



City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS

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Legislative File No: 2011-0357

**TO:** Mayor and City Council Members

**FROM:** Keith Sawdon, Director of Finance, Ext 2535

**DATE:** August 29, 2011

**SUBJECT:** Bond Refunding Resolution-GOLT Capital Improvement Bonds, Series 2002

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**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 Limited Tax Capital Improvement Bonds, Series 2002 issued for the purpose of paying part of the cost of constructing local road improvements in the following subdivisions in the City: Great Lakes #1 West, Lochmoor Hills, Larchwood, Independence Court, Whispering Willow, Avon Manor, Stratford Knolls #1, 2, 3, 4, 5, 6 and 8, and Spring Hills #3 and 4; and

**BACKGROUND:**

From time to time the Fiscal Service Office, with the assistance of its Financial Advisor (FA) and its Underwriter, 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 need to be achieved before a refunding would be recommended. One of those standards is that no bond can be considered for refunding unless the refunding will produce at least a Net Present Value Savings of 2%.

A recent analysis indicates that these bonds sold in 2002 to pay part of the cost of constructing local road improvements in the following subdivisions in the City: Great Lakes #1 West, Lochmoor Hills, Larchwood, Independence Court, Whispering Willow, Avon Manor, Stratford Knolls #1, 2, 3, 4, 5, 6 and 8, and Spring Hills #3 and 4 have the potential to meet that requirement.

We have asked Terry Donnelly, Bond Counsel for the City, to draft the attached Bond Resolution to begin the process of moving towards refunding the GOLT Capital Improvement Bonds, Series 2002

It should also be noted that the Municipal Bond market and all markets for that matter have been very volatile lately 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. The attached resolution suspends our complete sale requirement and authorizes the Finance Director to conduct a negotiated sale for the refunding bonds.

This form of negotiated sale (with parameters set in the resolution), will allow the City to pick the time frame where the sale will produce the best results for the City (generate the best savings for the City) and the flexibility to pass if the net present value saving do not meet our minimum requirement all without spending any City funds. In my opinion this is the best, if not the only way, that this refunding makes any sense, given the nature of the Municipal Bond Market.

As the attached two summary saving reports show the dollar savings, as of August 11, show a range of between \$109,115.73 to \$87,204.97 and a NPV Benefit of 4.960% to 3.964% both well above our NPV requirement of 2%.

I have also attached a comparison report from our FA comparing the rates presented by the Underwriter to similar credit and size sales as a means for us to reconcile the savings potential.

**RECOMMENDATION:**

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

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<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		