



CITY of NOVI CITY COUNCIL

**Agenda Item I
March 14, 2016**

SUBJECT: Approval of resolution authorizing the issuance of 2016 Unlimited Tax General Obligation Library Refunding Bonds.

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

In November 2015, one of the City's financial advisors reached out to the Finance Department regarding the possibility of advance refunding the City's 2008 Unlimited Tax General Obligation Library Bonds. The Library bonds are the last remaining bonds that the City has not previously refunded. The bond is not callable until 2018; however, the City has the opportunity to "advance refund" by setting the necessary funds aside in an escrow account until 2018 which will provide substantial savings. The savings from this advance refunding will be passed along to residents as this is a voted debt millage.

The City currently owes \$13,250,000 on the Library bonds. Principal payments are due October 1st of each year with the next payment being due October 1, 2016 and the bond maturing on October 1, 2027. Back in November 2015, the estimated cash savings from the refunding was approximately \$642,000. With the City's upgraded bonding rating of AAA and the current lower interest rates, the cash savings is now estimated to be \$1,148,000 or \$95,500 annually.

The advance refunding would result in an annual reduction of approximately .032 mills and would drop the amount levied in tax year 2016 from .4566 mills to .4246 mills. We would recommend moving forward with advance refinancing the Library bonds as quickly as possible to take advantage of the low interest rates as interest rates can and do change. The advance refunding process is expected to take 45-60 days.

RECOMMENDED ACTION: Approval of resolution authorizing the issuance of 2016 Unlimited Tax General Obligation Library Refunding Bonds.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Burke				
Council Member Casey				

	1	2	Y	N
Council Member Markham				
Council Member Mutch				
Council Member Wrobel				

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

PATRICK F. MCGOW
TEL (313) 496-7684
FAX (313) 496-8450
E-MAIL mcgow@millercanfield.com

Miller, Canfield, Paddock and Stone, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
TEL (313) 963-6420
FAX (313) 496-7500
www.millercanfield.com

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March 7, 2016

Via Email and U.S. Mail

Mr. Carl Johnson
Finance Director and Chief Financial Officer
City of Novi
45175 W. Ten Mile Road
Novi MI 48375-3024

Re: City of Novi 2016 Unlimited Tax General Obligation Library Refunding Bonds

Dear Carl:

I have enclosed a Resolution Authorizing Issuance of 2016 Unlimited Tax General Obligation Library Refunding Bonds for consideration for approval by the City Council at its meeting on March 14th. This Resolution relates to the refinancing of the City's 2008 Unlimited Tax General Obligation Library Bonds which were issued to finance the construction of the new library building for the Novi Public Library (the "Prior Bonds").

The enclosed Resolution authorizes the issuance of Bonds in an amount not to exceed \$10,000,000 to refinance the Prior Bonds. The Bonds are payable from a debt millage levy and will be secured by the City's pledge of its unlimited tax full faith and credit, just like the Prior Bonds. The City has the ability to achieve interest cost savings by issuing new bonds to take advantage of lower interest rates in today's bond market.

The Resolution has been prepared based on the bond specifications prepared by Public Financial Management, Inc., as the City's financial advisor. The Resolution sets forth the terms of the Bonds, the form of Bonds, and provides for a negotiated sale or private placement sale of the Bonds to a purchaser or underwriter to be selected. The Resolution authorizes various City officials (City Manager and Finance Director/Chief Financial Officer) to take the necessary actions to issue, sell and deliver the Bonds. The Resolution authorizes the solicitation of bids from financial institutions and other prospective purchasers and authorizes the authorized officers to select the purchaser and finalize the terms of the Bonds upon sale and sign the Sale Order and/or Bond Purchase Agreement.

There are some blanks in the Resolution in the form of the Bond that do not need to be completed at or prior to adoption, but will instead be completed in the final Bond form once the final terms been determined. This Resolution is the only action item required by the City

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Mr. Carl Johnson

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March 7, 2016

Council relating to the Refunding Bonds. The City Manager and Finance Director/Chief Financial Officer are authorized to proceed with the sale of the Bonds so long as the City achieves at least 4.5% net present value savings through the refunding of the Prior Bonds.

If you or anyone copied on this letter have any questions, please give me a call.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: 

Patrick F. McGow

Enclosure

cc: Peter Auger, City Manager
Victor Cardenas, Assistant City Manager
Sabrina Lilla, CPA, Senior Financial Analyst
Kari Blanchett
Jeffrey Aronoff, Esq.

