



COUNTY ADMINISTRATOR
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TO: Felicia Brabec
Chair, Ways & Means Committee

THROUGH: Verna J. McDaniel
County Administrator

FROM: Evan Pratt
Water Resources Commissioner

Daniel R. Myers P.E.
Director of Public Works

DATE: September 18, 2013

SUBJECT: Advance to Reduce County Bonded Debt related to Bridgewater
Township, Amended Contract with the Township and Bond
Redemption

BOARD ACTION REQUESTED:

Approval of the attached resolution to authorize an advance to assist Bridgewater Township, redeem bonds and approve an amended contract between Washtenaw County and Bridgewater Township.

BACKGROUND:

In 2004 Washtenaw County sold \$1,095,000 in bonds to assist Bridgewater Township with the construction of a sewer system in the Hamlet of Bridgewater. The average interest rate on those bonds was 4.1%. There are 9 years and \$585,000 left on that debt. Earlier this year the Township approached us about using their current debt service fund balance to call a portion of the remaining debt. They have about \$172,000 available that they were hoping they could use to pay down their debt. Unfortunately with outstanding bonds, paying down debt is more complicated than more conventional lending such as a home mortgage.

Working with Axe & Ecklund, the County's Bond Counsel, we looked at possibly selling refunding bonds but the cost of issuance on such a small amount would take most of the savings generated by the lower interest rates. We could redeem a portion of the bonds but to remove the highest interest rates in the later years would mean that the Township would have a cash flow problem in the more immediate years.

Since we had borrowed money from the County Treasurer for other projects we approached Catherine McClary about the possibility of advancing money to the Township for redeeming all of the bonds and paying the loan back over time. She was receptive to this idea and she proposed terms that would provide a lower interest rate to the Township and also provide her a higher rate of return than what she was able to realize in her pooled accounts.

Since there was an underlying contract that governed the relationship between the County and Township relative to the original bonds it was necessary to amend that contract to reflect the advance from the Treasurer.

DISCUSSION:

The proposed advance will provide benefits to both the Township and the County. The details and analysis for the advance are as follows:

- The amount of the advance will be \$430,000
- It will reduce the County's bonded indebtedness by \$585,000
- The length of the advance will be for 9 years
- Bridgewater Township is contributing \$172,000 which represents 29% of the remaining principal amount
- A refunding bond analysis was performed by the County's bond counsel, Axe and Ecklund, and the cost of issuance of a refunding bond was \$25,000 which was greater than the estimated present value interest savings of \$19,500
- The interest rate will initially be 2% which is greater than the current rate of return for County pooled accounts
- The interest rate will be reviewed by the County Treasurer after the first three years with possible adjustment upward not to exceed 3.5%

This action will decrease the County's bonded indebtedness and increase the rate of return the Treasurer is receiving on these funds in her pooled accounts. It will save the Township between \$63,000 and \$74,000 depending on whether the interest rate is raised in 3 years. It will also allow the Township to manage their funds better by allowing prepayments of the remaining principal semiannually.

The amendment to the contract will allow for the advance from the Treasurer with a potential future adjustment of the interest rate. It allows for prepayment of principal by the Township semiannually. All other terms of the original contract will remain in effect. The underlying security for the Treasurer's loan would be the same as it currently is for the existing County bonds, namely special assessments already established by the Township and the Township's general fund through their full faith and credit.

There would be a cost of approximately \$6,000 in legal fees for establishing the loan, amending the contract and redeeming the debt but the Township will pay those fees.

IMPACT ON PERSONNEL:

None.

IMPACT ON BUDGET:

None.

IMPACT ON INDIRECT COSTS:

None.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

There will be a positive impact for the County Treasurer as there will be a higher rate of return than currently achieved for pooled accounts. There will be a positive impact on Bridgewater Township in that interest rates for their sewer system debt will be less than they are currently paying.

CONFORMITY TO COUNTY POLICIES:

This action is in conformance with County policies. The resolution and amended contract have been prepared by our bond counsel, and has been reviewed by Corporation Counsel, Finance and County Administration.

ATTACHMENTS/APPENDICES:

Resolution
Amended Contract
Original Contract

Preparer: Daniel R. Myers P.E.
Director of Public Works

**WASHTENAW COUNTY
BOARD OF COMMISSIONERS**

At a _____ meeting of the Board of Commissioners of Washtenaw County, Michigan (the "County"), held in Ann Arbor, Michigan on _____, 2013 at __:__ .m., Eastern Daylight Savings Time, there were

PRESENT: _____

ABSENT: _____

The following preamble and resolution were offered by Commissioner _____ and supported by Commissioner _____.

