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**CITY OF ROCHESTER HILLS**

**DATE: May 28, 2010**

**Fiscal Service  
Office**

**Keith Sawdon, Director**

**TO: Members of City Council**

**RE: Fiscal's Documents Related  
to Water Storage Facilities**

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Attached are the documents that Fiscal has assembled for City Councils further discussion related to Water Storage facilities.

The first document is the Fund Balance Loan Availability Schedule. In an attempt to avoid issuing bonds to build the Water Storage facility we turned our focus internally to find available fund balances that could be in a position to loan funds for the project. To help us locate fund balances that could be available we applied a more conservative approach by doubling our Fund Balance Policy to those funds. That process quickly limited just about all of the operating (type) funds from consideration. The funds left were mainly the City's capital funds. Based on the identified future needs of those capital funds (from the CIP) we were able to identify the amount that could be borrowed, based on this approach, without placing a hardship on those funds. We identified up to \$12 million that would be available for the project.

The second document is the Proposed Loan Schedule. This is designed to show how the loan payments could look if the funds are borrowed from those outside funding sources. We based the loan rate, 2%, on the recent 5 year US T-note rate. The actual rate would be based on the rate the funds would have earned, by the City Treasurer, had their dollars remained available for investment by him.

The next document is what a Sample Borrowing Agreement Resolution would look like. It lays out the terms and conditions of the inter-fund loans.

The final document is Estimated Water Storage Rate Impacts which looks at what water rates *could* look like over the next several years based on some underlining assumptions. Here are the key assumptions used in generating these estimates:

- The rates shown for 2011-2012 and 2012-2013 DO NOT include any annual rate adjustment from DWSD in an attempt to keep apples to apples.
- We also make the assumption that design costs would come from water and sewer capital fund and not be borrowed in 2010.
- We also assume that construction starts in the spring of 2011 and the initial construction payments would come from water and sewer capital fund and no borrowing is done.
- In the 2011-2012 rate cycle, we make the assumption that there would be some inter-fund borrowing and a loan payment would be due. Water rates set in this period would cover the loan payment for that year.
- In the 2012-2013 rate cycle, we continue to include the required loan payment in the water rate.
- In the 2012-2013 rate cycle, we assume that the water storage facility comes online and that the rate reductions, as presented by Raphael Chirolla, from DWSD, take effect.

Within this document we also show you how the water and sewer capital fund will look following various scenarios and give some options to think about related to paying back borrowed funds and replenishment of the water and sewer capital fund.