

LRB - FISCAL SECTION ANALYSIS

JULY 11, 2001

ITEM 13, FILE 010343

ITEM 14, FILE 010344

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #010343 is a communication from the Comptroller's office accepting the bid for the refunding of General Obligation Corporate Purpose Bonds and File #010344 is a communication accepting the bid for the refunding of General Obligation Taxable Bonds.

Background

1. Because of favorable market conditions (low interest rates), the Public Debt Commission's Financial Advisor identified certain taxable and tax exempt general obligation bond issues as candidates for refunding.
2. On May 8, 2001, The Common Council adopted Resolutions # 001597 and #001598 that allowed the Public Debt Commission to proceed with the bond refunding process.
3. The resolutions required a net present value savings of \$400,000 with respect to the tax-exempt refunding and \$75,000 net present value savings with respect to the taxable refunding.
4. The Public Debt Commission's policy for refunding is that the net present value savings threshold be equal to or greater than 2% of the debt being refunded.
5. On June 12, 2001, the Debt Commission conducted a negotiated offering. In order to provide the flexibility needed to add or drop bonds to the refunding mix as interest rates move and to time the issue properly, a negotiated offering was used.

Refunding Results

1. The tax exempt refunding was negotiated at a refunding bond par amount of \$26.035 million to refund outstanding maturities totaling \$24.98 million. The issue provided a net present value debt service savings of approximately \$445,000 and the savings represented 1.78% of the refunded bonds.
2. The taxable refunding was negotiated at a refunding bond par amount of \$4.69 million to refund outstanding taxable maturities totaling \$4.57 million. The issue provided a net present value debt service savings of approximately \$160,000 and the savings represented 3.49% of the refunded bonds.

3. Together, the negotiated sales present value savings totaled approximately \$605,000 and represent 2.05% of the refunded bonds.
4. The selected underwriters, for both offerings, were Banc One Capital Markets and Siebert Brandford and Shank & Co., LLC. Siebert Brandford and Shank & Co., LLC is registered with the State of Wisconsin as a minority owned firm and it placed approximately 30% of the offering.

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