



FREQUENTLY ASKED QUESTIONS

Phase1 Sanitary Sewer Expansion Project

February 24, 2020

How We Got Here

What is the purpose of the sanitary sewer expansion?

- There are several reasons why Oshtemo has chosen to pursue this project and they all relate back to enhancing the health, safety, and welfare of the community. This project was motivated to protect public health and environmental health through the closure of aging and failing private on-site septic systems. Many properties within the township are on their third and fourth septic system already. This is a major concern as the installation of new septic systems and the replacement of failed drainfields are incredibly expensive. The cost to implement such septic reconstruction ranges anywhere from \$10,000 - \$35,000 or more. A number of properties within the township possess small configured lots. This creates a health and safety concern as occasionally lots are not large enough to properly situate a septic tank along with new drainfields/drywells. Additionally, large mature trees may need to be taken down and eliminated entirely in order to replace the septic system and drainfields.

Why are septic systems considered potentially hazardous to the health, safety, and welfare of the community?

- The Kalamazoo County Environmental Health Department recently stated that over half of the existing septic systems in the township are below standard and are not up to health code requirements, meaning they are in a failing state. All the township's water source for those who possess a drinking well comes from ground water. Dated and aging septic systems are creating health hazards to the township's main source of water (groundwater) which is being contaminated with nitrates from human waste. Consequently, health issues arise resulting in blue baby syndrome and more.

Many people do not keep their septic system well-maintained, as some residents convey that they haven't pumped their septic system out in over 30-40 years. In order to keep a well-maintained system, it should be pumped out regularly every 3-5 years. Additionally, Michigan is the only state in the nation who does not have an inspection program for sewage treatment systems. This means that the Kalamazoo County Environmental Health Department only inspects it at time of installation and does not inspect sewage treatment systems regularly. The only time the County conducts an inspection after installation is if a failed septic system results in sewage seeping up to the surface level. When a septic system fails it does not always result in sewage seeping up to ground level which means that it may be seeping into the groundwater and with no inspection process in place, there is no way for the Township to resolve the issue because no one knows it is even taking place.

What is the difference in treatment for sewer versus septic?

- The wastewater treatment plant, through mechanical aerobic and activated carbon filtering processes, removes nitrates, phosphorus, and other compounds, releasing 95-98% better water, as compared to 30-40% from septic systems, even when brand new.

Why is this project taking place now?

- Oshtemo is reaching a population of 25,000 people and is projected to grow rapidly over the next decade. We are making efforts to manage current/future growth and development accordingly as it is evident that sanitary sewer is becoming more and more of a necessity. This type of project takes many years to complete and is very expensive. In order to ensure that we are preparing for the growth of tomorrow and addressing the needs of today before a health crisis occurs, the Township has to 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 web site. 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.

How can I get my other questions answered?

- Additional resources are available at www.oshtemo.org by navigating to the Public Works Department pages. For other inquiries, please contact Colten Hutson (voice: 269-216-5228; fax: 269-375-7180; or email: chutson@oshtemo.org) at Oshtemo Township.

Oshtemo's Capital Funding of Sanitary Sewers

Why are municipal sewers so expensive?

- Publicly initiated utility extensions typically need to be constructed within existing public right-of-way (ROW). Existing ROW's are typically occupied with other utilities (water, storm sewer, telephone, electric, fiber/telecom) and related public/private uses (sidewalks, driveways, mailboxes). Because the ROW is currently congested with other uses, a municipality's sewer extension is considerably more expensive than a developer's "green field" extension.

Additionally, neighborhood sewers must be supported with municipal "collector" sewers, larger diameter transition mains, and deep interceptor sewers to collect and deliver waste to a treatment plant. To minimize the cost of pumping sewage, some sewers are over 30-feet deep. But sewage pumping cannot be entirely avoided, and currently there are 11 pump stations needed to support the Oshtemo sewer system.

How is the cost to a homeowner determined?

- The Township's Capital Improvement Committee (CIC) considers fee adjustments recommended by its professional staff and the Board's Consulting Engineer. Staff brings forward construction costs of recent Township projects, while its Engineer brings his experience in having completed many more SW Michigan sewer projects. The CIC reviews cost scenarios for average lot configurations of 110-, 150-, and 200-foot frontages. The goal is for these fee components to generate sufficient revenue, approximately \$14,000-\$15,000 per lot, to recover construction costs. This construction-cost basis

does not include engineering, legal or other direct costs which may add 20% or more to the project expense.

