

LRB-FISCAL REVIEW SECTION ANALYSIS

MAY 31, 2002 AGENDA

ITEM 12, FILE 020219

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #020219 is a resolution authorizing issuance of short-term promissory notes under sec. 67.12(1) Wis. Stats., for the purpose of financing the operating budget of the Milwaukee Public Schools (MPS) on an interim basis.

Background

1. The City of Milwaukee is required under state law to issue debt for the Milwaukee Public Schools.
2. The City of Milwaukee annually issues short-term promissory notes (cash flow borrowing) on behalf of MPS in anticipation of MPS receiving general aid revenue payments from the State of Wisconsin.

Discussion

1. This resolution authorizes the City of Milwaukee to issue short-term (1 year or less) promissory notes to interim finance MPS's operating budget until MPS receives general aid revenue payments from the State of Wisconsin.
2. The Milwaukee Public Schools anticipates receiving \$593,800,000 in state general aid revenue payments for the School Operations Fund for fiscal year 2002-2003 from the State of Wisconsin. MPS operates on a fiscal year commencing July 1st, through June 30th.
3. MPS will receive payments in September, 2002, December, 2002, March, 2003 and June, 2003.
4. State general aid revenue payments from the State of Wisconsin represent approximately 67% of the anticipated revenues for MPS's School Operations Fund for fiscal year 2002-2003.
5. The maximum amount of the sale of the promissory notes will total no more than \$148,000,000.

Fiscal Impact

The Comptroller's Office estimates the City of Milwaukee will earn approximately \$1.0 million in net revenue by being able to invest the proceeds of the sale of the notes at a higher rate of interest than it is paying the note holders. 2/3 of the net revenue is allocated to the General Fund and 1/3 of the net revenue is allocated to the Public Debt Amortization Fund.

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LRB-Fiscal Review
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