



MEMORANDUM

301 W. MAIN ▪ OWOSSO, MICHIGAN 48867-2958 ▪ WWW.CI.OWOSSO.MI.US

DATE: December 16, 2019
TO: Owosso City Council
FROM: Nathan Henne, City Manager
SUBJECT: 2020 Street Bond Options

BACKGROUND:

The City of Owosso passed a \$10 million streets bond in November 2016 to address the declining condition of the City's street infrastructure. A 2012 study was conducted and presented to City Council by Dr. Abass Butt that confirmed this continued decline. The City's regular ACT 51 receipts were shown to be insufficient to cover the cost of the amount of street construction necessary to reverse this trend. In August of 2016, Council agreed to put a \$10 million street bond proposal on the ballot for the November, 2016 general election. That proposal passed. Since that time, the City has completed the following street reconstruction projects – some in conjunction with needed water main replacement projects:

- 2017-18
 - S. Chestnut - N. Chipman - S. Chipman - W. Stewart – Oliver – Monroe – McMillan – Gould – Howard – Stewart – Olmstead – Harding - Hanover
 - BOND PROCEEDS USED: \$4,339,949
 - TOTAL COST: \$9,475,994
- 2018-19
 - S. Washington – Ryan – Chipman – 7th – North – Abrey – Allendale – Monroe – Palmer – Williams
 - BOND PROCEEDS USED: \$2,578,324
 - TOTAL COST: \$4,388,742
- 2019-20 (projected)
 - Cedar – Clark – Summit – North
 - BOND PROCEEDS USED: \$2,373,764
 - TOTAL COST: \$4,693,265
- 2020-2021 (projected)
 - Center – North – Gould – Stewart - Maple
 - BOND PROCEEDS USED: \$816,950
 - TOTAL COST: \$3,110,107
- 2021-2023 (projected)
 - North (52 to Hickory) – N Chipman (Main to Beehler)
 - BOND PROCEEDS USED: \$200,979
 - TOTAL COST: \$1,716,898

Cumulative bond proceeds used:

2017-18	2018-19	2019-20	2020-21	2021-2023
\$4,339,949	\$6,918,273	\$9,292,037	\$10,108,987	\$10,309,966

As you can see, by FY 2020-21, we will have exhausted the 2016 bond measure. The city engineering office estimates that the 2016 bond measure will have stopped the overall decline in the city's street system – considered as a whole. However, the 2016 bond measure will not have reversed the trend of decline, only abate it. Basically, the city has been successful in stopping the decline but in order to start improving the street system overall, another bond measure is needed. In order to get the ballot question on for the March 2020 election, a decision must be made at this meeting since the deadline is Dec 17 for ballot language submittal. I have calculated the following options based on a \$5 million and \$10 million bond option with different length terms. The shorter the term, the lower the interest rate but the higher the annual payments – and the higher the millage rate to pay it off. 20 years is what we can expect from the life of a street so the 20 year option is a good choice:

Street Bond Issue Options							
Issue	Term (years)	Rate	Series	2018 TV		1st Yr Millage	Average Millage
\$ 5,000,000	15	3.80%	1	\$ 253,262,708		1.3162	1.5063
\$ 5,000,000	20	4.30%	1	\$ 253,262,708		0.9871	1.2755
\$ 5,000,000	25	4.80%	1	\$ 253,262,708		0.7897	1.2021
\$ 10,000,000	15	3.80%	1	\$ 253,262,708		2.6323	3.0126
\$ 10,000,000	20	4.30%	1	\$ 253,262,708		1.9742	2.5511
\$ 10,000,000	25	4.80%	1	\$ 253,262,708		1.5794	2.4041

Something to consider in your decision if you wish to move forward would be the cumulative effect of previous debt millages not only with the city (which has increased because of the 2016 bond) but also the School's recent bond measure. A vote on a new street bond will tell you what the residents think about more debt millages being placed on their tax bills but it is important to consider before making that request formally through tonight's item to place the question on the ballot.

Streets identified in the 6-year CIP that are not yet funded are Ball, Broadway, Cedar, Clinton, Mason, and Monroe. The total cost to rebuild these streets is estimated at \$3.6 million. Finally, there are about 550 street sections rated fair or poor out of 856 street sections according to the last PASER study after the recent bond has been exhausted. This compares with 694 fair/poor street sections before the bond started. The 2016 bond has improved the street system by reducing the amount of fair/poor street section by 17%.

SUMMARY

The 2016 street bond has stopped the overall decline in the entire city street system. The choice you have now is whether or not to ask residents to keep going or to settle with simply stopping the decline in street conditions.

