The City of Farmington · Founded 1824

Special Study Session City Council Meeting
7:00 PM, MONDAY, JANUARY 7, 2013
Conference Room A
Farmington City Hall
23600 Liberty St
Farmington, MI 48335

SPECIAL STUDY SESSION MEETING AGENDA

1. **ROLL CALL**

   Roll Call

2. **APPROVAL OF AGENDA**

3. **CONSIDERATION TO APPROVE CONSTRUCTION ESTIMATE #2 FOR DRAKESHIRE CENTER**

   A. **Consideration to Approve Construction Estimate #2 for Drakeshire Center Improvement Project and Change Order #2**

4. **REVIEW OF DRAFT RESOLUTION FOR THE ECONOMIC VITALITY INCENTIVE PROGRAM**

   A. **Review of Draft Resolution Affirming a Plan for Cooperation, Collaboration & Consolidation for the Economic Vitality Incentive Program (EVIP)**

5. **LEGISLATIVE ANALYSIS LAME DUCK SESSION**

   A. **Legislative Analysis Lame Duck Session**

6. **CONSIDERATION TO ADOPT RESOLUTION #4 FOR THE GROVE STREET IMPROVEMENT DISTRICT**

   1. **Consideration to Adopt Resolution #4 for the Grove Street Improvement District Accepting Assessment Roll and Scheduling Public Hearing**

7. **DISCUSSION REGARDING APPOINTMENTS TO THE VISIONING TASK FORCE**

   1. **Discussion Regarding Appointments to the Visioning Task Force**

8. **PUBLIC COMMENT**

9. **COUNCIL COMMENT**

10. **CLOSED SESSION - LABOR NEGOTIATIONS UPDATE**

11. **ADJOURNMENT**

Farmington City Council
Staff Report

Council Meeting Date:
January 7, 2013

Reference Number
(ID # 1135)

Submitted by: Vincent Pastue, City Manager

Description: Consideration to Approve Construction Estimate #2 for Drakeshire Center Improvement Project and Change Order #2

Requested Action:
Move to approve construction estimate #2 with Richard Hyman Builders in the amount of $61,200 for the Drakeshire Center improvements and approve change order #2 in the amount of $2,980.

Background:
The City Council approved a contract with Richard Hyman Builders at the October 29 special meeting in the amount of $335,600 for the improvements at the Drakeshire Shopping Center. The improvements are part of a consent agreement with the property owner to abate a nuisance dealing with the building façade. The City Council previously approved construction estimate #1 with Richard Hyman Builders in the amount of $128,862.00 along with change order #1 in the amount of $2,880. As part of this project, the City retained the services of Siegal Toumalla Architects to oversee the construction phase of this project. The property owners, DIC Properties LLC, are involved with the project as well.

City Administration is requesting approval of construction estimate #2 in the amount of $61,200. In addition, approval of change order #2 in the amount of $2,980 is also requested. Similar to change order #1, the change order is for additional carpentry work to fix the existing support structure where sections of the façade have rotted and need to be replaced. Again, this was not unexpected. The change order has been reviewed and recommended for approval by the architect, DIC Properties, and City Administration.

Agenda Review

Review:
Vincent Pastue Pending
City Manager Pending
City Council Pending

APPLICATION AND CERTIFICATE FOR PAYMENT

AIA DOCUMENT G702

TO (OWNEI D.I.C. Properties, LLC
24383 Millcreek Ct.
Farmington Hills, MI 48336

PROJECT: Drakeshire Plaza Façade Re APPLICATION NO: Draw #2
35103 Grand River Ave.
Farmington, MI 48335

PERIOD TO: Dec. 31, 2012

Distribution to:
__ OWNER
__ ARCHITECT
X CONTRACTOR

FROM (CONTRACTOR): Richard M. Hyman, Bldrs.
6400 Farmington Rd Suite 114
West Bloomfield, MI 48322

VIA(ARCHITECT): Siegal Toumalla Architects
29200 Northwestern Hwy.
Southfield , MI 48034

ARCHITECT'S PROJECT NO:

CONTRACT FOR:

CONTRACT DATE:

CONTRACTOR'S APPLICATION FOR PAYMENT

CHANGE ORDER SUMMARY			
Change Orders approved in previous months by Owner TOTAL		ADDITIONS	DEDUCTIONS
Approved this Month			
Number	Date Approved		
2		$2,980.00	
TOTALS		$2,980.00	
Net change by Change Orders			

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached

1. ORIGINAL CONTRACT SUM...		$ 335,600.00
2. Net change by Change Orders...........		$ 5,860.00
3. CONTRACT SUM TO DATE (Line 1 + 2)...		$ 341,460.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)		$ 211,180.00
5. RETAINAGE:		
a. 10% of Completed Work (Column D+E on G703)	$ 21,118.00	
b._____% of Stored Material (Column F on G703)	$ -	
Total Retainage (line 5a+5b or Total in Column 1 of G703)		$ 21,118.00
6. TOTAL EARNED LESS RETAINAGE (line 4 less line 5 total)		$ 190,062.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT(line 6 from prior Certificate)		$ 128,862.00
8. CURRENT PAYMENT DUE		$ 61,200.00
9. BALANCE TO FINISH, PLUS RETAINAGE (line 3 less line 6)		$ 151,398.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by the Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Richard M. Hyman-President

By: [signature] Date: 12/31/12

State of: Michigan County of: Lapeer
Subscribed and sworn to before me this 31st day of December
Notary Public: [signature]
My Commission expires: 9/5/13

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progresses as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..$ 61,200.00
(Attach explanation if amount certified differs from the amount applied for.)
ARCHITECT:

By: [signature] Date: 12/31/12

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner of Contractor under theis Contract.

