



CITY of NOVI CITY COUNCIL

**Agenda Item C
June 22, 2015**

SUBJECT: Approval of resolution authorizing the issuance of Limited Tax General Obligation Refunding Bonds, Series 2015.

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

During the City's initial meeting with the City's bond advisors in March 2014, two of our outstanding bonds were identified as significant opportunities for refunding. The first bond identified was the Ice Arena Bonds which were refinanced in October 2014 and the second was the Novi Building Authority Senior Housing Refunding Bonds, Series 2005. The Senior Housing bonds were not callable until October 1, 2015. In March 2015 the finance department requested proposals for financial advisory services and selected the City's current bond advisors of Bendzinski & Co. to assist with the refunding of the Senior Housing Bonds noted above.

Principal payments are due October 1st of each year with the next payment being due October 1, 2015 and the bond maturing on October 1, 2025. Based on the current market interest rates the City is estimated to save in excess of \$1,200,000 over the remaining year life of the bonds (approximately \$100,000 per year. The potential refunding bonds would be payable over the same remaining ten year period (keeping the same final maturity date of October 1, 2025). This is a significant savings that would remain in the Senior Housing Fund and could be used to fund future capital needs. The bonds can be called 90 days prior to their October 1, 2015 call date. Miller Canfield, the City's bond council, has drafted an overview summary letter and enclosed a resolution for approval by Council.

The process and documents presented mirrors previous bond refinancing items considered by Council in the past.

RECOMMENDED ACTION: Approval of resolution authorizing the issuance of Limited Tax General Obligation Refunding Bonds, Series 2015.

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

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

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

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June 15, 2015

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
Limited Tax General Obligation Refunding Bonds, Series 2015

Dear Carl:

I have enclosed a Resolution Authorizing Limited Tax General Obligation Refunding Bonds, Series 2015 for consideration for approval by the City Council at its meeting on June 22nd. The Resolution has been prepared based on the bond specifications prepared by Bendzinski & Co., as the City's financial advisor.

This Resolution relates to the refinancing of the Novi Building Authority's Building Authority Refunding Bonds, Series 2005 (Limited Tax General Obligation), dated June 9, 2005, which were issued to refinance the Authority's outstanding 1999 Building Authority (Senior Complex) Bonds (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 enclosed Resolution authorizes the issuance of Bonds in an amount not to exceed \$9,750,000 to refund the Prior Bonds. The Bonds will be secured by the City's pledge of its limited tax full faith and credit.

The Resolution sets forth the terms of the Bonds, the form of Bonds, and provides for a private placement sale of the Bonds. The Resolution also authorizes various City officials (City Manager, Assistant 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. The Resolution also provides as an alternative that the City may pursue a public offering of the Bonds.

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

Mr. Carl Johnson

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June 15, 2015

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 Council relating to the Refunding Bonds.

It is expected that if approved and if the market remains favorable, bids for the purchase of the Bonds could be received in July and the closing could occur in August.

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: Mr. Pete Auger, City Manager
Mr. Victor Cardenas, Assistant City Manager
Ms. Sabrina Lilla, CPA, Senior Financial Analyst
Ryan A. Bendzinski
Cassie J. Hare, Esq.

**RESOLUTION AUTHORIZING ISSUANCE OF
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

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, Michigan, held in the City, on the 22nd day of June, 2015 at 7:00 p.m., prevailing Eastern Time.

PRESENT: Members: _____

ABSENT: Members: _____

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

WHEREAS, Act 34, Public Acts of Michigan, 2001, as amended (“Act 34”), authorizes the City of Novi, County of Oakland, Michigan (the “City”) to refund all or any part of its outstanding securities; and

WHEREAS, the Novi Building Authority, County of Oakland, State of Michigan (the “Authority”) has previously issued its Building Authority Refunding Bonds, Series 2005 (Limited Tax General Obligation), dated June 9, 2005, in the original principal amount of \$9,920,000 (the “Prior Bonds”) which were issued for the purpose of refinancing all or a part of the Authority’s outstanding 1999 Building Authority (Senior Complex) Bonds; and

