THREE LAKES COLLABORATIVE SEWER INITIATIVE

Arcadia Township ● Bear Lake Township ● Onekama Township ● Pleasanton Township ● Village of Bear Lake

Information and Frequently Asked Questions

The following is general information and responses to questions posed by the general public about the "Three Lakes Collaborative Sewer Initiative," an effort involving five municipal units of government and the Little River Band of Ottawa Indians (LRBOI).

The current goal of the five municipal units of government is to determine and evaluate the financial feasibility of a sewer system that would connect portions of their governmental unit with the wastewater treatment facility owned and operated by LRBOI. Another municipal unit of government, Manistee Township, connected their commercial corridor on US 31 with the LRBOI facility in 2016.

Individuals, groups and agencies may submit questions they have about the project so that answers can be provided. Questions may be submitted by:

1. Emailing them to the Alliance for Economic Success at: susan@allianceforeconomicsuccess.com
2. Phoning them to the Alliance for Economic Success at 231-723-4325
3. Sending them to the Alliance for Economic Success by telefax to fax no. 231-723-3717

Questions may also be forwarded to the following individuals who are contacts for the project on behalf of the local government they represent. Periodically, we will complete and disseminate a compilation of questions received and answers provided.

Local Unit	Name	Email
Arcadia Township	Greg Wisner	trusteewisner@arcadiatwpmi.org
Bear Lake Township	Jeff Harthun	haratunj@manistee.org
Onekama Township	David Meister	musclecars@jackpine.net
Pleasanton Township	Judy Girven	jgirven@ymail.com
Village Bear Lake	Jeff Bair	jeffbair4@gmail.com

General Project Information – Three Lakes Collaborative Sewer Initiative

1. How did this initiative begin?

Onekama Township explored options to help protect Portage Lake water quality and develop capacity needed by the new owners of Portage Point Inn through a sewage collection system serving residential and commercial customers along the lakeshore, except for those already served by the Village of Onekama's wastewater treatment plant. It was concluded that the Village of Onekama's wastewater treatment plant did not have sufficient capacity for the Township. It was determined that the treatment plant owned and operated by the Little River Band of Ottawa Indians (LRBOI) had capacity and that the LRBOI would make that capacity available to Onekama Township and other neighboring local governments if interest existed. Because of LRBOI's partnership, Onekama Township felt that the capacity and a collaborative project might be of interest to neighboring local governments**.**

2.How did the initiative expand to include other local governments?

The Alliance for Economic Success (AES) was assisting Onekama Township, partly because of the importance of the project to the renovation and restoration plans of Portage Point Inn. When it was known that LRBOI had the potential to handle municipal waste from Onekama Township and neighboring jurisdictions, the AES and Onekama Township contacted the other local governments to assess their interest in the project

All of the partnering local governments passed resolutions agreeing to join in Phase 1, the initial exploratory phase of the project, that focused on gaining a preliminary understanding of the viability of the project. This phase required no financial commitment by the parties.

2. What are the goals of the initiative?

- **Water Quality.** To protect and preserve the Portage Lake, Bear Lake, Arcadia Lake and Lake Michigan watersheds from pollutant threats from on-site waste disposal systems. This includes both surface and ground waters.

- **Economic/Community Development.** To enable business development in keeping with local plans and objectives that require municipal wastewater capacity

- **Realize Collaborative Benefits.** Through collaboration, engineering and construction costs for the system designed to accommodate all participating municipal units will be shared. In addition, because of collaboration, there would be a coordinated approach for preparing the financing application, constructing and operating the system.

3.What is the next phase of the project as of March 2017?

Local governments that participate will do two things in Phase 2 of the project.

- **Form a Sewer Authority to Seeking Funding and Manage the Project.** There will be approximately $10,000 in legal fees required to establish a Sewer Authority and to create bylaws, operation policies, and procedures. All local governments that participate will have representation on the Sewer Authority. The formation of an authority is required to submit one financing application to USDA Rural Development on behalf of the participating local governments. Participating local governments will want to have their respective legal counsel review the documents involving the creation of the sewer authority. The ad-hoc team from the local governments that have been involved in the project have selected Attorney Eric Williams of Big Rapids to help form the authority. Mr. Williams has significant prior experience with multi-governmental projects, including sewer authorities and has no representation that could pose a real or perceived conflict of interest. Mr. Williams was retained as a counsel in the collaborative sewer project involving the Little River Band and Manistee Township and by Filer Township in the collaborative sewer project.

