



# Memorandum

Office of the Village Manager

**TO:** CIP Alternative Funding Study Committee  
**FROM:** Darwin D. P. McClary, Village Manager  
**DATE:** March 31, 2026

**RE:** **RECOMMENDATION ON SUPPLEMENTAL FUNDING FOR SANITARY SEWER PUMP STATIONS PROJECT**

Pursuant to the Committee's request at its March 26, 2026, meeting, I provide the following recommendations for supplemental funding for the sanitary sewer pump stations improvement project. These recommendations are based on several factors, including legal considerations, appropriateness, and capital improvement funding needs for other projects.

**GRANT FUNDING.** The Village will be reimbursed for the Phase I sanitary sewer pump stations project this year in the amount of \$1.75 million. The Village bonded the full amount of the Phase I project due to the timing in receiving grant funding reimbursement and the need to have sufficient capital to make an upfront payment to Oakland County Water Resources Commissioner's (WRC) office for the project. This reimbursement can be used to provide capital to offset Phases II and III of the project.

The Village has submitted four (4) separate grant applications under the FY 2027 Congressional Community Projects Funding Program (US Senators Peters and Slotkin and US Rep. McClain) and the Legislatively Directed Spending Program (State Rep. Steele). Funding under these programs is highly competitive and not guaranteed but may provide additional supplemental funding if awarded. We should know by Fall if we will receive funding and the funding amount.

**WATER AND SEWER FUND RESERVES.** Sewer revenues account for approximately 52% of the total revenues of the Water and Sewer Fund. For the fiscal year ending June 30, 2025, the Water and Sewer Fund had an unrestricted net position of \$2.8 million. Of that amount, \$2.3 million was cash and investments. Approximately 52% of the cash and investments belongs to sewer operations. After accounting for 20% for cash flow reserves, the Village could use up to \$960,000 for the sanitary sewer pump stations project.

**BONDING.** The total project cost for Phases II and III of the sanitary sewer pump stations project is \$10,835,922. If the Village were to utilize the supplemental funding from the Phase I grant reimbursement (\$1.75 million) and available Water and Sewer Fund reserves (\$960,000), the

Village should anticipate issuing bonds totaling \$8,126,000. I recommend issuing revenue bonds as we have previously for Phase I. Revenue bonds are not a general obligation of the Village and do not count toward the Village's debt limitation. We should anticipate issuing bonds in October or November once we have information on any additional grant funding that may be used to further reduce the bonded amount.

**IMPACT ON SEWER RATES.** Issuing \$8,126,000 in revenue bonds at 4% interest over 20 years would result in an increase of \$98.62 in quarterly sewer ready-to-serve (base) rates (\$32.87 per month) for the average customer using 1,500 cubic feet (11,220 gallons) of water.

**GENERAL FUND.** As of fiscal year ending June 30, 2025, the General Fund had unassigned fund reserves of \$1,344,287. After accounting for 20% cash flow reserves, up to \$1,075,430 is available for the Village to use for any purpose. I strongly recommend against using any General Fund reserves for proprietary operations or capital improvements. In effect, this practice would be utilizing tax dollars for a business operation, which is inappropriate and sets a dangerous precedent. Taxpayers would be paying for water or sewer operations or capital needs based on the values of their homes rather than on the proportional benefit they each receive from water and sewer utilities and is an unfair method of funding enterprise operations. Furthermore, utilizing General Fund reserves would deplete available funds that are needed for other capital improvement needs, the cost of which appropriately belong to the General Fund.

**DDA PUBLIC INFRASTRUCTURE FUND.** While the DDA Public Infrastructure Fund would be an appropriate source of funds for sewer improvement projects, the project must be located within the DDA District. The sanitary sewer pump stations are located outside the District and, therefore, these funds cannot be used for the pump station improvements.

**CEMETERY, PUBLIC WORKS, POLICE, AND OTHER FUNDS.** These fund centers cannot be used for sanitary sewer pump station improvements, as the funds are dedicated to specific uses.