



FREQUENTLY ASKED QUESTIONS
Phase 1 Sanitary Sewer Expansion Project
September 24, 2020

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How We Got Here

[What is the purpose of the sanitary sewer expansion?](#)

- There are several reasons why Oshtemo chose to pursue this project and they all relate back to improving the health, safety, and welfare of the community. This project was undertaken to protect public health and environmental stewardship through the closure of aging and failing private, on-site septic systems. Many properties within the township are on their third or fourth septic system. This is a serious concern since new septic systems and replacement of failed drainfields are expensive. The cost to replace a septic system can range from \$10,000 - \$35,000 or more. Several properties within the township possess small configured lots. This creates a health and safety concern when lots are not large enough to situate a septic system with new drainfields/drywells. Additionally, mature trees and other landscaping often need to be removed to install a septic system/drywell and drainfields.

[Why are septic systems considered potentially hazardous to the health, safety, and welfare of the community?](#)

- The Kalamazoo County Environmental Health Department states that more than half of existing septic systems in the township are below standards and not up to current health code requirements and are in failing condition. All of the township’s water is sourced (either public water or private wells) from groundwater. Aging septic systems create health hazards to the township’s source of water (groundwater) by being contaminated with nitrates from human waste. Consequently, there can be serious health issues associated from this cross contamination.

- Many people do not keep their septic system well-maintained. Some residents have not pumped out their septic system in more than 30-40 years. A well-maintained system should be pumped every 3 to 5 years. Additionally, Michigan is the only state in the nation which does not have an inspection program for on-site sewage treatment systems. This means the Kalamazoo County Environmental Health Department only inspects at time of installation and not on a regular schedule. The only time the County conducts an inspection after installation is when a failed septic system results in sewage seeping to the surface. Not all septic system failures result in visual, surface exposure, yet allow sewage and household chemicals to migrate into groundwater. With no inspection process in place, there is no way for the Township to resolve the issue because no one knows it is taking place.

What is the difference in treatment for sewer versus septic?

- A wastewater treatment plant, through mechanical aerobic and activated carbon filtering processes, removes nitrates, phosphorus, and other compounds, releasing 95-98% better water. Even brand new septic systems only improve wastewater by 30-40%.

Why is this project taking place now?

- Oshtemo's population is near 23,000 and rapid growth continues. The Township is making efforts to manage current/future growth and development as sanitary sewer systems become more of a necessity. Sewer projects require years to complete and are expensive. The Township is preparing for additional growth as well as preventing a health crisis, and taking advantage of unprecedented low bond rates. To address these reasons, the Township must act now.

What about me? Are you bringing sanitary sewer into my neighborhood?

A [map](#) of the sewer projects which are part of the current loan application is available on the Township website. These projects are identified in the pre-application project list and represent about 60% of the sewer extensions needed in the Township. As a growing community, additional sanitary sewer system needs have been identified in the Township's Capital Improvements Plan in subsequent years.

Oshtemo's Capital Funding of Sanitary Sewers

Why are municipal sewers so expensive?

- Sanitary sewer is typically designed to operate through a gravity system. This means that sections run deeper and deeper to carry waste downstream to a point at which it is no longer feasible or manageable to construct or maintain. It then must be pumped up to a higher elevation and then the gravity system can operate again. Combinations of these types of flow continue until the system reaches a treatment facility. If the sewer main is located in the pavement, the cost of construction is comprised of removal of existing roadway, excavations up to 30 feet in depth, new pipe and manholes, backfill of

sand or suitable existing material, and replacement of the roadbed with gravel base and asphalt.

- As mentioned, at some point in the system, sewage pumping cannot be entirely avoided as there are 11 pump stations needed to support the Oshtemo sewer system. The costs of these include large storage wells for incoming sewage, screens or grinders to remove or breakdown larger debris, mechanical pumps, a power supply, and electrical controls.
- The exact placement of the sanitary sewer main is determined by location of other utilities in the public rights-of-way (ROW). Existing ROW's typically carry other utilities (water main, storm sewer, telephone, electric, gas, fiber/telecom) and public/private uses (sidewalks, driveways, mailboxes). Because the ROW is currently congested with other uses, a sewer extension is more expensive than a developer's "green field" extension.

