

VILLAGE OF NEWBERRY
VILLAGE COUNCIL PUBLIC HEARING
PROPOSED SEWER RATE INCREASE
6:00 P.M., TUESDAY, NOVEMBER 15
Meeting Location: 307 E. McMillan Avenue

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. PUBLIC COMMENT** – Prior to consideration of official business, citizens may speak to a subject on the public hearing agenda. Speakers must identify themselves by name and address and will be held to a 3 min time limit.
- 5. PRESENTATION AND DISCUSSION OF THE PROPOSED SEWER RATE INCREASE**
 - a. Overview of items funded by increase
 - b. Cash flow analysis and rate projections review
 - c. Review 2022-11-15 SEWER RATES Resolution listing proposed rate changes
 - d. Council discussion and/or questions for Village Manager
- 6. PUBLIC COMMENT-** See section 4 for guidance on comment process
- 7. ADJOURNMENT OF PUBLIC HEARING**

**VILLAGE OF NEWBERRY (MICHIGAN) SEWER FUND
CASH FLOW ANALYSIS**

	2020	Increases Per Year	2021	2022	2023	2024	2025	2026	2027	2028
Assumptions										
Residential customers number	735		735	735	735	735	735	735	735	735
Residential customers flat rate	\$35,00	2.00%	\$35,70	\$36,41	\$37,14	\$37,88	\$38,64	\$39,41	\$40,20	\$41,00
Seasonal residential customers number	33		33	33	33	33	33	33	33	33
Seasonal residential customers flat rate	\$10,30	2.00%	\$10,51	\$10,72	\$10,93	\$11,15	\$11,37	\$11,60	\$11,83	\$12,07
Commercial REU number	424		424	424	424	424	424	424	424	424
Commercial REU rate	\$35,00	2.00%	\$35,70	\$36,41	\$37,14	\$37,88	\$38,64	\$39,41	\$40,20	\$41,00
Correction facility REU number	1,178		1,178	1,178	1,178	1,178	1,178	1,178	1,178	1,178
Correction facility REU rate	\$35,00	2.00%	\$35,70	\$36,41	\$37,14	\$37,88	\$38,64	\$39,41	\$40,20	\$41,00
Pentland charge (1.4% of all the other rates revenue)	11.4%		11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%
Revenue										
Residential customers flat fee revenue (12 months)	\$308,700		\$314,874	\$321,136	\$327,575	\$334,102	\$340,805	\$347,596	\$354,564	\$361,620
Seasonal residential customers sewer service fee (5 months)	1,700		1,734	1,769	1,803	1,840	1,876	1,914	1,952	1,992
Commercial customers REU charge revenue (12 months)	178,244		181,809	185,424	189,142	192,911	196,781	200,703	204,726	208,800
Correction facility REU charge revenue (12 months)	494,651		504,544	514,578	524,895	535,353	546,094	556,977	568,142	579,448
Pentland revenue	112,096		114,338	116,611	118,949	121,319	123,753	126,220	128,750	131,312
Other	5,500		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Total revenue	1,100,890		1,122,798	1,145,019	1,167,865	1,191,025	1,214,810	1,238,909	1,263,633	1,288,671
Less: Total operating expenditures	(734,850)		(752,362)	(770,309)	(788,701)	(807,551)	(826,871)	(846,671)	(866,966)	(887,768)
Net operating revenue	366,040		370,436	374,710	379,164	383,474	387,939	392,238	396,667	400,904
Less: Current debt service payments	(245,000)		(245,875)	(246,625)	(247,250)	(247,750)	(248,125)	(248,500)	(248,750)	(248,875)
Debt service reserve	(25,000)		(25,000)	(25,000)	(25,000)	(25,000)	(40,000)	(156,000)	(156,000)	(156,000)
Estimated debt service #1 2025 bonds [1]	-		-	-	-	-	-	-	-	-
Estimated debt service #2 2040 bonds [2]	-		-	-	-	-	-	-	-	-
Net cash flow	\$96,040		\$99,561	\$103,085	\$106,914	\$110,724	\$104,814	(\$7,262)	(\$3,083)	\$1,029
Cash & investments	\$199,758		\$395,359	\$498,444	\$605,358	\$716,081	\$820,896	\$813,633	\$810,550	\$811,579

[1] Estimated debt service payments based on a \$4,500,000 40-year USDA bond issue at the current intermediate rate (1.750%).
[2] Estimated debt service payments based on a \$6,000,000 30-year SRF bond issue at the current rate (2.125%).

