

City of Farmington

Financial Sustainability Workshop

May 16, 2018

Our Sustainability Challenge: What we are talking about

General Operations

AND

Infrastructure

General Operations is:

- Public Safety
- Public Works
- Administration
- District Court
- Recreation and Culture
- Economic and Community Development
- Streetlighting

General Operations is not:

- Roads and Sidewalks
 - Separate road millage and State money
 - Limited funding but more is needed to maintain/improve roads to be in good condition based on PASER study
- Water and Sewer
 - Rates are set to provide adequate funding
- Theater
 - Theater operations are self supporting.

What you need to know about the General Operations of the City

- Revenues have not increased over the last 10 years
- Expenditures have increased over the last 10 years, but less than the rate of inflation
- Expenditures are now higher than revenues
- The City has begun to spend down its savings to continue providing services at the high level that residents expect
- Revenues need to be raised or expenditures need to be reduced to ensure the long term sustainability of the City's operating budget

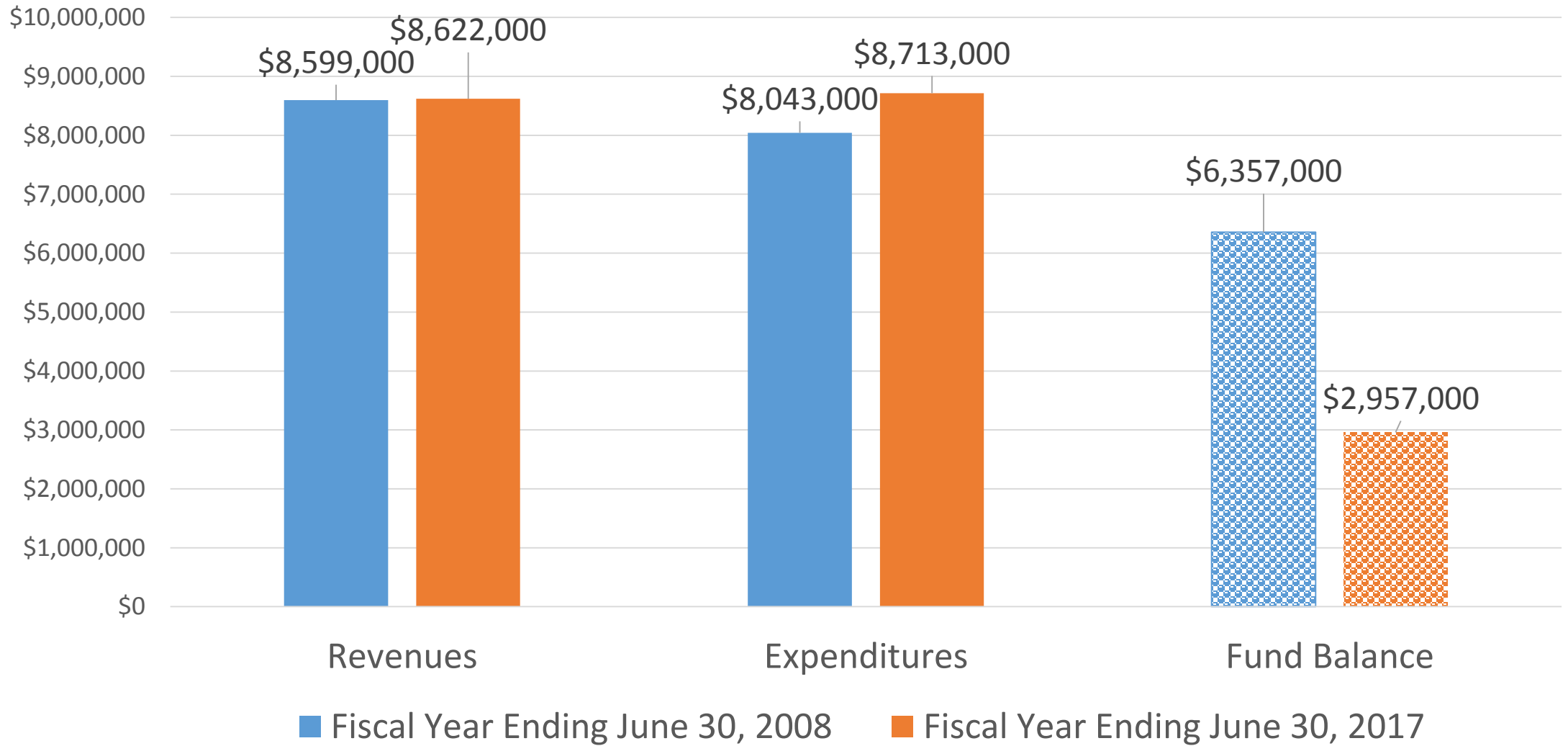
Infrastructure is:

- Roads
- Sidewalks
- Water and Sewer Lines
- City Buildings and Grounds
- Existing Parking Lots and New Parking Spaces
- Parks, Park Bathrooms, Trails, Tennis Courts, Bridges, Ballfields
- Streetscapes
- Other Projects

What you need to know about the Infrastructure of the City

- The City has funding sources for Road, Sidewalks, and Water and Sewer Infrastructure, but more is needed long-term
- The City has no funding sources for Parks, Buildings and Grounds, Public Safety Equipment, Parking Lots, and Streetscapes. These sources were eliminated in response to the Great Recession
- A funding source for Infrastructure must be identified either through additional expenditure cuts or a dedicated millage

General Operations 2008 to 2017



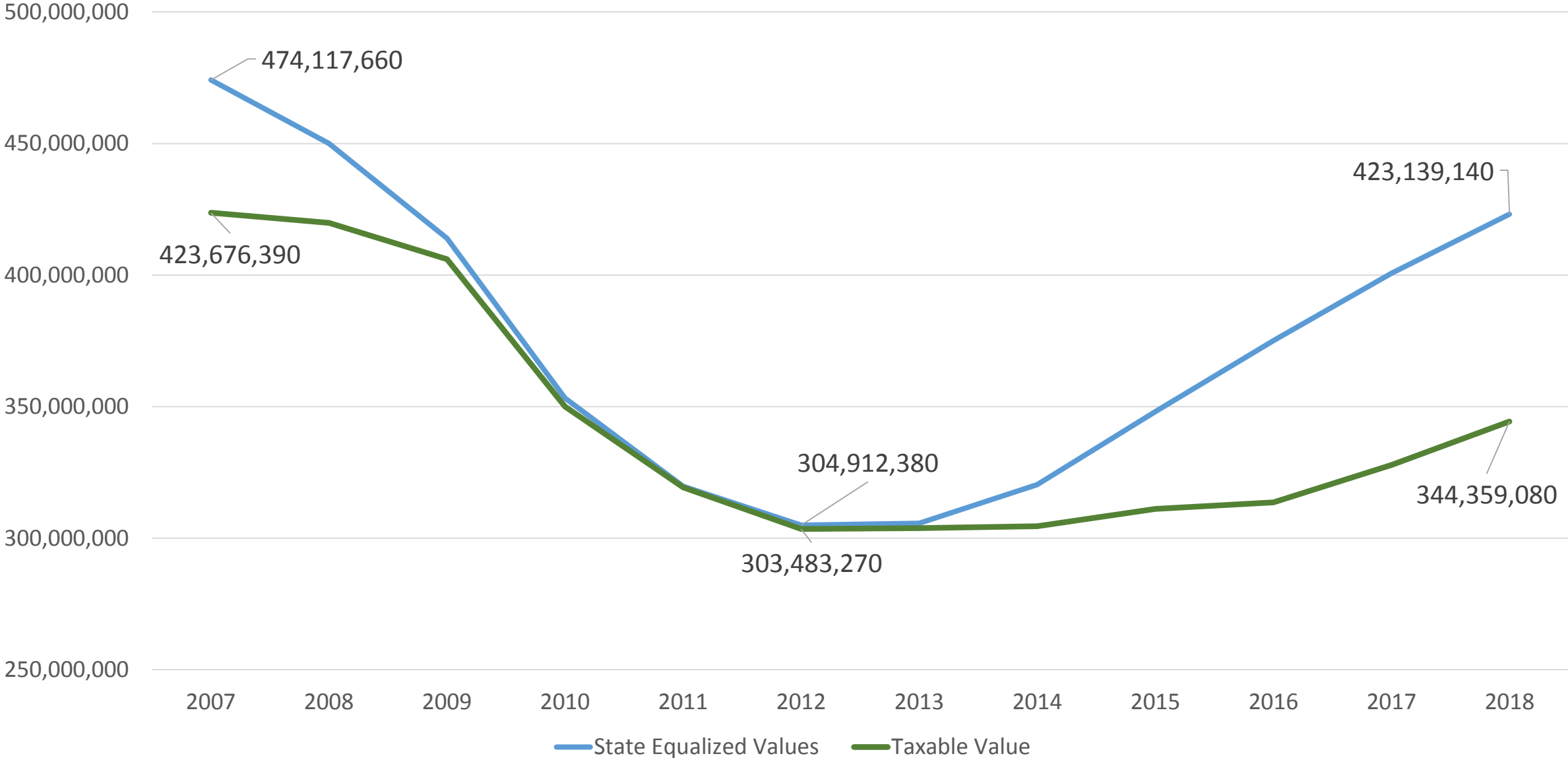
Includes the City's General Fund, Capital Improvement Fund, and Debt Service Funds supported by property taxes