- **Complete a USDA Rural Development Financing Application.** Wade Trim will prepare the project funding application. Wade Trim has worked with LRBOI on the Filer Township project and in the initial application between Onekama Township and USDA Rural Development. The typical cost for an application for a governmental unit is $10,000. Because of the number of local governments participating and the fact that some of the data required exists, the total application development costs will be $30,000 spread amongst the five local governments.

Assuming all five local governments remain in the process, each will need to contribute approximately $10,000 in attorney fees + $30,000 for engineering fees = $40,000/5 = $8,000 from each local government.

However, the Authority will be eligible to apply for a planning grant through USDA Rural Development of up to $23,000. If this application is submitted and awarded, that would reduce the total cost of the next phase of the project to $17,000 ($40,000 - $23,000 = $17,000). If this should happen, the equal share that would be contributed by the partnering local governments would be $3,400. Because of limited funds, the planning application should be submitted to USDA by no later than mid-April 2017.

4. Can a participating local unit cease participation in the project?

Yes. A participating local unit of government can stop participation in the project at any time.

5.What is the primary source of funding for the project?

USDA Rural Development is the primary source of financing for this initiative. USDA is the preferred source of funding for a project such as this that has the capability to provide both grant funds (that do not have to be repaid) and long term loan funds at a favorable rate of interest. However, there may be attempts to secure additional non-federal funding as well depending upon the response from USDA.

6. Do we know who is and is not to be included in the sewer district?

There will be a preliminary sewer district mapped by the time of the March 17-18 public meetings.

7.What is the Total Estimated Cost of the Project?

With all local units involved, we believe the total project cost may be approximately $37 million. We want to emphasize the work **"approximately"** since the actual cost of the project will only be known once final design and engineering is completed and bids are let and received within the expected cost of the project.

8. What is the grant and loan funding that USDA will provide for this project?

We will not know the answer to this question until a formal grant application is submitted to USDA and we receive a proposal from them. On a preliminary basis, we anticipate that:

- The total amount of the project would be proposed to be funded by USDA with a combination of grants and loans.
- The amount expended by the sewer authority and local units would be reimbursable through funding for the project provided by USDA.
- The interest term would likely by 40 years at a rate of interest that is more favorable than the rate of interest under any commercially available financing.
- A meaningful portion of the project would be funded with through a grant.

The above are **preliminary expectations** based on prior experience and history. USDA, like all federal agencies, is subject to annual appropriations of Congress and support of the President. The Michigan USDA must then be provided an allocation of funding by the Washington USDA office.

One of the common difficulties with projects such as this is that people often form opinions about the cost of projects without accurate information. We urge that all interests not form opinions about financing until a firm proposal from USDA is received in response to a funding application.

9.What is Known about the Costs to End Users?

Much work needs to be completed before end-user costs are known.

A significant factor in determining end-user costs is the total number of users on the system. Typically, user costs can be broken into two categories: bond repayment and user costs after they are connected to the system.

Bond Repayment

As previously noted, we expect financing in the form of grant funds and a low-interest, long-term loan through USDA Rural Development.

Oftentimes, a special assessment is established by the Sewer Authority or local governmental unit to repay the loan through a bond. This loan repayment is usually spread over 40 years and the resulting annual bond repayments are passed on to the residents/businesses/properties that benefit from the project. An individual may choose to pay off his or her share early of the bonded indebtedness that is the subject of a special assessment. The monthly payment is determined based on residential equivalent units (REU's). One REU is equivalent to one single family home. Commercial businesses could be assessed a number of REU's. For example, a hotel with 50 rooms might be assessed 30 REU's. The number of REU's assessed is usually based on an adopted REU calculation chart. The fee can also be placed on property taxes and paid that way rather than monthly. Once the assessment is established, it would not change until the bond is repaid.

User Costs

Once a business or residence connects to the system, a monthly or quarterly bill will be sent to the user by the Authority to account for transport and treatment of the wastewater. This fee covers the cost of operation and maintenance of the system including treatment of the wastewater. The individuals representing the local governments in this process have agreed that the LRBOI is best suited to manage operations and maintenance.

10. Who has to hook up to a sewer?

The requirement for connecting to the sewer line would be established in the sewer ordinance established through the Authority. Usually, the funding agency, (in this case USDA Rural Development) requires connection by users within a certain distance of the sewer line within a specific timeframe (18 months is typical). The cost to hook up is not yet known but it usually is established to cover the construction cost to hook up and the cost per REU as determined from the assessment.

