CITY OF NOVI CITY COUNCIL
NOVEMBER 9, 2026

SUBJECT: Approval to award services for a Water and Sanitary Sewer Rate Study by Plante Moran for $24,725.00.

SUBMITTING DEPARTMENT: Department of Public Works, Finance Department

KEY HIGHLIGHTS:

- City will receive five-year rate plan and 10-year financial outlook
- Consultant will provide recommendations for reserve levels, funding practices and rate structure
- Deliverables include a model staff can update as economics dictate

	FY 2026/27
EXPENDITURE REQUIRED	**$ 24,725.00**
BUDGET **592-536.00-816.000**	**$ 24,725.00**
APPROPRIATION REQUIRED	**$ 0**
FUND BALANCE IMPACT	**$ 0**

BACKGROUND INFORMATION:

Earlier this year, city staff recommended a Water and Sanitary Sewer Rate Study to review methodology and ensure full-cost recovery, equity among customers, and long-term infrastructure reliability of the drinking water and sanitary sewer systems in Novi.

The study will develop five-year and ten-year forecasts, evaluate the current rate structure, and compare at least three alternatives. The study will address rate components, fees, reserves, capital funding, and the City's agreements with GLWA,

the Rouge Valley Sewage Disposal System, and the Oakland County Water Resources Commissioner's Office.

City staff issued a Request for Proposals on September 16, 2026, and received eight qualified submissions at the bid opening on October 7, 2026. The top three firms below were scored by Public Works and Finance staff using a Qualifications-Based Selection System (QBS) with the following criteria:

- Qualifications and Experience
- Project Approach and Methodology
- Project Schedule and Timeline
- Fee Structure

Consultant	**Total Bid**
GDS Associates	$ 41,500.00
Municipal Analytics	$ 42,875.00
*Plante Moran	$ 24,725.00

*recommended by staff

Based on the scoring, Plante Moran was selected as the best qualified to complete the study and have completed similar projects for communities comparable to Novi (City of Rochester Hills, City of Farmington Hills, and West Bloomfield Township). Plante Moran's proposal is attached for review and reference.

The study will begin in November and will be completed by June 2027.

RECOMMENDED ACTION: Approval to award services for a Water and Sanitary Sewer Rate Study to Plante Moran for $24,725.00.

CONTRACT FOR PROFESSIONAL SERVICES

THIS CONTRACT FOR PROFESSIONAL SERVICES ("Contract"), shall be considered as made and entered into as of the date of the last signature ("Effective Date"), and is between the City of Novi, a Michigan municipal corporation, whose address is 45175 Ten Mile, Novi, Michigan 48375, (hereinafter referred to as "Client"), and **Plante & Moran, PLLC**, whose address is 3000 Town Center, Suite 100, Southfield, MI 48075 (hereinafter referred to as "Consultant").

THE CLIENT AND CONSULTANT AGREE AS FOLLOWS:

Article I. Statement and Performance of Work.

For payment by the Client as provided under this Contract, Consultant shall perform the work, duties and responsibilities described on and in Schedule A (the "work"), which is attached hereto and made a part of this Contract by this reference, in a competent, accurate, efficient, timely, good, professional, thorough, complete and responsible manner, and in compliance with the terms and conditions set forth below.

Article II. Timing of Performance.

Performance of this Contract shall commence immediately upon execution by both parties, and performance of the work shall be completed according to the timing set forth as part of Schedule A. The timing for performance of any such work may be extended for additional specified periods of time, if allowed in writing by the Client in its sole discretion. Services on each phase after the first phase shall commence only after Client's authorization to proceed. Out-of-sequence services (i.e., commencement of work on a future phase, before completion of a prior phase), if requested and ultimately not accepted by Client as part of the overall project, shall be compensated as Additional Services.

Article III. Contract Price and Payment.

A. Subject to the terms and conditions of this Contract, the Client agrees to pay Consultant in the amount, manner, and according to the timing for making such payments set forth in Schedule A (referred to in this Contract as "payments"). Such payments are in exchange for, and consideration of the timely and satisfactory performance and completion of the work required under and pursuant to this Contract.

B. The Client agrees to pay Consultant amounts due within thirty (30) days of receipt of an itemized billing/invoice from Consultant detailing all work performed and provided in connection with the billing and the hours and charges applicable to each such item of work. Such itemized billings shall be submitted and shall be paid only upon satisfactory completion of the work itemized in the billing.

C. All costs and expenses incurred by Consultant in the course of performing the work under this Contract are deemed to be included in the hourly fees and amounts set forth in Schedule A, unless specifically identified in Schedule A as reimbursable

expenses and such expenses have been approved by the Client or its designee.

D. Consultant will obtain written approval of the Client prior to proceeding with any services or work that is not stated on Schedule A; otherwise the Client will not be billed for such extra/additional services or work.

E. Payments shall be made upon verification of invoices received by the Client. All payments to Consultant shall be submitted by mail at Consultant's address first listed above, unless Consultant provides written notice of a change in the address to which such payments are to be sent.

Article IV: Termination.

A. This Contract, including any extension or amendment of this Contract, may be terminated at any time, with or without cause, by either party upon thirty (30) calendar days' written notice to the other party. In such event, the effective date of such termination shall be the 30th calendar day following the date of the written notice of such termination.

B. In the event this Contract is terminated prior to completion of the work, the Client shall not be responsible to make any further payments for work performed after the effective date of such termination and shall pay Consultant for such work as has been completed and is eligible for payment under the terms of this Contract through the date of such termination. In all events, the Client shall only be responsible to make the payments described in the preceding sentence if, at the Client's request, Consultant continues to fully perform its duties and obligations in full compliance with the terms of this Contract through the effective date of the termination. Additionally, termination shall not relieve Consultant of its obligation to provide Client with all the plans and product generated under this Contract through the effective date of termination. Articles V, VI, VII and VIII of this Contract shall survive completion of the work and any termination of this Contract.

C. Prior to the effective date of any termination or prior to the completion of the work (including any extension of the timing for completion), whichever is the first to occur, Consultant shall deliver to the Client all reports, opinions, compilations, research work, studies, data, materials, artifacts, samples, documents, plans, drawings, specifications, correspondence, ledgers, permits, applications, manuals, contracts, accountings, schedules, maps, logs, invoices, billings, photographs, videotapes and other materials in its possession or control that is gathered or generated in the course of performing the work or that relates to the work in any way; provided that Consultant may retain a copy of such materials for its files. The Client shall be permitted to withhold any payments and reimbursements otherwise owing to Consultant under the terms of this Contract until all such materials are delivered to the Client in accordance with the terms and conditions of this Contract.

Article V: Independent Contractor Relationship.

A. In the performance of this Contract, the relationship of Consultant to the Client shall be that of an independent contractor and not that of an employee or agent of Client. Consultant is and shall perform under this Contract as an independent contractor, and no liability or responsibility with respect to benefits of any kind, including without limitation, medical benefits, worker's compensation, pension rights, or other rights or liabilities arising out of or related to a contract for hire or employer/employee relationship shall arise or accrue to either party as a result of the performance of this Contract.

B. Consultant, as an independent contractor, is not authorized to enter or sign any agreements on behalf of the Client or to make any representations to third parties that are binding upon the Client. Although Consultant is required under this Contract to advise, make recommendations to and to a limited extent represent the Client, all plans, studies, applications, submittals, surveys, reports and any other information relating to the work must be submitted to and approved by the Client or the Client's authorized official prior to being disseminated to any third party and shall only be so disseminated if such dissemination is approved in advance by the Client or an authorized Client official.

C. Consultant represents that it will dedicate sufficient resources and provide all necessary personnel required to perform the work described in Schedule A in accordance with the terms and conditions of this Contract. Except as may be specifically stated and agreed to in Schedule A, Consultant shall perform all the work under this Contract and no other person or entity shall be assigned or sub-contracted to perform the work, or any part thereof, unless approved by the Client in advance.

Article VI: Liability and Insurance.

A. Consultant agrees to indemnify and hold harmless the Client, its elected and appointed officials and employees, from and against any and all claims, demands, suits, losses and settlements, including actual attorney fees incurred and all costs connected therewith, for any damages which may be asserted, claimed or recovered against the Client by reason of (i) personal injury, death and/or property damages which arises out of or is in any way connected or associated with the actions or inactions of Consultant in performing or failing to perform the work, or (ii) civil damages which arise out of any dispute between Consultant and its subcontractors, affiliates, employees or other private third parties in connection with this Contract.

B. Consultant shall provide evidence of adequate insurance coverage in the types and amounts set forth on Schedule A, which is attached hereto and incorporated herein by this reference. Such insurance shall be maintained at the specified level of coverage throughout the term of this Contract, including any extension of such term, and will cover all work, acts and omissions by and on behalf of Consultant in connection with this Contract, with the Client as named additional insureds, but

with such coverage being primary and non-contributory as described in the attached Schedule A. Consultant's professional liability insurance shall cover claim if and to the extent that the insured causes damage to others in the rendering of its professional services. Consultant shall give the Client immediate notice of any change in or cancellation of the coverage in place at the time this agreement is executed, shall provide a copy of any cancellation notice received from its insurer to the Client, and shall request that its insurer send such notice of cancellation to the Client. Consultant shall provide evidence of insurance coverage as set forth herein coverage at any time requested by the Client.

Article VII: Information.

It is expressly acknowledged and agreed that all reports, opinions, compilations, research work, studies, data, materials, artifacts, samples, documents, plans, drawings, specifications, correspondence, ledgers, permits, manuals, applications, contracts, accountings, schedules, maps, logs, invoices, billings, photographs, videotapes and all other materials generated by and/or coming into the possession of Consultant during the term of this Contract, and any extension thereof, that in any way relate to the performance of work by Consultant under this Contract or that are otherwise related or relevant to the work, belong exclusively to the Client and shall be promptly delivered to the Client upon the termination of this Contract or, at any time, upon the Client's request.

Article VIII: Accuracy.

Consultant promises that the information it provides in the work to be performed under this Contract will be accurate, excepting only inaccuracies resulting from incorrect information provided by the Client, the City, other consultants and/or other public sources. Consultant will not charge Client for necessary corrections to its work and will be responsible for any increased cost incurred by the Client as a result of any inaccuracies in the work, excepting inaccuracies resulting from incorrect information provided by the Client, the City, other consultants and/or other public sources.

Article IX: General Provisions.

A. *Entire Agreement*. This instrument, together with the attached Schedules, contains the entire Contract between the Client and Consultant. No verbal agreement, conversation, or representation by or between any officer, agent, or employee of the parties hereto, either before or after the execution of this Contract, shall affect or modify any of the terms or obligations herein contained.

B. *Compliance with Laws*. This Contract and all of Consultant's work and practices shall be subject to all applicable state, federal and local laws, ordinances, rules or regulations, including without limitation, those which apply because Client is a public governmental agency or body. Consultant represents that it is in compliance with all such laws and eligible and qualified to enter into this Contract.

C. *Governing Law*. This Contract shall be governed by the laws of the State of Michigan.

D. *Assignment*. Consultant shall not assign this Contract or any part thereof without the written consent of the Client. This Contract shall be binding on the parties, their successors, assigns and legal representatives.

E. *Third Parties*. It is the intention of the parties hereto that this Agreement is not made for the benefit of any private third party. It is acknowledged that Client may receive a portion of the funding for the payments under this Contract from one or more private sources, and it is understood by Consultant that it is hired by Client to work exclusively for Client (and by extension for the City should the work be accepted and implemented by the City) and Consultant agrees that no private party or parties will be allowed to hold sway or influence, in any way, over Consultant's performance of the work.

F. *Notices*. Written notices under this Contract shall be given to the parties at their addresses contained in this Contract by personal or registered mail delivery to the attention of the following persons:

Client: City Manager Victor Cardenas and City Clerk Cortney Hanson
Consultant: Brian J. Camiller, CPA, Plante & Moran Partner

G. *Changes*. Any changes in the provisions of this Contract must be in writing and signed by the Client and Consultant.

H. *Waivers*. No waiver of any term or condition of this Contract shall be binding and effective unless in writing and signed by all parties, with any such waiver being limited to that circumstance only and not applicable to subsequent actions or events.

I. *Jurisdiction and Venue of Contract*. This Contract shall be considered for all purposes, including the establishment of jurisdiction and venue in any court action between the parties, as having been entered into and consummated in the City of Novi, Oakland County, Michigan.

J. *Conflict*. In the event of any conflict or inconsistency between the above provisions of this Contract and either or both of the attached Schedules, the provisions in the above text shall govern.

K. *Anti-Discrimination*. The Contractor shall not discriminate against any employee, or applicant for employment because of religion, race, color, national origin, age, sex, height, weight, handicap, ancestry, place of birth, sexual preference or marital status. The Contractor further covenants that it will comply with the Civil Rights Act of 1973, as amended; and the Michigan Civil Rights Act of 1976 (78. Stat. 252 and 1976 PA 453) and will require a similar covenant on the part of any consultant or subcontractor employed in the performance of this contract.

IN WITNESS WHEREOF, the Client and the Consultant have executed this Contract in Oakland County, Michigan, as of the date first listed above.

WITNESS/DATES OF SIGNATURE:

_____

Date: _____

_____

Date: _____

City of Novi ("Client"):

By: _____
Justin Fischer, Its Mayor

By: _____
Cortney Hanson, Its Clerk

WITNESS:

_____

Date: _____

Plante & Moran, PLLC ("Consultant"):

By: _____
Brian J. Camiller, CPA, Its Partner

CITY OF NOVI

WATER AND SEWER RATE STUDY

FEE PROPOSAL FORM

We the undersigned as proposer, propose to furnish to the City of Novi, according to the specifications, terms, conditions and instructions attached hereto and made a part thereof:

A. TOTAL NOT-TO-EXCEED PROJECT COST $ 24,725

We acknowledge receipt of the following Addenda: 1
(please indicate numbers)

EXCEPTIONS TO SPECIFICATIONS (all exceptions must be noted here):

a. Article VI.A — Indemnification.
b. Article VIII — Accuracy.
c. See below for replacement wording.

COMMENTS:

1. Article VI.A — Liability and Insurance: Indemnification
Delete Article VI.A in its entirety and replace it with the following:
Consultant will indemnify and hold harmless the City, its elected and appointed officials, officers, and employees from third-party claims for bodily injury, death, or tangible property damage, but only to the extent caused by Consultant's negligent acts, omissions, or willful misconduct in performing the services. Consultant will reimburse reasonable defense costs to the extent attributable to Consultant's negligence or willful misconduct as determined by agreement or a court of competent jurisdiction.