CONTINUATION SHEET | AIA DOCUMENT G703 |

AIA Document G702, APPLICATION AND CERTIFICATE FOR PAYMENT, containing
Contractor's signed Certification is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NUMBER: Draw 2
APPLICATION DATE: 31-Dec-12
PERIOD TO:
ARCHTECT'S PROJECT NO:

A	B	C	D	E	F	G		H	I
ITEM NO	DESCRIPTION OF WORK	SCHED. VALUE	WORK COMPLETED		STORED MATERIALS	TOTAL COMPLETED	%	BALANCE TO FINISH	RETAINAGE
			PREVIOUS APP.	THIS PERIOD	(NOT IN D OR E)	AND STORED TO DATE	G/C		
1	Demoltion	$4,000.00	$3,600.00			$3,600.00	90%	$400.00	$360.00
2	Carpentry	$49,740.00	$45,200.00			$45,200.00	91%	$4,540.00	$4,520.00
3	EIFS	$95,000.00	$47,500.00			$47,500.00	50%	$47,500.00	$4,750.00
4	Brick	$43,595.00		$35,520.00		$35,520.00	81%	$8,075.00	$3,552.00
5	Metal	$17,500.00				$0.00	0%	$17,500.00	$0.00
6	Electrical	$30,088.00		$15,000.00		$15,000.00	50%	$15,088.00	$1,500.00
7	Roofing	$12,000.00	$8,000.00	$4,000.00		$12,000.00	100%	$0.00	$1,200.00
8	Concrete	$15,000.00	$15,000.00			$15,000.00	100%	$0.00	$1,500.00
9	Signage Allowance	$2,000.00				$0.00	0%	$2,000.00	$0.00
10	Paint	$5,600.00				$0.00	0%	$5,600.00	$0.00
11	Powerwash	$1,000.00				$0.00	0%	$1,000.00	$0.00
12	Rail Ties @ Landscape	$4,800.00				$0.00	0%	$4,800.00	$0.00
13	Caulk	$2,000.00				$0.00	0%	$2,000.00	$0.00
14	Tuck point Allowance	$500.00				$0.00	0%	$500.00	$0.00
15	General Conditions	$20,100.00	$8,000.00	$4,000.00		$12,000.00	60%	$8,100.00	$1,200.00
16	O & P	$32,677.00	$13,000.00	$6,500.00		$19,500.00	60%	$13,177.00	$1,950.00
17	Change Order #1	$2,880.00	$2,880.00			$2,880.00	100%	$0.00	$288.00
18	Change Order #2	$2,980.00		$2,980.00		$2,980.00	100%	$0.00	$298.00
19	Total:	$341,460.00	$143,180.00	$68,000.00		$211,180.00	62%	$130,280.00	$21,118.00

CHANGE
ORDER
AIA DOCUMENT G701

PROJECT: Drakeshire Plaza
35103 Grand River Ave.
Farmington, MI

TO CONTRACTOR:
Richard M. Hyman Builders, Inc.
6400 Farmington Road, Suite 114
W. Bloomfield, MI 48322

CHANGE ORDER NUMBER: 2
DATE: December 11,2012
ARCHITECT'S PROJECT NO:
CONTRACT DATE:
CONTRACT FOR:

The Contract is changed as follows:

Detail 1105 all typical EIFS detail at soffit is not how construction is on site. Plans show existing 2x4 is mounted to bottom plate of front wall, actual field condition is a 1x4 partially attached to bottom of joists. Face plywood also extends down below bottom of joist.	
Remove all 1x4 face & plywood sub base @ Building "B" due to rotting material.	
Building "B" & "C": Add new 1x4 lumber and shim throughout to meet bottom of joists.	
48 man hours @ $60 per hour-$2,880.00 + $100.00 materials.	
Total Change Order:	**$2,980.00**

Not valid until signed by the Owner, Architect, and Contractor

The original Contract Sum was	$335,600.00
Net changes by previously authorized Change Orders	$2,880.00
The Contract Sum prior to this Change Order was	$338,480.00
The Contract Sum will be increased by this Change Order in the amount of	$2,980.00
The new Contract Sum including this Change Order will be	$341,460.00
The contract Time will be unchanged.	

NOTE: This summary does not reflect changes in the Contract Sum, Contract Time or Guaranteed Maximum Price which have been authorized by Construction Change Directive.

Architect: Siegal/Toumaala Assoc.
Address: 29200 Northwestern Hwy. #160
Southfield, MI 48334

By: [signature]

Date: 12/12/12

Contractor: Richard M. Hyman Builders, Inc.
Address: 6400 Farmington Road, Suite 114
W. Bloomfield, MI 48322

By: *Karey Jerry*

Date: *December 11, 2012*

Owner: D.I.C. Properties, LLC
Address: 24383 Millcreek Ct.
Farmington Hills, MI 48336

By: [signature] (MANAGING MEMBER)

Date: 12/13/12

Farmington City Manager: Vincent Pastue

By:

Date:

Farmington City Council
Staff Report

Council Meeting Date:
January 7, 2013

Reference Number (ID # 1136)

Submitted by: Vincent Pastue, City Manager

Description: Review of Draft Resolution Affirming a Plan for Cooperation, Collaboration & Consolidation for the Economic Vitality Incentive Program (EVIP)

Requested Action:
Review of draft resolution

Background:
In 2011, Governor Snyder signed into law Public Act 63. Under the provisions of this Act, the State of Michigan will distribute Economic Vitality Incentive Program (EVIP) money to communities based upon criteria as established in the Act. This money essentially replaces the money formerly distributed by the State as a statutory revenue sharing.

The intent of EVIP is to encourage communities to make certain changes in their operation by tying funding to specific criteria. The EVIP identifies several different criteria that Michigan municipalities must meet in order to receive this funding. One of those criteria is the development and submission of a plan for expanding cooperation, collaboration, and consolidation between or within jurisdictions.

Attached is a resolution listing many of our past and current cooperative and collaborative efforts, and shared services, and affirming a plan for expanded cooperation, collaboration, and consolidation. In order to qualify for EVIP funding under this criteria, the plan must be submitted to the Department of Treasury by February 1, 2013.

