

April 26, 2018
City of Farmington
Community Forum on Financial Sustainability
Session #1 Meeting Summary
Compiled by Charlie Fleetham, Project Innovations, Inc.



1. Breakout Group Responses to these Presentations: “Financial Sustainability is our Challenge in Farmington” and “Financial Sustainability is also a State Challenge” - After these presentations, the facilitator asked the participants to form small groups and discuss the following questions:

A. What were your major takeaways from the presentations?

- Why is Michigan in the worst shape of all states?
 - **Overly reliant on auto industry. In single state recession before the Great Recession.**
 - **Michigan communities are in the worst shape because:**
 - **The laws that govern how a municipality can raise money are very limited**
 - **Municipality revenue sources are not tied to the economy. They can drop fast in a bad economy and raise slowly, even with a booming economy.**
 - **State hasn't invested in local communities**
- Should we consider amending Headlee?
 - **Amending Headlee requires a state wide vote of the people. Who will campaign to change a law that limits tax increases?**
- Is our City unique in receiving only 30% of our taxes?
 - **That is a common breakdown but depends on a variety of factors**
- Why is Council addressing this issue now? Why not earlier?
 - **Council has addressed this issue before now. Changes were made 10 years ago up to present to keep the City viable since the Great Recession. Operating expenditures were reduced and Capital Projects were deferred to keep the City operating in hopes that the economy would turn.**
 - **Council invested in strategic infrastructure improvement such as the Grand River and Grove Street streetscapes, so that we could recover better after the recession**
 - **In a better economy, it was hoped that the State would return the State Shared Revenue funding it has withheld for the last 15 years and that inflation would increase, which would cause property tax revenue to increase. The State has not restored revenue sharing and inflation has remained at historic lows**
- Lots of good information.
 - **Thanks**
- Our financial problems are extreme
 - **Extreme is an extreme word to use. Our problems are easily solvable based on the tools we have available to us – eliminate services or raise the millage rate. These are not popular solutions, but they are achievable. Many communities don't have these options.**
- State has to step in and help our cities.
 - **Agree**

- Oakland County is suffering the worst.
 - **Tri County area is suffering the worst**
- We are in trouble!
 - **I would say trouble is when you do not have options and are forced to make immediate decisions regardless of consequences.**
 - **We are projecting problems that are coming down the road and trying to make decisions now to keep us out of trouble.**
- No one coming to save us!
 - **No one is coming to save us.**
- Lost a lot of revenue . . . made a lot of sacrifices.
 - **Yes.**
- Wages are lower too; how long can we continue with a “raise 2 mills” fix?
 - **5-10 years, maybe longer if more things go our way than not.**
- Can’t sustain government with this level of spending coming in.
 - **Changes need to be made.**
- It's an old community and infrastructure is in bad repair: For example, sewers on Valley View, just east of Shiawassee Park...they had to spend \$15,000 on their basements to keep sewage from backing in from the city line. DPW guys are great, no complaints there, but the city doesn't have the money to do the repair.
 - **Agree. More spending on infrastructure is needed.**
- Taxes have been flat at least 10 years . . . we actually pay less now than we did then.
 - **True.**

B. What questions do you have?

- Where did the \$4M fund balance go?
 - **Fund Balance decreased \$3,400,000 from 2008-2017**
 - **\$1,530,000 used to pay debt service until operations could be balanced in response to Great Recession; \$500,000 Grand River Streetscape; \$600,000 Grove Street Streetscape; \$110,000 Farmington Road Streetscape; \$150,000 sidewalks; \$100,000 Ice Rink; \$250,000 Theater Operations**
- How much do we need to fix infrastructure, fix parks, and how?
 - **Hard question to answer. 1 mill to maintain at current level. 1.5 mills plus to make improvements**
- Where's the priority on spending if we do another mill? (Suggestion is to fix infrastructure first, then work on beautification projects like the Farmington road streetscape.)
 - **Open for community discussion and prioritization. The one mill would provide for basic maintenance. If higher than one mill, beautification projects could be implemented.**
- Where are your spending priorities?
 - **Improve the community to raise the value of our homes and businesses and to draw new families and business to the City to ensure its long term viability. This means:**
 - **Maintaining our basic infrastructure, including water and sewer lines and roads**
 - **Making strategic improvements to parks and streetscapes to improve the quality of life**
 - **Facilitating new development**
 - **See the City’s various plans**
- How much will we need/in each major cost category?

