



7275 W. MAIN STREET, KALAMAZOO, MI 49009
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Capital Improvements Committee

March 13, 2021- Special Meeting

MEETING SUMMARY

A special meeting of Capital Improvement Committee of Oshtemo Township was held on Tuesday, March 13, 2021 at 12:00 PM. Due to Executive Order of the Governor to implement social distancing during the COVID-19 public health crisis, the meeting was conducted as a virtual meeting via Zoom. Persons in virtual attendance included Clare Buszka, Libby Heiny-Cogswell, Marc Elliott, Dick Hertzell, Bernie Mein, Josh Owens, James Porter, Dick Skalski, Tom Wheat, Zak Ford, Anna Horner, Tim Mallet, Matt Johnson and Mark Worden.

1. Call to Order. The March 13, 2021 special meeting of the Capital Improvements Committee of Oshtemo Township was called to order at approximately 12:00 PM by Supervisor Heiny-Cogswell.
2. Meeting Summary. Members reviewed a summary of the special CIC meeting held February 16, 2021. Upon motion of Ford and second by Mein, the CIC meeting summary was approved.
3. Cash Flow Schedule (revised). Director Elliott reviewed recent updates to municipal finance advisors, Bendzinski & Co. cash flow schedule that is in-line with CIC member's discussions from last month, as well as supplemental input from the Township's sewer project working group. He highlighted major changes including \$5,000.00 flat connection fee per parcel, reduction in general fund contribution of \$100,000.00 and addition of \$350,000.00 in road millage funds. He reviewed the percentage of each revenue source towards annual principal and interest payment based on these allocations. It was noted that this "test case" was basis for scenarios in item 4.
4. Financial Mix Comparison – A Mock-Up. Deputy Director Horner showed committee various financing scenarios in a dynamic xls worksheet. Emphasis was put on the fact that the cost of the project(s) had not changed but additional revenue types are being leveraged. The tool also showed respective monthly increases for different resident types (financing sewer connecting, paying sewer connection in full, existing sewer user, non-public sewer user) for each scenario.
5. CIC Advisory Role. Staff led the committee through the following questions to evaluate funding sources and lead discussion for recommendation to board on future project funding. The CIC considered the following questions:
 - a. **Should normal roadway maintenance allocations be increased?**
Committee members answered "yes"; the target road funding needs to be higher based on analysis from RCKC to maintain local roads which is approximately \$1.2 – 1.4 million given number of miles in Oshtemo. Given that the current spending total is \$750,000 (\$250,000 PAR funds and \$500,000 general funds), the Township was not keeping up with maintenance needs.
 - b. **Should a Township-wide roadway millage be levied?**
Committee members answered "yes"; it was noted that the level of service expected by residents is not being met and there is a need to balance that without pricing Oshtemo as a

desirable place to live based on low(er) cost. Treasurer Buszka showed summary breakdown of how tax dollars are allocated between other county wide millages and services.

With additional revenue from millage, the committee did not want to see a reduction in the amount of general funds allocated towards transportation related projects (typically \$500,000) and instead allow for more unrestricted projects like non-motorized facilities.

- c. **Should the road construction costs of a sewer extension (or other projects) be budgeted as a roadway allocation?** Committee members answered “yes”; this allows projects to be more attainable by leveraging funding previously unavailable. Question was asked by Mein if roadway allocation could be used towards storm drainage improvements. Staff responded yes, storm sewer improvements directly related to managing roadway runoff and to protect road infrastructure & user safety would make it a roadway related cost.

- d. **Is it desirable to significantly reduce parcel sewer connection fees?**

Committee members answered “yes”; public sanitary sewer expansion achieve an important public goal to protect health and safety. Most sewer projects also incorporate needed roadway maintenance/rehabilitation. High connection fees were biggest concern expressed by those property owners slated to pay connection fees. It was heard loud and clear, from communication with residents that they thought the burden on property owners was disproportionate. It was also noted that a smaller connection fee may mean more fees would be paid in full, and therefore reduce the Township’s, long-term financing costs. (This would be similar to “old method” of payment up front-Zak.) [Historically, few owners used Township offered financing, especially when the rates were set above the prime rate.]

