

LRB – FISCAL REVIEW SECTION ANALYSIS

NOVEMBER 19, 2003 AGENDA

ITEM 14, FILE 031035

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #031035 is a resolution authorizing the issuance, sale and delivery of Taxable General Obligation Promissory Notes of the City of Milwaukee, Wisconsin under s. 67.12 (12) of the Wisconsin Statutes, in an amount not to exceed \$125 million for school purposes consisting of paying an unfunded prior service liability contributions under the Wisconsin Retirement System for the Board of School Directors of the Milwaukee Public Schools.

Background

1. The Milwaukee Public Schools (MPS) has an approximately \$167 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%. Under the WRS 8% interest assessment, 2% payment requirement and assuming 3% growth in the MPS covered payroll, the UPSL will never be paid off. Given the current low interest rates, MPS approached the State Legislature and the City regarding 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 authorizes the City of Milwaukee to issue up to \$125 million of General Obligation notes for the purpose of paying a portion MPS's \$167 million UPSL to the Wisconsin Retirement System. The notes are to be issued along with RACM bonds that are anticipated to be issued for the same purpose.

2. The bonds will be issued under the provisions of Wisconsin State Senate Bill 77(See Discussion Point #2).
3. With the combined City and RACM financing, the total debt service will approximate the projected WRS payments, and be fully retired in 40 years.

Fiscal Impact

This resolution has no fiscal impact on the City of Milwaukee. The resolution authorizes the issuance of general obligation debt. Under an agreement with MPS (See File #031036, Agenda Item #13), MPS will reimburse the City for all expenses.

Cc:	Marianne Walsh Mike Daun Joe Czarnecki W. Martin Morics Richard Li John Ledvina
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