



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
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Legislative File No: 2020-0242

TO: Mayor and City Council Members
FROM: Joe Snyder, Chief Financial Officer, x2534
DATE: July 13, 2020
SUBJECT: Oakland-Macomb Interceptor Drain, Assessment Roll 2020A Pre-Payment Option

REQUEST:

City Council is requested to approve the pre-payment of the City of Rochester Hills assessment for the Oakland-Macomb Interceptor Drain 2020A project.

REASON FOR PURCHASE:

The City of Rochester Hills received notice on June 23, 2020 from the Oakland County Water Resources Commission (OCWRC) that the Drainage Board for the Oakland-Macomb Interceptor Drain Drainage District (Drainage District) will soon commence the next construction segment of improvements to the Oakland-Macomb Interceptor Drain (OMID). This project will replace the electrical and mechanical equipment at the Northeast Sewage Pumping Station and rehabilitate approximately seven miles of the Northeast Interceptor-East Arm sanitary sewer. The cost of this project segment will be up to \$84 million which is financed through the issuance of the 2020A bond series.

Each community has an opportunity to prepay all, or a portion of its assessment before each series of bonds are issued. To prepay the City of Rochester Hills share of the 2020A bond assessment, the Rochester Hills City Council must adopt a resolution indicating that it would like to prepay the assessment in the amount of \$6,741,704.45. A resolution must be provided to the Drainage Board on or before July 22, 2020. If the City of Rochester Hills chooses to not prepay, it will be included in the Series 2020A Bond issue, and the City's estimated assessment of \$8,509,331.59 would include financing costs and interest and would be collected over the period of twenty (20) years.

Drain Background

The terminus of the Drain is located within the City of Detroit and includes the Northeast Sewage Pumping Station located on Outer Drive north of Seven Mile Road. The Drain also includes the North Interceptor East-Arm, a seven-mile 8' to 13' foot diameter sewer extending from the pump station to Gratiot Avenue (collectively the pump station and downstream sewer are referred to as "wastewater facilities").

These wastewater facilities were originally constructed by the City of Detroit in the 1970s and currently serve over 850,000 residents and businesses, including the City of Rochester Hills, along with 22 other communities located in Macomb and Oakland Counties. The present condition of the wastewater facilities requires significant rehabilitation and improvements, including the extension of the Drain.

The first segment of the Project was the acquisition and contribution in aid of capital payment to GLWA in the amount of \$11,920,000. This was paid with a combination of community prepayments and the Series 2019 Bond Issue. This Project cost was part of the agreement between the Drainage District and GLWA and

had the added benefit of eliminating any prior debt on the wastewater facilities. The City of Rochester Hills elected to prepay the 2019 Assessment of \$966,783.52 in October 2019.

OCWRC anticipates that the annual day-to-day operational savings associated with this project would be large enough to offset the additional costs associated with the potential debt service on the project, which could result in little impact on the bottom line total sanitary sewer charge for each community. However by pre-paying the assessment, the City has the potential to have its sanitary sewer charges reduced due to lower annual day-to-day operational costs with the benefit of no additional offsetting debt service charges over the next 20-years associated with the project, potentially reducing the sanitary sewer charges to City sanitary sewer customers moving forward. As well, the interest rate on the bonds is anticipated at 2.25%, which is far more than the City would be able to generate investing those funds, as the market interest rates have been greatly reduced by the Federal Reserve, reducing the Federal Funds rate to 0.00% to 0.25%.

City staff did reach out to the OCWRC previously to confirm that the project apportionment between Oakland County and Macomb County, as well as the Oakland County internal apportionment among communities was still accurate.

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:

Funding is included in the FY 2020 Budget for the Northeast Pump Station Upgrades (NEPS) in the amount of \$5,096,220. Funding is also included in the FY 2021 Projected Budget for the North Interceptor East Arm Upgrades (NIEA) in the amount of \$3,397,480.

It was previously relayed to the City by the OCWRC that the two (2) projects would be part of separate bond issues, the NEPS in FY 2020 and the NIEA in FY 2021. OCWRC has now determined to combine the two (2) bond issues / projects into one (1) bond issue / project in 2020.

OCWRC has also informed the City they anticipate one (1) more assessment in FY 2021 related to this project. The maximum total assessment to the City in FY 2021 will be no greater than \$1.6M.

If approved by City Council, Fiscal shall prepare a 2nd Quarter Budget amendment to “pull forward” \$1.65M of funding from FY 2021 into FY 2020 to add to the \$5.1M already included in the FY 2020 to pay the 2020A Assessment for a revised FY 2020 project budget of \$6.75M. This will leave \$1.75M remaining in FY 2021 to take care of the final pending assessment in FY 2021.

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
W&S Capital Fund	593.972000	Mains & Services: NEPS Upgrades (2020)	\$5,096,220.00		
W&S Capital Fund	593.972000	Mains & Services: NIEA Upgrades (2021)	\$3,397,480.00		
		Grand Total	\$8,493,700.00	\$6,741,704.45	\$1,751,995.55

RECOMMENDATION:

City Council is requested to approve the pre-payment of the City of Rochester Hills assessment for the Oakland-Macomb Interceptor Drain 2020A project.

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

Contract Reviewed by City Attorney Yes N/A