**VILLAGE OF NEWBERRY (MICHIGAN) SEWER FUND
CASH FLOW ANALYSIS**

(Continued)

	2029	2030	2031	2032	2033	2034	2035	Increase Per Year	2036	2037	2038	2039	2040
	735	735	735	735	735	735	735		735	735	735	735	735
	\$41.82	\$42.66	\$43.51	\$44.38	\$45.27	\$46.18	\$47.10	0.00%	\$47.10	\$47.10	\$47.10	\$47.10	\$47.10
	33	33	33	33	33	33	33	0.00%	33	33	33	33	33
	\$12.31	\$12.56	\$12.81	\$13.07	\$13.33	\$13.60	\$13.87	0.00%	\$13.87	\$13.87	\$13.87	\$13.87	\$13.87
	424	424	424	424	424	424	424	0.00%	424	424	424	424	424
	\$41.82	\$42.66	\$43.51	\$44.38	\$45.27	\$46.18	\$47.10	0.00%	\$47.10	\$47.10	\$47.10	\$47.10	\$47.10
	1,178	1,178	1,178	1,178	1,178	1,178	1,178	0.00%	1,178	1,178	1,178	1,178	1,178
	\$41.82	\$42.66	\$43.51	\$44.38	\$45.27	\$46.18	\$47.10	0.00%	\$47.10	\$47.10	\$47.10	\$47.10	\$47.10
	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	0.00%	11.4%	11.4%	11.4%	11.4%	11.4%
	\$368,852	\$376,261	\$383,758	\$391,432	\$399,281	\$407,308	\$415,422		\$415,422	\$415,422	\$415,422	\$415,422	\$415,422
	2,031	2,072	2,114	2,157	2,199	2,244	2,289		2,289	2,289	2,289	2,289	2,289
	212,976	217,254	221,583	226,013	230,546	235,180	239,865		239,865	239,865	239,865	239,865	239,865
	591,037	602,909	614,922	627,217	639,795	652,656	665,659		665,659	665,659	665,659	665,659	665,659
	133,938	136,629	139,351	142,137	144,988	147,902	150,849		150,849	150,849	150,849	150,849	150,849
	5,500	5,500	5,500	5,500	5,500	5,500	5,500		5,500	5,500	5,500	5,500	5,500
	1,314,335	1,340,625	1,367,227	1,394,456	1,422,310	1,450,790	1,479,583		1,479,583	1,479,583	1,479,583	1,479,583	1,479,583
	(909,089)	(930,944)	(953,346)	(976,309)	(999,849)	(1,023,980)	(1,048,717)		(1,074,077)	(1,100,076)	(1,126,730)	(1,154,057)	(1,182,075)
	405,246	409,681	413,881	418,147	422,461	426,810	430,866		405,506	379,507	352,853	325,526	297,509
	(243,875)	(243,750)	(243,500)	(243,125)	(242,625)	(246,875)	(246,000)		-	-	-	-	-
	(156,000)	(156,000)	(156,000)	(156,000)	(156,000)	(156,000)	(156,000)		(156,000)	(156,000)	(156,000)	(156,000)	(156,000)
	-	-	-	-	-	-	-		-	-	-	-	(64,000)
	\$5,371	\$9,931	\$14,381	\$19,022	\$18,836	\$23,935	\$28,866		\$249,506	\$223,507	\$196,853	\$169,526	\$77,509
	\$816,950	\$826,881	\$841,262	\$860,284	\$879,120	\$905,055	\$931,921		\$1,181,427	\$1,404,934	\$1,601,787	\$1,771,313	\$1,848,822

Table 6. Construction Cost Estimate – Future Years (Alternative 2C) WWTP and Collection System Improvements

