



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: 2024-0332

TO: Mayor and City Council Members

FROM: Joe Snyder, Chief Financial Officer, x2534

DATE: July 15, 2024

SUBJECT: Oakland-Macomb Interceptor Drainage District
Special Assessment Roll #1 (2024 Series Bond) Pre-Payment Option

REQUEST:

The Rochester Hills City Council is requested to approve the Prepayment of the City of Rochester Hills Special Assessment relating to Series 2024 Drain Bonds for the Oakland-Macomb Interceptor Drainage District in the amount of \$903,521.

REASON FOR PURCHASE:

The Oakland-Macomb Interceptor Drain Drainage District (the "Drainage District") will soon commence the construction of a new corrosion control and odor mitigation system (the "Project") for the Oakland-Macomb Interceptor Drain (the "OMID"). The OMID has experienced significant degradation due to sulfuric acid formed from hydrogen sulfide ("H₂S"). The H₂S emitted from the system has also been the source of numerous odor complaints. While many sections of the drain have been lined, the H₂S still poses a threat to unlined components and continues to be an unresolved odor issue in certain locations. The Drain Board will issue Drain Bonds, Series 2024 (the "Bonds") of up to \$11,400,000 to finance the project.

On June 12, 2024, the Drainage Board approved Special Assessment Roll No. 1, which apportions the cost of the Bonds related to the Project across the local units. Section 526 of Chapter 21 of the Michigan Drain Code of 1956 (the "Drain Code"), as amended, MCL 280.526, requires the Chairperson of the Drainage Board to certify the assessment to each public corporation and allow for prepayment of the assessment for any communities that determine prepayment to be in their best interest. Prepayment allows communities to avoid interest and finance costs associated with the Bonds.

Each community may elect to either pay its assessment in installments with interest or prepay its assessment to save the cost of issuance and interest.

Installment Payments:

If the City chooses to pay in installments, no action is required. The City of Rochester Hills assessments will be included in the Bonds. Each assessment will be collected over twenty (20) installments. The Bonds are anticipated to be sold at a competitive public sale in August 2024. The estimated interest rate based on the current market is approximately 4.00%. The interest rate is an estimate subject to change and will not be final until the bond sale date. Interest is anticipated to be due semiannually beginning on January 1, 2025, and principal due annually beginning on July 1, 2025.

If the City of Rochester Hills were to choose not to notify the Drain Board of its intent to prepay and instead to pay the Special Assessment debt in installments, the total cost to the City is estimated at \$1,355,120, or

an average of approximately \$68,000 per year over the next 20-years, of debt service including principal and interest.

Prepayment:

Each community electing to prepay its assessments must notify the Drain Board of its intent to prepay and the amount to be prepaid by July 12, 2024. The notice of the intent to prepay may be communicated in any form. If your community’s board or council decides to adopt a resolution approving prepayment following consultation with your local attorney, please include the adopted resolution in your prepayment notice.

Oakland County Fiscal Services will send prepayment invoices with payment instructions on or about July 15, 2024. All prepayments must be received by Oakland County no later than August 9, 2024.

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 2023 Adopted Budget

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
Water & Sewer Capital Fund	593.972000	Mains & Services: OMID Assessments	\$1,500,000	\$903,521	+\$596,479

RECOMMENDATION:

The Rochester Hills City Council is recommended to approve the Prepayment of the City of Rochester Hills Special Assessment relating to Series 2024 Drain Bonds for the Oakland-Macomb Interceptor Drainage District in the amount of \$903,521.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Procurement Manager		
Mayor		
City Clerk		

Contract Reviewed by City Attorney Yes N/A