



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2009-0521

TO: Mayor and City Council Members
FROM: Keith Sawdon, Director of Finance, Ext 2535
DATE: November 18, 2009
SUBJECT: Bond Refunding Resolution-GOUT, Series 2001, OPC Building Bonds

REQUEST:

We are recommending that City Council approve and adopt the attached resolution in order to refund all or part of the outstanding City issued General Obligation Unlimited Tax Bonds, Series 2001 originally issued for the purpose of building the Older Persons' Commission Building.

BACKGROUND:

From time to time the Fiscal Service Office conducts an analysis of potential net savings that can be achieved by refunding (refinancing) bonds the City has outstanding. In addition, the City established some minimum standards, through its Debt Policy Statement, that needed to be achieved before a refunding would be recommended. Our current policy states that no bond can be considered for refunding unless the refunding will produce at least a Net Present Value Savings of 2% *and* have Net Savings to the City of at least \$100,000.

A recent analysis indicates that the bonds sold in 2001 to construct the OPC Building have the potential to meet those minimum requirements. Based on proposals that were received from four (4) Financial Advisors (FAs) on October 28, 2009, we have determined that there was a strong possibility that the 2001 OPC Building Bonds could achieve and hopefully exceed those minimum requirements. Estimates from those four (4) FAs indicate a saving of between \$150,000 (conservative) to \$300,000 (aggressive).

We have asked Terry Donnelly, Bond Counsel for the City, to draft the attach Bond Resolution to begin the process of moving towards refunding the OPC Building Bonds. Mr. Donnelly is with us tonight to answer any questions you may have related to the resolution.

It should also be noted that the Municipal Bond market, especially the Michigan issued bond market, is a very fluid market where rates are in a contestant flex. This market uncertainly makes it very difficult, if not impossible to pick a date, into the future, to conduct a complete sale that will result in the minimum savings required within our Debt Policy. The attached resolution suspends our complete sale requirement, in our Debt Policy, and authorizes the Finance Director to invite underwrites, currently active in the Michigan Municipal market, to submit proposals to purchase the refunding bonds.

This form of negotiated sale (with parameters set in the resolution), through the receipt of proposals will allow the City to pick the time frame where the sale will best work for the City (generate the best savings for the City) and the flexibility to pass on the received proposals if the net saving does not meet our minimum requirements without spending any City funds. In our opinion this is the best, if not the only way, that this refunding makes any sense, at this time, given the nature of the Municipal Bond Market.

RECOMMENDATION:

It is our recommendation that the attached Bond Resolution be adopted by City Council.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		