RESOLUTION NO.

**SUBMITTING BOND PROPOSAL FOR STREET IMPROVEMENTS
TO THE VOTERS OF THE CITY OF OWOSSO**

WHEREAS, the City Council of the City of Owosso, County of Shiawassee, State of Michigan (the "City") has determined that it is in the best interest of the residents and property owners of the City that the City acquire and construct local and major street improvements in the City consisting of paving, repaving, reconstructing and improving streets, sidewalks, and parking areas including necessary rights-of-way, proper drainage facilities and all necessary appurtenances and attachments thereto (the "Project"); and

WHEREAS, the maximum estimated cost of the Project is \$_____; and

WHEREAS, the City Council has determined that the City should borrow money in an amount not-to-exceed _____ Million Dollars (\$_____) and issue general obligation bonds of the City in one or more series for the purpose of paying the cost of the Project; and

WHEREAS, the City Council wishes to place a proposal to issue bonds for the Project before the qualified electors of the City at the Presidential Primary election to be held in the City on Tuesday, March 10, 2020 (the "Election Date"); and

WHEREAS, in order for the bond proposal to be submitted to the City's electors on the Election Date, it is necessary for the City Council to certify the ballot wording of the proposal to the City Clerk and the County Clerk of the County of Shiawassee, Michigan, as required by Act 116, Public Acts of Michigan, 1954, as amended (the "Michigan Election Law").

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The bond proposal attached hereto as Exhibit A is hereby certified to the City Clerk and the County Clerk for submission to the City's electors on the Election Date. The City Clerk is hereby authorized and directed to file this Resolution and/or complete any such forms, certificates or documents as may be required by the County Clerk to evidence the foregoing certification and/or submission by no later than 4:00 p.m. December 17, 2019.

2. The City Clerk and the County Clerk are hereby directed to (a) post and publish notice of last day of registration and notice of election for the Election Date in the manner required by the Michigan Election Law; and (b) have prepared and printed, as provided by the Michigan Election Law, ballots for submitting the bond proposal on the Election Date, which ballots shall include the bond proposal shown in Exhibit A, or the bond proposal shall be stated as a proposal on the voting machines, which ballots may include other matters presented to the electorate on the same date.

3. The estimated first year millage and simple average annual millage rate set forth in the Bond Proposal are hereby found to be reasonable estimates of such millage rates.

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

(a) The City reasonably expects to reimburse itself with proceeds of the bonds for certain costs of the Project described in the bond proposal which will be paid from the general funds of the City.

(b) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is \$_____.

(c) A reimbursement allocation of the capital expenditures on the Project with the proceeds of the bonds 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 bonds to reimburse the City for a capital expenditure made pursuant to this resolution.

5. If the qualified electors of the City approve the bond proposal, then the City hereby appoints Miller, Canfield, Paddock and Stone, P.L.C. as bond counsel for the Bonds.

6. All resolutions and parts of resolutions, insofar as they conflict with the provisions of this resolution, are hereby repealed.

I hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the City Council of the City of Owosso, County of Shiawassee, State of Michigan, at a Regular meeting held on December 16, 2019 at 7:30 p.m., Eastern Time, 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 267.

I further certify that the following Members were present at said meeting: _____

_____ and that the following Members were absent:

_____.

I further certify that Member _____ moved for adoption of said resolution and that Member _____ supported said motion.

I further certify that the following Members voted for adoption of said resolution:

_____ and that the following Members voted against adoption of said resolution: _____.

Amy K. Kirkland, City Clerk

EXHIBIT A

CITY OF OWOSSO BOND PROPOSAL FOR STREET IMPROVEMENTS

Shall the City of Owosso, Shiawassee County, Michigan, borrow the principal sum of not to exceed _____ Million Dollars (\$_____) and issue its general obligation unlimited tax bonds therefor in one or more series, payable in not to exceed _____ years from the date of issue of each series, for the purpose of paying the costs to the City of acquiring and constructing local and major street improvements in the City consisting of paving, repaving, reconstructing and improving streets, sidewalks, parking areas, and all necessary appurtenances and attachments thereto for the use of the City? The estimated millage to be levied in 2021 is _____ mills (per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is _____ mills (per \$1,000 of taxable value).