How is the cost to a homeowner determined?

- Project costs are estimated using actual costs of recent, similar magnitude projects and the expertise of civil engineers. Projects throughout southwest Michigan are used as reference to calculate estimated costs. The Township's Capital Improvement Committee (CIC) considers fee adjustment recommendations annually from its professional staff and the Board's Consulting Engineer to reflect current industry pricing. The CIC reviews cost scenarios for average lot configurations of 110-, 150-, and 200-foot frontages. The goal is for components' fees to generate enough revenue, approximately \$14,000-\$15,000 per lot, to recover construction costs.

What's the difference between operating vs. capital costs of public sanitary sewers?

- Oshtemo does not own a wastewater treatment plant. Oshtemo has an agreement with the City of Kalamazoo for sewage treatment, which includes the City's operation and maintenance of the Township's sanitary sewer infrastructure. Kalamazoo is the utility service provider for both public water and sewer service in the Township. The City's utility-service billings pay for these services. In contrast, sanitary sewer capital costs are Oshtemo's cost to construct and build the physical infrastructure of the public sewer system within the Township.

Where in Oshtemo is the Sewer Project?

My septic system is old and ready to fail. Are you bringing sanitary sewer into my neighborhood?

- A map of the Phase I sewer extensions which are part of the current loan application is available on the Township website. These projects are identified in the pre-application project list and represent about 60% of the sewer extensions needed in the Township. A map of the long-range sewer capital improvement plan is found [here](#).

My septic is failing now. What do I do since both phases of the new sewers may not be completed until 2022?

- The County Health Department is aware of both planned sanitary sewer construction phases. They will work with homeowners to try to avoid construction of a new system if the public sewer line will be available within a reasonable time period. The time period criteria used to permit temporary septic systems is within one year. This satisfies persons in this situation for both Phase 1 and Phase 2.

Do I have to Connect?

- Yes, Oshtemo has a general ordinance which requires mandatory connection to public sewers. As new sewers are extended, properties are required to connect. Illustrations of the [Phase 1](#) and [Phase 2](#) sewer extension areas are available on the Township webpage.

Is my home in a Special Assessment District for new sewers?

- No, at this time Oshtemo has no sewer special assessment districts (SAD) nor will a new SAD be created for the planned USDA financed sewer extensions.

What is a Special Assessment District?

- A Special Assessment District (SAD) is created when a municipality cannot self-finance a project; instead the County Board of Public Works sells municipal bonds. The SAD creates a tax burden which reduces the lender's risk, and thereby keeps borrowing costs low when bonds are sold. 1992 was the last time Oshtemo created a sewer SAD.

I'm confused about connection fees, and Special Assessment Districts (SAD) vs Sewer Connection Installment Payment Agreements. Can you explain?

- All of the above pay the cost of building utility infrastructure, including sewer. Since connection fees can be high, SADs and installment payment agreements are common tools that help spread payments over multiple years in more manageable amounts.
- A Special Assessment District (SAD) is a common means for a public entity to borrow monies to finance its infrastructure costs.
- A township can also provide a similar financing-over-time option which some property owners find beneficial in managing their financial obligations versus paying upfront the entire cost of the connection fee. This is called a sewer connection installment payment agreement. The installment payment agreement replicates the long-term payment characteristic of a SAD burden over the property. By policy, Oshtemo's installment payment agreement is available throughout the Township.
- For the USDA projects, the Oshtemo Board committed to offer both a connection fee reduction/freeze, and an installment payment agreement based upon the extremely low USDA interest rate and long bond repayment period.

- Important to note that a SAD and an installment agreement BOTH place a lien on the parcel and run with the property. The Board in 2020 heard resident concerns about the installment agreements and has thus modified the installment agreement option.

Will I have other expenses while connecting to the public sewer?

