

**Republic Township  
Special Board Meeting/Workshop  
November 13, 2014**

**CALL TO ORDER:**

The meeting was called to order by Supervisor Johnson @ 9:00am. Present were Supervisor Johnson, Treasurer Koski, and Clerk Brancheau, Trustee Feldhusen, and Trustee Knapp.

**PURPOSE OF MEETING:**

The purpose of this meeting is to discuss issues regarding a proposed sewer grant, proposed sewer rate increases and issues with EMS & Fire radios.

**Sewer Lines:**

Jim Koskiniemi spoke from UPEA. He stated that USDA Rural Development is willing to entertain the possibility of a Grant/Loan. There is a long process that we need to go through; we will need to do a survey of household incomes etc. Rates will have to go up; at this time the amount stands at \$13.41. This amount will be assessed in increments. At this time a 40 year loan of \$451,000.00 and a grant amount of 1.2 million is what is being looked at.

**Newsletter/Survey:**

Very shortly a newsletter will go out to all residents with all of the pertinent information on it to explain the situation with our sewer system. Jim Koskiniemi will then be at our December Regular Board Meeting to be available for further discussion. After that a free survey will go out to determine the median income of people on the system. This will enable USDA to determine interest rates for the loan portion.

**Resolution:**

A resolution was discussed regarding a sewer rate increase. The rates will go to \$5.50 for Sewer Debt and \$30.50 for Operating and Maintenance. Motion by Treasurer Koski, seconded by Supervisor Johnson; Roll Call Vote; 5 Ayes, 0 Nays, motion carried.

**Radios for EMS & Fire:**

There are issues with our licenses that Range Telecommunication is going to correct, in addition, there will be tests run on our antennas to try to determine our communication problems and correct them. Motion by Trustee Knapp, seconded by Treasurer Koski, all in favor, motion carried. Also, UPEA will need to do a study on the telemetry systems to see what is working and what is not. Motion by Trustee Feldhusen, seconded by Treasurer Koski, all in favor, motion carried.

**PUBLIC COMMENT:**

Keith Perry Tom Stankus  
Jim Brennan

**ADJOURNMENT:**

Supervisor Johnson adjourned the meeting @ 10:45 am

Sworn and Subscribed to by:

Marilyn Brancheau      11-24-14  
Marilyn Brancheau, Clerk      Date

## REPUBLIC TOWNSHIP

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November 18, 2014

### SEWAGE RATE AMENDMENT

**WHEREAS;** Pursuant to its statutorily authorized power to enact ordinances for the purpose of preserving and protecting the general health, safety, and welfare Republic Township, Marquette County, Michigan created a Wastewater Disposal System under Public Act 94 of 1933 as amended, and 40 CFR 35.935-13(b) in 1983; and,

**WHEREAS;** it is the purpose of this Ordinance to recover from users of the Wastewater Disposal System, on an equitable and proportional basis, the share of the Wastewater Disposal System Facilities' costs attributable to such users and to provide funds for the operation and maintenance, debt service, replacement and improvements of the Wastewater Disposal system, and;

**WHEREAS;** the Republic Township Wastewater Disposal System has attempted to keep rates as low as possible for the residents, while still maintaining the system; and,

**WHEREAS;** due to aging and corrosion the Republic Township Wastewater Disposal system is incurring significant repair expenses, in specific an \$11,500 lift station pump and pump connection system pending at lift station #3 which, combined with the Z&R services needed on the control panel at lift station #1 and electronic service to lift station #4, plus the pipe repair done by Craine Engineering at lift station #2; exceed the amount of revenue being generated by the users;

**BE IT THEREFORE RESOLVED:** that the Republic Township Board does amend the rate structure for the Wastewater Disposal System by increasing the service rate by \$3.00 per month per user.

**AND BE IT FURTHER RESOLVED:** that the Republic Township Board shall use its statutory authority to borrow within itself if necessary, to cover said unexpected expenses, to be repaid by the increased service rates as received.

Resolution offered by Treasurer Koski, seconded by Supervisor Johnson,

Roll call vote, 5 ayes, 0 nays

The Supervisor declared the resolution passed.

I hereby certify that the foregoing is an Ordinance amendment adopted by the Board of Trustees of the Township of Republic, County of Marquette, Michigan at a special meeting held on November 13, 2014 and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.



Marilyn Brancheau, Clerk.

