

FARMINGTON CITY COUNCIL
SPECIAL MEETING
November 2, 2009

A special meeting of the Farmington City Council was held on Monday, November 2, 2009, 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 7:01 p.m. by Mayor Pro Tem Buck.

ROLL CALL

COUNCIL MEMBERS PRESENT: Buck, McShane, Wiggins, Wright.

COUNCIL MEMBERS ABSENT: Knol.

CITY ADMINISTRATION: City Clerk Halberstadt, Controller Norgard, City Manager Pastue, City Attorney Schultz, Treasurer Weber.

APPROVAL OF AGENDA

11-09-215 MOTION by Wiggins, seconded by Wright, to approve the agenda as submitted. MOTION CARRIED UNANIMOUSLY.

FINANCIAL STATEMENT AUDIT PRESENTATION – PLANTE MORAN

Present: David Helisek, William Brickey, Nick Tochman

David Helisek advised the audit went well, financial records were in good shape, and Farmington once again received an unqualified opinion. He stated the City's major funds are all in sound fiscal condition. He noted the City is in better shape than many other communities. He thanked the City's Finance Department for their excellent work especially in light of new audit standards.

Helisek advised the City has a strong financial foundation. He pointed out the City has been proactive in terms of planning and positioning the budget to maintain the cost structure at an even level. He noted the importance of these actions given the downward trend in property tax revenue and reduction in State revenue sharing.

Helisek referred to an article in a recent Crain's publication that placed Farmington on a "fiscal watch" list. He discussed the criteria on which the rating is based. He noted it does not take planning or projections into consideration. He advised the City is significantly better off than the fiscal score represented. He discussed some of the proactive steps the City has taken to plan for future revenue reductions, including early retirements and moving statutory revenue sharing out of the General Fund for less dependency on those dollars.

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Helisek advised if the City had not provided the reader with more information on financial statements and was not proactive in funding future costs, it would have received a much better rating. He stated the City has done the right thing in planning for future costs.

Wright requested comparative data based on a number of key indicators. Helisek responded comparative data focused on expenditures relative to the fund balance could be provided. He pointed out the difficulty in making comparisons because each community has different priorities.

In terms of comparisons to post employment benefits, Brickey noted the City has funded its retiree healthcare benefit at 16.7%, whereas most other communities are completely unfunded. Further, the City's pension system is 100% funded where most others are not. He pointed out the City will not see an immediate benefit from its recent changes in retiree healthcare, however, significant long term benefits will be realized. He stated the City is a step ahead of other communities in making necessary long term benefit changes.

Wright advised experts such as Plante Moran should take a leadership role in defining the 5-10 important issues that cities should be addressing. He further advised there should be a measurement that is comparative for determining success. He stated if such measurements are left up to the news media the results are less than fair.

Responding to a question from McShane, Helisek confirmed most communities are attempting to address the revenue sharing and property tax issues. He stated those who are not dealing with those issues will need to make much tougher decisions down the road.

Brickey advised communities cannot conduct business as usual. He stated it is not a matter of what capital project to undertake, but rather what services need to be reduced to meet the budget.

Tochman provided a broad view of the City's finances and results of the audit. He noted the City's total revenues decreased by 2%. He pointed out interest revenue earned from the General Fund was down over 50%. In terms of expenses, he stated the City has done a nice job of cost containment. He noted, however, total costs have increased over last year as a direct result of retirement and retiree health expense. He discussed a one time contribution to retiree healthcare as a result of changing to a defined contribution plan. He noted without that cost, expenditures would have been less than last year.

Tochman discussed the cash flows from the Water & Sewer Fund. He stated this is the first time in several years that cash generated from operations was not sufficient to cover operating expenses. He advised City Administration has future plans to address this deficit. He stated with declining consumption and increased fees from Detroit, it is important to take a hard look at this fund as it should be a self-sustaining fund.

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Pastue advised the deficit is largely due to reduced consumption. He pointed out this problem is county-wide and has affected Detroit as well. He advised the City is undertaking a study that would reduce the volatility in the rates. He discussed funding for ongoing capital projects such as replacing water mains.

Helisek congratulated the City for budgeting the right amount of working capital to accommodate this type of temporary deficit.

Wright expressed concern regarding a trend that reflects a deficit in the Water and Sewer Fund over the last 3 years.

Weber advised water consumption is 10% below the City's 5-year average.

Discussion followed regarding anticipating and budgeting future water usage trends. Discussion continued regarding reasons for water loss in the City. Weber advised the City monitors water loss based on a 10-year history to ensure any spikes are immediately addressed.

Discussion followed regarding the difficulty in predicting water usage and funding for capital improvements.

Responding to a question from Buck, Pastue confirmed capital improvements would be a factor in setting water rates for next year.

Brickey reviewed Plante Moran auditor's report to City Council. He noted the implementation of GASB 45, an accounting for retiree healthcare benefits and an audit adjustment related to fire equipment. He stated the City's financial records were in good shape, and Farmington once again received an unqualified opinion.

Brickey noted changes in investment laws allowing governmental units in Michigan to invest in CDARS – Certifications of Deposit Account Registry Service. He stated this program is a way to maximize FDIC insurance on investments and allows spreading investments to other banks outside of Michigan.

Responding to a question from McShane, Brickey confirmed municipalities are now allowed to use credit unions.

Discussion followed regarding fee based type services and possible new revenue sources.

Responding to a question from Wiggins, Weber stated due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. He believed the risk on investments is limited given the extensive research that is done on each institution where funds are invested.