- Yes, homeowners pay for private-side construction costs to abandon septic systems and connect to public sanitary sewer. This work is typically performed by a septic system service firm or a licensed excavator. While a plumbing permit is required, a licensed excavator can perform the work if it is limited to the exterior of a home or structure. An estimated expense for this private-side work is \$3,000–\$6,000 but actual costs may vary based on location of existing outlet and landscaping. Oshtemo recommends homeowners obtain cost estimates from multiple contractors to compare costs.

Will I also get regular bills for the use of sanitary sewer service?

Yes, single-family sewer fees are billed quarterly, based upon measured flows of the public water meter. Homes on a private well are billed a fixed-rate (currently \$30.80/month), based upon an average of all metered single-family services. These City of Kalamazoo service billings pay utility operating expenses, not capital sewer construction costs.

Driven to Reduce Costs – USDA Loan Description

What has the Township done to drive down the cost?

- Having determined public sewer extensions are needed, Oshtemo intends to be a wise steward of public funds needed to be invested in new sewers. Decisions made and actions taken over a number of years allow the Township to lower costs, and derive an efficient financial plan to provide sewer service to older neighborhoods of the Township. These efforts assure homeowner costs are lower and include:
 - Aggressive review of the City of Kalamazoo utility service billings and initiation of contract negotiations (water contract is first) with the City to reduce customer-Township cost share.
 - Deferred/avoided major capital investments into road reconstructions where public sewer extensions are needed.
 - Deeply searched for grants and low-cost municipal financing options.
 - Obtained conditional approval for two low-cost, federally subsidized loans from USDA Rural Development.
 - Assured that the affected neighborhoods will receive new streets, constructed to current standards (pavement thickness to be increased 33%).
 - Aggressively negotiated with the Road Commission of Kalamazoo County so that Oshtemo's local road improvements are recognized as a local governmental, in-kind match (50% PAR) which Michigan requires to use Act 51 monies towards local roads.

- Contracted with municipal finance professionals to assure the Township's USDA loan repayment obligations will be met, while reducing overall sewer costs to property owners in the project area.
- Elected to freeze property owner sewer connection fees at 2018 rates for mandatory connections for USDA scheduled construction.
- Capped the assessed length of front footage at 200-ft for single-family homes.
- Created a deferment of up to 15 years for properties who installed a new septic system (10-17 year life expectancy).
- Decided that a large part of debt service costs will be financed through an increased surcharge that will apply to all Township sewer service utility billings. (Approximately \$6/month; will be less in some years).
- Pledged \$250,000 of general revenue funds be applied annually towards the 40-year USDA Loan repayment plan.
- Approved an installment payment policy with deeply reduced interest rates and extended payment periods for project area homeowners that elect to use Township provided long-term financing of sewer connection fees.
- Adopted a [written policy](#) to subordinate water or sewer installment payment agreements to facilitate the property owner's ability to finance, refinance or obtain a home equity loan on their property.
- Adopted a [sanitary sewer hardship program](#) for special Oshtemo financing or payment deferment. Qualified residents can apply funds towards sewer connection fees and/or the private plumbing expenses.
- Elected to offer refinancing of the installment payment agreement to homeowners which executed this option when connecting to sewer per the 2018 notification letter which described the sewer connection requirement. The refinancing opportunity's interest rate decreased from 6.5% to 3.83%, a rate reduction of 2.67%.
- Eliminated mortgage component from financing; effecting personal liability and credit to a Sewer Connection Installment Payment Agreement that stays with the property as a lien.

What is the USDA Loan Program?

- In April of 2017, Oshtemo submitted pre-application materials to the US Department of Agriculture, Rural Development (RD) program for a municipal sanitary sewer grant and/or loan. While Oshtemo did not qualify for grant money, it did receive preliminary approval from USDA for two separate loans. Full application materials were submitted in 2018 for Phase 1 and in 2019 for Phase 2. On January 8, 2020 Oshtemo received formal approval from USDA to proceed with soliciting contractor bids for the Phase 1 project. Bid packages went out on January 17th. The USDA loans have lower interest rates than the Township could find anywhere else. The result is lower costs to Township residents.