WHEREAS, the City and the Authority have entered into a certain Refunding Contract dated May 4, 2005 (the “2005 Contract”), by which the City has agreed to pay contractual payments to the Authority in amounts sufficient to pay the debt service on the Prior Bonds, and has pledged the City’s limited tax full faith and credit therefor; and

WHEREAS, the Prior Bonds and the 2005 Contract are “outstanding securities” of the City within the meaning of Act 34; and

WHEREAS, the City has been advised that it may be able to accomplish a net savings of debt service costs by refunding all or a portion of the outstanding Prior Bonds through the issuance of refunding bonds by the City; and

WHEREAS, the City desires to issue refunding bonds pursuant to Act 34 in an aggregate principal amount of not to exceed Nine Million Seven Hundred Fifty Thousand Dollars (\$9,750,000) for the purpose of paying all or part of the cost of refunding all or part of the Prior Bonds in order to achieve interest cost savings for the benefit of the City and its taxpayers; and

WHEREAS, the City desires to solicit proposals from financial institutions and other prospective purchasers and negotiate the sale of the Bonds to a purchaser within the parameters established by this

Resolution.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Authorization of Bonds; Bond Details. Bonds of the City shall be issued in the aggregate principal amount of not to exceed Nine Million Seven Hundred Fifty Thousand Dollars (\$9,750,000), as finally determined upon sale thereof, to be designated LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015 (the "Bonds"), for the purpose of paying the cost of refunding all or a portion of the Prior Bonds and issuance costs of the Bonds.

The issue shall consist of bonds fully-registered as to principal and interest of the denomination of \$100,000 or integral multiples of \$5,000 in excess thereof not exceeding for each maturity the maximum principal amount of that maturity, or alternatively, may consist of a single-instrument, non-convertible bond, as determined at the time of sale. The Bonds will be dated as of the date of delivery, or such other date as determined by the City Manager, Assistant City Manager or Finance Director/Chief Financial Officer (each, an "Authorized Officer"), be payable on October 1 (or such other date as determined at the time of sale thereof) in the years and in the annual amounts as determined at the time of sale, and be subject to prior redemption as determined at the time of sale of the Bonds. The Bonds shall bear interest at a rate or rates to be determined upon negotiated sale thereof, payable semi-annually on April 1 and October 1, first payable on such date as determined by an Authorized Officer at the time of sale, *provided that* the interest rate per annum on the Bonds shall not exceed 3.75%. In the event of a public offering of the Bonds, the Bonds shall be sold at a price not less than 99% of their par value and the underwriter's discount shall not exceed 1.00% of the principal amount of the Bonds. The Bonds may be issued as serial or term bonds or both and may be subject to mandatory redemption prior to maturity as determined at the time of sale.

Interest on the Bonds shall be paid by check drawn on the Transfer Agent mailed to the registered owner of the Bonds at the registered address, as shown on the registration books of the City maintained by the Transfer Agent. Interest shall be payable to the registered owner of record as of the fifteenth day of the month prior to the payment date for each interest payment. The 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. The principal of the Bonds shall be payable at the corporate trust office of The Bank of New York Mellon Trust Company, Detroit, Michigan as registrar and transfer agent for the Bonds (the "Transfer Agent"), provided that in the event that the Bonds are purchased by a single institutional investor the City may act as its own Transfer Agent.

2. Execution of Bonds; Book-Entry Only Form. The Bonds shall be signed by the manual or facsimile signatures of the Mayor and the City Clerk and shall have the facsimile seal of the City printed on the Bonds. No Bond signed by facsimile signature shall be validated until authenticated by an authorized signatory of the Transfer Agent. The Bonds shall be delivered to the Transfer Agent for authentication and be delivered by it to the purchaser in accordance with instructions from the Treasurer upon payment of the purchase price for the Bonds. Executed blank bonds for registration and issuance to transferees shall simultaneously, and from time to time thereafter as necessary, be delivered to the Transfer Agent for safekeeping. The Bonds may be issued in book-entry-only form through The Depository Trust Company in New York, New York.