**REPUBLIC TOWNSHIP  
SEWER SYSTEM IMPROVEMENTS  
11/12/14**

**Project Description/Need**

The Republic Township sewer system was constructed in the early 1980's. Overall the system consists of a collection system, lift stations, and an equalization basin treatment facility. The infrastructure is 30 years old and several portions are in need of repair, replacement and upgrading. The current state of the infrastructure is typical for a smaller rural wastewater system where the small customer base is spread out; there is a small maintenance staff, and the original operating budget (and thus rates) was not necessarily set up to include major replacement or upgrade work.

UPEA looked at the system overall and has come up with a project scope based on known component deficiencies and a list of additional required work items and equipment.

**Known needs:**

- Replace lift stations and grinder stations as they are at the end of their service life (7 stations)
- Replace remaining valves at treatment site (existing valves are inoperable)
- Replace lagoon manhole lids and hatches (where necessary due to damage and wear)
- Remove Sludge from lagoon #1 at treatment site (lagoon sludge accumulation taking up space and reducing treatment effectiveness)

**Assumed additional needs based on similar systems: (as budget allows and by future phases)**

- Inspect and seal manholes against infiltration
- Replace severely deteriorated manholes
- Install additional manhole (identified need on Cedar Street)
- Line (CIPP) leaking sewers
- Limited replacement of damaged sewer pipe

**Sewer system maintenance item needs:**

- Vactor Unit – replace old unit
- Jetter Unit – replace old unit
- Excavator/ Loader – replace old backhoe/share cost with water system
- Confined space entry equipment/training – by Township



**Project Cost**

The Engineers Opinion of Cost for the proposal scope of work is:

**ENGINEER'S OPINION OF COST**

	ITEM	QTY	UNIT	UNIT PRICE	TOTAL
1	MOBILIZATION	1	LS	-	-
2	12" LAGOON VALVE REPAIR	4	EA	7,500.00	30,000.00
3	16" LAGOON VALVE REPAIR	3	EA	7,500.00	22,500.00
4	REPLACE LAGOON STRUCTURE HATCHES	6	EA	2,000.00	12,000.00
5	LAGOON SLUDGE REMOVAL	2000000	GAL	0.12	240,000.00
6	LIFT STATION REPLACEMENT	4	EA	90,000.00	360,000.00
7	LIFT STATION MAIN REPLACEMENT	2	EA	120,000.00	240,000.00
8	GRINDER STATION REPLACEMENT	1	EA	15,000.00	15,000.00
11	CIPP LINING	3000	LF	40.00	120,000.00
Base Estimate Subtotal					1,039,500.00
Additive Alternate Work, if budget allows.					
9	MANHOLE SEALING	10	EA	850.00	8,500.00
10	SEWER MAIN POINT REPAIR	5	EA	5,000.00	25,000.00
12	8" SEWER REPLACEMENT	500	EA	50.00	25,000.00
13	SANITARY MANHOLE REPLACEMENT	10	EA	5,000.00	50,000.00
14	MANHOLE LID REPLACEMENT	10	EA	2,000.00	20,000.00
15	6" GRAVEL BASE (CIP)	750	SY	6.00	4,500.00
16	12" SUBBASE (CIP)	750	SY	5.00	3,750.00
17	AGGREGATE SURFACE, 6" 23A	250	SY	6.00	1,500.00
18	2 1/2" BITUMINOUS PAVEMENT	750	SY	20.00	15,000.00
19	TURF RESTORATION*	750	SY	3.00	2,250.00
20	ROCK EXCAVATION	50	CY	100.00	5,000.00
21	FORCEMAIN VALVE REPLACEMENT	12	EA	2,000.00	24,000.00
				Subtotal	184,500.00
<b>TOTAL BASE CONSTRUCTION PROJECT ESTIMATE:</b>					<b>\$ 1,039,500.00</b>
Contingency					103,950.00
Equipment (Vactor, Jetter, Backhoe ½)					225,000.00
Engineering					202,962.00
Sewer Televising					45,000.00
Adm/Local Attorney					10,000.00
Bond Counsel					25,000.00
<b>TOTAL PROJECT:</b>					<b>\$ 1,651,412.00</b>



### Project Budget Review

Per the 2013/2014 sewer budget, the system income was approximately \$125,000. The system operation and maintenance expenditures were \$113,500 not including \$6,080 for construction expenditure and \$21,250 for RD revenue bond debt service. Including these costs, the total expense is \$140,833, for a system deficit of approximately \$16,000. 2014/2015 current budget also still shows a deficit.

