

**MINUTES
CITIES OF FARMINGTON AND FARMINGTON HILLS
JOINT CITY COUNCIL MEETING
MARCH 4, 2008**

The Joint City Council meeting of the Farmington and Farmington Hills City Councils was called to order by Mayor Knol at 7:05 p.m. at the Maxfield Training Center in Farmington.

Farmington City Council Members Present: Mayor Pro Tem Buck, Mayor Knol, McShane, Wiggins, Wright

Farmington City Council Members Absent: None

Farmington Hills City Council Members Present: Mayor Pro Tem Bates, Brickner, Bruce, Mayor Ellis, Mason, Massey, and Oliverio

Farmington Hills Council Members Absent: None

Farmington Representatives Present: City Manager Pastue, City Clerk Halberstadt, and City Attorney Schultz.

Farmington Hills Representatives Present: City Manager Brock, City Clerk Dornan, Assistant City Manager Whinnery and City Attorney Joppich.

Farmington Mayor Knol opened the meeting and welcomed the Farmington Hills City Council.

Farmington Hills Mayor Ellis thanked Mayor Knol and the Farmington City Council and said that the Farmington Hills City Council was present to listen and learn, and there would be no decisions made. He said the two communities have a history of working well together, and they intend to continue that relationship. Mayor Ellis said Oakland County commissioned and paid for a study prepared by Plante & Moran, who would present their study at this meeting. Mayor Ellis said the study has a number of suggestions and ideas in it for the City Councils to consider.

Mayor Knol echoed the comments of Mayor Ellis, and agreed that no decisions would be made at this meeting regarding shared services. She pointed out that there has been confusion relative to a potential merger, and that the City Councils do not have authority to merge or consolidate the cities. Mayor Knol said that any such decision would have to come from the residents of both communities by initiating petitions, and calling a vote. She said that the Farmington City Council was present to listen and learn about how they can collaborate to continue to provide effective and efficient services to both communities.

Mayor Knol introduced Adam Rujan, Government Process and Technology Consultant with Plante & Moran.

JOINT CITY COUNCIL PRESENTATION:
COLLABORATION PROJECT / FARMINGTON / FARMINGTON HILLS

Mr. Rujan thanked both City Councils for their confidence in Plante & Moran to undertake a project with such passion behind it. He thanked both City Managers and their management team who participated in the project; as well as Oakland County, who underwrote the project.

Mr. Rujan said the presentation, based on information taken from the draft reports, would include the following:

- Project Background
- Project Scope and Objectives
- Current Situation
- Summary of Findings
- Key Project Results
- Conclusion

PROJECT BACKGROUND / PROJECT SCOPE AND OBJECTIVES

Mr. Rujan said that the joint project between the cities of Farmington and Farmington Hills was funded by Oakland County Capital Cooperative Infrastructure Revolving Fund (CCRIF). He said the purpose of the project was to help the cities explore collaboration opportunities including the joint provision of services, up to and including potentially a full merger of the two municipalities. Mr. Rujan said it was not limited to service sharing, and it was not particularly a merger study. He described the project as a preliminary feasibility study, to provide an objective assessment, and to determine the upside potential from greater collaborations. Mr. Rujan stated that since the communities already share many services, they wanted to determine what potential shared services may be possible.

Project Scope and Objectives

Mr. Rujan detailed the following categories of services that were evaluated:

- Administration/General Government
 - Referring to the City Councils, the City Manager's offices, City Clerk, Finance, Human Resources, and Information Technology—the overhead of running the business of a municipality.
- Economic Development
 - Including community development, some aspects of which are currently shared
- Public Safety Operations
 - True Public Safety in Farmington, more traditional in Farmington Hills
- Public Works Operations—most are currently shared
- Recreation & Cultural Operations—most are currently shared

Mr. Rujan said that he tried to look anecdotally at the relative quality of services in both communities. He said that both Farmington (2007) and Farmington Hills (2006) recently made Money Magazine's Top 100 Places to Live in the country. Mr. Rujan said both communities enjoy an above-average median family income, when compared to the state and the nation. He presented a table that compared purchasing power, the percentage of residents with some college education, the amount of colleges and universities within 30 miles, the racial diversity index, personal and property crime incidents, the air quality index, average commute time, and movie theaters and restaurants within 15 miles. Mr. Rujan said that both communities enjoy a high ranking in terms of these factors.

