

To: Mayor North and City Council
Date: October 5, 2026
From: Dawn Raza, City Treasurer
RE: 2024 Capital Improvement Bond
\$750,000 Partial Prepayment



The Village of Friendliness – Since 1870

Background. I recommend a \$750,000 partial prepayment of the City's 2024 Capital Improvement Bond on December 15, 2026, using eligible City property sale proceeds held in the Municipal Building Fund (Fund 470). The bond was issued for \$3,323,000 and carries a fixed interest rate of 5.35%.

Fund 470 currently holds approximately \$1,360,885.53. Of this amount, \$1,000,000 is invested in Michigan CLASS Term Series II at 3.88% APY, maturing November 27, 2026. I selected this maturity date so the funds would be available for December debt service. The bond rate exceeds the current term investment yield, supporting the recommendation to reduce principal.

The bond permits one partial prepayment per calendar year of \$50,000 to \$750,000, from proceeds of existing City property sales, on an interest payment date, with at least 30 days' written notice. The prepayment is applied in inverse order of maturity, reducing the latest principal installments first.

Capital One has confirmed that the notice must be signed, on City letterhead, and identify the properties whose sale proceeds are being used. After Council approval, I will email the notice to COPFinformation@capitalone.com and copy Paul Sottnik.

The regular December 15 payment is \$188,268.75 (\$102,000 principal plus \$86,268.75 interest). The proposed prepayment would bring the total December payment to \$938,268.75. Based on current funds, approximately \$422,616.78 would remain, before investment earnings or other receipts and expenditures. Capital One's indicative schedule projects \$2,373,000 in remaining principal after both December payments.

Based on Capital One's indicative schedule, the proposed prepayment would move the final payment date from December 15, 2044, to December 15, 2041, retiring the bond three years earlier.

Staff Recommendation:

Approve Resolution No. 20-2026 authorizing a \$750,000 partial prepayment of the 2024 Capital Improvement Bond on December 15, 2026, from eligible City property sale proceeds held in Fund 470, in addition to the regularly scheduled debt-service payment.

Suggested Motion:

I move to adopt Resolution No. 20-2026 authorizing a \$750,000 partial prepayment of the 2024 Capital Improvement Bond on December 15, 2026, from eligible City property sale proceeds held in the Municipal Building Fund, Fund 470.

Attachments: Resolution No. 20-2026; Capital One indicative payment schedule