Assuming USDA Rural Development financing at 2.5% for 40 years, on a 25% loan/75% grant funding package the loan amount of \$412,850 will have a yearly debt service of \$16,450. In addition to the debt service account must be funded at 10% of yearly debt or \$1,695 Bond Reserve, plus a "repair and replacement" (short-lived depreciation) must be included in the budget as a condition of the financing. Such a repair and replacement account would require approximately \$31,850 per year to be included in the annual budget for major repairs and equipment replacement, as follows:

### Repair and Replacement Budget

ITEM	QTY	COST	FACTOR*	SERVICE LIFE	ANNUAL REPLACEMENT COST
Lift Stations, Main	2	\$50,000	1	20	\$5,000
Lift Stations, Intermediate	4	\$25,000	1	20	\$5,000
Lift Station Simplex Grinder	1	\$2,000	1	20	\$100
Standby Generators	6	\$35,000	1	20	\$10,500
Vactor/Jetter	1	\$150,000	1	20	\$7,500
Combination backhoe/loader	1	\$150,000	0.5	20	\$3,750
					<b>\$31,850</b>

### Project Funding

Rural Development has indicated that they will have funding available for a project of this nature. Also, RD has indicated in an e-mail dated 10/23/14, that the Township has taken steps on their financials to allow for a sewer project funding application. The RD Funding would be in the form of a low interest loan over a 40 year payback period. Current interest rate on RD loans is 2.5%. The formula RD uses to determine loan to grant ratios is based on existing user rates compared to RD's formula for affordable rates. The RD affordable rate is determined by taking 1.5% times the Township's 2010 median house hold income (MHI), which is \$37,130. Based on this, the RD affordable user rate is \$46.41/month. The current average monthly user rate in the Township is approximately \$33 per month. Therefore, the Township would need to increase sewer rates to \$46.41 before becoming eligible for grant dollars from RD. The increase in water rate to \$46.41 would be used for the required repair and replacement budget and remaining would be used to back into a RD loan amount.



**User Rate**

Assuming the Township is agreeable to an increase in water rates of \$13.41/month, the Township would be able to move forward with a \$1,651,000 project to address a large portion of the needs. See the attached summary of the Township's current water budget, along with future budget including the \$413,000 RD low interest loan and \$1,238,000 grant. Based on the anticipated schedule below, the Township would not need to fully increase rates until early spring of 2016.

**Next Steps/Schedule**

If the Township decides to move forward with a comprehensive sewer improvement project the first step is applying for financing, presumably through USDA. The funding application has about 14 parts; the two major parts are the preliminary engineering report and the environmental report. It is in the preliminary engineering report stage where the detailed project scope is developed, costs estimated, and a proposed rate schedule calculated. The entire application process takes 4-6 months, followed by waiting for USDA to obligate funds; which can take more than a year when grant funds are involved.

The cost of submitting an application is \$15,000 to \$20,000 and reimbursable from the funding package at closing. Closing occurs immediately before construction begins.

**Anticipated Schedule:**

Submit Full RD Application	April 2015
RD Offers Funding	September 2015
Design/Permitting	October 2015 – March 2016
Bidding	May 2016
Construction	Summer/Fall 2016

**Option: No Project**

If the Township elects to not proceed with a project at this time, the sewer operation can expect an increase in pump malfunctions and incidents over time, along with a corresponding increase in operation and maintenance costs to repair and replace pumps and controls. Along with increase in inflow and infiltration into the sewer system.



