



Agenda Item Number: 2008-2-8B

BERNALILLO COUNTY BOARD OF COUNTY COMMISSIONERS

Meeting Date: February 26, 2008

Department: Finance **Staff Contact:** Thaddeus Lucero, County Manager
Dan Mayfield, Deputy County Manager of
Budget & Finance

TITLE: Refunding Series 2004 Gross Receipts Tax Revenue Bond Sale Resolution

ACTION: Motion to approve Financial Resolution FR -2008 authorizing the issuance and sale of Bernalillo County, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2004, in the aggregate principal amount not to exceed \$12,000,000.

SUMMARY:

The series 2004 Gross Receipts Tax Revenue Bonds (MDC expansion) are callable on June 1, 2009. With short-term interest rates falling dramatically due to recent Federal rates cuts, there is an opportunity to refund the bonds prior to this date on a short-term basis and achieve a significant interest rate savings.

By issuing a 2-year note to affect the refunding, monies will be placed in escrow to call the outstanding Series 2004 Bonds on June 1, 2009 and pay the debt service on the Series 2004 Bonds from 12/15/08 through the call date. Interest on the bonds to be refunded will be paid out of the escrow fund rather than the county general fund. The interest saved, calculated as the payments on the outstanding Series 2004 Bonds less the anticipated interest on the 2-year notes, is estimated at over \$300,000.

At the maturity of the notes in 2 years, depending on interest rates at the time, the County will have the option of issuing either short- or long-term debt to refinance the balance of the amount outstanding. While it is impossible to predict the interest rate scenario in two years, economic indicators point to a lower interest rate scenario over this term. In any event, the County realizes a \$300,000 general fund savings over two years.

To authorize the refunding, the Commission would need to approve a resolution authorizing the sale of 2-year notes in an amount not to exceed \$12,000,000 for the purpose of refunding the Series 2004 Bonds.

ATTACHMENT:

1. Financial Resolution FR -2008 authorizing the issuance of sale of Bernalillo County Refunding 2004 Gross Receipts Tax Refunding Revenue Bond.

FISCAL IMPACT

Assuming interest rates do not change by the time the refunding bond is sold, the present value of the savings will be in excess of 4.9%. After the bond is sold a bonding capacity analysis will be completed in order to determine the final effect upon the County's bonding capacity.

STAFF ANALYSIS SUMMARY

COUNTY MANAGER

These bonds were sold before the County received its "AAA" rating. The refunding bonds will be sold with the County's new rating. I recommend approval. TL 2/21/08

DEPUTY COUNTY MANAGER FOR BUDGET AND FINANCE

See Fiscal Impact and Summary

LEGAL

Hughes & Strumor, LTD. the County's Bond Counsel has prepared all legal documents.

FINANCE

See Summary

COUNTY MANAGER

Treasurer

I highly recommend refunding these bonds. Our AAA bonding will yield a great savings to our taxpayers.

In addition to refunding of this bond, I also recommend studying all of Bernalillo County's debt as soon as possible to take advantage of lower interest rates and the County's "AAA" bond rating. I will work closely with Bond Council and Mr. Donisthorpe to place and manage the required escrow. Patrick Padilla, Bernalillo County Treasurer 2/15/08