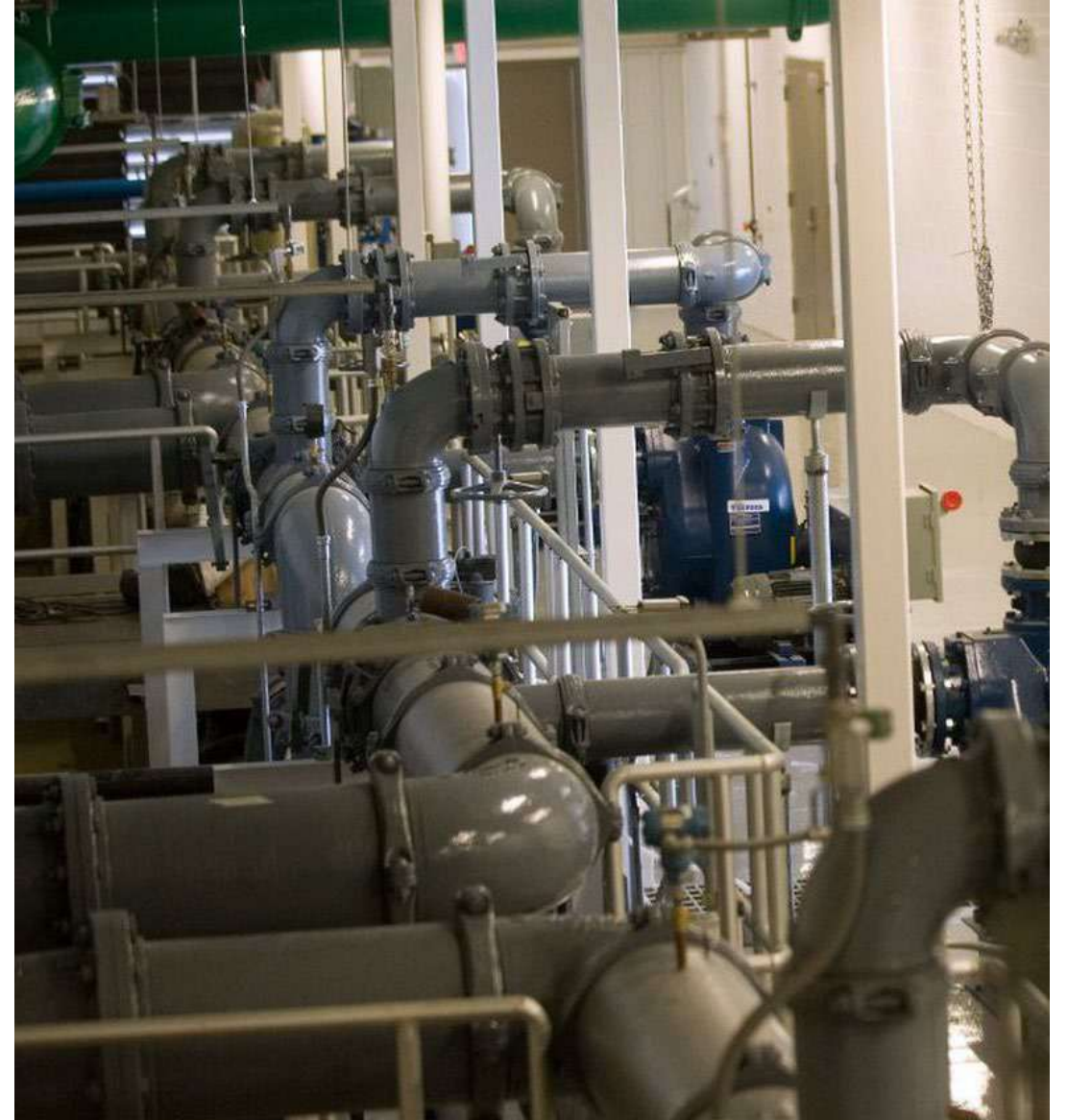




LEONI TOWNSHIP

Sewer Informational
Meeting



History

- Leoni Township constructed a “lagoon style” sewer plant in 1971.
- Leoni Township was forced to make major improvements to the plant in 2010.
- The improvements switched from using lagoons to utilizing a membrane bioreactor treatment system.
- Leoni Township was required to make these improvements by EGLE (formerly DEQ) who permits all sewer plants and operations.





What does my sewer fee pay for?

- Your sewer fee is broken down into two parts:
 - Treatment Costs for the Plant
 - Collection Costs to get Sewage to the Plant

A close-up, blue-tinted photograph of a pen writing on a document. The pen is positioned at the top right, and a line graph is visible on the left side of the page. The graph shows a fluctuating line that generally trends upwards. The background is a light blue color with a subtle grid pattern.

Plant Costs

- Leoni residents and all sewer customers pay the same rate to treat sewage at the plant.
- Currently, that amount is \$30.72 per month and will be increased to \$32.11 per month, which is a 4.5% increase.
- According to the EPA, the average increase last year for sewer rates, nationwide, was 4.6%.
- Plant costs are largely affected by the number of users. The more people paying for the service results in reduced cost for each customer.

Collection Costs

Collection costs are costs that Leoni Township customers pay to transport sewage from individual residences or businesses to the plant.

This includes pipes, pumps, lift stations and any infrastructure necessary to get sewage to the plant.