YES

NO

Voter Approved Debt Streets 12/1/2019													MILLAGE RATE NECESSARY TO PAY CURRENT YEAR DEBT	
-----CURRENT STREET DEBT-----					---PROPOSED STREET DEBT---									
Debt Name:	2010 UTGO	2013 UTGO	2017 UTGO	2018 UTGO	future 2021 UTGO			TOTAL VOTER APPROVED STREET DEBT						
Issuance Date:	9/29/2010	12/27/2013	6/30/2017	12/28/2018	voters to approve March 2020								2020 Levy (2019 Tax Year TV)	
Issuance Amount:	\$960,000	\$990,000	\$4,900,000	\$5,100,000	\$10,000,000			\$21,950,000					261,017,190	
Debt Instrument:	Bond	Bond	Bond	Bond	20 year Bond @ 3.8%			All 20 year Bonds					2021 Levy (2020 tax year TV)	
Source:	Debt millage	Debt millage	Debt millage	Debt millage	Debt millage			Debt millage					266,237,534	
Fiscal Year	Total	Total	Total	Total	Principal	Interest	Total	Year	Principal	Interest	Total to be levied	Est TV	Gross Debt Levy***	
2020	91,453	69,925	349,778	390,154				2020	465,000	436,309	901,309	261,017,190	3.45306	
2021	89,233	73,955	346,788	382,740				2021	530,000	362,715	892,715	266,237,534	3.35308	
2022	86,908	77,719	343,568	382,240	380,000	380,000	760,000	2022	920,000	730,434	1,650,434	268,899,909	6.13773	
2023	84,493	81,195	339,773	381,398	390,000	365,560	755,560	2023	940,000	702,418	1,642,418	271,588,908	6.04744	
2024	81,988	79,458	340,633	380,203	400,000	350,740	750,740	2024	960,000	673,020	1,633,020	274,304,798	5.95330	
2025	79,393	82,499	336,050	378,645	410,000	335,540	745,540	2025	980,000	642,126	1,622,126	277,047,845	5.85504	
2026	76,723	80,326	331,115	381,715	420,000	319,960	739,960	2026	1,000,000	609,839	1,609,839	279,818,324	5.75316	
2027	78,878	82,953	330,710	379,125	430,000	304,000	734,000	2027	1,030,000	575,665	1,605,665	282,616,507	5.68143	
2028	75,871	80,388	324,710	376,135	445,000	287,660	732,660	2028	1,050,000	539,764	1,589,764	285,442,672	5.56947	
2029	72,816	82,620	318,110	377,615	460,000	270,750	730,750	2029	1,080,000	501,911	1,581,911	288,297,099	5.48709	
2030	69,713	79,646	320,910	378,490	475,000	253,270	728,270	2030	1,115,000	462,029	1,577,029	291,180,070	5.41599	
2031	66,576	76,591	323,160	373,870	490,000	235,220	725,220	2031	1,145,000	420,418	1,565,418	294,091,871	5.32289	
2032	954,041	73,471	314,840	373,800	505,000	216,600	721,600	2032	1,105,000	378,711	1,483,711	297,032,789	4.99511	
2033		75,180	306,260	368,213	520,000	197,410	717,410	2033	1,130,000	337,063	1,467,063	300,003,117	4.89016	
2034		71,733	297,550	367,293	535,000	177,650	712,650	2034	1,155,000	294,225	1,449,225	303,003,148	4.78287	
2035		1,167,658	288,710	365,838	550,000	157,320	707,320	2035	1,110,000	251,868	1,361,868	306,033,180	4.45006	
2036			299,740	363,838	565,000	136,420	701,420	2036	1,155,000	209,998	1,364,998	309,093,512	4.41613	
2037			289,940	356,128	575,000	114,950	689,950	2037	1,170,000	166,018	1,336,018	312,184,447	4.27958	
2038			5,802,343	353,055	590,000	93,100	683,100	2038	915,000	121,155	1,036,155	315,306,291	3.28619	
2039			349,405	349,405	605,000	70,680	675,680	2039	940,000	85,085	1,025,085	318,459,354	3.21889	
2040			7,459,896	620,000	620,000	47,690	667,690	2040	620,000	47,690	667,690	321,643,948	2.07587	
2041				635,000	635,000	24,130	659,130	2041	635,000	24,130	659,130	324,860,387	2.02896	
				10,000,000	10,000,000	4,338,650	14,338,650		21,150,000	8,572,588	29,722,588			
													*** does not take into account affect of TIF, abatements and other adjustments	
Calculation to spread across tax bills = Total be levied each year (yellow column)														
Example of 2020 calculation : +901,309 / 261,017,190 x 1000 = 3.45306														
Actual debt levy will be higher as there will be the affect of TIF, abatements, and other adjustments														
													TV = TAXABLE VALUE	