

FARMINGTON CITY COUNCIL  
SPECIAL MEETING MINUTES  
JANUARY 3, 2011

A special meeting of the Farmington City Council was held on Monday, January 3, 2011, 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 7:00 p.m. by Mayor Buck.

**PRESENT:** Buck, Knol, McShane, Wiggins, Wright.

**ABSENT:** None.

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

**APPROVAL OF AGENDA**

**01-11-001** MOTION by McShane, seconded by Wiggins, to approve the agenda as presented. MOTION CARRIED UNANIMOUSLY

**REVIEW OF OPERATIONAL BUDGET FORECASTS**

**GENERAL FUND**

Pastue gave an overview of General Fund forecasts, stating a concern regarding rising healthcare costs and discussed the various changes to the same.

He described the two aspects of state revenue sharing; constitutional and statutory. He expressed concern that statutory revenue would continue to decrease.

He cited a decline in budget numbers for the upcoming year and stated reduction was due in part to a couple of capital outlays: fire truck purchase and sidewalk replacement.

He stated a 9% property tax reduction was anticipated for next year which is on target.

He stated ways in which the City is cutting costs and assumptions that are incorporated into forecasts.

Responding to a question from Wiggins, Pastue confirmed grant monies for a Public Safety Officer position will run out in 2012-2013.

COUNCIL PROCEEDINGS -2-  
January 3, 2011

Pastue reviewed forecasts for state revenue sharing, factoring in a decrease in population in the upcoming years. He stated more definitive census numbers will be available at the end of the month.

Pastue cited a number of ways to address projected deficits including finding opportunities to reduce retiree health care costs. He advised Treasurer Weber is currently working with a consultant regarding alternatives that may be available. He stated there are ongoing negotiations to convert Public Safety staff to a defined contribution plan. He advised City administration continues to evaluate alternatives to reduce operating expenses.

Responding to an inquiry from Wiggins, Pastue stated there were no pending meetings, arbitration or mediation, relative to negotiations currently on the table.

Wright asked for clarification on healthcare costs for retirees 65 and over as it relates to coverage provided by Medicare.

Knol advised union contracts and prior agreements provide supplemental coverage to Medicare that includes supplies and services not covered under Medicare. She stated in some cases the City is paying much greater than 20 percent. Pastue noted the FY 2011-12 budget is not balanced due to increased healthcare costs.

Pastue stated that rising healthcare costs and revenue sharing shortfalls will determine the magnitude of the shortfall the City is facing in the upcoming year.

McShane commented that there is discussion and predictions taking place nationally concerning cities and legacy costs. She identified three options for cities: cut services and manpower, raise taxes, or drop the keys to the City off at Lansing's door. She questioned whether the Michigan Municipal League or anyone is offering recommendations for what cities can do.

Wright inquired as to current balanced budget being funded by borrowing on prior surplus. Pastue responded prior surplus is being use to pay off debt, however, that surplus is not being drawn down to achieve same.

Wright further asked if there will be more or less cash available at the end of the year than at the beginning. Pastue responded overall there will be less cash.

Wright advised equity is shrinking and the ultimate day of reckoning is coming. He stated revenues must exceed expenditures as part of the process. Pastue concurred and advised changes must be made to address structural problem that exists.

COUNCIL PROCEEDINGS -3-  
January 3, 2011

**CIVIC THEATER FUND**

Pastue advised the Civic Theater is doing well with the first six months showing an operating surplus. He stated the need to evaluate different alternatives still exists in order to increase use and reduce costs and to keep improving profitability of theater. He indicated a long term forecast will be presented with the overall budget, including a capital outlay schedule for improvements to equipment.

Discussion was held concerning the process to change the theater's fees. Pastue advised the theater manager, Scott Freeman, needs more latitude in setting prices. He stated the theater needs to function as an enterprise.

Wiggins concurred that there needs to more flexibility in making price adjustments, noting the current practice is cumbersome and takes too much time.

McShane asked if theater prices were competitive. Pastue responded they were some of the lowest prices around. She also asked if the City had visited similar theaters. Pastue responded the Theater Ad Hoc Committee had looked at similar venues to incorporate from same.

Wright requested clarification on changes to concession and movie prices that require Council's approval. He stated that a blanket resolution could be adopted and the City should be responsible for results only.

Buck asked Pastue to incorporate a philosophy statement to identify range of pricing.

Wright stated a philosophy statement is characteristic of a non-profit entity and any statement should be profit motivated. Buck clarified that the message should convey the theater is not a full price venue.

Wright disagreed stating the theater should be charging at the top of the market it can bear. Knol concurred with opposition to philosophy statement and stated that it needed a business model to follow for success.

