.1	54.1	49.0	50.4	38.1	47.7
Undesignated Fund Balance	21,104	20,437	20,707	20,622	19,686	20,552	27,771
As % of Expenditures and Transfers Out	37.4	34.0	32.3	30.7	30.6	27.5	38.3

Note: Numbers may not add due to rounding.

of its reserves to retire outstanding debt and finance a portion of its capital program.

The county's financial strength recently enabled development of a countywide trunk radio system to consolidate various dispatch units within the county and reduce operating costs. To encourage the participation of local communities, the county provided \$1.9 million in first-year loans to communities to cover their share of the system costs. The county will provide interest-free infrastructure financing to initial charter member municipalities over an eight-year period. The consolidated dispatch center is scheduled to open in July 2004.

■ Economy

Waukesha County, located west of Milwaukee County, is the state's third largest county in terms of population and economic output. The county's 2000 Census population of 360,767 represented 1.7% annual growth since 1990. The county's strong transportation system, excellent schools, and quality housing attract a well-educated, professionally oriented work force. As a result, the county ranks as the second wealthiest county in Wisconsin, with per capita income equaling 142% and 136% of the state and national averages, respectively.

The county recorded strong economic gains during the past decade, led by a growing service sector. Total personal income increased at a 6.9% average annual rate from 1991–2001, compared with a 5.5% growth rate for the state and nation. Service-sector

earnings grew 9.7% annually during this period, spurred by the health care and business service industries, and this sector has displaced durable goods manufacturing as the largest source of earnings in the county economy. As of 2000, services represented 24.1% of total county earnings, compared with 22.2% in 1996, while durable goods manufacturing's share declined to 19.1% from 20.3%.

The growth of the county's economy has generated a 1.1% average annual increase in county employment since 1994. However, reflecting the recent economic recession and the continued growth of the county's labor force, the county's unemployment rate increased slightly to 4.1% in December 2003, up from 3.8% for the same period in 2002. The county's rate remains well below the rates for the Milwaukee metropolitan statistical area, the state, and the nation. Leading county employers include the headquarters of Kohl's Corp. (3,819 employees, including a distribution center and local stores), General Electric Medical Systems (3,849), and Quad/Graphics Inc. (3,103).

The strong economic outlook also has promoted a high level of business and residential investment, leading to a 7.6% annual increase in the county's property tax base since 1996. Building activity remains strong and includes development of a 1,500-acre planned community on the county's west side. Overall, the property tax base is well diversified, as the 10 largest taxpayers account for just 2.0% of the county's total equalized value.

DATE-03/09/04

(ORD) NUMBER-1580147

- 1 K. HERRO.....AYE
- 3 D. STAMSTA.....AYE
- 5 J. MARCHESE.....AYE
- 7 J. JESKEWITZ.....AYE
- 9 P. HAUKOHL.....AYE
- 11 K. HARENDA.....AYE
- 13 J. MORRIS.....AYE
- 15 D. SWAN.....AYE
- 17 J. BEHREND.....
- 19 W. MITCHELL.....AYE
- 21 W. KOLB.....AYE
- 23 P. PRONOLD.....
- 25 K. CUMMINGS.....AYE
- 27 D. PAULSON.....AYE
- 29 M. THOMAS.....AYE
- 31 V. STROUD.....AYE
- 33 D. PAVELKO.....AYE
- 35 C. SEITZ.....AYE

- 2 R. THELEN.....AYE
- 4 H. CARLSON.....AYE
- 6 D. BROESCH.....AYE
- 8 J. DWYER.....AYE
- 10 S. WOLFF.....AYE
- 12 J. GRIFFIN.....AYE
- 14 J. LA PORTE.....AYE
- 16 R. MANKE.....AYE
- 18 B. MORRIS.....AYE
- 20 M. KIPP.....AYE
- 22 G. BRUCE.....AYE
- 24 A. SILVA.....AYE
- 26 S. KLEIN.....AYE
- 28 P. JASKE.....AYE
- 30 K. NILSON.....AYE
- 32 P. GUNDRUM.....AYE
- 34 R. SINGERT.....AYE

TOTAL AYES-33

TOTAL NAYS-00

CARRIED X

DEFEATED _____

UNANIMOUS X

TOTAL VOTES-33

