

LRB - FISCAL SECTION ANALYSIS

JANUARY 16, 2002

ITEM 30, FILE 011221

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #011221 is a resolution authorizing the issuance of short-term promissory notes for the purpose of financing the operating budget on an interim basis.

Background and Discussion

1. This resolution authorizes the City of Milwaukee to issue short-term promissory notes to finance the City's operating budget until the City receives shared revenue payments from the State of Wisconsin.
2. The City of Milwaukee annually issues short-term promissory notes in anticipation of receiving shared revenue payments from the State of Wisconsin.
3. The City of Milwaukee anticipates receiving \$238,140,000 in shared revenue payments in 2002 from the State of Wisconsin.
4. The City of Milwaukee expects to receive \$35,721,000 in July and \$202,419,000 in November.
5. Shared revenue from the State of Wisconsin will provide about 50% of the City's General Fund operating revenue for 2002.
6. The maximum amount of the sale of the promissory notes will total no more than \$175,000,000. The Public Debt Commission does not expect to sell the maximum amount. In the last four years, the amount sold has varied between \$102 million (2001) and \$115 million (1999).
7. Actions that may be taken by the State of Wisconsin to address its estimated \$1.3 billion budget shortfall could impact the timing, size and debt service level of this issue.

Fiscal Impact

The Comptroller's Office estimates the City of Milwaukee will earn approximately \$1.3 million in net revenue by being able to invest the proceeds of the sale of the notes at a higher rate of interest than it is paying the note holders. 2/3 of the net revenue is allocated to the General Fund and 1/3 of the net revenue is allocated to the Public Debt Amortization Fund.

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