



**PART 5 - ROAD REVENUE AND  
SEWER EXPANSION FINANCIAL STRATEGY**

Tuesday June 8, 2021

# RECAP

- ▶ PART 1 - ROADS: LONG TERM NEEDS AND PLANNING
- ▶ PART 2 - ROADS: FUNDING NEEDS AND REVENUE OPTIONS
- ▶ PART 3 - CAPITAL PROJECTS: COMPREHENSIVE CIP / “CRAMP”
- ▶ Sewer Survey and expert panel: Need for sanitary sewer in underserved, high density, older neighborhoods for community health, safety and welfare
- ▶ PART 4 - CAPITAL PROJECTS: FUNDING



# COMMUNITY WIDE IMPACTS

Road Revenue applied to local road network; township wide, paid by all users

- Annual revenue covers life cycle cost of all road miles in Township
- Preventive Maintenance for 30-40 years
- Reconstruction around 35 years
- Catch up on road beyond useful life (poor or failed condition)

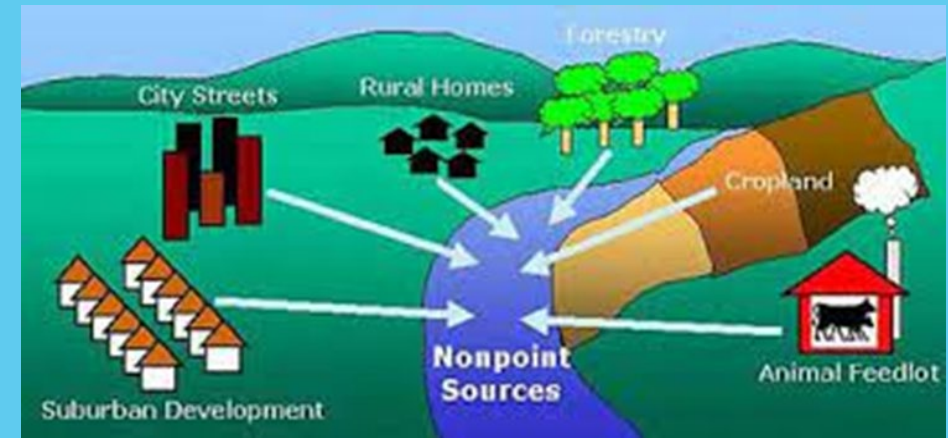
Allows General Funds currently spent on roads to be reallocated for other priorities and needs throughout the Township

- Examples: technology, parks, economic development preparedness, non-motorized, additional staff expertise, broadband, comprehensive utility projects, etc.

# COMMUNITY WIDE IMPACTS

## Health, Safety and Welfare

- Septic systems not intended to be long-term solution in urban areas
- Nonpoint source pollution, not treated
- Dry wells are no longer in code (62% of systems currently in Osh), must replace if fails
- Percolates to groundwater aquifers, source of ALL drinking water in area



## Economic Development

- New Roads (example: south of W Main, 9<sup>th</sup> to 10<sup>th</sup>)
- Availability of public utilities and quality infrastructure

## Balancing Different Needs, Rural and Urban

## Financial Stewardship for all Township funds

- Protecting investment in many community assets
- Proactive response for proper planning and coordination

# OUTLINE

- Road Revenue Options: Community Wide SAD or Millage
- Sewer Expansion Projects:
  - USDA loan overview
  - Mix of funding sources for repayment
- Given road revenue amount, consider general fund contribution to sewer and unallocated for other priorities



# ROAD REVENUE OPTIONS

## Road Millage

- ▶ Based on taxable value
- ▶ Larger Share Divide
- ▶ Board Initiated

## Community Wide SAD

- ▶ Flat fee for every parcel
- ▶ Board Initiated with potential blocking petition

Annual cost for avg single family household taxable value	\$750K	\$1M	Residential Share	Comm/Ind/Other Share
Millage (favored in survey 72.5%)	\$84	\$112	60%	40%
Community Wide SAD	\$109	\$146	92%	8%



# USDA LOAN OVERVIEW - BACKGROUND

- ▶ Project schedule
  - ▶ Start research approximately 2010
  - ▶ May 2016 start USDA RD application process
- ▶ Qualify for poverty interest rate based on percent of failed systems & out of compliance (>51%)
- ▶ Did not meet MHI for grant funds
- ▶ Interest rate at or below Phase I - 2.375% Phase II - 2.215%
  - ▶ Current 2021 Q2 - 1.375%
- ▶ Loan through sale of federal bonds guaranteed purchased by USDA