2. Article VIII — Accuracy

Delete Article VIII in its entirety and replace it with the following:

Consultant will perform the services with the degree of care and skill ordinarily exercised by qualified professionals providing similar services under similar circumstances. Consultant will correct material errors in its deliverables caused by its failure to meet that standard, provided the City gives prompt written notice.

Consultant may rely on budgets, assumptions, records, and other information supplied by the City or third parties without independently auditing or verifying that information. Consultant will not be responsible for inaccuracies or increased costs resulting from incomplete or inaccurate source information or from assumptions approved by the City.

REFERENCES: Please provide at least three client (3) references for projects of similar scope done in the last 3 years.

Company Charter Township of West Bloomfield, MI

Address 4550 Walnut Lake Road, West Bloomfield, MI 48323

Phone 248-451-4780 Contact name Justin Taylor

Company City of Rochester Hills, MI

Address 1000 Rochester Hills Drive, Rochester Hills, MI 48309

Phone 248-841-2533 Contact name Joseph Snyder

Company City of Lincoln Park, MI

Address 1355 Southfield Road, Lincoln Park, MI 48146

Phone 313-386-1800 Contact name Lisa Griggs

THIS PROPOSAL SUBMITTED BY:

Company (Legal Registration) Plante & Moran, PLLC

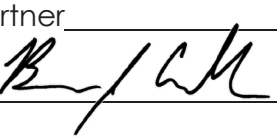
Address 3000 Town Center, Suite 100

City Southfield State MI Zip 48075

Telephone 248-352-2500 Fax 248-352-0018

Representative's Name Brian J. Camiller

Representative's Title Partner

Authorized Signature 

E-mail brian.camiller@plantemoran.com

Date 10/06/2026

CONTRACT FOR PROFESSIONAL SERVICES

THIS CONTRACT FOR PROFESSIONAL SERVICES ("Contract"), shall be considered as made and entered into as of the date of the last signature ("Effective Date"), and is between the City of Novi, a Michigan municipal corporation, whose address is 45175 Ten Mile, Novi, Michigan 48375, (hereinafter referred to as "Client"), and Plante & Moran, PLLC, whose address is 3000 Town Center, Suite 100, Southfield, MI 48075, (hereinafter referred to as "Consultant").

THE CLIENT AND CONSULTANT AGREE AS FOLLOWS:

Article I. Statement and Performance of Work.

For payment by the Client as provided under this Contract, Consultant shall perform the work, duties and responsibilities described on and in Schedule A (the "work"), which is attached hereto and made a part of this Contract by this reference, in a competent, accurate, efficient, timely, good, professional, thorough, complete and responsible manner, and in compliance with the terms and conditions set forth below.

Article II. Timing of Performance.

Performance of this Contract shall commence immediately upon execution by both parties, and performance of the work shall be completed according to the timing set forth as part of Schedule A. The timing for performance of any such work may be extended for additional specified periods of time, if allowed in writing by the Client in its sole discretion. Services on each phase after the first phase shall commence only after Client's authorization to proceed. Out-of-sequence services (i.e., commencement of work on a future phase, before completion of a prior phase), if requested and ultimately not accepted by Client as part of the overall project, shall be compensated as Additional Services.

Article III. Contract Price and Payment.

A. Subject to the terms and conditions of this Contract, the Client agrees to pay Consultant in the amount, manner, and according to the timing for making such payments set forth in Schedule A (referred to in this Contract as "payments"). Such payments are in exchange for, and consideration of the timely and satisfactory performance and completion of the work required under and pursuant to this Contract.

B. The Client agrees to pay Consultant amounts due within thirty (30) days of receipt of an itemized billing/invoice from Consultant detailing all work performed and provided in connection with the billing and the hours and charges applicable to each such item of work. Such itemized billings shall be submitted and shall be paid only upon satisfactory completion of the work itemized in the billing.

C. All costs and expenses incurred by Consultant in the course of performing the work under this Contract are deemed to be included in the hourly fees and amounts

set forth in Schedule A, unless specifically identified in Schedule A as reimbursable expenses and such expenses have been approved by the Client or its designee.

D. Consultant will obtain written approval of the Client prior to proceeding with any services or work that is not stated on Schedule A; otherwise the Client will not be billed for such extra/additional services or work.

E. Payments shall be made upon verification of invoices received by the Client. All payments to Consultant shall be submitted by mail at Consultant's address first listed above, unless Consultant provides written notice of a change in the address to which such payments are to be sent.

Article IV: Termination.

A. This Contract, including any extension or amendment of this Contract, may be terminated at any time, with or without cause, by either party upon thirty (30) calendar days' written notice to the other party. In such event, the effective date of such termination shall be the 30th calendar day following the date of the written notice of such termination.

B. In the event this Contract is terminated prior to completion of the work, the Client shall not be responsible to make any further payments for work performed after the effective date of such termination and shall pay Consultant for such work as has been completed and is eligible for payment under the terms of this Contract through the date of such termination. In all events, the Client shall only be responsible to make the payments described in the preceding sentence if, at the Client's request, Consultant continues to fully perform its duties and obligations in full compliance with the terms of this Contract through the effective date of the termination. Additionally, termination shall not relieve Consultant of its obligation to provide Client with all the plans and product generated under this Contract through the effective date of termination. Articles V, VI, VII and VIII of this Contract shall survive completion of the work and any termination of this Contract.

C. Prior to the effective date of any termination or prior to the completion of the work (including any extension of the timing for completion), whichever is the first to occur, Consultant shall deliver to the Client all reports, opinions, compilations, research work, studies, data, materials, artifacts, samples, documents, plans, drawings, specifications, correspondence, ledgers, permits, applications, manuals, contracts, accountings, schedules, maps, logs, invoices, billings, photographs, videotapes and other materials in its possession or control that is gathered or generated in the course of performing the work or that relates to the work in any way; provided that Consultant may retain a copy of such materials for its files. The Client shall be permitted to withhold any payments and reimbursements otherwise owing to Consultant under the terms of this Contract until all such materials are delivered to the Client in accordance with the terms and conditions of this Contract.

Article V: Independent Contractor Relationship.

A. In the performance of this Contract, the relationship of Consultant to the Client shall be that of an independent contractor and not that of an employee or agent of Client. Consultant is and shall perform under this Contract as an independent contractor, and no liability or responsibility with respect to benefits of any kind, including without limitation, medical benefits, worker's compensation, pension rights, or other rights or liabilities arising out of or related to a contract for hire or employer/employee relationship shall arise or accrue to either party as a result of the performance of this Contract.

B. Consultant, as an independent contractor, is not authorized to enter or sign any agreements on behalf of the Client or to make any representations to third parties that are binding upon the Client. Although Consultant is required under this Contract to advise, make recommendations to and to a limited extent represent the Client, all plans, studies, applications, submittals, surveys, reports and any other information relating to the work must be submitted to and approved by the Client or the Client's authorized official prior to being disseminated to any third party and shall only be so disseminated if such dissemination is approved in advance by the Client or an authorized Client official.

C. Consultant represents that it will dedicate sufficient resources and provide all necessary personnel required to perform the work described in Schedule A in accordance with the terms and conditions of this Contract. Except as may be specifically stated and agreed to in Schedule A, Consultant shall perform all the work under this Contract and no other person or entity shall be assigned or sub-contracted to perform the work, or any part thereof, unless approved by the Client in advance.

Article VI: Liability and Insurance.

A. Consultant agrees to indemnify and hold harmless the Client, its elected and appointed officials and employees, from and against any and all claims, demands, suits, losses and settlements, including actual attorney fees incurred and all costs connected therewith, for any damages which may be asserted, claimed or recovered against the Client by reason of (i) personal injury, death and/or property damages which arises out of or is in any way connected or associated with the actions or inactions of Consultant in performing or failing to perform the work, or (ii) civil damages which arise out of any dispute between Consultant and its subcontractors, affiliates, employees or other private third parties in connection with this Contract.

B. Consultant shall provide evidence of adequate insurance coverage in the types and amounts set forth on Schedule A, which is attached hereto and incorporated herein by this reference. Such insurance shall be maintained at the specified level of coverage throughout the term of this Contract, including any extension of such term, and will cover all work, acts and omissions by and on behalf of Consultant in connection with this Contract, with the Client as named additional insureds, but

with such coverage being primary and non-contributory as described in the attached Schedule A. Consultant's professional liability insurance shall cover claim if and to the extent that the insured causes damage to others in the rendering of its professional services. Consultant shall give the Client immediate notice of any change in or cancellation of the coverage in place at the time this agreement is executed, shall provide a copy of any cancellation notice received from its insurer to the Client, and shall request that its insurer send such notice of cancellation to the Client. Consultant shall provide evidence of insurance coverage as set forth herein coverage at any time requested by the Client.

Article VII: Information.

It is expressly acknowledged and agreed that all reports, opinions, compilations, research work, studies, data, materials, artifacts, samples, documents, plans, drawings, specifications, correspondence, ledgers, permits, manuals, applications, contracts, accountings, schedules, maps, logs, invoices, billings, photographs, videotapes and all other materials generated by and/or coming into the possession of Consultant during the term of this Contract, and any extension thereof, that in any way relate to the performance of work by Consultant under this Contract or that are otherwise related or relevant to the work, belong exclusively to the Client and shall be promptly delivered to the Client upon the termination of this Contract or, at any time, upon the Client's request.

Article VIII: Accuracy.

Consultant promises that the information it provides in the work to be performed under this Contract will be accurate, excepting only inaccuracies resulting from incorrect information provided by the Client, the City, other consultants and/or other public sources. Consultant will not charge Client for necessary corrections to its work and will be responsible for any increased cost incurred by the Client as a result of any inaccuracies in the work, excepting inaccuracies resulting from incorrect information provided by the Client, the City, other consultants and/or other public sources.

Article IX: General Provisions.

A. *Entire Agreement*. This instrument, together with the attached Schedules, contains the entire Contract between the Client and Consultant. No verbal agreement, conversation, or representation by or between any officer, agent, or employee of the parties hereto, either before or after the execution of this Contract, shall affect or modify any of the terms or obligations herein contained.

B. *Compliance with Laws*. This Contract and all of Consultant's work and practices shall be subject to all applicable state, federal and local laws, ordinances, rules or regulations, including without limitation, those which apply because Client is a public governmental agency or body. Consultant represents that it is in compliance with all such laws and eligible and qualified to enter into this Contract.

C. *Governing Law*. This Contract shall be governed by the laws of the State of Michigan.

D. *Assignment*. Consultant shall not assign this Contract or any part thereof without the written consent of the Client. This Contract shall be binding on the parties, their successors, assigns and legal representatives.

E. *Third Parties*. It is the intention of the parties hereto that this Agreement is not made for the benefit of any private third party. It is acknowledged that Client may receive a portion of the funding for the payments under this Contract from one or more private sources, and it is understood by Consultant that it is hired by Client to work exclusively for Client (and by extension for the City should the work be accepted and implemented by the City) and Consultant agrees that no private party or parties will be allowed to hold sway or influence, in any way, over Consultant's performance of the work.

F. *Notices*. Written notices under this Contract shall be given to the parties at their addresses contained in this Contract by personal or registered mail delivery to the attention of the following persons:

Client: City Manager Victor Cardenas and City Clerk Cortney Hanson
Consultant:

G. *Changes*. Any changes in the provisions of this Contract must be in writing and signed by the Client and Consultant.

H. *Waivers*. No waiver of any term or condition of this Contract shall be binding and effective unless in writing and signed by all parties, with any such waiver being limited to that circumstance only and not applicable to subsequent actions or events.

I. *Jurisdiction and Venue of Contract*. This Contract shall be considered for all purposes, including the establishment of jurisdiction and venue in any court action between the parties, as having been entered into and consummated in the City of Novi, Oakland County, Michigan.

J. *Conflict*. In the event of any conflict or inconsistency between the above provisions of this Contract and either or both of the attached Schedules, the provisions in the above text shall govern.

K. *Anti-Discrimination*. The Contractor shall not discriminate against any employee, or applicant for employment because of religion, race, color, national origin, age, sex, height, weight, handicap, ancestry, place of birth, sexual preference or marital status. The Contractor further covenants that it will comply with the Civil Rights Act of 1973, as amended; and the Michigan Civil Rights Act of 1976 (78. Stat. 252 and 1976 PA 453) and will require a similar covenant on the part of any consultant or subcontractor employed in the performance of this contract.

IN WITNESS WHEREOF, the Client and the Consultant have executed this Contract in Oakland County, Michigan, as of the date first listed above.

WITNESS/DATES OF SIGNATURE:

_____

Date: _____

_____

Date: _____

WITNESS:

_____

Date: 10/6/2026

City of Novi ("Client"):

By: _____
Justin Fischer, It's Mayor

By: _____
Cortney Hanson, Its Clerk

_____
("Consultant"):

By: Brian J. Camiller

Its Partner



OCTOBER 7, 2026

CITY OF NOVI

Water and Sewer Rate Study Proposal

plante moran | Audit. Tax. Consulting. Wealth Management.

Plante & Moran, PLLC
PO. Box 307
3000 Town Center, Suite 100
Southfield, MI 48075
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

SCHEDULE A

October 7, 2026
Ms. Tracey Marzonie
Purchasing Accountant
City of Novi Finance Department
45175 Ten Mile Road
Novi, MI 48375-3024

Dear Tracey,

Plante Moran is pleased to submit our proposal for the City of Novi's Water and Sanitary Sewer Rate Study. The City needs a clear, repeatable process that connects its budget, wholesale charges, capital needs, reserves, projected usage, and customer impacts to the rates adopted by City Council.

We will develop five-year and ten-year forecasts, evaluate the current rate structure, and compare at least three alternatives. The study will address rate components, fees, reserves, capital funding, and the City's arrangements with GLWA, the Rouge Valley Sewage Disposal System, and the Oakland County Water Resources Commissioner.

The City will receive:

- A recommended multi-year rate plan supported by the City's budget, documented assumptions, projected revenues, and customer bill-impact analysis.
- Recommendations for reserve levels, funding practices, rate structure, and related ordinance updates.
- A user-friendly Excel model that City staff can update as budget assumptions, projected usage, and capital plans change.

Novi's rate-setting process must be financially sound, understandable, and well documented. We will work with City staff to test and approve assumptions and policy decisions before finalizing recommendations.

Our team combines municipal finance, governmental accounting, forecasting, and utility rate experience. We recently developed water and sewer rate models for Rochester Hills, Lincoln Park, Farmington Hills, and West Bloomfield Township. This experience allows us to turn Novi's financial information into practical recommendations and a model City staff can maintain.

We appreciate the opportunity to be considered and welcome the opportunity to discuss our proposal with the City.

