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M E M O R A N D U M

TO: Wesley Prater, Chair
Board of Commissioners

FROM: Robert E. Guenzel
County Administrator

DATE: August 3, 2005

SUBJECT: Amendment Reducing Bond Issue to Finance the Administrator's Revised Public Safety and Justice Recommendation from \$32.5 Million Dollars to \$29.9 Million Dollars.

At the July 6, 2005 Ways & Means Committee Meeting, the Board of Commissioners approved the Administrator's Revised Public Safety and Justice Recommendations along with a Notice of Intent for a \$32.5 million dollar bond issue to pay for the County Administrator's Revised Public Safety and Justice Recommendation. These Resolutions have been placed on the Board agenda for August 3, 2005 for final approval.

Upon reviewing a breakdown of the \$32.5 million dollar total bond amount with bond counsel and the County's Finance Department, it became clear that this amount could be reduced to \$29.9 million dollars without reducing the \$28,800,750 dollars needed for capital costs to build the project.

The proposed saving come from two sources. First, the initial bond paperwork contained a standard contingency fund of approximately 10% of the total capital costs of the bonded projects. As the total capital costs to be bonded are \$28,800,750 dollars, this contingency was listed at \$2,879,250. Upon closer review of the bonded projects, however, it was discovered that Facilities Management had already built in contingencies for each of the bonded projects. Given these existing contingencies, it was not necessary to include the standard 10% contingency in the bond work. Thus, the bond attorney reduced the contingency in the bond from \$2,879,250 to \$705,000, a savings of \$2,174,250. The lower contingency figure of \$705,000 will be used as a back-up should the contingencies built into the existing projects need to be supplemented.

The second area of saving comes from the Financing Costs and the Bond Discount. In the initial bond paperwork, these costs were listed at \$820,000. After speaking with bond counsel, he agreed that because of the large size of the proposed bond issue, the bond discount did not have to be as large as was initially stated. After reducing the Bond Discount, these fees were reduced to \$394,250, a savings of \$425,750.

Adding the total savings from the reduced contingency (\$2,174,250) and the reduced financing costs and bond discount (\$425,750) results in total savings of \$2,600,000. When this amount is subtracted from the initial total bond cost of \$32.5 million dollars, the result is \$29.9 million dollars which is the total amount of the proposed bond issue.

Accordingly, any reference to the bonding issue in the Resolutions for both the Administrator's Revised Public Safety and Justice Recommendation and the Notice of Intent to Bond have been amended to indicate that the total bonding amount will be \$29.9 million dollars.