

## **LRB – FISCAL REVIEW SECTION ANALYSIS**

**NOVEMBER 19, 2003 AGENDA**

**ITEM 12, FILE 031026**

**FINANCE & PERSONNEL COMMITTEE**

**JAMES CARROLL**

File #031026 is a substitute resolution regarding an Intergovernmental Agreement in connection with pension obligation bonds for the Milwaukee Public Schools.

### **Background**

1. The Milwaukee Public Schools (MPS) has an approximately \$172 million unfunded prior service liability (UPSL) with the Wisconsin Retirement System (WRS). The UPSL accrues interest at rate set by WRS, which is currently set at 8%. Given the current low interest rates, MPS is studying financing options for the UPSL.
2. On July 2, 2003, the State Legislature adopted Senate Bill 77 that provides MPS the statutory borrowing authority through the City and RACM to finance the UPSL. The legislation permits the use of General Obligation (GO) promissory notes through the City and up to \$200 million of revenue bonds through RACM for the financing. The revenue bonds would be secured by MPS pledging general state aid revenues (approximately \$600 million a year.) The legislation also authorizes that these GO notes be counted against the 2% statutory limit for general school bonds, and not the 5% statutory limit for general City purposes.
3. On August 1, 2003, the Common Council approved a cooperation agreement (File #030519) between the City, RACM and MPS regarding the preparation of a financing plan to address the MPS unfunded pension liability.

### **Discussion**

1. This resolution specifies certain items to be included in the Intergovernmental Agreement between the City and MPS relating to the Pension Obligation Bonds anticipated to be issued for MPS. (The Intergovernmental Agreement is included in File #031036, Agenda Item #13.)
2. The resolution specifies that the Intergovernmental Agreement between the City and MPS relating to the Bonds includes the following items:
  - a) The financing of the UPSL owed to WRS is intended to be structured to equal, as close as possible, the anticipated payments projected to be made to WRS had such financing not been performed.

- b) That payments due in a calendar year to the City for General Obligation debt issued for the financing of the UPSL owed to WRS shall be made by MPS to the City prior to the beginning of the calendar year in which such payments are due.
- c) That by June 30, 2004, MPS shall establish a plan, consistent with accepted actuarial standards, to fully fund the remaining unfunded MPS pension liabilities, not included in the City/RACM financing.
- d) That in order to avoid creating future unfunded liabilities, that current benefits, as well as any additional benefits that may be granted, shall be consistent with accepted actuarial standards and sound financial management principles, fully provided for from appropriations in the year such amounts are earned/accrued and/or granted.
- e) That the Superintendent prepare an experience study for each benefit plan, other than the WRS plan, at least once every 5 years.
- f) That any future UPSL as a result of an experience study and/or changes in assumptions shall be fully funded over a period of time consistent with accepted actuarial standards and sound financial management principles.
- g) That the Superintendent present to the City, an Annual Status Report of Employee Pension Benefit Funding as of the previous fiscal year that includes: 1) funding costs included in the annual budget projection; 2) updates the City as to the current status and progress towards fully funding future type benefits and fulfilling the objectives set forth in this resolution; and 3) the ability of MPS to provide for such expenses.

**Fiscal Impact**

This resolution has no fiscal impact.

Cc:	Marianne Walsh Mike Daun Joe Czarnecki W. Martin Morics Richard Li John Ledvina	Prepared by: Jim Carroll, X8679 LRB Fiscal Review November 12, 2003
-----	--	--