



**FINAL**

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**SPECIAL STUDY SESSION MEETING MINUTES**

A Special Study Session meeting of the Farmington City Council was held on November 5, 2012, in Conference Room A, 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 7:00 PM by Mayor Buck.

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**1. ROLL CALL**

<b>Attendee Name</b>	<b>Title</b>	<b>Status</b>	<b>Arrived</b>
J.T. Buck	Mayor	Present	
Greg Cowley	Councilmember	Present	
William Galvin	Mayor Pro Tem	Present	
Kristin Kuiken	Councilmember	Present	
JoAnne McShane	Councilmember	Present	

**City Administration Present**

Recording Secretary Murphy  
City Manager Pastue  
Treasurer Weber

**2. APPROVAL OF AGENDA**

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Kristin Kuiken, Councilmember
<b>SECONDER:</b>	Greg Cowley, Councilmember
<b>AYES:</b>	Buck, Cowley, Galvin, Kuiken, McShane

**3. PRESENTATION-FISCAL YEAR 2011-12 FINANCIAL REPORT, PLANTE MORAN**

Plante Moran Representatives Present: Dave Helisek, Partner in Charge of Audit, Kari Shea, Audit Manager, and Justin Kolbow, Auditor in Charge

Dave Helisek discussed the audit process and a subsequent meeting with City Administration to ensure the audited financial statement fairly and accurately represented City activity for the fiscal year ended June 30, 2012.

Kari Shea provided a power point presentation on the results of the audit. She stated approximately \$494,000 was added to the General Fund balance. She noted revenues

were up due to an extra MMRMA distribution of \$100,000; and items that were budgeted, but not implemented, including IT purchase and sidewalk projects.

Shea indicated the City ended the year with a \$2.8 million General Fund balance of which \$1.9 million was unassigned.

Shea stated there was a slight uptick of \$57,000 in property tax revenue, however, there was an overall decline in taxable value of about 8 percent. The increased millage helped to offset this decline.

Shea noted a decline in Federal grants and a slight decrease in expenditures from last year. She further noted a slight increase in state shared revenue.

Shea stated the Theater and Water and Sewer funds showed a slight increase. She noted the rate changes were responsible for improvement in the fund cash flow.

Helisek noted the City strives to be consistent and predictable in the fund balance, as well as individual and governmental fund revenues. He pointed out property tax revenue was up for one reason only, the millage increase. He stated statutory revenue sharing was up, but warned it could be reduced again at any time. He also stated that property taxes will be discussed again in the coming year and will have a significant impact on the City.

Helisek indicated the City does a good job funding Other Post-Employment Benefit costs (OPEB), but warned this continues to be a growing liability of which the City is well aware.

Cowley inquired about the unfunded pension liabilities of other cities. Helisek responded most cities would like to fund the entire amount, but Farmington coming in at 68% funded is in the top 10 or 15 percent of communities he is familiar with. He indicated Farmington is doing a better job of funding this liability than most.

Cowley noted the report shows the City has an unfunded balance of \$22.9 million. Helisek explained that up until two or three years ago there was no requirement to set monies aside for this liability so everyone is playing catch-up.

Cowley stated that pursuant to GASB 68 the balance sheet in 2015 will reflect that outstanding liability. Helisek responded the pension liability will be recorded and the OPEB number probably three years after that.

Cowley then asked how the bond rating will be affected. Helisek responded that is a tough question to answer as to whether funding by "x" percentage would raise or lower a bond rating because that information is not available.

Further discussion was held on this subject.

Mayor Buck inquired as to what other communities were doing to address unfunded liabilities. Helisek responded that they are trying to determine what is driving the numbers so high. Communities are looking at their benefit plans and trying to

determine if the same level of coverage can be provided at a reduced cost. Benefit coverage is dependent on the different bargaining units involved.

Responding to a question from McShane, Helisek stated he is unaware of any assistance coming from the State.

Kuiken asked how the 9% decline in taxable value in Farmington compares with other communities. Helisek responded that in comparison to Wayne County, the 9% looks good. He did not have available information on other Oakland County communities.

