LRB-FISCAL REVIEW SECTION ANALYSIS

JUNE 29, 2005 AGENDA | **ITEM 15, FILE 050265**

FINANCE & PERSONNEL COMMITTEE | **JAMES CARROLL**

File #050265 is a resolution authorizing the 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 and property tax levy.

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 and property tax levy.
2. MPS anticipates receiving $636 million in state equalization and integration aid payments for the School Operations Fund for fiscal year 2005-2006 from the State of Wisconsin. MPS operates on a fiscal year commencing July 1st, through June 30th. MPS expects to receive state aid payments in September 2005, December 2005, March 2006 and June 2006. MPS receives property tax levy funding in January.
3. State equalization and integration aid payments from the State of Wisconsin represent approximately 67% of the anticipated revenue for the MPS School Operations Fund for fiscal year 2005-2006.
4. The maximum amount of the sale of the promissory notes will total no more than $200 million.
5. The sale of the notes is scheduled for August, 2005.

Fiscal Impact

The resolution authorizes and the directs the segregation of school aid revenues due and payable during June 2005 to pay the principal at maturity and pledges surplus revenues in the Debt Service Fund to pay the accrued interest.

Assuming an issuance of $200 million at an interest rate of 3% for one year and the City earning 3% on an average balance of ½ of the issue during the same period, the Comptroller's Office estimates the resolution will have the fiscal impact shown in the table below:

Category	**Expenditure**	**Revenue**
Debt Service	$6,000,000	
General Fund–Interest Earnings		$3,000,000
Issuance Expenses	$175,000	
Net*	**$3,175,000**	

** Expenditure is paid from surplus revenue in the Debt Service Fund*

cc: Marianne Walsh
W. Martin Morics
Mike Daun
Mark Nicolini
Craig Kammholz
Richard Li

Prepared by: James Carroll, X8679
LRB-Fiscal Review
June 28, 2005