Fund Balance History 2008-2017

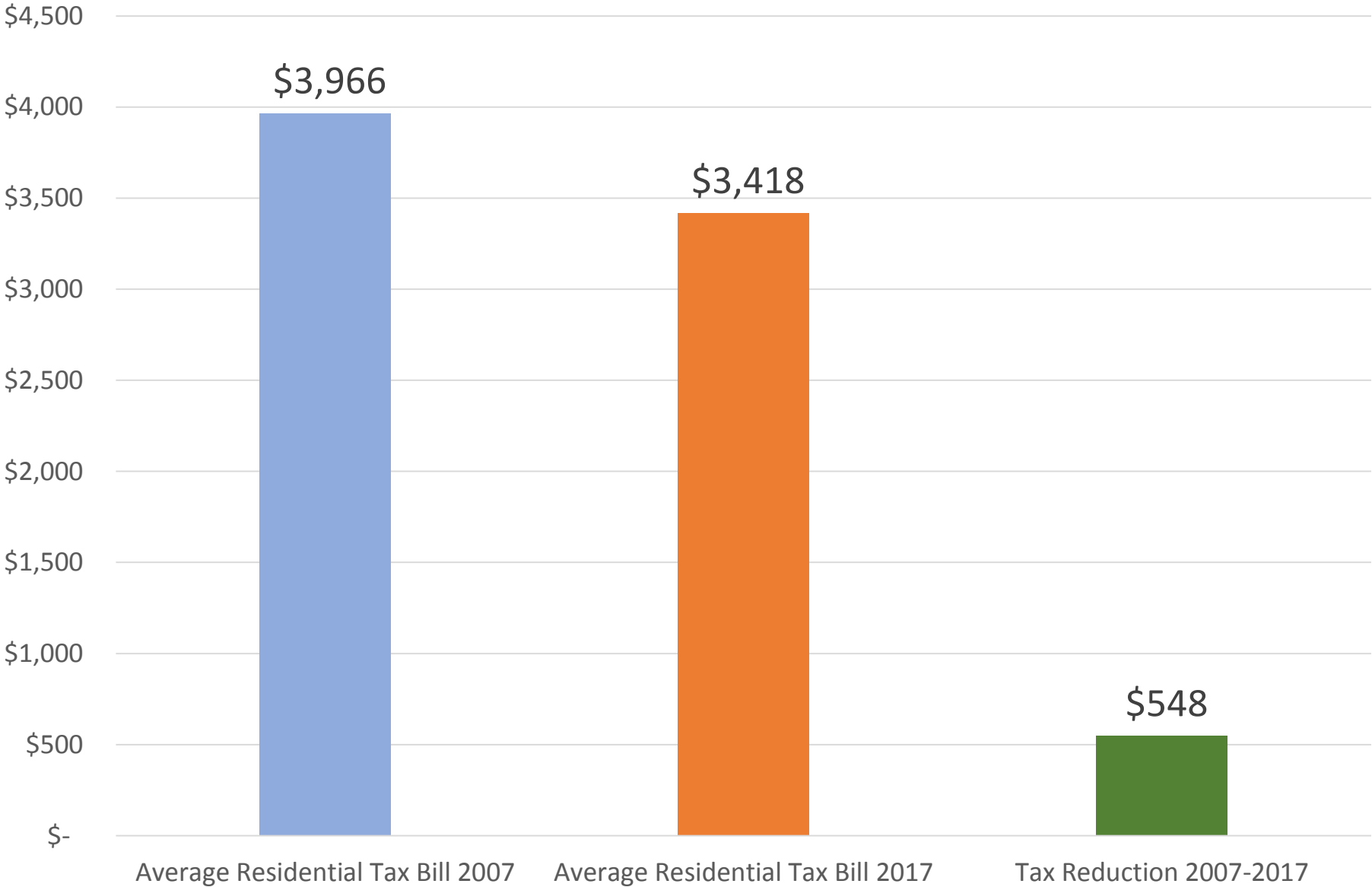


* - Includes Non Voted Debt Service, Special Assessment Debt Service, and 2013 LTGO Bonds (OPEB)