Agenda Review

Review:
Vincent Pastue Pending
City Manager Pending
City Council Pending

RESOLUTION BY THE CITY OF FARMINGTON AFFIRMING A PLAN FOR COOPERATION, COLLABORATION, AND CONSOLIDATION FOR THE ECONOMIC VITALITY INCENTIVE PROGRAM

WHEREAS, Pursuant to the Economic Vitality Incentive Program (EVIP) administered by the Michigan Department of Treasury, it is necessary for the City of Farmington to identify existing shared services with other governmental units and to submit a plan to the Michigan Department of Treasury before February 1, 2013 to expand shared services along with an estimate of the potential savings; and

WHEREAS, the City of Farmington has historically worked cooperatively with other governmental units to share municipal services in order provide its residents and businesses the most cost effective and reliable services possible; and

WHEREAS, the cities of Farmington Hills and Farmington have a long history of sharing services and costs which include the following:

1. Senior Adult Services
2. Cultural Arts
3. After School Programs
4. Recreational Programs
5. Farmington Community District Library
6. 47th District Court; and

WHEREAS, the cities of Farmington Hills and Farmington jointly fund and appoint members to serve on the following boards and commissions:

1. Arts Commission
2. Children, Youth and Families
3. Citizens Corp for Emergency Preparedness
4. Commission on Aging
5. Mayor’s Youth Council; and

WHEREAS, the cities of Farmington Hills and Farmington initiated the following collaborative efforts in 2012:

1. Public Safety Dispatch
2. Joint Grand River Corridor Improvement Authority
3. Information Technology Services; and

WHEREAS, the cities of Farmington and Farmington Hills have undertaken joint efforts in the past—and plan to continue to do so in the future—that include reconstruction of roads, replacement of sidewalks, and sharing of equipment; and

WHEREAS, the City of Farmington participates in the following multi-jurisdictional authorities:

1. Southwestern Oakland County Cable Commission (SWOCC) – cities of Novi, Farmington, and Farmington Hills
2. Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC) – cities of Southfield, Farmington Hills, Farmington, Novi, Wixom, Walled Lake, and South Lyon; and

WHEREAS, the City of Farmington purchases its water from the Detroit Water and Sewerage Department (DWSD) and from the Oakland County Water Resources Commission (OCWRC); and

WHEREAS, the City of Farmington works in a cooperative manner regarding the transmission and treatment of wastewater with OCWRC and DWSD; and

WHEREAS, the City of Farmington has a cooperative arrangement with OCWRC for the maintenance and repair of pumping and storage facilities related to the water system, along with the maintenance and repair of the sewage detention basin and sewer pumping facilities; and

WHEREAS, the City of Farmington contracts with the Road Commission for Oakland County for the maintenance of traffic signals throughout the city; and

WHEREAS, the City of Farmington contracts with the Oakland County Equalization Department for assessing services; and

WHEREAS, the Road Commission for Oakland County contracts with City of Farmington for the maintenance of Farmington Road from Grand River to Eight Mile Road; and

WHEREAS, the Michigan Department of Transportation contracts with the City of Farmington for the maintenance of Grand River Avenue through the City of Farmington; and

WHEREAS, the City of Farmington contracts with the Oakland County Animal Control Division to house dogs and cats pursuant to animal control enforcement; and

WHEREAS, the City of Farmington has executed a number of mutual aid agreements involving fire services, natural and man-made emergency response, police service and response, public works, and property damage assessment which involves the sharing of personnel, equipment and resources; and

WHEREAS, in June 2010 a joint task force was established by the cities of Farmington and Farmington Hills, along with the Farmington Public Schools, to explore opportunities to expand shared services between the three entities; and

WHEREAS, the City of Farmington shares, cooperates, and collaborates with the Farmington Public Schools on programs, services, and facilities including: the Police Liaison Officer Program whereby a full-time police officer is housed within Farmington High School, sled hill use and maintenance at School Administration site; the Multicultural/Multiracial Community Council; and others; and

WHEREAS, the City of Farmington Hills in 2011 opened its self-insured health insurance pool to include the 47^{th} District Court, thereby saving a total of approximately $56,000 annually for the cities of Farmington Hills and Farmington; and

WHEREAS, the City of Farmington Hills, the City of Farmington, and the Farmington Public Schools continue to meet to identify, explore, negotiate, and expand shared services.

NOW THEREFORE BE IT RESOLVED the City of Farmington plans to continue efforts to evaluate the following shared services with the City of Farmington Hills:

1. Assessing Services

BE IT FURTHER RESOLVED that the City of Farmington continue it efforts to identify, explore, negotiate, and implement other cooperative and shared services with the City of Farmington Hills and other public entities as deemed to be more economical, or efficient, or to improve service to the public.

AYES:
NAYS:
ABSENT:
ABSTENTIONS:

RESOLUTION DECLARED ADOPTED _______________, 2013.

STATE OF MICHIGAN)
)ss.
COUNTY OF OAKLAND)

I, the undersigned, the duly qualified and acting Clerk of the City of Farmington, County of Oakland, State of Michigan, do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Farmington at a regular meeting held on the 22nd day of January, 2013, the original of which resolution is on file in the City Clerk's office.

IN WITNESS WHEREOF, I have hereunto set my official signature, this ____ day of __________, 2013

____
Susan K. Halberstadt, Clerk

Farmington City Council
Staff Report

Council Meeting Date:
January 7, 2013

Reference Number (ID # 1137)

Submitted by: Vincent Pastue, City Manager

Description: Legislative Analysis Lame Duck Session

Requested Action:

Background:
A number of bills were signed into law in late December at the conclusion of the legislative lame duck session. There are a few bills that will impact the municipal operations. The two most significant are the personal property tax exemptions and right-to-work. I have attached information from various sources to help explain these two pieces of legislation and their impact on Farmington.

Right-to-Work - Attached is a brief analysis provided by the Michigan Municipal League. Farmington has three unions. Two of the unions: Public Safety Officers and Command Officers, are not affected by this legislation. It is still a "closed shop" union.

The Public Works union is affected by the legislation. The most significant impact of the right-to-work legislation is that employees are no longer required to be a member and pay dues to a union as a condition of employment. The law goes into effect in March 2013 and will affect any union agreement that expires after that date. In the case of the Public Work union, their agreement expires June 30, 2013. It is still a closed shop union until that date.

