

LRB – FISCAL REVIEW SECTION ANALYSIS

FEBRUARY 4, 2004 AGENDA

ITEM 7, FILE 031396

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #031396 is a resolution authorizing the Commissioners of Public Debt to market general obligation “corporate purpose notes” pursuant to the provisions of Chapter 67, Wis. Stats.

Background

1. This file is a companion file to File #031383 (Agenda #6) that authorizes the Public Debt Commissioners to issue and sell City of Milwaukee general obligation bonds in the amount of \$240,554,569.
2. This resolution authorizes the Public Debt Commissioners to issue and sell City of Milwaukee general obligation “corporate purpose notes” in the amount of \$265,233,568. Notes are debt securities that usually mature in one to ten years. Bonds are debt securities that typically mature in more than 10 years.
3. The bonds and notes were authorized in the 2001, 2002, 2003 and 2004 City Budgets and the Common Council previously adopted initial resolutions authorizing the issuance of the bonds.
4. Under this resolution, amounts issued as notes will not be issued as bonds.

Fiscal Impact

For the debt issued under this resolution and resolution #031383, the Comptroller’s Office estimates debt service expenditures of \$2.25 million in 2004 and \$8.9 million per year 2005-2019. The estimate is based on a 15-year level principal issuance of \$100 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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LRB Fiscal Review
February 3, 2004