Property Taxes Assessed Vs. Taxable Value

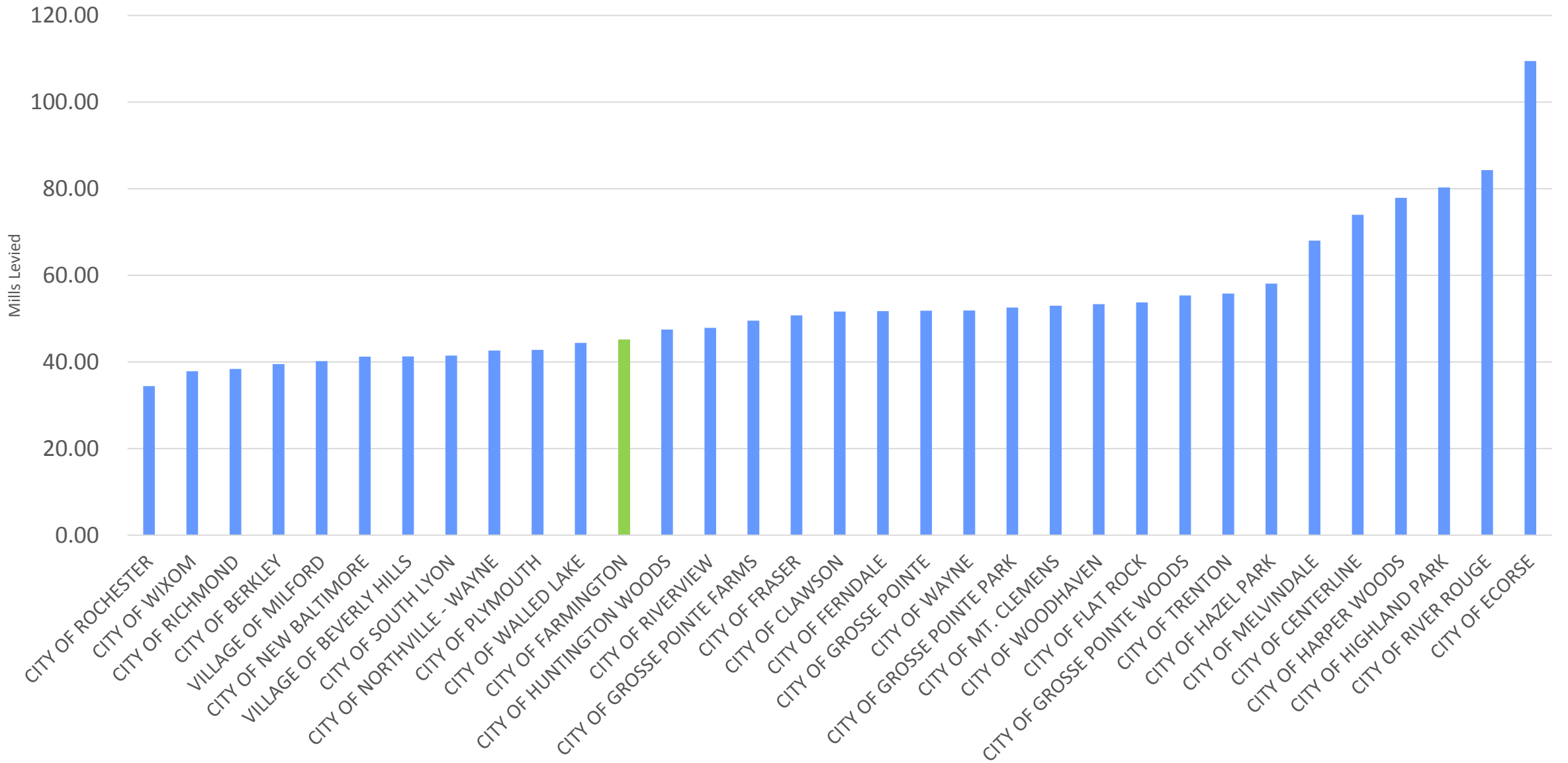


Average Residential Tax Bill 2007-2017



