

**MINUTES
CITY OF FARMINGTON HILLS
FARMINGTON HILLS CITY COUNCIL
SPECIAL STUDY SESSION
CITY HALL – COMMUNITY ROOM
MAY 13, 2026 – 5:45PM**

The special study session of the Farmington Hills City Council was called to order by Mayor Rich at 5:45pm.

Councilmembers Present: Aldred, Boleware (arrived at 5:48pm), Bridges, Dwyer, Knol, Rich and Starkman

Councilmembers Absent: None

Others Present: Acting City Manager Mondora, City Clerk Lindahl, Director Skrobola, and City Attorney Joppich

DISCUSSION ON FUNDING OPTIONS FOR THE NEW ACTIVITIES CENTER

Mayor Rich opened the discussion by providing context for the special session. She noted that the City had recently hired an engineering and architecture firm for the new Activities Center, and that Acting City Manager Mondora was working to finalize the contract. Mayor Rich stated that while the "what" and the "where" of the project had been determined, the purpose of this evening's session was to determine how the project would be paid for.

Mayor Rich offered framing remarks regarding the City's financial obligations, noting that recent budget discussions had resulted in the addition of eight firefighters in the current year, four additional firefighters in two years, and additional personnel from the pending police department study. She emphasized that public safety is a nonnegotiable priority and represents a structural cost increase that must be factored into any financing discussion. She expressed concern about the long-term signal sent to bond rating analysts when a city is deficit-funding its operations annually.

Councilmember Dwyer offered historical perspective, noting that the new Activities Center would be the first new building added to the city since the courthouse was built in 2001, and that the previous new building before that was the police building constructed in 1985.

Councilmember Bridges expressed enthusiasm for the session and affirmed the importance of the project. He raised questions about the appropriate use of the general fund balance, noting that in his view the City had been overly cautious in deploying its fund balance toward capital investment. He cited the Heritage Park situation as an example of deferred investment leading to higher costs. At the same time, he stressed that fund balance must be used appropriately to ensure the City's financial success and maintain its AAA bond rating. He also had the concern that a large, visible fund balance can attract pressure from employee groups seeking higher compensation.

Acting City Manager Mondora outlined the key assumptions underpinning the evening's discussion:

1. **The project cost is assumed to be \$35,000,000**, reflecting the high end of estimates given uncertainty around inflation, labor and materials pricing, fuel costs, construction cost escalation, and competition for bids throughout Southeast Michigan.
2. **Scope creep must be actively managed**, as any increase in project cost would affect the financing assumptions.
3. **The financing plan must be finalized relatively soon** to keep the architect on schedule. Acting City Manager Mondora also noted the recommendation from incoming Special Services Director and from all interviewed architectural firms to bring on a construction manager sooner rather than later, as they contribute to budget discipline and design feedback.
4. **The City's goal of maintaining its AAA bond rating** must inform any use of the general fund balance.
5. The recommended financing model assumes the City will be able to **raise contributions from partners, donations, and grants**, including \$850,000 already allocated through the efforts of state senators and Representative Stevens, existing bond revenue that may be reallocated from drain projects in light of new neighborhood road funding from the state, and an amount from the general fund balance.

Acting City Manager Mondora acknowledged that even with all of these sources combined, the total does not reach \$35,000,000, and that additional financing, including the possibility of a millage increase, would need to be considered. She asked council to hear the full financial model before making judgment.

Director Skrobola provided an extensive, data-driven presentation that walked through the City's current financial condition, the mechanics of its AAA bond rating, and a proposed financing model.

General Fund Balance and the AAA Bond Rating

Director Skrobola explained the two primary drivers of the City's AAA bond rating: (1) consistently achieving a balanced general fund result at year-end, and (2) maintaining a healthy fund balance, currently at approximately 73 percent of general fund expenditures, estimated at \$63,100,000 as of the end of fiscal year 2025-26, against total expenditures and transfers of approximately \$85,000,000. He emphasized the City's strong tax base, its desirability as a community, and its demonstrated management decision-making as factors contributing positively to the rating.

Director Skrobola then traced the origins of the current fund balance surplus, identifying three post-COVID factors:

1. **CARES Act and ARPA federal funding** - onetime money that covered public safety operations, freeing up funds that would otherwise have been spent, allowing fund balance to accumulate.

