City of Novi

August 2025 Bond Authorization Issuance

October 13, 2025

PFM Financial Advisors LLC

555 Briarwood Circle
Suite 333
Ann Arbor, MI 48108

P: 734-994-9700
F: 734-994-9710
www.pfm.com

Factors Impacting Timing of Issuance of Authorized Bonds

- As previously discussed, there are a number of factors or variables that impact the timing of the issuance of the $120 million voter authorized bonds within a targeted 1 mill maximum debt levy.

Taxable Value Growth Rates	• 2025 Taxable Value Growth = 5.24% • Impact of reduced CPI on future growth rates • What level of taxable value growth rates is the City comfortable with? • Implications if taxable value growth rate projections are not met
Bond Interest Rates	• Initial series can be finalized using actual interest rates • Multi-series issuance requires use of estimated interest rates on future series • Implications if interest rates increase greater than estimates
When funds Needed?	• How much funds are needed when? • How quickly will funds be spent? • Can they be spent within federal tax law limitations? • What is the implications on the millage to be levied?
Term / Years of Debt Levy	• Pre-election estimates used 2 series with 25-year term limits, resulting in 27 years of tax levies • Shorter issuance timing will reduce the number of years the millage is levied • Single series bond issuance would limit levy term to 25 years
Legal Structuring Limits	• Bond issuances have legal structuring limitations under Act 34 of 2001 • Reduction in years and/or increase in the amount issued in first series will pressure the ability to comply with legal structure limitations

Scenarios Provided

- Below is a summary of the original phased bond scenario as well as two updated three-series bond program scenarios for the City's $120,000,000 August 2025 voter authorization

Issuance Year / Series	Taxable Value Growth Rate 2026-2030	Taxable Value Growth Rate 2030 on	Bond Proceeds: Bond Amount	Bond Proceeds: Less: Est. Cost of Issuance*	Bond Proceeds: Plus: Est.* Investment Earnings	Bond Proceeds: Amount Available for Project	Bond Term	Bond Interest Rate	Invest-ment Interest Rate	Estimated Total Interest Cost	Millage Rate
Base Case											
2026			$40,000,000	($365,000)	$667,774	$40,302,774	25 yrs	4.65%	1.75%	$26,043,255	
2028			80,000,000	($565,000)	$763,258	$80,198,258	25 yrs	4.70%	1.00%	67,723,945	
	4.00%	3.00%	$120,000,000	($930,000)	$1,431,032	$120,501,032				$93,767,200	1.00
Option A											
2026			$40,000,000	($365,000)	$667,774	$40,302,774	25 yrs	4.65%	1.75%	$28,418,475	
2027			17,500,000	($180,000)	$119,248	$17,439,248	25 yrs	4.65%	1.50%	11,987,700	
2028			62,500,000	($455,000)	$440,278	$62,485,278	25 yrs	4.70%	1.00%	55,037,000	
	4.00%	3.00%	$120,000,000	($1,000,000)	$1,227,300	$120,227,300				$95,443,175	1.00
Option B											
2026			$25,000,000	($280,000)	$198,611	$24,918,611	25 yrs	4.65%	1.75%	$16,027,620	
2027			45,000,000	($345,000)	$475,742	$45,130,742	25 yrs	4.65%	1.50%	36,501,803	
2028			50,000,000	($385,000)	$352,073	$49,967,073	25 yrs	4.70%	1.00%	42,216,105	
	4.00%	3.00%	$120,000,000	($1,010,000)	$1,026,426	$120,016,426				$94,745,528	1.00