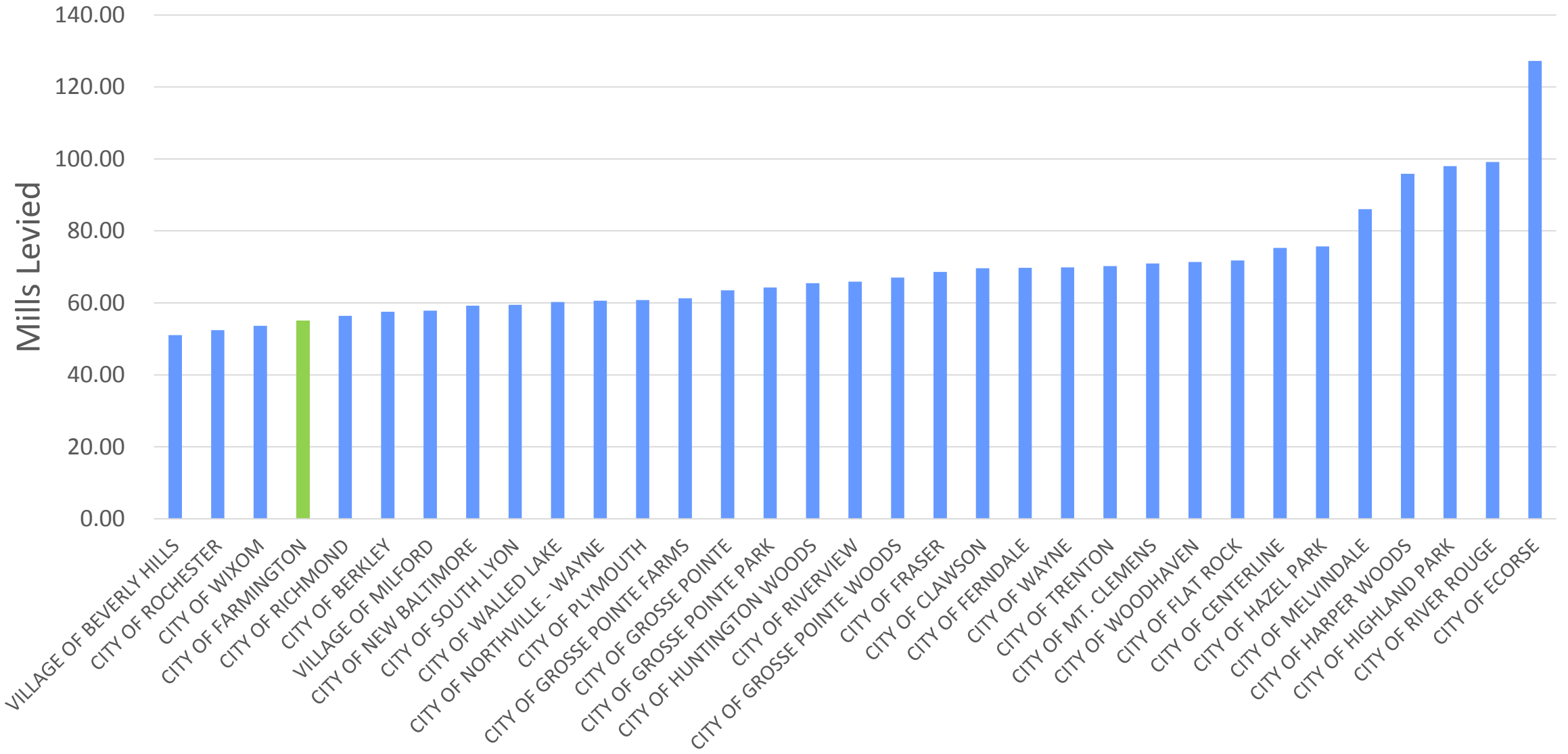
Total Residential Millage Rate

Metro Detroit (Populations 5,000 to 20,000)



