

Reply to Common Council File No.050286
From DOA-Budget and Management Division

June 27, 2005

Ref: 05010

File 050286 contains a substitute resolution authorizing the borrowing of not to exceed \$441,000,000; providing for the issuance and sale of General Obligation securities therefor; and levying a tax on connection therewith.

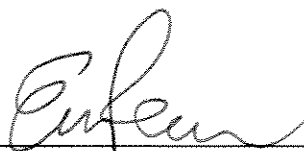
The resolution's purpose is to ensure that general obligation borrowing authority is available during the 2006, 2007, and 2008 budgets for city and school capital purposes. The resolution does not provide expenditure authority. The Common Council retains control over capital expenditures in each of these three years through its Budget adoption action. In addition, this resolution does not modify any of the necessary project approval requirements associated with Tax Incremental Finance-related borrowing.

The Administration has introduced this resolution to ensure that proposed state property tax levy limits do not restrict the city's ability to borrow responsibly for capital improvement and economic development projects. The quality of the city's fiscal management in general, and its debt management in particular, are reflected in its credit rating. Credit rating agencies are generally concerned with State laws that restrict a local government's ability to repay general obligation debt.

It is anticipated that approximately 50% of the authorizations contained in this resolution (As reflected in Exhibit A) will be repaid, if borrowed, through non-tax levy resources.

Exhibit A does not reflect Proposed Executive Budget recommendations. These are planning amounts, which will be refined through each year's budget process. The amounts contained in Exhibit A are intended to allow for the Council's ability to budget among the categories differently from what the Mayor may propose, should the Council disagree with the allocations contained in the Proposed Executive Budget.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER
050286.**



Eric C. Pearson
Budget and Policy Manager

ECP:dmr

FINANCE: 050286sr.doc