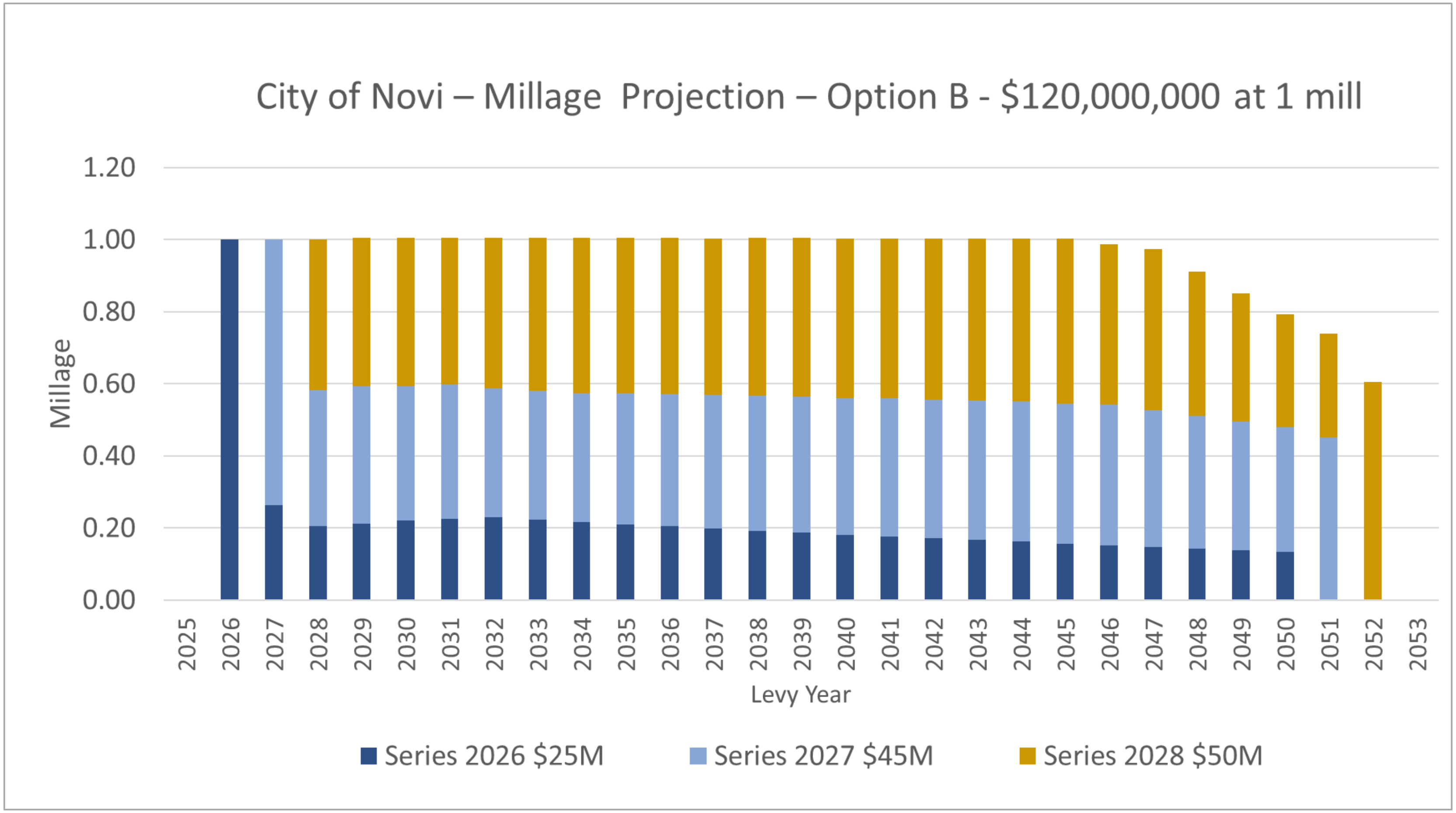
ASSUMPTIONS:
- August 2025 vote, initial series of bonds dated (Issued) May 2026.

* Investment earnings based on straight line draw schedules and conservative investment rates.
* Cost of issuance include, among other things, underwriting discount/fee of 0.40% of the bond amount.

The interest rates shown above are estimates. The actual interest rates will be determined at the time of sale. Changes in interest rates may impact the millage required. The final millage will be based on actual interest rates, actual payments and actual taxable values.

Millage and Bond Series Projections

- The graph below depicts the projected millage needed for Option B, using the phasing of the series, taxable value growth rates of 4% from 2026-2029 and 3% thereafter, and bond interest rates as shown on the summary table
- To the extent the taxable value growth rates are higher than projections and/or bond interest rates are lower, the timing or amounts of the issuance may be adjusted, and/or millage rates may be lower than shown below



The interest rates shown above are estimates. The actual interest rates will be determined at the time of sale. Changes in interest rates may impact the millage required. The actual annual millage rate will be based on the final bond payments based on actual interest rates, and actual taxable values.

