



Use and Investment of 2025 Temporary Note Proceeds

Discussion only – review of note proceeds, investment, and potential reallocation options.

Background: 2025 Temporary Notes



Net Debt Service

General Obligation Temporary Notes - 2025

Date	Principal	Interest	Total Debt Service	Capitalized Interest	Net Debt Service
3/1/2026		\$193,370	\$193,370	- \$193,701	
9/1/2026		\$174,150	\$174,150	- \$174,150	
3/1/2027		\$174,150	\$174,150	- \$174,150	
9/1/2027		\$174,150	\$174,150	- \$174,150	
3/1/2028		\$174,150	\$174,150	- \$174,150	
9/1/2028		\$174,150	\$174,150	- \$174,150	
3/1/2029	\$10,320,000	\$174,150	\$10,494,150		\$10,494,150
	\$10,320,000	\$1,242,270	\$11,562,270	-\$1,068,120	\$10,484,150

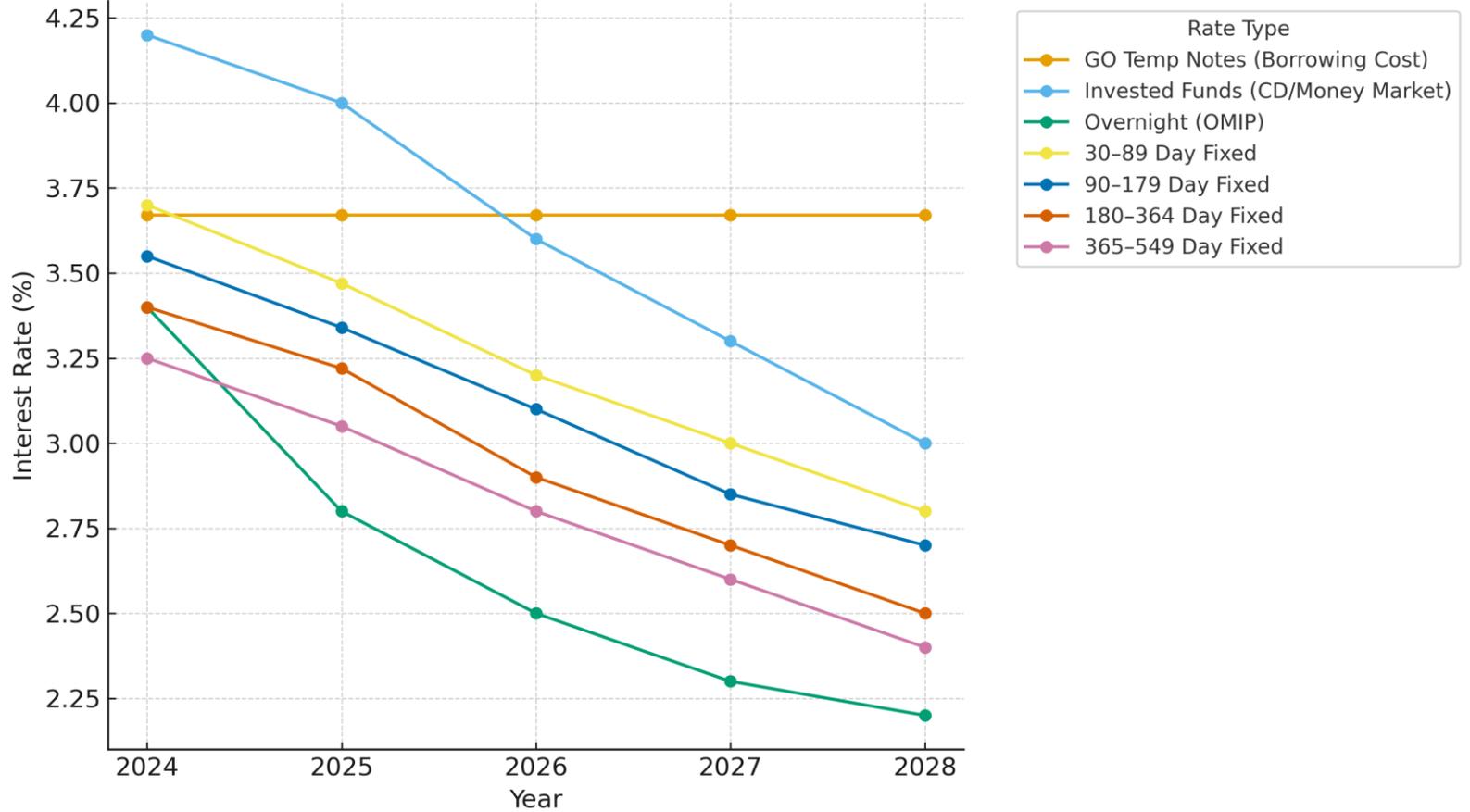
Current Investment Status

- Astra Bank – 6-month CD at 4.00%
- First Bank Kansas – Money Market at 4.05%
- Local CD – 3-month CD at 4.25%

- Borrowing rate (TIC): 3.67%.
- Strong local rates, but likely to soften as the Fed eases.
- Result: Slight negative arbitrage (borrowing cost > investment earnings).



Interest Rate Trends and Outlook (2024-2028)



Negative Arbitrage

- We pay 3.67% on borrowed funds and earn ~4.0% on investments.
- As rates decline, earnings will fall below borrowing costs.
- Holding idle proceeds becomes less efficient over time.
- Opportunity: Use part of the proceeds for productive purposes.

