



## Agenda Commentary

**Item Title/ Subject: Early Redemption of 2002 PWA Revenue Bonds**

**Staff Source: Debra Blanchard, City Treasurer**

**History/Background Information: The 2002 PWA Revenue Bond Issue was for the refinancing of the Golf Course construction and Acme Phase I construction. This bond issue matures in September 2014. Current outstanding revenue bonds total \$585,000.**

**Item/Subject Summary: I found that these outstanding bonds may be called for early redemption at any time after 9-1-10. They are called at the respective redemption price of par plus accrued interest. The rates stated for the last three years, September , 2012 thru 2014 are 4.9%, 5%, and 5.1%.**

**This debt is currently being funded by Capital Improvement funds for the Golf portion of the debt and Hospital Interest Earnings funds for Acme portion.**

**Price/Cost: \$585,000 plus accrued interest.**

**Recommendation: At the time of the hospital lease, the City became owner of the Hospital's cash on hand. Direction of the council at that time was to keep these funds invested in local banks in CDs. These are not part of the Lease funds from Integris. With CD rates being so low at this time, I would recommend that we look at using some of the \$1,677,000 we have in these CDs to payoff this bond issue and save the interest. I believe we could save approximately \$40,000 in interest by doing this with funds that are earning less than .40 or .50% in CD interest. We could then repay our principal of the CDs back with the Hospital Trust Interest Earnings if that be the Council's pleasure.**