



City Council Agenda Item Report

FROM: Ryan Cummins, City Manager

MEETING DATE: November 19, 2025

SUBJECT: Notice of Intent from Douglas to Sell Wastewater Treatment Plant Capacity to Saugatuck Township

DESCRIPTION:

The City of the Village of Douglas (“Douglas”) has provided the attached notice of its intent to sell wastewater treatment plant capacity to Saugatuck Township. The sale amounts to 55,000 gallons per day at a cost of \$252,340.

Background

In 2008, Douglas sued the City seeking a determination of its rights to consent to the sale of capacity by the City to Laketown Township. That litigation was resolved with a commitment by both Douglas and the City to update the sewer operations agreement to require express consent to sell capacity. The current sewer operations agreement states the following under 9.e:

In the event Douglas decides to sell, transfer, or convey any of its designated and allocated capacity in the Wastewater Treatment Plant to a purchaser other than Saugatuck City, the capacity to be sold, transferred, or conveyed shall first, as a condition precedent to such sale, transfer or conveyance, be offered by Douglas for purchase by Saugatuck City on the same terms and conditions. In turn, Saugatuck City shall have (1) up to sixty (60) days from the date of receipt of the offer by Douglas to deliver to Douglas its duly authorized written election to purchase such capacity; and (2) up to ninety (90) days after the date of delivery to Douglas of the duly authorized written election to tender to Douglas the purchase price and otherwise perform its obligations to complete the purchase of the capacity from Douglas.

This right of first refusal is important because it helps protect long-term capacity needs and financial interests of the community that built and funded the system.

Recommendation

As part of the ongoing water-sewer agreement updates and recent lease of capacity to the Township, staff and engineering have evaluated our capacity usage and needs. The City Engineer at F&V has reviewed the notice of intent:

- F&V noted the excellent sale price for the capacity.
 - For comparison, F&V advised they are constructing a new standalone plant in SW Michigan with a capacity of 250,000 gallons for \$19 million.
 - While expanding the existing plant may not cost as much as building new, it still would be substantial. In other words, if the City needed additional sewer capacity, we would pay substantially more than the current offer.
- F&V advised the City will not need “additional capacity in the reasonably near future”.

While the City may not need the sewer capacity in the near future and there are several benefits to the Township in acquiring additional capacity, it is still important for the City to consider its future interests. I recommend that if sewer capacity limits remain in an updated water-sewer agreement and Douglas and Saugatuck Township are agreeable to maintaining the right of first refusal language, that the City not exercise our right to purchase the sewer capacity. If they are not agreeable to this, the City Council should revisit whether to purchase now at the current price.

BUDGET ACTION REQUIRED:

The purchase of the sewer capacity would require a budget amendment and transfer from the general fund to cover the cost.

LEGAL REVIEW:

The City Attorney has reviewed and will be at your meeting if you have any questions.

SAMPLE MOTION:

To be drafted after workshop meeting.



TO: Ryan Cummins, City Manager, City of Saugatuck

FROM: Lisa Nocerini, City Manager, City of Douglas

DATE: October 22, 2025

SUBJECT: Notice of Intent to Sell Wastewater Treatment Plant Capacity to Saugatuck Township

The City of Douglas is providing notice to inform the City of Saugatuck of its intent to sell wastewater treatment plant capacity to Saugatuck Township. The purchase agreement was negotiated in good faith and represents a commitment from both communities to cooperate in addressing long-term infrastructure needs and to strengthen regional relationships.

Pursuant to Section 9.e. of the 2012 Sewer Operations Contract, before Douglas may sell its capacity to the Township, it must first offer that capacity—on the same terms—to the City of Saugatuck, which has the right to acquire the capacity. The City of Saugatuck has sixty (60) days from the date of this notice to exercise its right to purchase the capacity.

If the City of Saugatuck does not exercise its right within that timeframe, Douglas may proceed with seeking approval from the Kalamazoo Lake Sewer and Water Authority (KLSWA) to complete the sale of capacity to Saugatuck Township. The terms of the proposed sale are outlined in the attached Purchase Agreement. For context, the Saugatuck Township Proposal for Sewer Capacity Purchase is also attached, which explains the Township's need for additional capacity.