Leoni Township has 14 lift stations, ranging in age from 19-years old to 52-years old.

Lift stations and other infrastructure, up to 52-years old, need repair/replacement and we must save to pay these costs in the next 10-15 years.



Collection Costs

- The cost to replace and/or repair our collection system has been estimated at \$10,000,000 (including inflation) and must be completed in the next 10-15 years.
- 10-15 years from now, without any replacement or repair, our collection system infrastructure will be between 29-years old and 62-years old.
- We have had our engineers study our system and if we don't make improvements, we face a serious system failure in the future, which would be both catastrophic for the customers and the Township.
- Therefore, a substantial yearly increase in collection costs is necessary, with the first year increasing from \$19.28 to \$37.89 per month.

How did we get here?

- Sewer systems must be maintained, and money must be set aside to make improvements, replace lines, replace lift stations.
- If you fail to maintain your car, at some point it will break down and you won't be able to use it, requiring you to repair or replace it.
- If a sewer system fails, sewage backs up into basements, spills onto or into the ground and the damages/fines and other costs would be the responsibility of the residents of Leoni Township.
- In this case, failure is not a viable option.

How did we get here?

- In 2012, the Township Board of Trustees voted to lower the sewer rates for Leoni residents, on the collections side, from \$10.45 per month to \$1.85 per month.
- This decrease resulted in a \$4,452,000 reduction in revenue intended for repair and maintenance on the collections side in the last 11-years.
- Had we simply continued to collect the old rate, we would be on schedule to cover all of the required upgrades and infrastructure costs that need to take place within the next 10 years.

How did we get here?

- I can't answer the reasoning behind their decision to lower the rates, as none of those board members are currently members of the Board of Trustees.
- That decision is the catalyst for the situation we are in today.
- While the reduction of sewer fees had a positive effect on the customers in 2012, the long-term effects are just starting to be realized.
- The 2012 reduction now requires us to institute large increases over consecutive years in order to keep our system operational.
- We looked for alternative solutions to this problem, but there simply isn't any.
- A system failure would cost all Leoni residents an enormous amount of money, including those residents without sewer services.

Sewer Rates in 2012 versus 2023

Year	Pre-2012	2012	2023
Treatment Per Month	\$21.52	\$30.15	\$32.11
Collections Per Month	\$10.48	\$1.85	\$37.89
Total Per Quarter	\$96.00	\$96.00	\$210.00

Rate Study Results

Monthly Fee Per REU	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Treatment Portion	\$30.72	\$32.11	\$33.56	\$35.07	\$36.64	\$38.29	\$40.01	\$41.81	\$43.69	\$45.66
Collection Portion	\$19.28	\$37.89	\$56.44	\$69.93	\$78.36	\$81.89	\$85.57	\$89.42	\$93.45	\$97.65
Total Monthly/Quarterly Fee Per REU	\$50/ \$150	\$70/ \$210	\$90/ \$270	\$105/ \$315	\$115/ \$345	\$120/ \$360	\$125/ \$375	\$131/ \$393	\$137/ \$405	\$143/ \$429

What Should Have Been Done?

- Had the Township raised the treatment costs to \$30.15, which it did in 2012, and left the collection costs at \$10.48, our bills would have been \$121.89 per quarter in 2012.
- With the minor increases that have been charged on treatment costs, we would only be paying \$127.77 per quarter this year.
- Our collection rates could have stayed at \$10.48 for the next 15-years and we would have had enough money to pay for all our needed improvements.
- $\$8.63 \times 12\text{-months} \times 26\text{-years} \times 3,900 \text{ customers} =$
 $\$10,500,984.00$



Current Condition of Collection System
Severe H₂S Damage



Current Condition of Collection System
Hole and Re-Bar Visible Behind Pipe

7/14/2020

1:00:31 PM

301.8 ft.

Upstream MH No: AMH 58E

Current Condition of Collection System
H₂S Damage in Manhole



Current Condition of Collection System
Structural Deterioration





Liability Concerns

- The courts have made it clear that a municipality is liable for sewer backup damages if the municipality's negligence caused the damage.
- There are four basic questions the courts look at in deciding this issue.
 - Was there a defect in the municipality's sewer line?
 - Did the municipality know about the defect, or should it have reasonably known, about the defect?
 - Did the municipality fail to correct the defect within a reasonable time after learning of it?
 - Did that failure by the municipality cause both the event and damages?

Other Funding Sources

- The only funding sources that can be used for sewer collection expenses are sewer fees on the collection side and general fund dollars.
- The problem with using general fund dollars is that those funds belong to all Township residents and 2/3 of all residents do not receive sewer services.
- Sewer services must be self sufficient to be sustainable on a long-term basis.
- Marijuana excise tax dollars are deposited in the general fund and should be used to benefit all residents and not just 1/3 of them.

- The Township received a \$3.5 million dollar grant for sewer improvements, however that grant must be spent on pre-approved improvements that benefit all 13-communities and can't be used to off-set our costs on the collection side, which only benefits Leoni Township.
- Leoni Township is in a precarious position when it comes to borrowing money. The SRI lawsuit, the decision by a previous board to default on their bond payment, has affected Leoni Township's credit rating and has resulted in a limited borrowing capacity (bonding). We may explore this further as we distance ourselves from the default and our credit rating improves, however bonds paid back by 3,900 customers may have about the same effect on rates.

Other Funding Sources



Questions ?