Sincerely,



Brian J. Camiller, CPA
Partner
248-223-3840
brian.camiller@plantemoran.com

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SCHEDULE A

Project Approach & Methodology



Create a five-year and ten-year financial forecast model for utility rates

Plante Moran's approach is designed to give the City more than a one-time rate recommendation. We will provide a transparent process that connects the City's budget, wholesale charges, capital needs, debt service, reserves, projected usage, and customer impacts to the rates adopted by City Council.

The study will be completed in five phases. Each phase includes defined analysis, City review points, and deliverables. We will develop the financial forecast and rate model in Microsoft Excel so City staff can update assumptions, evaluate alternatives, and extend the forecast after the engagement is complete.

Project Approach

Phase 1 — Project kickoff and data review

We will begin with a kickoff meeting with the City project team to confirm objectives, responsibilities, communication protocols, timing, and required data. Within two weeks of project initiation, we will provide a comprehensive data request covering the information needed for the financial forecast and rate evaluation.

Our initial review will include:

- The City's adopted budget, historical budget-to-actual results used to support forecasting assumptions, projected revenues, debt service, and cash and reserve balances.
- Projected water and sewer volumes, customer and meter data, significant customers, and recent revenue trends.
- The current rate model, rate structure, connection and tap fees, miscellaneous charges, and related ordinances and policies.
- The capital improvement plan, asset replacement needs, planned system improvements, available funding sources, and future debt requirements.
- Wholesale water and wastewater arrangements with GLWA, the Rouge Valley Sewage Disposal System, and the Oakland County Water Resources Commissioner, including charges, assessments, escalation factors, contractual provisions, and financial risks.
- City-provided assumptions regarding staffing, equipment, facilities, projected volumes, regulation, and other factors that could affect future budgeted amounts or revenues.

We will work with City staff to identify the assumptions that will drive the study, including reserve objectives, capital funding priorities, and the City's goals for revenue stability, affordability, and implementation.

City decisions required

- Confirm study objectives and policy priorities.
- Confirm key forecast assumptions and available data.
- Confirm capital priorities and reserve objectives.

Phase 1 deliverables

- Comprehensive data request.
- Confirmed project schedule and communication plan.
- Summary of available data, outstanding information, and material data limitations.
- Documented assumptions and policy considerations to carry into the financial forecast and rate evaluation.

Phase 2 — Financial forecast and revenue requirements

Using the City's budget and the assumptions confirmed in Phase 1, we will develop five-year and ten-year financial forecasts for the water and sewer systems. The forecasts will establish the annual rate revenue required to fund budgeted operations, wholesale services, capital improvements, debt service, and appropriate reserves.

Our analysis will include:

- The City's adopted budget and City-approved projections of water and sewer volumes, customer counts, and other revenues.
- Projected wholesale water and wastewater charges, assessments, and escalation factors.
- Budgeted operating and administrative expenses and City-provided assumptions for future changes.
- Debt service, planned borrowing, capital improvement costs, asset replacement needs, and available funding sources.
- Existing and projected cash and reserve balances, including recommended reserve targets tied to identified operating, capital, and financial risks.
- The adequacy of current rates, fees, and charges to meet projected system requirements.

The Excel model will separate key assumptions from calculations and clearly show how changes in the City's budget, projected volumes, capital spending, and reserve targets affect required revenues and future rates. We will compare projected revenues under the current rate structure with the revenue requirements identified for each year of the forecast.

We will review the preliminary forecast with City staff and revise the model for agreed-upon assumptions and identified data limitations before developing rate alternatives.

City decisions required

- Confirm forecast assumptions and escalation factors.
- Confirm the timing and funding of planned capital improvements.

- Confirm reserve targets and use of existing balances.
- Confirm assumptions regarding debt issuance, projected volumes, and significant system changes.

Phase 2 deliverables

- Five-year and ten-year water and sewer financial forecasts.
- Annual revenue requirement calculations.
- Analysis of projected cash flow, debt service, capital funding, and reserves.
- Comparison of projected revenues under current rates with annual system requirements.
- Preliminary Excel model reflecting City-approved assumptions.

Phase 3 — Rate structure evaluation and alternatives

Using the revenue requirements developed in Phase 2, we will evaluate the City's current rates, fees, and rate components. The analysis will determine whether the current structure generates sufficient revenue to support the City's budget, debt service, capital requirements, and reserve funding.

Our analysis will include:

- Reviewing the current fixed and variable rate components, including readiness-to-serve charges.
- Evaluating projected revenues under the current rate structure using the City's budget and City-approved assumptions.
- Reviewing connection fees, tap fees, and miscellaneous utility charges using available City information and policy objectives.
- Considering inflation, regulatory changes, projected volumes, customer affordability, and implementation timing.

We will develop and evaluate a minimum of three alternative rate structures and compare them with the current structure. Each alternative will address:

- Revenue stability.
- Customer bill impacts and affordability.
- Fixed and variable rate components.
- Readiness-to-serve charge allocations.
- Administrative practicality.
- Consistency with applicable Michigan rate-setting principles, with legal conclusions reserved for City counsel.

Based on this analysis, we will recommend a preferred rate structure and a multi-year rate adjustment plan. The recommendation will document the supporting assumptions, projected revenues, customer impacts, and reasons for the proposed approach.

City decisions required

- Confirm the alternative rate structures to be evaluated.
- Identify acceptable customer impacts and implementation considerations.
- Select the preferred rate structure and implementation approach.

Phase 3 deliverables

- Evaluation of the current rate structure, readiness-to-serve charge allocations, and rate adequacy.
- Review of connection fees, tap fees, and miscellaneous charges.
- A minimum of three alternative rate structures.
- Customer bill-impact analysis.
- Recommended rate structure and multi-year rate adjustment plan.

Phase 4 — Recommendations, ordinance review, and draft report

Based on the financial forecast and rate alternatives, we will prepare the recommended water and sewer rate plan. The recommendation will identify the rates and charges needed to support the City's budget, debt service, capital improvements, and reserve requirements during the forecast period.

Our work will include:

  - Developing annual water and sewer rate recommendations for the five-year forecast period and projected rate adjustments for the ten-year planning period.
  - Documenting the relationship between the City's budget, projected revenues, reserve requirements, and recommended rates.
- Recommending appropriate fixed and variable rate components, readiness-to-serve charges, connection fees, tap fees, and miscellaneous charges.
  - Evaluating the timing and customer impact of proposed rate adjustments.
  - Recommending reserve targets and funding practices tied to identified operating, capital, debt, and financial risks.
  - Reviewing applicable water and sewer ordinances and identifying recommended updates to definitions, rates, fees, fund appropriations, and other provisions affected by the study.
  - Preparing clear explanations of the assumptions, methods, alternatives considered, and reasons supporting the recommendations.

We will provide the City with a draft report and draft Excel model for review. The draft report will summarize the analysis, findings, and recommendations in a format suitable for City staff, City Council, and the public. The final report and supporting model will provide a clear record of the financial assumptions, policy decisions, and projected system requirements underlying the City's adopted rates. We will meet with City staff to review the draft materials and incorporate agreed-upon revisions before finalizing the study.

City decisions required

- Confirm the preferred rate structure and annual rate adjustments.
- Confirm reserve targets and capital funding recommendations.
- Confirm the preferred timing of implementation.
- Review proposed ordinance updates and policy recommendations.

Phase 4 deliverables

- Draft water and sewer rate study report.
- Draft five-year rate plan and ten-year financial outlook.
- Draft Excel rate model and supporting documentation.
- Recommended reserve targets and funding practices.
- Recommended revisions to applicable water and sewer ordinances.
- Monthly progress reports through completion of the draft study.

Phase 5 — Final report, presentations, model transfer, and training

After receiving City comments on the draft materials, we will revise and finalize the report, rate model, recommendations, and supporting documentation. The final materials will provide a clear record of the assumptions, analyses, alternatives, and policy decisions supporting the recommended rates.

Our work will include:

- Incorporating agreed-upon revisions to the financial forecast, rate alternatives, and recommendations.
  - Finalizing annual rate recommendations for the five-year forecast period and projected adjustments for the ten-year planning period.
  - Preparing presentation materials that explain the findings, alternatives, customer impacts, and recommended implementation plan.
  - Conducting up to two presentations for City staff or City Council, as requested by the City.
  - Providing one-on-one training to designated City staff on the use and maintenance of the Excel model.
  - Demonstrating how to update actual results, budget and forecast assumptions, projected volumes, capital plans, reserve targets, and proposed rates.
  - Demonstrating how to run alternative scenarios and evaluate the effect on revenues, reserves, capital funding, and customer bills.
  - Providing supporting documentation so the City can update and extend the model with limited outside assistance.

The final report and model will be provided electronically. The model will distinguish input assumptions from calculations and outputs and include summary schedules suitable for annual rate review and decision-making.

City decisions required

- Approve final assumptions, recommendations, and implementation timing.
- Confirm the content and audience for each presentation.
- Identify staff members who will maintain the model.

Phase 5 deliverables

- Final water and sewer rate study report.
- Final five-year rate plan and ten-year financial outlook.
- Final Microsoft Excel rate model with supporting documentation.
- Recommended ordinance revisions.
- Presentation materials.
- Up to two presentations for City staff or City Council.
- Training for designated City staff.
- Electronic copies of all final reports, presentations, models, and supporting documentation.

We will not examine the financial forecast and therefore will not express an opinion or any other form of assurance on the financial forecast or the reasonableness of the underlying assumptions.

Additional Required Information

A. Disclosure of Conflicts of Interest

Plante Moran is not aware of any conflict of interest that would impair our ability to perform this engagement objectively. If a potential conflict is identified, we will promptly disclose it to the City.

B. Office Location and Communication

The personnel assigned to this project will primarily work from our Southfield and East Lansing offices, with remote capabilities as needed. Communication will be maintained via phone, email, and Microsoft Teams, ensuring accessibility throughout the engagement.

C. Insurance Information

Plante Moran maintains professional liability, commercial general liability, automobile liability, and workers' compensation coverage. Upon award, we will provide certificates of insurance demonstrating compliance with the coverage limits and additional-insured requirements stated in Attachment A.

Qualifications & Experience



Qualifications & Experience

Plante Moran has direct experience developing water and sewer rate models for Michigan municipalities. Our work connects each community's budget, wholesale charges, capital plan, debt service, reserves, and projected volumes to its annual rate decisions.

Relevant experience

Our team recently completed five-year or ten-year utility forecasts for Rochester Hills, Lincoln Park, Farmington Hills, and West Bloomfield Township. We have also developed or updated utility rate models for more than 20 other Michigan communities, including Allen Park, Clinton Township, Howell, Meridian Township, Wayne, and Westland.

Why our experience fits Novi

- **Municipal finance knowledge.** Our team includes former municipal finance directors, budget directors, accountants, and auditors who understand how rate recommendations connect to budgets, accounting records, capital plans, and financial statements.
- **Regional provider experience.** We regularly work with communities that purchase water or wastewater services from regional providers and must incorporate wholesale charges, assessments, and future increases into local rates.
- **Practical Excel models.** We build models that clearly separate assumptions, calculations, and results so City staff can update them as the budget, capital plan, reserves, projected volumes, and wholesale charges change.
- **Clear decision support.** Our reports show how financial assumptions affect required revenues, recommended rates, customer bills, reserves, and capital funding.
- **Public presentation experience.** We regularly present budgets, forecasts, and utility-rate recommendations to elected officials and explain the analysis in plain language.

The result will be a rate model tied to Novi's budget and financial planning process—not a stand-alone study that becomes outdated after delivery.

Project Team



Our team in action

Our greatest asset is our people — not just their knowledge, but also their integrity and commitment to our clients, staff, and communities. Our philosophy for staffing your engagement is simple: find the best people with the most relevant experience and balance the team with complementary ways of thinking.



Brian Camiller, CPA

Partner

248-223-3840 | brian.camiller@plantemoran.com

Experience: As a dedicated member of Plante Moran's Government Accounting Professionals (PMGAP) group, I specialize in providing both permanent and temporary accounting assistance and leadership to various public sector entities. Whether stepping in as a CFO, finance director, budget director, or accountant, my mission is to restore financial stability to challenging environments. Our team excels in navigating compliance requirements, implementing operational best practices, and developing financial forecasts and strategic initiatives.

Our clients, including cities, counties, townships, villages, authorities, and libraries, value our expertise and our ability to deliver solutions on time and within budget. I bring a sense of humor to my work, putting clients at ease while ensuring they have confidence in my reliability.

My areas of expertise include bank reconciliations, budget creation, year-end close and audit preparation, day-to-day accounting, long-term financial forecasts, and **utility rate models.**

I have had the privilege of speaking to numerous municipal groups across the country on topics such as budget & forecasting, fraud in local government finance, new GASB pronouncements, organizational succession planning, and managing diverse teams. I am a member of the AICPA, Government Finance Officers Association (GFOA), Michigan GFOA, Colorado GFOA, Michigan Association of Certified Public Accountants, and the Michigan Municipal Treasurers Association. I hold an accounting degree from Michigan State University.

I recently taught the Utility Rate Setting session at the Michigan Municipal League's Elected Officials Academy Winter Advanced Summit.

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Amanda Garber, CPA

Manager

517-336-1534 | amanda.garber@plantemoran.com

Experience: I have over thirteen years of experience in governmental accounting and auditing. Prior to joining Plante Moran Governmental Accounting Professionals (PMGAP) group in 2023, I was a Finance Director for a large Township, Finance Director/Treasurer and Interim City Manager for a small City, and a governmental/not-for-profit auditor.

My experience includes temporary and permanent financial management for municipalities, including performing detailed account reconciliations and day-to-day accounting tasks; month-end close procedures and process efficiency analysis; year-end audit preparation, including creating audit schedules and preparing financial statements; emergency assistance including bringing delinquent bank reconciliations and accounting records up to date; preparation of year-end reporting; preparation of annual budgets and five-year forecast models; implementing new GASB pronouncements; **preparing utility rate studies**; providing governmental accounting training including bank reconciliations, accounting processes, and use of BS&A Software; assisting with accounts payable and accounts receivable functions.

I am actively involved in professional development, contributing to client and internal trainings. I currently serve on MGFOA's Membership and Wellness Committee and co-chair its Mentorship sub-committee. Previously, I served as an MGFOA board member.

I am a graduate of Michigan State University and a member of the American Institute of Certified Public Accountants (AICPA), Association of Government Accountants (AGA), Government Finance Officers Association (GFOA), Michigan Association of Certified Public Accountants (MICPA), and Michigan Government Finance Officers Association (MGFOA).