Personal Property Tax Exemptions - Nobody liked this tax. It was difficult to administer by local assessors and it created a disincentive for investment along with hindering the State's competitive tax position with surrounding states. However, for some jurisdictions, it represented a pretty significant aspect of their tax base. In Farmington, it has historically been approximately 7%. The effort to repeal this unpopular tax was challenged by how to replace the revenue loss to local units of government without raising taxes elsewhere. The following legislation created the most bizarre and complicated millage and special assessment formula that I have every seen. From a planning standpoint it is difficult to forecast because it can all go away if the sales tax redistribution referendum scheduled for August 2014 fails. Also, it is administratively impractical and it reminds me of the first attempt to repeal the Single Business Tax. It needed a second attempt to make it practical. I attached two summary analyses to help better understand the potential impacts. Listed below are a few bullet points that are relevant to Farmington.

- Beginning with Fiscal Year 2014-15, personal property parcels with less than $40,000 will be exempted. In Farmington, this represents 572 out of 631 personal property parcels. The City would see a taxable value reduction of approximately $4,000,000 which equates to $56,000 in the General Fund and $4,000 in the Street Fund. There is uncertainty as to how this tax will be levied since it would be relieved prior to the August 2014 referendum.
- Assuming the sales tax redistribution referendum passes, local units would receive 75-80% reimbursement of personal property tax loss associated with non-public safety services. This would come from the establishment of a Metropolitan Authority.
- Local governments have the option, beginning in 2016, of levying a maximum essential

service assessment to recover 100% of the loss associated with the personal property tax exemption. Question: do you really want to levy a new special assessment on businesses? Probably not. This would be about half of the personal property tax loss or $125,000 per year.

- We are not sure how this will impact the captured value in the DDA. It depends on how the personal property is treated in relationship to the base value of the district.
- Relative to surrounding communities, Farmington is better positioned to withstand the impact of this loss. Personal property tax represents a greater percentage of their tax base than Farmington.

Regional Transit Authority - This legislation puts into place the first real effort at a regional transportation agency to serve Metro Detroit. I anticipate that the next year will be consumed with administrative development of the organization. The next significant action will involve a referendum in which the participating counties will consider an increase in vehicle registration fees to provide a local revenue stream for operations. I expect SMART will continue to exist but may be incorporated into the authority at a later time. One interesting aspect of the legislation is that it is exempt from local zoning and cities must provide access to local right-of-way.

Contractor Indemnification by Municipalities - This bill will prohibit a public entity from requiring a contractor, architect, engineer, or surveyor to defend the public entity or any other party from liability claims or to indemnify the public entity or other party for any amount greater than the degree of fault of the contractor, architect, engineer, or surveyor. "Public entity" would mean the State and all of its agencies; any public body corporate within the State and all agencies of that body; or any non-incorporated public body within Michigan, of whatever nature, and all agencies of that body. This would include cities, villages, townships, counties, school districts, intermediate school districts, authorities, and their employees and agents, including construction managers retained by the public entity.

The League expressed opposition to this bill because it will allow these people who contract with local units of government to do things that affect those local units of government then not have to defend those local units of government in court. This can have pretty significant consequences down the road. The language in our contract is to transfer risk. It will certainly result in more litigation for municipalities.

Other Items

- Emergency Manager Law - no impact on Farmington
- Brownfield Redevelopment - Depending on the project, could have a favorable impact on Farmington. Much more administratively flexible.

Attachments

Agenda Review

Review:
Vincent Pastue Pending
City Manager Pending
City Council Pending

Right to Work for Public Employees

ONE PAGER PLUS

Introduction

PA 349, creating "right-to-work" for public employees, was signed by the Governor on December 11, 2012, and will take effect 90 days after the 2011-12 legislative session adjourns, approximately mid-to-late March, 2013.

Key Provisions

Condition-of-Employment Prohibition

The law prohibits an individual from being required, as a condition of obtaining or continuing employment, to do any of the following:

- Refrain or resign from membership in, voluntary affiliation with, or voluntary financial support of, a labor organization;
- Become or remain a member of a labor organization;
- Pay any dues, fees, assessments, or other charges or expenses of any kind or amount or provide anything of value to a labor organization; and
- Pay to any charitable organization or third party an amount that is in lieu of, equivalent to, or any portion of dues, fees, assessments, or other charges or expenses required of members of or employees represented by a labor organization.

An agreement, contract, understanding, or practice between or involving an employer and a labor organization that violates this prohibition is unlawful and unenforceable. The law applies only to an agreement, contract, understanding, or practice which takes effect, or is extended or renewed, after the legislation takes effect in March 2013.

The Court of Appeals has exclusive original jurisdiction over any action challenging the validity of these provisions. The Court must hear the action in an expedited manner.

Unlawful Force, Intimidation, or Compulsion

No person shall by force, intimidation, or unlawful threats, compel or attempt to compel any public employee to do any of the following:

- Become or remain a member of a labor organization or otherwise affiliate with or financially support a labor organization;
- Refrain from engaging in employment or from joining a labor organization or otherwise affiliating with or financially supporting a labor organization; or
- Pay to any charitable organization or third party an amount that would be in lieu of, equivalent to, or any portion of dues, fees, assessments, or other charges or expenses required of members of or employees represented by a labor organization.

Violations of the Act

Civil Fine and Remedy

A person who violates the Act is liable for a civil fine of up to $500. Except for actions required to be brought in the Court of Appeals, a person who suffers an injury as a result of a violation or threatened violation could bring a civil action for damages, injunctive relief, or both. A court also could award court costs and reasonable attorney fees to a prevailing plaintiff. These remedies would be independent of and in addition to other penalties and remedies prescribed by the Act.

1675 Green Road
PO Box 1487
Ann Arbor, MI 48106-1487
TEL 734.662.3246 800.653.2483
FAX 734.662.8083
WEB www.mml.org

Exceptions to the Act

Police and Fire

Police and fire are exempt from the right-to-work law. The condition-of-employment prohibition does not apply to police or fire department employees that are PA 312 eligible, or to state police troopers or sergeants. As is the case currently, the law permits a local government to make an agreement with the union (for these exempted employees only) that all employees in the bargaining unit would share fairly in the financial support of the union. The fee may be equivalent to the amount of dues uniformly required of members of the labor organization or exclusive bargaining representative.