Single Series Issuance

- In order to issue the bond authorization in a single series issuance in May of 2026, within the 1 mill debt millage, the follow assumptions would need to be used.
- If any of the actual figures do not meet these assumptions, another variable would need to be adjusted to meet the 1 mill maximum millage rate.

Bond Interest Rate

- Not higher than 4.5%

Taxable Value Growth Rates

- 5% in 2026
- 4.75% in 2027 to 2029
- 3.75% 2030 - on

Capitalized Interest

- Portion of the first interest payment payable from bond proceeds
- Current estimate - $325,000

Allowance for Delinquency

- 5%

Issuance date: & term

- On or after May 1, 2026
- Full 25-year term

Funds on Hand:

- Build up of funds in debt fund in early years for use in years legal debt limitation set

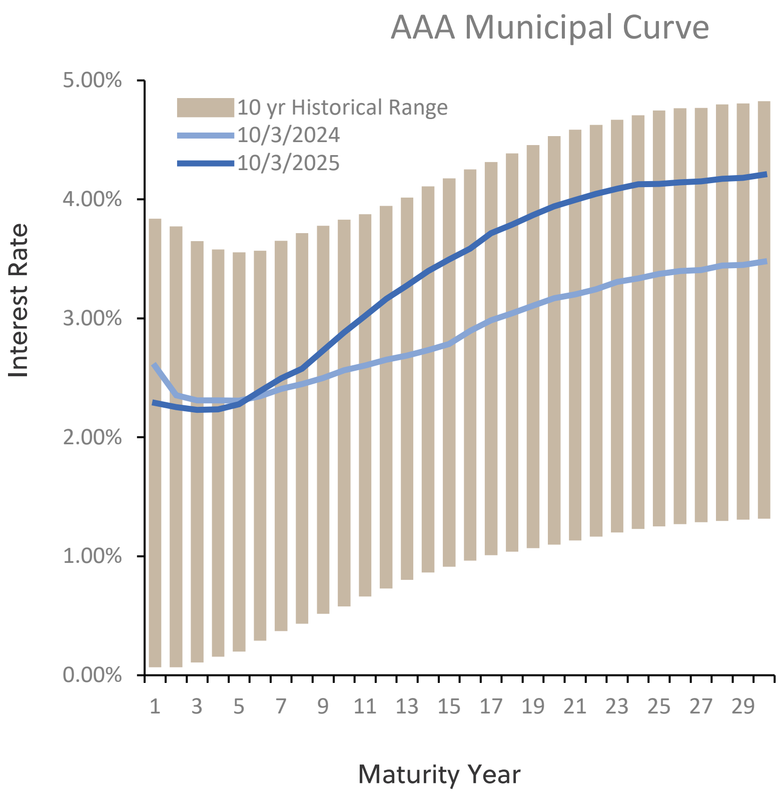
Historical Taxable Value Growth History

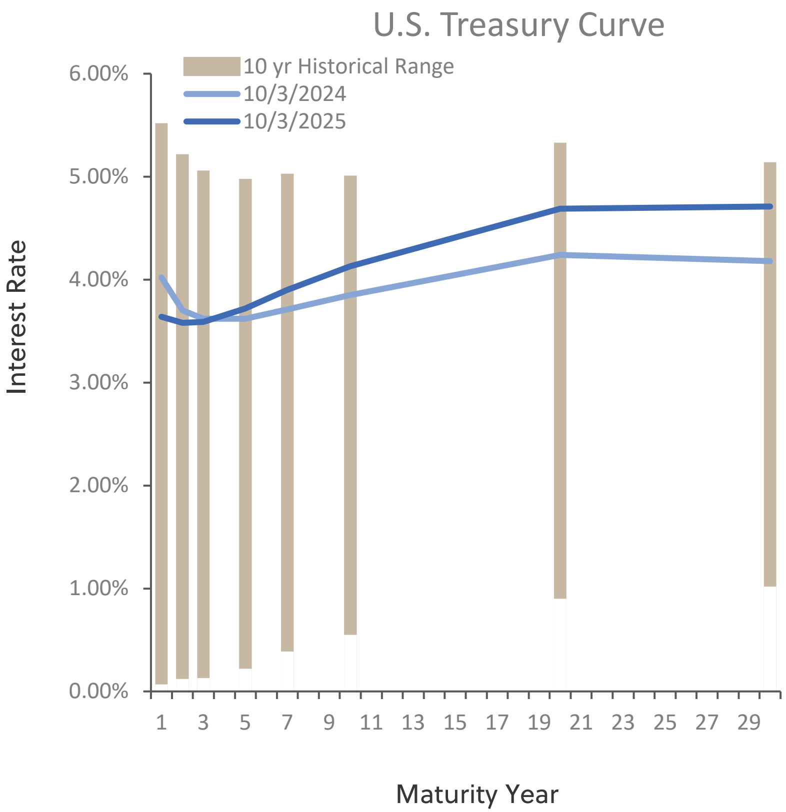
- The City's historical taxable value growth rates are provided to the right.
- A reduction in CPI will impact future taxable value growth rates, as will home sales, new construction, etc.

