



CITY of NOVI CITY COUNCIL

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**Agenda Item 1
June 4, 2007**

SUBJECT: Approval of Resolution for Library Bond Construction (cost of replacing the existing library building) proposal; set ballot proposal for November 6, 2007 General Election.

SUBMITTING DEPARTMENT: Mary Ellen Mulcrone, Novi Public Library; Kathy Smith-Roy, Finance Director, Pamela W. Antil, Assistant City Manager

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

On Wednesday, May 16, 2007, the Library Board approved the ballot language for the purpose of paying the cost of replacing the existing library building by acquiring, constructing, furnishing and equipping a new library building to be located on the existing library property, including all related demolition, site improvements, appurtenances and attachments. The Library requests City Council approve the resolution to include the language to set the ballot proposal for the November 6, 2007 General Election.

The proposal, if passed, would provide \$16 million in funding to replace the existing 23,000 square foot Library facility. The estimated millage to be levied in 2008 would be 0.20 mill (\$0.20 per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is 0.26 mills (\$0.26 per \$1,000 of taxable value).

A prospective debt service schedule is attached, prepared by the City's financial advisor, Bendzinski & Co. based on a 20-year bond issue.

RECOMMENDED ACTION: Approval of Resolution for Library Bond Construction (cost of replacing the existing library building) proposal; set ballot proposal for November 6, 2007 General Election.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Capello				
Council Member Gatt				
Council Member Margolis				

	1	2	Y	N
Council Member Mutch				
Council Member Nagy				
Council Member Paul				



www.cityofnovi.org

5-31-07
Clay Pearson

MEMORANDUM

To: Clay Pearson
From: Kathy Smith-Roy
Cc: Pam Antil
Subject: Library Bonds – Impact on Future Millage Rates
Date: May 29, 2007

The City of Novi can absorb the impact of the Library Bond Debt, if issued, within its 10.5416 mills. This can be accomplished through a variety of financing mechanisms for example by (a) reducing the Drain Revenue Fund millage, and/or (b) reducing the General Fund operating millage, or (c) some combination thereof. As demonstrated in the 2007-8 Budget, the Drain Fund millage could be reduced without negatively impacting the operations. The information below assumes the reduction of the Drain Revenue Fund millage:

CITY OF NOVI CITY CHARTER RATES, HEADLEE MAXIMUM RATES AND ACTUAL TAX LEVY								
OPERATING FUNDS	CITY CHARTER	2006	APPROVED 2007 LEVY	REMAINING CAPACITY	Possible Millage Scenario			
					2008-2009 2008	2009-2010 2009	2010-2011 2010	
GENERAL FUND	6.5000	5.0182	4.8287	0.1895	4.8907	4.9490	5.0182	
MUNICIPAL STREET FUND	1.0000	0.7719	0.7719	-	0.7719	0.7719	0.7719	
POLICE AND FIRE FUND	1.8000	1.4282	1.4282	-	1.4282	1.4282	1.4282	
PARKS AND RECREATION	0.5000	0.3857	0.3857	-	0.3857	0.3857	0.3857	
DRAIN REVENUE FUND	1.0000	0.7719	0.5105	0.2614	0.3070	0.2960	0.2644	
LIBRARY FUND	1.0000	0.7719	0.7719	-	0.7719	0.7719	0.7719	
DEBT SERVICE FUNDS					Last Year of Payments			
396 2003 REFUNDING BONDS	(as needed)	N/A	0.2579	2012-13	0.2490	0.2513	0.2614	
1997 STREET DEBT FUND	(as needed)	N/A	0.0000	N/A				
307 2000 STREET DEBT FUND	(as needed)	N/A	0.2687	2015-16	0.2820	0.2898	0.2842	
FIRE DEBT SERVICE FUND	(as needed)	N/A	0.0000	N/A				
371 1999 POLICE DEBT FUND	(as needed)	N/A	0.0000	2018-19				
2008 Proposed Library Debt					0.2035	0.2145	0.2704	
397 2002 REFUNDING & STREET BONDS	(as needed)	N/A	0.8963	2017-18	0.8541	0.9763	1.0853	
398 1993 REFUNDING BONDS	(as needed)	N/A	0.4218	2009-10	0.3976	0.2070	0.0000	
			<u>10.5416</u>		<u>10.5416</u>	<u>10.5416</u>	<u>10.5416</u>	

The assumptions used for this projection include the following:

- Library Bonds dated 5/1/08, and first interest payment due 10/1/08
- Projected interest rate on Library Bonds 5%
- Growth in taxable value of 3.5% (in 2007 the increase in taxable value was approximately 5.9%)
- No Headlee reductions through 2010
- The General Fund reaches capacity in 2010

Please note that with the 1993 Refunding bonds being paid off in 2009-2010, this would allow for other financing alternatives if needed. If you have any questions or need any additional information, please let me know. Thanks.

