

# LRB – RESEARCH AND ANALYSIS

JULY 1, 2009 AGENDA

ITEM 11, FILE 090187

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #090187 is a resolution authorizing the issuance and sale of up to \$230,000,000 of revenue anticipation notes and/or General Obligation Notes, for the purpose of financing the operating budget of the Milwaukee Public Schools 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 debt (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.
3. MPS operates on a fiscal year commencing July 1<sup>st</sup>, through June 30<sup>th</sup>.

## 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. The resolution also authorizes and directs the segregation of school aid revenues due and payable during June 2010 to pay the principal at maturity and pledges surplus revenues in the Debt Service Fund to pay the accrued interest.

## Fiscal Impact

Assuming an issuance of \$230 million at an interest rate of 2.0% for one year and the City earning 0.10% 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	\$4,600,000	
General Fund–Interest Earnings		\$115,000
<b>Net*</b>	<b>\$4,485,000</b>	

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

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