Current Situation

Mr. Rujan presented an additional table comparing 2005 expenditures per capita with municipalities similar in size in the areas of general government, public works, total public safety, and total 2005 expenditures. He said Farmington was doing a terrific job in providing great services at a cost that is below the group average. He said a similar scenario was shown for Farmington Hills. He said both communities were running about 11-12% below average cost of the peer group, an indication that both were well managed. Mr. Rujan pointed out the economies of scale demonstrated by this aggregate data, showing the larger city, Farmington Hills, runs about 13% lower in cost than the smaller city, Farmington.

Mr. Rujan said that in speaking with members of the Economic Development community, including board members from the Farmington DDA, he learned it was agreed that the performance of downtown Farmington could be improved. He said they identified the peer cities of Plymouth, Northville and Rochester, and agreed there was "upside potential" when compared to these other communities. Mr. Rujan identified the commonality of these communities including: population, geographic size, household income well above the national average, and college education.

Further comparisons showed Farmington is 14% below its peer group in commercial and office rents per square foot and 20% lower in retail space rents.

Regarding residential values, Mr. Rujan said that the average median home value in Farmington Hills in 1980 was about \$87,500 per home; fairly comparable to its peers. However, over the next 27 years, the home values by 2007 have progressed at about the same compounded average rate of growth: Farmington Hills grew at about 5.2% and Farmington grew at about 4.9%. He said the vibrancy of the downtown areas play a role in the determination of the value of the homes.

Summary Findings

Economic and Community Development

Mr. Rujan said they met with a number of economic development professionals and arranged a joint meeting between the Farmington DDA and the Farmington Hills Economic Development Corporation, and the Chamber of Commerce. He said the general consensus was downtown Farmington needs more vibrancy and it would prosper from more day traffic/activity and more "destination" venues for evenings, weekends, and stores.

Mr. Rujan pointed out that many Farmington residents might be concerned with loss of identity if more were done collectively with Farmington Hills. He said the idea would be that the value would be kept along with the charm and quaintness as opposed to making it more commercial.

Mr. Rujan said the Economic Development professionals all agreed that there are a number of projects that could help to increase the vibrancy, such as:

- Parking decks (1 to 2)
- Enhanced water/sewer capacity
- Road improvements: M5, Grand River, Farmington Road
- "Walkable" downtown space
- \$20 to \$30 million investment

Mr. Rujan explained that in many ways, Scottsdale, AZ reminded him of a combination of Farmington and Farmington Hills. He said it was a matter of maintaining the quaintness, and allowing it to prosper.

Joint Economic Development offers:

Farmington Hills:

- Access to a viable “downtown” to integrate into development plans
- Potentially enhanced property values in surrounding areas

Farmington:

- Access to resources (capital, human) to fully execute main street plan
- Enhanced property values

Both Farmington and Farmington Hills:

- A more vibrant downtown for everyone to enjoy

Mr. Rujan said a legitimate concern for the residents of Farmington would be control of the potential growth? He said the question for both communities is whether investments that look good on paper would really pay off?

Mr. Rujan suggested the next step is to develop a joint economic development plan with specific strategies, determine expected payback, and review models around the country. He discussed various resources that can be used in developing a plan.

Mr. Rujan suggested initially implementing a joint economic development plan and perhaps some legislation could make it easier to utilize.

