

LRB-FISCAL REVIEW SECTION ANALYSIS

JULY 10, 2006 AGENDA

ITEM 16, FILE 060282

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #060282 is a resolution authorizing the issuance of short-term promissory notes under sec. 67.12(1) Wis. Stats., for the purpose of financing the operating budget of the Milwaukee Public Schools (MPS) on an interim basis.

Background

1. The City of Milwaukee is required under state law to issue debt for the Milwaukee Public Schools.
2. The City of Milwaukee annually issues short-term promissory notes (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.

Discussion

1. This resolution authorizes the City of Milwaukee to issue short-term (1 year or less) promissory notes to interim finance MPS's operating budget until MPS receives general aid revenue payments from the State of Wisconsin and property tax levy.
2. MPS anticipates receiving approximately \$643 million in state equalization and integration aid payments for the School Operations Fund for fiscal year 2007 from the State of Wisconsin. MPS operates on a fiscal year commencing July 1st, through June 30th.
3. State equalization and integration aid payments from the State of Wisconsin represent approximately 68% of the anticipated revenue for the MPS School Operations Fund for fiscal year 2007.
4. The maximum amount of the sale of the promissory notes will total no more than \$210 million.
5. The sale of the notes is scheduled for August, 2006.

Fiscal Impact

The resolution authorizes and the directs the segregation of school aid revenues due and payable during June 2007 to pay the principal at maturity and pledges surplus revenues in the Debt Service Fund to pay the accrued interest.

Assuming an issuance of \$210 million at an interest rate of 4% for one year and the City earning 4% on an average balance of ½ of the issue during the same period, the Comptroller's Office estimates the resolution will have the fiscal impact shown in the table below:

| Category | Expenditure | Revenue |
|--------------------------------|--------------------|----------------|
| Debt Service | \$8,400,000 | |
| General Fund–Interest Earnings | | \$4,200,000 |
| Issuance Expenses | \$182,500 | |
| Net* | \$4,382,500 | |

* Expenditure is paid from surplus revenue in the Debt Service Fund

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