Shea pointed out property values were starting to stabilize a little bit. Treasurer Weber indicated that things are picking up west of the 275 Interstate. He stated they are starting to see some increase in taxable value, but will be limited by Proposal A.

Further discussion was held on this subject.

Galvin asked if the OPEB liability was increasing or decreasing. Helisek responded it had increased this past year by \$252,000. He stated the liability reported under current GAAP rules is the difference between the actuarial required contribution versus what was actually contributed. He noted in the financial report the unfunded liability increased from 10.9 million in June 2008 to 22.9 million in June 2011 .

Cowley pointed out the increase was 19 percent. Buck commented the City would see the impact of those changes this fiscal year.

Galvin inquired about the lack of funding in the Capital Improvement Fund (CIF).

Pastue stated \$200,000 was moved from CIF to the Civic Theater fund to pay off that debt. He further stated that over the last couple of years the CIF was used to pay debt. He advised the CIF is slated for repayment of debt, park improvements, sidewalks, and special projects related to buildings and grounds.

Galvin pointed out the CIF is critical to a healthy, long term community. He would like to see that fund get back on track at some point in the near future.

Discussion followed regarding the structure of the State Economic Vitality Incentive Program (EVIP) and the likelihood of shared services always being a component.

McShane indicated that the City should be proactive in terms of lobbying and sending resolutions to the governor and legislature letting them know the State cannot balance the budget on the backs of local government.

Buck inquired if Helisek was aware of any local governments that are protesting EVIP as an unfunded mandate. Helisek responded in the negative.

Responding to a question from Galvin, Shea stated the millage increase added \$590,000 to revenues.

Responding to an additional question from Galvin, Pastue stated that without the millage increase the property tax revenues would have been approximately \$3.8 million.

Helisek stated that the way in which the Personal Property Tax Act is written and interpreted, uncapping the sales of homes has a negative impact.

Responding to a question from McShane, Helisek stated he has seen some local governments dissolve tax increment financing (TIF), but none that have taken it back. He said some communities have the ability to share TIF, so they are only capturing "X" percentage of it.

Kuiken inquired about the Personal Property Tax and the MML and discussion followed.

Galvin asked Helisek how other communities are addressing the Capital Improvement Fund issue. Helisek responded that communities usually go one of two ways: a Capital Projects Fund or Improvement Fund; some communities set up an Internal Service Fund for Motor Pool which places all vehicle assets in a fund and charges the individual units for use.

Pastue indicated he and Weber have had discussions on same.

Helisek stated as far as an unqualified opinion from Plante Moran, there was really nothing in the way of weaknesses or deficiencies in the City's reporting system and congratulated Chris, Amy and Vince for their collection and reporting of information.

Pastue stated there is much more discussion needed other than the current financial snapshot of the City. He pointed out the changes in 2009/2010 were made in order to survive the following three years which is where the City is presently. He noted the City has experienced a 30% drop in taxable value and must position itself for the long term. He thanked the Plante Moran staff for being a pleasure to work with.

Weber commented that from a short term perspective this was a good year for the City. The fund balances increased in the General Fund, Road Fund, Water and Sewer Fund, and Civic Theater Fund. He noted difficult decisions will have to be made with regard to retiree health care and capital funding. He thanked not only Amy, City Controller, but the wonderful staff in the Treasurer's office.

Cowley inquired if Weber had thought about how to post DDA event revenues in upcoming fiscal year. Pastue responded event revenues will still be posted to the DDA for the time being.

McShane thanked Chris and Amy and their entire department for their efforts throughout the year which is reflected in the 25% fund balance. She noted the City is in sound financial position with adequate cash reserves. She complimented Pastue and staff for the good job they do.

Buck thanked the Plante Moran team for their hard work.

#### **4. CONSIDERATION TO ADOPT RESOLUTION OF SUPPORT FOR REGIONAL TRANSIT AUTHORITY**

**A. 11-12-196: Consideration to Adopt Resolution of Support for Regional Transit Authority**

Pastue stated that the Regional Transportation Authority (RTA) resolution that will be submitted to the Legislature had been changed to reflect broader involvement with Farmington.

Mayor Buck commented that it is his perception and that of others that Farmington is not fully included in the proposed solution for Southeast Michigan. He would like more specifics relating to Farmington included in the resolution.