What are the loan requirements?

- This federal program provides funding for both water and sewer systems to benefit households and businesses in eligible areas:
 - Use of funds must be for a public purpose
 - Restricted to rural areas with populations of 10,000 or less
 - Interest rate based on need of the project
 - Interest rate based on median household income of the area to be served must be financially sustainable
 - Up to 40-years of financing

The Township met all conditions to qualify for funding. Population restrictions apply to the served population of our existing sewer system. Should the Township continue to grow, this restriction may be surpassed when additional sewer expansion projects are needed. Oshtemo is within the westerly limits of the US Census defined “Urbanized Area” for greater Kalamazoo. Urban growth continues to expand outward from the City, and the 2020 census is expected to expand the portions of Oshtemo classified as urban. Many expect the 2020 census may remove Oshtemo from future RD program eligibility. Also, median household income statistics for the project allows Oshtemo to receive a poverty adjusted rate (2.375% over 40-years).

Oshtemo Sanitary Sewer Connection Fees

Why did I receive a letter saying I must connect to public sewer?

- Being dependent upon groundwater for its public water supply, the Township Board is concerned about failing septic systems in older neighborhoods. By authority of Michigan Public Act 368 of 1978, the Township Board declared that properties with access to public sewer (Oshtemo General Ordinance Part 232.008), must connect to public sewer within 2-years of notice. In 2018, notices were sent to property owners adjacent to existing sewers. In October of 2019, notices were also distributed to property owners located in areas where new sewers were to be installed in 2020, addressing the Board’s concerns for older neighborhoods. Oshtemo will proceed with Phase 1 sewer extension program financed through low-interest USDA Rural Development loans if voters approve the \$10 million [bond](#) on the November 3rd ballot. Collection of mandatory connection sewer fees is needed by the Township to repay the USDA bond timely and protect the groundwater immediately.

All mandatory connection notices were distributed using sewer connection fee tabulations based upon rates established in 2018 (parcel fee @ \$7,000; frontage @ \$25/ft) The Board will honor quoted rates for the duration of the 2-year window provided to homeowners to complete their sewer connection. Thereafter, current connection fees will apply.

Why do homeowners need to pay the capital cost for sewers?

- Fairness and equity considerations cause utility costs to be born primarily by properties which receive benefit of the available utility service. In order to finance facilities, state law allows municipalities to recover its costs by taxing the properties that receive benefit. Because of its essential nature, public sanitary sewer systems expand upon this general rule. This is because sanitary sewers benefit the entire community's public health and protect the environment as a whole. In recognition of these larger benefits, Oshtemo has historically contributed additional general funds towards public sewer projects. For the planned USDA-financed sewer extensions, the Board publicly stated to USDA that it will annually contribute \$250,000 of general fund money during the life of the USDA loan.

The sewer in front of my house was built years ago. Isn't it already paid for?

- The public money used to construct sewer were essentially borrowed from Oshtemo's Sewer Fund. The decision to "borrow" and "invest" in sewer construction is based on considerations, the most common being the Road Commission's identification for road reconstruction needs. The construction of sewer at that time is a collaborative effort. (Decades ago the Township lacked the fiscal resources to collaborate. For example, when the City of Kalamazoo built sewer in Drake Road, the Township did not construct service leads to the Oshtemo Side.) To equitably recoup the public dollars, the Township uses the present value of that investment. Otherwise, the Township would be subsidizing your connection with either the general public's money or the users who have already paid their fees.

Why is the cost tabulated in 3 parts?

- To pay the capital cost of sewers, the Township's tabulation of the sanitary sewer connection fee has three fee components: (1) a parcel fee, (2) a front-foot fee and (3) a benefit use fee (see below). These three components of the sewer connection fee are intended to recover construction costs of a residential sewer extension within the public right-of-way.

What is the Parcel/Lot Fee?