**REPUBLIC TOWNSHIP**  
**Budget/ Rate Review for Wastewater Project**  
**November 2014**

#	Sewer Fund Budget Items	2013 - 2014 Actual Budget	2014- 2015 Current Budget	Projected Budget First Year After Construction (\$413,000 RD Loan at 2.5%)
	<b>Revenues</b>			
	Sales	\$124,798	\$124,957	\$178,986
	<b>Total Revenues</b>	<b>\$124,798</b>	<b>\$124,957</b>	<b>\$178,986</b>
	<b>Accounting Expense</b>			
702	Salary	\$5,793	\$5,700	\$5,700
	<b>Sewer System Expense</b>			
704	Employee Wages	\$22,516	\$25,000	\$25,000
708	Social Security	\$1,757	\$1,900	\$1,900
709	Medicare	\$411	\$500	\$500
710	Employee Insurance	\$14,679	\$14,000	\$14,000
717	Workers Compensation	\$450	\$870	\$870
726	Maintenance & Repair	\$8,708	\$8,400	\$1,400
736	Operating Expense	\$3,340	\$2,700	\$2,700
741	Gasoline	\$3,081	\$3,100	\$3,100
743	Heating Fuel	\$5,364	\$4,500	\$4,500
801	Professional Services	\$2,703	\$1,400	\$1,400
851	Telephone	\$1,542	\$1,400	\$1,400
855	Postage	\$305	\$500	\$500
860	Travel/Meals		\$100	\$100
920	Public Utilities	\$34,598	\$35,000	\$35,000
	<b>Other Expense</b>			
945	Insurance	\$6,951	\$7,425	\$7,425
955	Miscellaneous	\$75	\$1,000	\$1,000
970	Capital Outlay	\$1,230	\$18,000	\$1,000
	RRI Fund (Short-Lived Depreciation)	-	-	\$31,850
	<b>Total O&amp;M Expense</b>	<b>\$113,503</b>	<b>\$131,495</b>	<b>\$139,345</b>
	<b>Existing Bond P/I</b>	<b>\$21,250</b>	<b>\$20,500</b>	<b>\$19,750</b>
	New Bond P/I	-	-	\$16,446
	New Bond Reserve	-	-	\$1,645
	<b>Total Bond Service</b>	<b>\$21,250</b>	<b>\$20,500</b>	<b>\$37,841</b>
	<b>Total O&amp;M + Bond Expense + RRI</b>	<b>\$134,753</b>	<b>\$151,995</b>	<b>\$177,186</b>
	<b>Excess of Rev. or Exp. (before Depreciation)</b>	<b>-\$9,955</b>	<b>-\$27,038</b>	<b>\$1,800</b>





**SUMMARY OF FUNDING SCENARIOS**  
**REPUBLIC TOWNSHIP WASTEWATER PROJECT**

**%GRANT AMOUNT CHART**  
**FOR PROPOSED REPUBLIC TOWNSHIP WATER PROJECT**  
**( ASSUMING A 2.5% LOAN OVER 40 YEARS )**

Existing System	Proposed Project = \$1,651,412		Grant %
	0% Grant	50% Grant	
Assumed Republic Township Waste Water: USDA RD Grant/ Loan Amount (see note *)		\$1,651,412	75.00%
Project Loan Amount (RD)	\$0	\$1,651,412	\$412,853
Existing Yearly Debt Service (A)	\$21,250	\$19,750	\$19,750
New Yearly Debt Service (B)	\$0	\$65,786	\$32,893
New RD Debt Reserve ©	\$0	\$6,579	\$3,289
O & M Costs (D)	\$113,503	\$139,345	\$139,345
Total Republic Township Costs (A+B+C+D)	\$134,753	\$231,459	\$195,277
Republic Township Waste Water EDUs	321	321	321
<b>TOTAL REPUBLIC TOWNSHIP WATER SYSTEM USER COST/ REVENUE SUMMARY (see note *)</b>			
Usage Rate/ Month/ EDU	\$33.00	\$60.56	\$51.16
Income from base rate (321 users)	\$127,116	\$233,259	\$197,077
Additional Income required to meet the RD Formula (Income - O&M Expense)/ Debt Service >= 1.10	\$0	\$1,800	\$1,800
Other	\$0	\$0	\$0
Annual Total Revenue**	\$127,116	\$233,259	\$197,077
Income	-\$7,637	\$1,800	\$1,800

Income - O&M / Loan Debt Service >= 1.1	
Revenue	\$178,986
O&M Expense	\$178,986
New RD Debt Service	\$139,345
Income/Debt Ratio	1.10

\* The proposed project loan is determined by Rural Development to be the Affordable Monthly User Rate, which is of 1.5% of MHI. MHI of Republic Township is \$37,130, which equates to an affordable rate of \$46.41/month per EDU. This equates to an Affordable Loan amount of \$412,853

**Income Calculation Summary:**  
 Use \$xx/month Base Rate:  
 321 users x \$46.47/mo x 12 mo = \$178,986