2. **Rising taxable values and inflationary cap increases** - housing price inflation drove taxable value up and allowed the City to realize the full 5 percent annual increase under Proposal A for several years, generating an estimated \$6,000,000 to \$7,000,000 in additional property tax revenue over four to five years.
3. **Elevated interest income** - as the Federal Reserve raised rates to combat inflation, the City's investment income jumped from a budgeted \$1,000,000 per year to as much as \$4,000,000 per year.

He stated that these three factors combined had added approximately \$20,000,000 to \$25,000,000 to the fund balance over the past four to five years. He was clear, however, that all three of these revenue tailwinds were now fading, and that FY 2026-27 would be the first budget in five years where those lines converge.

Councilmember Bridges asked for clarification on specific dollar figures: the fund balance of \$63,100,000, the 73.86 percent ratio, and the minimum target of 33 to 35 percent, which translates to approximately \$33,000,000 against a \$90,000,000 to \$95,000,000 budget. Director Skrobola confirmed these figures, as it relates to current projected FY 28-29. .

Mayor Rich raised the important point that as the City has committed to adding eight firefighters now and four more in two years, plus additional police officers, the general fund budget will grow to approximately \$95,200,000 in FY 2028-29, and the minimum fund balance target must be recalculated against that larger denominator. Director Skrobola confirmed this was already incorporated into his planning model, which extends to FY 2031-32—deliberately timed to just before the next public safety millage renewal.

The Special Services Structural Deficit

Director Skrobola described the origins and scope of the Special Services structural deficit. When the Hawk opened, three compounding cost factors emerged: (1) \$1,600,000 in annual new debt for the Hawk itself, on a 25-year bond through approximately 2042; (2) \$1,000,000 to \$1,500,000 in new operational costs to heat, cool, maintain, and staff the building; and (3) expanded programming costs. Items (2) and (3) added approximately \$2,500,000 to the pre-existing structural deficit, which along with the new debt pushed the total Special Services deficit to over \$6,000,000 per year in its early years.

He noted that under the new budget, there is a plan to bring the Special Services deficit down to approximately \$4,800,000, and the general fund deficit to approximately \$4,000,000, within two years. He underscored the critical point: *"Special Services deficit in the general fund is projected to exceed \$4,000,000 dollars a year in 26-27 and beyond. There's no resolution to that currently in place."*

Councilmember Aldred summarized the situation: the fund balance is currently healthy, but because the City is spending more than it is taking in by roughly \$4,000,000 to \$5,000,000 per year, the fund balance will continue to erode unless structural balance is achieved. Director Skrobola confirmed this explicitly: if the City were to draw \$17,000,000 or more from the

general fund balance for the Activities Center and then fail to resolve the structural deficit, *"it would be just a matter of time before we lose the AAA status."*

The "No Activity Center, No Action" Baseline

Director Skrobola presented a baseline scenario in which no new Activities Center is built and no corrective action is taken. Under this scenario, the general fund balance would drift downward from approximately 73 percent to approximately 33 percent by FY 2031-32. He cautioned that even at 33 percent, the rating agencies might not be satisfied if the City did not demonstrate a plan and a balanced budget: *"They probably would give us some grace by starting with a negative outlook, which is a warning—yellow flag—negative outlook. And if you keep this up, we're going to downgrade you to AA."* He suggested a negative outlook and downgrade could come as soon as FYs 2027 or 2028 without corrective action.

Councilmember Starkman asked what the practical consequences of losing the AAA rating would be. Director Skrobola explained that it would result in higher borrowing costs when the City issues bonds, as financial institutions would demand a higher interest rate premium. He added that it also affects the City's reputation as a well-run, financially stable community.

The Recommended Financing Model

Director Skrobola presented the recommended financing model, structured around three sources totaling **\$35,000,000**:

1. **\$17,000,000 draw from the general fund balance** — a onetime capital expenditure charged against reserves.
2. **\$12,000,000 from "offsetting income"**, composed of:
 - **\$5,000,000 from existing bond proceeds** currently committed to drain projects, which can be reallocated now that new state neighborhood road funding is available to cover those projects. (Director Skrobola confirmed this with bond attorneys.)
 - **\$7,000,000 from contributions, donations, sponsorships, naming rights, and proceeds from the sale of a portion of the Costick Center property**, as well as any proceeds from an Oakland County Parks agreement and earmarks already in hand (including approximately \$850,000 in legislative earmarks). He characterized the \$7,000,000 as neither overly conservative nor overly optimistic.
3. **\$6,000,000 in new debt**, to be serviced at approximately \$657,000 per year for 20 years at an assumed 4 percent interest rate.

