

District saves by refinancing bonds

Written by Elizabeth Barrett
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Refinance constellation lines up.

The stars aligned correctly for refinancing school bonds at double the amount expected.

District 20 school board members were hoping to save about \$300,000 by redeeming and reissuing bonds for the construction of Gothenburg High School and an addition to Dudley Elementary earlier this decade.

But with a 3.29% interest rate, the district will save \$606,611 of what taxpayers still owe on the bonds.

“It pretty much speaks for itself,” said school superintendent Mike Teahon.

At the board’s December meeting, members agreed to react to refinance the bonds at a lower interest rate if the market became favorable to redeem \$9,285,000 of general obligation bonds.

The board also gave the go-ahead to reissue \$9,425,000 in bonds to pay \$140,000 for the reissuance of the bonds.

Although school officials considered redeeming the bonds when the savings rate was approximately 3%, Teahon said they waited for a better rate which eventually boosted savings to about 4.5%.

On Feb. 11, rates dropped to 3.29% and the transaction took place.

Teahon said the redemption also cuts a year of payments which means the bonds will be paid

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off in 2024 instead of 2025.

This is the second time the district has used a fluctuating bond market to save substantial money.

In 2005, board members refinanced \$10,585,000 of general obligation bonds that saved approximately \$1.2 million in bond costs.

That transaction cut two years of bond payments, Teahon said.

With a lower level of rates, Teahon said it might be difficult but they could possibly have a chance to refinance again in five years.

“Last time we didn’t think we’d see rates like that but it happened,” he said.

To put the amount saved in tangible terms, Teahon said what’s been saved is comparable to what it cost to remodel Dudley Elementary last summer.

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