11. What is the Estimated Schedule for the Project?

Milestone	Approximate Date
Pass resolution kicking off formation of Authority	March 15, 2017
Form Sewer Authority	April 14, 2017 or sooner
Submit Planning Grant Application	April 28, 2017
Submit Financing Application to USDA	October 2017
Receive Response from USDA on Financing Application	January 2018
Design Begins	April 2018
Finalize design/USDA submittal items/Permits	December 2018
Open Bids	March 2019
Start Construction	May 2019

12. What Can You Tell Us About the LRBOI Facility?

The L.R.B.O.I. Utility Department is comprised of five staff members, Supervisor, Operations Coordinator and three Utility Operators. The treatment system consists of 180,000 gallons per day Sequencing Batch Reactor and

a 200,000 gallons per day Aerated Lagoon System. Total capacity for treatment is 380,000 gal per day. The current flow rate is an average of 93,000 gallons per day. Manistee Township has reserved 75,000 gallons per day and they are currently at an average of 35,000 gallons per day.

Available capacity is estimated at 247,000 gallons per day.

Our Services to date are:

Water Distribution and Sewer Collection and Treatment: Tribal Housing Area, Little River Casino Resort, Convenience-Store, Community Center and Government Complex.

Water Service: L.R.B.O.I. Justice Center and Little River Casino Warehouse.

Sewer Collection and Treatment Manistee Township: Since May 23, 2016 West Shore Medical Center, NW MI Health Center, Manistee Medical Care Facility and County Jail. As of September 23, 2016 Townline Unlimited tied into the system.

We have an MDEQ approved septage receiving station (25 radius) and our laboratory is EPA certified for Total Coliform / E-Coli for the water distribution system. We have a combined twenty-three MDEQ Licenses for water distribution and sewer collection and treatment. We have thirty-five years L.R.B.O.I. Government experience combined. The current staff also has thirty eight years Military experience combined.

The staff has rotational duties for on-call status. The on-call staff member responds to any emergencies 24/7. Our systems are on an auto dialer for emergency call-out. We have standby generators for critical infrastructure. Annual inspections are completed for the water distribution and sewer collection and treatment systems by Sanitation Engineers from the Indian Health Service. The Indian Health Service is a Division of the Department of Health and Human Services.

Memberships include; American Water Works Association (includes MI Section), Michigan Rural Water Association, Michigan Water Environment Association and the Native American Water Association.

One of our goals is to assist in keeping the watersheds environmentally safe using the best practices for waste water collection and treatment.

Office Hours: M-F 7:00 a.m. to 3:30 p.m.
Office: 231-398-2299
Fax: 231-398-6607
2539 Dontz Rd.
Manistee MI, 49660

Questions and Answers

Following are answers to questions that have been submitted to date by the general public.

1. **Are all of the residents of a Local Unit affected by the project or are just residents of certain parts of a Local Unit?**

   Just residents of certain parts of the Local Unit will be affected. The system is being put in place to help preserve the local resources around Portage Lake, Bear Lake and Arcadia Lake.

2. **What is the % and/or dollar amount that the USDA project grant will provide?**

   Currently the amount is unknown. We will not know that level of funding until an application has been made to rural Development and they issue their "letter of Conditions" outlining the low-interest loan and grant levels.

3. **Will the costs for the individual participating Local Units be made public?**

   Being that the Sewer Authority would be in charge of the system, they would set the user costs and these would be the same for all users served. The information will be made public.

4. **Will costs projections show the costs should 1, 2, 3 or 4 of the Local Units or, a combination thereof, opt out?**

   To be feasible, we believe the system needs all local units to participate. Should one unit not participate, the funding parameters would change and the system may no longer be feasible. Due to this, cost projections addressing one or more units from opting out, have not been completed.

5. **Will the costs for the individual participating Local Units be used to determine their REUs costs or will the cost for the individual participating Local Units be lumped together and then divided equally among all affected REUs?**

   The costs would be split up equally amongst all users of the system.

6. **Will REUs be required to connect to the system or will they be able to opt out?**

   Once the application is made to Rural Development is made, and should the project move forward, they expect all anticipated users to become part of the system and do not provide for "opt-out" opportunities.

7. **If an REU can opt out, will there be a penalty to do so and/or will the REU still continue to have to pay for the system?**

   Once the sewer district is set and the various REU's included, opting out of the project generally is not an option. The application is made for funding based on a specific service district and number of REU's. The number of REU's is very important to determine funding levels and user costs.

8. **If an REU connects to the system, will they be required to dismantle their septic system drain field and, if so, would it be at their expense?**

   If connection is made, yes, the existing septic system would be required to be abandoned following State health department requirements. Typically, this is a cost born by the property owner.

9. **What will be the cost of connecting to the system?**

   Since we do not know the levels of funding provided by Rural Development, we do not know how much will need to be passed on to the system users. Any numbers provided prior to this point would speculative and could change dramatically.