Kuiken commented on the importance of a Regional Transit Authority in attracting people to the area.

Mayor Buck stated the benefits of a widespread bus transportation system that is more than a rail down Woodward Avenue.

McShane stated Farmington should be more proactive and unite with Suburban Alliance and smaller cities to encourage participation in the RTA.

Further discussion was held on the subject.

Pastue stated that he would present the resolution brought forth at last week's Council meeting incorporating the two revisions for Council to adopt.

**Move to adopt a Regional Transportation Authority resolution as amended, adding two revisions that address expansion and comprehensiveness of the system for Farmington and surrounding municipalities. [SEE ATTACHED RESOLUTION].**

The votes were taken in the following order: Cowley, Galvin, Kuiken, McShane, Buck.

<b>RESULT:</b>	<b>ADOPTED [UNANIMOUS]</b>
<b>MOVER:</b>	JoAnne McShane, Councilmember
<b>SECONDER:</b>	Kristin Kuiken, Councilmember
<b>AYES:</b>	Buck, Cowley, Galvin, Kuiken, McShane

**5. CONSIDERATION TO ADOPT DRAKESHIRE SPECIAL ASSESSMENT BOND AUTHORIZATION RESOLUTION**

**A. 11-12-197: Consideration to Adopt Drakeshire Special Assessment Bond Authorization Resolution**

Pastue discussed the provisions of the proposed Drakeshire Special Assessment Bond Authorization Resolution.

McShane commented that she initially struggled with parts of the proposed special assessment due to fiduciary responsibilities. However, after further discussion with

Pastue, she recognizes the City's interests are being both served and protected which is important. She noted the public should be well aware this is not a loan, but a special assessment with very little risk involved.

Galvin indicated initial hesitation in moving forward with this project, but due to the Planning Commission's involvement and approval of the façade improvements, he felt comfortable with it.

Kuiken discussed the Planning Commission's role in approving the facade improvements.

Galvin stated the presentation by the owners of the shopping center provided a greater understanding of their background and goals for the center.

Responding to a question from Buck, Pastue stated the City would not be out any money if the agreement was not met.

Kuiken also commented on the impact of the presentation by the owners of the center. She stated it provided a better understanding of their vision for the Center along with their qualifications and background. She stated it would be a greater risk to the community not to do anything and leave it in its current condition than to try a more creative approach through Special Assessments.

Cowley agreed and indicated that commercial lending in the State of Michigan is nil and the City has provided a creative solution to this problem.

**Move to adopt the Drakeshire Special Assessment Bond Authorization Resolution in the amount of \$400,000 as presented. [SEE ATTACHED RESOLUTION].**

The votes were taken in the following order: Galvin, Kuiken, McShane, Buck, Cowley.

<b>RESULT:</b>	<b>ADOPTED [UNANIMOUS]</b>
<b>MOVER:</b>	Greg Cowley, Councilmember
<b>SECONDER:</b>	Kristin Kuiken, Councilmember
<b>AYES:</b>	Buck, Cowley, Galvin, Kuiken, McShane

## 6. OTHER BUSINESS

No other business was heard.

## 7. PUBLIC COMMENT

No Public Comment was heard

## 8. COUNCIL COMMENT

McShane requested that the new Economic and Community Development Director provide an update on the status of projects and items he is working on.

Buck stated he would like to hear the Director's perspective on economic development.

Pastue advised the Director is currently working on an inventory of shopping centers.

Cowley noted the City's revenue stream is not coming back and expressed concern that the City is not being aggressive enough in addressing the unfunded liability of healthcare costs.

Council requested a report on the dispatch consolidation and how the City is adjusting to the change.

## 9. ADJOURNMENT

### Motion to adjourn the meeting.

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Kristin Kuiken, Councilmember
<b>SECONDER:</b>	JoAnne McShane, Councilmember
<b>AYES:</b>	Buck, Cowley, Galvin, Kuiken, McShane

The meeting adjourned at 8:50 p.m.

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J. T. (Tom) Buck, Mayor

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Susan K. Halberstadt, City Clerk

Approval Date: \_\_\_\_\_