

Reply to Common Council File No. 031039

From DOA-Budget and Management Division

November 18, 2003


Ref: 03010

Common Council File 031039 contains a resolution approving the terms of and authorizing the City to enter into a Forward Purchase Agreement for providing investments of the debt service reserve accounts of the City's Sewerage System Revenue Bonds.

Since transferring the sewer relief and relay capital program to the Sewer Maintenance Fund in 2000, the City has issued Sewerage System Revenue Bonds in 2001 and 2003. The bond agreements require debt service reserve accounts of \$2,343,384 and \$2,524,600 respectively. These reserves assure bondholders that the debt service will be paid.

Currently, these funds are invested in overnight deposits earning about 1.00%. A Forward Purchase Agreement is an instrument that will allow the City to invest reserve funds at yields significantly higher than current short-term interest rates. The investments will include US Treasuries and agency securities which are expected to earn investment yields closer to the 4.5087% and 3.7504% bond yields of the 2001 and 2003 issues.

RECOMMENDATION: APPROVE RESOLUTION 031039 AUTHORIZING ENTERING INTO A FORWARD PURCHASE AGREEMENT FOR BOND RESERVE FUNDS OF THE SEWERAGE SYSTEM REVENUE BONDS.



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