This publication was written by the law firm of Dykema Gossett PLLC

Personal Property Tax Reform Plan

Purpose

To significantly improve Michigan's business environment, competitiveness, and conditions for job growth and investment, while protecting local units that rely on the personal property tax (PPT).

Problems with the PPT

- Punishes companies for making capital investments. Particularly hard on manufacturers, who rely on expensive tools, equipment, and other personal property (PP) in their operations.
- Disproportionately impacts highly mobile companies, creating a significant disincentive to invest and create jobs in Michigan. These companies tend to pay high wages and produce substantial spin-off jobs and investment.
- Imposes high compliance and administrative costs on businesses and local units.
- Makes Michigan an outlier among the states with which it competes.

Plan Components (as enrolled)

Personal Property Tax (PPT) Reduction:

- **Small Taxpayer PPT Exemption** – Beginning in 2014, all of a taxpayer's industrial and commercial personal property within a local tax collecting unit would be exempt, so long as the combined taxable value of such property within the unit is less than $40,000.
- **Exemption for New PP** – Beginning in 2016, new Eligible Manufacturing PP and Eligible Manufacturing PP that was new in 2013-2015 would be 100% exempt.
- **Existing (not new) PP Exemption** – Beginning in 2016, Eligible Manufacturing PP new in 2005 or earlier would be 100% exempt. In each subsequent year, one additional year is added to the exemption until all existing Eligible Manufacturing PP would be exempt in 2023.
- **Eligible Manufacturing PP** – All industrial and commercial PP located on a parcel of real property if the PP is used more than 50% of the time in industrial processing or direct integrated support.
- **Exemptions Tied to Approval of Local Use Tax Legislation at August 2014 Statewide Election (see Local Use Tax Component, next page).**

Reimbursement of Lost PPT to Locals and Schools:

- **80% of Non-PFJA (police, fire, jail, ambulance) loss** would be replaced by the State, except for those subject to a "no reimbursement" threshold (see below).
- **Local Essential Services Assessment (ESA)** – locals (including those below the use tax reimbursement threshold) could levy a special assessment on the real property of participating taxpayers at a rate needed to replace 100% of lost PPT revenue that otherwise would have funded police, fire, jail, and ambulance services from their General Fund.
- **Participating Taxpayers** – Taxpayers claiming the Eligible Manufacturing PPT exemptions would have to pay the ESA.
- **K-12/ISD Operating and Debt Loss** – 100% reimbursed by the State (sinking fund and recreational mills reimbursed at 80%).
- **Reimbursement** would begin in FY 2016. Appropriation for all debt loss prior to that date.
- **No Reimbursement** – Locals whose Eligible Manufacturing and Small Taxpayer Personal Property taxable value is less than 2.3% of their total taxable value for all property would not receive any reimbursement for non-debt loss from the State.

Source of Revenue to Reimburse Locals and Schools for PPT Losses:

- **Use Tax** – Portion of State use tax currently going to the State's General Fund would be dedicated to reimburse locals and schools for their PPT revenue loss.
- **Certificated Credit Savings** – would be used to reimburse State's General Fund for the loss of use tax revenue and to reimburse the SAF.
- **Local Essential Services Assessments (ESA)** (see above ESA description).

Local Use Tax Component

Purpose

Provides a mechanism for distributing certificated credit savings to locals that is not subject to the annual appropriations process.

Proposal

- Levy a new metropolitan areas component of the existing use tax on a statewide basis to generate replacement revenue for reduced local personal property taxes. At the same time, the state component of the existing use tax[1] would be reduced by the amount of the new metropolitan areas component so that total state and metropolitan areas use taxes would never exceed the current 6% rate.
- The 6% use tax would continue to be paid by businesses and consumers in the same manner as under current law, but a metropolitan authority would receive the revenue generated by the metropolitan areas component for distribution to local tax collecting units as replacement for reduced local personal property tax revenue.
- The local revenue would be distributed by a metropolitan authority with statewide jurisdiction created under Const 1963, art 7, § 27, not the state. Funds generated by the metropolitan areas component tax would be funds of the metropolitan authority, and not state funds subject to the annual state appropriations process.
- The change in the use tax would be revenue neutral and would not increase total state and local taxes imposed in Michigan.
- The current 6% constitutional cap on sales/use taxes in Michigan would remain in effect.
- Imposition of the levy would be subject to voter referendum, requiring approval of a majority of electors at the August 2014 statewide election before taking effect.
- The metropolitan authority would distribute the metropolitan component tax revenue to local units as replacement for reduced personal property tax revenue. Initially, the replacement would equal 80% of non-PFJA (police, fire, jail, ambulance) loss. Over time, a growing percentage of the reimbursement would be based on the amount of industrial real property in the taxing unit.

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[1] Currently, revenue from the first 4 cents of use tax imposed on each dollar is dedicated to the state general fund. Revenue from the next 2 cents of use tax imposed on each dollar is dedicated to the state school aid fund.

Essential Services Assessment Component

Purpose

- Provides a local mechanism for replacing lost PPT revenue that was funding PFJA (police, fire, jail, ambulance) services.
- Allows taxpayers receiving the benefit of the Eligible Manufacturing Personal Property exemptions to reimburse locals for lost PFJA revenue.

Proposal

- Option for locals to levy an Essential Services Assessment to replace 100% of lost PPT revenue from the Eligible Manufacturing Personal Property exemptions that was being used to fund PFJA services.
- Levy would apply to the real property of any taxpayer claiming the Eligible Manufacturing Personal Property exemptions. It would not apply to the real property of taxpayers claiming the Small Taxpayer exemption.
- Local vote would not be required.

SENATE MAJORITY POLICY OFFICE

ISSUE BRIEF

Issue: Personal Property Tax Repeal (FINAL)

Analyst: Kyle Kaminski

Date: December 17, 2012

Personal Property Tax Repeal

The Legislature adopted a multi-bill package phasing-out of the Personal Property Tax (PPT) on certain parcels, while creating a new two-part reimbursement mechanism for local units who see a reduction in revenue. The funding for the reimbursement mechanism will come from the creation of a statewide Metropolitan Authority that would capture a portion of the Use Tax for reimbursement to locals according to a statutory formula. In addition, under this proposal local units could levy a special assessment on exempted Eligible Manufacturing PPT payers to cover up to 100% of the revenue lost because of these exemptions that was directed to police, fire, and ambulance services.

