

LRB – RESEARCH AND ANALYSIS SECTION ANALYSIS

OCTOBER 7, 2009 AGENDA

ITEM 17, FILE 090555

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #090555 is a resolution authorizing the sale and issuance of general obligation bonds in the aggregate amount of \$53,070,000 for school purposes.

Background

1. The American Recovery and Reinvestment Act of 2009 included authorization for Qualified School Construction Bonds. This tax credit bond program allows state and local governments to finance public school construction projects and other eligible costs for public schools with interest-free borrowings. This tax credit bond program provides a federal subsidy by giving those who buy the bonds a federal tax credit that essentially allows state and local governments to issue the bonds without interest cost.
2. MPS is seeking City approval for the issuance of Qualified School Construction Bonds. MPS had originally submitted a request for \$53 million in funding for eligible projects. The request has been reduced to \$48 million for deferred maintenance projects (\$30 million), science and mathematics program/curriculum enhancements (\$6 million), the Longfellow/Journey House project (\$4 million), and funding (\$8 million) for major maintenance projects as they arise.
3. MPS will reimburse the City for all debt service (principal and any interest covered by the federal government.) and debt issuance costs.
4. Under Wis. Stat. s 67.05 (1), a municipality must adopt an initial resolution stating the purpose and maximum amount of the borrowing prior to the actual issuance of the debt.

Discussion

1. This initial resolution expresses the City's intent to sell and issue general obligation bonds in the aggregate amount of \$53,070,000 for school purposes.
2. Approval of subsequent legislation is required to authorize the actual issuance of the debt and approve an Intergovernmental Cooperation Agreement between MPS and the City related to MPS's payment of debt service costs. According to the Comptroller's August 24, 2009 letter, the amount in this resolution can be considered an "up to amount" and can be adjusted in the subsequent resolution.

Fiscal Impact

This resolution has no fiscal debt. Subsequent Common Council action is required prior to the issuance of the actual debt.

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