

**MINUTES
CITY OF FARMINGTON HILLS
FARMINGTON HILLS CITY COUNCIL
STUDY SESSION
CITY HALL – COMMUNITY ROOM
MAY 11, 2026 – 5:30PM**

The study session of the Farmington Hills City Council was called to order by Mayor Rich at 5:31pm.

Councilmembers Present: Aldred, Boleware, Bridges, Dwyer, Knol, Rich and Starkman

Councilmembers Absent: None

Others Present: Acting City Manager Mondora, City Clerk Lindahl, Directors Rushlow, and Skrobola, Fire Chief Unruh and City Attorney Joppich

FISCAL YEAR 2027 WATER AND SEWER RATES PRESENTATION

Sewer Rates

Oakland County Water Resources Financial Services Manager Raphael Chirolla presented the sewer rate analysis. Key drivers of the proposed FY2027 sewer rate increase were identified as follows:

- **Declining usage:** Projected sewer sales volume is decreasing by approximately 1.6%, based on a three-year rolling average of actual flows, which places upward pressure on per-unit rates.
- **GLWA/Evergreen Farmington costs:** Great Lakes Water Authority (GLWA) rates to the Evergreen Farmington system increased 4.4%, though wage, maintenance, and capital costs on the Evergreen Farmington side were held flat. The overall Evergreen Farmington rate increase was 3.1%. Mr. Chirolla noted that Farmington Hills' five-year average of sewer metered volumes was favorable this cycle, reducing the city's proportional share.
- **Operating expenses:** Increased approximately 6.6%, primarily driven by labor-related costs and a significantly higher sewer metering contract, which was competitively bid by three to four firms and came back at a substantially higher price.
- **Reserves:** Identified as the largest single driver. Mr. Chirolla noted that staff and WRC developed a plan the prior year to begin funding reserves at levels sufficient to cover upcoming capital needs, and the current proposal adheres to that plan. The reserve increase is tied specifically to major maintenance and capital project funding.
- **Debt service:** Increased approximately 4.7%, though Mr. Chirolla forewarned Council that in FY2028, the city will begin paying principal on its share of the 8 Mile Road Corrective Action Plan (CAP) bond, causing debt service costs to increase from approximately \$1.78M to approximately \$3.2M in that subsequent year.

The combined effect of the 9.8% increase in revenue requirements and the 1.6% decline in projected sales results in an approximate 11.6% sewer rate increase.

Water Rates

Mr. Chirolla presented parallel findings for the water side:

- **Declining usage:** Projected water sales volume is decreasing by approximately 1.7%.
- **GLWA water purchases:** Increasing approximately 4.9% in aggregate, which translates to approximately 5.6% on a per-unit basis given lower projected volumes.
- **Operating expenses:** Increasing primarily due to labor costs.
- **Major maintenance and capital:** Again, identified as the largest driver consistent with the multi-year capital investment plan.
- **Debt service:** Stable, related to the city's 2012 and 2014 debt issuances.

The combined effect results in an approximate 11.9% water rate increase, for a combined water and sewer rate increase of approximately 11.7%.

Water Tower Benefit

Mr. Chirolla presented the annual water tower savings slide, noting that the city's water storage tower has generated an estimated cumulative savings of \$32.6 million to date, with an estimated \$3.4 million in savings for the upcoming year. Director Rushlow added that beyond the financial benefit, the tower also provides critical operational resilience during regional water main emergencies, such as those recently experienced in Auburn Hills and on 14 Mile Road, insulating Farmington Hills residents from service disruptions.

Council Discussion

Councilmember Bridges asked about the factors driving rate increases and the nature of fixed versus variable costs. Mr. Chirolla explained that the vast majority of system costs — including GLWA charges (80–90% fixed), Evergreen Farmington (100% fixed to the city), and internal infrastructure costs — are fixed regardless of consumption volume. This means declining usage does not reduce the city's cost obligations but does increase per-unit rates.

Councilmember Dwyer asked about the cumulative impact over recent years. Director Rushlow indicated staff could compile rate increase data going back five to six years for Council's reference.