Repeal Proposal:

- Beginning December 31, 2013, industrial personal property and commercial personal property parcels with a taxable value under $40,000 will be exempt from the tax. This will eliminate about 75% of the personal property tax returns that are currently being filed.
- Beginning December 31, 2015, eligible manufacturing personal property purchased after December 30, 2011 will be exempt from the personal property tax. "Eligible Manufacturing" personal property is defined as all property used in industrial processing more than 50 percent of the time, as well as property used in direct support of manufacturing, such as warehouses, engineering, and quality control. The House amended the definition of "Eligible Manufacturing" to exclude some warehousing from the new exemptions.
- Also beginning December 31, 2015, eligible manufacturing personal property that has been subject to the tax (or specifically exempted) for ten years or more becomes exempt. This exemption will impact additional manufacturing personal property each year until 2021, at which point all manufacturing personal property will be exempt.
- Personal property that is currently exempt will remain exempt regardless of its purchase date.
- The personal property tax on equipment used for the generation of electricity ***is not*** repealed under this proposal.
- Personal property with a taxable value greater than $40,000 that is not used in support of industrial processing is not repealed under this proposal.
- **The new exemptions will only go into effect if the statewide vote on using a portion of the Use Tax as the reimbursement revenue stream is successful** (small parcels will automatically receive the exemption in 2014, but will not receive it in future years if the vote is defeated).

Metropolitan Authority Reimbursement Proposal:

- A new statewide Metropolitan Authority would be created and subject to a statewide vote in August of 2014, would levy a "metropolitan areas component" of the Use Tax that is sufficient to generate the amount of revenue established by the statute (projected to be between 1% and 1.5%). The statutory amount would be the projected amount necessary to cover 75% to 80% of the estimated non-police, fire, and ambulance PPT loss for qualified communities. Treasury would determine a metropolitan areas component Use Tax rate each year that is sufficient to generate this revenue. The state portion of the Use Tax would be reduced by a corresponding amount, so that Use Tax payers would continue to pay a total rate of 6%.

- Revenue collected from the metropolitan areas component would be credited to the statewide Metropolitan Authority and would not be subject to legislative appropriation. The distribution formula and the amount of revenue collected by the Metropolitan Authority would be set in statute and could be amended.

- The total amount of revenue that will be directed to the Metropolitan Areas Component is set in this bill as follows:

FY 15-16: $41.7m	FY 16-17: $257.5m	FY 17-18: $277.1m
FY 18-19: $293.8m	FY 19-20: $311.3m	FY 20-21: $326.8 m
FY 21-22: $345.2m		

Beginning in Fiscal Year '22-23, the amount directed toward the Metropolitan Areas Component will be the preceding year's amount times an industrial and commercial personal property growth factor determined by the Department of Treasury.

- A local taxing unit that loses 2.3% of its total property tax revenue that is not directed to police, fire, or ambulance services as a result of the new exemptions is eligible for reimbursement from the Metropolitan Authority. The House included an amendment allowing for reimbursements to all community colleges, even if they are below this threshold. This differs from the Senate Proposal that limits reimbursements to those local units that have seen a reduction in General Fund Revenue of at least 2% (1% for distressed communities).

- Beginning in 2016, eligible taxing units may receive a partial reimbursement of their Non-PFA (Police, Fire, Ambulance) PPT loss from the Metropolitan Authority. The calculation for determining this reimbursement is contained in Appendix A.

- Beginning in 2018, each community's reimbursement from the Metropolitan Authority will be based in part on the "Dynamic Formula". This formula distributes part of the Metropolitan Authority's revenue based on the amount of industrial real property with exempt personal property in the community as compared to the total amount of industrial real property with exempt personal property in the state. This will incentivize communities to host industrial real property within their communities and will ensure that the reimbursement formula recognizes continuing industrial growth in future years. The Dynamic Formula will make up an increasingly large portion of the Metropolitan Authority Formula until it represents the entire distribution beginning in 2038.

- The total amount of money available to the Metropolitan Authority in any given year will be established by statute. A community's reimbursement will equal its relative share of the total funds available based on both the PPT Loss Formula and Dynamic Formula, meaning reimbursement is projected at between 75% and 80%, but not guaranteed at this amount. The formula for determining the Dynamic Factor for individual municipalities is contained in Appendix C.

<u>Local Essential Services Assessment Proposal:</u>

- Beginning in 2016, local units could levy a special assessment on the REAL property of exempted eligible manufacturing PPT payers to replace up to 100% of the lost PPT revenue that supported General Fund Police, Fire and Ambulance Services, as well as special millages dedicated to those purposes. The formula for determining the maximum Essential Services Levy is contained in Appendix B.

- Police services would not include county jails, 911 operations or special millages for police and fire pensions. PPT loss impacting these areas could be eligible for 80% reimbursement from the Metropolitan Authority.

- The levy would be assessed based on the taxable value of the REAL property owned by a taxpayer with exempted eligible manufacturing personal property. The calculation for determining a taxpayer's essential services liability is contained in Appendix B.

- Taxpayers subject to this special assessment would be protected by a provision that would ensure that their assessment could not exceed the amount of their past PPT liability that was directed to police, fire, and ambulance services.

- Those with a Small Taxpayer PPT exemption would not be subject to the assessment.

Impact on Local Governments

- Local governments will be able to recover up to 100% of the Police, Fire and Ambulance funding that is lost as a result of this proposal if they levy the Essential Services Assessment. Non-essential services losses will be eligible for reimbursement at an expected statewide rate of 80%. The statewide total projected loss in non-reimbursed revenue is expected to be roughly $100 million once the eligible manufacturing exemptions for large parcels are phased-in.

- Local government will be required to first pay any debt millage loses from the PPT repeal using Metropolitan Authority reimbursements in order to avoid potential debt millage increases for other taxpayers. Once these debt millage losses are paid, the local unit can use the Metropolitan Reimbursement as it sees fit.