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

MICHIGAN: Ann Arbor
Detroit • Grand Rapids
Howell • Kalamazoo
Lansing • Monroe
Saginaw • Troy

FLORIDA: Naples • Pensacola

MASSACHUSETTS: Cambridge

NEW YORK: New York

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Miller, Canfield, Paddock and Stone, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
TEL (313) 963-6420
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May 29, 2007

Via Email and U.S. Mail

Ms. Kathy Smith-Roy
Finance Director and City Treasurer
City of Novi
45175 W. Ten Mile Road
Novi, MI 48375-3024

Re: \$16,000,000 City of Novi Library Bonds

Dear Kathy:

I have enclosed a Resolution Submitting Library Bond Proposal to be considered for approval by the City Council at its meeting on June 4th. The Resolution contains the ballot language for the November 2007 election submitting the question on the issuance of the Bonds for the new library building based on the ballot language that was approved by the Library Board at its meeting earlier this month.

I have also attached the spreadsheet which should be attached to the Resolution as Exhibit A, which shows the estimated millage impact of the Bonds as prepared by the City's financial advisor, Bendzinski & Co. based on a 20 year Bond issue. As you are aware, the estimated millage impact is required to be included in the ballot language under Michigan law.

I plan on attending the City Council meeting on June 4th to answer any questions from the City Council or staff. If you have any questions, please give me a call.

Very truly yours,

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

By: 

Patrick F. McGow

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

Kathy Smith-Roy

-2-

May 29, 2007

Enclosures

cc (w/encl.): Clay Pearson, City Manager
Maryanne Cornelius, City Clerk
Robert J. Bendzinski
Thomas R. Schultz, Esq.
Dennis Neiman, Esq.

DELIB:2858240.1\065576-00090

RESOLUTION SUBMITTING LIBRARY BOND PROPOSAL

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 Hall on Monday, the 4th day of June, 2007, at 7:00 o'clock p.m., Eastern Daylight Time.

PRESENT: Member _____

ABSENT: Member _____

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

WHEREAS, the Board of Trustees of the Novi Public Library, County of Oakland, Michigan (the "Library") has requested the City of Novi (the "City") to issue bonds for the purpose of paying the cost of replacing the existing library building by acquiring, constructing, furnishing and equipping a new library building to be located on the existing library property, including all related demolition, site improvements, appurtenances and attachments (the "Project"); and

WHEREAS, the Library has requested that the City should borrow money in an amount not to exceed Sixteen Million Dollars (\$16,000,000) and issue general obligation bonds of the City in such amount for the purpose of paying the cost of the Project; and

WHEREAS, the City Council hereby determines to place the bond proposal before the electors of the City at an election to be held in the City on the November Election Date, which is Tuesday, November 6, 2007.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The following proposition shall be submitted to a vote of the qualified electors of the City of Novi, County of Oakland, Michigan, at the regular election to be held on TUESDAY, NOVEMBER 6, 2007:

Library Bond Proposition

Shall the City of Novi, County of Oakland, Michigan, borrow a sum of not to exceed Sixteen Million Dollars (\$16,000,000) and issue its general obligation unlimited tax bonds, payable in not to exceed twenty (20) years from the date of issuance, for the purpose of paying the cost of replacing the existing library building by acquiring, constructing, furnishing and equipping a new library building to be located on the existing library property, including all related demolition, site improvements, appurtenances and attachments for use by the Novi Public Library? The estimated millage to be levied in 2008 is 0.20 mill (\$0.20 per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is 0.26 mills (\$0.26 per \$1,000 of taxable value).

2. The City Clerk is directed to publish notice of last day of registration and of the election as required by law and take all other necessary actions to conduct the regular election.

3. The estimated first year millage rate and average annual millage rate set forth in the ballot language for the bond proposal are reasonable estimates of such millage rates, based on the advice of, and the schedules prepared by, the City's financial advisor, Bendzinski & Co., which are attached as Exhibit A.

4. The City makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:

- (a) As of the date hereof, the City reasonably expects to reimburse the Library for the expenditures described in (b) below with proceeds of debt to be incurred by the City.
- (b) The expenditures described in this paragraph (b) are for the costs of acquiring and constructing the Project which were or will be paid subsequent to sixty (60) days prior to the date hereof.
- (c) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is \$16,000,000.
- (d) A reimbursement allocation of the expenditures described in (b) above with the proceeds of the borrowing described herein will occur not later than 18 months after the later of (i) the date on which

the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the City's use of the proceeds of the debt to be issued for the Project to reimburse the City for a capital expenditure made pursuant to this resolution.

