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CITY OF ROCHESTER HILLS

**F**iscal

Julie Jenuwine, extension 2535

DATE: April 6, 2006

TO: Financial Services Committee &

Water & Sewer Rates Board

RE: W&S Capital Fund Policy

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This agenda item is a request to the Financial Services Committee and the Water & Sewer Rates Board to discuss creating a policy on the use of the newly established W&S Capital Fund, as it relates to *when* to draw monies from the fund.

As monies begin to accumulate in the fund (due to annual depreciation and capital & lateral monies being transferred from Operating Fund), options between bonding and utilizing cash for capital projects arise, as the intent of this fund is to accumulate monies for future capital in order to help finance the massive replacement needs when large parts of the system reach the end of its useful life.

Major system development/installation occurred in the 1970's and 1980's in the City. Attached is a schedule that illustrates today's estimated replacement costs for the system that has not already been replaced. APWA, GAAP and the City's current fixed asset policy estimate infrastructure to have a 50 year life. *(Note: The City is currently relining the sanitary sewer mains (SSES program), as opposed to complete replacement).*

I would like to request that the Committee and Board discuss whether they would like to recommend to the administration and City Council a specific policy on *when* to draw monies from this fund.

The Committee and Board's consideration is greatly appreciated.

Attachment: Infrastructure costs schedule