

Reply to Common Council File No. 030300
From DOA-Budget and Management Division

June 13, 2003

Ref: 03013 (40)

Common Council File 030300 contains a substitute resolution authorizing refunding of all or any part of General Obligation Corporate Purpose Bonds, Series J; L; R, T, W, Y; and General Obligation Refunding Bonds, Series of 1993.

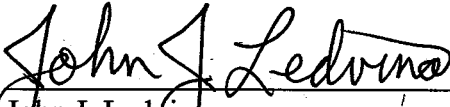
This resolution authorizes the Commissioners of the Public Debt to issue and sell at either a public (competitive) or private (negotiated) sale Taxable General Obligation Refunding Bonds to refund portions of certain issues. The sale would occur if the City would significantly benefit from the possible refunding of any or all of the listed bond issues as a result of declining interest rates in the municipal bond marketplace. The **minimum net present value savings** to go forward with the refunding is **\$250,000 or 2%** of the refunded par value.

The December 31, 2002 principal balances outstanding on these series of bonds total \$236,340,000. The proposed General Obligation Corporate Purpose Refunding Bonds to be sold **would not exceed \$90,000,000**. This represents the callable portion of the candidates for refunding.

The maximum stated interest rate (known as the "coupon" rate) shall not exceed 6.0% annually. The maximum True Interest Cost ("TIC") rate shall not exceed 5.00%. The "TIC rate" is the present valued gross interest cost net of the premium or discount payments from successful bidders. The refunding bonds must also be sold at a price of not less than 99% of their principal amount plus interest that would accrue from their stated date to the actual date of delivery and payment for the bonds.

The last refunding took place in October 2002. Series 2002-A Refunding Bonds refunded almost \$163 million of existing outstanding debt with a **net present value savings of almost \$5.5 million**. The issue refunded over one quarter of the City's outstanding general obligation debt. That largest refunding ever done by the City. It was done to take advantage of substantially lower interest rates.

RECOMMENDATION: APPROVE RESOLUTION 030300 AUTHORIZING THE REFUNDING OF ANY OR ALL OF SPECIFIED GENERAL OBLIGATION CORPORATE PURPOSE BONDS.



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