- (e) The expenditures described in (b) above are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).
- (f) No proceeds of the borrowing paid to the City in reimbursement pursuant to this resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds, including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in (d) above.

5. 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.

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, Michigan, at a regular meeting held on June 4, 2007, 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.

City Clerk

Bendzinski & Co.**municipal finance advisors**

\$16,000,000
CITY OF NOVI
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL OBLIGATION UNLIMITED TAX (LIBRARY) BONDS, SERIES 2008

**20 YEAR
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy July 1	Principal Due October 1	Interest Rate	Interest Due October 1	Interest Due Next April 1	Total Principal & Interest Requirements	Taxable Value in \$1,000	Annual Millage Required
2008	\$0	5.000%	\$333,333 *	400,000	\$733,333	\$3,603,667	0.2035
2009	0	5.000%	400,000	400,000	800,000	3,729,795	0.2145
2010	250,000	5.000%	400,000	393,750	1,043,750	3,860,338	0.2704
2011	500,000	5.000%	393,750	381,250	1,275,000	3,995,450	0.3191
2012	500,000	5.000%	381,250	368,750	1,250,000	4,135,291	0.3023
2013	500,000	5.000%	368,750	356,250	1,225,000	4,280,026	0.2862
2014	500,000	5.000%	356,250	343,750	1,200,000	4,429,827	0.2709
2015	500,000	5.000%	343,750	331,250	1,175,000	4,584,871	0.2563
2016	750,000	5.000%	331,250	312,500	1,393,750	4,745,341	0.2937
2017	750,000	5.000%	312,500	293,750	1,356,250	4,911,428	0.2761
2018	750,000	5.000%	293,750	275,000	1,318,750	5,083,328	0.2594
2019	750,000	5.000%	275,000	256,250	1,281,250	5,261,244	0.2435
2020	1,000,000	5.000%	256,250	231,250	1,487,500	5,445,388	0.2732
2021	1,000,000	5.000%	231,250	206,250	1,437,500	5,635,977	0.2551
2022	1,000,000	5.000%	206,250	181,250	1,387,500	5,833,236	0.2379
2023	1,250,000	5.000%	181,250	150,000	1,581,250	6,037,399	0.2619
2024	1,250,000	5.000%	150,000	118,750	1,518,750	6,248,708	0.2431
2025	1,500,000	5.000%	118,750	81,250	1,700,000	6,467,413	0.2629
2026	1,500,000	5.000%	81,250	43,750	1,625,000	6,693,772	0.2428
2027	1,750,000	5.000%	43,750	0	1,793,750	6,928,054	0.2589
	<u>\$16,000,000</u>		<u>\$5,458,333.33</u>	<u>\$5,125,000.00</u>	<u>\$26,583,333.33</u>		

Average

0.2616

ASSUMPTIONS

Bonds dated	05/01/2008
Principal due	10/01/2010
First interest payment date	10/01/2008 *
Number of days	150 *
Subsequent interest payment dates	04/01/2009
Number of days	180
Projected interest rate	5.000%
2006 Taxable Value	\$3,364,061,500
Growth Rate in Taxable Value	3.50%

RAB 03/07/2007 [S:\Clients\City Novi\00-010 Library\00-010DSR.WK4] 16 Mill 20YR PIC

**607 Shelby, Suite 600, Detroit, Michigan 48226-3206
PHONE: (313) 961-8222 FAX: (313) 961-8220**

The information contained herein was derived from sources generally recognized as reliable and does not make any representations as to correctness or completeness and has in no way been altered except to the extent that some information may be summarized, and is in no way intended to be a solicitation for orders.

RESOLUTION REQUESTING CITY TO SUBMIT LIBRARY BOND PROPOSAL

NOVI PUBLIC LIBRARY
County of Oakland, State of Michigan

Minutes of a regular meeting of the Board of Trustees of the Novi Public Library, County of Oakland, Michigan, held in the Novi Civic Center on Wednesday, the 16th of May, 2007, at 7:00 o'clock p.m., Eastern Daylight Time.

PRESENT: Member: Robert Cutler; Laura M. Casey; Larry Czekaj; Palma Fouratt;
Larry Kilgore; Mark Sturing; and Ramesh Verma.