Helisek advised he has not seen any community that is fully insured.

OTHER BUSINESS

Suburban Alliance Participation Agreement

Pastue advised a minor change has been made to a participation agreement with Suburban Alliance approved by Council at an earlier meeting. He asked City Attorney Schultz to review the proposed change.

Schultz discussed an earlier meeting with representatives from Suburban Alliance. He advised they are still up in the air about whether they want a formal intergovernmental agreement. He confirmed there is still a two-agreement process. The second agreement may not be an intergovernmental agreement, but it will specifically address costs to the City.

Schultz advised the City can get out of the participation agreement at any time on 30 days notice. He stated if they obtain an energy grant for the City, they will enter into a second agreement that will define the financial terms. He advised the second agreement should be an intergovernmental agreement.

McShane asked if there are other ways to access a grant. Schultz responded Suburban Alliance sells their ability to package a grant application.

Discussion followed regarding Suburban Alliance's expertise in putting together grant applications and how the grant money will be awarded.

Schultz confirmed the first agreement puts together an energy office, creating articles, bylaws, etc. He stated the City has an opportunity to reject participation in the agreement if any part of its structure is unacceptable.

Discussion followed regarding the benefits of participating in the agreement in terms of the greater likelihood of obtaining a grant.

Pastue confirmed a number of open questions remain regarding the two-agreement process.

Buck stated he has some difficulty committing to an agreement that does not define the terms of the contract.

Schultz advised the only obligation with the initial participation agreement is essentially a commitment to negotiate in good faith.

Wright asked about the status of the Community Redevelopment Ready Program Suburban Alliance had presented to Council in 2007. Pastue responded they were unable to deliver on the program.

Responding to Wright's expression of concern regarding Suburban Alliance, Pastue stated for small communities like Farmington there is a strong need for

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this type of organization because of the level of specialization needed in areas like an energy grant.

CITY MANAGER'S UPDATE

Pastue provided an update on the Slocum Street Project, Farmington 15 News, status of the transfer of the City's pension plan to MERS, and Nine Mile Road construction. He asked about adding a special meeting on November 30th regarding labor negotiations.

PUBLIC COMMENT

Anabelle Gabel, 23089 Violet Street, stated the Farmington 15 News cable show was very good.

COUNCIL COMMENT

McShane requested feedback from Council on reinstating a Beautification Commission or Committee. She advised there are several residents interested in serving, but would need to know more about Council's intention before making a commitment. She advised Council changed the previous Beautification Commission to an Environmental Commission. This change was not successful and the Commission fell apart.

Discussion followed regarding the success of the previous Beautification Commission and projects undertaken.

McShane recommended setting aside future study session time to address this topic.

In response to comments in the City Manager Report concerning the Civic Theatre, McShane expressed support for consistency in showing movies and keeping a regular flow of customers. She noted businesses that have lost customers because of erratic hours.

McShane expressed support for a Civic Theatre study committee to develop further opportunities for the Theatre. She would like the committee to investigate how other comparable theatres are operating and how they compare in attendance.

Pastue stated the process would include analysis of other theatres; direction of the industry and how that fits in with the goals of the DDA. He expressed the importance of having a group of people involved with the theatre that have some related background and interest.

Discussion followed regarding possible changes in the theatre format and the potential risks. What is the highest and best use of the theatre.

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Council expressed support for a Theatre Ad Hoc Committee.

Buck noted the DDA is in the process of trying to launch their perception of their brand. He stated they will have some activities over the next 6-12 months to support that effort. He advised their target market will be the 25-35 age group. He stated this effort should be taken into consideration with regard to the theatre.

McShane noted the ceiling of the theatre needs to be fixed. Pastue responded he will have the ceiling painted in the near future.

McShane pointed out the back of the theatre needs to be brought up to par. Pastue responded that area has been cleaned up, but noted it is not normally a functional part of the theatre. He stated this issue will be part of the equation in evaluating the theatre.

McShane asked about the implementation of signage and lighting as part of the downtown parking strategy. Pastue advised the joint meeting with the DDA Board scheduled for November 14th will address that issue.

Responding to a question from Wright, Pastue confirmed the penalty charge to Peter A. Basile Sons for delay in completion of the Streetscape Project will be subtracted from their upcoming draw(s).

McShane concurred with a recently adopted resolution by the City of Royal Oak disagreeing with the state on the sale of alcohol between 2:00 a.m. – 4:00 a.m. and 7:00 a.m. and 12:00 p.m. on Sundays.

Pastue agreed it is a good resolution, but felt it was unnecessary for the City to adopt a similar one.

Responding to a question from Buck, Pastue stated the City has begun the process of preparing for the 2010 Census. He has met with Karen Bolsen of MCMR and Chief Nebus to begin developing a program.

Responding to an additional question, Pastue stated the census number used for Farmington as part of the criteria for the financial rating discussed earlier was obtained from SEMCOG showing Farmington's population under 10K. He was unsure of the methodology used.

Wright stated the City needs an economic score card to draw comparisons between cities. He noted there should be comparative data available regarding Downtown Development Authorities as well.

Pastue discussed the availability of comparative data related to millages.

McShane recommended an analysis of shared services with Farmington Hills to determine if the City is getting value for its dollar.

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ADJOURNMENT

11-09-216 MOTION by Wright, seconded by Wiggins, to adjourn the meeting.
MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 9:20 p.m.

Valerie S. Knol, Mayor

Susan K. Halberstadt, City Clerk

APPROVED: December 21, 2009