



CITY of NOVI CITY COUNCIL

**Agenda Item E
August 11, 2014**

SUBJECT: Approval to award bond consulting services for the 2014 Ice Arena Refunding Bonds to Bendzinski & Co. (financial advisor) and Miller Canfield (bond counsel).

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

In June, 2014, City Council authorized Finance to move forward with refunding the 2004 Ice Arena Refunding Bonds. Finance requested proposals from two consulting firms and the low proposal was from Bendzinski & Co. (see Attachment A). Bendzinski & Co. has been a consultant for the City on these types of bond issues over the past 38 years and has served the City well.

The consultants provide support services throughout the bond refunding process and only invoice the City in the event the bonds are actually issued. These fees and all other related fees are paid through the proceeds from the new bond issue and are included in the net present value savings computations.

RECOMMENDED ACTION: Approval to award bond consulting services for the 2014 Ice Arena Refunding Bonds to Bendzinski & Co. (financial advisor) and Miller Canfield (bond counsel).

| | 1 | 2 | Y | N |
|------------------------|---|---|---|---|
| Mayor Gatt | | | | |
| Mayor Pro Tem Staudt | | | | |
| Council Member Casey | | | | |
| Council Member Fischer | | | | |

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

CITY OF NOVI
City of Novi Refunding of Building Authority Bonds, Series 2004
Summary of Refunding Proposals

| | <u>Bendzinski</u> | <u>Bendzinski</u> | <u>PFM</u> |
|--|-------------------------|-------------------------|--------------------------|
| Net PV Savings | \$ 479,031 | \$ 479,031 | \$ 482,208 |
| Cash Savings | 534,204 | 534,204 | 525,690 |
| Interest Rate | 2.25% | 2.25% | 2%-3% |
| Par Value | 4,955,000 | 4,955,000 | 4,905,000 |
| Issuance costs (see below): | 39,650 | 79,448 | 129,313 |
| Legnth | 10 years | 10 years | 10 years |
| Offerings | Private | Public | Public |
| <u>Issuance Costs</u> | | | |
| Bound Counsel | \$ 28,000 | \$ 28,000 | \$ 30,000 |
| Municipal Advisor | 9,000 | 14,000 | 13,500 |
| <u>Other Issuance Costs</u> | | | |
| Credit rating fee | - | 10,500 | 13,000 |
| Escrow agent | 750 | 750 | 500 |
| Paying agent | 500 | 500 | 500 |
| Official statment printing and mailing | - | 2,000 | 3,500 |
| Advisory Council of Michigan | 400 | 400 | 400 |
| Michigan Department of Treasury | 1,000 | 1,000 | 1,000 |
| Legal publication (if necessary) | - | - | 1,800 |
| Verification agent | - | - | 1,250 |
| Contingency | - | - | 2,550 |
| Underwriter's discount - estimate | - | 22,298 | 61,313 |
| Total issuance costs | <u>\$ 39,650</u> | <u>\$ 79,448</u> | <u>\$ 129,313</u> |



| Estimated Change | Interest Rate Changes | | | | | | |
|------------------------------------|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | -0.10% | 0.00% | 0.10% | 0.20% | 0.30% | 0.40% | 0.50% |
| Total Savings | \$551,563 | \$525,690 | \$496,925 | \$469,985 | \$443,370 | \$415,382 | \$387,826 |
| Net Present Value (NPV) Savings | \$590,244 | \$482,208 | \$454,452 | \$427,552 | \$400,791 | \$374,088 | \$347,578 |
| NPV Savings as % of Refunded Bonds | 10.51% | 9.95% | 9.38% | 8.82% | 8.27% | 7.72% | 7.17% |
| True Interest Cost (TIC) | 2.33% | 2.44% | 2.54% | 2.64% | 2.74% | 2.84% | 2.95% |

Assumptions:

0.00% column represents Interest rates as of July 1, 2014
 Cost of issuance and underwriter discount are estimates only

Fee Quote

Below is PFM's proposed **discounted** fee schedule for providing financial advisory services on bond issuances to the City of Novi:

Base Fee: \$8,500
 Plus \$1.00 per \$1,000 of bonds

For example our fee on a \$5,000,000 bond issue would be \$13,500 (\$8,500 + \$5,000). Travel and out-of-pocket expenses for attendance at meetings at the request of the City will be billed at actual cost in addition to the above fee. Also, the Municipal Advisory Council assessment of \$400 per issue sold would also be billed in addition to this fee. PFM's fee is payable only if and when the bonds are sold and delivered.

Below is an estimate of the cost of issuance breakdown:

| | |
|---------------------------------------|------------------|
| Bond Counsel Fee | \$30,000 |
| Financial Advisor Fee | 13,500 |
| MAC Fee | 400 |
| State Treasury Filing Fee | 1,000 |
| Credit Rating | 13,000 |
| Official Statement Printing & Mailing | 3,500 |
| Legal Publication (if necessary) | 1,800 |
| Verification Agent | 1,250 |
| Escrow Agent | 500 |
| Paying Agent - first year | 500 |
| Contingency | 2,550 |
| Total Issuance Costs | \$68,000 |
| Underwriter's Discount - Est.* | 61,313 |
| TOTAL COST OF ISSUANCE | \$129,313 |

**Assumes the estimated underwriting discount or fee for a competitive bond sale.*

All estimated savings figures shown above are net of all fees and expenses.

\$4,955,000
Novi Building Authority
County of Oakland, State of Michigan
Building Authority Refunding Bonds, Series 2014

COSTS OF ISSUANCE

| | 2014 Bonds <u>Private Placement Scenario</u> | | 2014 Bonds <u>Public Offering Scenario</u> |
|--|--|--|--|
| PAR AMOUNT OF BONDS: | \$ 4,955,000 | | \$ 4,955,000 |
| COST OF ISSUANCE | | | |
| Bond Counsel - Miller Canfield Paddock and Stone | 28,000 (1) | | 28,000 (1) |
| Registered Municipal Advisor - Bendzinski & Co. | 9,000 | | 14,000 |
| Underwriters Discount (0.45% of Par) | - | | 22,298 |
| Verification Agent - Robert Thomas CPA LLP | - | | - |
| Escrow Agent - US Bank | 750 | | 750 |
| Paying Agent - US Bank (First Year Fee) | 500 | | 500 |
| Official Statement Printing - DigitalMuni LLC | - | | 2,000 |
| Rating Fee - Standard and Poor's | - | | 10,500 |
| Advisory Council of Michigan | 400 | | 400 |
| Michigan Department of Treasury Fee (0.02% of Par Amount or \$1,000 max) | 1,000 | | 1,000 |
| TOTAL COST OF ISSUANCE | <u>\$ 39,650</u> | | <u>\$ 79,448</u> |

(1) Estimate

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