Mr. Rujan said there were also some potential natural economies of scale to consider, relative to increasing shared services. He offered a savings projection resulting from a consolidation:

- Recreation and cultural services: no additional savings
- Public safety: \$300,000 to \$1,000,000 annual savings/value; response time concerns for Farmington; potentially better medical response for both cities in some areas;
 - Most common form of sharing is an interlocal agreement, full merger an option, but may reduce potential savings to Farmington Hills.
- DPW: \$840,000 annual savings/value; (requires a service by service review to fully assess differences in levels);
 - Interlocal agreement is common approach; full merger an option, but may reduce potential savings to Farmington Hills.
- General Government: \$1,855,000 annual savings/value; (issue of autonomy for Farmington City);
 - Interlocal agreement unlikely to yield savings; full merger of the cities an option.

Summary of Findings

Savings potential:

Farmington taxpayers: 3 – 4.5 mills, about \$250 - \$400 / residence

Farmington Hills taxpayers: 0.3 – 0.5 mills, about \$40 / residence

Mr. Rujan said it is important to reiterate the study was a feasibility study to review potential cost savings, however, it did not closely review differences in services.

Summary of Findings

- Public Safety / DPW require more detailed operational plans to validate service levels and savings, can be accomplished via service sharing.
- General Government about ½ of the above savings, only relevant in the case of a full municipal consolidation.

Mr. Rujan said more exploration was needed as to what the communities want to do, but the biggest benefit to both cities was in economic development and a merger is not needed to do that. He said a corridor improvement authority would be a good alternative, and as to savings, an operational plan would need to be considered.

Summary of Findings

Mr. Rujan noted the Farmington/Farmington Hills communities seem to experience some significant change about every 20 to 25 years. He briefly reviewed the history and noted most of the information pointed to the fact that both cities were in great shape and well managed. He thought there was some significant upside relative to economic development for both cities. He stated further review of services could result in potential savings as a result of economies of scale. He said most of those benefits would lean toward Farmington. He said the subject of shared services was a passionate subject, and he applauded both the City Councils of Farmington and Farmington Hills for looking at the concept.

CITY COUNCIL QUESTIONS

Farmington Councilmember Wiggins expressed interest in the public safety aspect. He felt the public safety issue in the report was weak, and questioned why Kalamazoo was used in the peer group for the statistics in Farmington Hills.

Mr. Rujan admitted that there were some anomalies in the report, and he felt that the public safety aspect was good for smaller communities. He said generally public safety is an economic model that tends to work well for smaller communities, and the tendency is for larger communities to see them as separated. Mr. Rujan speculated that if there were to be a merger, the departments would be separate. He felt there was a need for further breakdown of statistics, but pointed out the differences in response times, i.e. less than 2 minutes for Farmington, and less than 6 minutes for Farmington Hills.

Farmington Hills Councilmember Bates noted the response time differences between the two communities, but emphasized the a distinction in their training requirements.

Mr. Rujan recognized the differences in the response times, as well as in the training, but said they are both fine departments and do a fine job. He said one is set up to deal with a population of 10,000 people in three square miles; while the other deals with about 90,000 people in 30 square miles. Mr. Rujan suggested a detailed review of the data to determine the right level of training and response time, in terms of a shared services plan.

Farmington Hills Councilmember Bates commented that the Farmington Hills responders were trained in advanced life support which takes several years of training. She said the comparison of response times is more 'apples to oranges.'

Farmington Councilmember Buck inquired about the savings projections that were noted, and asked if there were more 'middle of the road' numbers, or if the figures were more conservative.

Mr. Rujan said that they were middle projections, and he tried to keep it simple.

Farmington Councilmember Buck asked about a claim in the report that one half to one FTE addition to the Farmington Hills finance staff would be able to cover work being done by several individuals in Farmington. He asked if that was validated by Farmington Hills having different processes or technology, and what makes that kind of efficiency possible.

Mr. Rujan said that in order to come up with the estimates, they asked staff from both cities what they felt it would take to extend the services they currently provide to the other city. He noted many services were duplicative. Mr. Rujan clarified that the comparison was not to point out inefficiencies, but to provide a feasible estimate of a combined city.