Overview

Total Borrowed (Par): \$10,320,000

Proceeds Received: \$10,347,141

Average Coupon: 3.375%

All-In True Interest Cost: 3.672%

Total Interest Cost: \$1,231,124

Earliest Redemption Date: March 1, 2027

Final Maturity: March 1, 2029

Estimated Excess / Unused Proceeds: \approx \$4,200,000

Projects Summary

Project	Borrowed	Est. Cost	Grants	Net Local Need
Industrial Park	\$3.25 M	\$3.9 M	\$2.5 M	\$1.4 M
Road Project	\$1.9 M	\$1.5 M	\$0.8 M	\$0.7 M
Recreation	\$4.0 M	\$4.0 M	\$0	\$4.0 M
Total	\$9.15 M	\$9.4 M	\$3.3 M	\$6.1 M

Option A: Full Redemption of Unused Proceeds (March 1, 2027)

Pros

- **Interest Savings:** Avoids ~3.3% annual cost (~\$140K/yr, \$280K total through 2029).
- **No Arbitrage Risk:** Eliminates IRS rebate exposure above 3.200230% yield.
- **Simplifies Accounting:** No ongoing monitoring or partial-use tracking.
- **Positive Optics:** Demonstrates conservative financial management.

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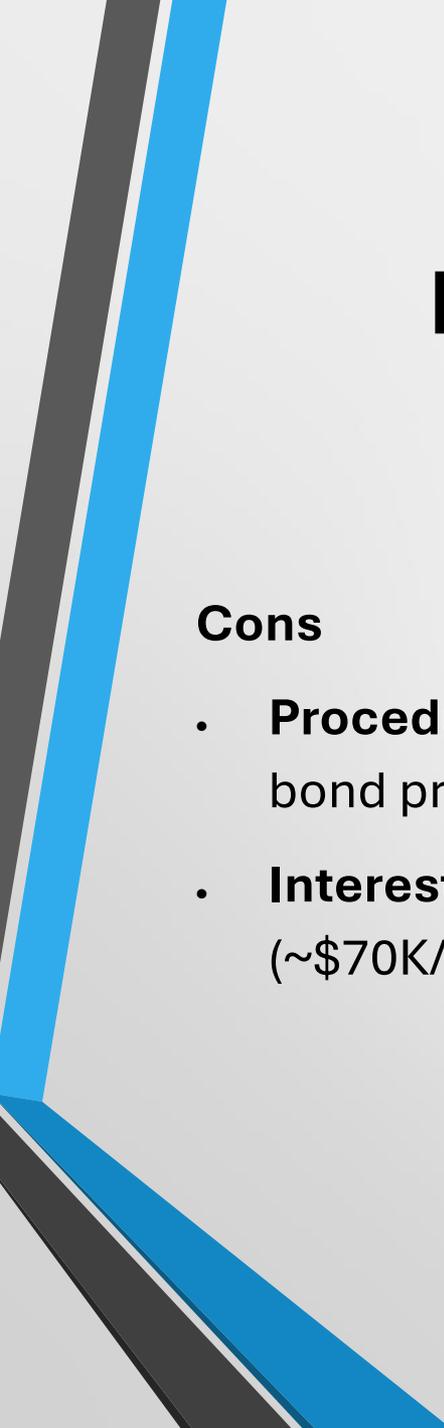
Cons

- **Lost Flexibility:** Cannot re-borrow without new issuance and costs.
- **Potential Delays:** Projects deferred 3+ years could face 15–20% inflation.
- **Lost Opportunity:** Missed chance to fund urgent, eligible needs at current low rates.

Option B: Partial Redemption + Use of Remaining Funds for Eligible Projects/Equipment

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- **No Arbitrage Risk:** Eliminates IRS rebate exposure above 3.200230% yield.
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Option B: Partial Redemption + Use of Remaining Funds for Eligible Projects/Equipment

Cons

- **Procedural Requirements:** Must officially reallocate portion of bond proceeds.
- **Interest Continues:** Still pay interest on remaining balance (~\$70K/yr per \$2.1M retained).

Financial Impact Snapshot

Scenario	Unused Funds Outstanding	Interest (2027–2029)	Inflation Cost Avoided (Est.)
Full Redemption	\$0	\$0	\$0
Half Redemption	\$2.1 M	~\$140K	Avoids \$300K–\$400K cost increases
No Redemption	\$4.2 M	~\$280K	Avoids \$600K+ cost increases

Current Net Debt Service 3/1/2029 - \$10,494,150

Debt-Service Comparison

Scenario	Unused Funds Redeemed	Interest Saved (2027-2029)	Adjusted Net Debt Service
No Redemption	\$0	\$0	\$10,494,150
Half Redemption	\$2.1 M	≈ \$141,750	\$10,352,400
Full Redemption	\$4.2 M	≈ \$283,500	\$10,210,650

2029 GO Bond Debt Service

Term	Amount Financed	Est. Annual Payment	Total Debt Service	Total Interest
10-Year, Half Redemption	\$10.35 M	\$1.23 M	\$12.29 M	\$1.94 M
10-Year, Full Redemption	\$10.21 M	\$1.21 M	\$12.14 M	\$1.93 M
20-Year, Half Redemption	\$10.35 M	\$0.76 M	\$15.22 M	\$4.87 M
20-Year, Full Redemption	\$10.21 M	\$0.75 M	\$15.02 M	\$4.81 M

Summary and Discussion

- Temporary notes are short-term bridge financing tools.
- Investments are safe but are trending to earn less than the borrowing cost.
- Reallocation could enhance long-term value and asset condition.
- Tonight: Discussion only – seeking Commission feedback.

"Ensuring every borrowed dollar either earns or saves the City money."