- **For Operations, 1-1.5 mills**
 - **For Infrastructure, difficult to determine. 1 mill takes care of short term needs plus a small amount for investment in the long term. 1.5 mills provides better funding to work on a couple of large scale projects**
- **Can we see the 5-10-year scenario?**
 - **The City maintains a 5 year operating forecast. It does not project out farther than 5 years because the accuracy and predictability decreases significantly after 5 years**
 - **Road funding and Water and Sewer funding are analyzed beyond 5 years.**
- **Are we looking for another increase in 5 to 10 years?**
 - **If we raise operating 1 mill, then possible**
 - **If we raise operating 1.5 mills than no**
- **Why no option presented to consolidate with Farmington Hills?**
 - **Farmington Hills has their own budget issues**
 - **Would Farmington Hills even want us**
 - **This option was discussed in 2008 and feedback was that residents were not interested**
 - **One of the primary reasons consolidation is often brought up is the perceived difference between millage rates. The difference has narrowed over the last 10 years to a less than 1 mill difference.**
- **What are possible ways to address shared services with FH? Things like having our own police/fire; with our population size, is it sustainable?**
 - **It is sustainable. Other communities our size do it. Residents and businesses pay more in taxes to maintain it**
- **What additional services can we share with Farmington Hills?**
 - **Public Safety, Public Works, Treasury, Building and Code Enforcement, Elections, Water and Sewer services, Economic and Community Development**
- **Where is Farmington Hills on overall comparison millage chart?**
 - **The millage chart shows only communities with 5,000-20,000 in population. Farmington Hills is much larger. Farmington Hills millage rate is currently 14.6569. Farmington's is currently 15.5**
- **What can city do to raise revenue besides increasing taxes?**
 - **Raise fees for service, but fees are benchmarked against other communities and are in line with others.**
- **How quickly can revenue increase with Headlee?**
 - **Inflation or 5%, whichever is less.**
- **How can we pressure state to increase funding?**
 - **City of Farmington can't. Residents of the City of Farmington can contact their representatives.**
- **How are municipalities lobbying the state?**
 - **MML, MMTA, SEMCOG, other organizations**
- **Can Oakland advocate?**
 - **Municipalities are not allowed to lobby the State**
- **Headlee was well-intentioned but is it still viable?**
 - **It will be very difficult to change, because it involves a vote of the people, and who is going to champion something that will raise taxes.**
- **Are you considering a Headlee override?**

- **Not currently. We have available but unlevied millage capacity. Meaning City Council can raise the operating millage without having to go to a vote of the people.**
- **We still would like a capital improvement millage, because those funds would be earmarked and could only be spent on capital**
- What is the state minimum for the city's "reserve" funds?
 - **\$0. When fund balance is negative, steps have to be taken with the State or an emergency financial manager will be appointed.**
- What percentage of the tax increase would it take to get back to a "good" level of funding?
 - **4.4%-6.6%**

2. Breakout Group Responses to “Options to Address Sustainability Challenge” – After this presentation, the facilitator formed the participants in small groups and asked them to consider the below questions:

A. What are your questions?

- Who determined these options?
 - **City Administration determined these options.**
- Where is end game? Rainbows? Grand vision? What is it?
 - **The end game is to adjust the City’s finances so it is sustainable long term. Both in terms of operations and investment in infrastructure.**
 - **The Grand Vision is to create a community that our residents and businesses want, providing the services, infrastructure, and amenities that people are willing to pay for**
- How were they created?
 - **To balance the budget, either expenditures will have to be cut, or revenue raised.**
 - **The options show what would be required on either end of the spectrum.**
- Were any out of box ideas considered?
 - **Yes, but keep in mind:**
 - **Business can do whatever they want unless there is a law that says they can’t**
 - **Government is the opposite. A government can’t do anything unless there is a law that say you can**
 - **So, if you want to do something that has never been done before, you have to have a law passed that will allow you to do that.**
 - **Within the laws currently written, we have done a lot of different things, including:**
 - **Invested in the appearance and desirability of the community by completing the Grand River and Grove Street Streetscapes during the Great Recession. This positioned Farmington to attract new residents and businesses**
 - **Restructuring retiree health care benefits and issuing bonds to fund retiree health care. This reduced the City’s RHC liability by millions of dollars and provides hundreds of thousands of extra dollars to pay for premiums (One of the first in the State)**
 - **Pooling our health insurance with Farmington Hills, the 47th District Court, and the Farmington Community Library to save hundreds of thousands of dollars**
 - **Taking advantage of shared service agreements with Farmington Hills to provide Senior Services, Youth Services, Parks and Rec, Art Commission, and more**