If the City of Saugatuck does not wish to exercise its right of first refusal, the City of Douglas respectfully requests that written confirmation be provided to the KLSWA Commission indicating that the City does not intend to purchase the capacity. This confirmation will fulfill the requirements of the Sewer Operations Contract and allow the KLSWA Commission to consider approval of the sale.

Douglas and the Township both appreciate the City of Saugatuck's consideration and look forward to continuing to build regional cooperation and goodwill between the three municipalities through this process.

Attachments:

1. Purchase Agreement
2. Saugatuck Township Proposal for Sewer Capacity Purchase

September 10, 2025

Douglas City Council and City Manager
City of the Village of Douglas
86 W. Center Street
Douglas, MI 49406

Request to Purchase Wastewater-Treatment Capacity

Dear Mayor and Council Members,

Saugatuck Township greatly values our partnership with the City of the Village of Douglas and appreciates our joint commitment to solving regional challenges.

As the Council may be aware, the Township is rapidly approaching its allotted capacity in the regional Wastewater Treatment Plant (WWTP).

There is sewer infrastructure in the Township sufficient to carry wastewater to the WWTP, although the Township lacks necessary contractual capacity in the plant for treating wastewater. At present, the plant is operating at 47% of its design capacity, leaving substantial treatment space unused.

With the City of Saugatuck essentially built-out, future population growth and economic development will be divided chiefly between Douglas and the Township. Accordingly, the Township seeks to purchase additional treatment capacity to meet immediate capacity needs while delivering long-term financial and operational advantages to Douglas.

The Township respectfully requests to purchase **55,000 gallons per day (gpd)** of Douglas' unused treatment capacity. Consistent with the valuation method jointly adopted by our three communities, we are prepared to remit **\$252,340.00**.¹

Background and Capacity Rationale

The Township's immediate challenge is straightforward: projects already approved or pending will raise our flow to roughly 98,617 gpd within the next 18–24 months. Beyond committed capacity, we project a need for an additional 36,575 gpd for parcels previously reserved capacity that have yet to connect and parcels that will have sewer access upon an extension of the sewer system to serve a new residential development.

¹ Valuation of sewer capacity was calculated by adding the value of KLSWA capital assets (\$5,162,136) with sewer cash reserves (\$2,055,939), subtracting the outstanding debt (\$2,630,090) and dividing by the plant design capacity (1 mgd). Capacity is valued at \$45,879.85 per 10,000 gpd or \$252,340.00 for 55,000 gpd.

Per the existing Tri-Community Sewer Agreement, once a community exceeds 75% of its sewer allocation, a good faith effort must be made to secure additional sewer capacity from a municipality with unused excess capacity.

To stay ahead of that threshold, the Township secured a 14,000 gpd lease from the City of Saugatuck—raising our total capacity to 104,000 gpd—but leasing is a temporary measure.

Douglas currently owns 496,000 gpd of treatment rights, yet the WWTP is running at 47 percent utilization. Transferring 55,000 gpd to the Township would satisfy the Township's immediate capacity needs and provide a modest buffer to accommodate existing properties with reserved capacity while the feasibility of a plant expansion is studied.

After the transfer, Douglas would retain 441,000 gpd, supporting its long-range growth forecasts. To support Douglas in evaluating this request, the Township commissioned an independent Wastewater Capacity Study, which is enclosed with this proposal for Council's review.

Making Best Use of an Under-Utilized Plant

The WWTP can treat 1 million gpd and is currently operating at 47% of that capacity. Making unused capacity available to the Township has strong advantages for Douglas:

- **Add new user-equivalents.** Every new Township account broadens the revenue base and eases future rate pressure on Douglas residents.
- **Provide funding to establish sewer project fund.** The \$252,340.00 payment for acquisition can be used to establish a Douglas Sewer Capital Fund devoted to main replacements and long-term system planning, protecting the General Fund from utility costs.
- **Shift future liabilities fairly.** By increasing its ownership stake, the Township will assume a proportionally larger share of any major repair or expansion costs, thereby reducing Douglas' fiscal exposure.
- **Preserve a unified, sewer-served growth pattern.** Granting capacity keeps development in the Township on public sewer; without it, new projects would default to community-septic systems, eroding KLSWA revenue and leaving Douglas residents to shoulder rising plant costs alone.