**RESOLUTION APPROVING REDEMPTION OF
ALL OF THE CALLABLE OUTSTANDING
WASHTENAW COUNTY - BRIDGEWATER TOWNSHIP SANITARY WASTEWATER
SYSTEM PROJECT BONDS, SERIES 2004
PRIOR TO MATURITY AND APPROVING
AMENDMENT TO CONTRACT**

WHEREAS, Bridgewater Township, Michigan (the "Township") in the past requested that the County, acting through its Board of Public Works, pursuant to Act No. 185 of the Michigan Public Acts of 1957, as amended, construct and improve a Sanitary Wastewater System to service the Township and that the County thereafter issued its Washtenaw County - Bridgewater Township Sanitary Wastewater System Project Bonds, Series 2004 (the "Bonds"), dated September 1, 2004 in the amount of \$1,095,000 for that purpose; and

WHEREAS, the Township Board has determined that it is in the best interest of the Township and the County that the Bonds to be Redeemed be called with monies on hand with the Township and monies which will be advanced by the County from County money to secure for the Township the anticipated interest savings and thereby benefit the taxpayers of the Township; and

WHEREAS, the bonds to be called with maturities and interest rates, as of the date hereof, are set forth in *EXHIBIT A* (such bonds referred to as the "Bonds to be Redeemed"); and

WHEREAS, the Township and the County will execute an amendment to the Contract between Bridgewater Township and Washtenaw County ("Amendment to Contract") which amendment is dated as of November 1, 2013 and which amendment contains the Township's obligations to repay to the County the payments advanced by the County to redeem the bonds with interest; and

WHEREAS, it is the determination and judgment of the Board of Commissioners of the County that the Bonds to be Redeemed should be called to secure for the Township the anticipated interest savings and thereby benefit the taxpayers of the County;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF WASHTENAW COUNTY, MICHIGAN, as follows:

1. The Board of Public Works of the County is authorized to fix the date of redemption of the Bonds as shown on *EXHIBIT A*, and to cause a notice of such redemption, as set forth in a form of Notice of Redemption attached hereto as *EXHIBIT B*, to be provided to the paying agent of the bonds in order to comply with the 30 day notice requirement to registered bond holders.

2. The Amendment to Contract set forth as *Appendix I* is hereby approved and the Chairperson and the Secretary of the Board of Public Works are authorized and directed to execute and deliver the Amendment to Contract to the Township.

3. The Chairperson of the Board of Public Works, the County Clerk or the County Treasurer are individually or severally authorized to act on behalf of the County in carrying out the redemption of said Bonds.

4. All resolutions and parts of resolutions, insofar as the same may be in conflict herewith, are hereby rescinded.

YES: _____

NO: _____

ABSENT: _____

ABSTAIN: _____

The resolution was declared adopted.

Dmh/RD-WAS228

COUNTY CLERK'S CERTIFICATE

The undersigned, being the duly qualified and acting Clerk of Washtenaw County, Michigan, hereby certifies that (1) the foregoing is a true and complete copy of a resolution adopted by the Board of Commissioners of the County at a _____ meeting held on _____, 2013, at which meeting a quorum was present and remained throughout, (2) the original thereof is on file in the records of the proceedings of the Board of Commissioners of the County in my office; (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Acts of Michigan, 1976, as amended) and (4) minutes of such meeting were kept and will be or have been made available as thereby required.

Lawrence Kestenbaum, County Clerk

[SEAL]

Dmh/RD-WAS228

EXHIBIT A

DEBT SERVICE SCHEDULE OF OUTSTANDING BONDS TO BE REDEEMED
Redemption Date: December 1, 2013

<u>YEAR</u>	<u>PRINCIPAL DUE JUNE 1</u>	<u>ANNUAL RATE</u>	<u>PREMIUM (0)</u>	<u>TOTAL</u>
2014	\$ 65,000	3.750%	00	65,000
2015	65,000	3.875%	00	65,000
2016	65,000	4.000%	00	65,000
2017	65,000	4.100%	00	65,000
2018	65,000	4.150%	00	65,000
2019	65,000	4.250%	00	65,000
2020	65,000	4.375%	00	65,000
2021	65,000	4.500%	00	65,000
2022	65,000	5.000%	00	65,000
TOTAL	\$585,000		\$00	\$585,000

In addition to the redemption amount of \$585,000 due on December 1, 2013 there is also a regularly scheduled interest payment in the amount of \$12,350.00.

The following redemptions provisions apply to the bonds described above:

Bonds maturing in the years 2013 to 2022, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in such order as the County shall determine, on any interest payment date on or after June 1, 2012, at par and accrued interest without premium.

