

2003 TAX AND REVENUE ANTICIPATION NOTES, DEBT SERVICE FUND

BASIS FOR THE PROPOSED BUDGET

The 2003-04 Proposed Budget for the 2003 Tax and Revenue Anticipation Notes, Debt Service Fund, relates to the current year funding as follows:

	Amount	% Change
2002-03 Adopted Budget	\$ 89,631,000	
2003-04 Proposed Budget	\$ 133,035,986	
Change from 2002-03 Budget	\$ 43,404,986	48%

The 2003 Tax and Revenue Anticipation Notes, Debt Service Fund, is a special purpose fund established to pay debt service on notes issued to fund the annual contribution to the Fire and Police Pension Fund. The 2003-04 appropriation to this fund is for payment of the entire debt service on notes to be issued in July 2003. Issuance of these notes will permit the City to make the entire annual contribution to the pension fund at the beginning of the fiscal year. This early payment will allow the pension fund to earn additional interest that will be used to discount the required City contribution to the fund without reducing the fund's annual receipts.

As explained in the Blue Book for the Fire and Police Pension Fund, the City's contribution will be discounted by approximately \$6.1 million to \$129.8 million. The appropriation of \$133,035,986 in this fund is the estimated cost of repaying the entire principal and borrowing costs on a note of approximately that size during the 2003-04 fiscal year. Using these notes to fund the pension contribution will reduce the City's net costs by approximately \$3.4 million, which is the difference between the pension contribution before the discount of approximately \$135.9million less an estimated total net debt service requirement of \$132.5 million for the notes.