Accounting Consultant — Model Development Support

A consultant or senior consultant will support data organization, model development, scenario testing, and documentation under Amanda Garber's direct supervision. The assigned professional will have relevant governmental accounting and financial-modeling experience and will be selected based on the project's technical needs and staff availability. Brian Camiller and Amanda Garber will remain responsible for the methodology, key assumptions, recommendations, client communication, and final work product.

We will not utilize any subcontractors or subconsultants.

Project Schedule



Project schedule

Anticipated project timeline

Schedule	Phase and Activities
November–December 2026	**Phase 1 — Project kickoff and data review:** Kickoff meeting, comprehensive data request, review of available information, confirmation of project assumptions, and identification of data limitations.
December 2026–February 2027	**Phase 2 — Financial forecast and revenue requirements:** Develop the five-year and ten-year forecasts using the City's budget and approved assumptions. Review projected revenues, wholesale charges, capital needs, debt service, and reserves.
February–April 2027	**Phase 3 — Rate structure evaluation and alternatives:** Evaluate the current rate structure, develop at least three alternatives, analyze customer bill impacts, and review alternatives with City staff.
April–May 2027	**Phase 4 — Recommendations, ordinance review, and draft report:** Prepare the recommended rate plan, draft Excel model, draft report, reserve recommendations, and proposed ordinance revisions for City review.
May–June 2027	**Phase 5 — Final report, presentations, model transfer, and training:** Incorporate City comments, finalize the report and model, conduct up to two presentations, and train designated City staff.
Throughout the engagement	Monthly progress reports, project-team meetings, and City review and decision points.

Fee Schedule



Fee Schedule

Estimated Hours and Fee Summary

Est. Hours	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total Hours	Hourly Rate	Total Fee
Partner	2	3	3	3	4	15	$390	$5,850
Manager	4	8	7	6	5	30	$250	$7,500
Consultant	8	25	18	9	5	65	$175	$11,375
TOTAL	**14**	**36**	**28**	**18**	**14**	**110**		**$24,725**

For the project as described in the RFP and in our scope above, we commit to the not-to-exceed fee of $24,725.

References



Client references

Please feel free to contact the individuals below to learn more about how we serve and treat our clients. Additional references can be provided upon request.

Charter Township of West Bloomfield, MI

West Bloomfield, MI
Justin Taylor
Utilities Director
248-451-4780
jtaylor@wbtownship.org

Services provided:

- Creation of a five-year forecast for utility rate setting.
- We have been providing utility rate assistance to West Bloomfield Township for decades. Most recently, we updated the model in Spring 2025.

City of Rochester Hills, MI

City of Rochester Hills, MI
Joseph Snyder
Chief Financial Officer
248-841-2533
snyderj@rochesterhills.org

Services provided:

- Creation of a five-year forecast for utility rate setting.
- Project completed in 2026

City of Lincoln Park, MI

City of Lincoln Park, MI
Lisa Griggs
City Manager & Finance Director
313-386-1800
lgriggs@citylp.com

Services provided:

- Creation of a ten-year forecast for utility rate setting.
- Project completed in 2026.

Additional Michigan experience

Our team has extensive experience developing water and sewer rate models for Michigan municipalities and utility systems, including the following representative engagements:

- City of Allen Park
- Bruce Township
- Township of Clinton
- City of Fraser
- City of Farmington Hills
- City of Garden City
- Hillsdale Board of Public Utilities
- Village of Holly
- City of Howell
- Township of Huron
- City of Inkster
- City of Lapeer
- Meridian Township
- City of Milan
- City of Mount Clemens
- City of New Baltimore
- City of Oak Park
- City of Pleasant Ridge
- Scio Township
- City of South Lyon
- City of Three Rivers
- City of Wayne
- City of Westland

Contract Clarifications

1. Article VI.A — Liability and Insurance: Indemnification

Delete Article VI.A in its entirety and replace it with the following:

Consultant will indemnify and hold harmless the City, its elected and appointed officials, officers, and employees from third-party claims for bodily injury, death, or tangible property damage, but only to the extent caused by Consultant's negligent acts, omissions, or willful misconduct in performing the services. Consultant will reimburse reasonable defense costs to the extent attributable to Consultant's negligence or willful misconduct as determined by agreement or a court of competent jurisdiction.

2. Article VIII — Accuracy

Delete Article VIII in its entirety and replace it with the following:

Consultant will perform the services with the degree of care and skill ordinarily exercised by qualified professionals providing similar services under similar circumstances. Consultant will correct material errors in its deliverables caused by its failure to meet that standard, provided the City gives prompt written notice.

Consultant may rely on budgets, assumptions, records, and other information supplied by the City or third parties without independently auditing or verifying that information. Consultant will not be responsible for inaccuracies or increased costs resulting from incomplete or inaccurate source information or from assumptions approved by the City.



We look forward to working with you. Please contact us with any questions.



Brian J. Camiller, CPA
Partner

248-223-3840
brian.camiller@plantemoran.com

plante moran | Audit. Tax. Consulting. Wealth Management.



City of Farmington Hills Utility Rate Model

Brian Camiller, CPA Amanda Garber, CPA June 1, 2026

plante moran | Audit. Tax. Consulting. Wealth Management.

Status Update

At May 11, 2026 Study Session:

- New rate methodology presented
  - Elimination of minimum bill and meter maintenance fee
  - Introduction of Ready to Serve (RTS) charge
    - RTS set to recoup 20% of the City's administrational and operational costs of operating the system (excludes wholesale purchase of water/sewer treatment, debt service, and capital projects)
  - "Jump start" rate increase – larger Year 1 increase in order to ensure manageable rate increases in Years 2-5.

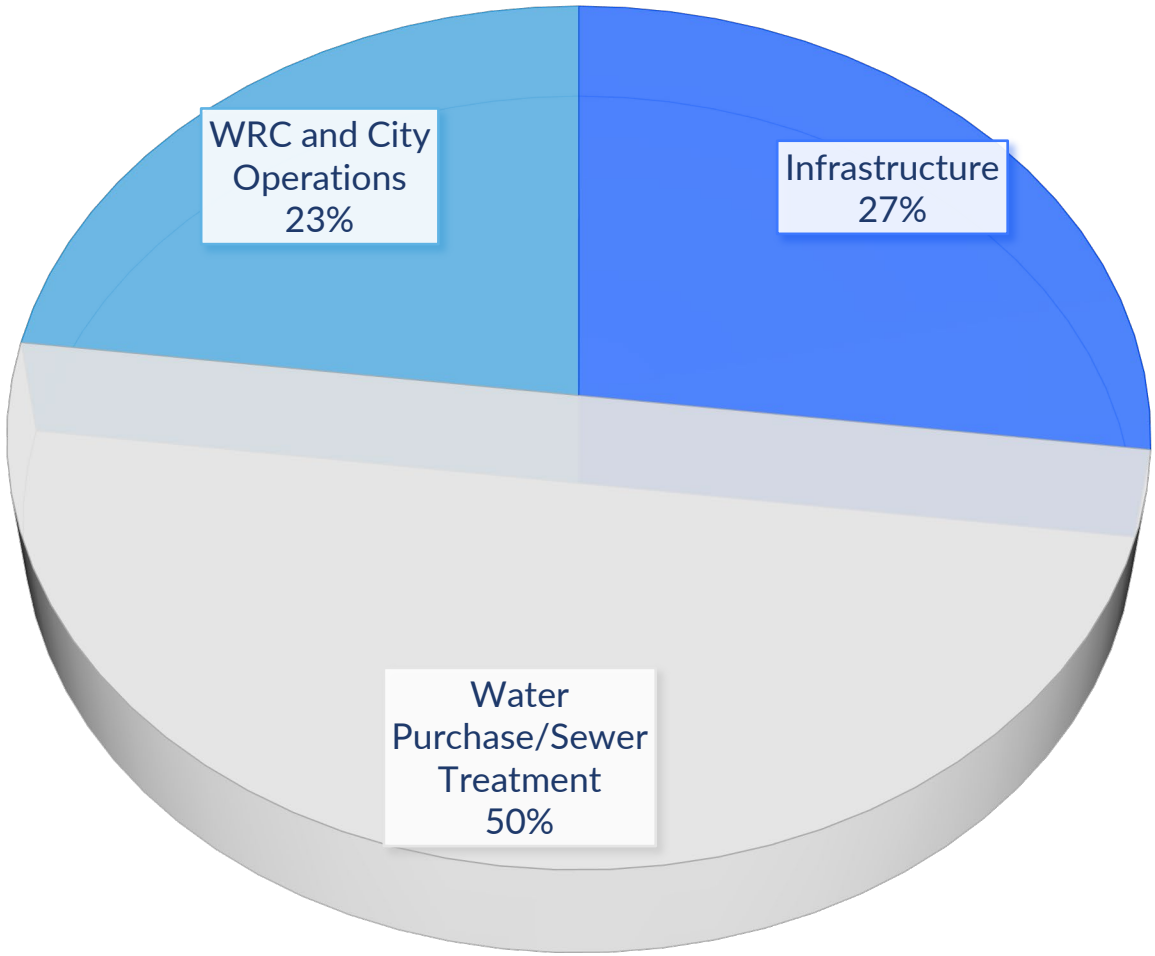
- New methodology seemed to be acceptable to City Council, but more rate options (adjust the balance between fixed and variable rates) requested.

Today:

- Present 3 possible rate changes (including the May 11 recommendation).
- Assumptions and fact patterns are the SAME in all 3 versions.
- The difference in the 2 new alternative options is just the balance of fixed vs. variable rates. We are "pulling the levers" to change the composition of the City's rate structure.

Total Cost Pool

EXPENSES



Reminder: The costs to the system are static in all 3 models. The only thing that changes is the balance between fixed (Ready To Serve) and variable (commodity) charges.

Regardless of which rate adjustment is selected, the amount of cash needed by the City is the same.

It's just a matter of how the balance of fixed/variable charges affect customers using various amounts of water.

Original Recommendation ("A")

- Replace quarterly Meter Maintenance Fee with a Ready-to-Serve fee (RTS), RTS fee is set to recover 20% of administrative costs, smooth rate increases over 5 years
  - The recommended RTS fees have been benchmarked against the City's comparable communities.
- Eliminate the minimum bill
  - All commodity sales will be based on a customer's actual use, if any.
  - The first year will be a period of readjustment. Certain customers may see a significant increase or decrease depending on their water usage. Increases in Year 2 and beyond will be consistent across all customers.
- First year rate increase as a percentage is significant. This ensures the City will be able to limit subsequent year increases to approximately 5 percent per year.
  - This will reduce long-term pressure by addressing more of the increase up front.
  - By "jump starting" the rate increases, Year 5 rates will be significantly lower than they would be if the City did a 5-year smoothing of the increases.

Year 1 of a methodology change is a period of adjustment. Different groups of customers will be affected differently – some will see a larger increase; some will see a larger decrease.

Recommended Rate Increases ("A")

	Current Rates	Proposed Rates	Increase
Meter Maintenance Fee	$3.45	$0.00	
Ready-To-Serve Fee - Water	$0.00	$ 9.67	
Ready-To-Serve Fee - Sewer	$0.00	$ 6.63	
Water Charge (Variable)	$5.64	$7.51	33%
Sewer Charge (Variable)	$6.16	$6.71	9%
Combined W/S Rate/Unit	**$11.80**	**$14.21**	20%

Subsequent increases to the variable rate are currently estimated to be 5% per year through 2031.

Breakeven Point for Low Volume Customers ("A")

SCHEDULE A

"Break Even" Quarterly Bill Example

	Current Minimum Bill	RTS with current rates @ 15 units
Meter Maintenance Fee	$3.45	
Ready-To-Serve Fee - Water		$9.30
Ready-To-Serve Fee - Sewer		$6.38
Water Charge (Variable)	$90.16	$84.53
Sewer Charge (Variable)	$98.61	$92.45
Total Quarterly Bill	**$192.22**	**$ 192.65**
$ Increase (Decrease)		$0.43
% Increase (Decrease)		0.2%

Note: If the City changed methodologies today, a customer using 15 units per quarter would approximately break even compared to the current Minimum Bill. 14 units and below would see a decrease in the quarterly bill.

Effect on Low Volume Customers in Year 1 ("A")

SCHEDULE A

Low Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee	$3.45	
Ready-To-Serve Fee - Water		$ 9.67
Ready-To-Serve Fee - Sewer		$ 6.63
Water Charge (Variable)	$90.16	$75.08
Sewer Charge (Variable)	$98.61	$67.07
Total Quarterly Bill	**$192.22**	**$ 158.45**
$ Increase (Decrease)		($33.77)
% Increase (Decrease)		-17.6%

Note: This is an example of a low volume customer who uses 10 units per quarter. Under the current model, this customer is receiving the minimum bill.

