



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

**1000 Rochester Hills Dr.
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Legislative File No: 2010-0095

TO: Mayor and City Council Members
FROM: Keith Sawdon, Director of Finance, Ext 2535
DATE: February 1, 2010
SUBJECT: Use of Surplus Bond Proceeds to Redeem Part of Outstanding Bonds

REQUEST:

We are requesting that City Council adopt the attached Resolution which requests Oakland County through the Water Resource Commissioner to use approximately \$900,000 of surplus bond proceeds to redeem the outstanding bonds related to this offering.

BACKGROUND:

In May of 2005, the City entered into agreement with the Water Resource Commissioner to issue bonds to construct Extension No. 5. At that time \$3.8 million of bonds were sold by the County, for the City, to finance Extension No. 5.

The project has been finalized by the Water Resource Commissioner and all the costs of the project have been paid. The result of the closing of the project and the paying of all the outstanding costs is that there is approximately \$900,000 remaining from the bond proceeds.

Excess bond proceeds can only be used for the propose for which there were offered. Which leaves us have two opinions 1). We could leave the bond proceeds at the County and use it to pay future bond payments (as they come due) or 2). We can use the surplus proceeds to Defeasance (redeem) some of the outstanding bonds with the use of an escrow account.

We are recommending that the funds be used to redeem (do a defeasance) of the outstanding bonds. This choice was made based on the attached defeasance analysis. The analysis shows that by moving in this direction we will have a Defeasance Net Savings of approximately \$444,581.71 far more than we could earn in interest over the next several years (by leaving the funds at the County for future payments).

RECOMMENDATION:

We recommend that the City Council adopt the attached resolution requesting the County move forward with using the surplus bonds proceeds to redeem outstanding bonds from this offering.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		