

LRB – RESEARCH AND ANALYSIS

MARCH 18, 2011 AGENDA

ITEM #9, FILE # 101332

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File # 101332 is a resolution authorizing \$95,000,000 of contingent borrowing for the purpose of financing the operating budget of the Milwaukee Public Schools on an interim basis.

Background

1. The City of Milwaukee annually issues short-term debt (cash flow borrowing) on behalf of MPS in anticipation of MPS receiving general aid revenue payments from the State of Wisconsin and property tax levy.
2. On July 27, 2010, the Common Council adopted a resolution (File #100279) authorizing the issuance of up \$253 million of school revenue anticipation notes (RANs), of which \$225 million was issued. The \$253 million borrowing authorization included authorizing the issuance of up \$100 million in general obligation borrowing, of which \$95 million was issued, to be used on a temporary basis and then refunded by the RANs.
3. For state statute purposes, the \$95 million of RANs were considered refunding notes. However, Generally Accepted Accounting Principles require that the \$95 million be issued as Contingent Borrowing debt, not refunding debt.

Discussion

1. To comply with Generally Accepted Accounting Principles, this resolution authorizes \$95,000,000 of contingent borrowing, which has been previously issued, for the purpose of financing the operating budget of the Milwaukee Public Schools on an interim basis.
2. Adoption of this resolution is necessary to facilitate the closing of the City's 2010 books.

Fiscal Impact

The resolution has no fiscal impact.

Cc:

Mark Nicolini
Craig Kammholz
W. Martin Morics
Richard Li
Mike Daun

Prepared by:

Jim Carroll, X8679
LRB Research & Analysis
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