

FARMINGTON CITY COUNCIL
SPECIAL MEETING
May 20, 2010

A special meeting of the Farmington City Council was held on Thursday, May 20, 2010, in Council Chambers, 23600 Liberty Street, Farmington, Michigan. Notice of the meeting was posted in compliance with Public Act 267-1976.

The meeting was called to order at 6:35 p.m. by Mayor Buck.

COUNCIL MEMBERS PRESENT: Buck, Knol (arrived 7:00 p.m.),
McShane, Wiggins, Wright

COUNCIL MEMBERS ABSENT: None.

CITY ADMINISTRATION: City Clerk Halberstadt, City Manager
Pastue, Treasurer Weber.

APPROVAL OF AGENDA

05-10-095 MOTION by Wright, seconded by Wiggins, to approve the agenda.
MOTION CARRIED UNANIMOUSLY.

CIVIC THEATRE AD HOC COMMITTEE INTERIM REPORT

Members present: Brian Belesky, Brian Kantz, Charlie Paul, Brian Rich, Mara Topper and James Wasiloff.

Brian Kantz advised he was appointed as Committee Chair; Charles Paul as Vice-Chair and Mara Topper as Secretary. He stated Stephanie Janiunas and Gary Luyben are no longer serving on the committee. The committee would like Steven Schneeman added as a full time member.

COMMUNITY RELATIONS & BUSINESS AFFAIRS

Chairman Kantz reviewed the areas of focus by the committee as follows:

1. Current theatre business model and its current operations. The theatre needs to be operated as a business.
2. Comparison study of City-owned theatres in other communities.
3. Created a survey to establish customer focused, data driven, quality methodology to determine the public's perception of the Civic.
4. The Civic has no written contracts for current rentals. Contracts need to be in place to protect both the City and the theatre.

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5. Marketing objectives were explored including radio and promotional ideas. The Committee is looking at sponsorships and building relationships.
6. Income generating inventory - prescreen advertising continues to be successful.

Kantz reviewed some of the obstacles the committee cited:

- Domain for FarmingtonCivic.org is expired.
- City manager position is expiring - key role to proactively pursue clients.
- Need to build stronger relationship with DDA and integrate with the downtown.
- Untapped potential currently exists with Civic.

Mayor Buck commended the committee for their efforts and presenting many good ideas.

McShane questioned why the website domain was lost. Pastue responded that with changeover of the City's website it was not maintained. Kantz added that the name itself was bought up by a company that buys domain names and resells them and perhaps it could be bought back.

McShane asked about using volunteers at the Civic. Kantz responded that possibility had not yet been explored. She also inquired as to the committee's view on signs in front of the Civic for groups that rent theater. She noted on a recent Student Government Day participants felt the Civic was the most important element of downtown.

Kantz commented the Civic needs to be included in more downtown activities downtown and accountable for its profits/losses.

McShane commented favorably regarding the direction of the Committee.

Wright commented on the committee's view that the Civic should be run like a business and asked how to balance good business practice and community involvement.

Kantz responded there could be a good mix of focusing on expansion of rentals and sponsorships as key elements in its success.

Wright commented the issue is getting consistent delivery and managing effectively. He stated utilizing volunteers is the crux of problem in terms of how to take community minded individuals and marshal them into a free enterprise operation.

Mara responded and compared her business plan with one anticipated for the

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Civic and discussion was held concerning same.

Paul asked how to incorporate basic business principles without a full blown business. He stated the business model has to generate money. The Civic needs a half-time manager to oversee direction to ensure success.

Rich noted in prior years the Civic did operate and cover expenses, however, now it needs to retool itself and change the way it does business by changing what it offers, publicize and deliver it.

Wright asked whether the Civic could pay for itself in 12 months, if not, what would be the timeline.

Buck noted the current operating deficit is \$33,000 and asked whether the ideas mentioned could cover that loss.

Kantz responded there is no guarantee, but the committee could work towards that goal in terms of pursuing parties interested in using the Civic.

Belesky went over details of meeting with WNIC radio station. He discussed a number of opportunities for joint ventures.

Wiggins commented on the findings of the committee concerning the need for written rental agreements, a point person, and pursuit of a stronger relationship with the Downtown Development Authority (DDA).

Paul would like to work with the DDA on incorporating themes of downtown events in conjunction with movies being shown.

