



cityofnovi.org

CITY of NOVI CITY COUNCIL

Agenda Item H
January 26, 2009

SUBJECT: Approval to award bond consulting services for General Obligation and Revenue Bonds for a three-year term to PFM Group (financial advisor), and Butzel, Long (bond counsel).

SUBMITTING DEPARTMENT: City Manager/Finance

CITY MANAGER APPROVAL: *[Handwritten signature]*

BACKGROUND INFORMATION:

The consultants provide support services throughout the issue and only invoice the City in the event bonds are actually issued. Therefore, staff recommends the bond counsel and financial advisor services be awarded for General Obligation and Revenue bonds for a three year period. Given that the bond issuance process may take place over a multi-year period and this would provide assurance to the consultants that the City would not later award the consulting services to another vendor.

The City also may issue refunding bonds or bonds through-or-jointly-with a third party. These issues typically are sold through a negotiated/contractual process and are primarily to save on financing costs, versus through the bidding process used in the sale of General Obligation and typical Revenue Bonds. By way of background, refunding bonds are handled through a negotiated sale with an underwriter to respond quickly to the market in order to achieve the proper level of present value savings. We recommend continuing to award services for these issues on an issue by issue basis to obtain the greatest cost savings.

RECOMMENDED ACTION: Approval to award bond consulting services for General Obligation and Revenue Bonds for a three-year term to PFM Group (financial advisor), and Butzel, Long (bond counsel).

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Burke				
Council Member Crawford				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				

MEMORANDUM



TO: CLAY J. PEARSON
FROM: KATHY SMITH-ROY
SUBJECT: BOND CONSULTANTS
DATE: JANUARY 15, 2009

1/15/09
To: Mayor and City Council Members

For future
consideration.

FH. [Signature]

The City of Novi historically has approved bond consultants through the Consultant Review Committee, however on occasion the City has approved these consultants on an issue-by-issue basis. For example, Bendzinsi & Co. and Miller, Canfield were approved for the recent Library Bond issue.

Both firms have provided quality service for the City for many years. In order to meet a pending deadline on a potential charter amendment ballot issue, we have obtained quotes from quality firms for these services. The attached is the summary of the proposed fees for a \$15,000,000 and \$20,000,000 issue as an example.

The consultants provide support services throughout the issue and only invoice the City in the event bonds are actually issued. Therefore, we recommend the bond counsel and financial advisor services be awarded for General Obligation and Revenue bonds for a three-year period. The bond issuance process may take place over a multi-year period and this would provide assurance to the consultants that the City would not later award the consulting services to another vendor. *

The City also may issue refunding bonds or bonds through-or-jointly-with a third party. These issues typically are sold through a negotiated/contractual process and are primarily to save on financing costs, versus through the bidding process used in the sale of General Obligation and typical Revenue Bonds. By way of background, refunding bonds are handled through a negotiated sale with an underwriter to respond quickly to the market in order to achieve the proper level of present value savings. We recommend continuing to award services for these issues on an issue by issue basis to obtain the greatest cost savings.

On the January 26, 2009 City Council Agenda we will include a recommendation to award Butzel Long and The PFM Group a three year agreement for General Obligation and Revenue Bond Issuance (excludes Refunding and other non-bid issues). X

If you have any questions, or would like any additional information, please let me know.

City of Novi - Fee Proposals - Bond Consultants

>	<u>Bond Counsel</u>	<u>\$15 Million Issue</u>	<u>\$20 Million Issue</u>
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Miller, Canfield

General Obligation - Base Fee \$7,500; plus \$4.00 per \$1,000 of bonds up to \$6 Million; plus \$1.50 per \$1,000 to \$10 Million; plus \$0.90 per \$1,000 of bonds over \$10 Million	\$	42,000	\$	46,500
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Revenue - Base Fee \$7,500; plus \$4.00 per \$1,000 of bonds up to \$3 Million; plus \$2.00 per \$1,000 to \$10 Million; plus \$1.00 per \$1,000 of bonds over \$10 Million	\$	44,500	\$	49,500
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Out-of-pocket expenses would be billed separately.

Butzel Long				
General Obligation or Revenue \$15 Million-\$22 Million	\$	22,500	\$	22,500
Out-of-pocket expenses would be billed separately.				
Preparation of ballot language and related proceedings add \$3,500				

>	<u>Financial Advisor</u>	<u>\$15 Million Issue</u>	<u>\$20 Million Issue</u>
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Bendzinski & Company	\$	30,000	\$	40,000
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Out-of-pocket expenses would be billed separately (including printing costs).

The PFM Group				
General Obligation <i>Bond</i>	\$	20,000	\$	29,000
Revenue <i>Bond</i>	\$	25,000	\$	34,000
Out-of-pocket expenses would be billed separately (including printing costs).				