Why is the cost tabulated in 3 parts?

- To pay the capital cost of sewers, the Township's tabulation of a sanitary sewer connection fee has three fee components: a parcel fee, a front-foot fee and a benefit use fee (see 3-part fee FAQ). These three components are intended to recover its construction cost of residential sewer extension and road construction from its sewer connection fees.

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 normal maintenance of the Township's installed 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, build, and replace the physical infrastructure of the public sewer system within the Township.

Why am I being charged the full-cost all at once?

- A "whole-cost" connection fee, which is determined at the time-of-first service, is used by Oshtemo to recover its capital cost. Capital costs are generally not recovered through utility service rates, charged by the City through its intergovernmental agreement with the Township.

Where in Oshtemo is the Sewer Project?

My septic system is old and ready to fail. I hope you 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 web site. These projects are identified in the pre-application project list and represent about 60% of the sewer extensions needed in the Township.

My septic is failing now. What do I do since both phases of the new sewers may not be completed until 2021?

- The County Health Department is aware of both of the 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.

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.

Do I have to Connect?

Yes, Oshtemo does have a general ordinance which requires mandatory connection to public sewers. As new sewers are extended, properties will be required to connect. Illustrations of the sewer extension areas are available at www.oshtemo.org. [All landowners that are expected to have service available by late 2020 or early 2021 were mailed formal notifications in October 2019.]

What is a Special Assessment District?

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

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

- All of the above are used to pay the cost of building utilities, including sewer. Since connection fees can be high, SADs and installment mortgage agreements are common tools that help spread payments over multiple years.
- 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 (as a tax burden) which some property owners find beneficial versus a one-time connection fee. This is called an installment mortgage agreement. The installment mortgage payment option is designed to mimic the long-term payment characteristic of a SAD burden over the property. By policy, Oshtemo's installment payment plan is available throughout the Township.
- For the USDA project areas, the Oshtemo Board is committed to offering both a connection fee reduction/freeze, and an installment payment plan based upon the beneficial USDA interest rate and loan repayment period.
- Important to note that an SAD and an installment mortgage agreement BOTH place a lien on and run with the property.

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

- Yes, homeowners will need pay the private-side construction costs needed to abandon your septic system and connect to the public sanitary sewer. This work is typically performed by a licensed plumber, excavator, or sewer and septic firm. While a plumbing permit is required, please know that a licensed excavator can perform the work if the work is limited to the exterior of the building. An estimated average expense for this private work is \$3,000-\$8,000 but actual costs may vary significantly. Oshtemo recommends that you obtain cost estimates from multiple licensed contractors in order 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 by the City a fixed-rate (currently \$28/month), which is based upon an average of all metered single-family services. These service billings are the utility operating cost, and are not intended to be a revenue stream for the Township's capital costs.

How can I get my other questions answered?

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Driven to Reduce Costs - USDA Loan Description

What has the Township done to drive down the cost?

- Having determined that public sewer extensions are needed, Oshtemo has worked diligently to be a wise steward of public monies needed to be invested in new sewers. Decisions made and actions taken over a number of years have allowed the Township to drive down costs, and to derive an efficient financial plan to provide sewer service to older neighborhoods of the Township. These efforts, which have also focused on assuring homeowner costs are minimized, have included:
 - 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 also minimizing overall sewer costs to property owners in the project area.
 - Elected to freeze property owner sewer connection fees at 2018 rates for mandatory connections and for areas scheduled to receive sewer service in 2020 and 2021.
 - 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 (15-yr life expectancy).
 - Decided that large part of debt service costs will be financed through an increased surcharge that will apply to all Township sewer service utility billings.
 - Pledged that \$250,000 of general revenues funds to be applied annually towards the 40-year USDA Loan repayment plan.
 - Approved an installment payment policy which provides for deeply reduced interest rates and extended payment periods for project area homeowners that elect to use Township provided long-term financing for sewer connection fees.
 - Elected to offer refinancing of the installment payment plan to homeowners which executed this option when connecting to sewer per the 2018 notification letter which described the sewer connection requirement. The refinancing offer is a reduction of the interest rate to 3.83%.