# USDA LOAN OVERVIEW - FINANCING

- Conducive for larger project - less administration, less disruption, economies of scale (aka buying in bulk), improved overall design of system with less legacy costs
- Cash flow - can complete more at once (majority poor roads, high concentration of urban land use without sewer)
- Longer term 40 years (i.e., smaller payments)
- Best interest rate for municipalities and residents
- Proactive planning gives these opportunities
- Annual repayment Principal & Interest = \$1,050,000.00
- No prepay penalty



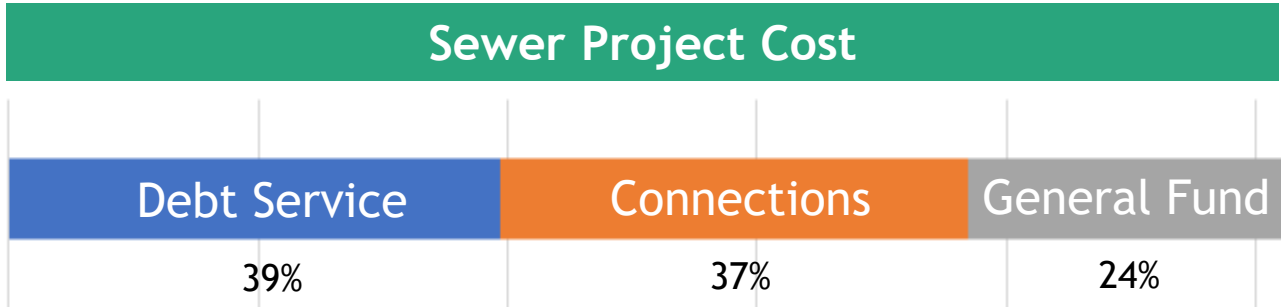




# MIX OF FUNDING SOURCES FOR REPAYMENT

- ▶ Public Connection Cost
- ▶ Surcharge
  - ▶ AKA Debt Service
- ▶ General Fund Contribution

