

# LRB – RESEARCH AND ANALYSIS

DECEMBER 5, 2007 AGENDA

ITEM 10, FILE 070880

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #070880 is a substitute resolution authorizing a Commercial Paper Program, the issuance of General Obligation Commercial Paper Promissory Notes, General Obligation Refunding Bonds and Promissory Notes, and related agreements.

## **Background**

1. On December 12, 2006 the Common Council adopted resolution File #061006 authorizing the issuance of fixed rate general obligation notes for various corporate purposes.
2. Historically, it has been beneficial for the City to have a portion of long-term debt in variable rate or short-term interest rate instruments.
3. In 2005, the City issued \$25,000,000 of the Series 2005 V8 variable rate debt notes.
4. Commercial Paper is an unsecured, short-term debt instrument. The debt is usually issued at a discount, reflecting prevailing market interest rates. Commercial Paper is another form of Variable Rate debt that expands the ability of the City to more efficiently manage its borrowings.

## **Discussion**

1. This resolution authorizes the Public Debt Commission to issue up to \$150 million of general obligation commercial paper promissory notes.

## **Fiscal Impact**

For the debt issued under this resolution, the Comptroller's Office estimates debt service expenditures of \$2 million in 2008 and \$8 million per year 2009-2018. The estimate is based on a 10-year level principal issuance of \$50 million, at an interest rate of 4.5%. The actual amount may be more or less depending on the pace of the projects. Actual debt may be amortized over a shorter period depending upon the useful life of the projects being financed. Actual interest rates depend on the rates at the time of the issuance.

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