

LRB – FISCAL REVIEW SECTION ANALYSIS

NOVEMBER 19, 2003 AGENDA

ITEM 13, FILE 031036

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #031036 is a resolution approving the form and authorizing the execution and delivery of a loan agreement among the Redevelopment Authority of the City of Milwaukee, the Milwaukee Board of School Directors, and the City of Milwaukee, a promissory note, bond indenture, and an intergovernmental agreement in connection therewith.

Background

1. The Milwaukee Public Schools (MPS) has an approximately \$167 million unfunded prior service liability (UPSL) with the Wisconsin Retirement System (WRS). The UPSL 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 UPSL.
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 UPSL. 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.
3. On August 1, 2003, the Common Council approved a cooperation agreement (File #030519) between the City, RACM and MPS regarding the preparation of a financing plan to address the MPS unfunded pension liability.

Discussion

1. This resolution authorizes entering into agreements related to the issuance of up to \$200,000,000 of General Obligation Notes and/RACM pension bonds for the purpose of paying Milwaukee Public School's UPSL to the Wisconsin Retirement System.
2. The agreements include the following
 - Intergovernmental Agreement regarding MPS payments to the City for the Notes (See File #031026, Agenda Item 12)
 - Loan Agreement between MPS and RACM to secure the Bonds

- Promissory Note to evidence the Loan Agreement; and a Bond Indenture pursuant to which the Bonds are issued.

Fiscal Impact

This resolution has no fiscal on the City of Milwaukee. Under the agreement with MPS, MPS will reimburse the City for all expenses.

Cc: Marianne Walsh
Mike Daun
Joe Czarnecki
W. Martin Morics
Richard Li
John Ledvina

Prepared by:
Jim Carroll, X8679
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