



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2017-0183

TO: Mayor and City Council Members

FROM: Joe Snyder, Finance Department, x2534

DATE: April 17, 2017

SUBJECT: Clinton River Water Resource Recovery Facility Drainage District Pre-Payment Option

REQUEST:

City Council is requested to approve the pre-payment of the City of Rochester Hills assessment for the Clinton River Water Resources Recovery Facility.

REASON FOR PURCHASE:

The City of Rochester Hills received notice on March 30, 2017 from the Oakland County Water Resource Commission (OCWRC) that the Clinton River Water Resource Recovery Facility (CRWRRF) Drainage District is planning to construct a Biosolids Handling and Septage Receiving Facility. This project is estimated to cost approximately \$38.5 million to \$42.0 million.

The City of Rochester Hills has been allocated a 10.561% share of the total project, which equates to a City share of \$4,065,985 (at \$38.5M) to \$4,435,620 (at \$42.0M) assessment. Each community within the District has been given the opportunity to elect to pre-pay this assessment in full or to pay the assessment through a debt issue over 20-years at an interest rate of 2.50%. If a community chose to pre-pay the assessment, the OCWRC needs a Board or Council resolution no later than the end of April 2017.

If the City of Rochester Hills chose to not pre-pay the assessment, but to instead pay the assessment through debt issued, the total amount payable including interest is estimated at \$5.1M to \$5.6M, which adds an additional \$1.0M to \$1.2M due to interest expenses. As well, if the City chose to pay the assessment as a debt issue, the annual related debt service amount would increase the per unit sanitary sewer rate by an additional \$0.13 per unit or 2.3%. If the City chose to pre-pay the assessment there would be no additional Sanitary Sewer operating expenses as there are no additional debt service costs to recover via the sanitary sewer rate setting process.

As of 12/31/2016, the Water & Sewer Capital Fund has a cash and investments balance of \$33.2M. Each year the Water & Sanitary Sewer Operating Divisions transfer funding into the Water & Sewer Capital Fund in an amount equal to the prior year's annual depreciation. In FY 2017, the Water & Sewer Operating Divisions will contribute \$4.0M to the Water & Sewer Capital Fund for prior year (FY 2016) depreciation. This provides an on-going funding source for future water & sanitary sewer infrastructure projects.

PROCESS:

Vendor Name and Address:

Oakland County Water Resources Commission (OCWRC)
One Public Works Drive, Building 95 West
Waterford, MI 48328-1907

Reason for Selection:
Contractual Obligation

Method of Purchase:
Purchase Order

BUDGET:

Per Governmental Accounting Standards Board (GASB) accounting practices, this transaction will not flow through the typical budgeted Water & Sewer Capital Fund Revenue & Expense Financial Statements, rather the transaction entries will be made on the Water & Sewer Capital Fund's Balance Sheet.

The funding to OCWRC will be recorded as "Restricted Cash at OCWRC" for this specific project. As progress reports are received from OCWRC the Restricted Cash will be reduced and the Capital Assets will be added to the balance sheet.

RECOMMENDATION:

City Council is requested to approve the pre-payment of the City of Rochester Hills assessment for the Clinton River Water Resources Recovery Facility.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Supervisor of Procurement		
Mayor		
Deputy Clerk		