Total **Business** Millage Rate

Metro Detroit (Populations 5,000 to 20,000)



Options For Addressing Our Sustainability Challenge

- Option 1: Eliminate Fundamental Services to Temporarily Balance Budget
 - Cut services like a public safety position, streetlighting, senior services, parks and recreation, youth programs, Governor Warner Manision, ice rink, etc.
- Option 2: 1 Mill Operating Millage (No expiration) **AND** 1 Mill Capital Improvement Millage (10 Years)
 - Temporary fix for operations. Basic funding for infrastructure.
- Option 3: 1.5 Mill Operating Millage (No expiration) **AND** 1.5 Mill Capital Improvement Millage (10 Years)
 - Long term fix for operations. Provide funding for some transformational projects.

Response to Session #1 Questions

Response to Session #1 Questions

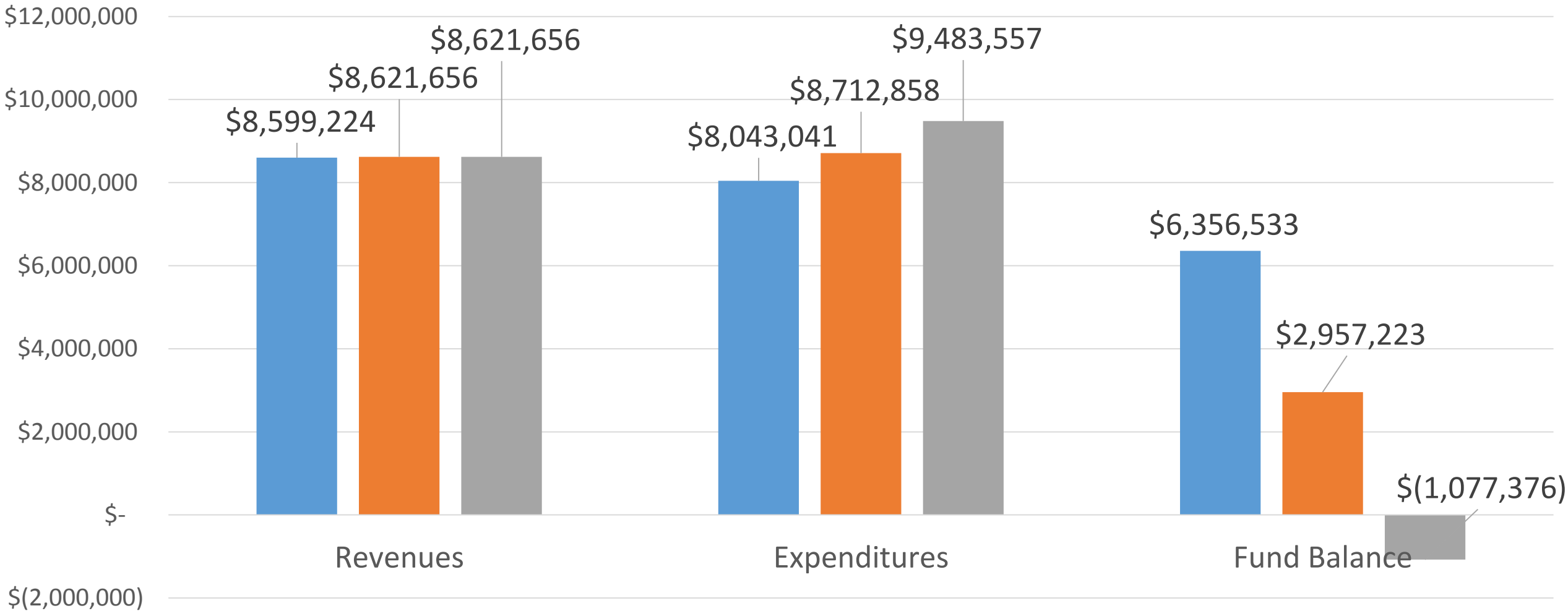
- 63 questions asked
- All questions have been answered on a printed document
- That document will be posted to the City's website and available at the end of the meeting
- We will present the responses to the 8 most asked questions

Question 1: Why is Council addressing this issue now? Why not earlier?

