

Reply to Common Council File No. 040197

From: DOA-Budget and Management Division

June 29, 2004

Ref: 04010

Common Council File 040197 is a resolution authorizing issuance of short-term promissory notes in an amount not to exceed \$200,000,000 for the purpose of financing the operating budget of the Milwaukee Public Schools on an interim basis. This sale is necessary in order to finance the operating budget of the Milwaukee Public Schools for fiscal year 2004-2005 on an interim basis pending receipt of state school equalization aid revenue payments due in September and December 2004 and March and June 2005.

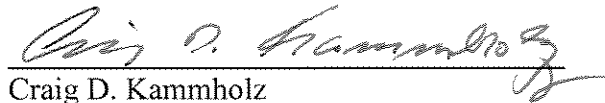
The City of Milwaukee is authorized to and annually borrows money for school purposes in anticipation of receiving state school aid payments. The short-term promissory notes do not constitute indebtedness for purposes of determining the city's debt limitation and no tax will be levied to pay the obligation.

The table below shows the change in the amount of RAN authority, notes issued, and state school aid payments to MPS. Although state aid payments to MPS decreased by 0.5% in 2004, the amount of RAN authority increased by 33.3%. The amount of MPS RANs issued has also increased in recent years. In 2003, the amount of RANs issued increased by 8.7%, even though MPS aid increased by 3.4%. Historically, MPS RAN authority has been set at \$148 million and the amount of notes issued has remained under this amount. Given these trends, interest costs will rise at a time when state school aids are declining. It is recommended that the results of the MPS RAN sale be reported to the Finance and Personnel Committee, including the amount of interest cost to the district related to this sale.

MPS RAN ISSUES 2000 to PRESENT

	RAN Authority (millions)		Amount Issued (millions)	Annual Change %	MPS Aid (millions)	Annual Change %
2004	200	33.3%	-	-	611	-0.5%
2003	150	1.4%	150	8.7%	614	3.4%
2002	148	0.0%	138	23.2%	594	0.7%
2001	148	0.0%	112	1.8%	590	1.2%
2000	148	-	110	-	583	-

RECOMMENDATION: APPROVE FILE 040197 AUTHORIZING THE ISSUANCE OF SHORT-TERM PROMISSORY NOTES IN AN AMOUNT NOT TO EXCEED \$200 MILLION. REQUEST COMPTROLLER STAFF TO REPORT TO THE FINANCE AND PERSONNEL COMMITTEE THE RESULTS OF THE 2004 MPS RAN SALE INCLUDING THE INTEREST COSTS TO THE DISTRICT.



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CDK:cdk

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