**RESOLUTION AUTHORIZING ISSUANCE OF
2016 UNLIMITED TAX GENERAL OBLIGATION
LIBRARY REFUNDING BONDS**

City of Novi
County of Oakland, State of Michigan

Minutes of a regular meeting of the City Council of the City of Novi, County of Oakland, State of Michigan, held on March 14, 2016, at 7:00 p.m., Eastern Daylight Time.

PRESENT: Members _____

ABSENT: Members _____

The following preamble and resolution were offered by Member _____ and supported by Member _____:

WHEREAS, the City of Novi, County of Oakland, State of Michigan (the "City") has previously issued its 2008 Unlimited Tax General Obligation Library Bonds (the "Prior Bonds") to pay the cost of replacing the then-existing library building by acquiring, constructing, furnishing and equipping a new library building, including all related demolition, site improvements, appurtenances and attachments for use by the Novi Public Library; and

WHEREAS, the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), permits the City to refund and advance refund all or part of the outstanding securities of the City; and

WHEREAS, the City has been advised that it may achieve interest costs savings through the refunding of the Prior Bonds; and

WHEREAS, it is the determination of the City Council that the City should issue its 2016 Unlimited Tax General Obligation Library Refunding Bonds in the principal amount of not to exceed Ten Million Dollars (\$10,000,000) (the "Bonds") to advance refund all or a portion of the Prior Bonds maturing in the years 2019 through 2027 to achieve interest cost savings for the benefit of the taxpayers of the City.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Authorization of Refunding Bonds; Bond Terms, Bonds of the City designated 2016 Unlimited Tax General Obligation Library Refunding Bonds (the "Bonds") are authorized to be issued in the aggregate principal sum of not to exceed Ten Million Dollars (\$10,000,000) for the purpose of paying the costs of refunding the Prior Bonds, including the costs incidental to the issuance, sale and delivery of the Bonds.

The issue shall consist of bonds in fully-registered form of the denomination of \$5,000, or

multiples thereof not exceeding for each maturity the maximum principal amount of that maturity, numbered consecutively in order of registration. The Bonds will be dated as of the date of delivery (or such other date as determined at the time of sale thereof), be payable on October 1 (or such other date as determined at the time of sale thereof) in the years 2019 to 2027, inclusive, in the annual amounts determined at the time of sale and be subject to redemption in the manner and at the times and prices to be determined at the time of sale.

The Bonds shall bear interest at a rate or rates to be determined upon negotiated sale thereof, payable on April 1 and October 1 in the years as determined by an Authorized Officer (as hereinafter defined) at the time of sale. Interest on the Bonds shall be paid by check or draft mailed by the Transfer Agent (as hereinafter defined) to the registered owner of record as of the 15th day of the month prior to the payment date for each interest payment. The record date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed by the City to conform to market practice in the future.

2. Execution of Bonds; Book-Entry-Only Form. The Bonds of this issue shall be executed in the name of the City with the facsimile signatures of the Mayor and Clerk of the City and shall have the seal of the City, or a facsimile thereof, printed or impressed on the Bonds. No Bond shall be valid until authenticated by an authorized officer or representative of the Transfer Agent. The principal of the Bonds shall be payable at the designated corporate trust office of a bank or trust company to be selected by the City Treasurer as registrar and transfer agent for the Bonds (the “Transfer Agent”); provided, that in the event of a sale to the Purchaser (as hereinafter defined), the City Treasurer may serve as Transfer Agent.

The Bonds may be issued in book-entry-only form through the Depository Trust Company in New York, New York (“DTC”) and any officer of the City is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Bonds in book-entry-only form and to make such changes in the Bond form within the parameters of this resolution as may be required to accomplish the foregoing.

3. Transfer of Bonds. The Transfer Agent shall keep the books of registration for this issue on behalf of the City. Any Bond may be transferred upon such registration books by the registered owner of record, in person or by the registered owner’s duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Transfer Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer.