CITY OF NOVI Taxable Value History				
Levy Year	Taxable Value	T.V. Change	5 Year Average	20 Year Average
2025	$5,222,777,180	5.24%	5.28%	2.75%
2024	4,962,920,898	6.75%	5.20%	2.83%
2023	4,649,264,350	5.60%	4.99%	2.90%
2022	4,402,609,530	4.86%	5.00%	
2021	4,198,690,199	3.96%	4.79%	
2020	4,038,736,310	4.82%	4.73%	
2019	3,852,942,000	5.69%	4.65%	
2018	3,645,653,370	5.67%	4.17%	
2017	3,450,116,990	3.82%	3.39%	
2016	3,323,044,630	3.66%	2.23%	
2015	3,205,569,930	4.39%	0.09%	
2014	3,070,872,210	3.32%	(2.75)%	
2013	2,972,081,580	1.77%	(3.57)%	
2012	2,920,333,650	(1.99)%	(3.75)%	
2011	2,979,611,480	(7.02)%	(2.24)%	
2010	3,204,568,440	(9.86)%	0.88%	
2009	3,554,943,630	(0.77)%	4.21%	
2008	3,582,448,240	0.90%	6.02%	
2007	3,550,406,740	5.54%		
2006	3,364,061,500	8.56%		
2005	3,098,817,810	6.84%		
2004	2,900,548,534	8.26%		
2003	2,679,216,000			

Treasury & Municipal Interest Rate Movements

- Municipal bonds generally price as a spread to the high-grade Aaa municipal yield curve. The amount of the spread will vary based on the credit, the State, and other factors.
- The first table below (left) show a 10-year history of the AAA municipal interest rate yield curve for 1 through 30-year maturities, along with the rates as of October 3, 2025, as well as 1 year prior. The City's bonds would sell at a spread over the municipal yield curve.
- The second table represents a 10-year history of the U.S. Treasury Yield Curve for the various Treasury maturity terms with rates as of October 3, 2025, along with rates 1 year prior.