Utilizing monthly capital charge would still be responsibility of residents but stays with property for duration of USDA loan. Such a mechanism structures the payment in diverse ways for residents to absorb into cost of living.

- e. **Should the Board be advised to set a target-amount for a reasonable residential property sewer connection fee, and work outward from there to find alternate revenue sources to fund the remaining project costs?** Committee members answered “yes”; continued discussion on revenue sources and what different scenarios would yield for target connection fees.

Township Engineer Wheat recommended still having some separation of benefit unit and parcel fee so any new connections could still follow similar policy respective to their use (commercial, industrial, etc).

The group expressed concern of response in reduction in fees for current connections as many were recently mandated to connect, and at much higher cost. Any policy change and change in revenue sources would be different, resulting in revised costs. Past connection costs were reflective of policy at the time.

- f. **If yes, would the CIC wish to recommend a desirable/appropriate cost range?**

Committee members answered “yes”; \$5,000 seemed target from feedback. Price should be tied to inflation and reviewed annually.

- g. **Is there a mix of revenue sources (and fractional share) that the CIC would encourage the Board use as an initial starting point for the Board's deliberations on this topic?**

Revenue Source	Comments	Initial	Proposed
Connection Fees	with Oshtemo offered financing, proposed \$5,000 residential fee	\$400,000 / 37%	\$200,000 / 19%
Utility Service Surcharge	assessed upon all sewer service users	\$400,000 / 39%	\$150,000 / 14%
General Fund		\$250,000 / 24%	\$250,000 / 24%
Roadway Millage	not initially available	\$0 / 0%	\$350,000 / 33%
Monthly Capital-Cost	effectively an alternate means of Oshtemo financing	\$0 / 0%	\$100,000 / 10%

(project capital) = \$1,050,000

Overall connection cost to residents reduced from 37% to 29% with combination of capital charge and connection fees and surcharge significantly reduced.

6. Capital Projects Update. There was no time remaining to discuss this item and it will be postponed until next meeting.
7. Member Comments & Information Items. Reviewed 2020 PASER rating map.
8. Next Meeting. In consideration of the Board's work on capital project budgeting, and timely CIC review and input, CIC members are asked to reserve time to meet monthly for the foreseeable future. The next meeting of the Oshtemo Township Capital Improvements Committee (CIC) will be held on Tuesday, April 20, 2021 at 1:00 PM.

TOTAL:
\$1.525
MILLION

.85 MILS
\$775,000

PAR FUNDS
\$250,000

GENERAL FUNDS
\$500,000
(TYPICAL)

USDA ROADS
\$350,000

ANNUAL ROAD
MAINTENANCE
\$925,000

OTHER
\$250,000
(SAFETY, NONMOTORIZED,
STLIGHTS)

\$425,000

\$250,000



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Capital Improvements Committee

VIRTUAL ZOOM MEETING
Tuesday, March 16, 2021
1:00 P.M.

