



AGENDA ITEM

January 18, 2010

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance & Administration

SUBJECT: General Obligation Unlimited Tax Refunding Bonds

After reviewing the City's outstanding bonds with our financial advisor, we have determined that it would be in the best interest of the City to refinance the callable maturities of the 2001 Public Safety Bonds and the 2001 Community Center Bonds. The bonds to be refunded bear interest at rates in the 4.00% to 4.75% range.

The process entails purchasing governmental securities tied to the maturity dates of the bonds. The securities and interest earnings will then be used to pay the principal and interest on the refunded bonds.

It is estimated that the net present value benefit of this transaction to the City will be approximately \$503,000.00 (about \$50,000 per year) in saved interest cost, after paying the cost of completing this transaction.

City Attorney Lori Grigg Bluhm has reviewed the resolution authorizing the issuance of general obligation unlimited refunding bonds prepared by bond counsel Dickinson Wright, PLLC.

It is recommended that City Council approve the attached resolution, prepared by bond counsel and reviewed by our city attorney to authorize the issuance of general obligation unlimited tax refunding bonds.

Reviewed as to form and legality:

Lori Grigg Bluhm, City Attorney

Bendzinski & Co.



municipal finance advisors

January 19, 2010

Mr. John Lamerato, Assistant City Manager
City of Troy
500 W. Big Beaver Road
Troy, MI 48084-5285

RE: Refunding 2001 Street Improvement Bonds; 2001 Public Safety Bonds; and 2001
Community Center Bonds

Dear John:

This letter will serve as our recommendation that the City adopt a Refunding Resolution which would allow the City to refund all or any of the above referenced bond issues, provided there are sufficient savings to justify the refunding.

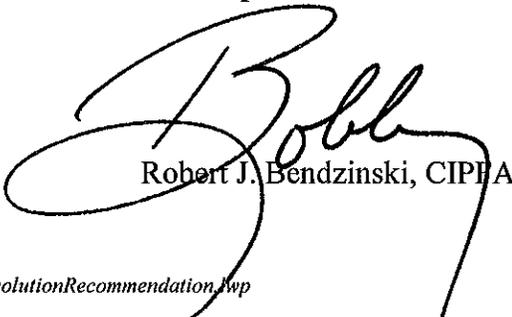
Fifth Third Securities, Inc., has provided us with a refunding analysis, attached herewith, dated January 15, 2010. If the City was to refund all three series of bonds at this time, the savings would be approximately \$578,000, or a net present value of \$503,000 over the remaining life of the bonds, after paying all of the costs of issuance associated with completing this transaction. This is 4.315% of the bonds being refunding. As you are aware, the Government Finance Officers Association of the United States and Canada, recommends that the issuer refund its bonds when the savings are in the 2%-5% range of the bonds being refunded.

If the City adopts the Resolution on January 25, Bendzinski & Co. and Dickinson Wright will begin preparing the necessary documents in order to refund the bonds through a negotiated sale with Fifth Third Securities, Inc. This transaction must be closed by February 28, 2010, in order to meet the call date of April 1, 2010.

We believe this summarizes our conversation, and should you have any questions, or require any additional information, please do not hesitate to call.

Sincerely,

BENDZINSKI & CO.
Municipal Finance Advisors



Robert J. Bendzinski, CIPFA

RJB/jll
Enclosure

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