In response to a question from Councilmember Bridges, Director Skrobola clarified the arithmetic: \$17,000,000 (fund balance) + \$5,000,000 (existing bonds) + \$7,000,000 (donations/partners) + \$6,000,000 (new debt) = \$35,000,000.

Councilmember Boleware asked for clarification on the relationship between the Special Services budget and the structural deficit. Director Skrobola explained that Special Services generates approximately \$2,200,000 in millage revenue plus approximately \$10,000,000 to \$11,000,000 in program revenue (including a contribution from the City of Farmington), against total expenditures of approximately \$17,000,000, yielding the structural gap. He confirmed that

it is not a goal to fully balance Special Services as a fund; the goal is to structurally balance the general fund.

The Millage Proposal

To address the ongoing structural deficit in the general fund while also financing the \$6,000,000 in new debt, Director Skrobola proposed a multi-part millage package, benchmarking Farmington Hills against other communities. He provided the following comparative data for parks and recreation millages (inclusive of senior services):

- **Novi:** 0.368 mills (as of 2024)
- **Rochester Hills:** 0.83 mills
- **Royal Oak:** 0.89 mills
- **Livonia:** 1.01 mills
- **Southfield:** 1.72 mills
- **West Bloomfield Township:** 1.56 mills (combined)*
- **Farmington Hills (current):** 0.4483 mills (last renewed in 2019)

*West Bloomfield is not an official benchmark community, but is a data point.

The average among benchmark communities is approximately 1 mill. Director Skrobola proposed the following three-part millage package totaling approximately 1.15 mills:

1. **Special Services Enhancement Millage of 0.35 mills** — raising the combined existing and enhancement Special Services millage to 0.80 mills, generating an additional \$1,770,000 per year for Special Services operations.
2. **Senior Services Dedicated Millage of approximately 0.2178 mills** — generating approximately \$1,100,000 per year, sufficient to fully fund the existing senior services operating budget and permanently dedicate that revenue stream.
3. **New Activities Center Debt Millage of 0.13 mills** — generating approximately \$657,000 per year to service the \$6,000,000, 20-year bond.

Director Skrobola noted that together these three components would raise the total Special Services-related millage from 0.4483 mills to approximately 1.15 mills and would generate approximately \$3,500,000 per year in combined new revenue — sufficient to structurally balance the general fund in FY 2027-28. Under this plan, the general fund balance would stabilize at approximately 40 percent through the end of the planning horizon.

He also walked through an alternative scenario in response to questioning: if council wished to avoid new debt and the associated 0.13-mill debt millage, the general fund balance draw could be increased from \$17,000,000 to approximately \$23,000,000. This would result in a total millage of approximately 1.0 mill instead of 1.15 mills and would land the fund balance at approximately 35 percent at the end of the planning horizon — still within an acceptable range for maintaining the AAA rating. Director Skrobola confirmed that at \$23,000,000 from the fund balance, the total project budget could theoretically accommodate a project cost of up to \$37,000,000 when the \$1.8 million for the architects is included, though he noted this was a value decision for council.

In response to a question about the per-household tax impact, Director Skrobola stated that the 1.0-mill scenario (without the debt millage) would cost the average residential household approximately \$73 per year, or roughly \$6 per month.

Financial Projections and "Landing the Plane"

Director Skrobola displayed a spreadsheet showing the projected trajectory of the general fund balance under various scenarios, referencing a graphical "landing the plane" concept introduced during October small group sessions. He demonstrated that under the recommended millage proposal, the fund balance would stabilize in a predictable, level "landing strip" pattern — reassuring to rating agencies. Under the "no millage, no action" scenario, the fund balance would fall below 30 percent within one to two FYs.

