

From: Steven Aynes

Sent: Wednesday, March 20, 2019 10:01 AM

To: Board of Trustees

Cc: Paul Burns; Jennifer Carlisle; Steve Mann; Stephen Hayduk; Brian Rubel; Dan Willis; Yvette Patrick

Subject: FW: Northfield Twp. Capital Project

Attached are two schedules for bonding for two projects. The Board could approve both, one, or reject moving forward. I am not expecting or recommending any action by the Board at the 3/27/19 meeting. It is up to the Board to tell staff and consultants how you want to address this issue.

Previously I received this Spring a schedule showing both projects combined in one bond. I thought the Board would prefer to see these as separate for the sake of discussion. If the Board decides to proceed with both at the same time it would be more efficient to do this as one bond.

The schedule for the Retention Tank project is based on \$ 3.5 million. The engineers estimate is \$ 3,360,000. However, for the sake of advertising and selling bonds the \$ 3.5 million allows some contingency in case bids come in higher or other unexpected costs occur. The schedule is based on zero dollars provided up front by the Township. You could pay cash for a portion of the project which would decrease the overall cost of the project.

The \$ 3.5 million at the estimated 4 % interest would be a cost including interest of \$ 5,153,600.

The second project would be for sewer work. This is shown at \$ 2 million. Total with interest and no cash down would be \$ 2,939,000.

So if both are done this would be over \$ 8 million over the 20 year term.

I plan to forward to you the earlier communication that shows both projects combined into one project and the cover letter that goes with it.

I would point out that most people cannot buy a house with 100 % cash. They borrow for 15, 20, or 30 years. So someone might say I bought my house for \$ 100,000.

Actually over 20 years I would guess it would be \$ 200,000. But people still don't say I bought my house for the higher number. Just something to think about.

One Board member asked me about the State Revolving Loan Fund (RLF). One party estimates the interest rate through this program is currently 2 % while another said about 2.5 %.

This would require about two years of studies and submittal and approval time from the State. It would cost a lot of money paid to an engineering firm to do this. By the time the funds were approved the interest rate would most likely increase or decrease. It is my understanding that interest rates on bonds are low at the 4 % level. Waiting 2 years could put the RLF interest rate higher at 4 %, 6%, etc. depending on the bond market. So I would not recommend this option. The cost of the studies, the possible increase in sewer rates, the possibility you would not be approved or might be delayed by the state, the possible increase in construction costs all argue for not selecting this option.

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It is my understanding that if the Board decides to proceed on one or both projects, it would be the Spring of 2020 at the earliest before construction occurs. That is usually a good time to start construction and secure bids and financing over the winter. Further delays could push it into the Summer of 2020 when construction companies and manufacturers of materials may be very busy. A delay could make cost even higher or push it further in the future.

I will be providing additional information.

Steve

Sent from Mail for Windows 10

From: Stephen Hayduk <snh@bendzinski.com>
Sent: Tuesday, March 19, 2019 2:42:41 PM
To: Steven Aynes
Subject: RE: Northfield Twp. Capital Project

Steve,

Please see the attached PDF. The first page is the schedule of debt service requirements for \$3.5 million over 20 years for the WWTP improvements and the second is for \$2 million over 20 years for the sewer improvements. Please let me know if you have any questions or need anything else.

Thanks

From: Steven Aynes <ayness@Northfieldmi.gov>
Sent: Tuesday, March 19, 2019 1:40 PM
To: Stephen Hayduk <snh@bendzinski.com>
Subject: RE: Northfield Twp. Capital Project

Stephen,

The schedule of Debt Service Requirements which I believe was dated 11/28/2018 was for \$ 3,360,000 which was to fully fund the Retention Tank. This was updated by the Engineer in November because the earlier amount of \$ 3 million was a few years old. The \$ 3,360,000 cost was based on his review of the costs of construction material and labor during the 2018 construction season.

I believe it was increased to try to make sure that the amount of bonds would be less than the amount ultimately needed. So \$ 3.5 million was used. The balance of \$ 2 million was to cover sewer line projects. So I need to have one schedule for \$ 3.5 million for the construction of the Retention Tank and associated work at the WWTP and the other \$ 2 million for the sewer work. Please date these with a current date.

Thanks

Steve Aynes