

LRB – FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 18, 2002

ITEM 13, FILE 020777

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #020777 is a resolution amending File Number #020568 as relates to the refunding of any or all of City of Milwaukee General Obligation debt.

Background

1. This resolution amends Resolution #020568 to add issue general obligation notes Series C-5 to the general obligation issues authorized as candidates for refunding.
2. Because of favorable market conditions (low interest rates), the Public Debt Commission's Financial Advisor has identified certain general obligation debt issues as candidates for refunding.
3. The sale of refunding debt provides funds that are escrowed for future debt service payments on the refunded debt. These escrowed bond proceeds will retire earlier issued debt that was originally issued at rates of interest higher than 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 include general obligation notes Series C-5 in the debt refunding process.
2. In order to provide the flexibility needed to add or exclude debt to the refunding mix as interest rates move and to time the issue for maximum benefit, a negotiated offering will most likely be used.
3. The sale of the refunding debt is tentatively scheduled for early October.

Fiscal Impact

1. The Public Debt Commission intends that a savings threshold for the tax-exempt debt selected for refunding will generate a minimum savings (after issuance expenses) of \$250,000 or 2% of the refunded par value based upon a net present value basis.

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