- The parcel/lot fee is a flat rate amount of \$7,500.00 (USDA project area is frozen at 2018 rate of \$7,000.00 during the notice period). It balances sewer fees collected from parcels with pie shaped lots, or lots without significant frontage along the public sewer. This parcel fee component assures that sewer fees for similarly benefiting properties (i.e. those receiving sewer service) are approximately equal, regardless of the lot configuration.

What is the Front Footage Fee?

- The front footage fee uses the length of frontage the parcel/lot has along the roadway. Each foot of frontage is assessed at \$30.00 per foot (USDA project area is frozen at 2018 rate of \$25.00 per foot during the notice period). Without a Parcel/Lot Fee, the front

foot fees would escalate to approximately \$144.00 per foot. Commercial/Industrial properties are assessed full frontage. For residential (single-family) properties, the assessed frontage limit is a maximum 200 feet. Should the parcel redevelop or subdivide, the remaining frontage is assessed.

What is the Benefit Use Fee?

- This fee represents a user-class based on the common daily usage/flow volumes of the facility-type. A single (1) benefit use represents a typical single-family water usage (250 gallons per day). Each benefit use assigned to a facility is \$2,000. More importantly, the Benefit Use Fee supplements the overall sewer system capital costs. In other words, there are system capital costs not included in the cost of constructing the sewer in a neighborhood.

My Benefit Use Fee is greater than one. What is the extra cost used for?

- A single-family home is one unit. If the structure is a duplex, it is assigned two units. Benefit use fees greater than one are primarily commercial, industrial, or institutional structures. As mentioned in the question above, the benefit fee covers the usage impact on the system wide costs thus the more usage, the greater cost to the system capital costs.

I understand the fee schedule is based on typical residential sewer. What is an example of the higher costs in the construction project?

- The public sewer system includes collector mains frequently constructed at a greater depth and with larger diameter pipes. The additional capacity in these mains is more costly to carry consolidated sewer flows from upland areas, and transport the combined sanitary sewer flows to the wastewater treatment plant. Oshtemo also uses Benefit Use Fees for the capital costs of eleven sanitary sewer pumping stations. Benefit Use and other collected sewer fees are deposited into a dedicated fund used for system-wide costs.

Sanitary Sewer Expansion Project Construction

Where on my lot will I connect to the sanitary sewer?

- When sewer is constructed, a contractor will work with homeowners to determine the sewer service “lead” location for your specific property to best service your home. For new construction, contact information will be provided along with a wooden stake to mark where you would like the new sewer lead placed on your property.
- Generally, service leads are extended from the main in the road at right angles, to the edge of the public right-of-way and property line. This distance is typically 33 feet from the roadway centerline or 15 feet past the edge of pavement. Service leads are typically constructed at a minimum of 10-12 feet below the surface grade of the roadway. This is a construction standard so properties with basements can be serviced through a natural

gravity-fed sewer. In rare occasions, if gravity is not feasible, properties may need to install an ejector pump. This mechanism essentially grinds the waste and sends it through a 2 inch force-main tube to the service lead, which then carries the waste into the sewer.

- Oshtemo recommends that property owners review their [septic installation records](#) to determine where the waste pipe leaves the home, and how best to run a gravity flowing pipe to the service lead (obtain “as-built” records from Kalamazoo County Environmental Health). As new sewers are built, the contractor may recommend a location from visual indicators to suggest best location.

What will happen to the trees in front of my house?

- Oshtemo will make great efforts to avoid tree removal. However, if a tree and its root mass are located within the public right-of-way, and identified as an obstruction, it may be necessary to remove the tree in order to proceed with construction. If a tree is removed, property owners may request the felled tree moved onto the parcel so the property owner may claim the wood for their benefit.

What if I have just put in a new septic system?

- The Township recognizes that some residents repaired or upgraded their existing systems in recent years. To respect this investment, the [ordinance](#) provides for a septic service life of 15-years before connection is required. If a septic system is newer than 15 years and a resident receives a notice to connect, the resident can provide records from County Health on the system age. The time to connect will be extended to the time the system reaches 15 years in age.

I have been notified and I’m ready to connect to the sanitary sewer system. Now what can I expect?