We believe this proposal puts existing infrastructure to work, lowers long-term costs for Douglas residents, and supports balanced regional growth. Thank you once again for your partnership and for considering this request. We strongly believe that we can solve even the most challenging of issues facing our communities with a collaborative, regional approach. I would be pleased to answer any questions or to meet with Council at its convenience.



Sincerely,

Daniel DeFranco

Daniel DeFranco
Township Manager

AGREEMENT FOR PURCHASE OF TREATMENT PLANT CAPACITY

This Agreement is made as of the ____ day of _____, 2025, between Saugatuck Township, a Michigan municipal corporation with a principal address of 3461 Blue Star Hwy, P.O. Box 100, Saugatuck, MI 49453 (the "Township") and the City of the Village of Douglas, a Michigan municipal corporation with a principal address of 86 W. Center Street, P.O. Box 757, Douglas, MI 49406-0757 (the "City").

RECITALS

A. The Township and the City are parties to a Sewer System Operations Contract, dated July 1, 2012 (the "System Contract"), which provides for the joint operation of municipal sewer systems in the area by the Kalamazoo Lake Sewer and Water Authority (the "Authority").

B. Under the System Contract, the City has an allocated capacity of 0.496 million gallons per day ("MGD") in the Wastewater Treatment Plant operated by the Authority.

C. The Township desires to purchase additional treatment capacity from the City to meet the wastewater treatment needs within the Township.

D. The City is willing to sell a portion of its designated and allocated capacity to the Township on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Capacity Transfer. Subject to the terms and conditions of this Agreement, the City hereby agrees to sell, transfer, and convey to the Township, and the Township agrees to purchase from the City, fifty-five thousandths of a million gallons per day (0.055 MGD) of the City's designated and allocated capacity in the Wastewater Treatment Plant (the "Transferred Capacity"). In consideration for the Transferred Capacity, the Township shall pay to the City the sum of Two Hundred Fifty-Two Thousand Three Hundred Forty Dollars (\$252,340.00) (the "Purchase Price").

2. Payment Terms. The Purchase Price shall be paid by the Township to the City in full within thirty (30) days after the effective date of this Agreement. Payment shall be made by certified check or wire transfer to an account designated by the City.

3. Authority Approval and Documentation. This Agreement and the transfer of the Transferred Capacity is subject to approval by the Authority as required under the System Contract and any amendments or novation. The parties shall cooperate to obtain all necessary documentation from the Authority to effectuate the transfer of the Transferred Capacity, including any amendments to the System Contract, novation or other Authority records.

4. Effective Date. This Agreement shall become effective upon execution by both parties and execution by the Chair of the Authority's Board, which execution by the Chair signifies the Authority's approval of the transfer of the Transferred Capacity.

5. Post-Transfer Rights and Obligations. Upon completion of the transfer, the Township shall have all rights with respect to the Transferred Capacity as provided in the System Contract and any amendment or novation, including the right to have wastewater originating within the Township's service district treated at the Wastewater Treatment Plant up to the amount of the Transferred Capacity. The Township shall assume all liabilities and obligations with respect to the Transferred Capacity as determined under the System Contract, including any amendment or novation, and Michigan law.

6. Miscellaneous.

- A. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.
- B. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, representations, or agreements relating thereto.
- C. Amendment. This Agreement may be amended only by a written instrument signed by both parties.
- D. Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement shall remain in full force and effect.
- E. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.
- F. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
- G. Commitment to Cooperation. The Township and the City recognize the importance of working in good faith and in cooperation with each other and with neighboring communities. This collaborative approach will help address long-term water and infrastructure needs, strengthen regional relationships, and provide a constructive framework for any future discussions, negotiations, or agreements concerning shared systems and resources.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SAUGATUCK TOWNSHIP

CITY OF THE VILLAGE OF DOUGLAS

Abby Bigford, Supervisor

, Mayor

, Clerk

, Clerk

AUTHORITY APPROVAL

, Board Chair