ABSENT: Member: n/a

The following preamble and resolution were offered by Member Larry Kilgore and supported by Member Mark Sturing:

WHEREAS, the City of Novi, County of Oakland, State of Michigan (the "City"), pursuant to Act 164, Public Acts of Michigan, 1877, as amended, has established the Novi Public Library (the "Library"); and

WHEREAS, the Board of Trustees of the Library (the "Library Board") has determined that, in order to provide the proper level of library services to the residents of the City, it is necessary and appropriate to expand the existing library facility; and

WHEREAS, the Library Board has determined that the City should borrow money in an amount not to exceed Sixteen Million Dollars (\$16,000,000) and issue its unlimited tax general obligation bonds for the purpose of paying the cost of replacing the existing library building by acquiring, constructing, furnishing and equipping a new library building to be located on the existing library property, including all related demolition, site improvements, appurtenances and attachments (the "Project"); and

WHEREAS, the Library Board desires to request the City Council to submit the proposal relating to the issuance of bonds for the Project to the electors of the City at the regular election to be held on November 6, 2007.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Library Board hereby requests the City to submit the following proposition to a vote of the qualified electors of the City of Novi, County of Oakland, Michigan, at the regular election to be held on TUESDAY, NOVEMBER 6, 2007:

Library Bond Proposition

Shall the City of Novi, County of Oakland, Michigan, borrow a sum of not to exceed Sixteen Million Dollars (\$16,000,000) and issue its general obligation unlimited tax bonds, payable in not to exceed twenty (20) years from the date of issuance, for the purpose of paying the cost of replacing the existing library building by acquiring, constructing, furnishing and equipping a new library building to be located on the existing library property, including all related demolition, site improvements, appurtenances and attachments for use by the Novi Public Library? The estimated millage to be levied in 2008 is 0.20 mill (\$0.20 per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is 0.26 mills (\$0.26 per \$1,000 of taxable value).

2. The Library Board makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:

- (a) As of the date hereof, the Library reasonably expects to reimburse the Library for the expenditures described in (b) below with proceeds of debt to be incurred by the City.
- (b) The expenditures described in this paragraph (b) are for the costs of acquiring and constructing the Project which were or will be paid subsequent to sixty (60) days prior to the date hereof.
- (c) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is \$16,000,000.
- (d) A reimbursement allocation of the expenditures described in (b) above with the proceeds of the borrowing described herein will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the Library's use of the proceeds of the debt to be issued for the Project to reimburse the Library for a capital expenditure made pursuant to this resolution.
- (e) The expenditures described in (b) above are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).
- (f) No proceeds of the borrowing paid to the Library in reimbursement pursuant to this resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds,

including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in (d) above.

3. The estimated first year millage rate and average annual millage rate set forth in the ballot language for the bond proposal are reasonable estimates of such millage rates, based on the advice of, and the schedules prepared by, the City's financial advisor, Bendzinski & Co., which are attached as Exhibit A.

4. 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: Laura M. Casey; Robert Cutler; Larry Czekaj; Palma Fouratt;
Larry Kilgore; Mark Sturing; and Ramesh Verma.

NAYS: Members: _____

RESOLUTION DECLARED ADOPTED.

Palma Fouratt

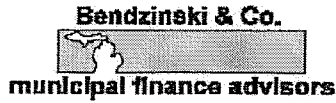
Secretary

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Board of Trustees of the Novi Public Library, County of Oakland, Michigan, at a regular meeting held on May 16, 2007, 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.

Palma Fouratt

Secretary

DELIB:2851140.2/065576-00090



\$16,000,000
CITY OF NOVI
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL OBLIGATION UNLIMITED TAX (LIBRARY) BONDS, SERIES 2008

**20 YEAR
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**

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2013	500,000	5.000%	368,750	356,250	1,225,000	4,280,026	0.2862
2014	500,000	5.000%	356,250	343,750	1,200,000	4,429,827	0.2709
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2027	1,750,000	5.000%	43,750	0	1,793,750	6,928,054	0.2589
	<u>\$16,000,000</u>		<u>\$5,458,333.33</u>	<u>\$5,125,000.00</u>	<u>\$26,583,333.33</u>		

Average 0.2616

ASSUMPTIONS

Bonds dated	05/01/2008
Principal due	10/01/2010
First interest payment date	10/01/2008 *
Number of days	150 *
Subsequent interest payment dates	04/01/2009
Number of days	180
Projected interest rate	5.000%
2006 Taxable Value	\$3,364,061,500
Growth Rate in Taxable Value	3.50%

RAB 03/07/2007 [S:\Clients\City Nov\00-010 Library\00-010DSR.WK4] 16 MIII 20YR PIC

**607 Shelby, Suite 600, Detroit, Michigan 48226-3206
PHONE: (313) 961-8222 FAX: (313) 961-8220**

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