

LRB – RESEARCH AND ANALYSIS SECTION ANALYSIS

FEBRUARY 22, 2007 AGENDA

ITEM 5, FILE 061314

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #061314 is a substitute resolution authorizing the sale and issuance of general obligation refunding bonds.

Background

1. Because of favorable market conditions (low interest rates), the Comptroller's Office has identified certain general obligation debt issues as candidates for refunding.
2. The sale of refunding debt provides funds to payoff, prior to maturity, the prior debt. The prior debt was originally issued at rates of interest higher than are currently available. Debt service payments are then only due on the newly issued "refunding" bonds.

Discussion

1. Adoption of this resolution is required to allow the Public Debt Commission to proceed with the debt refunding process.
2. The resolution authorizes the sale and issuance of general obligation refunding bonds in the amount not to exceed \$2,000,000.
3. The refunding bonds will be issued on or before December 31, 2007.

Fiscal Impact

Assuming a refunding of \$1.5 million at savings of 1% interest per year, the Comptroller's Office estimates the refunding will generate a savings (after issuance expenses) of \$7,500 in 2007(1/2 year savings) declining to \$3,000 in 2012.

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