Impact on Schools:

- State Education Tax and School Operating Millage losses will be reimbursed at 100% to the School Aid Fund from the state portion of the use tax.

- Beginning in 2016, the Metropolitan Authority will distribute funds to cover 100% of each district's school debt millage loss and each ISD's special education and vocational education millage loss. Sinking Fund and Recreation millage losses that result from the PPT repeal will be eligible for a qualified loss reimbursement from the Metropolitan Authority.

Use Tax Impact:

- State Use Tax collections will be impacted by the creation of the statewide Metropolitan Authority and local component of the Use Tax under this proposal. Treasury predicts that 15-20% of Use Tax collections will be directed to the Metropolitan Authority.

- Use Tax revenue will decline by $262m in FY 2017. Revenue will continue to decline as more property becomes exempt after being in service for 10 years. Annual Use Tax revenue will be roughly $330m per year less than current levels

Expiring Tax Credits:

- SAF and General Fund losses attributed to changes in the Use Tax will be offset by the expiration of various business tax credits. Expiring credits will exceed the revenue losses in FY 2016, 2024, 2025, 2026, 2027, 2028, assuming no additional credits are created.

- In FY 2017-2022, expiring credits will not be sufficient to offset lost PPT revenue. The proposed deficit in these years ranges between $35m and $50m.

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Reimbursement Examples with Essential Services Assessment

	City A	City B	City C
Total General Fund PPT Loss	$ 6,000,000	$ 6,000,000	$ 6,000,000
Police and Fire % of GF	15%	25%	45%
Projected Metro Authority Reimbursement	$ 4,080,000	$ 3,600,000	$ 2,640,000
Projected Essential Services Assessment (Levied Locally)	$ 900,000	$ 1,500,000	$ 2,700,000
Total Available Reimbursement	$ 4,980,000	$ 5,100,000	$ 5,340,000
Total Percentage of Reimbursement	83%	85%	89%

Appendix A

Non-School Local Government Formula for Determining Qualified Loss

Difference in Taxable Value of All Industrial and Commercial Personal Property in the Municipality in 2013 and the Current Year	X	The Sum of the Lowest Rate Levied Between 2012 and the Year Preceding the Current Year for Each Millage Levied by the Municipality	-	The Amount of Revenue the Municipality is Authorized to Levy as an Essential Services Assessment (Appendix B)	=	Qualified Loss

School District Formula for Determining Qualified Loss

Difference in Taxable Value of All Industrial and Commercial Personal Property in the Municipality in 2013 and the Current Year.	X	The Sum of the Lowest Rate Levied Between 2012 and the Year Preceding the Current Year for Each Millage Levied for a Sinking Fund or Public Recreation.	=	Qualified Loss

It is projected that an average of 80% of a local government's qualified loss would be reimbursed by the Metropolitan Authority.

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Non-School Local Government Formula for Determining Reimbursement from Metropolitan Authority

(Qualified Loss of the Municipality / Total Statewide Qualified Loss (Schools and Non-Schools Combined)) X Metropolitan Authority Revenue after Paying 100% of School Debt Loss and Statewide "Dynamic Factor" + Dynamic Factor (Appendix C) = Reimbursement

School District Formula for Determining Reimbursement from Metropolitan Authority

(Qualified Loss of the School District / Total Statewide Qualified Loss (Schools and Non-Schools Combined)) X Metropolitan Authority Revenue after Paying 100% of School Debt Loss and Statewide "Dynamic Factor" + 100% of the District's Debt Millage Loss + Dynamic Factor (Appendix C) = Reimbursement

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Appendix B

Formula for Determining the Maximum Essential Services Assessment

([Difference in Taxable Value of All Industrial and Commercial Personal Property in the Municipality in 2013 and the Current Year] X [The Lowest General Operating Millage Rate Levied Between 2012 and the Year Preceding the Current Year] - [PPT Revenue Lost in 2014 Due to the Small Parcel Exemption]) X [Percentage of Government's General Fund that is used to Fund Police, Fire, and Ambulance Services in 2012] = Total General Fund Essential Services Loss

([Difference in Taxable Value of All Industrial and Commercial Personal Property in the Municipality in 2013 and the Current Year] X [The Sum of the Lowest Rate Levied Between 2012 and the Year Preceding the Current Year for Millages Dedicated to Essential Services] - [PPT Revenue Lost in 2014 Due to the Small Parcel Exemption]) = Total Restricted Essential Services Loss

[Total General Fund Essential Services Loss] + [Total Restricted Essential Services Loss] = Maximum Essential Services Assessment Levy

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Formula for Determining a Municipalities Essential Services Millage Rate

Maximum Essential Services Assessment Levy	/	Taxable Value of All Industrial Real Property in the Municipality That Contains Exempt Eligible Manufacturing Personal Property	=	Essential Services Millage Rate

Formula for Determining the Essential Services Assessment for an Individual Business

Essential Services Millage Rate	X	Taxable Value of the Industrial Real Property and Commercial Real Property on which the Exempted Eligible Manufacturing Personal Property is Located	=	Essential Services Assessment

An individual taxpayer's Essential Services Assessment cannot exceed the amount that the taxpayer paid under the PPT that was directed to essential services through either a dedicated millage or a relative percentage share of general fund spending.

Appendix C

School and Non-School Local Government Formula for Determining Dynamic Factor

[Taxable Value of All Industrial Real Property in the Municipality That Contains Exempt Eligible Manufacturing Personal Property] X [The Sum of the Lowest Rate Levied Between 2012 and the Year Preceding the Current Year for Each Millage Levied by the Municipality] = Local Dynamic Value

([Local Dynamic Value] / [The Statewide Sum of Local Dynamic Values]) X [Local Dynamic Value] X [Metro Authority Dynamic Funds] = Dynamic Factor

The Dynamic Factor will apply to 5% of the Metropolitan Authority's Funds beginning in 2018. The percentage dedicated to the Dynamic Factor will increase by 5% a year until it reaches 100%.

