

LRB - FISCAL SECTION ANALYSIS

MARCH 14, 2001

ITEM 19, FILE 001597

ITEM 20, FILE 001598

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

Resolution #001597 authorizes the refunding of General Obligation Corporate Purpose Bonds and Resolution #001598 authorizes the refunding of General Obligation Taxable Bonds.

Background

1. Because of favorable market conditions (low interest rates), the Public Debt Commission's Financial Advisor has identified certain taxable general obligation bond issues as candidates for refunding.
2. The sale of refunding bonds provides funds that are escrowed for future debt service payments. These escrowed bond proceeds will retire earlier issued bonds that were originally issued at rates of interest higher than currently available. Debt service payments are then only due on the newly issued "refunding" bonds.
3. On February 20, 2001, the Public Debt Commission recommended that Public Debt Commission staff proceed with the selection of an underwriter for the refunding offering.

Discussion

1. Adoption of these resolutions is required to allow the Public Debt Commission to proceed with the bond refunding process.
2. In order to provide the flexibility needed to add or drop bonds to the refunding mix as interest rates move and to time the issue properly, a negotiated offering will be used.

Fiscal Impact

1. The Public Debt Commission's Financial Advisor estimates the tax-exempt bonds selected for refunding which are referenced in Item #19 will generate a gross saving of \$1 million after issuance expenses. The net present value (current dollar value) of refunding is estimated to be approximately \$500,000.
2. The Public Debt Commission's Financial Advisor estimates the taxable bonds selected for refunding which are referenced in Item #20 will generate a gross saving of \$281,000 after issuance expenses. The net present value of this refunding is estimated to be approximately \$100,000.

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