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 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. Security for Bonds; Limited Tax Pledge of City; Defeasance of Bonds. The City hereby pledges its limited tax full faith and credit for the prompt payment of the principal and interest on the Bonds. The City shall, each year budget the amount of the debt service coming due in the next fiscal year on the principal of and interest on the Bonds and shall advance as a first budget obligation from its general funds available therefor, or, if necessary levy taxes upon all taxable property in the City subject to applicable constitutional, statutory and charter tax rate limitations, such sums as may be necessary to pay such debt service in said fiscal year. The City Treasurer is authorized and directed to open a separate fund with a bank or trust company designated by the City Council to be known as the LIMITED TAX GENERAL OBLIGATION 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. Into said fund there shall be placed the accrued interest, if any, received at the time of delivery of the Bonds.

In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay the principal of and interest on the Bonds when due, shall be deposited in trust, this Resolution shall be defeased and the owners of the Bonds shall have no further rights under this Resolution except to receive payment of the principal of and interest on the Bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange Bonds as provided herein.

5. Issuance Fund; Escrow Account; Proceeds of Bond Sale. Proceeds of the Bonds shall be used to pay the costs of issuance of the Bonds and to secure payment of the Prior Bonds to be refunded (the "Refunded Bonds") as provided in this paragraph. Upon receipt of the proceeds of sale of the Bonds, the accrued interest and premium, 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 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015 BOND ISSUANCE FUND (the "Bond Issuance Fund"), which may be established by the City or an escrow agent. The moneys in the Bond Issuance Fund shall be used solely to pay the costs of issuance of the Bonds. Any amounts remaining in the Bond 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 other available funds of the City, if any, shall be deposited in an escrow fund (the "Escrow Fund") consisting of cash or cash and investments in direct obligations of or obligations the principal of and interest on where 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 Securities") and used to pay the principal of and interest on all or a portion of the Refunded Bonds as determined by an Authorized Officer at the time of sale. The Escrow Fund shall be held by The Bank of New York Mellon Trust Company, Detroit, Michigan (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 the Refunded Bonds for redemption on the first date such Refunded Bonds may be called for redemption. Each Authorized Officer is authorized and directed to appoint an Escrow Agent and execute the Escrow Agreement on behalf of the City. The amounts held in the Escrow Fund shall be such that the cash and investments and income received thereon will be sufficient without reinvestment to pay the principal of and interest on the Refunded Bonds when due at maturity or call for redemption as required by this section. Each Authorized Officer is authorized and directed to purchase or cause to be purchased, Escrow Securities, including United States Treasury Obligations – State and Local Government Series (SLGS), in an amount sufficient to fund the Escrow Fund.

6. Bond Form. The Bonds shall be in substantially the following form with such changes as may be required to conform the Bond to the final terms of the Bonds established by the Sale Order:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF OAKLAND

CITY OF NOVI

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, SERIES 2015

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	October 1, ____	_____, 2015	

Registered Owner:

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, on the Maturity Date specified above, with interest thereon (computed on the basis of a 360 day year consisting of twelve 30-day months) 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, payable on _____, 201_ and semiannually thereafter. Principal of this bond is payable upon presentation and surrender of this bond at the corporate trust office of The Bank of New York Mellon Trust Company, Detroit, Michigan, as registrar and transfer agent for the Bonds or such other transfer agent as the City may hereafter designate (the "Transfer Agent") by notice mailed to the registered owner not less than sixty (60) days prior to an interest payment date. Interest on this bond is payable to the person or entity which is 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.

This bond is [a single, fully-registered, non-convertible bond][one of a series of bonds] of even date of original issue [in][aggregating] aggregating the principal sum of \$_____, issued pursuant to Act 34, Public Acts of Michigan, 2001, as amended, and a resolution duly adopted by the City Council of the City for the purpose of paying all or part of the cost of refunding certain outstanding securities of the City.