Councilmember Knol inquired whether other communities in the Evergreen Farmington system and Oakland County face similar capital pressures. Director Rushlow confirmed that aging infrastructure is a widespread challenge throughout Southeast Michigan and that the city's capital program focuses on pipelining and pump station upgrades as the most cost-effective approaches. He noted two pump stations currently in progress (near 12 Mile/Inkster/Danvers and at Sarah Fisher) and four additional stations identified for future work.

Councilmember Knol asked whether FY2028 reserve contributions would remain similarly elevated. Mr. Chirolla and Director Rushlow confirmed that the following year would bring another significant increase primarily due to the onset of principal payments on the 8 Mile CAP bond, with the subsequent year also likely to see an increase.

Councilmember Boleware asked directly whether residents should expect double-digit annual increases for the foreseeable future. Mr. Chiolla indicated the five-year outlook anticipates similar increases in the near term, with conditions expected to moderate beyond that window.

Councilmember Boleware also asked what authority the City Council has to mitigate rates. Director Rushlow acknowledged that a large portion of costs — particularly GLWA charges, Evergreen Farmington obligations, and debt service on state/federally-mandated projects such as the 8 Mile CAP — are largely outside the city's direct control.

City Attorney Steve Joppich confirmed that the Evergreen Farmington CAP is a state and federally required, not optional.

Finance Director/Treasurer Thomas Skrobola clarified the funding structure for Council, emphasizing that the water and sewer enterprise funds are entirely separate from the city's general budget. All utility rate revenues are collected and held by WRC, which acts as the city's banking and planning partner for the system. No general fund dollars are commingled with water and sewer funds.

Councilmembers raised concern that many Farmington Hills residents, particularly seniors on fixed incomes, are not experiencing income increases commensurate with these utility rate increases.

Acting City Manager Mondora suggested distributing information regarding assistance programs offered by GLWA and OCWRC at senior fairs at the Costick Center.

Councilmember Knol noted that Neighborhood House also assists with utility costs.

Councilmember Bridges requested that WRC consider advocating GLWA for expanded income qualification thresholds in assistance programs, given the city's aging and fixed-income population. Mr. Chiolla acknowledged that a statewide utility assistance program (similar to energy assistance) has been discussed but has not yet advanced.

City Attorney Joppich noted that Farmington Hills has a legal track record of proactive infrastructure planning, referencing a prior court case in which the city successfully defended its capital investment approach. Acting City Manager Mondora drew an analogy to special assessments, noting that the alternative to planned reserve-funded investment would be exposing future homeowners to unexpected special assessments for emergency repairs.

UTILITY RATE MODEL PRESENTATION

Director Rushlow explained that at Council's prior direction, the city commissioned a comprehensive utility rate study and Plante Moran was selected for the engagement. Brian Camiller and Amanda Garber of Plant Moran presented the findings.

Purpose and Scope

Mr. Camiller explained that the core deliverables of the study were twofold: (1) to evaluate the city's current minimum bill structure and determine whether a different approach is appropriate; and (2) to create a repeatable, defensible utility rate model that city staff can update annually going forward.

He emphasized that the study does not change the total amount of revenue that must be collected — all underlying cost inputs from WRC, the capital plan, and existing debt service were accepted as given. The study's contribution is in how those costs are allocated among ratepayers.

Model Assumptions and Structure

Ms. Garber outlined the model's key assumptions:

- The model operates on a cash basis, removing depreciation and GASB accounting adjustments, which reduces the reserve burden on ratepayers versus an accrual-based approach.
- The model targets a working capital balance at the end of a five-year horizon, composed of three primary buckets recommended by the American Water Works Association: 120 days of operating reserves (plus 30 days for billing cycle timing), the next year's debt service, and a 2% emergency capital replacement fund. A fourth bucket for longer-term planned capital savings was discussed but not included in the current model.
- The model is designed to smooth rate increases over five years rather than allow large year-to-year fluctuations.
- The model is a living tool intended to be updated annually during the budget process, not a fixed five-year commitment.
- At the end of the five-year horizon, the target working capital is approximately \$10 million for water and \$12.1 million for sewer.

