

March 11, 2025

City Council
City of the Village of Douglas
86 W. Center St.
Douglas, MI 49406

Dear Mayor and Members of the City Council,

After discussions with City Manager Nocerini and City Treasurer Tien, I am writing to express my concern regarding the current state of the City's water and sewer infrastructure and the inadequacy of the existing funding mechanisms to address these critical needs. As you are aware, the City of Douglas currently charges its customers a meter charge of \$18 per month. This charge only generates approximately \$180,000 per year. This is insufficient to generate the necessary revenue to fund the substantial capital improvements required for your infrastructure.

The City's water and sewer infrastructure has largely been ignored over the years, resulting in a now dire and expensive need for upgrades, construction, and maintenance. Failure to address these needs poses a significant risk to the reliability and quality of your water and sewer services, potentially impacting public health and the overall well-being of the community. My understanding is that the City needs to complete utility infrastructure projects totaling as much as \$13,000,000.

The City has been very cost-conscious and hesitant to use any kind of long-term financing. While this is admirable and very responsible in many ways, issuing debt for municipal projects offers several benefits that differ significantly from an individual incurring personal debt. Municipal debt allows a city to spread the cost of large capital projects over a longer period, ensuring that the burden does not fall solely on current residents but is shared with future beneficiaries of the improved infrastructure. This approach also enables the City to take advantage of low municipal bond interest rates and/or State of Michigan programs like the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund which both offer interest rates around 2.5 percent, making it a financially prudent decision.

While no one wants to raise taxes or fees, doing so is necessary to pay the debt service on debt large enough to address the system's capital needs. Here are two options the City should consider:

- The City does not currently use the full millage capacity allowed by the City's charter (adjusted for Headlee). The City could utilize approximately 1.7 unused operating mills which would generate approximately \$400,000 per year. This revenue would be adequate to repay an approximately \$6,000,000 loan from one of the programs I mentioned above at 2.5 percent over 20 years. The downside of this option is that the City would lose its ability to use this revenue for governmental operations in the future.
- My understanding is that the City voters previously approved debt service millages for water and sewer of 2.1000 and 1.9000 mills each, respectively. Utilizing these millages, the City could repay up to \$960,000 per year, allowing for the borrowing of between \$12 million and \$15 million, depending on interest rates, over 20 years.

In conclusion, I urge the City Council to consider these funding options to ensure the long-term sustainability and reliability of your water and sewer infrastructure. Investing in these critical improvements will not only enhance the quality of life for your residents but also support the growth and development of your community.

Thank you for your attention to this important matter. I am happy to engage in further discussions related to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian J. Camiller". The signature is stylized and cursive.

Brian J. Camiller
Partner