



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 2/23/04

Communication

No.: 04-082

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Merrill Stanley, Finance Director

### SUBJECT—

Prepayment of \$2,065,000 Construction Loan Agreement, related to the 1997 Polk County Park and Ride Bonds

### SYNOPSIS—

Approval of a cash payment from Parking System operating funds, to prepay the outstanding balance of the Construction Loan Agreement, between the City and Polk County. Park and Ride Bonds issued in 1997 by Polk County on the city's behalf are carrying relatively high interest rates, and the Parking System would benefit financially by paying the bonds early. Bond payments, to date, have been made by the Parking System under the terms of a Construction Loan (28E) Agreement.

### FISCAL IMPACT—

The early redemption of Park and Ride Bonds by Polk County due in June 2005, 2006 and 2007 will require a payment of \$2,065,000 on June 1, 2004, in addition to scheduled principal and interest due of \$783,890. The Parking Fund had unrestricted cash and investments in excess of \$4,500,000 on June 30, 2003. Interest costs will be avoided, and future borrowings that may be needed, can be secured for a lower interest rate.

### RECOMMENDATION—

Approval

**BACKGROUND—**

Polk County issued \$5,565,000 ten-year General Obligation bonds on July 1, 1997, for the purpose of constructing the Center Street Park and Ride Facility. The city pledged to repay the bonds in a Construction Loan (28E) Agreement. Under terms of the agreement, the bonds can be redeemed according to provisions that allow for early redemption at par, beginning June 1, 2004.

The bonds carry an interest rate of 6.7%, which is well in excess of what the city is currently earning on investments. Future development plans that will require additional borrowing, can be done at lower interest rates, and repayment amounts can be scheduled to fit better into the parking system's available cash flow.