Description	Estimated Cost
Sludge Storage, Increased Capacity	\$1,530,000
Headworks Improvements	\$2,240,000
Final Tank Domes Replacement	\$700,000
Primary Settling Tank Expansion	\$930,000
Raw Sewage Pump Station Coating	\$60,000
Driveway Replacement	\$130,000
Service Building/ADA Bathroom	\$30,000
SCADA	\$160,000
RAS Pump Replacement (No. 3 Pump)	\$40,000
WWTP Painting	\$25,000
Generator	\$250,000
Collection System Improvements	\$3,350,000
Total Construction	\$9,445,000

A 30-year present worth analysis is also included in Table 7 below. Because the Village of Newberry is a disadvantaged community, they are eligible for a 30-year loan/bond term. The bond schedule, operating expense, and salvage values can be found in Appendix A. O&M impacts were assumed to effect plant operations only for this analysis. The anticipated savings in operating expenses is represented in Appendix A as negative “O&M impacts.” Likewise, the “no action” alternative indicates escalating expenses as utility rates increase and energy efficiency decreases.

Table 7. Present Worth Analysis

Item	Description	Alt. 1: No Action	Alt. 2A: Rehab. of Sewers	Alt. 2B: Land Acquis. For Sludge Disposal	Alt. 2C: Improvements to Ex. WWTP	Alt. 3A: Replacement of Sewers	Alt. 3B: Alt. Method for Sludge Disposal (a)
1	Construction Costs	\$0	\$1,280,000	\$60,000	\$9,445,000	\$3,930,000	\$600,000
2	Engineering, Legal, Administration, Planning, and Contingencies	\$0	\$337,000	\$5,000	\$2,755,000	\$1,170,000	\$180,000
3	Total Capital Cost	\$0	\$1,617,000	\$65,000	\$12,200,000	\$5,100,000	\$780,000
4	Annual O&M Cost Change	\$0	-\$5,000	\$0	-\$30,000	-\$5,000	\$30,000
5	Present Worth of O&M Costs	\$0	-\$103,000	\$0	-\$617,000	-\$103,000	\$617,000
6	Salvage Value	\$0	\$539,000	\$60,000	\$5,160,000	\$3,060,000	\$234,000
7	Present Worth of Salvage Value	\$0	\$567,000	\$64,000	\$5,425,000	\$3,218,000	\$247,000
8	Total Present Worth	\$0	\$947,000	\$1,000	\$6,158,000	\$1,779,000	\$1,150,00

(a) Construction costs include for a sludge thickening facility, O&M costs include: \$5,000 added electrical costs, \$5,000 for hauling to landfill and \$20,000 tipping fee (based on WWTPs in Michigan of similar size)

Table row description for Table 7:

1. Construction costs developed by AMP and detailed in Appendix A and D.
2. Project support fees based on a percentage of construction costs; typical rate 30%. Table 10 further breaks this total cost down for Alternative 2.
3. Capital costs are sum of 1 and 2.
4. O&M cost change due to the project.
5. Present value of O&M costs for 30 years at -0.25% (per 2022 USDA/SRF guidance).
6. Land considered permanent, 50-year life for piping, valves, and structures, 30-year life for lining, and 20-year life for equipment.
7. Present worth of line 6 at -0.25% interest for 30 years.
8. Total of items 3 and 5 minus 7.

Item	Target (Year 1 Project)
Funding Closing	July 2023
Contract Award	July 2023
Construction	August 2023
Substantial Completion	October 2023
Final Completion and Initiate Operation	November 2023

Cost Summary

A brief summary of planning, design, and construction costs is included below in Table 10.

Table 10. Project Cost Summary

Item	Year 1 – Estimated Costs	Future Year – Estimated Costs
Construction	\$1,340,000	\$9,445,000
Administration, Legal, Bonding, Permits, & Miscellaneous	\$20,000	\$141,000
Planning	\$20,000	\$20,000
Design	\$98,000	\$827,000
Bidding	\$4,000	\$43,000
General Engineering During Construction	\$37,000	\$331,000
Post Construction Services	\$3,000	\$34,000
Resident Project Representative	\$48,000	\$336,000
Additional Services – Design Related	\$3,000	\$128,000
Additional Services – Construction Related	\$13,000	\$204,000
Engineering Total	\$226,000	\$1,923,000
Contingencies	\$96,000	\$691,000
Total Project Cost	\$1,682,000	\$12,200,000

Authority to Implement the Selected Alternative

The Village of Newberry was incorporated in 1885 as a General Law Village in the State of Michigan. The Village of Newberry has successfully implemented facility improvements projects over the past 50 years including most recently, construction of municipal water system improvements through the United States Department of Agriculture, Rural Development. The Village has shown it has the legal, institutional, technical, financial and managerial resources to accomplish implementation of the recommended alternatives.