- Contracting services with Farmington Hills for Dispatch
 - Contracting services with Farmington Hills for IT
 - Contracting assessing services with Oakland County
 - Contracting Civic Theater Management
 - Contracting Farmers Market Management
 - Contracting Warner Mansion Management
- Are these options really a band-aid?
 - **No, they are designed to make the City sustainable long term**
- If millage raised/ballot approved, who decides where the additional money is spent?
 - **There are 2 types of millages being discussed – an operating millage, and a capital millage.**
 - **Council will decide where the additional money is spent for both millages.**
 - **The operating millage could be spent on any legal expenditure.**
 - **The capital millage could only be spent on capital projects.**
- What is the timing on raising the operating millage and voting on the capital millage?
 - **The operating millage could be raised by Council as early as this June, or any June thereafter.**
 - **The capital millage would be voted on in November. No special election would be called.**
- Can 1 mill be non-renewable and expire in 10 years?
 - **The operating millage can be raised by Council and lowered by Council at any time after a public hearing. The current Council can't specify how long the millage would last. Each year, the Council that is currently in place can decide the amount of the millage they will levy.**
 - **The capital millage would be set to expire in 10 years. Since the millage would be a voted millage, it could not be renewed. Voters could approve a new millage in 10 years, but that would be up to the voters at that time.**
- Can these options be changed?
 - **Yes**
- If millage increases, can the State send the funds to other communities?
 - **No, it will only be used by the City of Farmington**
- What is impact of higher taxes on new development?
 - **Hard to say. Developers and businesses don't like higher taxes, but they also don't like bad infrastructure and unappealing places to locate.**
- What are the goals for development/redevelopment, if we're just going to raise the millage to solve the problem?
 - **The City is focused on redevelopment. The City created an Economic and Community Development Department to facilitate new development. This department oversees Planning and Zoning, building and code enforcement, the Corridor Improvement Authority, and the Brownfield Redevelopment Authority.**
 - **The City's Master Plan, and underlying plans call for redevelopments.**
 - **Redevelopment is what maintains property values and provides revenue to improve the City**
- What new development/redevelopment is in the pipeline?
 - **Redevelopment interest, in accordance with its redevelopment plans, at several locations including:**
 - **Single family residential at the old 47th District Court Building**
 - **Multi-family residential at the MTC site**

- Repurpose of Grand Bakery café and teardown and rebuild at Ginger’s Café site for new restaurants
 - Bellacinos to Dan’s Sub
 - Sidecar Sliders Bar into Bellacinos at Village Commons
 - Site plan approval for new medical office at former Paramount Health Care at Lakeway and Grand River
 - 2 Story medical office addition at Farmington Professional Pavilion
 - Reconstruction of existing 9 Mile gas station for reopening as a new service station
 - Proposed retail commercial building at Farmington Crossroads (Farmington and 9 Mile)
 - Proposed outlot building at World Wide Center
 - New tenants at Freedom Plaza – Digital Terrain, Vindhu Restaurant, Law Office
- What is available millage capacity?
 - 15.65 mills for general operating
 - 1.49 for roads
- Why are shared services with Farmington Hills not considered?
 - We already share or contract for a number of services with the Hills – Dispatch, IT, Senior Services, Parks and Recreation, Youth Services, Cultural Arts, and a District Court. Also, we contract for our Assessing service through Oakland County. Further, we contract for Theater Operations, Farmers Market Operations, and Warner Mansion Operations
 - We are down to our core services. Sharing any more services leads to a conversation of should we merge or not.
- What are the long-term pension costs?
 - As of our last actuarial report, our pension system has assets of \$20,816,465 and liabilities of \$25,508,576. Our unfunded liability (liabilities-assets) is \$4,692,111. The system is 82% funded.
 - Our Pension costs for the next 5 years are estimated to be:

2018	\$676,000
2019	\$789,000
2020	\$899,000
2021	\$1,020,000
2022	\$1,060,000
2023	\$1,090,000

- The City needs to continue to plan and prepare for its future, including preservation, enhancement, and transformation/redevelopment of existing property within the community. It is imperative that we continue to improve existing property and increase property value, “resetting” the bar, thus adding to the City’s overall taxable value and improving the tax base. Engaging and coordinating with current and perspective property owners, developers, and investors is critical, and is paramount in the City’s efforts to implement and realize it’s redevelopment plans, and to achieve enhancement of the community’s tax base it is seeking now and in the future.
- What are other sources of revenue?

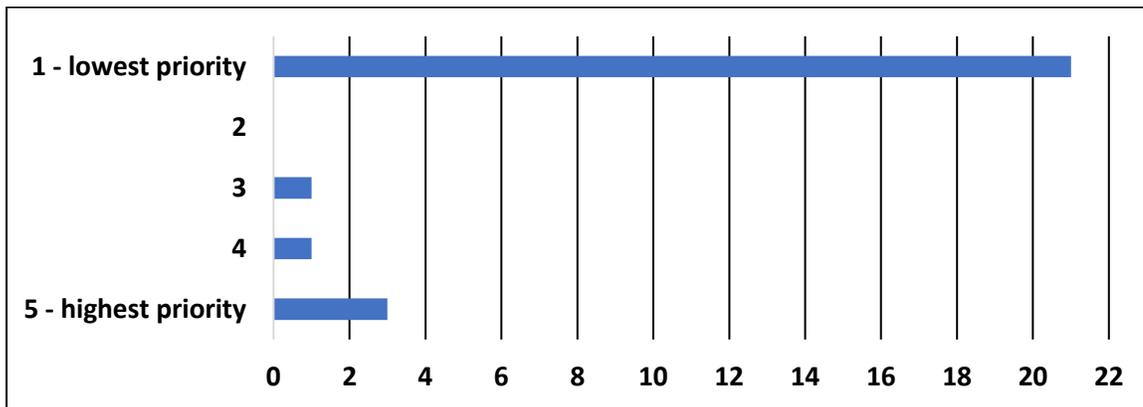
- Cities are very limited in how they can raise revenue. Property taxes and income taxes are the main ways of raising money. Fees for service or used whenever possible so businesses or residents using the service are paying the cost of the service. Grants, donations, sale of assets, etc. are one time sources for specific projects.
- Can we increase taxes AND find other sources of income?
 - Yes, but the other sources are minor.
- Can parking revenue be increased? Would it help solve the problem?
 - Charging for parking on a regular basis is not anticipated to provide a significant amount of revenue. The costs of investing in the equipment, enforcement, and collection processes would, to a great extent, offset any revenue collected.
- What about increased pay for public employees who took pay cuts?
 - The City's goal prior to the Great Recession was to set our pay at the average. We are below that level now, but would like to return to that level long term. The current forecast anticipates 2% pay increases going forward. This will not get us back to the average, but will keep pace with what we are seeing from other communities.

B. What additional comments would you like to offer? (Extracted for small group notes)

- One person expressed that the problem was too big to be corrected by a 1 or 1.5 mill operating increase. She thought we were short every year by \$3,000,000 not \$300,000. She said she had also heard the same from others.
 - Over the next 5 years, we are projecting we will be short every year on average \$450,000 per year. Less in the first few years and more in the last few years. The \$3,000,000 number references the amount of money per year that we are not receiving because of the Great Recession lowering property tax values and the State withholding state shared revenue.
- Two people expressed that they could vote for a millage for capital projects but needed to better understand the vision.
 - The City has a Capital Improvement Plan that lists the projects the City is currently considering. The Capital Improvement Plan is based on a variety of plans that were developed over the last several years.
 - See Capital Improvement Plan on the City's website
- One person expressed that they wanted more options than the three presented, and that they specifically wanted to separate the operating millage from the capital millage.
 - This could be done. The operating millage and capital millage work to solve different problems. There is no requirement that both have to be done together.
- Several people mentioned that cutting services would be going backward.
 - Based on the survey, that is the lowest priority
- Comment from a video viewer: "My husband and I support the 3 mill increase to keep Farmington great and moving forward."
 - Noted
- On the Capital improvements millage: Don't think that Farmington Road streetscape, for example, is necessary until infrastructure is stable (rebuild DPW, new fire truck, roads/sidewalks)
 - Noted
- Property values are high and the real estate market is hot; we have had the benefit of low taxes, so we can afford the raise.
 - Noted

