



FINAL

SPECIAL MEETING MINUTES

A special meeting of the Farmington City Council was held on May 22, 2018, in Farmington City Hall, Farmington, MI. Notice of the meeting was posted in compliance with Public Act 267-1976.

The meeting was called to order at 6:30 p.m. by Mayor Steve Schneemann.

1. Roll Call

Attendee Name	Title	Status	Arrived
Sara Bowman	Mayor Pro Tem	Present	
William Galvin	Councilmember	Absent	
Joe LaRussa	Councilmember	Present	
Steve Schneemann	Mayor	Present	
Maria Taylor	Councilmember	Present	

City Administration Present

City Clerk Halberstadt
City Manager Murphy
City Treasurer Weber

2. Approval of Agenda

Move to approve the agenda as presented.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	LaRussa, Councilmember
SECONDER:	Bowman, Mayor Pro Tem

3. Public Comment

No public comment was heard.

4. Discussion on the results of the two Community Forums on Financial Sustainability

Schneemann asked Murphy to review the timeline for setting millage rates and adopting the budget.

At the request of the Mayor, Weber reviewed the questions and answers from the May Civic Engagement meeting.

Schneemann advised Galvin requested that the following statement be read into the record:

Dear Colleagues:

In my absence I have asked this be read into the minutes.

Thank you to city administrators and mayor for taking the lead on the recently accomplished Community Financial Forum. Most especially thank you to the citizens who attended and participated

I reflected on the forum and its suggestion of a 3.0 millage property tax increase. As we embark on the next steps, I continue to mesh the presentations and comments with my past experiences.

It is unfortunate that in Michigan, a property tax rate increase is the only financial tool given to cities to infuse new revenue expeditiously.

Regardless of which property tax rate increase is discussed, for example 1.0, 2.0 or 3.0 mills, I prefer a public vote for a dedicated "Capital Sustainability Millage" with a 10-20 year reset by future voters. Approval by the voters will reengage citizens at the highest level of civic duty. A 10-20year reset will require fiscal frugality of future council and administrators while also financing projects.

I realize Council has the authority to levy a millage rate up to our "Headlee Cap of 15.649." However, if we raise the general operations millage we will also close the existing "tax corridor" between our current property tax rate and our Headlee cap. That is a concern for our small community's ability to borrow money at a competitive interest rate in the future under this scenario. Maintaining our AA bond rating is one of City Council's long standing financial objectives. This is incrementally important to the capital projects that may require financing. A 1.0 or 1.5 general millage tax increase and elimination of our "tax corridor" could begin a downward spiral of borrowing money at higher interest rates. The mandated Headlee reductions would exacerbate this financial vortex. One of the primary objectives of this "tax corridor" is to purposely leave it open and thus maintain our AA bond rating and ability to borrow at lower interest rates. As we discuss long term financial sustainability, maintaining our AA bond rating, and "tax corridor," needs to be a mainstay of City Council's financial objectives.

A dedicated millage will also allow Council and Administration to employ discretion in the future. We don't know what the future holds. Since the Great Recession we have witnessed how municipal financing for a small community in Michigan is life on a knife's edge. I firmly believe we need flexibility to prepare for the next recession.

Providing a vote of the people for a single, dedicated millage is also the simplest path for citizens without unnecessary politicking. Alternatively, I would question a bifurcated

approach where Council may approve a first millage increase and concurrently ask voters to approve a second millage increase.

Lastly, the forum pointed towards a 3.0 mill increase. That would most likely be the largest property tax increase in Farmington's history. A tax rate increase of this proportion is worthy of voter engagement.

On the other side of our ledger, we need to continue improving fiscal restraint. The pension retirement era will soon be a forgotten relic of the Post WWII economy in the 20th Century. In a couple decades the concept of "retirement" might be displayed behind plexiglass at the Smithsonian Museum. Farmington needs to absorb the short term financial pain and consider shifting to defined contribution retirement plan strategies. As daunting as this sounds, tax payers will thank us in the year 2050.

Farmington is currently experiencing terrific economic vitality. We need to continue to support this growth with better roads and upgraded infrastructure throughout the entire city while maintaining the triumvirate of services; Public Safety response, 24-hour snow removal and curbside leaf pickup.

Our residents have a high level of support for our community. I have confidence our citizens will do what they deem is best for their Farmington. Every possible path will include pitfalls and minefields. As the old saying goes, "Nothing worth doing is easy".

Bill Galvin
Farmington City Council Member

Discussion followed regarding the impact on the City's bond rating if the millage is raised to the Headlee Cap. Discussion continued regarding the economic factors that erode the Headlee Cap.

Bowman expressed concern regarding seeking two separate millage increases and the confusion it might cause the voter. She wants to find the best way to realize the maximum amount of money and benefit from a millage increase.

LaRussa asked regarding the City's ability to withstand a recession with the proposed increase. He questioned whether the City is going far enough with the options on the table. He asked when the General Fund balance would return to a normal level with a 3 mil increase.

Weber advised the 3 mil increase was chosen in order to stay in line with other small communities.

Taylor expressed support for increasing the operating millage for the FY2018/19 budget that is allowed under City Charter. She supports placing the 1.5 Capital Improvement millage on the November ballot. She would like the City to continue to find ways to contain costs.

Schneemann recommended the City move forward with the proposed 3 mil increase. He stated the City has made a compelling case to raise the millage. He would like help from the press to educate voters on why the proposed increase is necessary.

LaRussa would like to go bigger, but supports a 3 mil increase.

LaRussa left the meeting at 7:00.

Bowman supports a 3 mil increase, but expressed concern that if Council approves the 1.5 operating millage now, it may jeopardize passage of the 1.5 Capital Improvement millage on the November ballot. She believes a second request for a millage increase may confuse voters. She wants to be mindful of the importance of educating voters prior to the November election.

Taylor pointed out the results of the May Civic Engagement meeting sent a clear message of support for a 3 mil increase. She is not worried about passage of the Capital Improvement millage proposal on the November ballot. She can support either Option 2 (2 mil increase) or Option 3 (3 mil increase).

Schneemann stated support for Option 3, but agreed with LaRussa that more funds are needed. He expressed appreciation for the City's conservative approach in addressing fiscal challenges. He does not believe Option 3 is an overreach. An Option 3 vote by Council is an acknowledgement of what the voters supported in the civic engagement meetings. He believes City Administration has been given a clear direction.

Murphy asked if Council is willing to get the message out to the public.

Schultz discussed the limitations on how the proposed millage can be communicated by both the City and Council.

5. Next Steps

Weber advised that Council will need to compile a list of projects that would be done under the capital improvement millage.

Schultz pointed out that the proposal language for the Capital Improvement millage should be broad enough so that it doesn't limit what will be done.

Responding to Schneemann, Weber stated that the 1.5 mil increase will generate \$475,000 a year. Part of that money will go towards non-glamorous infrastructure projects. The key is in educating the public as to where the funds will be allocated.

6. Council Comment

Taylor would like to see City Administration develop a comprehensive campaign plan to educate voters.

7. Adjournment

Move to adjourn the meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Taylor, Councilmember
SECONDER:	Bowman, Mayor Pro Tem

The meeting adjourned at 7:25 pm.

Steve Schneemann, Mayor

Susan K. Halberstadt, City Clerk

Approval Date: June 18, 2018