

2 – CREDIT AND DEBT MANAGEMENT STRATEGY

1. **Program Area:** General Government Services
2. **Agencies and Departments involved:** County Executive Office
3. **New or previously identified in earlier Strategic Financial Plans, if previously identified what has changed and why:** Previously Identified
4. **Description of the project/program – what it is and what it will achieve:** The County needs to reduce current outstanding debt to free up capacity to fund other strategic priorities and to set into motion a strategy to mitigate the \$41.2 million annual impact to the General Fund beginning in FY 2015-16 when current sources of non-general fund revenues will cease to be available to pay for debt obligations.

Currently, the County has \$944.2 million in total General Fund debt (outstanding principal) as of December 31, 2003. Of this amount \$847.9 million comes from the bankruptcy recovery debt (\$240.1 million for the 1995 Refunding Recovery Bonds and \$607.79 million for the 1996 Series “A” Recovery Certificates of Participation (COPs)) with interest of \$49.6 million for the current fiscal year ending 2004 and total bankruptcy debt service of approximately \$90.8 million. The remaining debt of \$96.3 million is for non-bankruptcy related to the 2002 Juvenile Justice Center Refunding Revenue Bonds, 1991 Civic Center Parking COPs, and the 2001 Telecommunications Lease Revenue Bonds.

In alignment with Board policy, the County can consider the options: 1) to partially defease and redeem the 1995 Refunding Recovery Bonds on the first optional call date of June 1, 2005; 2) the targeted defeasance of serial bonds in years of stress in the SFP Forecast; 3) to call as many bonds as possible at the first optional call date of June 1, 2005, 4) to explore a refunding of the Recovery Bond Term Bonds for interest savings, or 5) to call as many bonds as possible at the first optional call date and refund the remaining Recovery Bond Term Bonds. Due to the prevailing historically low interest rate environment there is no benefit to funding a defeasance escrow at the current time. The County can optimize the benefits of these funds by keeping them in reserve until a time when a defeasance escrow can be funded more efficiently or the Term Bonds can be partially called and/or refunded.

5. **Potential Funding Sources:** Fund 14V, Debt Prepayment Fund, contains \$94 million
6. **Cost – estimate and identify separately one-time and ongoing costs:** Costs will be determined based upon the one of the following actions:
 1. Cost of defeasance escrow securities will depend on market conditions at the time of defeasance.
 2. If the County enters into a defeasance escrow there will be minimal incremental costs related to financial advisory services, verification agent and fees for

purchase of necessary U.S. Treasury or other securities. The costs will depend on the size of the defeasance in any given year.

3. Cost of a refunding cannot be determined at this time.

- 7. Community Awareness (stakeholders):** The County, Bondholders

- 8. Personnel – will the program/project require additional staffing? If so, estimate number of positions:** None

- 9. Mandated or discretionary:** Discretionary

- 10. Implementation period if funding were available:** On-going