

Marquette Township Water Project Bonding Referendum

Questions and Answers – From Randy Girard, Township Manager

To provide Marquette Township residents with factual information to determine their position regarding the Water Project Bonding Referendum petitions being circulated; the following are answers to several recurrent questions asked at Board meetings and at the February 28th public meeting:

Question:

What is the Bond Referendum issue about?

Answer:

Participation in the State of Michigan Drinking Water Revolving Loan Fund (DWRFL) requires the establishment of a repayment plan for the loan. There are several mechanisms available to the Township to repay such a loan – issuing bonds, obtaining public or commercial financing, property assessment, and rolling into water rates are commonly used mechanisms. Issuing bonds is generally the least expensive mechanism; and in this case is the least expensive mechanism at 2.5% over 20 years. The referendum petition results from the Board of Trustees adoption of an “Intention to Issue Bonds” resolution and addresses **only** whether bonds should be used as the repayment mechanism for the proposed water system improvement project. The referendum does not determine whether the proposed water system improvement project is to be constructed or not.

Question:

If bonds are issued as the Board Resolution proposes, what will be the cost to residents?

Answer:

If the available bonds are issued at 2.5% for the current \$5.3 million proposed project; the projected cost for the average Marquette Township residential water user is an additional \$13.50 per month for 20 years – a total of \$3,240.00. The cost for commercial water users will vary depending on the size of the water service line. We have been advised that our project, since a DWRFL funding application is pending, will receive “stimulus” funding although the specific amount is not yet known. This will reduce the overall project cost.

Question:

If the proposed bonds are issued, what will residents get for the additional cost?

Answer:

If the Board of Trustees determines that the completion of the proposed water system improvement project is in the best interests of the Township; the following will be attained:

- Three additional municipal water wells in a second water source with collection and pumping facilities, transmission mains, and storage tank to complete our municipal water system sufficient to serve all Township water users currently receiving water; and those projected to need water service over the next 20 years;
- Certification by the Michigan Department of Environmental Quality as a stand alone municipal water system;
- A secure and quality supply of water for the future owned, operated, and maintained by the Township;
- And, Township control of the production, storage, distribution, and cost of your future water supply.

Question:

Will the Township be separated from the City of Marquette?

Answer:

No; the Township does not desire or propose to be separated from the system that we now jointly own and operate with the City of Marquette. The connection that currently exists within the joint water system is expected to continue to be available should a future need arise for either the City or Township to feed water in either direction due to unforeseen circumstances affecting Lake Superior or the wells. The Water Supply Contract in force between the City and Township is perpetual with regard to access to Lake Superior water; but not for water rates from the City which are currently set only through 2010.

Question:

If there is a continuing water supply contract with the City, why is the proposed water system improvement project needed?

Answer:

There is a perpetual water supply agreement providing access to water from Lake Superior through the City of Marquette filtration and treatment plant, and transmission system to our Cox water tank. The water rate charged to the Township is determined based on the actual cost to the city to acquire and deliver the water to our Cox water tank as calculated using the “utility basis of ratemaking”, which is a new calculation method started in 2006 by Circuit Court order. The utility basis of ratemaking allows the City to now recover a 7% return on their water system investment which is included in determining the water rate. The City water system is aging and will be in need of major improvements (investment) to continue providing water to the Township. The cost of those

improvements and a 7% return on their investment will be passed along to Township water users pursuant to the utility basis of ratemaking. In short, the future cost of water will increase if it is continued to be purchased from the City as the sole supplier. The Township will have little or no control over the future cost. The supply of water and the cost of water has been an ongoing issue between the City and Township dating back to 1970. The most recent issue was the City attempt in 2002 to end the water supply contract because it restricted their ability to unilaterally raise water rates to offset economic hardship within the City. This action resulted in the Township filing suit against the City and successfully enforcing the contract provisions. The Township Board anticipates that the City will again face economic hardship, and will again look to the Township as a source of revenue – using water. Development of the proposed Township water system improvement project will effectively eliminate that threat.

Question:

The subject of potential annexation has been discussed as relating to the proposed water system improvement project, why is that a concern?

Answer:

Annexation is a legal process by which one local government can change boundaries to take control of property located in another neighboring local government – typically a City taking property located in a neighboring Township. The premise for such a taking by a City is generally for provision of public services not available from the target Township. The property taken then becomes part of the City for all purposes – including taxation. The City of Marquette has a long history of attempts to annex properties from neighboring Townships. In the past the City has successfully taken property from Marquette Township along the Dead River system and along the shared southwestern border (the original Marquette Mall area and the Marquette Golf and Country Club area). The City has very limited availability of developable property within its current boundaries. Development equates to revenue which the City needs. The City effort to end the water supply contract in 2002 was predicated on forcing the Township to agree to annexation of the US41 business corridor to the City in exchange for continued water service at an affordable rate. Following Circuit Court rulings in favor of the Township; the City then made a \$5 million purchase, while suffering economic hardship, of a tract of property including approximately 1,400 acres within Marquette Township at the southern City/Township boundary. Future annexation activity is expected. Completion of the proposed water system improvement project and provision of Township water service to all current and projected future Township water users will further limit the ability of the City to annex property currently within the Township; or to use water rates for leverage.

Residents need to have factual answers to their questions regarding the referendum petition; and the proposed water supply improvement project. For those residents that were not available to attend the February 28th public meeting, a DVD of the meeting is available at the Township Hall.