- If notified of the availability of public sewer, there are two steps: (1) make a payment arrangement for public sewer connection fees with the Township and (2) select a licensed contractor to complete the private-side work needed to connect the structure to the sanitary service lead.
- If notified while new construction is underway, proceed with the above two steps, but the actual date the sewer is available will vary by project. Detailed construction schedules are not developed at this time until project is confirmed. After a public sewer contractor is selected, the Township will publish progress schedules and related information through updates posted on the Township website.
- The construction of 23,730 feet of sewer (Phase 1) assures that different neighborhoods will be completed at differing times throughout the project. Certification of the public sewer system requires a 30-day rest period before testing and granting approval for use.

However, sewer extensions that include a sewer pumping station(s) can add several months to the timeframe until the sewer can be used.

What steps do I need to take to get connected once I have paid?

- Residents need to plan and contract for private-side construction costs associated with abandoning your septic system and connecting to the new public infrastructure. This work is typically performed by a licensed plumber, excavator, or septic firm. To perform the necessary private-side work, a plumbing permit must be acquired by the selected contractor through the [local building authority](#). Please note a licensed excavator can perform the work if the work is limited to the exterior of the building. An estimated average expense for the private-side work is \$3,000 to \$6,000, but actual costs vary. The associated costs are not included in the Oshtemo fees. The variable costs depend on the location of the existing septic system and the topography of the property (elevation, trees, etc.). Seek price quotes from two or three [service providers](#).

What if I do not connect within the deadline?

- The Township will enforce its mandatory connection ordinance and will do so expeditiously. However, conversation and consideration about hardship will occur.

What will happen to my mail during construction?

- The contractor will make arrangements so postal service is maintained. The contractor may move mailboxes to the front of the project area (most likely the nearest access point from a primary road).

Are public sidewalks included in the USDA Sewer Expansion Project?

- No. Sidewalks are not a part of the USDA Bond. Previously the Township considered extending sidewalks at the same time as sewer but decided not to. The Township is completing two small segments within sewer neighborhoods (approx. 400 linear feet at 1 commercial property and approx. 500 linear feet at 4 residential properties) to make connections to existing walks. These will be paid from the general fund.

Installment Payment Agreement Option

Doesn't Oshtemo know many homeowners can't pay such a large connection fee?

- Yes, the Township recognizes the investment for property owners. Oshtemo worked hard to reduce the homeowner cost and has a long-established policy to provide property owners with a Township-financed, sewer connection installment payment agreement option. Since 1992 and earlier, these policies were used in tandem with Oshtemo's public construction to provide homeowners with a long-term financing option when needed. (Note: homeowners are not required to use township financing; individual home equity or other private financing may be preferred).

- In 2020, the Board further reduced the cost to those who elect the installment payment agreement for connection fees. The established basis is changed to the January 1st, published Fannie Mae rate (Prime Rate was the prior basis). Under this financing program, an additional 0.5% (which is one-half the amount historically applied) is being added in order to properly manage the Township's risks and expenses.

What is the installment payment agreement option for Sewer Connection Fees?

- The installment payment agreement is designed to assist property owners with long-term financing of utility connection fees. It is most applicable when Oshtemo self-finances utility construction projects. The Township leverages its available loan-capacity to finance both the project and to lend credit to property owners that elect the installment payment agreement option. As noted above, the 0.5% addition to the Fannie Mae rate is designed to manage both the Township's traditional borrowing costs and its risk in extending credit to property owners in a fluctuating financial market.

What is the installment payment agreement option for residents who reside within the USDA Federal Bond Award District?

- A homeowner can pay in-full via cash or check, seek a private home equity loan, or execute a sewer connection installment payment agreement with the Township. An installment agreement with the Township will include a repayment period for up to 40 years, with no pre-payment penalty, and early payoff remains an option. For those who reside in the USDA Phase 1 for \$10M, the interest rate will not exceed 3.375%. A down payment is not required; however, residents can do so. If a down payment is not collected, the first payment towards sewer will be on the first winter tax bill. This process will repeat, that is it will be billed annually on subsequent winter tax bills until the loan is paid in full. If winter tax bills are sent to the mortgagee in an escrow account, property owners should contact their mortgage company to set up the savings in increments over 12 months, compared to needing the annual payment within two months of the tax notice.