Dmh/RD-WAS228

EXHIBIT B

NOTICE OF REDEMPTION

\$1,095,000

**WASHTENAW COUNTY -BRIDGEWATER TOWNSHIP SANITARY WASTEWATER
SYSTEM PROJECT BONDS, SERIES 2004**

DATED AS OF SEPTEMBER 1, 2004

DUE JUNE 1, 2014 THROUGH JUNE 1, 2022

NOTICE IS HEREBY GIVEN that Washtenaw County, State of Michigan has called for redemption, on December 1, 2013, (the "Redemption Date"), all of the callable outstanding Washtenaw County – Bridgewater Township Sanitary Wastewater System Project Bonds, Series 2004 (the "Bonds"), pursuant to the redemption provisions contained in the Bonds, bearing the original issue date of September 1, 2004, maturing in the principal amounts, on the dates, bearing interest at the rates, with the "CUSIP" numbers, as follows:

<u>Principal</u>	<u>Rate</u>	<u>CUSIPS*</u>	<u>Due</u>
\$ 65,000	3.750%	940893GY0	June 1, 2014
65,000	3.875%	940893GZ7	June 1, 2015
65,000	4.000%	940893HA1	June 1, 2016
65,000	4.100%	940893HB9	June 1, 2017
65,000	4.150%	940893HC7	June 1, 2018
65,000	4.250%	940893HD5	June 1, 2019
65,000	4.375%	940893HE3	June 1, 2020
65,000	4.500%	940893HF0	June 1, 2021
65,000	5.000%	940893HG8	June 1, 2022

Said Bonds will be redeemed at 100% of the par value thereof.

Said Bonds should be surrendered for redemption to The Huntington National Bank, Grand Rapids, Michigan, as paying agent, for payment as of December 1, 2013, after which date all interest on said Bonds shall cease to accrue, whether said Bonds are presented for payment or not.

Bonds may be surrendered for payment as indicated below. The method of delivery is at the option of the holder, but if by mail, registered mail is suggested.

If by U.S Mail and Otherwise:

The Huntington National Bank
Corporate Trust Department
6705 Orchard Lake Road (MI-9197)
West Bloomfield, MI 48322

Under the provisions of the Interest and Dividend Tax Compliance Act of 1983 and the Comprehensive National Energy Policy Act of 1992, paying agents making payments of principal on municipal securities may be obligated to withhold a 31% tax from remittances to individuals who have failed to furnish the paying agent with a certified and valid Taxpayer Identification Number on a fully completed Form W-9. Holders of the above described Bonds, who wish to avoid the application of these provisions, should submit certified Taxpayer Identification Numbers on I.R.S. Form W-9 when presenting their securities for redemption.

WASHTENAW COUNTY
Catherine McClary, County Treasurer

* No representation is made as to the correctness of the CUSIP numbers either as printed on the Bonds or as contained herein and reliance may be placed only on the identification numbers.

APPENDIX I

AMENDMENT TO CONTRACT

THIS AMENDMENT TO CONTRACT, made and entered into as of this 1st day of November, 2013, by and among WASHTENAW COUNTY (the "County"), a Michigan county corporation, by and through its Board of Public Works, the governing body of its Department of Public Works, and BRIDGEWATER TOWNSHIP (the "Township"), located in Washtenaw County, Michigan.

W I T N E S S E T H :

WHEREAS, the County, under the provisions of Act 185, Public Acts of Michigan, 1957, as amended (the "Act"), has established a Department of Public Works (the "DPW") for the administration of the powers conferred upon the County by the Act, which DPW is under the immediate control of a Board of Public Works (sometimes referred to as the "Board"), and under the general control of the Board of Commissioners of the County (sometimes referred to as the "Board of Commissioners"); and

WHEREAS, the Act authorizes a county to construct sanitary wastewater systems as defined in the Act, and to improve, enlarge, extend and operate such systems; and

WHEREAS, the County and the Township have entered into a contract for the acquisition, construction and financing of a sanitary wastewater system (the "Project") and for the payment of the cost thereof by the Township, with interest, and the County pursuant to appropriate action of its Board of Commissioners, then issued its bonds Washtenaw County - Bridgewater Township Sanitary Wastewater System Project Bonds, Series 2004 in the amount of \$1,095,000 (the "Original Bonds") to provide the funds therefor, which were secured primarily by the full faith and credit contractual obligation of the Township, and secondarily by the full faith and credit pledge of the County; and

WHEREAS, \$585,000 in the principal amount of the original bonds remain outstanding which the Township wishes to have redeemed; and

WHEREAS, the Township wishes to accept the offer of the County to advance the sum of \$430,000.00 to be used for the purpose of redeeming the remaining amount of the Original Bonds which could not otherwise be redeemed; and