Effect on High Volume Customers in Year 1 ("A")

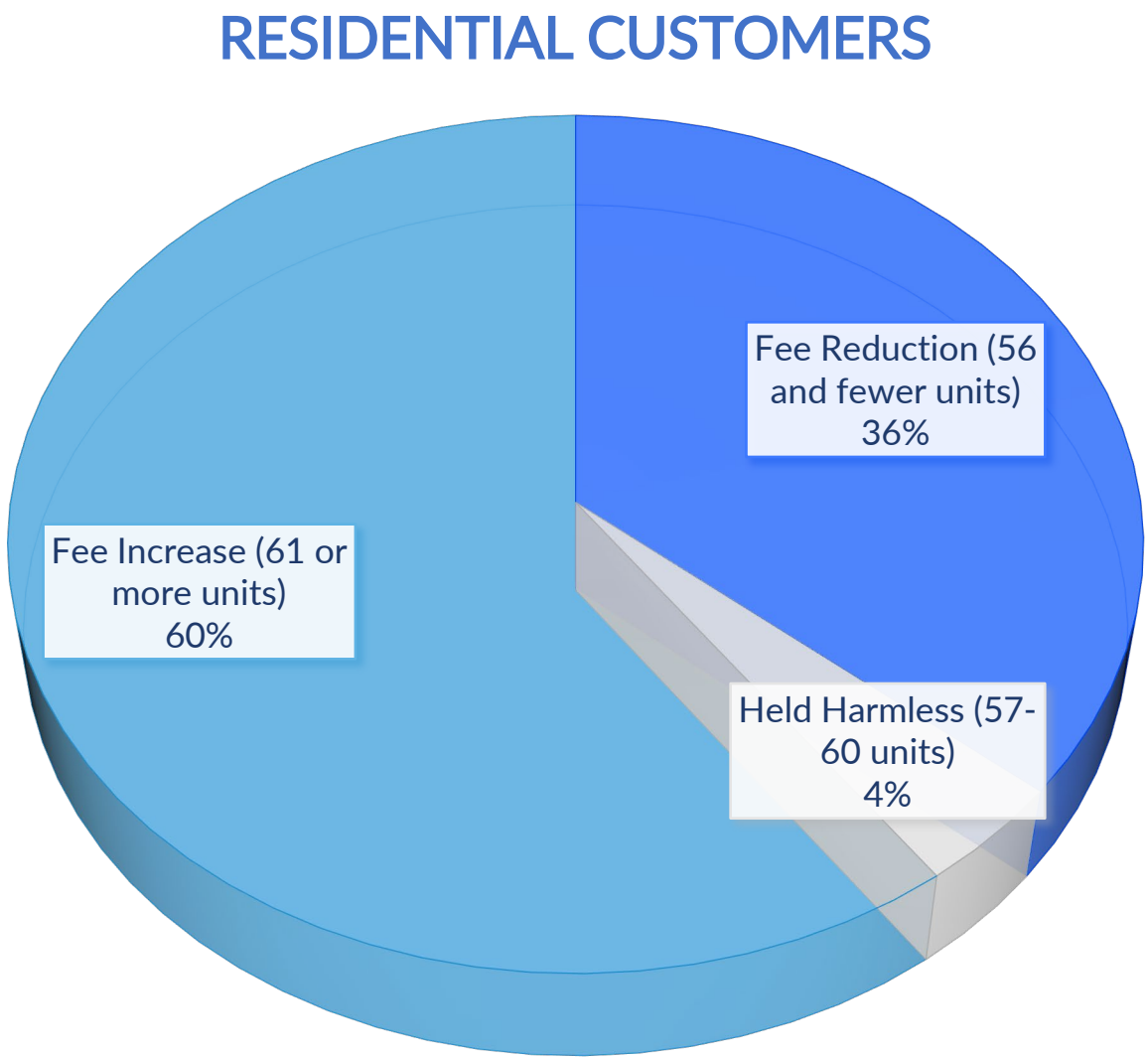
High Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee	$3.45	
Ready-To-Serve Fee - Water		$ 9.67
Ready-To-Serve Fee - Sewer		$ 6.63
Water Charge (Variable)	$140.88	$187.69
Sewer Charge (Variable)	$154.08	$167.68
Total Quarterly Bill	**$298.40**	**$ 371.67**
$ Increase (Decrease)		$73.27
% Increase (Decrease)		24.6%

Note: This is an example of a higher-volume customer who uses 25 units per quarter.

How Will Our Residential Customers Be Affected?

SCHEDULE A



Alternative #1 (“B”)

Set RTS to recoup 100% of the City’s administrative and operational costs (excluding wholesale water/sewer treatment, debt service, and capital projects.

Alternative #1 Rate Increases ("B")

	Current FY25/26 Rates	Proposed FY26/27 Rates	Increase
Meter Maintenance Fee	$3.45	$0.00	
Ready-To-Serve Fee - Water	$0.00	$ 48.37	
Ready-To-Serve Fee - Sewer	$0.00	$ 39.11	
Water Charge (Variable)	$5.64	$5.80	3%
Sewer Charge (Variable)	$6.16	$5.30	-14%
Combined W/S Rate/Unit	**$11.80**	**$11.11**	-6%

Subsequent increases to the variable rate are currently estimated to be 5% per year through 2031.

Alternative #1: Breakeven Point for Low Volume Customers ("B")

"Break Even" Quarterly Bill Example

	Current FY25/26 Minimum Bill		RTS with current rates @ 9 units
Meter Maintenance Fee	$3.45		
Ready-To-Serve Fee - Water			$46.51
Ready-To-Serve Fee - Sewer			$37.60
Water Charge (Variable)	$90.16		$50.72
Sewer Charge (Variable)	$98.61		$55.47
Total Quarterly Bill	**$192.22**	**$**	**190.30**
$ Increase (Decrease)			($1.92)
% Increase (Decrease)			-1.0%

Note: If the City changed methodologies today, a customer using 9 units per quarter would approximately break even compared to the current Minimum Bill. 9 units and below would see a decrease in the quarterly bill.

Alternative #1 - Low Volume Customers in Year 1 ("B")

Low Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee (quarterly)	$3.45	
Ready-To-Serve Fee - Water		$ 48.37
Ready-To-Serve Fee - Sewer		$ 39.11
Water Charge (Variable -per 100)	$90.16	$58.04
Sewer Charge (Variable)	$98.61	$53.04
Total Quarterly Bill	**$192.22**	**$ 198.56**
$ Increase (Decrease)		$6.34
% Increase (Decrease)		3.3%

Note: This is an example of a low volume customer who uses 10 units per quarter. Under the current model, this customer is receiving the minimum bill.

Alternative #1 High Volume Customers in Year 1 ("B")

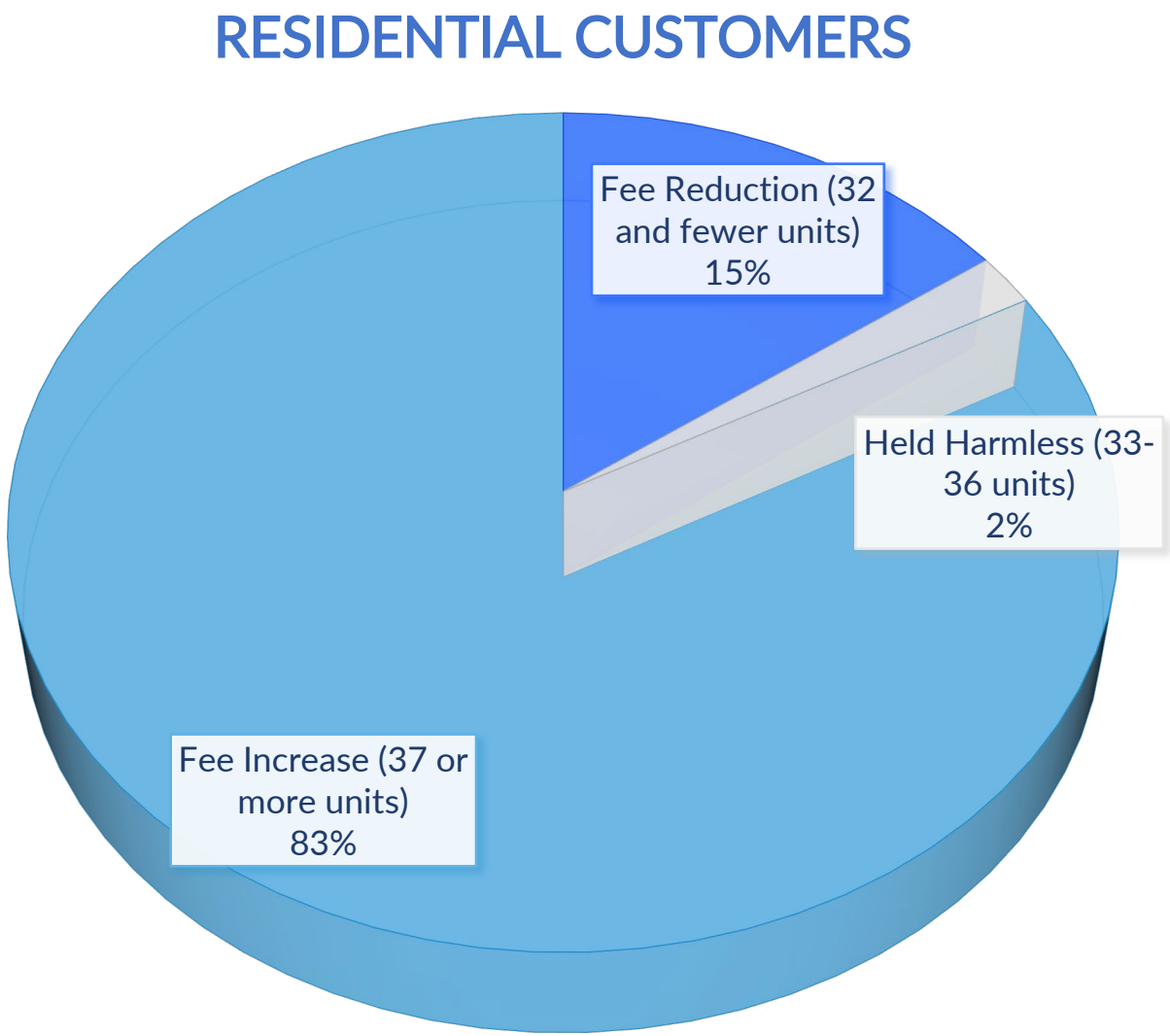
SCHEDULE A

High Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee (quarterly)	$3.45	
Ready-To-Serve Fee - Water		$ 48.37
Ready-To-Serve Fee - Sewer		$ 39.11
Water Charge (Variable)	$140.88	$145.09
Sewer Charge (Variable)	$154.08	$132.60
Total Quarterly Bill	**$298.40**	**$ 365.18**
$ Increase (Decrease)		$66.78
% Increase (Decrease)		22.4%

Note: This is an example of a higher-volume customer who uses 25 units per quarter.

Alternative #1: How Will Our Residential Customers Be Affected? (“B”)



Alternative #2 (“C”)

- No RTS
- 100% of a customer’s bill will be derived directly by their metered usage

Alternative #2 Rate Increases ("C")

	Current FY25/26 Rates	Proposed FY26/27 Rates	Increase
Meter Maintenance Fee	$3.45	$0.00	
Ready-To-Serve Fee - Water	$0.00	$ -	
Ready-To-Serve Fee - Sewer	$0.00	$ -	
Water Charge (Variable)	$5.64	$7.93	41%
Sewer Charge (Variable)	$6.16	$7.06	15%
Combined W/S Rate/Unit	**$11.80**	**$14.99**	27%

Subsequent increases to the variable rate are currently estimated to be 5% per year through 2031.

Alternative #2: Breakeven Point for Low Volume Customers ("C")

"Break Even" Quarterly Bill Example

	Current FY25/26 Minimum Bill	RTS with current rates @ 16 units
Meter Maintenance Fee	$3.45	
Ready-To-Serve Fee - Water		$0.00
Ready-To-Serve Fee - Sewer		$0.00
Water Charge (Variable)	$90.16	$90.16
Sewer Charge (Variable)	$98.61	$98.61
Total Quarterly Bill	**$192.22**	**$ 188.77**
$ Increase (Decrease)		($3.45)
% Increase (Decrease)		-1.8%

Note: If the City changed methodologies today, a customer using 16 units per quarter would pay the same amount as the Minimum Bill, less the $3.45 meter maintenance fee.

16 units and below would see a decrease in the quarterly bill.

Alternative #2: Low Volume Customers in Year 1 ("C")

SCHEDULE A

Low Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee (quarterly)	$3.45	
Ready-To-Serve Fee - Water		$ -
Ready-To-Serve Fee - Sewer		$ -
Water Charge (Variable -per 100)	$90.16	$79.34
Sewer Charge (Variable)	$98.61	$70.58
Total Quarterly Bill	**$192.22**	**$ 149.91**
$ Increase (Decrease)		($42.31)
% Increase (Decrease)		-22.0%

Note: This is an example of a low volume customer who uses 10 units per quarter. Under the current model, this customer is receiving the minimum bill.

Alternative #2: High Volume Customers in Year 1 ("C")

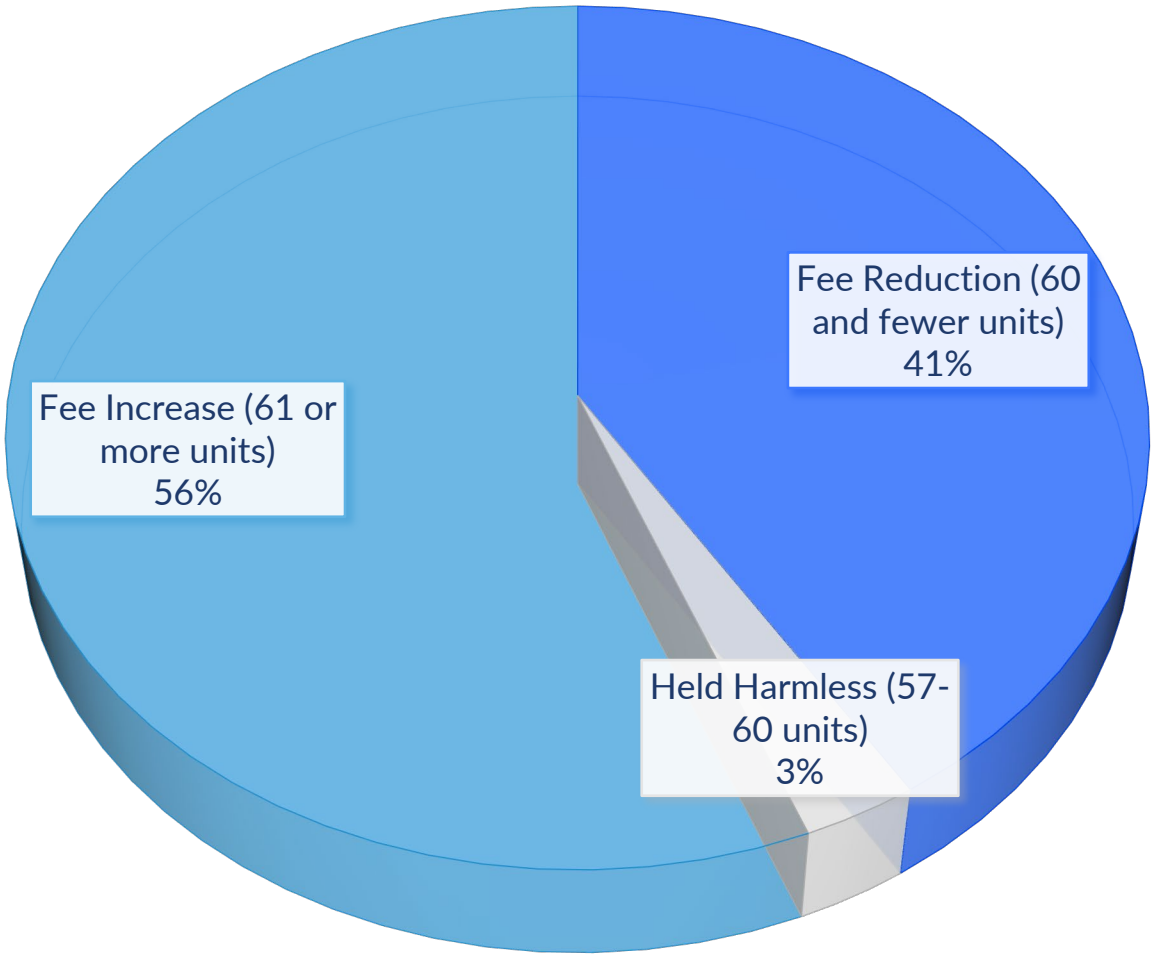
High Volume User Quarterly Bill Example

	Current	Recommended
Meter Maintenance Fee (quarterly)	$3.45	
Ready-To-Serve Fee - Water		$ -
Ready-To-Serve Fee - Sewer		$ -
Water Charge (Variable)	$140.88	$198.34
Sewer Charge (Variable)	$154.08	$176.45
Total Quarterly Bill	**$298.40**	**$ 374.79**
$ Increase (Decrease)		$76.39
% Increase (Decrease)		25.6%

Note: This is an example of a higher-volume customer who uses 25 units per quarter.