Source: Bloomberg, treasury.gov

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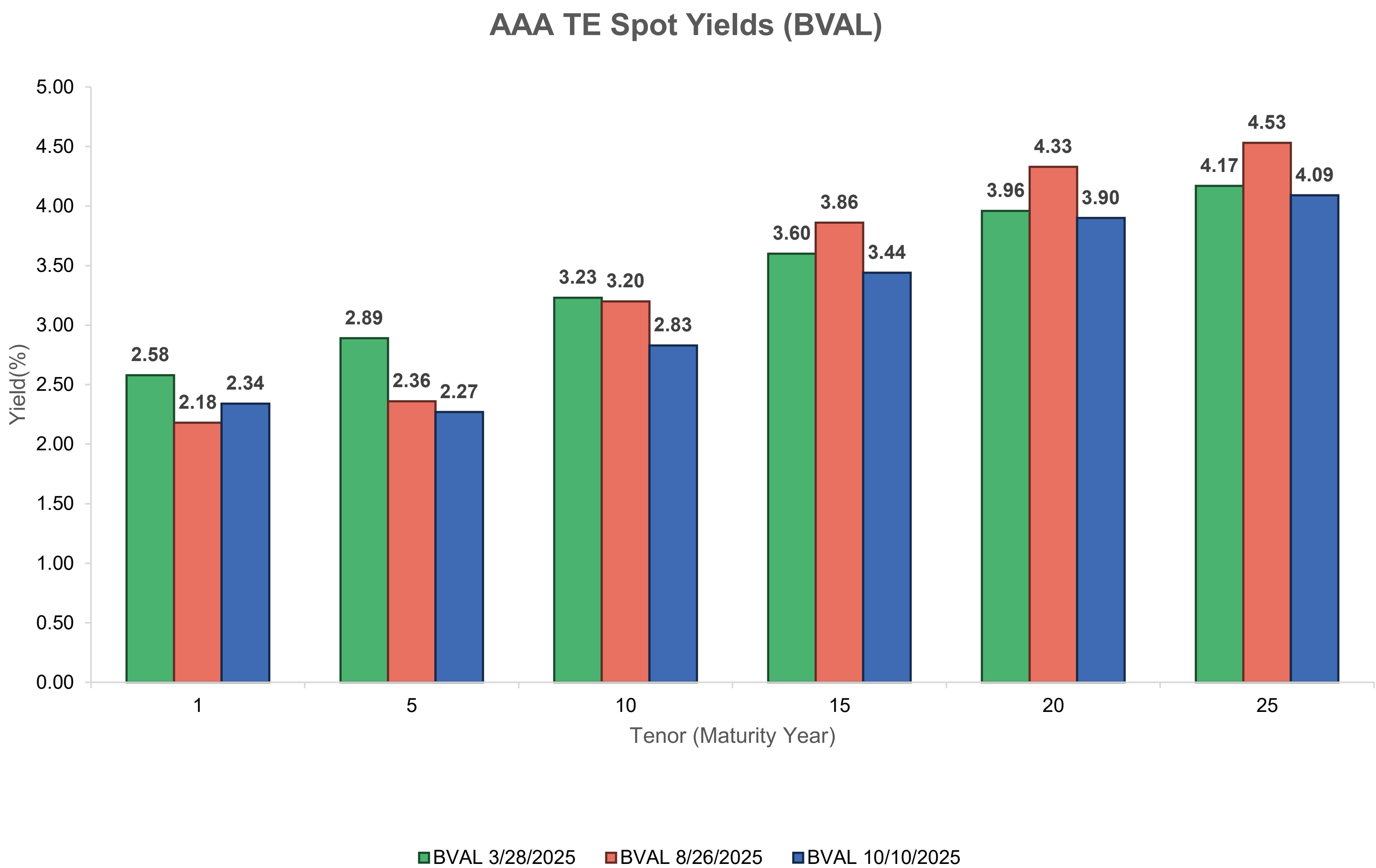
Municipal Interest Rate Movements