- Council has been addressing this issue for the last decade
- Some of the strategies have included:
 - Cutting costs/Deferring infrastructure
 - Investing in projects like the Grand River and Grove Street streetscapes to better position the City to recover after the Great Recession
 - Postponing significant changes to services or property tax millages to see how the municipal landscape would change after the Great Recession

General Operations 2008 and 2017

Cutting Costs/Postponing Infrastructure

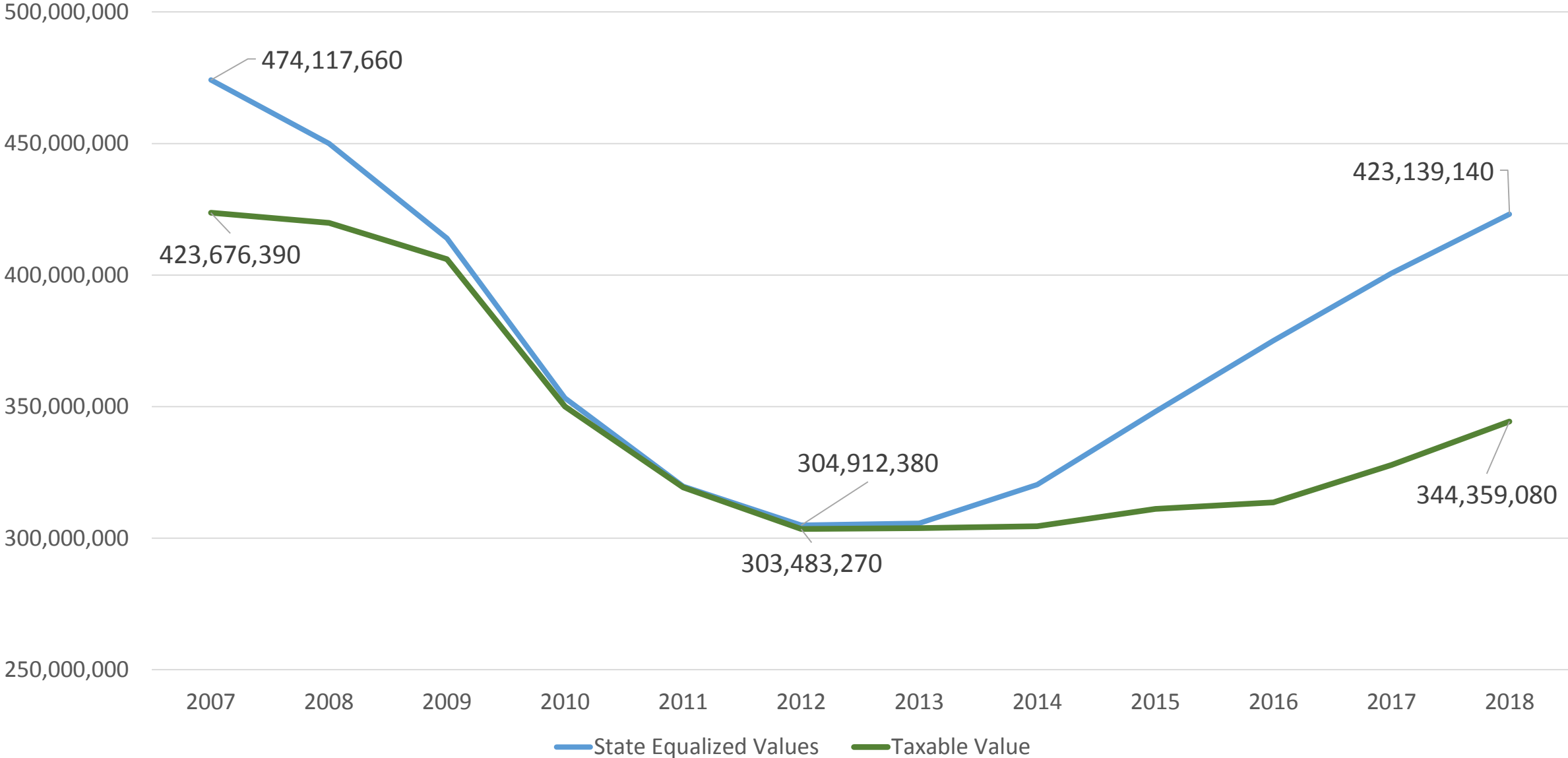


- Fiscal Year Ending June 30, 2008
- Fiscal Year Ending June 30, 2017
- Fiscal Year Ending June 30, 2017 if expenditures increased by inflation