Wiggins questioned whether the DDA will one day operate the Civic. Kantz reported findings of other comparable cities where DDA operates the theater and rents it back to the city.

Wiggins inquired if the committee had looked at cost of tickets, different movies, and different times. Kantz replied that discussion was held but not detailed as to price of tickets and concessions, times, and movie selections.

Mayor Buck commented that he was impressed by the committee's preliminary report and utilization of contemporary business practices to measure and define various opportunities that exist. He discussed Student Government Day and some ideas that were brainstormed by students and inquired as to where those ideas should be directed. Pastue responded he would forward the ideas to Mara.

Mara inquired as to Council's expectations for the committee in implementing some of their ideas. Pastue responded that he would sit down with the committee

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to talk about how to get resources to execute their ideas.

Wright commented that developing a strategy is important, but expressed concern as to whether it would make a difference on the budgetary problems over the next 12 months.

Paul noted the student ideas sound great but the implementation and follow-thru is much more difficult.

Buck commented that he valued a systematic approach to making changes at the Civic.

Discussion followed regarding filling the manager's role at the Civic and that it is key to the success of the theatre.

Responding to a question from Mara, Wright stated the Civic needs to be profitable operationally aside from the debt service. He stated the City should be willing to plow profits back into improving the system.

Buck thanked the committee for their hard work.

CONSIDERATION TO APPROVE RESOLUTIONS FOR CITY EMPLOYEE GROUPS TO PARTICIPATE IN THE MUNICIPAL EMPLOYEE RETIREMENT SYSTEM (MERS)

Pastue reviewed the documents necessary for participation in the Municipal Employee Retirement System.

Responding to a question from Wright, Pastue if the contract with MERS changes another resolution would be presented to Council to amend existing benefits. He noted each group can be treated uniquely.

RESOLUTION 05-10-096 Motion by McShane, seconded by Knol, to approve the following documents necessary for the City to implement transition to the Municipal Employee Retirement System (MERS), Items Number 1-5, as presented.

1. Membership agreement
2. Six attached resolutions to adopt defined benefits for six employee divisions
3. Six attached resolutions to define hours/months of service credit for the six employee divisions
4. Resolution to exclude temporary employees for all divisions
5. Resolution directing electronic payment of invoices to MERS

All subject to amending the Retirement Ordinance prior to July 1 and adoption of a separate resolution directing the Retirement Board to transfer System assets to

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MERS. [SEE ATTACHED AGREEMENTS].

ROLL CALL

Ayes: Buck, Knol, McShane, Wiggins, Wright

Nays: None

Absent: None

MOTION CARRIED UNANIMOUSLY.

AGENDA AMENDMENT

05-10-097 MOTION by Wright, seconded by Wiggins, to move Agenda Item Nos. 6, 7 and 8 to follow Item No. 4 and Item No. 5 will follow Item 8. MOTION CARRIED UNANIMOUSLY.

FISCAL YEAR BUDGET 2010-11 REVIEW

Pastue reviewed water and sewer rate options. He stated recommendations include: increasing the current ready-to-serve charge from \$30 to \$40 per quarter per customer, and 9% for both water and sewer. Pastue stated these changes would allow working capital to build up where it needs to be. He noted the handout given to Council reflects different rate increase scenarios at 5%, 7% and 9%.

Weber explained the different equations contained on handout.

Pastue cited the negative impact of the past two rainy summers and reduction in water consumption.

Responding to a question from Buck, Weber stated the recommendation to Council was a 9% increase in water and sewer rates.

Wright noted the numbers for water consumption last year were historically low. Discussion followed regarding the reasons for reduced consumption.

Responding to a question from Wright, Pastue stated the emergency reserve is used for major repairs such as a collapsed sewer main.

Wright stated the City's goal is to maintain reasonable continuity in rates and over time try to more favorably price products for customers. He suggested moving more towards fixed costs. He recommended a lower rate increase.

Responding to a question from Knol, Weber stated apartment complexes have several meters and each meter receives its own bill.

Wright asked for clarification on working capital and Weber explained the draw down over the last few years. He stated in July of 2009 there was working

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capital of \$1.3 million; this year's estimate is \$525,000 due to capital project costs of \$464,000. He stated the loan will be paid back through the issuance of debt. He stated the actual loss was \$300,000 due to rates and reduced consumption.