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 monies, we 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 come with lower interest rates than the Township could find anywhere else which results in 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 populations of 10,000 or less in rural areas
 - restricted to rural areas
 - 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 has met all conditions to qualify for funding. The population restrictions apply to the served population of our existing sewer system. Should the Township continue to grow, this restriction may well be surpassed when the next large sewer expansion project is needed. Oshtemo is also to within the westerly limits of the US Census defined “Urbanized Area” for greater Kalamazoo. Urban growth is continuing to expand outward from the City, and the 2020 census is expected to expand the portions of Oshtemo which is classified as urban. Many expect the 2020 census may remove Oshtemo from future RD program eligibility. It is also noted that census defined median household income statistics for the project has allowed Oshtemo to receive a poverty adjusted rate (2.375% over 40-years).

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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 has become increasingly concerned about failing septic system in its 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 will be installed in 2020, addressing the Board’s concerns for older neighborhoods. Oshtemo is proceeding with a two phased sewer extension program to be financed through low-cost USDA Rural Development loans. Timely collection of mandatory connection sewer fees is needed by the Township to initiate its 40-year loan repayment schedule with USDA.

All mandatory connection notices were distributed using sewer connection fee tabulations based upon rates established in 2018 (parcel fee @ \$7,000; frontage @ \$25/ft; benefit unit fee @\$2000/single

family). 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 burdening or 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 fund monies towards public sewer projects. For the planned USDA-financed sewer extensions, the Board has publicly stated to USDA that Oshtemo will annually contribute \$250,000 of general fund monies during the life of the USDA loan.

How are the costs to a homeowner determined when the Board adopts a new sewer connection fee schedule?

- The principal revenue source available to Oshtemo to finance sewer infrastructure is through a sewer connection fee. This fee is due prior to connection. However, by Policy the Township also provides a long-term, installment payment option. Oshtemo works with its civil engineering consultants to periodically adjust the fees to align with the true cost to construct sewer. Working through the Board's Capital Improvements Committee (CIC), the consultants help the Committee look at recent, formal, awarded sewer construction contracts. When the CIC makes recommendations to the Board, the revised fees are based on estimated current construction costs to extend new sewers.

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

- The public monies that were used when your sewer was constructed were essentially borrowed from Oshtemo's Sewer Fund. The Board's decision to "borrow" and "invest" in sewer construction may be based on a host of considerations. The most common consideration being that the Road Commission has decided to reconstruct the road. The opportunity to make efficient and effective use of public monies resulted in a collaborative project. [When young, the Township often lacked the fiscal resources to collaborate. For example, when the City of Kalamazoo built sewer in Drake Road, the Township was unable to participate, and service leads were not extended 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?

- The Township's tabulation of a sanitary sewer connection fee has three fee components: a parcel fee, a front-foot fee and a benefit use fee (see below). These three components are intended to recover its construction cost of residential sewer extension from its sewer connection fees.

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 \$7,000 during the notice period.] It is designed to balance sewer fees collected from parcels with pie shaped lots, or lots which otherwise do not have 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 is based on the length of frontage the parcel/lot has along the roadway in which the public sewer was installed. Each foot of frontage is assessed at \$30 per foot. [USDA project area is frozen at \$25 per foot during the notice period.] Without a parcel fee (i.e. the first part) front-foot fees would need to be about \$144 per foot. Commercial/Industrial properties are assessed the full frontage. For residential (single-family) properties, the Township has elected to limit the assessed frontage to a maximum of 200 feet. Should the parcel redevelop or subdivide, the remaining frontage can be assessed.

What is the Benefit Use fee?

- This fee represents a user class that is based on the common daily usage/flow volumes of the facility-type. A single (1) benefit use is representative of typical single-family water usage (250 gallons per day). Each benefit use assigned to a facility equates to a fee of \$2,000. More importantly, this usage-based fee supplements the Township's overall sewer system capital costs which are not evaluated in the cost-basis derived from a typical gravity sewer extension into a neighborhood.

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

- Single-Family homes are assessed a single unit. If the structure is a duplex it would be assigned two units. Benefit use fees greater than one come primarily from commercial, industrial, or institutional structures. These fees are intended to cover the higher construction costs of many public sewer projects.

I understand the fee schedule is based on a typical residential sewer. What is an example of higher-cost construction projects?

- Oshtemo's public sewer system includes collector mains which are frequently constructed at a greater depth or with larger pipes than the size needed to provide neighborhood sewer service. These additional costs are associated with providing capacity to carry consolidated sewer flows from upland areas, and transport of the combined sanitary sewer flows to the wastewater treatment plant. Oshtemo also uses Benefit Use Fees for the capital costs of its eleven sanitary sewer pumping stations. Benefit Use and other collected sewer fees are deposited into a dedicated fund which is used for system-wide costs in maintaining Oshtemo's public sewers.