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Farmington City Council
Staff Report

Council Meeting Date:
January 7, 2013

Reference Number

Submitted by: Vincent Pastue, City Manager

Description: Consideration to Adopt Resolution #4 for the Grove Street Improvement District Accepting Assessment Roll and Scheduling Public Hearing

Requested Action:
Move to adopt Resolution #4 for the Grove Street Improvement District accepting the preliminary assessment roll and scheduling a public hearing

Background:
At the December 17, 2012 meeting, the City Council adopted Resolution #3 instructing the preparation of a preliminary assessment roll for the Grove Street Improvement District. Attached is Resolution #4 that accepts the preliminary assessment roll and schedules a public hearing for Tuesday, January 22, 2013 at 7:00 p.m. After the public hearing is held, the City Council can decide whether to adopt a resolution adopting a final assessment roll or wait until another meeting.

The preliminary assessment roll contains only one property. The schedule identifies the principal amount of the assessment. Once the bonds for the project are issued, the interest rate will be incorporated into the annual special assessment.

Agenda Review

Review:
Vincent Pastue Pending
City Manager Pending
City Council Pending

RESOLUTION NO. (ID # 1138)
STATE OF MICHIGAN

COUNTY OF OAKLAND

CITY OF FARMINGTON

[**Downtown Center Parking Improvements**]

[Resolution No. 4]

Minutes of a ________________ Meeting of the City Council of the City of Farmington, County of Oakland, Michigan, held in the City Hall in said City on January 7, 2013, at 7:00 P.M. Prevailing Eastern Time.

PRESENT: Councilmembers ____

____

ABSENT: Councilmembers ____

____

The following preamble and Resolution were offered by Councilmember _______ ___________ and supported by Councilmember ____________________.

R E C I T A T I O N S:

The City has considered construction of the proposed improvement described below (the "**Project**"), and has further requested the establishment of a special assessment district to finance and defray the cost of the Project.

The Project includes the widening and reconstruction of Grove Street creating a boulevard with on-street parking, landscape improvements, sidewalk with brick pavers, relocation and placement of additional pedestrian street lights, park benches, mast-arm signal at Grand River and Grove Street intersection, removal and replacement of commercial pylon sign, water main replacement, land acquisition, and engineering services.

The Project is designed and intended to especially benefit the properties identified in the special assessment district attached to this Resolution, which shall be designated as Special Assessment District No. 2012-89 (the "**District**").

After an initial consideration, the City Council adopted its Resolution No. 2 declaring its tentative intent to proceed with the Project and with the establishment of the District, and subsequently the Council adopted Resolution No. 3, declaring the necessity for a special assessment district and directing the City Assessor to prepare the special assessment roll.

The Project as described herein, and in previous resolutions, represents only a portion of a comprehensive renovation and improvement project involving the Grove Street Improvement Area within the City of Farmington at a total cost of $1,700,000.00 with the remaining portion of the cost borne by the City of Farmington.

In accordance with the direction of the City Council, the Assessor has prepared a special assessment roll allocating 35.3% ($600,000.00) of the total cost of the Project (not including other portions of the comprehensive renovation and improvement project for the Grove Street Improvement Area generally) to the property within the District according to law, and the Assessor has filed such roll with the City Clerk;

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The City Council accepts submission of the special assessment roll as prepared, and orders it filed with the City Clerk for public examination.

2. A public hearing is hereby set for January 22, 2013, to be held at the City Hall, at 7:00 p.m. in the City Hall of the City of Farmington, 23600 Liberty Street, Farmington,

MI 48335, at which time and hearing objections may be submitted by any interested person with respect to the special assessment roll. The City Council will review the roll and hear and consider any objections presented.

3. At the conclusion of the hearing, if the roll is approved by City Council, it may confirm the Special Assessment District and roll.

4. Notice of such hearing shall be given by publishing the notice twice before the hearing in a newspaper having general circulation in the City, and by sending by first-class United States Mail, postage fully prepaid, a copy of the notice addressed to the record owner or party in interest in whose name the land in the Special Assessment District is to be assessed on the City's last preceding tax assessment roll for Ad Valorem tax purposes which was reviewed by the City Board of Review, supplemented by any subsequent changes in the names or addresses of the owners or parties listed on such roll. The first publication and the mailing shall be at least 10 days prior to the date of the hearing. The notice of hearing shall include a statement that appearance and protest at the hearing in the special assessment proceedings is required in order to appeal the amount of the special assessment to the State Tax Tribunal and the notice shall further include notice that an owner or party in interest or his or her agent may appear in person at the hearing to protest the special assessment or appear by filing his or her appearance or protest by letter.

AYES:
NAYS:
ABSTENTIONS:
ABSENT:

CERTIFICATION

It is hereby certified that the foregoing Resolution is a true and accurate copy of the Resolution adopted by the City Council of the City of Farmington at a meeting duly called and held on the 7th day of January, 2013.

CITY OF FARMINGTON

By:_________________________________
SUSAN K. HALBERSTADT, CLERK

669203

Farmington City Council
Staff Report

Council Meeting Date: January 7, 2013

Reference Number (ID # 1139)

Submitted by: Vincent Pastue, City Manager

Description: Discussion Regarding Appointments to the Visioning Task Force

Requested Action:
Tentative appointments to the Visioning Task Force

Background:
The purpose of this agenda item is to appoint 15 to 20 members to serve on the Visioning Task Force. Listed below is the role the task force will play during this process. In the requested action, tentative appointment is only to confirm that the individuals would be able to commit to the process.

For this project it is anticipated the planning process will be directed by a client group or Task Force. The Task Force refers to an appointed committee or group of staff that will be in charge of managing the project on behalf of the city. It is preferable this group have an appointed chair to serve as the main point of contact during the planning process. The consultant team anticipates monthly meetings with the Task Force. During periods of intense activity, there may be two meetings in a month.

City Administration requests that the City Manager and Economic/Community Development Director be appointed to the task force. The City Manager would provide administrative support and background to the committee. The Economic/Community Development Director would serve based on professional experience and knowledge, plus implementation of the vision.

Agenda Review

Review:
Vincent Pastue Pending
City Manager Pending
City Council Pending