Responding to a question from McShane, Weber stated the purpose of the emergency reserve is to address major changes including significant rate hikes.

Responding to a question from Wright, Weber stated the proposed budget includes a 9% increase in water and sewer rates.

Wright inquired if the recent water and sewer rate study was focused more on cost side than customer revenue. Weber responded that both were areas of concentration. Pastue explained benchmark of consumption. He stated the usage over the summer will provide more information on how much to increase rates.

Buck clarified that goal is to achieve a number that will help restore reserves; no excess revenues. Pastue concurred, however, due to lost revenues two years in row, an aggressive approach to restoring reserves should be considered.

Buck encouraged a more gentle increase due to economic constraints on residents such as 7%.

Knol expressed support for a smaller increase. She stated we don't know future consumption or how much working capital is actually needed and there are too many unknowns involved in equation.

McShane indicated it was a roll of the dice; but expressed concern over a decreasing Water and Sewer Fund. She would support 7% but is wary of 5% being too low and feels 9% is too high.

Wiggins indicated support for a 6%-7% range, but expressed concern about possible catastrophic events such as the recent sink hole in Detroit. He noted the rates will be reviewed once again in 12 months.

Weber reiterated we will have more information on consumption after the summer season is over.

Wright inquired if rates could be increased during year. Pastue responded Detroit rates are effective July 1st and the City sets its rates based on that time frame. Wright expressed support for a 5% increase, but monitor consumption and impact on the fund more often.

Knol also suggested a possible budget amendment in the fall depending on water consumption over the summer. She supported a lower increase of 5%.

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Weber explained that if rates aren't raised and summer consumption is low again, the City would be looking at an even greater increase in rates. Further discussion was held on topic.

Wright suggested approving the budget at a 5% increase, but increase rates before the next billing if usage dictates such action.

Weber explained the problems with that scenario.

Buck clarified that at a 5% increase each year over the next six years, working capital would be \$663,869 or \$20,000 less than projected at the end of 6/30/11.

Pastue stated working capital will start to build back up if consumption increases.

Buck stated he is comfortable with the 5% level. Wiggins and McShane expressed support for a 6% increase.

OTHER BUSINESS

Pastue indicated there might be \$12,000 to \$14,000 in costs to clean up abandoned homes. He has received bids from Sean O'Reilly and Steinkopf for doing the clean up.

PUBLIC COMMENT

Hank Borgman asked about the sewer debt coming off the taxes since twenty years have passed on millage. Pastue responded he planned on leaving the millage at 15.2, but a 1.7 mills separate component will not be there.

Borgman asked about a water rate increase.

Buck indicated an increase is necessary to cover the City's obligations in terms of water rates from Detroit, maintaining infrastructure and administrative costs.

CLOSED SESSION - LABOR NEGOTIATIONS UPDATE

05-10-098 MOTION by Knol, supported by Wiggins, to enter closed session to receive an update on labor negotiations.

ROLL CALL

Ayes: Buck, Knol, McShane, Wiggins, Wright

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY

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Council entered closed session at 8:45 p.m.

05-10-099 MOTION by Knol, supported by McShane, to return to open session.
MOTION CARRIED UNANIMOUSLY.

Council returned to open session at 9:20 p.m.

COUNCIL COMMENT

Knol stated her disappointment that Council's van tour of the City was cancelled.

McShane stated she is very concerned about ordinance enforcement and cited the Plaza Shopping Center as an example. She asked about the status of appointments to the Beautification Committee.

Pastue recommended McShane meet with the prospective committee members and advised appointments would be made at the June 7th meeting.

Responding to a question from Wiggins, Pastue advised the Planning Commission denied a request from Big Lots for outdoor display. He suggested the City repave the Uptown Center parking lot and special assess the tenants.

Wiggins pointed out a number of violations in BelAire that were taken care of by Code Enforcement Officer Koncsol.

Wright indicated the importance of code enforcement, i.e. number of vehicles in back yards such as boats, pop-ups, etc.

ADJOURNMENT

05-10-100 MOTION by Knol, seconded by McShane, to adjourn the meeting.
MOTION CARRIED UNANIMOUSLY.

The meeting was adjourned at 9:30 p.m.

J.T. (Tom) Buck, Mayor

Susan K. Halberstadt, City Clerk

APPROVED: June 21, 2010