Proposed Rate Structure Changes

Readiness to Serve (RTS) Charge: The study recommends replacing the existing small meter maintenance fee with a new "Readiness to Serve" charge — a fixed charge applied to every bill regardless of usage. The RTS is proposed to cover approximately 20% of the city's administrative and operational overhead (excluding GLWA/Evergreen Farmington charges, capital, and existing debt).

The proposed RTS is \$9.67 per bill for water and \$6.63 per bill for sewer and is benchmarked near the average of comparable peer communities. Mr. Camiller noted this charge would generate approximately \$1.1–1.2 million annually in each fund.

Elimination of the Minimum Bill: The study recommends eliminating the current minimum bill, which charges all customers using 16 units or fewer per quarter at the same minimum rate regardless of actual consumption. Under the new methodology, customers would be charged only for what they use, plus the fixed RTS.

- The breakeven point — the usage level at which a customer's bill would be approximately the same under the new methodology — is approximately 15 units per billing cycle.
- Customers using 14 units or fewer (estimated at approximately 36% of customers) would see a decrease in their bills. This segment is likely to include seniors, small households, and lower-income residents.
- Customers using more than 15 units per cycle (approximately 60% of customers) would see an increase, as they had previously been partially subsidized by minimum bill payers.
- Approximately 4% of customers would see essentially no change.

Mr. Camiller presented example scenarios: a customer using 10 units per quarter would see their bill decrease by nearly \$34; a customer using 25 units per quarter would see an approximately 25% increase.

Jump-Start Recommendation

Given the scale of cost increases built into the model, the study recommends a "jump-start" approach in the first year: a larger initial rate increase (approximately 20% combined water and sewer) followed by more moderate annual increases of approximately 5% per year for the subsequent four years of the model. Mr. Camiller presented data showing that this approach results in a lower cumulative rate by FY2031 (approximately \$1.52 per unit less) compared to applying a uniform 9% increase every year for five years. The rationale is that the jump-start method builds sufficient reserves early, allowing the system to absorb the known capital expenditure demands without requiring double-digit increases in perpetuity.

Capital Plan Reconciliation

Councilmember Bridges noted a discrepancy between the total capital figures in the WRC presentation (approximately \$76 million) and the Plante Moran model (approximately \$58.5 million). Director Rushlow explained that the difference arises from two factors: (1) the \$41 million 8 Mile CAP is bonded debt, so only annual principal and interest payments — not the full project cost — are reflected in the rate model's cash outflows; and (2) annual system renewal costs are presented differently across the two documents. Mr. Camiller also noted that the committee deliberated on whether to issue additional debt to spread capital costs over a longer period and reached a consensus not to do so, consistent with the city's practice of not deferring financial obligations to future ratepayers.

Council Discussion

Councilmember Bridges requested that the city proactively communicate to customers who may experience a bill increase under the new methodology, so they are not caught off guard. Director Rushlow confirmed that billing data would allow identification of affected customers.

Councilmember Aldred expressed support for the direction of the changes but requested that staff and Plante Moran return with multiple options (referred to as "A, B, and C" options) showing the trade-offs of different RTS levels, breakeven points, and jump-start percentages, so Council can make an informed decision.

Acting City Manager Mondora noted that the June 8 Council meeting is the only scheduled meeting prior to the start of the new fiscal year on July 1, and that WRC's billing team would need approximately two to three weeks to implement any methodology change before it takes effect. There was consensus on the following schedule:

- June 8 Regular Session - formally adopt the FY2027 water and sewer rates.
- June 8 Study Session - discuss the rate model methodology options (A, B, C), enabling implementation effective July 1.

EMERGENCY PREPAREDNESS AND RESPONSE PRESENTATION

Fire Department Lieutenant and Emergency Manager Brian Pankow outlined the 16 recommendations for municipal preparedness which was produced from the North American Active Assailant Conference and highlighted the city's status against those 16 points.

Lieutenant Pankow noted that Farmington Hills is a Public Act 390 community, meaning it has a formally recognized, legally backed, and trained emergency management program with a dedicated Emergency Operations Center (EOC), a distinction not shared by many surrounding jurisdictions.