Alternative #2: How Will Our Residential Customers Be Affected? (“C”)

RESIDENTIAL CUSTOMERS



With no fixed charge, 100% of a customer’s bill will be derived from their metered usage.

This is as close as we can get to an even 50/50 split between customer positively/negatively affected by a change in rate methodology.

3 Options

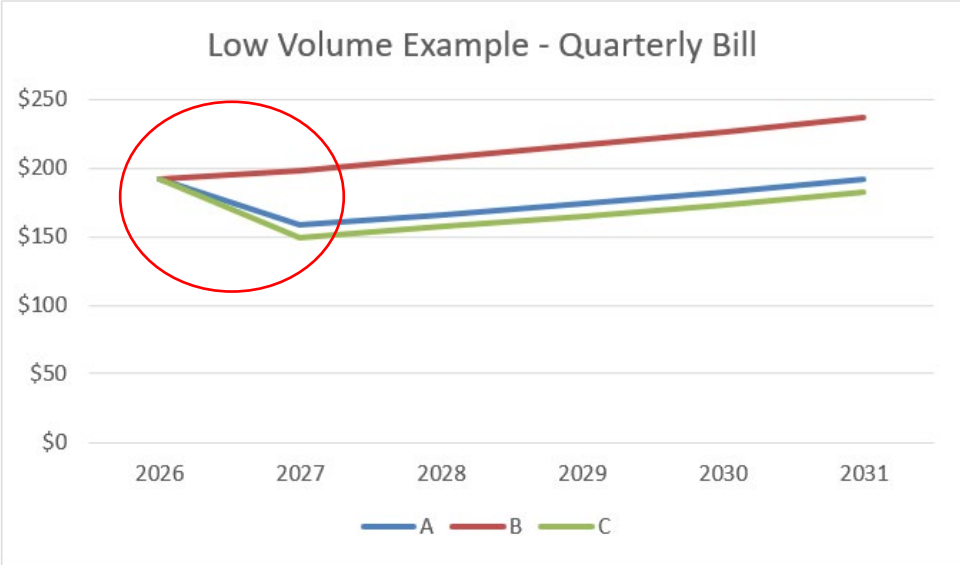
	A	B	C
RTS – Water (5/8”; quarter)	$9.67	$48.37	$0.00
RTS – Sewer (5/8”; quarter)	$6.63	$39.11	$0.00
Water rate/unit	$7.51	$5.80	$7.93
Sewer Rate/unit	$6.71	$5.30	$7.06
Low Volume Example % change	(18%)	3%	(22%)
High Volume Example % change	25%	23%	26%
% of Customers To See A Decrease In Their Bills	36%	15%	41%
Breakeven Units	15	9	16
Low Volume Example Quarterly Bill in 2031	$191.79	$236.96	$182.22
High Volume Example Quarterly Bill in 2031	$450.96	$439.49	$455.55

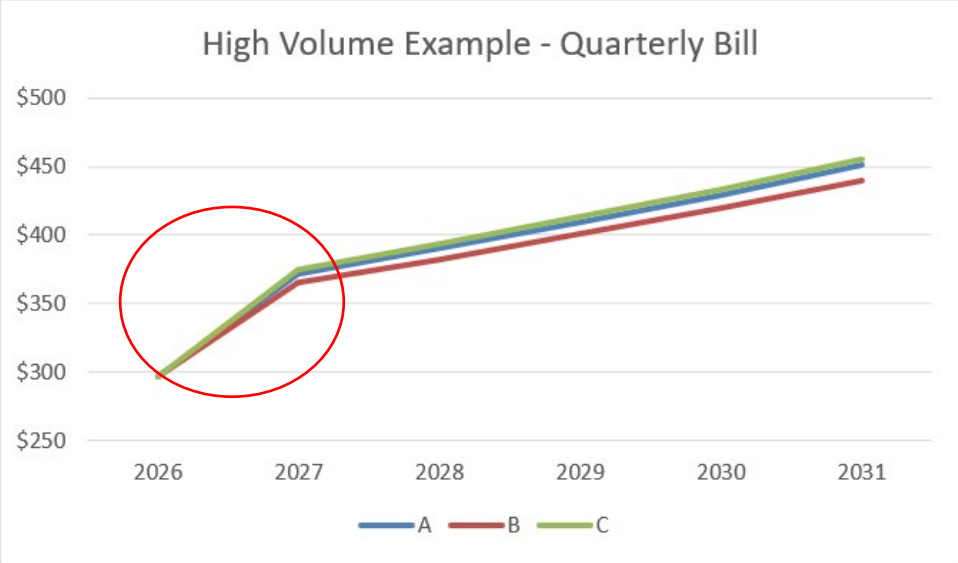
Note: Low volume example is 10 units per quarter. High volume is 25 units per quarter.

Pros and Cons

	Pros	Cons
Original Recommendation (A)	• Immediate relief for almost all current minimum bill customers • Most similar rate structure to majority of Metro Detroit	
Alternative #1 (B)	• Least significant change for all customers • Greatest guaranteed cashflow	• Significantly more expensive in 2031 for the lower volume customers • Least similar structure to majority of Metro Detroit
Alternative #2 (C)	• As close to 50/50 in terms of customers being positively/ negatively affected • 100% usage based – pay for what you use	• No fixed cashflow • Most volatile change for all customers (biggest increases and decreases)

Example Residential Customer Comparison





- Year 1 is the "Period of Adjustment" as a new methodology is implemented.
- For Years 2-5, all customers are treated the same and receive similar and consistent increases.

Note: Low Volume example is 10 units per quarter. High Volume example is 25 units per quarter.

Next Steps

Consider the three options as presented.

June 8: Council adopt the preferred option.

Update the model on an annual basis as part of the budget process.

Thank you for the opportunity to serve the City of Farmington Hills.

For more information, please contact:

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City of Lincoln Park Utility Rate Model

Brian Camiller, CPA Amanda Garber, CPA June 22, 2026

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Utility Rate Model

- "Cash-needs Basis" – The model sets rates based on anticipated cash needs. Depreciation and accrual accounting is excluded from the model. This method requires the City to maintain lower cash reserves (and lower utility rates) than it would if rates were set to fund depreciation expense. This model also allows for the City to cover the costs of Capital Expenditures on a cash basis.

- "Target Working Capital" – Cash and current assets, net of current liabilities. Categories discussed on later slide.

- Why 10 Years? - The model looks at rate increases over a 10-year horizon. Doing this, the City is able to "smooth out" the rate increases to avoid rate "spiking". This should provide a level of consistency for the City's customers and prevent any unnecessary surprises related to future rate increases.
  - Cruise ship vs. speed boat

Utility Rate Model Summary

➢ 10 Year Model is not a 10 Year Commitment

The model is a “living” tool that should be reviewed and updated every year as part of the budget process, continuously pushing the forecast out another year, always looking 10 years into the future. Because facts and circumstances can change so quickly, the City Council should only adopt utility rate increases one year at a time, not for the next 10 years at one time.

Utility Rate Model Summary (continued)

Readiness To Serve (RTS) Charge

- As part of its rate structure, the City charges a monthly fixed charge to its customers in addition to the variable (commodity) rate based. This is referred to as a Readiness To Serve Charge (RTS). The RTS charge represents an incremental and distinct capacity obligation or cost to the system. The RTS helps pay for operational costs such as City staff, insurance, accounting, audit, technology, etc.... These costs exist before a customer uses any water.

- The City's RTS charges for both water and sewer currently generate approximately $560k per year total. This is approximately 13.5% of the total Water and Sewer's administrative expenses.

- The RTS can be increased to cover a larger portion of the City's operational costs and even some/all of the capital outlay and debt service; however, keep in mind that a higher fixed charge impacts the low-volume users more significantly.

Utility Rate Model Summary (continued)

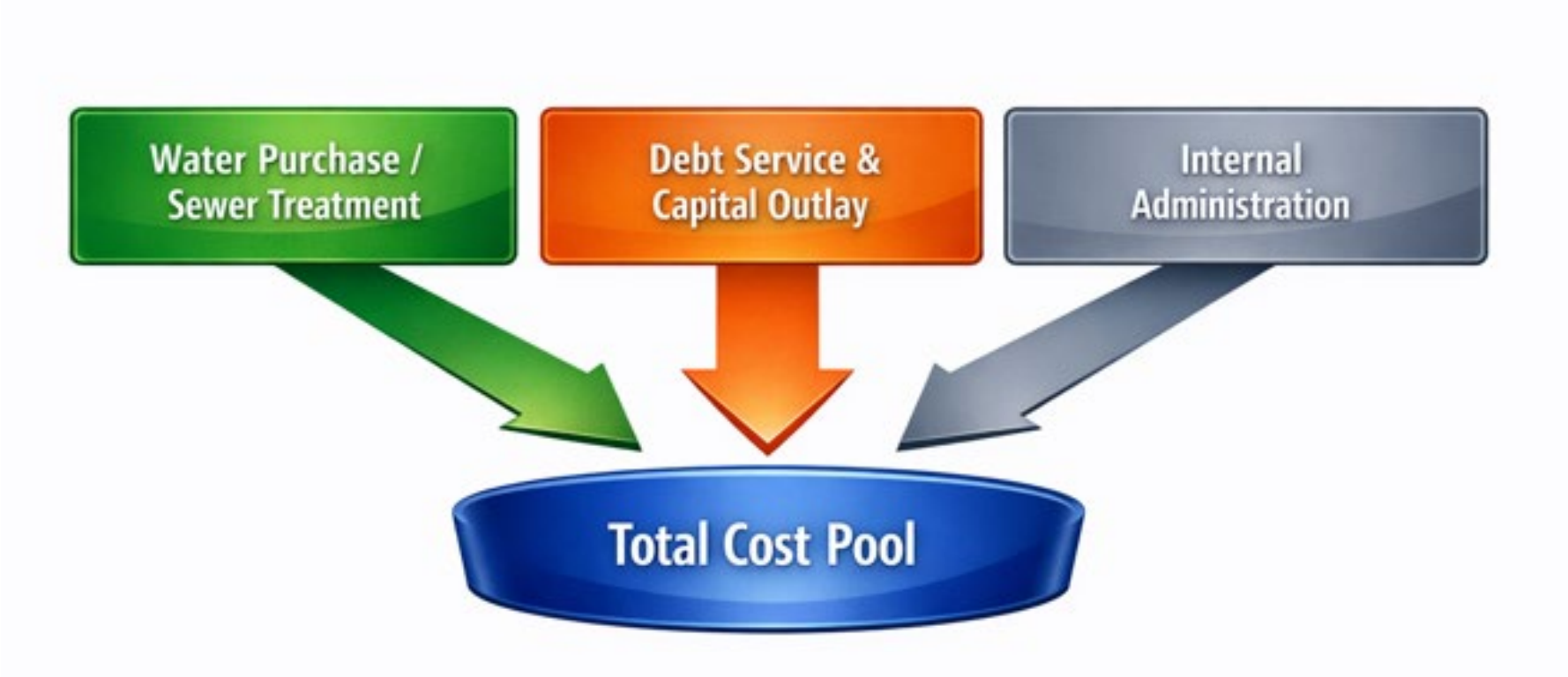
- The City of Lincoln Park will continue to purchase water from the Great Lakes Water Authority (GLWA). No known changes to contract pending.

- The City of Lincoln Park will continue to pay Downriver Utility Wastewater Authority (DUWA) to provide wastewater treatment. No known changes to contract pending.

- The most significant assumption included in the model is related to capital outlay. The model includes the current proposed City capital improvement plan.
  - Water - $36.3M over 10 years
  - Sewer - $1.2M over 10 years

- Debt service –
  - The Water System currently has two long-term debt issuances outstanding. Two additional debt issuances expected in 2028 and 2030, with estimated principal costs of these two projects of approximately $27.8M.
  - The Sewer System currently has four long-term debt issuances outstanding. No new debt to be issued for Sewer in the next 10 years.

Rate Model – Step 1
Calculate the Total Cost Pool



Rate Model – Step 2

Calculate costs to be covered by rates



Rate Model – Step 3
Calculate the Variable Rate



Rate Model – Step 4 (Multi-Year Models) Smoothing Increases Over Time



What is "Target Working Capital"?

- Maintain a predetermined amount of cash and current assets (net of liabilities) in the bank at the end of the model.

- **4 "buckets" of working capital**
  1. Operating reserve – 120 days
  2. Next year's debt service payments
  3. Emergency capital replacement – 1% of the NBV of capital assets
  4. ~~Planned capital replacement – None~~

- As of 06/30/2025, the City had $0 of working capital. It has been borrowing from the General Fund in order to pay bills. After 10 years, the water system will grow its working capital to $5.4M and keep the 3 buckets noted above full. The sewer system will grow its working capital to $2.3M based on the calculation of the 3 buckets above.

Rate Model – Step 1
Calculate the Total Cost Pool

- Internal Operations –Includes inflationary cost increases over the next 10 years.
- Water Purchase/Sewer Treatment Increase (annual)
  - 5.7% - 7.3% for water depending on the year
  - 10.4% for sewer
- Capital Outlay
  - Capital outlay has been based on the City's capital improvement plan.
    - W - $36.3M over 10 years, for multiple water main upgrades, lead service line replacements, and 50% allocation of 3 trucks
    - S - $1.2M over 10 years for remaining 50% of 3 trucks
- Debt Service
  - Water – There are currently two water debt issuances totaling $2M in principal owed. Additional water debt issuances expected in 2028 and 2030 totaling $27.8M owed, for a total of $29.8M owed.
  - Sewer – There are currently four sewer debt issuances totaling $15.9M in principal owed.

