



500 West Big Beaver
Troy, MI 48084
troymi.gov

CITY COUNCIL AGENDA ITEM

Date: November 14, 2022



To: Mark F. Miller, City Manager

From: Robert J. Bruner, Assistant City Manager
Robert C. Maleszyk, Chief Financial Officer
Dee Ann Irby, Controller
Scott Finlay, City Engineer
Kurt Bovensiep, Public Works Director

Subject: Evergreen-Farmington Sanitary Drain Drainage District, Corrective Action Plan Phase II Project- Prepayment and Budget Amendment (Introduced by: Kurt Bovensiep)

History

The City of Troy discharges its wastewater through three separate districts, Evergreen/Farmington, Oakland/Troy, and the GWK. The Water Resource Commission (WRC) for Oakland County is the responsible agency for all the wastewater districts. Over the last several years there have been some improvements to the Evergreen/Farmington district, which the City of Troy had a cost share in the projects. Additional required improvements have been identified in the Evergreen/Farmington district that will improve the capacity of wastewater in the district. The increased capacity will help mitigate wastewater backups into homes, businesses, and limit the frequency of sanitary sewer overflows.

WRC recognized the significant cost to implement the improvements and established the Evergreen/Farmington as its own Chapter 20 Drain. This designation allowed the county to assess the contributing communities for the improvements through an Assessment Roll for a Drain Bond. This provides communities an opportunity to pay toward the bond for 20 years instead of prepaying its proportionate cost.

City of Troy staff have been involved with the proposed Corrective Action Plan (CAP) by attending and participating in various informational and design meetings. When the process began, the CAP had an anticipated cost share to the City of Troy of \$2.5 million over two fiscal years. Consequently, the current 3-year budget represents the anticipated expense. Budgeting for a prepayment option allowed the City of Troy to remain debt free for its Water and Sewer Fund.

The attached correspondence from WRC details the improvements, the options for payment, and the City of Troy's proportionate cost of 3.15% of the \$127,540,00 or \$4,017,510. Although more than the anticipated cost of \$2.5 million over two fiscal years, the Sewer Fund is in a position to continue the practice of having no debt and elect the prepayment option, which saves approximately \$500,000.



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Financial

Partial funds are available in the Sewer Capital Fund – Ev-Frm Corrective Action Plan (CAP) with \$1.2 million budgeted in FY 2023 and \$1.3 million in FY 2024 with an associated project number of 2023C0067. Additional funding is requested in the amount of \$1,517,510 and will require a budget amendment.

Recommendation

City Management recommends to elect the prepayment option with the Water Resource Commission for Oakland County for the Corrective Action Plan in the Evergreen/Farmington Drain District with a City of Troy proportionate share of 3.1500% or \$4,017,510. Furthermore, City Management recommends City Council approve a budget amendment of \$2,817,510 of which is a \$1,300,000 re-appropriation from FY 2024 and \$1,517,510 from the Sewer Fund to the Sewer Capital.

October 31, 2022

**City of Troy
500 W. Big Beaver Rd
Troy, Michigan 48084**

Re: Evergreen-Farmington Sanitary Drain Drainage District, Corrective Action Plan Phase II Project
CWSRF Project Number 5834-01
Drain Bonds, Series 2023

The Drainage Board for the Evergreen-Farmington Sanitary Drain Drainage District (Drainage District) will soon commence the construction segment of the Corrective Action Plan 8 Mile Road Project and Lathrup Village Sanitary Retention Tank Improvements Project (Project). The intent of the Project is to increase the outlet capacity of the Evergreen-Farmington Sewage Disposal System to the Great Lakes Water Authority (GLWA). The increased capacity is needed to mitigate wet weather sanitary sewer overflows (SSOs) and is a requirement of the Michigan Department of Environment, Great Lakes, and Energy (EGLE) Administrative Consent Order (ACO).

The Project consists of:

1. Increasing the capacity of the 8 Mile Road Pump Station
2. Lathrup Village Sanitary Retention Tank Grade Separation
3. Purchasing 57 cfs of additional capacity from the Great Lakes Water Authority's (GLWA) sewer system.

On November 15, 2022, the Drainage Board is anticipated to approve the Assessment Roll relating to the Drain Bonds Series 2023. Attached is a copy of the draft Assessment Rolls and a statement of the estimated annual debt service cost for your community. Upon approval, the Chairman of the Drainage Board will certify to each community its total assessment on each roll.