Key Preparedness Points Reviewed

Incident Command: The city operates effectively in unified command with strong relationships with Oakland County, Michigan State Police (MSP), the FBI, and Secret Service. Key staff and department heads hold NIMS (National Incident Management System) and ICS (Incident Command System) certifications.

Hazard Identification: The city regularly conducts community hazard discussions to assist city departments, local businesses, and faith-based groups in planning and preparedness.

Contact Lists and Resource Rosters: Each department head maintains an updated contact list and resource inventory. The Emergency Management Office and county/state partners maintain parallel resource lists.

Family Assistance Center: The Costick Center has been designated as the primary family assistance center location due to its controllable access points and available space. The Red Cross conducted a full-scale exercise at the Costick Center in November and is considered the primary partner for operating this function, given their expertise in intake and benefit distribution.

Victim Identification: No formal protocol exists within the Emergency Operations Plan; the city would rely on coordination with Farmington Hills Police Department, Oakland County, the Medical Examiner, and MSP for victim identification.

Public Information: A communication plan and templates have been developed, with the city's Communications staff leading the effort. The emphasis for elected officials is on delivering

unified, timely, and consistent messaging coordinated through the EOC and the Public Information Officer.

Volunteer Management: The city does not manage volunteers internally and will rely on vetted external organizations including the Red Cross, Michigan VOAD, and Team Rubicon. Volunteer activation is estimated to occur within 20–48 hours of need.

Financial Donations: Lieutenant Pankow noted that the city has the internal staffing capacity to manage financial donation intake, based on Director Skrobola's prior experience.

Councilmember Knol recommended routing donations through an existing nonprofit rather than directly to the city, noting that some corporations have policies against donating to government entities. She also recommended engaging established disaster relief organizations for non-cash donations rather than having the city manage physical goods.

Councilmember Aldred noted the risk of scam fundraising in the wake of a tragedy and requested that a verified donation mechanism be established and ready to deploy instantly, so that official communications can direct donors to a legitimate source.

Memorials: The city has no formal protocol for managing spontaneous public memorials. Lieutenant Pankow noted that, based on experience in other jurisdictions, a case-by-case approach is typical, allowing memorials to remain until community sentiment shifts, then coordinating relocation or removal with city leadership and county/state partners.

Behavioral Health — Citizens: The city avoids using unvetted behavioral health providers due to liability concerns. Vetted resources are available through Oakland County Emergency Management, MSP, and the FBI. Lieutenant Pankow noted that Michigan School of Psychiatry has previously offered services; Acting City Manager Mondora noted that establishing this connection in advance is important given the difficulty of locating resources on short notice during an active incident.

Behavioral Health — First Responders: The city has an Employee Assistance Program, and police and fire departments maintain peer support groups with trained members. The city also regularly uses Frontline Strong and the IAFF Center of Excellence.

Grant Management and Financial Documentation: Lieutenant Pankow highlighted that comprehensive documentation practices enabled the city to successfully recover over \$1 million in federal funding following straight-line wind damage in July 2021. The same policies and procedures remain in place.

Community Preparedness and Outreach: Police, Fire, and the Emergency Management Office conduct regular community outreach, including open house events, CPR and AED education, the Heart Safe campaign, FH Alert, local business training, faith-based organization

engagement, and coordination with Farmington Public Schools (CPR, ALICE/staff-lead training, and emergency readiness).

Training and Exercises: City departments conduct regular training. Safety officers in each department receive quarterly training in Stop the Bleed, CPR, severe weather awareness, bomb awareness, and de-escalation. Upcoming tabletop and full-scale exercises are planned with Corewell Health, Karmanos Cancer Center, Farmington Public Schools, and the Red Cross.

Roles and Responsibilities for Elected Officials

Lieutenant Pankow outlined what elected officials should and should not do during an active incident. Elected officials serve as a trusted public voice and are advised not to self-deploy to incident scenes, not to release unvetted information, and not to make promises regarding timelines or outcomes. In the event of a significant incident, elected officials would be located in the Community Room at City Hall, with the press directed to the Fountain Room, keeping media separate from Council while maintaining close proximity to the EOC.

ADJOURNMENT

Mayor Rich adjourned the meeting at 7:26pm.

Respectfully submitted,

Carly Lindahl, City Clerk