2020

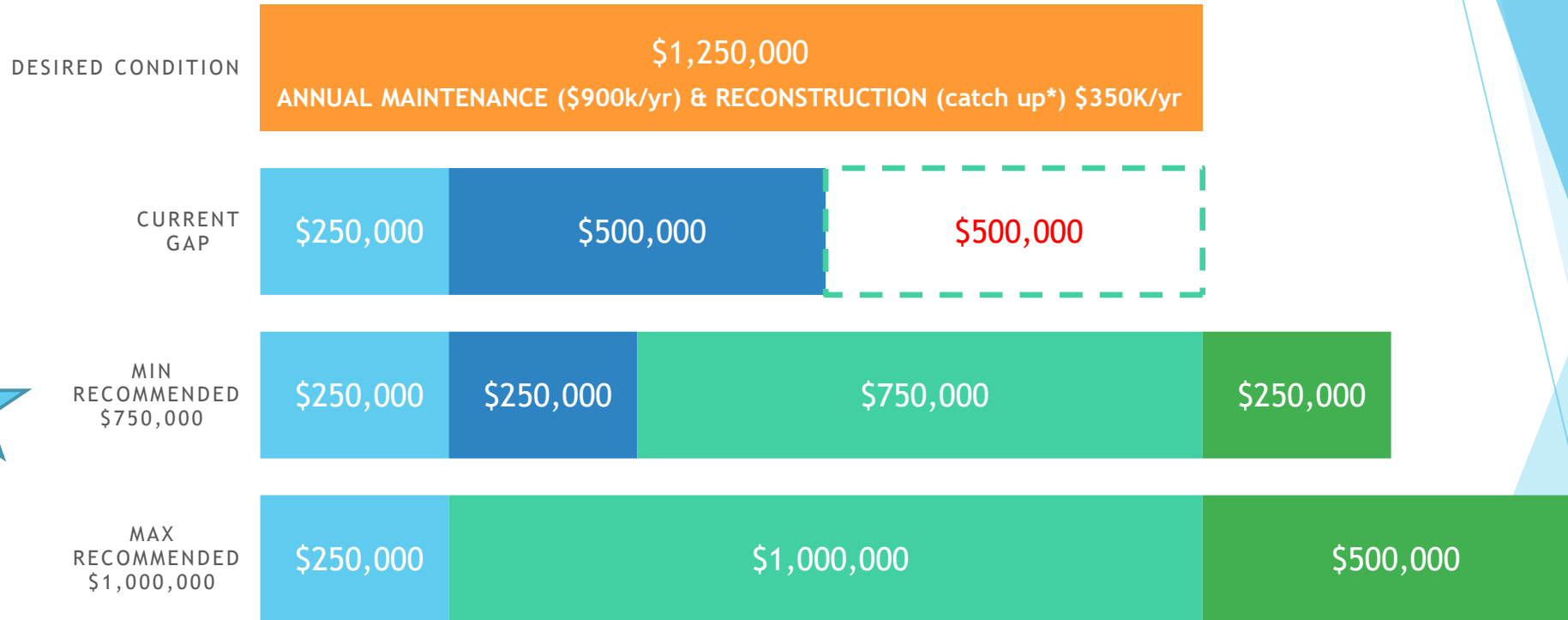


## 2021- ADD ROAD REVENUE



# DESIRED ROAD CONDITION \$1,250,000 ANNUALLY

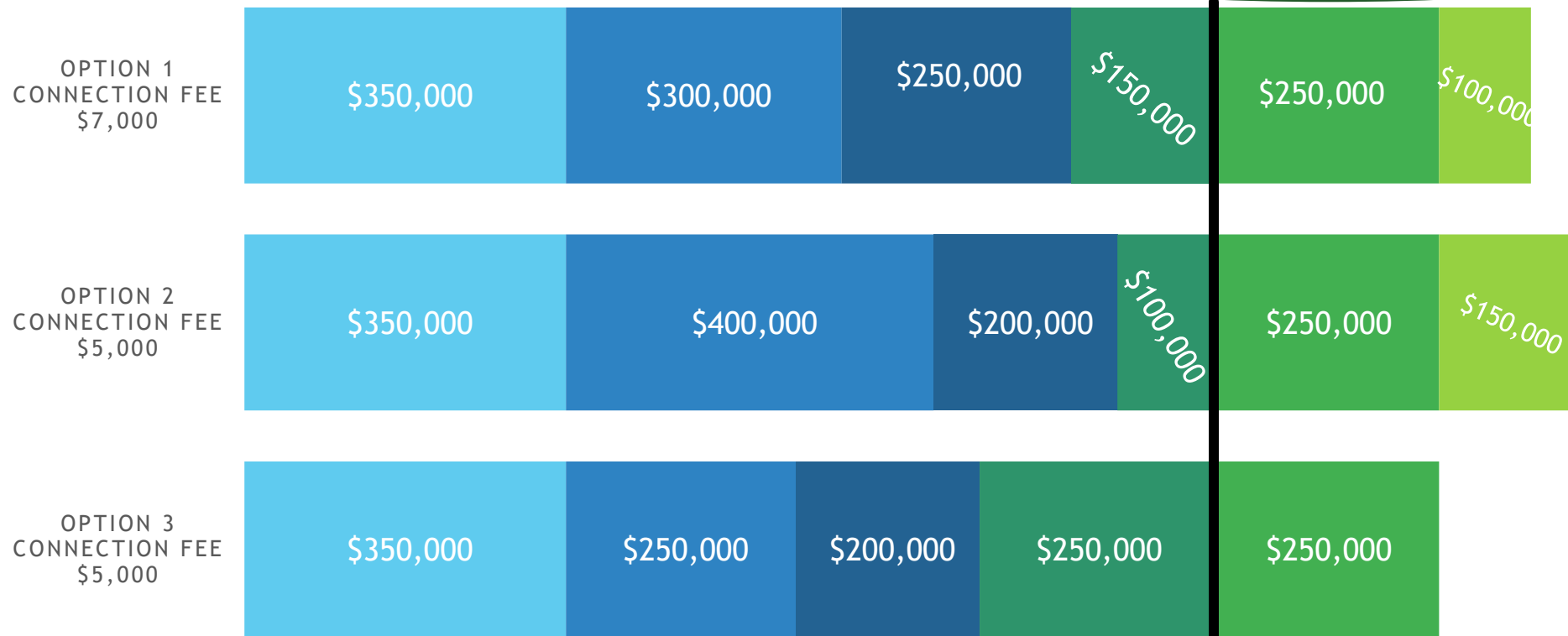
■ PAR FUNDS   ■ GENERAL FUNDS   ■ NEW ROAD REVENUE   ■ "FREED UP GF"



# ROAD REVENUE \$750,000

\$500,000 TOTAL GF

■ ROAD MILLAGE   
 ■ DEBT SERVICE   
 ■ CONNECTION FEES   
 ■ GF TO SEWER   
 ■ GF TO ROADS   
 ■ "FREED UP GF"



