



City of Rochelle Administrative Services

Memo

To: Dave Plyman, City Manager
From: Chris Frye, Finance Manager
Date: April 15, 2013
Re: Refunding of Taxable General Obligation Bonds Series 2010

On December 14, 2010, the City of Rochelle issued \$2,940,000 of Taxable General Obligation Bonds (TIF Alternate Revenue Source) and took advantage of the federal government's Recovery Zone Economic Bond program. That program was a part of the American Recovery and Reinvestment Act of 2009 and included a 45% interest credit subsidy from the IRS which, at that time, was more beneficial than issuing tax exempt bonds. Recently I participated in a conference call with our financial advisor and bond attorney to review the effect of the government's sequestration on the 45% credit subsidy. At this point, it appears the credit will be reduced by 8.7% and possibly more in the future. In the official statement, language exists allowing the City to refund the bonds due to an "extraordinary event" and specifically refers to the reduction of the 45% credit. Attached is a parameters ordinance for your consideration. Pursuing the refunding of the bonds not only will reduce the interest expense for the remainder of the term of the bonds because of the favorable interest rate environment but it will also eliminate the risk that the IRS will further reduce the credit.