4. Debt Retirement Fund. The City Treasurer is hereby authorized to open a separate depository account with a bank or trust company designated 2016 UNLIMITED TAX GENERAL OBLIGATION LIBRARY REFUNDING BONDS DEBT RETIREMENT FUND (the “Debt Retirement Fund”), the moneys to be deposited into the Debt Retirement Fund to be specifically earmarked and used solely for the purpose of paying principal of and interest on the Bonds as they mature. All proceeds from taxes levied for the Debt Retirement Fund shall be deposited into the Debt Retirement Fund as collected. Commencing with the year 2016, there shall be levied upon the tax rolls of the City for the purpose of the Debt Retirement Fund each year, in the manner required by the

provisions of Act 34, Public Acts of Michigan, 2001, as amended (“Act 34”), an amount sufficient so that the estimated collection therefrom will be sufficient to promptly pay, when due, the principal of and interest on the Bonds becoming due prior to the next annual tax levy; provided, however, that if at the time of making any such annual tax levy there shall be surplus moneys on hand in the Debt Retirement Fund for the payment of principal of and interest on the Bonds, then credit therefor may be taken against such annual levy for the Debt Retirement Fund.

5. Use of Proceeds. The proceeds of the Bonds shall be used to pay the costs of issuance of the Bonds and to secure payment of the Prior Bonds as provided in this paragraph. Upon receipt of the proceeds of sale of the Bonds, the accrued interest, if any, shall be deposited in the Debt Retirement Fund for the Bonds. From the proceeds of the Bonds there shall next be set aside a sum sufficient to pay the costs of issuance of the Bonds in a fund designated 2016 UNLIMITED TAX GENERAL OBLIGATION LIBRARY REFUNDING BOND ISSUANCE FUND (the “Issuance Fund”). Moneys in the Issuance Fund shall be used solely to pay expenses of issuance of the Bonds. Any amounts remaining in the Issuance Fund after payment of issuance expenses shall be transferred to the Debt Retirement Fund for the Bonds.

The balance of the proceeds of the Bonds together with any moneys transferred by the City at the time of sale of the Bonds from the debt retirement funds for the Prior Bonds and any other available funds of the City, shall be held as cash or invested in direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing (the “Escrow Fund”) and used to pay principal of and interest on the Prior Bonds. The Escrow Fund shall be held by a bank or trust company to be selected by the City Manager or Finance Director/Chief Financial Officer (each an “Authorized Officer”), as escrow agent (the “Escrow Agent”) pursuant to an escrow agreement (the “Escrow Agreement”) which shall irrevocably direct the Escrow Agent to take all necessary steps to call for redemption any Prior Bonds specified by the City upon sale of the Bonds, including publication and mailing of redemption notices, on any call date, as specified by the City. The investments held in the Escrow Fund shall be such that the principal and interest payments received thereon will be sufficient, without reinvestment, to pay the principal of and interest on the Prior Bonds as they become due pursuant to maturity or the call for redemption required by this paragraph. Following establishment of the Escrow Fund, any amounts remaining in the debt retirement funds for the Prior Bonds shall be transferred to the Debt Retirement Fund for the Bonds.

6. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF OAKLAND

CITY OF NOVI
2016 UNLIMITED TAX GENERAL OBLIGATION LIBRARY REFUNDING BOND

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
Registered Owner:	October 1, 20__	_____ 1, 2016	
Principal Amount:			Dollars

The City of Novi, County of Oakland, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, unless redeemed prior to maturity, on the Maturity Date specified above with interest thereon until paid from the Date of Original Issue specified above or such later date to which interest has been paid, at the Interest Rate per annum specified above, first payable on _____, 20__ and semiannually thereafter. Principal of this bond is payable at the designated corporate trust office of _____, _____, Michigan, or such other transfer agent as the City may hereafter designate by notice mailed to the registered owner not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable to the registered owner of record as of the 15th day of the month preceding the interest payment date as shown on the registration books of the City kept by the Transfer Agent by check or draft mailed by the Transfer Agent to the registered owner of record at the registered address. For prompt payment of this bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued for the purpose of refunding part of the City's outstanding 2008 Unlimited Tax General Obligation Library Bonds.

[Insert redemption provisions]

This bond is transferable only upon the registration books of the City kept by the Transfer Agent by the registered owner of record in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing this bond and upon the payment of the charges, if any, therein prescribed.

