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CITY COUNCIL AGENDA ITEM



Date: September 14, 2020

To: Honorable Members of the Troy City Council

From: Mark F. Miller, City Manager
Lori Grigg Bluhm, City Attorney
Robert J. Bruner, Assistant City Manager
Robert C. Maleszyk, Chief Financial Officer

Subject: Approval of Bond Refunding Resolution – (Introduced by: Mark Miller, Lori Grigg Bluhm, Robert Maleszyk)

Periodically, City Administration investigates potential savings measures, such as favorable refunding of existing debt. This process led to the exploration of a refund of the 2013 City bonds that were issued pursuant to the modified DDA tax increment financing and development plans. In September 2013, the City issued \$14,945,000 in bonds, which are primarily secured by DDA tax increment revenues, and secondarily by the City's full faith and credit. Of this amount, \$13,385,000 remains outstanding today.

With the closing on the sale of the Somerset parking structure, the DDA recently received an additional \$4,035,171. Of this amount, City Administration recommends \$3,212,400 be paid directly to reduce the total City indebtedness. This is the amount that is legally restricted, since it represents the portion of the outstanding 2013 bonds that is allocated for tax purposes to the DDA tax exempt bonds initially issued in 1995 (and subsequently refunded by the DDA in 2001 and by the City in 2013) to finance part of the cost of the Somerset parking structure. This would allow for a reduction in the amount of new bonds to \$11,000,000 or less. It would also allow the DDA more flexibility in future years, after payment of the annual bond payments, to use additional tax increment revenues for other projects in accordance with the approved DDA tax increment financing and development plans.

Approval of the proposed bond issuance resolution, which was prepared by the City's outside bond counsel Terry Donnelly of Dickinson Wright, will result in a new assessment of the City's bond rating under criteria adopted since the last City bond issue. According to the City's financial advisor, Robert Bendzinski, if the City retains its AAA bond rating, then the estimated savings from this refunding is approximately \$2,900,000 (or \$431,000 per year) without any extension of the 2033 pay-off date. The refunding is expected to free up tax increment revenues that would otherwise be used for debt service.

City Administration recommends approval of the attached resolution, initiating a refunding of City bonds. In addition to City Administration, bond counsel Terry Donnelly and financial advisor Robert Bendzinski will be available at the September 21, 2020 meeting to address any additional questions.