This bond, including the interest thereon, is payable as a first budget obligation from the general funds of the City, and the City is required, if necessary, to levy ad valorem taxes on all taxable property in the City for the payment thereof, subject to applicable constitutional, statutory, and charter tax rate limitations. For prompt payment of this bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

Bonds of this issue are not subject to optional redemption prior to maturity.

[Insert Term Bond redemption provisions, if necessary.]

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 upon the payment of the charges, if any, prescribed in the resolution authorizing this bond, 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. Neither the City nor the Transfer Agent shall be required to transfer or exchange this bond or portion of this bond either during the period of fifteen (15) days immediately preceding the date of the mailing of any notice of redemption or (except as to the unredeemed portion, if any, of this bond) after this bond or any portion of this bond has been selected for redemption.

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

(SEAL)

By: _____
Its City Clerk

[FORM OF TRANSFER AGENT'S CERTIFICATE OF AUTHENTICATION]

Date of Registration:

Certificate of Authentication

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

TRUST COMPANY,

THE BANK OF NEW YORK MELLON
Detroit, Michigan

Transfer Agent
By: _____

Authorized Signature

7. 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 has determined to proceed with the sale of the Bonds by means of a negotiated sale because of the flexibility and efficiency provided by a negotiated sale to select and adjust the terms for the Bonds to best achieve the most advantageous interest rates and obtain the lowest issuance costs and interest costs for the City. The Bonds may be sold through a private placement or, in the alternative, as a public offering as determined by an Authorized Officer.

8. Delegation to Authorized Officers; Sale Order. Each Authorized Officer is hereby authorized to select a placement agent to assist with the private placement of the Bonds, solicit proposals from and select a purchaser for the Bonds and to place the Bonds with the purchaser, subject to the parameters set forth in this Resolution. Each Authorized Officer is authorized to award the sale of the Bonds to the Purchaser pursuant to a bond purchase agreement and/or a sale order, subject to the parameters set forth in this Resolution.

9. Adjustment of Bond Terms. Each Authorized Officer is hereby authorized to adjust the final Bond details to the extent necessary or convenient to complete the transaction authorized in this Resolution, and in pursuance of the foregoing are each 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, all subject to the parameters established in this Resolution; *provided* that the principal amount of Bonds issued shall not exceed the principal amount authorized in this resolution and the interest rate per annum on the Bonds shall not exceed three and three-quarters percent (3.75%). In the event of a public offering, the purchase price shall not be less than 99% of the par amount of the Bonds and the underwriter's discount shall not exceed 1.00% of the principal amount of the Bonds. The refunding of the Prior Bonds shall result in a net present value savings to the City.

10. Tax Covenant. The City hereby covenants that, to the extent permitted by law, it shall take all actions within its control necessary to maintain the exclusion of interest on the Bonds from adjusted gross income for federal income purposes under the Internal Revenue Code of 1986, as amended (the "Code") including, but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of Bond proceeds and moneys deemed to be Bond proceeds.

11. Qualified Tax Exempt Obligations. The Bonds are hereby designated as "qualified tax exempt obligations" for purposes of deduction of interest expense by financial institutions pursuant to Section 265(b)(3)(B) of the Code.

12. Continuing Disclosure Undertaking. In the event required by the purchaser, the City agrees to enter into a continuing disclosure undertaking for the benefit of the holders and beneficial owners of the Bonds in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, and the Authorized Officers are each hereby authorized to execute such undertaking prior to delivery of the Bonds.

13. Authorization of Other Actions. In the event of a public offering, the Authorized Officers are each authorized to approve the circulation of a preliminary official statement describing the Bonds

and to deem the preliminary official statement “final” for purposes of Rule 15c2-12 of the SEC, and approve the circulation of a final official statement describing the Bonds and to execute the same on behalf of the City. The Authorized Officers are each authorized and directed to (a) solicit bids for and approve the purchase of a municipal bond insurance policy for the Bonds and (b) do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of the Bonds.

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

15. Financial Advisor. Bendzinski & Co. Municipal Finance Advisors is hereby appointed as the Registered Municipal Advisor with respect to the Bonds.

16. 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 June 22, 2015, 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