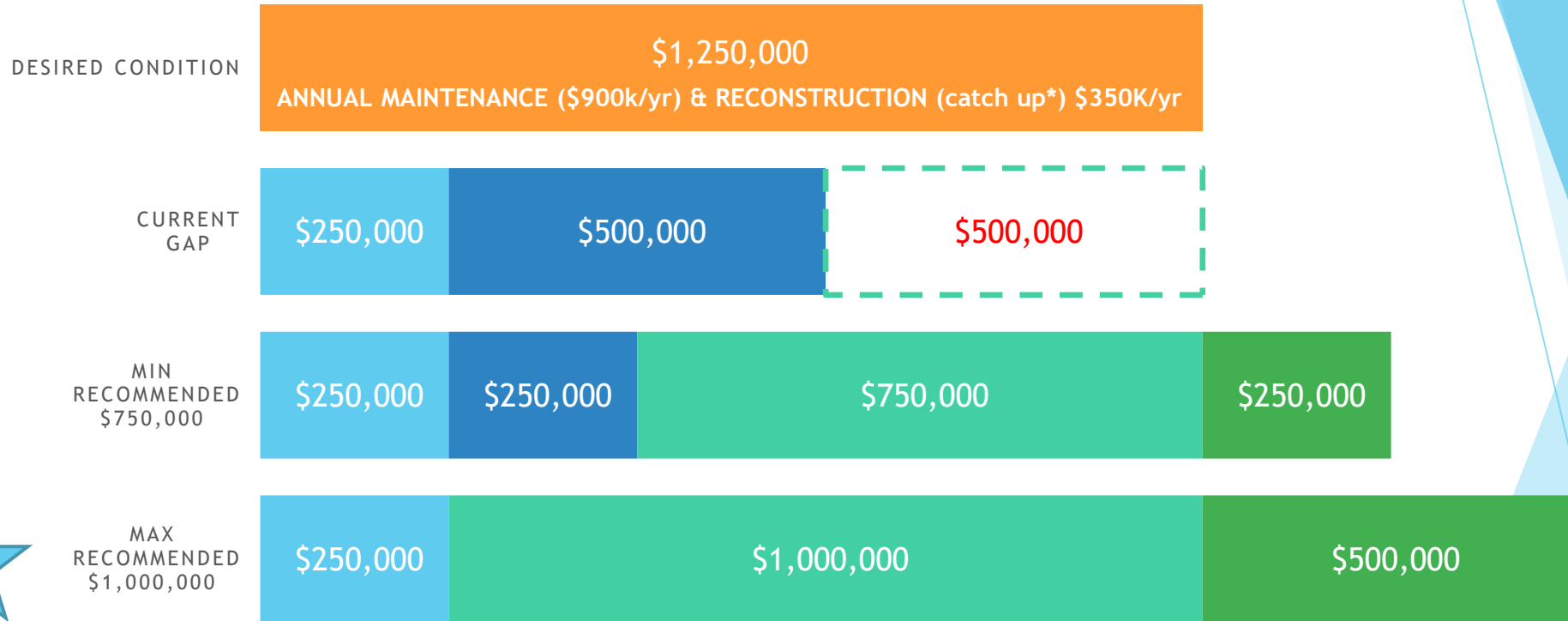
Annual USDA LOAN payment \$1,050,000

The Cost is the Cost



# DESIRED ROAD CONDITION \$1,250,000 ANNUALLY

■ PAR FUNDS    ■ GENERAL FUNDS    ■ NEW ROAD REVENUE    ■ "FREED UP GF"



