

LRB – FISCAL REVIEW SECTION ANALYSIS

MARCH 31, 2004 AGENDA

ITEM 8, FILE 031674

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #031674 is a resolution authorizing the refunding of all or any part of General Obligation Corporate Purpose Bonds, Series Y, 2003 B6, and General Obligation Refunding Bonds, Series of 2002-A.

Background & Discussion

1. State Statutes and the City Charter provide for the establishment of a Public Debt Commission (PDC) to oversee the issuance of debt and the Public Debt Amortization Fund (PDAF). The PDAF is utilized to reduce the property tax levy, which would otherwise be required for debt service or cash-financed capital projects. The 2004 withdrawal from the PDAF was \$4 million.
2. Per Wisconsin Statutes, the PDAF can only purchase and cancel City debt. Funds of the PDAF cannot be directly transferred to the City's Debt Service Account.
3. In prior years, the draws were effected by purchasing presented bonds prior to maturity, and then canceling those bonds. However, with the transition to Book Entry Only bonds, bonds are no longer presented prior to maturity, and thus are not available for purchase.
4. As an alternative to purchasing bonds prior to maturity, this resolution authorizes refunding bonds for the PDAF to purchase in order to facilitate draws from the PDAF for the Scheduled and Annual Draw this fall.
5. The authorization of "Refunding Bonds" is needed so that the bonds can be purchased and canceled by the PDAF. The proceeds of the "sale" of the refunding bonds to the PDAF can be deposited to the City's Debt Service Account. That has the net economic effect of transferring funds from the PDAF to the City's Debt Service account.
6. The annual PDAF draw will not occur until the fall. This resolution is needed, at this time, in order for the PDAF to provide the scheduled debt service support (the Segregated Portion of the PDAF) that occurs throughout the year.

Fiscal Impact

The Comptroller's Office indicates the debt service on the refunding bonds will be the same or lower than the debt service on the bonds retired

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