Councilmember Dwyer raised concern about the escalating operational costs of the existing Hawk facility, noting its age and the ongoing deferred maintenance on items such as roof-mounted chillers and the undeveloped third and fourth floors. Director Skrobola acknowledged this, noting that a study update for the Hawk is budgeted for the upcoming year. He also noted that the new Activities Center would likely have lower operational costs than the current Costick Center because it would be right-sized (approximately 20,000 square feet smaller), brand-new equipment, and more energy-efficient — drawing an analogy to replacing old, high-maintenance vehicles with new ones.

Councilmember Aldred asked about the assumption regarding operating costs for the new Activities Center embedded in the model. Director Skrobola confirmed he had assumed operational costs would be comparable to or lower than the existing facility due to the foregoing efficiencies but acknowledged that more precise pro forma estimates would emerge through the work of the architect and construction manager.

Councilmember Aldred also raised the question of energy efficiency trade-offs — specifically whether higher upfront construction costs for more efficient systems would yield long-term operational savings. Director Skrobola agreed this was a worthwhile analysis and indicated it was precisely the type of evaluation that Neumann Smith would help the City conduct.

Discussion of Timing and the Ballot Deadline

Mayor Rich pressed Director Skrobola on the timing of expenditures, asking specifically: "*When do we have to start writing checks?*" Director Skrobola explained that the architect contract (\$1,800,000 in CIP funds) is already in the amended FY 2025-26 budget and checks can be written immediately. The next milestone would be engaging a construction manager within the next three to six months, with bricks-and-mortar expenditures likely beginning approximately six months after that.

He confirmed that in order to have any realistic chance of opening the new Activities Center in 2028, the full funding commitment must be in place within the next FY (2026-27).

Mayor Rich then raised the critical question of ballot timing. City Clerk Lindahl confirmed that the deadline to submit millage language to the Michigan Attorney General's office for the November 2026 ballot is June 12, 2026, requiring a council vote at the June 8 regular meeting or a special meeting. Mayor Rich noted that waiting for a November 2027 ballot would be impractical, as construction costs would have been committed long before then.

Director Skrobola projected that without new millage revenue, the fund balance percentage would fall below 30 percent as early as FY 2028-29, and that the rating agencies would likely place the City on a negative watch within one year and execute a downgrade within two years — approximately FY 2027-28.

Discussion of Budget Cuts as an Alternative

Councilmember Aldred and others raised the question of whether budget cuts could substitute for or reduce the size of a millage increase. Director Skrobola noted that approximately 80 percent of the city's operational budget is personnel costs, meaning any meaningful budget reduction would require headcount reductions. He offered a hypothetical to illustrate the difficulty: to save \$3,000,000 per year from the Special Services budget alone without a millage increase, one would have to entirely eliminate the Parks division (\$2,000,000 of net savings), the Senior Services division (\$800,000 of net savings), and the Cultural Arts division (\$300,000 of net savings).

He also noted that approximately 30 full-time equivalent positions would need to be eliminated to save \$3,000,000 across the organization at the average cost of \$100,000 per FTE — and that the majority of those positions would inevitably come from public safety given their share of the budget.

Director Skrobola described another element of the plan to achieve structural savings through vacancy variance budgeting — plugging negative budget line items for unfilled positions in police, fire, Special Services, and public services — as a new budgeting discipline that has not yet been employed.

Councilmember Bridges referenced the City's experience in the 2008-2010 recession, when staffing was reduced by approximately 25 percent, and argued that he did not observe a material reduction in service delivery at that time. He suggested this reinforced the view that expenditure management must remain a top priority alongside revenue generation.

Councilmember Dwyer observed that any budget cuts affecting the whole organization would require a disproportionate share to come from police and fire, which he implied was unacceptable.

Debate on Immediacy of the Millage Decision

A substantial portion of the discussion centered on whether council needed to commit to a ballot millage at this time or whether it could defer the decision by two to three years while monitoring the financial situation.

Councilmember Bridges stated that he was not convinced that the immediacy need for a millage increase today is the right action and an assessment in 2 or 3 years would be more appropriate. He argued that the City could commit to building the project while deferring the millage decision.

Councilmember Aldred expressed concern that there may not be time. He and others noted that if the City commits \$23,000,000 to \$25,000,000 from the fund balance for the project while maintaining an ongoing structural deficit, the fund balance percentage will decline sharply, likely triggering a rating agency warning within a year or two.

