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Testimony of the Boston Municipal Research Bureau

Before the

City Council's Committee on Ways and Means

December 17, 2003

Regarding: RE: Docket # 1577, Issuance of Tax-Exempt Refunding Bonds

Mr. Chair, my name is Samuel R. Tyler, President of the Boston Municipal Research Bureau and I am here to testify in favor of Docket #1577, a request for authorizing the issuance of tax-exempt refunding bonds in a principal amount not to exceed \$100.0 million. As the City has demonstrated in the past its ability to take advantage of favorable market conditions to refinance its debt and thereby strengthen its financial position, the Bureau supports the request currently before you.

Approval of this order will allow the City to refinance up to \$100.0 million in general obligation debt at favorable interest rates in February of 2004. The refinance would occur in conjunction with a scheduled issue of \$65.0 million in new General Obligation debt for fiscal 2004, and would allow the City to realize approximately \$3.0 million in net present value savings in fiscal 2004. In addition, taking advantage of this opportunity to reduce debt service costs will provide the City increased flexibility and potential borrowing power while still remaining within the self-imposed 7% debt-to-operating budget ratio. The City's current debt service costs are \$126.6 million and represent approximately 6.8% of the \$1.9 billion fiscal 2004 operating budget.

In fiscal 2003, the City refunded approximately \$230 million of General Obligation bonds, which helped reduce annual debt service payments by approximately \$4.0 million for fiscal 2004 and subsequent years.

In conclusion, the Bureau supports the City's continued efforts to take advantage of favorable market conditions to reduce debt service costs and provide the City more financial flexibility.

I welcome the opportunity to answer any questions you may have at this time.