

CITY OF GRAND MARAIS
WORKSESSION MINUTES
October 14, 2009

Mayor Hakes called the meeting to order at 3:30 p.m.

Members present: Sue Hakes, Jan Sivertson, William Lenz, Kay Costello and Tim Kennedy

Members absent: None

Staff present: Mike Roth and Kim Dunsmoor

The council met to discuss options for the refinancing of the \$1,630,000 General Obligation Temporary Improvement Bonds, Series 2007A. When we met at the end of August with Ehlers and Associates, County Board, and Economic Development Authority; we came to the conclusion that we would need to refinance the bond, that we did not want another temporary bond, we wanted a call feature that would not create an interest penalty, and no end loading of payments. Carolyn Drude, Ehlers and Associates, Inc., presented payment schedules for 10, 15, and 20 year tax exempt bonds and Build America Bonds. Call features on a 20 year bond are generally acceptable without penalty at 9 - 10 years. Rates are generally higher on Build America Bonds and the interest to investors is taxed. The city would need to apply for a refund every year from the federal government in order to receive 35% of interest paid. The higher interest rate with refund by the federal government results in lower interest over the life of the bond. Council expressed concern if the federal government would unallocated the funding for the interest refund. A calamity call feature could be added to the bond. Council felt that a 20 year bond would allow the most flexibility for payments and give us time for the economy to recover. More information will be needed to consider Build America Bonds.

There being no further business, the meeting adjourned at 4:30 p.m.