

Reply to Common Council File No. 020777
From DOA-Budget and Management Division

September 16, 2002

Ref: 02010(32)

Common Council File 020777 contains a resolution which amends previously adopted Common Council Resolution 020568. File 020777 adds Common Council authorization for the Public Debt Commission to refund general obligation short-term promissory notes Series C-5 as part of the refunding. Previously adopted Res. 020568 authorized refunding of all or any part of General Obligation Corporate Purpose Bonds, Series CB; CB(2); C; D; E; F; G; J; K; L; O; P; R; T; W; and State Land Trust Fund Loans 9005; 9006; and 9007.

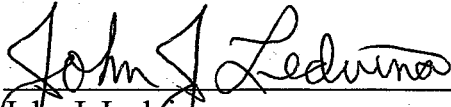
This resolution authorizes the Commissioners of the Public Debt to issue and sell at either a public (competitive) or private (negotiated) sale General Obligation Refunding Bonds to refund all or portions of Series C-5 notes. The sale would occur if the City would significantly benefit from the possible refunding of any or all of the listed bond issues and loans as a result of declining interest rates in the municipal bond marketplace.

File 020777 increases the proposed Series 2002-A General Obligation Refunding Bonds "not to exceed" amount from \$465,226,687 to \$466,276,687. Other conditions remain the same. They include:

- (1) the maximum stated interest rate (known as the "coupon" rate) shall not exceed 9.25% annually.
- (2) the maximum True Interest Cost ("TIC") rate shall not exceed 7.25%. The "TIC rate" is the present valued gross interest cost net of the premium or discount payments from successful bidders.
- (3) the refunding bonds must also be sold at a price of not less than 99% of their principal amount plus interest that would accrue from their stated date to the actual date of delivery and payment for the bonds.
- (4) the refunding must realize a minimum net present value savings of at least \$250,000 or two percent (2%) of the refunded par value. This savings amount would be after all expenses of issuance.

The last tax-exempt refunding in June 2001 saved City taxpayers about \$445,000 (the net present value of the difference in debt service payments). The savings represented 1.78 percent of the refunded bonds.

RECOMMENDATION: APPROVE RESOLUTION 020777 AUTHORIZING THE REFUNDING OF ANY OR ALL OF SPECIFIED TAX-EXEMPT GENERAL OBLIGATION SHORT-TERM PROMISSORY NOTE SERIES C-5.



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