

LRB – RESEARCH AND ANALYSIS

JANUARY 14, 2009 AGENDA

ITEM 26, FILE 081196

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

Files #081196 is a resolution relating to expenditure of funds to be reimbursed by greater than anticipated revenue.

Background & Discussion

1. The City of Milwaukee annually issues short-term debt in anticipation of receiving shared revenue payments from the State of Wisconsin. In the past, the City of Milwaukee issued Revenue Anticipation Notes (RANs) to finance the City's operating budget until the City received shared revenue payments from the State of Wisconsin.
2. Because RANs are subject to the State's property tax levy limit and general obligation borrowing is not, the City issued General Obligation Cash Flow Promissory Notes (GO Note) in 2008 to finance the City's operating budget until shared revenue payments are received from the State of Wisconsin.
3. The General Fund receives the proceeds of the GO Notes in the Spring of each year (the greater than anticipated revenue). In November of each year the State shared revenues are received (the budgeted revenues), and the amount equal to the principal on the GO Notes is transferred to the Debt Service Fund to repay the GO Notes.
4. Under Generally Accepted Accounting Principals (GAAP), General Obligation debt principal is required to be recorded in the Debt Service Fund, with an operating transfer from the General Fund.

Fiscal Impact

This resolution is needed to allow proper accounting for the flow of General Obligation Note proceeds through the General Fund. There is no fiscal impact to this resolution.

The resolution provides an appropriation of \$90 million in 2008 for the payment of principal on general obligation debt that provided RAN borrowing for the General Fund.

General Fund revenues of \$90 million from GO Notes in 2008 were greater than anticipated and will offset the \$90 million in transfer in 2008 to the Debt Service Fund to repay the principal on the Go Notes. The Comptroller has certified greater than anticipated revenue in the amount of \$90 million in 2008 from GO Notes proceeds, pursuant to s. 304-91 of the Code.

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