Mayor and Council –

Another significant decision for Council to make as it pertains to the 2025 Bond relates to the type of bond sale. Our advisor in this case, PFM, suggests the negotiated sale. Please see the enclosed details for this process.

- Victor

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November 3, 2025

Mr. Victor Cardenas, City Manager
City of Novi
45175 Ten Mile Rd
Novi, MI 48375-3024

RE: Novi City 2026 Unlimited Tax General Obligation Bonds

Dear Victor:

As discussed, the two capital market financing options for the initial series of the City's $120 million 2025 voter authorized unlimited tax general obligation bonds (to be issued in the Spring of 2026) include competitive and negotiated sale formats. We have summarized each below:

Negotiated Sale: A negotiated municipal bond sale is similar to how private corporations issue debt through underwritten offerings. In both cases, the issuer selects an investment bank (underwriter) to market and sell the bonds directly to investors. The final interest rates are determined through negotiation and based on actual investor demand at the time of sale, rather than through a competitive bidding process. This approach allows for greater flexibility in timing, enabling the issuer to adjust the sale date to align with favorable market conditions. It relies on market-driven pricing, active marketing by underwriters, and real-time investor feedback to achieve the best financing outcome.

The *key similarities* between private corporation and public bond issuance negotiated financings are that they both rely on:

- *underwriters* to market the bonds and reach investors
- *market-driven pricing* based on investor demand rather than pre-set sale or auction
- *flexibility* in timing to capture the best market

Competitive Sale: In a competitive sale for a Michigan municipal bond, the sale date and time is set approximately 10-14 days prior to the sale in order to meet State legal publishing requirements. The key drawback of this type of sale is the lack of flexibility to adjust the timing based on market conditions.

Recommendation: Given the City's desire to optimize the amount of bonds in the initial series within the targeted debt millage cap of 1 mill, along with the flexibility in the timing and structuring that a negotiated bond sale provides, we recommend the City proceed with a negotiated bond sale on the Series 2026 Bonds.

A part of the services we provide, PFM would be assisting the City with the issuance of an RFP for underwriting services, reviewing and tabulating the proposals received and assisting the City with the selection of the senior managing underwriter for the bonds.

Should you have any questions or require additional information, please call.

Sincerely,

Kari L. Blanchett

Kari L. Blanchett
Managing Director