AAA Tenor	7/7 Mon	7/14 Mon	7/21 Mon	7/28 Mon	8/4 Mon	8/11 Mon	8/18 Mon	8/25 Mon	8/29 Fri	9/8 Mon	9/15 Mon	9/22 M	9/23 T	9/24 W	9/25 T	9/26 F	9/29 M	9/30 T	10/1 W	10/2 T	10/3 F	Total Δ	10/3 Rate
	AAA BVAL Rate Movement for the Past 3 Months — Date & Weekday																						
1	2.52	-4	-3	-5	-12	-5	-1	-4	-1	-8	-5	0	3	5	9	6	0	1	-1	2	0	-23	2.29
2	2.53	-3	-3	-5	-13	-4	-1	-4	-1	-10	-9	0	4	5	9	6	0	1	-1	1	0	-28	2.25
3	2.57	-3	-4	-7	-12	-5	-1	-4	-1	-12	-9	0	3	5	9	5	1	1	-1	1	0	-34	2.23
4	2.59	-3	-3	-8	-12	-5	-1	-3	-1	-13	-10	-1	3	5	10	6	0	1	-1	1	0	-35	2.24
5	2.63	-2	-3	-4	-12	-3	0	-3	-1	-15	-9	-1	3	5	6	4	0	1	-1	0	0	-35	2.28
6	2.69	-3	11	-6	-12	-2	0	-2	-2	-16	-11	0	2	4	5	3	0	0	-1	0	0	-30	2.39
7	2.80	-3	12	-3	-12	-1	0	-2	-1	-18	-12	-1	3	4	4	1	0	0	-1	0	0	-30	2.50
8	2.93	-2	13	-3	-12	-2	1	-2	-1	-18	-14	-1	2	1	4	1	0	0	-2	0	0	-35	2.58
9	3.03	-2	14	-1	-11	-2	2	-1	-1	-19	-14	-1	1	3	4	0	0	0	-1	-1	0	-30	2.73
10	3.18	-1	15	-1	-15	-1	5	0	-2	-19	-15	-1	2	3	3	0	0	-1	-1	-1	0	-30	2.88
11	3.25	4	18	-1	-15	-1	4	1	-2	-20	-15	0	1	3	3	0	0	-1	-1	-1	0	-23	3.02
12	3.37	3	19	1	-15	-1	5	1	-2	-20	-15	-1	2	3	3	-1	0	0	-2	-1	0	-21	3.16
13	3.49	4	19	0	-15	0	5	1	-2	-20	-16	0	2	2	2	0	0	-1	-2	0	0	-21	3.28
14	3.61	4	19	1	-15	-1	5	2	-2	-21	-16	0	2	2	2	0	0	0	-3	0	0	-21	3.40
15	3.74	4	16	1	-15	0	5	2	-2	-22	-16	0	2	2	3	-1	0	-1	-2	0	0	-24	3.50
16	3.84	4	16	1	-15	-1	6	1	-1	-22	-16	0	1	2	3	-1	0	0	-2	-1	0	-25	3.59
17	3.90	5	23	0	-15	-1	6	2	-2	-22	-16	0	1	2	2	0	0	-1	-2	0	-1	-19	3.71
18	3.98	5	23	-1	-14	-1	5	2	-1	-22	-17	0	1	2	3	-1	0	0	-2	-1	0	-19	3.79
19	4.06	5	22	0	-15	-1	6	2	-2	-22	-16	0	0	3	3	0	-1	0	-2	-1	0	-19	3.87
20	4.14	5	22	0	-15	-1	6	2	-2	-22	-16	-1	1	3	2	0	0	-1	-2	-1	0	-20	3.94
21	4.20	5	22	0	-15	-1	6	2	-2	-22	-16	0	0	2	2	0	0	-1	-2	0	0	-20	4.00
22	4.25	5	22	0	-15	-1	6	2	-2	-22	-16	-1	1	2	2	0	0	-1	-2	0	0	-20	4.05
23	4.30	5	22	-1	-15	-1	6	2	-1	-23	-16	0	1	2	2	0	0	-1	-2	-1	0	-21	4.09
24	4.34	5	22	-1	-15	0	6	2	-2	-22	-17	0	1	1	3	0	-1	0	-3	0	0	-21	4.13
25	4.39	5	18	-1	-15	0	5	2	-2	-22	-17	0	1	1	3	0	0	-1	-2	-1	0	-26	4.13
26	4.42	5	18	-1	-15	0	4	1	-1	-23	-17	1	1	1	2	0	0	-1	-2	-1	0	-28	4.14
27	4.43	5	17	0	-15	-1	5	1	-2	-22	-17	0	1	1	3	0	0	-1	-2	-1	0	-28	4.15
28	4.46	6	16	0	-15	-1	5	0	-2	-23	-16	0	1	1	3	0	0	-1	-2	-1	0	-29	4.17
29	4.48	5	16	-1	-15	0	5	0	-2	-23	-17	1	1	1	3	0	0	-1	-2	-1	0	-30	4.18
30	4.50	6	15	0	-15	-1	5	0	-2	-23	-16	1	1	1	2	1	0	-1	-2	-1	0	-29	4.21

Source: Bloomberg
PFM Pricing Group

Municipal Interest Rate Spot Comparisons



Source: Bloomberg, treasury.gov

Bond Issuance / Sale Process Outline

- We have provided below a basic outline of the financing timeline for the initial series of bonds.

Oct/Nov	Method of Sale Determined
Nov/Dec	Issue RFP for Underwriting Services / Receive & Tabulate Bids / Appoint Underwriter
Feb. 2026	Bond Specifications Provided to Bond Counsel
Feb. 2026	City Council adopts Bond Authorizing Resolution (prepared by MCPS)
Mar. 2026	Prepare Preliminary Official Statement and hold due diligence call to review
Mar. 2026	Apply for rating, call with rating agency, and receive bond rating
Mar. 2026	Preliminary Official Statement and Notice of Sale (if applicable) published
Apr. 2026	Bond Sale / Pricing - Interest Rates and Bond Amount Finalized
Apr. 2026	Final Official Statement prepared and published / closing documents prepared
May. 2026	Bond Closing – City Receives Bond Proceeds

Bond Sale Methods

- There are 3 methods of sale for municipal bonds, as shown below.