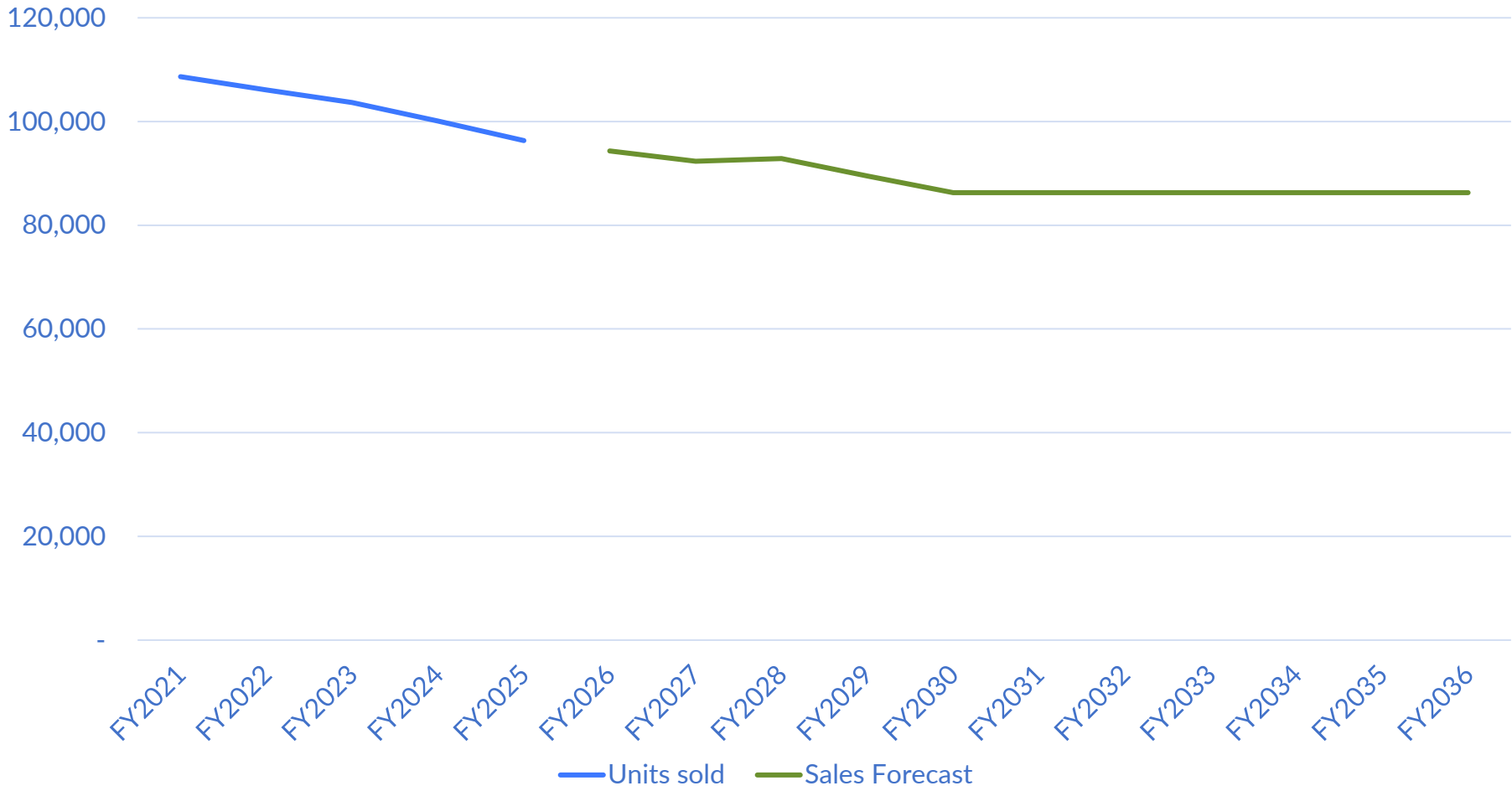
Rate Model – Step 2
Calculate costs to be covered by rates - Fixed Charges

- The City charges separate **Readiness To Serve (RTS)** for both W&S regardless of meter size. Both generate approximately $560k per year total.
  - Current approach
    - The City charges a Readiness to Serve fee equal to 13.5% of administrative costs (Option #1 and Option #2).
  - For Option #3 and #4 that we have created, the RTS fee is equal to 65% and 90%, respectively, of administrative costs.
    - These provide a more consistent and predictable cashflow for the City and allows for a lower variable rate.
      - As new meters are installed and the readings become more accurate, the higher RTS can help insulate customers from the impact of being charged for more units.

Rate Model – Step 3

Calculate the Variable Rate – Water and Sewer Units Sold

SCHEDULE A



Note: Units sold is the big “unknown”. Water meter replacement should significantly increase the number of units measured and sold.

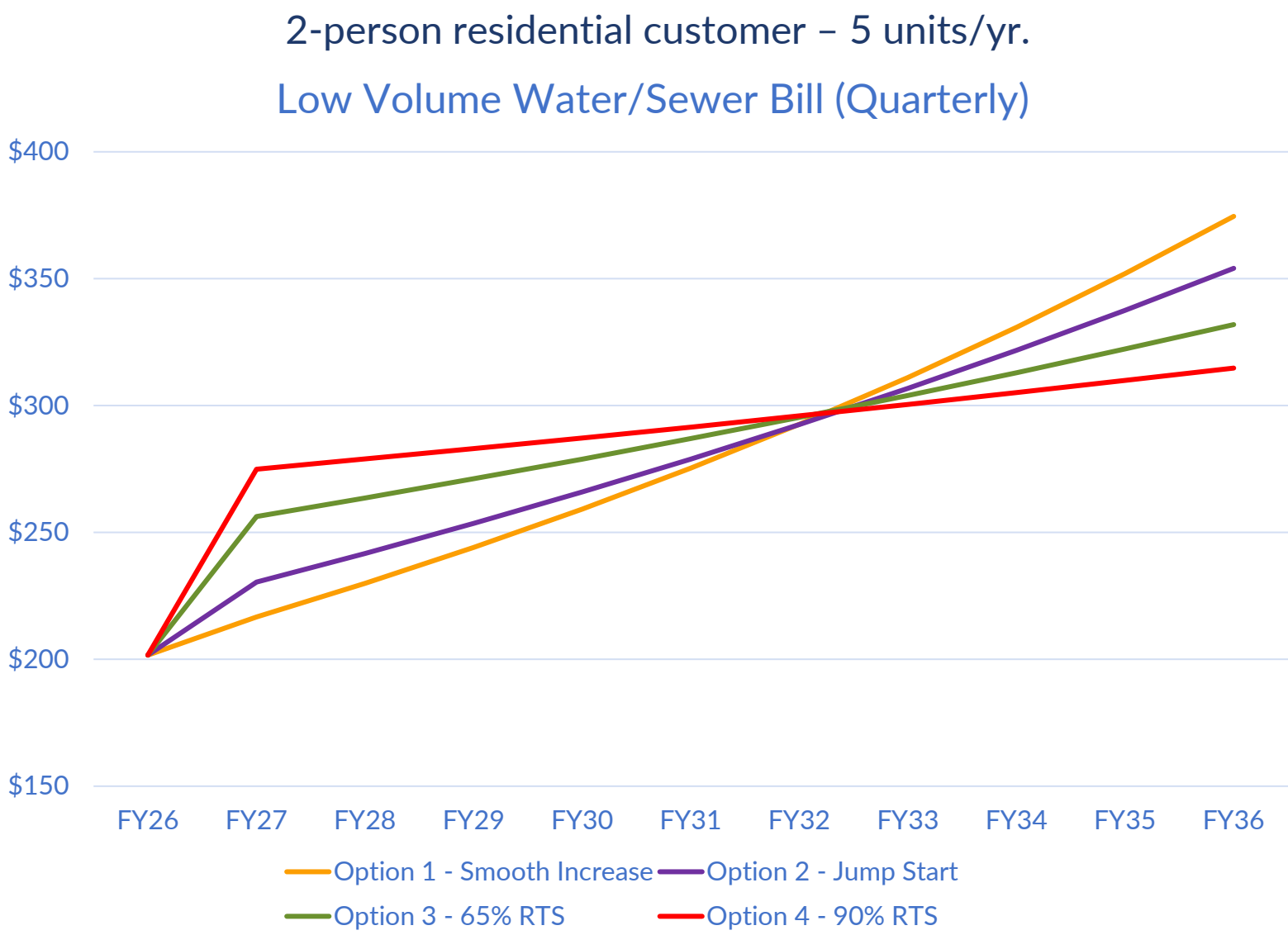
Options for 7/1/2026

- Option 1: Smooth Increase
  - Approximately 6-7% increase per year for 10 years
- Option 2: Jump Start
  - 14% increase in year 1, ~5% thereafter
- Option 3: Heavier RTS Charge
  - Increase the RTS charge now to cover 65% of internal administrative costs.
  - Overall rate impact
    - High volume customer: 14% in year 1, 3% thereafter
    - Low volume customer: 27% in year 1, 3% thereafter
- Option 4: Heaviest RTS Charge
  - Increase RTS even further – 90% of internal admin costs
  - Overall rate impact
    - High volume customer: 19% in year 1, 1-2% thereafter
    - Low volume customer: 36% in year 1, 1-2% thereafter

4 Options

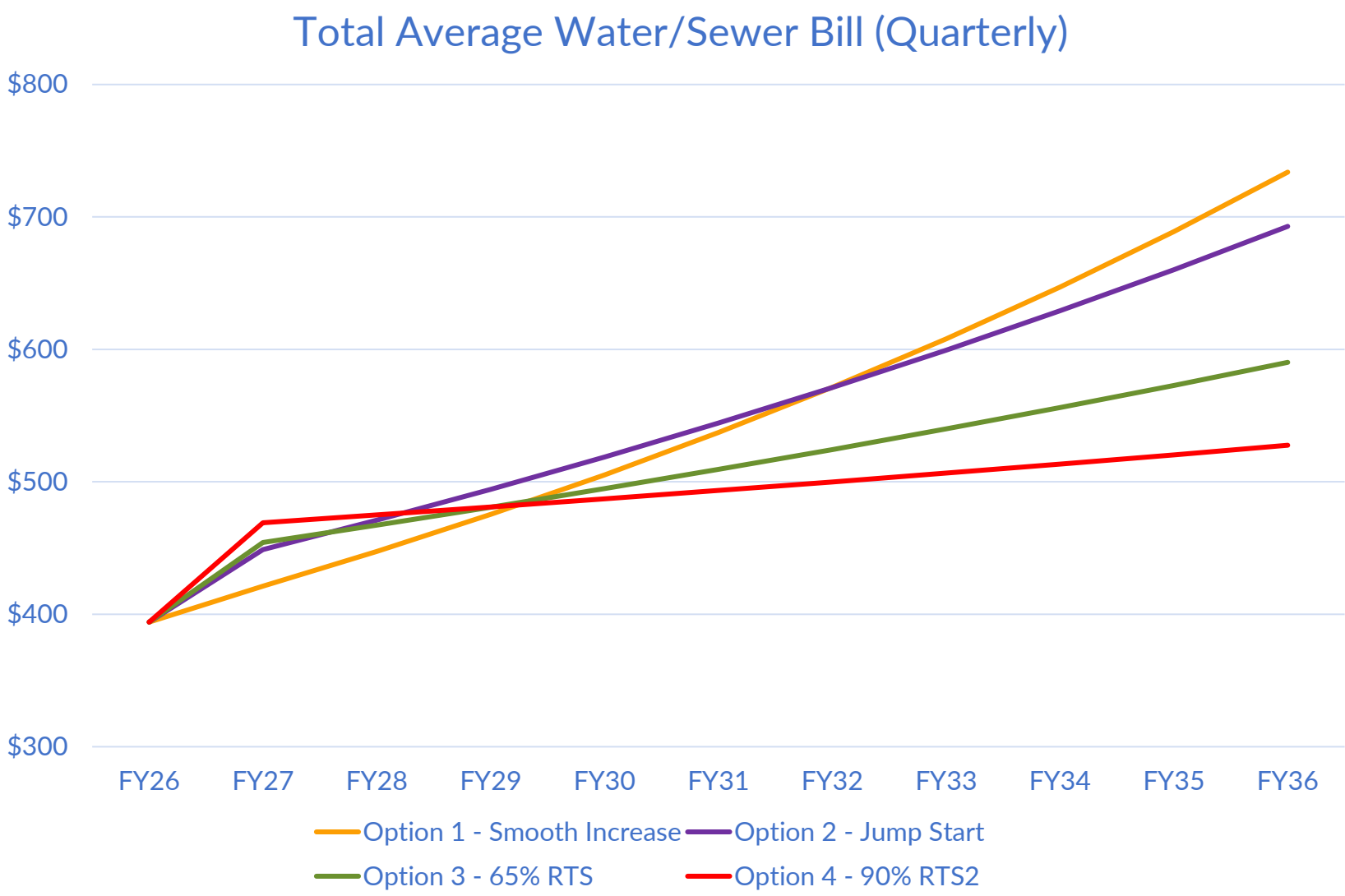
	Current	1	2	3	4
RTS – Water (5/8”; quarter)	$4.61	$6.52	$6.52	$31.41	$43.49
RTS – Sewer (5/8”; quarter)	$4.60	$5.58	$5.58	$26.85	$37.18
Water rate/unit - Year 1	$66.53	$72.14	$84.63	$69.62	$68.15
Sewer Rate/unit – Year 1	$87.42	$91.50	$90.09	$88.77	$87.24
Low Volume Example % change		7.4%	14.3%	27.1%	36.3%
High Volume Example % change		6.9%	13.9%	15.3%	19.0%
% Increase in Years 2-5 (every year)		6%	5%	3%	1-2%
Low Volume Example Quarterly Bill in 2031		$275	$279	$287	$292
High Volume Example Quarterly Bill in 2031		$537	$544	$509	$493

Effect on Customers



Effect on Customers

4-person residential customer – 10 units/yr.



Recommendation for 7/1/2026

- Implement Option 3 or Option 4– Heavier RTS Charge
  - Set to recover 65% or 90% of administrative costs regardless of units sold
  - First year rate increase as a percentage is significant, but subsequent year increases will be limited to inflation or less
    - Partially offsets cost increase to customers with new accurate meters
      - A customer's measured usage could increase dramatically with the new meters
    - Reduces long-term pressure by addressing more of the increase up front
    - Cost to customers in subsequent years lower than both Option 1 and Option 2

Next Steps

Consider the various rate setting options presented and approve one.

Continue updating the capital plan. Monitor sales volume due to new meters.

Continue updating the model on an annual basis as part of the budget process.

Thank you for the opportunity to serve the City of Lincoln Park.