User Costs

This report has recommended improvements and suggested a phasing of improvements to reduce the short term effects on user rates on Village residents. Potential rate increases for the Village of Newberry customers, assuming a no grant scenario, are outlined in Table 11 for Year 1 and Future Year(s) Projects. Because the Village of Newberry is a disadvantaged community, they are eligible for a 30-year loan/bond term. Detailed costs are shown in Appendix A.

Table 11. User Costs for Year 1 (Assuming No Grant)

Description	Year 1
CWSRF Loan Amount	\$1,682,000
Anticipated Interest Rate	2.125%
Term	30
Annual Debt Service	\$76,398
Monthly Debt Service	\$6,367
Estimated System EDUs	2,337
User Rate Impact / EDU / month	\$2.72

Table 12. User Cost for Future Year(s) Projects (Assuming No Grant)

Description	Future Years
CWSRF Loan Amount	\$12,200,00
Anticipated Interest Rate	2.125%
Term	30
Annual Debt Service	\$554,136
Monthly Debt Service	\$46,178
Estimated System EDUs	2,337
User Rate Impact / EDU / month	\$19.76

Disadvantaged Community

A “Disadvantaged Community Status Determination Worksheet” is included with the final project plan submittal (see Appendix B). According to guidelines, the Village of Newberry does qualify as a disadvantaged community considering their current and projected debt service, median household income, and user rates.

Useful Life

Remaining Useful Life of all wastewater assets is available in the 2020 SAW Asset Management Plan and Process Evaluation (see Appendix D).



302 East McMillan Avenue, Newberry, MI 49868 Phone: 906-293-3433 Fax: 906-293-8890

RESOLUTION 2022-11-15-SEWER RATES
A RESOLUTION SETTING RATES FOR SEWER USAGE
VILLAGE OF NEWBERRY
COUNTY OF LUCE, STATE OF MICHIGAN

Motion By: _____ Supported By: _____

WHEREAS, pursuant to Village of Newberry Ordinance B, Section B:32 and B:33 the Village Council adopts sewer rates pursuant to resolution; and

WHEREAS, the cost of operations has continually increased; and

WHEREAS, the Village Council has determined that a Clean Water State Revolving Fund Loan will be bonded to assist in funding upgrades to the wastewater collection system; and

WHEREAS, Village Council has determined that a modification to sewer rates is necessary.

NOW THEREFORE BE IT RESOLVED that the Village of Newberry Village Council sets sewer rates as follows:

Commencing January 1, 2023, the rates for sewer shall be:

MONTHLY RESIDENTIAL SEWER USAGE REU:	\$38.00
MONTHLY RESIDENTIAL SEWER READINESS-TO-SERVE (Seasonal):	\$13.30
MONTHLY COMMERCIAL SEWER USAGE 1 REU= 3000 gallons:	\$38.00 per REU

Commencing January 1, 2024, and for each calendar year thereafter, the rates for sewer shall be the rate charged for the calendar year prior multiplied by 1.02 unless the Village Council, not later than the first day of December preceding an increase in rates under this section, shall adopt a resolution establishing a different rate for the ensuing calendar year. Not later than the first day of November preceding an increase in rates under this resolution, the Village Manager will advise Village Council on the rate for the ensuing year.

AYES: _____

NAYS: _____

ABSENT: _____

RESOLUTION DECLARED ADOPTED ON
THE 15TH DAY OF NOVEMBER 2022.

VILLAGE OF NEWBERRY

Catherine Freese, Village President

Terese Schummer, Village Clerk

Date: _____

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Village Council of the Village of Newberry, County of Luce, State of Michigan, at a regular meeting held on **NOVEMBER 15, 2022** that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Terese Schummer, Clerk