1. **Competitive Sale (public offering)**
   - Sold at a specific date and time
   - Any firm may bid on the bond offering – most received via internet
   - Bonds awarded to the lowest conforming bid
2. **Negotiated Sale (public offering)**
   - Underwriter pre-selected (may be through an RFP process)
   - Underwriter offers bonds for sale to investors (includes local citizens)
   - Pricing date, bond size and maturity amounts flexible
   - Commonly used for complex financings, story bonds, distressed credits, large issuances, and/or in volatile market conditions
3. **Direct or Private Placement (non-public offering)**
   - Bonds are sold directly to private investor or bank (may be through an RFP process)
   - Typically shorter bond terms (less than 10 years)
   - Typically smaller bond amounts (less than $10 million)

Comparison of Sale Methods

	Competitive Sale	Negotiated Sale	Direct Purchase
Description	• Public offering of bonds through a competitive bidding process	• Public offering of bonds through an underwriter-managed pricing process	• Direct sale of bonds to a single investor entity, typically a commercial bank
Benefits	• Competitive bidding process provides maximum sale transparency • Politically impartial to any one firm • Competition may drive interest rates lower	• Maximum flexibility on timing of pricing • Marketing process assists in generating investor demand • Ability to have bonds underwritten in volatile markets • Ability to customize coupons and structure at pricing • Ability to provide residents with priority access to bonds	• No Official Statement required • More efficient transaction execution timing • No need for ratings in most cases • Lowest issuance costs
Considerations	• Lack of underwriting support in volatile markets • Less structuring flexibility than negotiated sales • Lack of timing flexibility • No formal marketing period	• Pricing levels/rates may be higher than other sale methods • Less transparency than competitive sales/direct purchases	• Terms and covenants can be more restrictive than public sale • Limited bank appetite for larger and longer-term financings • May not result in the lowest overall cost

Comparing Methods of Sale

	Competitive Sale	Negotiated Sale
Best Suited For:	• Simple bond structure that is not interest rate sensitive • Relatively stable market	• Issue sensitive to market interest rates • Sensitive bond structure • Volatile market

PFM Recommends a Negotiated Sale

Specific Considerations for City of Novi's Series 2026 Bonds

- A negotiated sale provides the City with the greatest structuring flexibility in order to optimize the bond size and structure to the optimal bond proceeds within the 1 mill debt levy
- A negotiated sale offers the City the greatest flexibility on the timing of the bond pricing to coincide with optimal market conditions
- Provides the City greater opportunity to have the pre-market bonds to increase investor demand
- PFM can assist the City in the preparation, issuance, tabulation and review of senior managing underwriting proposals.

PFM's Advantage on Pricing Day

- **Analytical** – Proprietary tools developed to set pricing levels including couponing, amortization and call features
- **Independent** – PFM provides independent pricing analysis and scales that do not rely on syndicate price views or thoughts
- **Transparent** – PFM's pricing process enhances transparency, empowering our clients during negotiations

On average, PFM Financial Advisory services prices three to five transactions every business day

Pricing Resources and Analytical Tools

Access to Industry Market Services and Data

Bloomberg IPREO sifma MSRB Municipal Securities Rulemaking Board MMA REFINITIV THOMSON REUTERS

Analytical / Structuring Capabilities

- Bond Pricing Analytics
- Coupon and Call Optimization
- Bond Sale Order Detail Analysis
- Option Adjusted Spread Model
- DCF Option Monetization Model
- FRN – Synthetic Parity Model
- Forward Delivery Model
- Repurchase/Tender Optimization Model
- Insurance Valuation
- Order Detail Model and Analytics
- Fair Market Value Reports
- Post-Sale Secondary Trade Evaluator Model
- Extensive Tax-exempt/ Taxable Comps Database
- Note Database
- FRN Database
- Investor Database
- Takedown Database
- Weekly Market Update

Questions?

PFM Financial Advisors LLC
555 Briarwood Circle, Suite 333
Ann Arbor, MI 48108
(734) 994-9700

Kari Blanchett
Managing Director
(734) 794-2523
blanchettk@pfm.com

Sean Wahl
Director
(734) 794-2536
wahls@pfm.com

pfm

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