
INTEROFFICE MEMORANDUM

TO: MAYOR EIDAM, BOARD OF TRUSTEES
FROM: ARLETTE FRYE, TREASURER
SUBJECT: G.O. BOND REVIEW
DATE: NOVEMBER 28, 2018
CC: DAN PODGORSKI, ADMINSTRATOR

Background: Periodically we review the Village's outstanding debt to determine if there are money saving options available.

MFT Bonds: The Village has two outstanding bond issues that are to be paid using Motor Fuel Tax (MFT) Funds, the 2009B and 22.17% of the 2014 Refunding Bond. Proceeds from both of these bonds were used for street improvement projects of over \$ 5 million in 2008-2009. Interest being paid on the 2009B bond ranges from 4.85-5.35%. The 2009B Bond was issued for \$2,775,000. The principal payment schedule is as follows:

Original payment Schedule		Recommend Refunding Schedule	
Due 3/1/22	\$ 450,000	Due 3/1/22	\$ 450,000
3/1/23	300,000	3/1/24	300,000
3/1/28	1,000,000	called	3/1/2019
3/2/29	1,025,000	3/1/26	1,025,000
	\$2,775,000		\$ 1,775,000

At the time the bonds were issued, it was determined that each year \$450,000 of MFT receipts would be set aside to pay the annual interest of both bonds and to have money available to pay the principal when due. Currently, there is approximately 1.3 million set aside for the MFT debt. At today's interest rates, the interest that is being earned is far less than the interest that is being paid on the outstanding bonds.

I have done a cash flow projection. By continuing to set aside the \$450,000 annually, I recommend that the Village call the \$1,000,000 bond due 3/1/2028 in March of 2019. Calling this bond 9 years early will save \$481,500. It is further recommended that the remaining bonds be refunded to take advantage of lower interest rates. Refunding is much like refinancing a home mortgage. The Village will issue new bonds at a lower interest rate to pay off the old bonds at a higher interest rate. In keeping with the transfer of the \$450,000 annually, there will be sufficient funds available to pay off the last bond 3 years early, saving the Village \$164,512. The refunding will save the Village \$133,309. For a total saving of \$ 779,322.

2009A Bond: The 2009A bond with an outstanding balance of \$ 4,060,000 can also be refunded. Refunding this bond with the same payment schedule would save the Village \$ 167,419.

Savings from refunding are estimates, subject to current rates and marketability of the new bond issue.

Recommendation: It is recommended that the Village call \$1,000,000 bond on 3/1/2019 and refund the remaining 2009A and 2009B series as recommended above for a total estimated savings of \$ 946,741.