Regarding the Corridor Improvement Authority, Farmington Hills Councilmember Brickner noted that Senator Gilda Jacobs was the proponent for that program. He asked if the Corridor Improvement Authority could be set up with all contiguous property or acreage; or if it could be set up for a larger area like a Brownfield Redevelopment Authority.

Mr. Rujan said he was not sure, but he thought the Act could be used to facilitate a joint economic development between the two communities, and that it could be extended out to a much larger area. He reiterated the overall goal would be a joint plan combining the economic development goals of both communities. He suggested it may be worthwhile to consider a joint plan, and then review the Corridor Improvement Authority in terms of achieving the goals and objectives. Mr. Rujan stated the legislature might be ripe for a proposal that could benefit both communities.

Farmington Councilmember Wright pointed out a merger does not contain a provision for divorce if it doesn't work out. He felt it was important for everyone to work together toward common goals. He asked about potential problems the communities could foresee in terms of this plan.

Mr. Rujan said that looking at opportunities to craft interlocal agreements to do things like the Corridor Improvement Authority would be substantially faster and easier than looking at a full merger. He said that if an economic development plan could be created that would help Farmington to shine, and provide benefit to both cities, would be worthwhile to pursue. Mr. Rujan said that it would be similar to a larger, joint DDA for the purpose of economic development.

Farmington Hills Councilmember Massey found the study very interesting. He reiterated the concept of a merger was something that the people of both cities need to decide upon, and it is not something that the

city councils can implement. Mr. Massey said the two city councils and the Plante & Moran group should be commended on their discussion of this subject. He said this was the first time in his recollection that an actual study was done in order to present real numbers to the people, and facilitate prospective dialogue as well.

Farmington Hills Councilmember Massey stated he saw a projection, not just in terms of saving money, but a joint investment of 20-30 million dollars utilizing the Corridor Improvement Authority that could facilitate economic growth for both communities, short of a full merger. He asked what type of investment return could be expected.

Mr. Rujan said he felt that the demographics in Farmington/Farmington Hills are ideal for this type of investment. He said it was a great location to invest in, with a vibrant downtown area, and these types of investments tend to motivate private investors to participate. Mr. Rujan said that normally commercial entities would invest if a city also invests. He emphasized the importance of maintaining the charm and the history, yet 'tweaking' things in order to improve the area.

Farmington Councilmember McShane pointed out the long-term wonderful relationship between the two communities, and that the potential for economic development was great. She asked about numbers in the the report as they related to Farmington's millage.

Mr. Rujan said he pulled the sewer debt out, and left the road millage in; and a broader look at the assets and liabilities of both communities would be needed. He suggested reserving judgment on the road millage for the overall look at the value of the assets.

Ms. McShane mentioned the scope of the plan; that the chosen peer cities were not correct, and that cities like Beverly Hills or Clawson would have been better choices. She said that in terms of Farmington, the study focused only on the downtown area.

Mr. Rujan said the analysis had certain limitations, there were time constraints, and they did not get into all of the details, but tried to make an assessment as to whether there was enough evidence as to the feasibility of a consolidation and if there would be a significant return.

Ms. McShane emphasized the importance of remembering the human element, and that it is not just about economics. Mr. Rujan concurred.

Farmington Hills Councilmember Mason thanked Mr. Rujan for presenting this information, and said that information that is more specific would follow. In general, he thought the report indicated evidence of an economic savings potential, and improvement of overall services. He said he was open to conversation about doing more, by spending less, with mutual benefits. Mr. Mason said the comparative cities information was helpful, and he emphasized the importance of looking at the issue of property values.

Farmington Mayor Knol wondered if the combination of the two public safety entities was part of the analysis, and if a shared service with a fire authority was considered, but not a shared police department. She expressed interest in the implementation cost, and said the fire houses and their coverage would have to be rearranged.