3. **Closing Survey** - at the end of the meeting, the facilitator asked the participants to complete a preference survey on the three options. The results are shown below:

Option 1: Eliminate Fundamental Services to Temporarily Balance Budget

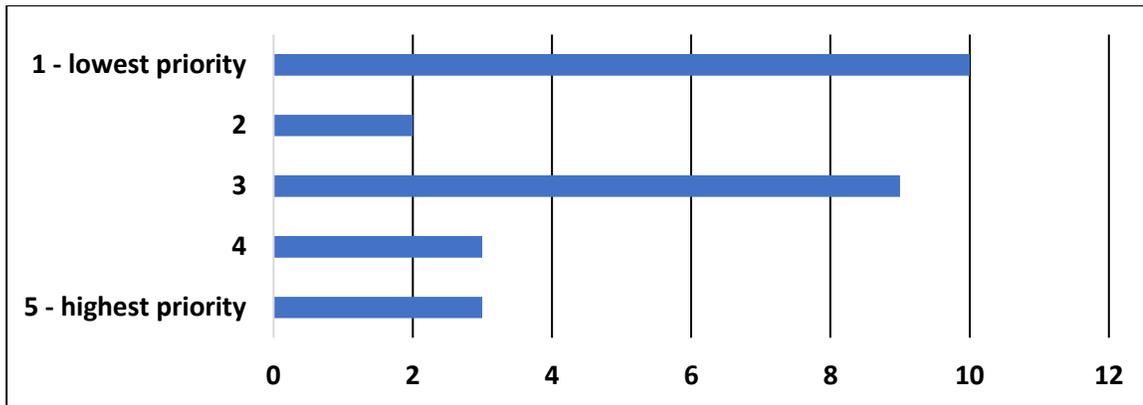


Written Comments:

- This option would or should result in a merger with Farmington Hills.
- Time to consolidate with Farmington Hills.
- I like the level of services we enjoy now.
- The City infrastructure is old and needs to be repaired - we cannot cut funds from Public Works.
- Eliminating services is a short-term fix, not a long-term fix to balance the budget.
- I want to keep the services we are enjoying to continue. What do we have to do to accomplish this?
- Services are good, don't mess with them.
- Let's do some serious belt tightening.
- Farmington voters deserve a sustainable model to match the budget. Reducing sustainability is not acceptable when other alternatives exist!

Facilitator Analysis of Option 1 Survey Results: *The participants indicated very little desire for elimination of services. 80% of the responses indicated that elimination of services is a "low priority".*

Option 2: 1 Mill Operating Millage (no expiration) AND 1 Mill Capital Improvement Millage (10 years)

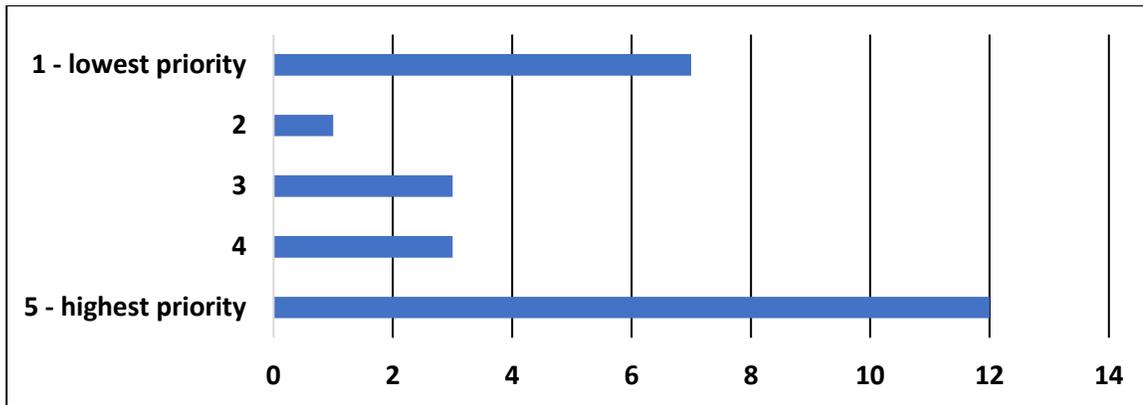


Written Comments:

- Infrastructure is paramount for water, sewage, and roads.
- Too much of a temporary fix.
- Would only help for a while.
- Doesn't solve long term plan.
- Is this long-term fix or a band-aid? Will we be in the same situation in 10 years?
- The basic problem seems to be the Headlee Amendment. Why isn't the SEMCOG working with statewide governmental units to seek constitutional amendment(s) to alleviate the disaster of economics that Headlee caused?
- Might an increase in mills have an expiration? Maybe 10 years? This might give residents a sense of fairness?
- Get more development for our city.
- What are the other sources of revenues the city has (other than property taxes)?
- Define an option for our consolidation with Farmington Hills.
- The City already has room to increase an existing millage, do the math. For shared services with Farmington Hills, a Plante Moran review in the past called for Farmington to research outsourcing Fire/EMS services to Farmington Hills to reduce the Public Safety costs by 8 full time employees.

Facilitator Analysis of Option 2 Survey Results: Overall, the participants are not in favor of Options 2. 12 respondents gave this option a "lowest priority" rating while only 6 gave it a "highest priority" rating.

Option 3: 1.5 Mill Operating Millage (no expiration) AND 1.5 Mill Capital Improvement Millage (10 years)



Written Comments: (Categorized into Pro/Con/Mixed)

Pro

- Our autonomy is paramount. Willing to pay for it. But we need greater creativity with respect to how we will fund our future.
- Solid long-term solution.
- I like the idea of keeping a sustainable fund.
- Please include administration salary increases to parity with average salary of other cities. I'd like serious consideration of axing the ice rink. It ruins the grass of Riley Park all summer. We sit on dirt for the concerts (which a lot more people go to!)
- Keep the City in operation!
- If this goes forward, we need to have accountability for the money and priority for the fixes.
- This is probably the best option for fixing the budget issue. But I am concerned about how the capital improvement millage is spent and budgeted.
- A good case can be made to sell this, but it needs to be made more vividly. The millage comparisons regarding 10 years ago was a good step in that direction.
- Not sure if citizens here know how good they have it here. Typically, a meeting like this should bring out naysayers. I don't see that and think you could and should exercise your discretion to raise millage.
- I'd prefer getting a sense of what services are desired and then match the approach – might be some services are eliminated and then determine what the desired result is and what operating millage backs that up.

Con

- Don't make this a bandage for a short term.
- Millage adjustment is only a band-aid, not a cure. Let's do everything we can to cure the problem.
- Consolidate with Farmington Hills.
- Revisit shared services with Farmington Hills.
- Study session was good idea, keep it going with more. Pursue shared services with Farmington Hills with Police and Fire.
- Farmington is already at the top of the range for total taxes, increasing taxes will reduce investment and chase away young families to repopulate the neighborhoods and our schools. Increasing taxes is NOT the solution, Shared Services IS!
- Consider pension review and reduction of costs.

- No! Are there other options? What are your future projections for new development? When will new taxes/revenues will come in?

Mixed

- City of Farmington must put itself in a strong position, but it must attack its situation from multiple levels. Currently, with lower taxes residents can afford to pay higher taxes circa 2006. At the same time council should be looking at a Headlee rollback and better state financing/contributions. And at the same time the City and the Hills need to merge.
- Only increase mills, if we can find other big picture ways to increase revenue – new buildings; push projects – condos.
- I'd be open to this with a plan for the future and a discussion to merge with Farmington Hills.

Facilitator Analysis of Option 3 Results: *A clear majority of the participants (15 responses for 4 and 5 combined) favor Option 3. However, a significant number of comments suggest pursuing merger and/or more Shared Services with Farmington Hills.*