

## **Saddle Ridge HOA Sanitary Sewer Project Cost & Assessment Information**

### **How Did We Get Here?**

The original Membrane Bioreactor (MBR) plant reached a point of failure, requiring the HOA board to evaluate repairing the existing MBR plant or looking at the option of changing the plant over to a Sequencing Batch Reactor (SBR) plant. This was disclosed to the neighborhood residents at the 2020 annual meeting held in January 2021. The cost of a new SBR plant was slightly more than a repair of the MBR plant but it was determined to be a more robust system that would operate at a reduced annual cost so the board had made the decision to move forward with the SBR plant. Before this decision, there were several attempts to join the North Kent Sewer Authority with a permanent sewer line connection but were denied by Plainfield and NKSA. Since NKSA was not an option, the HOA Board was forced to pursue the SBR plant reconstruction over the next two years to meet timing requirements laid out by EGLE. Prior to EGLE's approval to proceed with the SBR system, which was granted in May 2023, the board members decided to make one last pitch to Plainfield Township to connect to the North Kent Sewer Authority (NKSA). The addition of Rockford Public Schools to the conversation made the connection to the Plainfield system a possibility as the connection was serving more than a single 230 home development, but the public school system that served a much larger service area. With this last push by the HOA with support from RPS, NKSA and Plainfield agreed to allow Saddle Ridge to join the sewer system. With this new agreement, all efforts were shifted to the NKSA connection route rather than building a new SBR plant.

### **Why isn't Eastbrook Paying for the Entire Project Cost?**

They aren't legally required to. Eastbrook has been assisting the HOA with repair and maintenance costs for several years because the Association's utility fees were unable to support the level of repair and maintenance of the plant. As the developer, it was not their responsibility to fund 100% of the costs, but they did pre-fund a significant number of repairs and funding for some of the expansion work that was done to improve the system as well as daily operational shortfalls.

### **Why Doesn't the HOA Take Legal Action Against Eastbrook:**

The board spent considerable time discussing all of the options available to it, including potential litigation. The board factored in the cost of what Eastbrook was currently funding for operational deficiencies (\$6,000 per day for Plummers trucks) and had already funded for past deficiencies. Additionally, the cost of litigation included a potential assessment to homeowners for all the above-mentioned costs with a need for an immediate funding source. At the

recommendation of our legal counsel, the Board determined it was in the best interest of the HOA to reach a resolution that allowed the HOA to move forward with a sustainable plan for sewer operation and financial security, which the Plainfield system connection and agreement accomplishes.

The HOA board pushed as hard as it felt it could and wanted to make sure we got the best deal for the residents of the HOA, because we as residents are paying it as well. The original numbers had the homeowners being assessed in the \$22,000 - \$23,000 range and the HOA board was able to get it down to \$16,827 per home.

### **What is the total cost?**

The total project cost was \$12,042,898 and covered a number of different components on the associated spreadsheet. It includes the following items:

#### Existing Plant Operations:

- Past Sewer and Water Utility Operational Deficiencies and Plant Expansion and Repairs from the start of the sewer plant through March 31, 2023 – Covered by Eastbrook
- Sewer and Water Utility Operational Deficiencies from April 1, 2023 through December 31, 2023 – Covered by Eastbrook
- Sewer and Water Operational Deficiencies Anticipated until Connection to Plainfield Sewer from January 1, 2024 through August 31, 2024 – Covered by Eastbrook
- Operational Expenses September 1, 2024 – NKSA Hookup – Covered by Saddle Ridge HOA and partial share to RPS Elementary School.
- Wastewater Plant Decommissioning – Covered by Eastbrook

#### Construction to Connect to Plainfield Sanitary Sewer System:

- Plainfield Force Main/Lift Station Engineering and Construction – Covered by Saddle Ridge HOA and Rockford Public Schools

#### Connection Fees to Plainfield and NKSA Systems:

- Plainfield Individual Residential Connection Fees - Covered by Individual Residential Units of Saddle Ridge HOA
- Rockford Public School Connection Fee – Covered by Rockford Public Schools directly to Plainfield Twp (not included in total cost shown)

### **How was cost share determined?**

The negotiation included operational deficiencies, construction costs for the new force main to connect existing Saddle Ridge sewer lines to the Plainfield Township system, building a new sanitary sewer lift station, and pumping and hauling sanitary sewer through Plummers.

**The Costs:**

A spreadsheet is included showing a detailed breakdown of the cost allocation of \$12,042,898 in costs. This cost

Entity	Cost	% Share
West Michigan Development (Eastbrook)	\$7,174,795	59.6%
Saddle Ridge Home Owners	\$3,870,142	32.1%
Rockford Public Schools	\$997,961	8.3%
<b>Total Cost</b>	\$12,042,898	

**Details of the Assessment:**

The assessment will be funded by Plainfield Township with Township agreeing to charge simple interest instead of compounding interest. This will save homeowners significantly when it comes to the level of interest paid on the assessment and will keep payments reasonable for individual residents

The assessment will be paid over 15 years and will be added to the new sanitary sewer bill that residents will receive from Plainfield Township. Details of the financing are included below.

Total costs financed: \$4,141,052

Interest Rate: 7%

Total Interest Paid: \$270,910

Total Assessment Per Household: \$16,827

Amount Financed Per Year: \$276,070

Amount Financed Per Quarter: \$69,018

# of Homes in Development: 230

Cost Per Home Per Quarter: \$300.08 – actual increase will be approximately \$118.33 per quarter (*based on average usage*) due to charges eliminated or reduced as noted below. The spreadsheet includes a sample current bill vs. a new bill based on historical average usage by Saddle Ridge homes.

By connecting to Plainfield’s system, the HOA is able to eliminate/reduce the following charges on our current utility bills:

Operational Improvement Fund: \$55.00 per quarter – this will be removed

Sewer Reserve Fund: \$79.00 per quarter – this will be removed

Sewer Base: \$88.00 per quarter – this will be reduced to \$40.25 as it is the Plainfield Sewer Ready to Serve Fee

Saddle Ridge HOA will still mail a water bill to residents for their water usage as the water system is not part of the Plainfield system.

### **Construction Schedule:**

Construction Updates can be found here:

[https://www.preinnewhof.com/construction\\_projects/saddle-ridge/](https://www.preinnewhof.com/construction_projects/saddle-ridge/)

### **Plan for Temporary Pumping and Decommissioning of Current Sewer Plant:**

The HOA Board, NKSA and Plainfield Township have a goal to connect the pipeline to the permanent system as soon as possible. The lift station construction will take longer to construct and thus a temporary pumping plan has been established. The temporary pumping plan allows use of current system infrastructure, mainly holding tanks, and then uses the new pipeline to pump the waste to NKSA. The goal is to stop treatment and the pump and haul option as soon as possible, with October 15, 2024 as the current goal date.

### **New Management Company:**

As of August 1, 2024 the Saddle Ridge Development will be managed by Urban Monarch and Eastbrook will no longer be involved in the management of the development. In reality, Eastbrook is not a management company and there are a number of improvements that will come from a transition to a qualified management company. Additional information will be shared from Urban Monarch once it is available. The funds to pay the management company are already included in the fiscal year budget so there is no additional cost to the association.