Mr. Rujan said they did not get into that level of detail. He said that the location of stations and equipment was necessary, and that public safety professionals would have to go into that sort of plan

detail on a joint basis. Mr. Rujan said the purpose of this study was to determine whether or not it would be worth going to the next step, which is not an insignificant undertaking.

Farmington Hills Councilmember Bruce commended Plante & Moran on a great study. He referred to the chart that showed the shared services, as well as the chart of further possibilities. He wondered if there could come a point where there were so many shared services that it may create potential for problems or confusion.

Mr. Rujan said he has not seen a set of communities with shared services become problematic. He emphasized the history between Farmington and Farmington Hills, and said there is so much in common between them, and that is why it has worked so well over the years. Mr. Rujan said that he has observed much more harmony between the two communities, as compared to other cities with shared services.

Farmington Councilmember Wright said the Corridor Improvement Authority seemed logical to him, as it runs along Grand River Avenue, from one end of the border to the other. He said he could envision that happening in a gradual, collaborative, joint effort where both cities continue demonstrating in the future, what they have been able to accomplish in the past. Mr. Wright said that vision begins to make him comfortable with the significant cost that will be necessary, and that this study just scratches the surface. He said the cost for figuring this all out could cost hundreds of thousands of dollars, but would be absorbable. In terms of people voting on a merger, Mr. Wright wondered what it may be that they should be considering relative to their future, i.e. can they expect their property values to rise, will the downtown expand?

Mr. Rujan said voters would want to know if both cities have made the necessary plans to support the idea, the vision, and the impact it will have on the community; as well as a reasonable idea of what the return on investment would be.

Mr. Wright asked if there were any other communities in Michigan considering a merger or consolidation.

Mr. Rujan said there might be a few communities that are considering it, but none as far along as Farmington/Farmington Hills in terms of evaluating the effort.

Mr. Wright asked about the advisement of going first or second.

Mr. Rujan said he was not sure if he would ever want to be first. He said that the economic picture for cities in particular is not getting better in the near term, at least. He said that while both cities are strong and have the wherewithal, he would recommend looking at some of these investment opportunities.

Farmington Hills Mayor Ellis said the Corridor Improvement Authority is really a TIF, taking dollars resulting from corridor investments, and investing it back into the corridor; similar to a DDA along a street. He said that the amount of money that results from this is a long way from the 20 million dollars needed; although he did see an enhanced water and sewer capacity for the businesses. Mayor Ellis wondered if any studies have been done to determine the water and sewer needs of downtown Farmington, and if so, has the number been quantified.

Mr. Rujan said he has not seen such an analysis.

Mayor Ellis said that some money has to come from some place, other than a Corridor Improvement Authority. He said the report indicated that Farmington pays \$32 less per person for the recreation and cultural programs, which are all done in Farmington Hills facilities. He said to even that out, it would cost the City of Farmington an additional \$320,000 a year to continue to enjoy these facilities. Mayor Ellis asked if this was addressed at all, in terms of making this a bit more fair.

Mr. Rujan said that was not addressed in any depth.

Farmington Mayor Knol referenced the administrative government table, and said there were some one-time expenses included for Farmington. She wondered if those expenses were taken out of the total savings.

Mr. Rujan said that some may have been pulled out, but he was not sure. He agreed that the number could change.

Farmington Hills Councilmember Oliverio reiterated Mayor Ellis' inquiry regarding the Parks & Recreation issue; and asked for clarification regarding distribution of costs.

Mr. Rujan said as it stands, 95% of the cultural and recreational programs are done on a joint basis, and the bulk is through Farmington Hills. He said he made the assumption that everyone was happy with this arrangement, and did not dissect it further.

Ms. Oliverio said that situation was not really a joint situation, but Farmington does contribute.

Farmington Councilmember McShane cautioned against making assumptions. She said recreational money used through the years has varied, depending upon the use of the facilities and the population.

Farmington Hills Councilmember Brickner mentioned a previous joint meeting wherein Dr. Ohren had attempted to separate the groups, but was amazed at how well the different groups worked together, and that everyone knew each other.

