

LRB – FISCAL REVIEW SECTION ANALYSIS

JULY 30, 2003 AGENDA

ITEM 8, FILE 030519

FINANCE COMMITTEE

JAMES CARROLL

Resolution #030519 is a resolution approving a Cooperation Agreement between the City of Milwaukee, the Milwaukee Board of School Directors and the Redevelopment Authority of the City of Milwaukee (RACM) and authorizing the proper city officers to execute such agreement on behalf of the City of Milwaukee.

BACKGROUND

1. The Milwaukee Public Schools (MPS) has an approximately \$172 million unfunded actuarial liability (UAL) with the Wisconsin Retirement System (WRS). The UAL 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 UAL.
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 UAL. 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.

DISCUSSION

1. This resolution approves a cooperation agreement between the City, RACM and MPS regarding the preparation of a financing plan to address the MPS unfunded pension liability.
2. Included in the agreement are the following provisions
 - Should the issuance of the obligations occur, all expenses of the financing shall be paid from proceeds of the obligations as costs of issuance. Any amount not provided for as a cost of issuance shall be paid directly by MPS. Such costs may include the cost of staff time of the City.
 - Should the issuance of the obligations not occur, any out-of-pocket costs of the City related to the financing shall be reimbursed by MPS

within 60 days of termination of this Agreement. Such costs include, but are not limited to, fees and expenses of the City's Financial Advisor, fee and expenses of City's Bond Counsel and publication costs to solicit underwriters. Such amount shall not exceed \$20,000 for fees and expenses of the Financial Advisor and \$5,000 for other fees and expenses, without prior notice to and the written consent of the Superintendent of MPS.

- RACM's obligations under this Agreement relate solely to the provision of staff and non-monetary assistance to MPS in order to structure and close on the issuance of the obligations. The parties do not intend to create any financial obligations on the part of RACM by virtue of the actions contemplated by this Agreement or pursuant to any contracts for professional services which may be executed by RACM in conjunction with the issuance of Obligations.
- The City's obligations under this Agreement relate solely to the provision of staff and non-monetary assistance to MPS in order to structure and close on the issuance of the obligations. The City may, but is not obligated to, pay for services to expedite the financing. If paid, such amounts shall be reimbursable as previously provided.

FISCAL IMPACT

This resolution has no fiscal impact. Any potential bond issue or issues to be recommended pursuant to this cooperation agreement would have to be approved by the Common Council for any City bond issue or credit enhancement (and/or by the RACM for any RACM bond issue).

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LRB Fiscal Review
July 29, 2003