Each community may elect to either pay its assessment in installments with interest or prepay its assessments.

Installment Payments

EGLE accepted the Project into the FY2023 Clean Water State Revolving Fund (CWSRF) financing Intended Use Plan. The interest rate on the bonds will be 1.875%, and the bonds will receive principal forgiveness of 10% of the amount financed. It is important to note, per EGLE's FY2023 CWSRF structuring, the principal forgiveness is only applied to the amount financed.

The CWSRF financing is a draw-based loan. The Drain District will draw against the loan as Project construction proceeds. Semi-annual interest on the bonds will accrue based on the actual dollar amount that has been drawn on the Project. The Drainage District will pay the interest on April 1 and October 1, beginning October 1, 2023. Oakland County Fiscal Services, on behalf of the Drainage District, will invoice communities for interest due prior to the due date. The CWSRF Bonds are anticipated to close on January 20, 2023. It is anticipated (subject to change) that principal payments will begin on October 1, 2027.

If your community chooses to pay in installments, no action is required. Your community's assessments will be included in the Series 2023 Bond issue. Each assessment will be collected over twenty (20) installments.

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 November 30, 2022. 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. A template resolution confirming the prepayment of your community's special assessment is attached for your convenience.

Email the notice of intent to prepay to Carrie Cox, P.E., and Steven Burke, CFA (coxco@oakgov.com; steveb@mfcil.com). In addition, mail a hard copy of the notice of intent to prepay to the Office of the Oakland County Water Resources Commissioner, Attention: Carrie Cox, P.E., One Public Works Drive, Bldg. 95-West, Waterford, MI 48328.

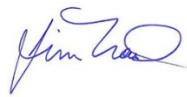
Oakland County Fiscal Services will send prepayment invoices with payment instructions on or about December 1, 2022. All prepayments must be received by Oakland County no later than December 30, 2022.

Should you have any questions, please contact the following individuals:

- Project questions: Carrie Cox, P.E., Chief Engineer, Oakland County Water Resources, at 248.470.1314 or email: coxco@oakgov.com.
- Financing questions: Steven Burke, CFA, financial advisor to the Drainage District, MFCI, LLC, at 313.782.3011 or email: steveb@mfcil.com.

Thank you, and we look forward to our continued relationship as we proceed with this important Project.

Thank you,



Jim Nash
Oakland County Water Resources Commissioner

Attachments

Purely Resourceful

Evergreen-Farmington Sanitary Drain Drainage District
County of Oakland
October 31, 2022

Estimated Drain Assessment - CWSRF - Drain Bonds, Series 2023

Public Corporation Assessed:	<u>City of Troy</u>
Total Estimated Cost of the Project:	\$127,540,000
Percentage of the Project Assessed:	3.1500%
Estimated Total Amount of the Project Assessed:	\$4,017,510

Estimated CWSRF Series 2023 Bond Issue Details

Estimated Bond Debt Service Schedule: *Interest Due Semi-Annually, Beginning October 1, 2023*
Principal Due Annually October 1, beginning October 1, 2027

Installment Number	Fiscal Year ending June 30,	Total Estimated Fiscal Year Principal & Interest - Including 10% Principal Forgiveness
Interest Only*	2024	24,023
Interest Only*	2025	40,568
Interest Only*	2026	57,080
Interest Only*	2027	67,279
1	2028	216,673
2	2029	216,788
3	2030	216,723
4	2031	216,761
5	2032	216,743
6	2033	216,825
7	2034	216,847
8	2035	216,811
9	2036	216,872
10	2037	216,870
11	2038	216,807
12	2039	216,837
13	2040	216,803
14	2041	216,859
15	2042	216,848
16	2043	216,769
17	2044	216,778
18	2045	216,716
19	2046	216,739
20	2047	216,844
Total Estimated Debt Service (including 10% Principal Forgiveness): \$		<u>4,524,862</u>

Interest Calculation Detail:

Interest on the outstanding principal balance shall accrue at the following estimated rate per annum (total interest cost) payable October 1, 2023 and semi-annually thereafter: **1.875%**

*Interest estimated based on the projected draw schedule. Actual interest accrued will be based on the timing of the future draw schedule and will change based on the timing of the construction project.