Councilmember Knol noted the political risk of deferral: *"If you wait, then you're really in a bind... the voters would not appreciate that because then they're like, you already committed to something without having the funding in place, and now you're putting me in a situation where I feel like I have to approve it."*

Councilmember Boleware expressed reservations, noting that when the community center project was first discussed, the estimated cost was approximately \$20,000,000, and it had since grown to \$35,000,000. She stated she was *"not there yet"* in terms of supporting a millage.

Councilmember Starkman acknowledged the difficulty and expressed support for moving forward with what had been presented, understanding the timeline pressure.

Mayor Rich noted that if the millage were approved and future councils found themselves with unanticipated revenue — donations, bequests, or other windfalls — there would be nothing preventing a future council from reducing the millage.

Mayor Rich also noted the political reality that some council members will be on the ballot in November 2027, and that waiting to address the millage question until then creates its own complications.

City Attorney Joppich advised that, even without a formal council vote this evening, he would need to begin drafting millage ballot language immediately and submit draft language to the Attorney General's office as soon as possible for informal review, noting the June 12 hard deadline. Council indicated they were comfortable with Attorney Joppich proceeding on that basis.

Additional Financial Questions and Clarifications

Councilmember Boleware asked about the Oakland County Parks contribution assumed in the \$7,000,000 donations and partners figure. Director Skrobola confirmed that only a token amount (approximately \$1,000,000) had been assumed from Oakland County Parks given the uncertainty in ongoing negotiations, where the County had indicated it may offer as little as \$2,000,000 and may wish to restrict use of those funds to Heritage Park improvements.

Councilmember Dwyer raised the question of the value and potential sale of the existing Costick Center property, noting it is a significant City-owned asset. Director Skrobola confirmed that a portion of the proceeds from the sale of the Costick Center site is already embedded in the \$7,000,000 partner/donation assumption. He cautioned that the sale would need to be carefully sequenced — the City must keep the existing facility operational during construction of the new building, and then the construction footprint of both buildings, equipment, and staging areas would limit what is immediately saleable.

Councilmember Starkman asked about the current return on the fund balance while it remains invested. Director Skrobola confirmed that the City is currently earning approximately 4 percent annually on the fund balance, generating approximately \$3,000,000 per year in interest income — down from a peak of \$4,000,000 but still significant.

Proposed Next Steps

Mayor Rich indicated she did not sense full consensus to take formal action this evening but characterized the direction of the discussion as tending toward putting a millage on the November 2026 ballot. She proposed a special meeting on June 1, 2026, at 6:00 PM, at which council members would have the opportunity for further deliberation and Director Skrobola and Acting City Manager Mondora to be available for individual consultations with council members in advance.

Mayor Rich also noted that an Ad Hoc Committee meeting was scheduled for the following evening, which she and Councilmember Aldred would attend, and at which this evening's discussion would be shared with community stakeholders to begin socializing the financing options.

PUBLIC COMMENT

Lori Daro expressed support for a combination of a modest millage increase and some budgetary reductions. She also asked whether anyone was actively pursuing grant funding, suggesting that a robust grant effort could reduce the need for both budget cuts and millage increases.

Anita raised the question of capital expenditures planned for the third floor and lower level of the Hawk. She noted that if Senior Activities and Recreation programming is relocated to the new Activities Center, the City might be able to eliminate or reduce planned expenditures on those spaces. She also noted that through her work on the Oakland County Senior Advisory Council, she was aware of funding models and strategies used by other communities that could potentially be instructive and offered to provide that information.

A resident asked council to consider requesting a detailed analysis of the total cost of borrowing \$6,000,000 over the life of the bond, suggesting that the true cost of debt might influence whether it would be preferable to draw more from the fund balance instead.

Cynthia Persitz referenced the Foundation Center/main library grant research database as a resource for identifying grant opportunities targeted to specific project elements. She suggested that a dedicated grant writer or grant researcher would be an investment worth making, as such a position could generate millions of dollars in grant revenue for multiple city purposes, not solely the Activities Center.

ADJOURNMENT

Mayor Rich adjourned the meeting at 7:58pm.

Respectfully submitted,

Carly Lindahl, City Clerk