



CITY of NOVI CITY COUNCIL

Agenda Item E
June 2, 2014

SUBJECT: Approval to authorize the Finance Director to move forward with the refunding of the 2004 Novi Ice Arena Recreation Facility Refunding Bonds.

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

The City of Novi Building Authority issued 2004 Ice Arena Recreational Facility Refunding Bonds totaling \$7,630,000. The City has been contacted by bond advisors and informed that due to favorable current interest rates substantial savings can be obtained if the 2004 bonds were refinanced. The estimated savings over the remaining ten years of the bonds would be more than \$500,000 (\$50,000 per year). The refinancing would be over the same ten year period and the resulting savings would remain in the Ice Arena Fund and be used toward future operating or capital costs. Attached is the estimated new debt service payments compared to the current debt service payments, detailing the net savings.

RECOMMENDED ACTION: Approval to authorize the Finance Director to move forward with the refunding of the 2004 Novi Ice Arena Recreation Facility Refunding Bonds.

	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				

MEMORANDUM



TO: VICTOR CARDENAS, INTERIM CITY MANAGER
FROM: CARL JOHNSON, CFO
SUBJECT: BOND REFUNDING OPPORTUNITY
DATE: MAY 14, 2014

*Mayor & Council:
Possible bond refinancing
opportunity will be bring-
ing to Council in the
very near future.
V. Johnson*

I have been contacted by our current bond advisors at Bendzinski & Co. as well as The PFM Group regarding the possibility of refinancing the outstanding Ice Arena Recreation Facility Building Authority Bonds, Series 2004 dated September 1, 2004. Principal payments are due June 1st of each year with the next payment being due June 1, 2015 and the bond maturing on June 1, 2024. I have reviewed the information that both firms have provided and both show that the interest rates on a possible new debt, compared to the rates when the debt was originally issued, could save the City in excess of \$500,000 over the remaining life of the bonds (approximately \$50,000 per year, see attached example schedule). The potential refunding bonds would be payable over the same remaining ten year period (keeping the same final maturity date of June 1, 2024). This is a significant savings that would remain in the Ice Arena Fund and could be used to fund future operations or future capital needs. I would recommend moving forward with one of these firms and refinancing as quickly as possible as interest rates can and do change. If you decide to move forward, the next step would be to work out a contract(s) with a bond advisor and bring it to council for approval. I will contact each bond advisor and get an estimate of the fees associated with the refinance to determine which firm to bring forward. Let me know your thoughts on how you would like to proceed.

City of Novi
 County of Oakland, State of Michigan
 Building Authority Refunding Bonds, Series 2014

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings	Fiscal Total
06/26/2014	-	-	-	-	-
12/01/2014	47,953.13	47,953.13	104,802.50	56,849.37	-
06/01/2015	535,687.50	535,687.50	529,802.50	(5,885.00)	-
10/01/2015	-	-	-	-	50,964.37
12/01/2015	50,287.50	50,287.50	96,302.50	46,015.00	-
06/01/2016	510,287.50	510,287.50	516,302.50	6,015.00	-
10/01/2016	-	-	-	-	52,030.00
12/01/2016	45,112.50	45,112.50	87,902.50	42,790.00	-
06/01/2017	545,112.50	545,112.50	552,902.50	7,790.00	-
10/01/2017	-	-	-	-	50,580.00
12/01/2017	39,487.50	39,487.50	78,602.50	39,115.00	-
06/01/2018	524,487.50	524,487.50	538,602.50	14,115.00	-
10/01/2018	-	-	-	-	53,230.00
12/01/2018	34,031.25	34,031.25	69,115.00	35,083.75	-
06/01/2019	534,031.25	534,031.25	549,115.00	15,083.75	-
10/01/2019	-	-	-	-	50,167.50
12/01/2019	28,406.25	28,406.25	58,315.00	29,908.75	-
06/01/2020	538,406.25	538,406.25	558,315.00	19,908.75	-
10/01/2020	-	-	-	-	49,817.50
12/01/2020	22,668.75	22,668.75	47,565.00	24,896.25	-
06/01/2021	522,668.75	522,668.75	547,565.00	24,896.25	-
10/01/2021	-	-	-	-	49,792.50
12/01/2021	17,043.75	17,043.75	36,565.00	19,521.25	-
06/01/2022	522,043.75	522,043.75	556,565.00	34,521.25	-
10/01/2022	-	-	-	-	54,042.50
12/01/2022	11,362.50	11,362.50	24,865.00	13,502.50	-
06/01/2023	501,362.50	501,362.50	539,865.00	38,502.50	-
10/01/2023	-	-	-	-	52,005.00
12/01/2023	5,850.00	5,850.00	13,020.00	7,170.00	-
06/01/2024	525,850.00	525,850.00	573,020.00	47,170.00	-
10/01/2024	-	-	-	-	54,340.00
Total	\$5,562,140.63	\$5,562,140.63	\$6,079,110.00	\$516,969.37	-

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	461,646.48
Net PV Cashflow Savings @ 2.250%(Bond Yield).....	461,646.48
Contingency or Rounding Amount.....	3,057.17
Net Present Value Benefit.....	\$464,703.65
Net PV Benefit / \$4,845,000 Refunded Principal.....	9.591%
Average Annual Cash Flow Savings.....	51,696.94

Refunding Bond Information

Refunding Dated Date.....	6/26/2014
Refunding Delivery Date.....	6/26/2014