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City of Sample
Sample County, Michigan

Water and Sewer Fund Financial Forecast

(Cash-needs Basis)

For the Years Ending June 30, 2026 to 2030

City of Sample, Sample County, Michigan

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Independent Accountant's Report

John Smith
City Manager
City of Sample
Sample County, Michigan

As outlined in our engagement letter dated February 15, 2025 we have created a utility rate model using Microsoft Excel. That model has been delivered to the City's Finance Department. For the creation of the model, we obtained source documents including the City's audited financial statements, the City's budget, and various supporting documents to accumulate historical information about volume of water and sewer purchased and sold, administrative costs, future debt service, and future capital needs of the system. We met with various City employees in order to formulate the assumptions used in the model to forecast future performance of the system.

The purpose of the model is not just to calculate what the water and sewer rates charged to customers should be to cover costs in a one-year period. Rather, the model calculates, based on management's assumptions, what the rate should be in order to achieve and then maintain a targeted level of modified working capital over an extended period of time.

On the following pages, we explain some of the more important or sensitive assumptions and estimates used in the model. Finally, based on the assumptions, we include a summary of the suggested rate changes as calculated by the model.

Management is responsible for making all management decisions regarding the setting of water and sewer rates, including determination of which costs should be borne by ratepayers, and determination of the allocation of costs among fixed and variable charges, when applicable. Moreover, Sample management is also responsible for performing all management functions relating to use of the model, including the underlying assumptions and related notes, and for accepting full responsibility for such decisions, even if Plante Moran provides advice as to the assumptions applied or assists in drafting the forecasted financial statements and related notes. Plante Moran disclaims any liability to Sample or any third parties for all such management decisions and/or functions, including any management decisions or functions relating to the setting of water and sewer rates.

The following information is intended solely for the information and use of the City Commission and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

June 16, 2025

PRAXITY™ Empowering Business Globally

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

The assumptions disclosed herein are those that management believes are significant to the forecast as of the date of this forecast. The assumptions are not all-inclusive, and the forecasted results may not be attained. Management intends for the forecast to indicate the cash inflows and outflows of the system and the rate levels necessary to cover the cash outflows and to accumulate reserves for future capital needs and for adequate working capital.

All forecasted revenue and expenditures are reported using the cash-needs basis, which differs from generally accepted accounting principles that are used for historical audited financial statements. Under the cash-needs basis, revenue is recognized when it is received in cash, and expenditures are recorded when there is a cash outflow. The City of Sample (the "City") historical audited financial statements would not report capital outlay or principal payments on debt as expenses of the Water Fund and Sewer Funds, respectively. Instead, capital items would be capitalized, and principal payments would be shown as a reduction to the debt.

The forecasted 2026 through 2030 revenue and expenditures use the City's audited trial balance for fiscal year ended June 30, 2024 and fiscal year 2025 adopted budget. Assumptions are based on management's judgment given the most recent and best information known at the time of completion, which was June 16, 2025.

Significant assumptions include the following:

- The model (referred to as the "model" or the "forecast") projects operations on a cash basis so as to provide an analysis of revenue projected to work towards a target reserve that includes replacement costs of capital assets, 60 days of operating expenses, annual debt service, and emergency capital replacement.
    - Beginning modified working capital is based on actual balances in the Water Fund and Sewer Fund, respectively, per the audited 2024 financial statements.
- System administrative expenses are allocated by the City between water and sewer activities, using fund 591 to denote water and fund 590 to denote sewer. No further analysis to determine adequacy of the existing allocation has been performed.
- All capital outlay, including system improvements, repairs to the plant, and any vehicle or equipment rentals will be paid out of current cash flow. Significant capital outlay assumed in the model include the following:

Water

1. Miscellaneous capital replacements or improvements totaling $1,000,000

Sewer

1. PFOS remediation and miscellaneous capital replacements or improvements totaling $3,500,000

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

The City's capital improvement program is beginning in FY 2025 with initial capital outlay in excess of $5.4 million which has been factored into the model. Total planned capital outlay for both water and sewer combined over the next five years is:

FY 2026/2027	$	1,000,000
FY 2027/2028	$	2,000,000
FY 2028/2029	$	4,000,000
FY 2029/2030	$	500,000
FY 2030/2031	$	750,000

- Purchase of other miscellaneous equipment will be funded by water and sewer rates annually.
    - Debt service payments, principal, and interest reflect the existing debt of the water and sewer system, as disclosed in the audited financial statements for the year ended June 30, 2024.
- For operating and administrative expenses without a separate assumption, a 1.5 percent inflationary increase has been assumed.
- The City bills its customers on a monthly basis
- The City purchases water from the Great Lakes Water Authority. Demand for water fluctuates based on weather and other factors. Actual water units (a unit is 1,000 gallons) purchased and sold over the prior five years are as follows:

	Water Units	
	Purchased	Sold
FY 2021	322,589	316,723
FY 2022	321,892	298,588
FY 2023	334,896	327,036
FY 2024	325,974	320,446
FY 2025	340,961	336,561

Water units sold are less than water units purchased. This difference is known as "water loss" and is due to non-metered usage and minor leaks within the system. Some of the water loss is also attributed to maintenance and fire department needs such as hydrant flushes. Over the past 5 years, water loss has been 9%. The model assumes this same rate of water loss going forward.

Water purchased from GLWA has been somewhat in decline over the past few years. The model assumes water purchased will decline 1.4% per year, based on the most recent 5-year average.

The cost for purchased water from GLWA is a combination of a fixed monthly charge and a variable commodity rate. Combined, the effective annual increase in cost paid to GLWA can fluctuate significantly from year to year. On average, over the past 3 years, the increase from GLWA has been 5% per year. Over the past 5 years, the average increase has been 4%. The model assumes a 4 percent annual increase going forward.

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

- Sewer treatment is not separately metered. Sewer units sold are identical to water units sold with the exception of customers who are not tapped into the City's sewer system. Billed sewer usage in units (a unit is 1,000 gallons) over the prior four years are as follows:

	Sewer Units Purchased	Sewer Units Sold	Units sold as a percentage of water units
FY 2021	2,339,561	269,785	85.2%
FY 2022	2,349,687	267,851	89.7%
FY 2023	2,397,563	264,443	80.9%
FY 2024	2,405,107	276,977	86.4%
FY 2025	2,549,405	285,568	84.8%

  Over the past 4 years, Sewer units sold have been 98% of water units sold. The model assumes this same rate going forward.

- For healthcare fringe benefit expenses, the model assumes an inflation factor ranging of 5.8 percent per year based on an estimate from the Centers for Medicare & Medicaid Services (CMS.gov).

- Resident and non-residents rates – The City currently charges its non-resident customers 1.5 times that of the resident rates. The model assumes this practice will continue.

- The target modified working capital (current assets minus receivables minus current liabilities) can be broken down into three components as follows:

  1. 60 days of operational expenses (30 days more than the City's billing cycle)

  2. The next year of debt service payments

  3. A total of 2 percent of the net book value of the water system's capital assets in the event of an emergency capital replacement. For sewer, due to the City operating its own treatment plant, a total of 5 percent of the net book value of the sewer system's capital assets in the event of an emergency capital replacement.

  As of June 30, 2024, the City has approximately $1 million of modified working capital in the Water and Sewer Funds, respectively. This excludes the amounts owed to Water and Sewer from other funds. The model calculates the City should have $2.6million in order to fund the three components described above. While the system has been able to operate effectively in years past, additional cashflow and cash reserves (the modified working capital) are necessary in order to maintain the recommended balances and provide cashflow to fund the planned capital improvements.

  Based on the cash needs outlined above, the model calculates utility rates sufficient to generate enough cash to pay for those cash needs and increase the modified working capital to approximately $2.6 million after 5 years ending June 30, 2030.

Other Capital Needs

If additional large-scale improvements to either system are identified in the future, the calculated rates above may not provide sufficient working capital in order to achieve targeted levels. While the forecast does include the accumulation of some money to help pay for these projects, it is possible that another source of funding, such as bonds or other issuances of debt, would be required at some time in the future.

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

Proposed Water and Sewer Rates

The current rate structure for the City includes both a fixed monthly charge and a variable commodity charge for both water and sewer services. The fixed monthly charge (also known as a "meter charge") is the same for every customer, regardless of meter size. This charge is $6.82 per month for water and $12.12 for sewer. Non-resident customers pay 1.5 times this charge.

The model proposes replacing this meter charge with a graduated "Readiness to Serve" ("RTS") charge based on the size of the customer's meter - the larger the meter, the higher the RTS. For the new RTS, the increase fee from one meter size to the next is predicated on the customer's additional capacity to access the water provided by the City. The calculation of the difference per meter size comes from information provided by the American Water and Wastewater Association.

The City's current fixed fee does not appear to be tied to any specific expense of the system. The RTS is specifically calculated to generate revenue sufficient to pay for 25 percent of the City's operational expenses (excluding purchase of water, capital outlay, and debt service). 25 percent is an arbitrary amount. The City could select a different percentage and raise or lower the revenue generated from the RTS accordingly; however, this would have an inverse affect on the calculated variable rate.

In order to generate enough revenue to pay for 25 percent of the Water and Sewer operational costs, respectively, the RTS would be set accordingly:

Monthly Water RTS (resident):

Meter Size	Monthly RTS
3/4"	$ 6.65
1"	$ 6.65
1.5"	$ 13.30
2"	$ 21.28
3"	$ 42.56
4"	$ 66.50
6"	$ 133.00
10" or larger	$ 558.59

Monthly Sewer RTS (resident):

Meter Size	Monthly RTS
3/4"	$ 12.41
1"	$ 12.41
1.5"	$ 24.83
2"	$ 39.72
3"	$ 79.44
4"	$ 124.13
6"	$ 248.26
10" or larger	$ 1,042.70

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

Non-resident customers will pay 1.5 times the above rates.

The model anticipates the RTS would be adjusted (increased) on an annual basis to reflect the changing operational costs of the system. For Water, this is 2.7 to 2.8 percent per year. For Sewer, it is 2.9 to 3.0 percent per year

The remaining 75 percent of operational costs, plus 100 percent of the purchase of water, capital outlay, and debt service will be funded by the variable rate charged to customers based the number of units of water they utilize during the billing period.

As a result of the assumptions above, and after several discussions with City management, the model proposes the following changes to the City's water and sewer variable rates (per 1,000 gallons):

Resident

	Current	FY26/27 Proposed	Percent Increase
Water	$ 13.37	$ 13.50	1%
Sewer	$ 11.73	$ 12.74	9%
	$ 25.10	$ 26.25	5%

Non-Resident

	Current	FY26/27 Proposed	Percent Increase
Water	$ 20.05	$ 20.25	1%
Sewer	$ 17.60	$ 19.11	9%
	$ 37.65	$ 39.37	5%

The model proposes annual rate increases of the same percentages for all five years of the model (through fiscal year ended June 30, 2030)

Due to the combination of the RTS and the commodity rate, the actual impact to a customer's overall bill will vary customer by customer. Depending on usage, a homeowner's bill will increase approximately 3-4 percent per year. The bill for a commercial property with a larger meter will see a slightly larger increase in the first year after implementation. In future years, a commercial customer's bill will increase closer to the 3.5 percent noted above.

City of Sample, Sample County, Michigan

Summary of Significant Forecast Assumptions/ Significant Accounting Policies

Summary of results

- The majority of the increase to the variable commodity rate is due to the City's capital improvement plan.
- The implementation of the graduated Readiness to Serve (RTS) charge will have a greater impact on commercial properties that have larger meters.
- In the second year of the model and in future years thereafter, the rate changes will impact every customer equally.

If the assumptions detailed above hold true, both water and sewer operations will achieve the target level of modified working capital after the forecasted five years (FY 2026-2030); however, these assumptions should be evaluated every year and the model adjusted accordingly.

City of Sample, Sample County, Michigan

Forecasted Cash Outflows, Inflows, and Consumption

Water Rate Calculation

Linked to Other tabs | From PBC | Formula | Goal Seek

Fiscal Year Ended	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
Beginning of Year Working Capital	3,472,260	3,313,525	2,932,894	2,845,608	2,574,481
Units used by customers	319,871	327,752	335,827	344,101	352,578
Rate Charged	13.37	13.50	13.64	13.77	13.91
Sale of Water Total	4,276,296	4,425,470	4,579,848	4,739,611	4,904,947
Ready to Serve Charge	656,723	656,723	656,723	656,723	656,723
Miscellaneous Other revenue	237,096	240,699	244,358	216,688	251,373
Total addition to cash	5,170,114	5,322,892	5,480,929	5,613,022	5,813,043
Water Purchase	3,396,051	3,536,715	3,683,206	3,835,763	3,994,640
Admin Costs	656,723	675,658	695,321	715,748	736,974
Capital improvements	360,000	575,000	270,000	416,000	174,000
Annual debt service	916,075	916,150	919,688	916,638	937,838
Total use of cash	5,328,849	5,703,523	5,568,215	5,884,149	5,843,452
Net addition (use) of cash	(158,735)	(380,631)	(87,286)	(271,127)	(30,409)
End of Year Working Capital	3,313,525	2,932,894	2,845,608	2,574,481	2,544,072

2,544,072 Target Reserve
(0) Variance

City of Sample, Sample County, Michigan

Forecasted Cash Outflows, Inflows, and Consumption

Sewer Rate Calculation	Linked to Other tabs	From PBC	Formula	Goal Seek		
	Forecast	Forecast	Forecast	Forecast	Forecast	
Fiscal Year Ended	**2026**	**2027**	**2028**	**2029**	**2030**	
Beginning of Year Working Capital	2,434,432	**2,059,580**	**1,963,540**	**1,311,985**	**1,786,212**	
Units used by customers	273,189	279,920	286,816	293,883	301,123	
Rate Charged	**11.73**	**12.74**	**13.75**	**14.76**	**15.77**	
Sale of Sewer Total	**3,205,400**	**3,567,092**	**3,944,661**	**4,338,669**	**4,749,698**	
Ready to Serve Charge	592,621	592,621	592,621	592,621	592,621	
Miscellaneous Other revenue	183,063	185,863	188,706	191,593	194,524	
Total addition to cash	**3,981,084**	**4,345,576**	**4,725,988**	**5,122,883**	**5,536,843**	
Sewer Purchase	2,507,102	2,514,167	2,521,252	2,528,357	2,535,482	
Admin Costs	592,621	606,918	621,686	636,943	652,712	
Capital improvements	85,000	150,000	1,060,000	310,000	360,000	
Annual debt service	1,171,213	1,170,531	1,174,606	1,173,356	1,171,863	
Total use of cash	**4,355,936**	**4,441,616**	**5,377,544**	**4,648,656**	**4,720,057**	
Net addition (use) of cash	**(374,852)**	**(96,040)**	**(651,555)**	**474,227**	**816,786**	
End of Year Working Capital	**2,059,580**	**1,963,540**	**1,311,985**	**1,786,212**	**2,602,998**	
					2,602,998	Target Reserve
					(0)	Variance