

LRB-FISCAL REVIEW SECTION ANALYSIS

JUNE 18, 2003 AGENDA

ITEM 12, FILE 030301

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #030301 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. MPS anticipates receiving \$606,495,816 in state general aid revenue payments for the School Operations Fund for fiscal year 2003-2004 from the State of Wisconsin. MPS operates on a fiscal year commencing July 1st, through June 30th. MPS expects to receive payments in September, 2003, December, 2003, March, 2004 and June, 2004.
3. State general aid revenue payments from the State of Wisconsin represent approximately 66% of the anticipated revenues for MPS's School Operations Fund for fiscal year 2003-2004.
4. The maximum amount of the sale of the promissory notes will total no more than \$150,000,000.
5. The exact amount MPS receives from the State will not be known until the State of Wisconsin's 2003-05 Budget is finalized. Any significant changes to the amount, MPS is anticipating may impact the size and debt service level of this issue.

Fiscal Impact

The resolution authorizes and directs the segregation of school aid revenues due and payable during June 2004 to pay the principal at maturity and pledges surplus revenues in the Debt Service Fund to pay the accrued interest.

Assuming an issuance of \$133 million at an interest rate of 1.25% for one year and the City earning 1% on an average balance of ½ of the issue during the same period, the Public Debt Commission estimates the resolution will have the fiscal impact shown in the table below:

Category	Expenditure	Revenue
Debt Service	\$1,666,000	
General Fund–Interest Earnings		\$500,000
Issuance Expenses*	\$158,000	\$158,000
Net**	\$1,666,000	

* Reimbursed by MPS

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

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