What is the Advantage of Benefit Use fee?

- A commercial user will pay a benefit use fee which is proportional to his projected usage of the system. Benefit use fees collected by the Township largely finance the capital cost of overall, larger diameter collector system, pump stations, and related system-wide sewer infrastructure. Being usage-based, large commercial users pay a proportionally larger fee towards these collector system costs.

How can I get my other questions answered?

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Sanitary Sewer Expansion Project Construction

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

- When the sewer is constructed in your street, the contractor will work with homeowners to determine the sewer service “lead” location for your specific property to best service your home. For new construction, you will be given contact information and a wooden stake that you will be requested to mark where you would like the new sewer lead to be placed.

Generally, leads are extended at right angles from the road, into your property to the edge of the public right-of-way. 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. This is the typical construction standard so that properties with basements can be serviced through a natural gravity-fed sewer. In rare occasions, if gravity is not suitable, 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 naturally carries the waste into the sewer.

We recommend you review your septic installation records to determine where your waste pipe leaves the structure, and how best to run a gravity flowing pipe into the service lead. As new sewers are being built, the Township’s designated contact person may be able to recommend a location from the few visual indicators which suggest where your septic may be located. You should also consider obtaining your septic system as-built records from the Kalamazoo County Environment Health Department, or seek advice from your septic system service company.

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

- Oshtemo will make great efforts to avoid tree removals. However, if a tree and its root mass are located within the public right-of-way, and is identified as an obstruction, it may be necessary to remove the tree in order to proceed with construction. This tree removal within the right-of-way will be done as part of the public sewer construction expense, not homeowner expense. If a tree needs to be removed, Oshtemo will ensure Property owners may request the felled tree be moved onto the parcel so that the property may claim the wood for his benefit.

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

- The Township recognizes that some residents may have repaired or upgraded their existing systems in recent years. To respect this good-faith investment, by ordinance the Township provides for an average service life of 15-years for septic systems. If you have a septic system newer than 15 years and receive notice to connect, you will be asked to provide documentation verifying the system age. Your time to connect will thereby be extended up to the time that your system reaches 15 years in age. County records of septic system permitting will serve as primary proof of age.

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

- If you are notified of the availability to the forthcoming sewer, there are two steps: (1) make a payment arrangement for 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 you have been notified while new construction is underway, you may proceed with the above two steps, but please be aware that the actual date the sewer is made available will vary by project. Construction schedules have not been developed. After the public sewer contractor is selected, the Township will seek to publish progress schedules and related information through updates to be posted on the Oshtemo Township website.

The Oshtemo sewer is a gravity fed sewer system that drains naturally into the City of Kalamazoo's wastewater treatment plant. As a consequence, you will generally see the construction start at the bottom and proceed in an uphill direction. In locations behind hills, the sewer system may first drain into a small pump station. Pumps are used to move the waste out of valleys or over hills.

The construction of 85,330 ft of sewer (Phase 1 & 2) assures that different neighborhoods will be completed at different times throughout a projected three-year construction program. Also, certain certification testing of the public sewer system requires a 30-day rest period before testing. Once the roadway is fully reconstructed the sewer is likely to be available for use. However, sewer extensions that include building a sewer pumping station can add several months to the timeframe that the sewer can be used.

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

- Residents will 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 sewer and septic firms. To perform the necessary private-side work, a plumbing permit will need to be acquired by the selected contractor through the [Southwest Michigan Building Authority](#). Please note that 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 \$8,000, but actual costs will vary. These associated costs are not incorporated in Oshtemo's sewer fees. The variable cost is attributed to where your existing septic system may be located, and the topography of the property (elevation, trees, etc.). Oshtemo recommends that property owners seek price quotes from 2-3 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 an individual's hardship will occur as needed.

What will happen to my mail?

- The contractor for the sanitary sewer expansion project will make the necessary arrangements to ensure that postal service is maintained. The contractor may be obligated to move the mailboxes to the front of the project area. The "front" would most likely be the nearest access point from a primary road.