WHEREAS, the Township agrees to repay the County in annual principal payments due on May 31 in each year in the amount of \$48,000 with a final payment on May 31, 2022 in the amount of \$46,000 at an interest rate of 2.00% for the years 2014 through 2016 with a possible rate adjustment for the remaining maturities not to exceed 3.50%; and

WHEREAS, the Township agrees to pay all costs associated with the redemption and establishment of the loan with the County estimated to be \$5,500.00; and

WHEREAS, the Township and the County wish to adopt an Amendment to Contract which will amend the original contract dated as of March 1, 2003 between the Township and the County under which the Project was financed by the County for the Township to reflect the advance of County funds for the above described purpose and the agreement of the Township to continue to make payments to the County at new lower interest rates than would be required to be paid if the Original Bonds were not redeemed.

NOW, THEREFORE, in consideration of the premises and the covenants of each other, the parties hereto agree that Section 7 and Section 21(a) of the Contract shall be amended as follows:

1. Section 7 of the Contract shall be amended to read as follows:

"7. The Township may pay in advance of maturity all or any part of a payment semiannually on or before May 31 and November 30.

2. Section 21 (a) of the Contract shall be amended to read as follows:

"21(a). The interest rate for maturities May 31, 2017 through May 31, 2022 is subject to adjustment upon a review by the County Treasurer with a maximum interest rate of 3.50%. This Contract shall continue in effect until all of the principal of and interest due and to become due to the County as set forth in Attachment I is paid in full. Upon the occurrence of the foregoing, this Contract shall terminate and full right, title and interest in the System, including all easements and rights-of-way acquired for the System, shall revert to the Township in a manner contemplated by Act 185 upon such terms as the Township and the County shall then reasonably determine. This Contract may be executed in several counterparts. The provisions of this Contract shall be in full force and effect and binding upon the successors and assigns of the parties hereto."

3. This Amendment to Contract will take effect as soon as the Bonds are either paid in full or \$585,000.00 has been deposited with the Paying Agent for the Bonds which is an amount sufficient to completely redeem the obligation of the County to repay any principal or interest on the Bonds and the Township pays the costs associated with the redemption of the Bonds.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed and delivered by their respective duly authorized representatives, all as of the day and year first above written.

WASHTENAW COUNTY

BRIDGEWATER TOWNSHIP

By: _____
Its: Chairperson of the
Board of Public Works

By: _____
Its: Supervisor

By: _____
Its: Secretary of the
Board of Public Works

By: _____
Its: Clerk

ATTACHMENT I

\$430,000
Bridgewater Township Repayment to Washtenaw County
Washtenaw County - Bridgewater Township Water System
Improvements Project Bonds, Series 2004

DEBT SERVICE LOAN SCHEDULE

Date	Principal	Interest Rate *	Semi-Annual Interest	Annual Total Interest	Semi-Annual Total Principal & Interest	Annual Total Principal & Interest **
05/31/14	\$48,000.00	2.00%	\$5,016.67	\$5,016.67	\$53,016.67	\$53,016.67
11/30/14			3,820.00		3,820.00	
05/31/15	48,000.00	2.00%	3,820.00	7,640.00	51,820.00	55,640.00
11/30/15			3,340.00		3,340.00	
05/31/16	48,000.00	2.00%	3,340.00	6,680.00	51,340.00	54,680.00
11/30/16			2,860.00		2,860.00	
05/31/17	48,000.00	3.50% *	5,005.00	7,865.00	53,005.00	55,865.00
11/30/17			4,165.00		4,165.00	
05/31/18	48,000.00	3.50% *	4,165.00	8,330.00	52,165.00	56,330.00
11/30/18			3,325.00		3,325.00	
05/31/19	48,000.00	3.50% *	3,325.00	6,650.00	51,325.00	54,650.00
11/30/19			2,485.00		2,485.00	
05/31/20	48,000.00	3.50% *	2,485.00	4,970.00	50,485.00	52,970.00
11/30/20			1,645.00		1,645.00	
05/31/21	48,000.00	3.50% *	1,645.00	3,290.00	49,645.00	51,290.00
11/30/21			805.00		805.00	
05/31/22	46,000.00	3.50% *	805.00	1,610.00	46,805.00	47,610.00
	<u>\$430,000.00</u>		<u>\$52,051.67</u>	<u>\$52,051.67</u>	<u>\$482,051.67</u>	<u>\$482,051.67</u>

Closing Date: 11/01/13

* The rate can be adjusted by the County Treasurer effective on a specific date and based upon the County Treasurer's review of interest with a maximum rate not to exceed 3.50%

** Assumes highest interest rate for maturities 2017 - 2022

*** Assumes no pre-payments