



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

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Legislative File No: 2023-0230

TO: Mayor and City Council Members

FROM: Joe Snyder, Chief Financial Officer, x2534

DATE: May 22, 2023

SUBJECT: Oakland-Macomb Interceptor Drainage District
Special Assessment Roll #2 (2023 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 2020B (2023 Issue) Drain Bonds for the Oakland-Macomb Interceptor Drainage District in the amount of \$1,244,249.

REASON FOR PURCHASE:

The Oakland-Macomb Interceptor Drain Drainage District (Drainage District) Drainage Board will soon commence the next construction segment of the project to improve the Oakland-Macomb Interceptor Drain (OMID). This project segment, known as North Interceptor – East Arm Contract No. 2, will consist of lining, upgrading, repairing, and rehabilitating the North Interceptor-East Arm and North East Pump Sanitary Sewer Pump Station. The Drain Board will issue Drain Bonds, Series 2020B (2023 Issue) (the “Bonds”) of up to \$15.6 million to finance this segment of the project.

On April 19, 2023, the Drainage Board approved Assessment Roll No. 1, which apportions the cost of the Bonds related to the North Interceptor – East Arm Contract No. 2 across the local units. Section 526 of Chapter 21 of the Michigan Drain Code of 1956 (“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.

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 June 2023. 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, 2024, and principal due annually beginning on July 1, 2024.

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 \$1,863,514 over the next 20-years, or an average of approximately \$93,000 per year 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 May 26, 2023. The notice of the intent to prepay may be communicated in any form. If the City of Rochester Hills City Council decides to adopt a resolution approving prepayment following consultation with its local attorney, the adopted resolution shall be included with the prepayment notice.

Oakland County Fiscal Services will send prepayment invoices with payment instructions on or about June 1, 2023. **All prepayments must be received by the County no later than June 27, 2023.**

Project Description

The first segment of the Project was the acquisition and contribution in aid to 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 has the added benefit of eliminating any prior debt on the wastewater facilities. The second segment of the Project was funded by the issuance of \$57,215,000 of bonds and the prepayments of assessments in September 2020. The third segment of the Project, anticipated to be sold in June 2023, will complete the \$99.5 million dollar project described below.

North Interceptor East Arm:

The proposed Project includes design and rehabilitation of approximately 1,600 lineal feet of lining of the existing 17.5-foot diameter PCI-4 interceptor, lining of approximately 800 lineal feet of the existing 12-foot diameter PCI-19 interceptor.

The Project also consists of construction earth retention systems, shafts, gates, manholes, new piping, electrical, control and communication systems. In also consists of related modifications to gain access to the interceptor in the North Interceptor East-Arm and GLWA systems as well as upstream OMID flow control system operations and modifications to facilitate the downstream work. Contracted work also includes various spot repairs and other ancillary work in the North Interceptor East-Arm including the transition point of the OMID and GLWA systems. Related surface repairs of existing infrastructure to access the underground interceptor will also be needed along with various agreements with other government and private corporations for permitting, access and managing the flow in order to commence the work.

Northeast Sewage Pump Station (NESPS) Repairs:

The purpose of the Northeast Sewage Pumping Station (NESPS) Pumping and Electrical Upgrades Project is to improve redundancy and efficiency to the pumping operations at the pump station. This will be achieved through the replacement of the existing pumps, motors, process piping, plumbing, electrical service, transformers, gear, starters, controls, communications, computer, software and all appurtenances to completely rehabilitate the pump station process from service power into the facility to wastewater leaving the facility. Five new pumps that will be approximately 1,000 horsepower each will be installed with new discharge piping, controls, valves, actuators and other appurtenances. The station will utilize best management practices with pumping units that are better sized to match the expected flow along with some alternative energy features. Demolition of the old pumps and related piping and electrical gear and service will also be required.

Civil/ Site Work for new drainage, concrete access drive, earthwork, landscaping, lighting, fencing and security features are also included in the Project. A new roof for the existing pump station will be required to protect the new equipment inside the facility along with a new electrical building which will allow concurrent operations of the pump station while phasing over to the new system. The new building will include restroom, storage, cleaning and control rooms and office facilities for staff to properly maintain the new assets.

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 - NIEA Phase #2	\$1,550,000	\$1,244,249	\$305,751

RECOMMENDATION:
 The Rochester Hills City Council is recommended to approve the Prepayment of the City of Rochester Hills Special Assessment relating to Series 2020B (2023 Issue) Drain Bonds for the Oakland-Macomb Interceptor Drainage District in the amount of \$1,244,249.

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