How does Oshtemo's Standard/Typical Installment Payment Agreement Policy work?

- At the first of year, the published Fannie Mae mortgage rate, plus 0.5%, is adopted as the rate Oshtemo will use during that calendar year for installment payment agreements with property owners. Financing is available for both water & sewer fees. Property owners may make an initial deposit of any size (including \$0), and choose any number of years up to a maximum of 20-years (applies for non-USDA areas). Homeowners can make additional payments if they wish, which will shorten the life of the loan. An annual payment schedule will be provided at time of execution that will identify the standard, fixed amount to be invoiced once a year on your Winter Tax Bill.

What makes the USDA funded sewers different?

- In the case where long-term financing and known interest rates are obtained by the Township for specific construction projects, the Township Board's intent is to pass-through to the affected homeowners any advantageous terms of credit the Township obtains. For this project, the Township did not need to create a SAD as a pre-condition to finance the work through a sale of municipal bonds. Rather, the USDA loan approval was simpler because the federal agency becomes the guarantor. Upon strong recommendation from Oshtemo's municipal finance consultants, the pass-through interest rate to homeowners should include a 1% addition to the Township's bond/loan rate. Upon sale of the bonds, the terms would be known and made available to Phase 1 property owners. While the exact interest rate is yet to be determined, the Township expects it to be lower than previous Township sanitary sewer projects.

What happens if I sell my house?

- The installment payment agreement is executed with the Township as a property-based lien. It can be paid-off at any time without pre-payment penalty. Therefore, the most common procedure at time-of-sale is that the unpaid principal is negotiated in the sale price, with the agreement closed through an escrow check to the Township. Alternately, the purchaser can assume the installment agreement with Oshtemo in which will take over the existing financing agreement. It is important to note that the lender must agree to the assumption.

Will Oshtemo profit from its installment payment agreement option?

- No. Oshtemo will not profit. USDA has pledged that the Phase 1 bond will be at an interest rate of 2.375% or lower. (Should bonds sell at a lower rate, the lower rate will be passed on to the Township. If current trends continue, the bond sale may be below 2%). The Township will add a percentage point (1%) to the USDA rate to homeowner installment payment agreements, resulting in a maximum Phase 1 installment rate for homeowners of 3.375%. The 1% is added per recommendation of our financial advisors who convey the additional percentage is fiscally necessary to assure the Township can responsibly manage its 40-year debt and related credit exposures. Regardless, all collected money will be deposited into the segregated Sewer Fund and restricted in use.
- USDA tracks the fiscal stability of Oshtemo's Sewer Fund over the 40-loan period. Should collected revenues exceed expenditures, the Township has the flexibility to reduce the debt service fee.

Am I being over charged the actual expense of the sewer project?

- The per lot construction cost to extend public sewers into a typical neighborhood is estimated to be between \$14,000 and \$15,000 in 2020. For existing parcels and for homeowners receiving sewers through the USDA funded project, Oshtemo elected to freeze connection fees at the rate set by the Township Board in 2018. Therefore, sewer connection fees for homeowners under a mandatory connection requirement will

average between \$11,000 and \$12,000. This Board decision means a \$2,000 to \$3,000 construction cost subsidy is being contributed by the Township. A true estimate of total project costs would need to include an additional 20% to cover engineering, easement acquisition, and financial & legal counsel. In effect, properties compelled to connect under the ordinance are being charged less than 2/3rds of what Oshtemo would need to charge for full cost recovery of the project.

How can I get my other questions answered?

There is a link on the Township website (“Sewer/Road Bond”) to help residents get information in one place. Go to www.oshtemo.org and click the link located in the top left. For other inquiries, please contact the Oshtemo Public Works Department by phone: 269-216-5228 or email: publicworks@oshtemo.org.