Mr. Brickner said that any consolidation or merger has to be looked at in two ways: the economic side and the emotional side. He said that in the future, the residents need to look at what is important to them: the savings of money, or the emotional side that relates to independence and emotional well-being. Mr. Brickner recalled the situation being compared to a marriage, and suggested it should be looked at as a long-term engagement.

Farmington Hills Councilmember Bates felt the study was done as a back-drop to Farmington Hills' Sustainability Study. She said that it is clear that the communities cannot continue as they have been in the past. She noted the county and state-wide economic problems, and asked how much more can the cities do with less. Ms. Bates said that in order to maintain services and not raise taxes, changes need to be made, and emotion should not cloud judgment or wisdom. She emphasized the importance of providing accurate information to the residents, and thanked Mr. Rujan for his report.

Farmington Hills Councilmember Massey commented that one tendency is to look at options for shared services up to the consolidation question, and the question arises about what the cities should be sharing. He said there seem to be opportunities for Public Safety collaboration, with options A and B laid out as sort of middle of the road estimates. Mr. Massey asked, for purposes of discussion, if these options are something that could be considered.

Mr. Rujan said that the individual components of economic development, Public Safety, and DPW, would lend themselves to a shared services arrangement. He said the general government function would only pertain to a full merger. Mr. Rujan said the Public Safety functions are operating within two very different philosophies and approaches, and combining of these functions should be referred to professionals in those areas.

Farmington Hills Councilmember Massey mentioned the response time comparison between the two cities. He said that on paper, they appear to be substantially different, and he wondered about the origin of these statistics.

Mr. Rujan said the statistics were the average aggregate for overall responses.. He referred to a time study performed for the City of Ann Arbor Police Department. He said the conclusion that the response time of Farmington Hills looks poor when compared to that of Farmington cannot be drawn.

PUBLIC HEARING

Farmington Hills Mayor Ellis opened the meeting for public comment.

The following residents spoke:

- Mr. Paul Huyck, Farmington Hills resident, commented that consideration needs to be 15 years out into the future; agreed the issue is emotional, but the opportunities are great; that economic development will come; and felt that the sharing of services was already significant.
- Mr. Pete Sylvain, Farmington, said the report indicated that a merger or consolidation would offer the potential of increased vitality to downtown Farmington. He wondered what would drive the vitality: the increased participation by Farmington Hills residents, or by Livonia residents.

Mr. Rujan responded that the general sense from the economic development professionals has been that they wanted more business activity in Farmington on the weekdays, which would spawn more business for local businesses; and they want to see more destination-type venues to draw people in. He said that they wanted to pull in more "of the zips" from Farmington Hills to supplement the volume, because they feel there is not enough business within the two zip codes in Farmington to get them to the desired critical mass.

- Mr. Hank Borgman, Farmington, felt the study cost too much to the taxpayers, and that there was not much benefit in return to the taxpayers.
- Ms. Anne Sennish, Farmington, gave caution that a merger would lead to the loss of the government in the City of Farmington. She asked what control Farmington residents would have over what could be done to their part of the city, and who would stand up for the residents of Farmington.
- Ms. Mara Topper, Farmington Hills, said the residential/commercial breakdown in Farmington Hills was supposed to be 65/35 percent. She wondered what the breakdown was for Farmington.

Farmington Mayor Knols responded that Farmington was 76/24 percent residential/commercial.

ADJOURNMENT:

There being no further business, Farmington Hills Mayor Ellis thanked Mr. Rujan, and everyone from Farmington and Farmington Hills for attending the meeting and offering input.

The meeting adjourned at 9:05 p.m.

CITY OF FARMINGTON

Valerie S. Knol, Mayor

Susan K. Halberstadt, City Clerk

CITY OF FARMINGTON HILLS

Jerry Ellis, Mayor

Kathryn A. Dornan, City Clerk

APPROVED: April 21, 2008