Discussion continued regarding maximizing profitability and meeting the needs and expectations of the community.

Wright indicated that a mission statement would be appropriate. Pastue advised he would put a resolution on the January 18th meeting agenda. He further advised the Theater Ad Hoc Committee would be discussed at the February study session to determine its future.

Wright expected that by February a nonprofit entity would be formed with members of the Committee acting as directors.

COUNCIL PROCEEDINGS -4-  
January 3, 2011

**WATER AND SEWER FUND**

Pastue advised given the current numbers available there may be up to a 15% rate increase. He noted increases over the last three years have been considerably less than surrounding communities.

Wright pointed out Council went with a lower increase than recommended at the last budget time and in doing so compounded the problem.

Knol expressed her continued frustration with Detroit Water & Sewer and the lack of local control over rates and costs. Pastue indicated that based on comparative data with other cities nationally, DWSD rates are the third lowest.

Weber discussed projected results of implementing dual meters. A hand-out was provided with analysis. He cited a decrease in revenue of 21% if such was implemented.

Pastue explained the redistribution of funds if dual meters were implemented.

Wiggins inquired as to cost of meter to user and Pastue responded \$300.

Discussion was held regarding meter replacement and the City's responsibility of same.

Further discussion was held regarding fixed and variable components of fees and percentage of meter installations that may occur.

Buck inquired as to other options available for irrigation other than dual meters.

McShane advised the public should be educated to take a more green approach to watering.

Wright commented about assignment of rates regarding high end users versus low end. He inquired of other reasons to implement meters.

Pastue responded the only reason to implement dual meters is the unfairness of sewer cost distribution and the perception of the public.

Further discussion was held on commercial versus residential usage.

Mayor Buck asked Council if dual meters should be part of the discussion going into the current budget cycle.

Knol expressed support for dual meters.

Wright asked about public feedback on dual meters. Pastue responded there had been some inquiries from homeowners over the years.

COUNCIL PROCEEDINGS -5-  
January 3, 2011

McShane expressed tentative support for a dual meter system, but needed more information regarding the pros and cons of the system. She requested information on the experience of other cities where they have been installed.

Wiggins stated that given the anticipated 15% increase in rates, he opposes a dual meter system at this time.

Wright would like to see a study of communities who have implemented the system in terms of how many property owners participated. He doesn't perceive much interest or economic benefit and advised there are more critical issues to be addressed.

Mayor Buck concurred that there are other priorities that take precedence over this one. He may reconsider if the system included advanced water meters.

### **STREET FUNDS**

Pastue gave a general update on the following Street Funds:

#### Major Street Fund

- Major Street Fund - current year \$37,000 operating shortfall
- Concern regarding population dropping below 10,000 - approximately \$40,000 reduction
- Concern regarding MDOT/Grand River contract for services
- Beginning Fund Balance \$296,000 - exceeds 200K target

#### Local Street Fund

- No immediate concerns
- \$100,000 Fund Balance - on target

#### Municipal Street Fund

- Millage levy returns to 1.000 - 0.7500 previous two years
- \$785,000 Beginning Fund Balance
- FY 2011-12 Projects - Astor Street and Hawthorne Street

### **REVIEW OF 2011 CAPITAL IMPROVEMENTS BOND ISSUE**

Pastue reviewed elements of the bond issue including various allocations as well as other related expenses. He advised if Council concurs he will instruct the City's Bond Counsel to put together a resolution for the 1/18/2011 meeting.

COUNCIL PROCEEDINGS -6-  
January 3, 2011

Mayor Buck questioned purchase of electronic and dual meters. He questioned whether Thomas Street would be added to the Bond Issue given a recent water main break. Pastue responded affirmatively, noting the project would add another \$100,000.

Further discussion was held regarding the Thomas Street project and impact on the DDA.

McShane expressed concern over the long term impact if repairs on the Thomas Street water main are postponed.

Knol stated there would be a cost savings to the DDA to move forward on the north parking lot paving project at the same time the Thomas Street water main is repaired.

Wright inquired if DDA is taking the parking lot problem seriously. Pastue responded affirmatively.

**OTHER BUSINESS**

No other business was heard.

**PUBLIC COMMENT**

No public comment was heard.

**COUNCIL COMMENT**

No Council comment was heard.

**ADJOURNMENT**

**O1-11-002** MOTION by McShane, seconded by Wright, to adjourn the meeting.  
MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 9:07 p.m.

---

J.T. (Tom) Buck, Mayor

---

Susan K. Halberstadt, City Clerk

APPROVED: January 18, 2011

COUNCIL PROCEEDINGS -7-  
January 3, 2011