



CITY OF WASILLA

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COUNCIL MEMORANDUM

NO. 94-10

FROM: Finance Director
DATE: February 24, 1994
SUBJECT: Gas LID Refinancing

Dean and I have reviewed all the Gas LID's and all the factors involved in refinancing to take advantage of lower interest rates. For analysis we chose to ignore any Gas LID with an interest rate under 6.1%.

The four Gas LID's with interest rates above 6.1% are Knik, Snider, West Lake Lucille and Pinecrest Delaney and involve two different bonds and two different payment schedules. Since Bonds are involved we would need to use the services of our Bond Attorney whose minimum fee per Bond issue is \$2,500.00. Assuming a 6.1% interest rate the net savings would be approximately as follows: Knik/Snider \$2,956.78; West Lake Lucille \$733.17 and Pinecrest/Delaney 678.71. After spreading the savings among all property owners, our conclusion is that it would not be worth the time and trouble involved. We are four and five years into a seven year payoff schedule paying off the bonds and there is insufficient time to accumulate interest savings to justify the refinancing.

We have an alternative proposal to make. We would like to bring forth an ordinance paying off the remaining bonds on the above Gas LID's on March 31, 1994. As funding sources we would use all cash on hand attributable to the respective LID's, accumulated free main allowances, early payments plus a small loan from the General Fund Fund Balance. We could then lower the interest rate to 6.1% (effective 04/01/94) for all those properties under the minimum cutoff point still needing financing. For those properties who have made regular principal payments on their pro rata share of administrative costs and are over the minimum cutoff point we will suspend any further payments of principal and interest.

If Council agrees with this approach and the involved banks agree with an early payoff not on a payment date, we will bring forth an ordinance.

Erling P. Nelson, CMC
Finance Director