# ROAD REVENUE \$1,000,000

NO GF TO ROADS

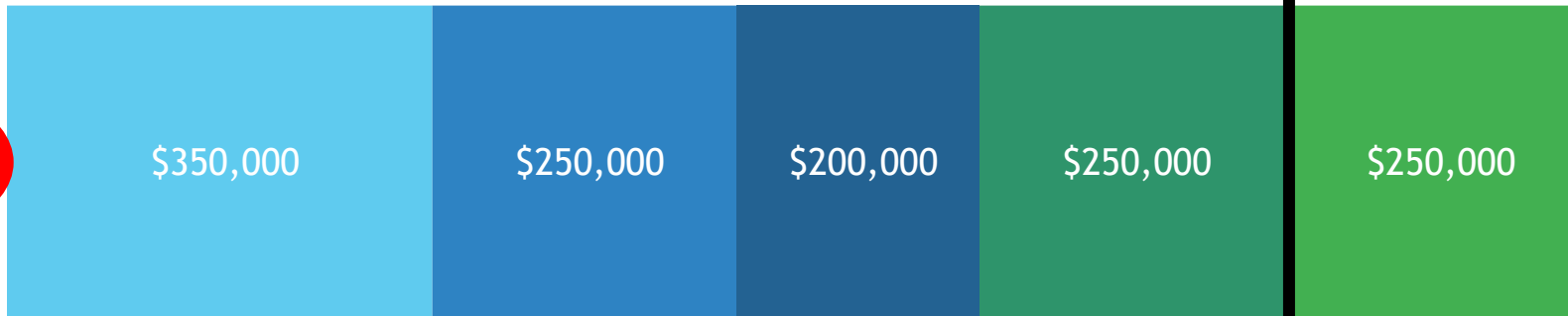
ROAD MILLAGE   DEBT SERVICE   CONNECTION FEES   GF TO SEWER   AVAILABLE GF

\$500,000 TOTAL GF

OPTION 4  
CONNECTION FEE  
\$5,000



OPTION 5  
CONNECTION FEE  
\$5,000



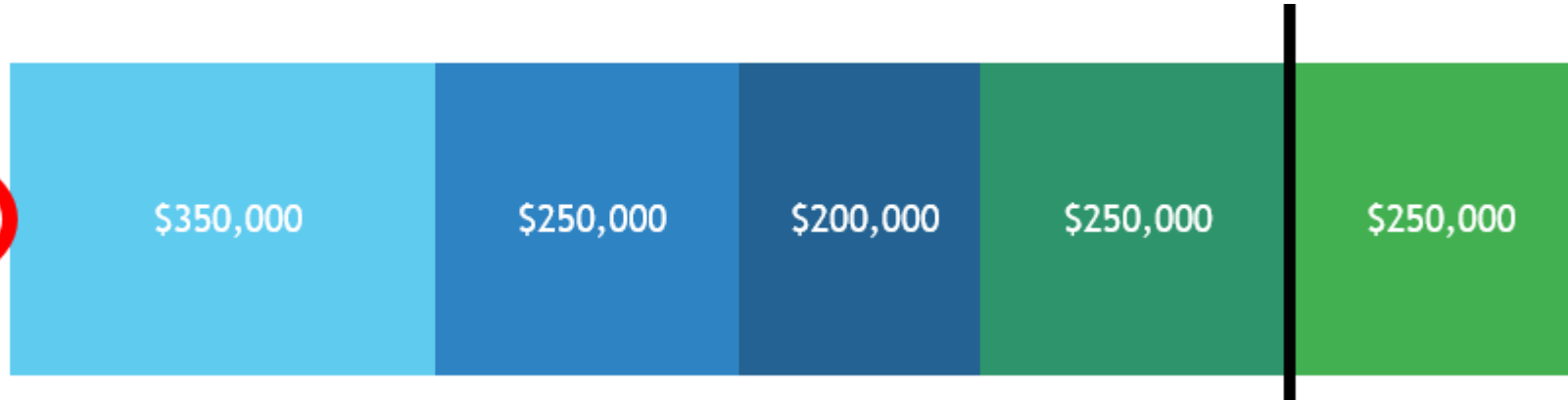
Annual USDA LOAN payment \$1,050,000

The Cost is the Cost



■ ROAD MILLAGE   ■ DEBT SERVICE   ■ CONNECTION FEES   ■ GF TO SEWER   ■ AVAILABLE GF

**OPTION 5  
CONNECTION FEE  
\$5,000**



<b>ESTIMATE with AVG TAX VALUE \$105,000 SINGLE FAMILY HOUSEHOLD</b>	<b>Resident in USDA Phase 1&amp;2 (finance connection)</b>	<b>Resident in USDA Phase 1&amp;2 (connection paid in full)</b>	<b>Current Residents with Sewer Service</b>	<b>All Residents (no public sewer)</b>
MILLAGE	\$9.33	\$9.33	\$9.33	\$9.33
Surcharge (Debt Service):	\$3.75	\$3.75	\$3.75	
Public Connection Fees:	\$18.34	(paid in full)		
Sewer Utility Bill: (City of Kalamazoo)	\$33.00	\$33.00	(no change)	
<b>Total MONTHLY INCREASE:</b>	<b>\$63.41</b>			



# Directive to CIC

Road Millage or SAD?

How Much, \$750,000 or \$1,000,000?

Connection Fee amount? \$5,000

General Fund Amount to Sewer Expansion Projects?