Installment Payment Option

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

- Yes, we do. Oshtemo has worked very hard to reduce the homeowner cost, and has a long-established policy to provide property owners with a Township-financed, installment payment option. Since 1992 and earlier, these policies have been used in tandem with Oshtemo's self-funded public

construction, and to provide homeowners with a long-term financing option when needed. (Note: homeowners are not required to use township financing; individual's home equity or other private financing may be preferred).

- In 2020, the Board elected to further push-down the cost to property owners who elect to use Oshtemo's offered installment payment plan to finance sewer connection fees. The newly established basis is the January 1st, published Fannie Mae rate (Prime Rate was the prior basis). Under this traditional assistance program, an additional 0.5% (which is one-half the amount which has been historically applied) is being added in order to properly manage the Township's risks and expenses.

What is the installment payment option for Sewer Connection Fees?

- Oshtemo's installment payment plan was designed to assist property owners with long-term financing of utility connection fees. It is most applicable when Oshtemo self-finances utility construction projects. Rather, in this generic case the Township leverages its available loan-capacity to finance both the project and to lend credit to property owners that elect the installment payment 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 option for residents who reside within the USDA Federal Loan Award District?

- A homeowner can pay in-full via cash or check, seek a private home equity loan, or execute an installment-payment plan (mortgage agreement) with the Township. A mortgage with the Township will include a repayment period for up to 40 years, with no pre-payment penalty, and early payoff is remains an option. For homeowners who reside in Phase 1 award districts, the interest rate will not exceed 3.375%. For homeowners who reside in Phase 2 award districts, the interest rate will not exceed 3.125%. Additionally, a down payment is not required; however, residents can do so if they choose. If a down payment is not collected, the first payment towards sewer would be on property owners' first winter tax bill. This process would then repeat itself as it would be billed annually on subsequent winter tax bills until the loan has been paid in full. If property owners do not directly receive winter tax bills and instead is received through the mortgagee in an escrow account, we encourage property owners to approach their mortgagee to develop an appropriate savings method. This way the mortgagee is able separate the total dollar amount in increments over the course of 12 months compared to having to come up with a large sum of money in a two-month window from when winter taxes are due.

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

- At the first of the year, the published Fannie Mae mortgage rate, plus 0.5%, is adopted as the rate Oshtemo will use that calendar year for installment payment agreements with property owners. The payment plan is written as a Mortgage Agreement for the purpose of long-term financing for the property's utility connection fees. 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. 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 stated intent is to pass-through to the affected properties any advantageous terms of credit the Township obtains. More specifically, for this project the Township did not need to sell municipal bonds or obtain large state/federal loans as a pre-condition to initiate the work. Upon strong recommendation from Oshtemo's municipal finance consultants, pass-through interest rates should include a 1% addition to the Township's bond/loan rate. The USDA financed neighborhood sewer extensions are this type of capital project. The bond sale will likely occur in March of 2020, at which time the terms to be made available to the Phase 1 properties will be determined. While the exact interest rate is yet to be determined, the Township expects it to be lower than any previous Township sanitary sewer projects.

What happens if I sell my house?

- The installment payment plan is executed with the Township as a utility Mortgage. It can be paid-off at any time without penalty. Therefore, the most common procedure at time-of-sale is that the unpaid principal is negotiated in the sale price, with the Mortgage closed through an escrow check to the Township. Alternately, the purchaser can execute a simple assumption of mortgage agreement with Oshtemo that will continue the existing financing agreement. It is important to note that the lender must agree to the assumption.

Will Oshtemo profit from its installment payment plan?

- No, Oshtemo will not profit. USDA has pledged that the Phase 1 loan to the Township 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 plans, resulting in a maximum Phase I installment mortgage rate for homeowners of 3.375%. The 1% is added following strong 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 monies will be deposited into a segregated sewer fund and restricted in use.
- Furthermore, USDA will be closely tracking the finances and fiscal stability of Oshtemo's sewer over the 40-year loan period. Should collected revenues exceed expenditures, the current program's debt service fee can be reduced for sewer customers.

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 has 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 raise an additional 20% to cover engineering, easement acquisition, and financial & legal counsel. In effect, properties compelled to connect under the mandatory program 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?

- Additional resources are available at www.oshtemo.org by navigating to the Public Works Department pages. For other inquiries, please contact Colten Hutson (voice: 269-216-5228; fax: 269-375-7180; or email: chutson@oshtemo.org) at Oshtemo Township.

An Interactive Map of the Phase 1 Project Area is [here](#).