This bond is payable out of the City's Debt Retirement Fund for this issue and in order to make such payment, the City is required each year to levy taxes on all taxable property within the boundaries of the City for such payment without limitation as to rate or amount. It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this

bond and the series of bonds of which this is one, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the City, including this bond and the series of bonds of which this is one, does not exceed any constitutional, statutory or charter debt limitation.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City, by its City Council, has caused this bond to be signed in the name of the City by the facsimile signatures of its Mayor and City Clerk and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF NOVI
County of Oakland
State of Michigan

By: _____
Its: Mayor

By: _____
Its: City Clerk

(SEAL)

(Form of Transfer Agent's Certificate of Authentication)

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned resolution.

Transfer Agent

By: _____

Authorized: _____

DATE OF REGISTRATION:

7. Tax Covenant. The City shall, to the extent permitted by law, take all actions within its control necessary to maintain the exemption of the interest on the Bonds from general federal income taxation (as opposed to any alternative minimum or other indirect taxation) under the Internal Revenue Code of 1986, as amended (the “Code”), including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditure and investment of Bond proceeds and moneys deemed to be Bond proceeds.

8. Qualified Tax-Exempt Obligations. Each Authorized Officer is hereby authorized to designate the Bonds as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions.

9. Continuing Disclosure Undertaking. The City agrees to enter into an undertaking for the benefit of the holders and beneficial owners of the Bonds pursuant to Rule 15c2-12 of the U.S. Securities and Exchange Commission and the Finance Director is hereby authorized to execute such undertaking prior to delivery of the Bonds.

10. Negotiated Sale. The City Council has considered the option of selling the Bonds through a competitive sale and a negotiated sale and, pursuant to the requirements of Act 34, determines that a negotiated sale of the Bonds will result in the most efficient and expeditious means of selling the Bonds and will result in the lowest interest cost to the City.

11. Adjustment of Bond Details. Each Authorized Officer is hereby authorized to approve the sale of the Bonds to an underwriter (the “Underwriter”) pursuant to a bond purchase agreement. Alternatively, if deemed appropriate by an Authorized Officer, the City is authorized to privately place the Bonds with a qualified bank or other sophisticated institutional investor as purchaser thereof (the “Purchaser”). Each Authorized Officer is individually authorized to negotiate and execute a purchase agreement with the Purchaser, and to award the sale of the Bonds to the Purchaser, subject to the parameters set forth in this Resolution. In the event of a negotiated sale to the Purchaser, the City will not enter into a continuing disclosure undertaking.

In pursuance of either of the foregoing alternatives, either Authorized Officer is individually authorized, without further direction from the City Council, to execute a sale order the final terms of the Bonds, adjust the final bond details set forth herein to the extent necessary or convenient to complete the transaction authorized herein, and in pursuance of the foregoing is authorized to exercise the authority and make the determinations authorized pursuant to Section 315(1)(d) of Act 34, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, designation of series, the portion or portions of the Prior Bonds to be refunded, and other matters, within the parameters established by this resolution; *provided*, that the net present value savings to be realized by the City shall not be less than 4.50% of the principal amount of the Prior Bonds to be refunded, the true interest cost of the Bonds shall not exceed 3.00%, and the Underwriter’s discount on the Bonds shall not exceed 0.75% of the principal amount of the Bonds.

12. Authorization of other Actions. The Mayor, City Manager, Clerk, and Finance Director/Chief Financial Officer are each hereby authorized and directed to cause the preparation and circulation of a preliminary and final official statement with respect to the Bonds; to procure a policy of municipal bond insurance with respect to the Bonds or cause the qualification of the Bonds therefor

if, upon the advice of the financial advisor to the City, the acquisition of such insurance would be of economic benefit to the City; to obtain ratings on the Bonds; and to take all other actions necessary or advisable, and make such other filings with the Michigan Department of Treasury or with other parties, to enable the issuance, sale and delivery of the Bonds as contemplated herein.

13. Bond Counsel. Miller, Canfield, Paddock and Stone, P.L.C. is hereby approved as bond counsel for the Bonds, notwithstanding periodic representation in unrelated matters of parties or potential parties to the transaction contemplated by this resolution, including the Underwriter or Purchaser.

14. Financial Advisor. The City hereby appoints Public Financial Management, Inc., as financial adviser with respect to the Bonds.

15. Rescission. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES: Members _____

NAYS: Members _____

RESOLUTION DECLARED ADOPTED.

Maryanne Cornelius
City Clerk

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, State of Michigan, at a regular meeting held on March 14, 2016, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Maryanne Cornelius
City Clerk