Meeting Agenda - VIRTUAL

1. Welcome/Introductions/Call to Order. The Chair shall welcome members and call the meeting of the Capital Improvements Committee to order.
2. Meeting Summary. Members shall review a summary of the CIC meeting held February 16, 2021.
3. Cash Flow Schedule (revised). The Township's municipal finance advisors, Bendzinski & Co., have been requested to develop a revised cash flow schedule that is in-line with CIC member's discussions from last month, as well as supplemental input from the Township's sewer project working group. We expect the schedule to be available in advance of our meeting. Therefore, please be on the lookout for a supplement email packet.
4. Financial Mix Comparison – A Mock-Up. Staff is refining a dynamic xls worksheet that presents multiple financing scenarios. A preliminary draft has been prepared, and now awaits additional tweaking based upon the aforementioned Bendzinski Cash Flow Schedule. It is expected the Committee can discuss and propose different mixes of financing. By using this tool during discussions, members will be able to see visual representations and comparisons of the alternatives proposed & considered.
5. CIC Advisory Role. The Capital Improvements Committee is appointed by the Board to consider and advise the Board on capital improvements. Financing is typically a Board function. However, last year voters unexpectedly rejected the Board's intent to sell municipal bonds for capital infrastructure improvements. As a consequence, the Board is seeking guidance from CIC members to explore options and finance alternatives. Questions that CIC should consider include:
 - a. **Should normal roadway maintenance allocations be increased?** In recent years about \$500,000 in general revenue funds have been used to leverage offered RCKC "PAR" dollars towards maintenance of local roads. Through use of "PAR" about \$750,000 in roadway maintenance is invested. On an annualized basis (which includes restoration and end-of-life reconstruction) the Road Commission has indicated \$1.2 to \$1.4 million is an ideal target value when considering our total lane-miles.
 - b. **Should a Township-wide roadway millage be adopted?** By adopting a restricted-use roadway millage, the above described idealized maintenance can be approached without dipping deeper into general funds. Similarly, though use of a roadway millage, unrestricted general fund dollars can be freed-up for other public needs/priorities.
 - c. **Should the road construction costs of a sewer extension (or other projects) be budgeted as a roadway allocation?** About 1/3 the cost of a new public sewer extension is a roadway construction cost. It is currently estimated, through application of pavement asset management practices, that new roads would have a project 35-year life. Large portions of the USDA sewer project area has pavements that are at end-of-life.

- d. **Is it desirable to significantly reduce parcel sewer connection fees?** This can be done by using other revenues, such as a road millage, general revenue, or other dispersed revenues which are allowed to be applied towards sewer projects. Historic practice has been to have properties which benefit from sewer service to pay the major share of project costs through a parcel-based sewer connection fees & sewer service surcharges. An alternative strategy could recognize the public benefit to all residents by allocating other funds towards the road improvement, and general fund allocations towards protecting environmental health and critical groundwater resources. All residents will benefit from the health and safety benefits derived from sewers, and will benefit from well-maintained roads throughout the Township should a road millage be available.
- e. **Should the Board be advised to set a target-amount for a reasonable residential property sewer connection fee, and work outward from there to find alternate revenue sources to fund the remaining project costs?** The initial finance schedule for the USDA sewer projects presumed a "typical" (2019) \$11,500 residential connection fee. (The owner's private-side costs to complete the connection to the house is estimated to be \$3,000-\$8,000.)
- f. **If yes, would the CIC wish to recommend a desirable/appropriate cost range?** The CIC has previously discussed a target, cost-range for a typical residential sewer connection fee. Is this something the CIC wishes to recommend to the Board?
- g. **Is there a mix of revenue sources (and fractional share) that the CIC would encourage the Board use as an initial starting point for the Board's deliberations on this topic?** The initial (USAD project) finance schedule give rise to the following mix of revenue sources:
- connection fees (37%) – with Oshtemo offered financing, to be billed with winter taxes
 - sewer utility-service surcharge (39%) – assessed upon all sewer service users
 - general fund contribution (24%)
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- roadway millage [not initially available] (0%)
 - monthly capital-cost billing [effectively an alternate means of Oshtemo financing] (0%)
6. Capital Projects Update. Staff will briefly review current capital projects.
- Stadium Dr 6-ft Sidewalk, North Side, 8th to existing at Quail Run (DDA Project).
 - Green Meadow Rd, 6-ft Sidewalk, North Side, Round Hill Rd to Drake Rd.
 - Maple Hill Dr & Croyden Ave, 5-ft Sidewalk, east and south side from Kalamazoo 10 to Drake Rd.
 - KL Ave 10-ft Pathway, Cooper Beech Blvd to Drake Rd.
 - Water Main Ext & 9th St Hydrant at Village Square
 - SAW Maintenance Projects - 2021
7. Member Comments & Information Items.
8. Next Meeting. In consideration of the Board's work on capital project budgeting, and timely CIC review and input, CIC members are asked to reserve time to meet monthly for the foreseeable future. The next meeting of the Oshtemo Township Capital Improvements Committee (CIC) will be held on Tuesday, April 20, 2021 at 1:00 PM.