

Reply to Common Council File Nos. 031026, 031036, 031035, 031038, and 031037

From DOA-Budget and Management Division

November 17, 2003

Ref: 03010

This is a series of files relating to the upcoming sale of debt for purposes of paying Milwaukee Public Schools' (MPS) unfunded prior service liability contributions to the Wisconsin Retirement System. The total estimated liability is \$167,364,354, as of June 30, 2003. The borrowing will be jointly undertaken by the City and the Redevelopment Authority of the City of Milwaukee (RACM), and is expected to be fully retired in 40 years. Overall, this issuance will benefit City of Milwaukee taxpayers as the school system is able to reduce the impact of this liability on its annual budget.

Common Council File No. 031026 is a resolution specifying terms to be included in an intergovernmental agreement for this financing. The primary purpose of this resolution is to create an understanding that the City will agree to this financing arrangement, as long as the school system agrees not to incur further unfunded pension benefit liabilities in the future.

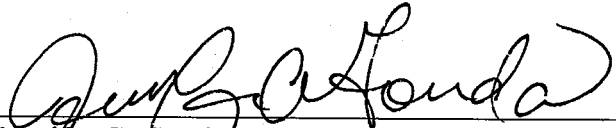
Common Council File No. 031036 is a resolution approving the form and authorizing the execution and delivery of a loan agreement between RACM, the City of Milwaukee and the Milwaukee Board of School Directors. This file includes a promissory note, bond indenture and an intergovernmental agreement specifying the terms of the administration of the pension obligation bonds.

Common Council File No. 031035 is a resolution authorizing the sale of \$125 million in taxable general obligation notes for school purposes. MPS will include the debt service for these bonds in its annual budget and they do not count against the City's statutory 5% debt limit for general City purposes and instead count toward the 2% limit for school purposes. The remainder of the unfunded liability will be issued by the Redevelopment Authority of the City of Milwaukee.

Common Council File No. 031038 is a resolution approving the form of the Preliminary Official Statement used in connection with the sale of debt for this pension obligation financing. This is a standard resolution passed each time the city goes to the market for a debt issue.

Common Council File No. 031037 is a resolution approving the terms and authorizing the execution and delivery of a swap agreement of the City on behalf of the Milwaukee Board of School Directors. A portion of the bonds issued by RACM will be variable rate Auction Rate Securities. The proposed swap will convert the variable rate obligation into a fixed rate obligation.

**RECOMMENDATION: APPROVE COMMON COUNCIL FILE NOS. 031026, 031036, 031035, 031038, AND 031037, IN CONNECTION WITH BORROWING FOR MILWAUKEE PUBLIC SCHOOLS' \$167 MILLION UNFUNDED PENSION LIABILITY WITH THE WISCONSIN RETIREMENT SYSTEM.**



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