10. **What happens if a REU connects to the system and subsequently doesn't pay their initial hookup and/or ongoing maintenance costs?**

    Typically, connection would not be allowed prior to payment being made. In a rare instance something like this may happen and the costs can be placed on the property taxes.

11. **How will ongoing REU's user costs be determined and assessed?**

    The Sewer Authority will periodically review the system expenses and compare these to the system charges (income) and, if needed, would adjust the user rates to cover the costs and required set-aside monies.

12. **What kind of system is being considered – typical concrete sewer pipe or "grinders"?**

    Being that much of the collection system is around lakeshores, the topographic elevation does not change much and the use of gravity lines become difficult and expensive. This project proposes the use of a low pressure collection system that utilized individual pump stations at each connection.

13. **Will this project be subject to a vote by affected REUs?**

14. **What is the formula that would be used to assess REUs for any loan amount?**

    We anticipate a special assessment to be enacted for properties within a defined sewer district. This would account for both vacant and improved properties. While a formula has not yet been determined for this project, a typical vacant parcel formula would be 1 REU per residential lot, or in the case of acreage, 1 REU per 100 feet of frontage on the road plus 1 REU per acre.

15. **What will be the cost of the bond to repay any loan and who pays for the bond?**

    Since we do not know what the funding levels for loan and grant will be for the project, we do not know how much money will need to be repaid. Once this is determined a cost per REU will be determined and assessed to property owners. It is the property owners in the sewer district that repay the bond.

16. Is the governing body, the Sewer Authority, subject to any state laws or under the auspices of a state agency?

17. What will be the makeup of the Sewer Authority?

Representatives from the 5 participating municipalities.

18. If someone wants to register a comment with a state and/or federal legislator(s) and/or the USDA Rural Development authority, what is the contact information?

U.S. Senator Gary Peters
(202) 224-6221

U.S. Senator Debbie Stabenow
(202) 224-4822

U.S. Representative Jack Bergman of Michigan's 1st Congressional District
(202)225-4735

Michigan Senator Darwin Booher – 35th District
(517) 373-1725

Michigan Representative Curt VanderWall-101st District
(517) 373-0825

USDA Rural Development Programs Director, Christine Maxwell
(517) 324-5208

19. When is a vote scheduled on the sewer proposal?

A vote will not be scheduled until after the application for USDA funding has been received, late 2017 or early 2018.

20. How will the sewer pumping stations be monitored for problems: i.e. loss of power to pumps, sewage backup, a line break?

The main lift stations will be monitored through control systems that alert the operators if there are issue such as a pump failure, high water alarm etc. The sky is the limit on control options so if a SCADA (specific control and data acquisition) system is utilized the system could even be operated from a remote location or smart phone.

21. Will there be the potential for sewage overflows or backups and, if so, how and where?

With any sewage collection system there is a potential for backups just like there is for individual septic systems. Backups can be caused by the individual home pump failing, power outage, or larger issues such as a plugged line main lift station failure etc.

22. What is the plan should the sewer pumping stations experience a loss of power, sewage backup or line break?

Each municipal collection system has a specific procedure for dealing with backups and/or failures. These are developed specific to each system and are part of the requirements each system must have when obtaining a permit from the State of Michigan. At large lift stations we would have on-site, permanently mounted generators with automatic transfer switches and startup in case of a power outage.

23. Will there be a plan to establish a "rainy day" fund for future unanticipated expenses and, if so, what will be the formula?

Yes. Emergency or "rainy day" funds will be incorporated into the user rates and set aside in case they are needed.

24. Will there be a sewer project implementation timeline published for each participating Local Unit and each REU within?

Yes, once funding is secured, a project timeline would be better defined. At present construction would not start until 2019.

25. Will there be any sewer lines connect to any existing sewer systems?

All of the participating communities will be connected together but currently none have any existing sewers. The only existing infrastructure this would be connected to is the Little River Band of Ottawa Indians wastewater treatment facility.

26. Will the new sewer lines also serve a dual function as storm drain lines?

No. Only sanitary sewage will be allowed in the system. Combined systems (sanitary and storm water) are no longer permitted in the State of Michigan.

27. With an installation of a new sewer line, will there be a concurrent install of storm drain lines, particularly around bodies of water like Bear Lake?

No. The only storm facilities that would be installed are those that need to be replaced due to the construction of the new sanitary system.

28. Will procedures be emergencies be included in the cost estimates?

The systems will be owned by the Sewer Authority and not the specific municipalities. The procedure for handling emergencies will be the same across the board regardless of where the issue arises. Either way, the method for handling emergencies does not affect the cost estimate.