Question 1: Why is Council addressing this issue now? Why not earlier?

- Investing in Grand River and Grove Street streetscapes to position City to recover better after recession

Property Taxes Assessed Vs. Taxable Value



Question 1: Why is Council addressing this issue now? Why not earlier?

- City's strong financial position and conservative spending allowed for a cautious approach.
 - Delay significant cuts in service or increases in taxes as long as possible to see how communities throughout the State respond.
 - Wait to see if State would restore revenue sharing.
 - Wait to see if inflation would raise property tax revenue.

Question 2: Where did the \$3,400,000 fund balance go?

- \$1,530,000 used to pay debt service until operations could be balanced in response to the Great Recession
- \$500,000 Grand River Streetscape
- \$600,000 Grove Street Streetscape
- \$110,000 Farmington Road Streetscape
- \$150,000 Sidewalks
- \$100,000 Ice Rink
- \$250,000 Theater Operations and Capital Improvements

Question 3: Were any out of the box ideas considered?

- Yes, but keep in mind:
 - Business can do whatever they want unless there is a law that says they can't
 - Government is the opposite. A government can't do anything unless there is a law that says you can

Question 3: Were any out of the box ideas considered?

- Contractual services for:
 - Dispatch
 - IT
 - Assessing Services
 - Civic Theater Management
 - Farmers Market Management
 - Warner Mansion Management

Question 3: Were any out of the box ideas considered?

- Pooled health insurance with Farmington Hills, 47th District Court, and Farmington Community Library
- Purchasing of Capital Items through Grants, Fundraising and Donations, or Purchasing Used
 - IT infrastructure and computers replaced through State grant obtained because of collaboration with Farmington Hills
 - Warner Mansion Repairs, Power Cemetery Renovations
 - Used Fire truck instead of new
 - Ballfield Fencing fixed through volunteers

Question 3: Were any out of the box ideas considered?

- Restructured retiree health care benefits and issued bonds to fund retiree health care.
 - Changed retiree health coverages to more affordable plans reducing liability by millions of dollars.
 - Difference between investment income and bond interest provides hundreds of thousands of extra dollars to pay for premiums
 - Brings cost certainty to budget in the short term
 - (One of the first in the State)

Question 4: If millage raised/ballot approved, who decides where the additional money will be spent?

- Operating millage:
 - Council decides whether or not to raise the millage.
 - Council decides how to spend the additional money based on community input.
- Capital millage:
 - Voters decide whether or not to raise millage.
 - Money would have to be spent on capital items.
 - Council decides which projects to spend the additional money based on community input.

Question 5: Where are your spending priorities?

- Improve the community to:
 - Raise the value of our existing residential and business properties
 - Draw new residents and business to the City
 - Encourage redevelopment/investment
- How do we improve the community:
 - Continue to provide a high level of service
 - Maintain roads and water/sewer lines
 - Improve parks and streetscapes

Question 5: Where are your spending priorities?

- Our spending priorities are listed in the following documents:

<ul style="list-style-type: none">• City of Farmington Master Plan	<ul style="list-style-type: none">• Grand River Corridor Vision Plan
<ul style="list-style-type: none">• Capital Improvement Program	<ul style="list-style-type: none">• Orchard Lake and 10 Mile Roads Analysis
<ul style="list-style-type: none">• Recreation Master Plan	<ul style="list-style-type: none">• Rouge River Trail Project
<ul style="list-style-type: none">• Farmington Vision Plan	<ul style="list-style-type: none">• Downtown Master Plan
<ul style="list-style-type: none">• Downtown Area Plan	<ul style="list-style-type: none">• Parking Studies

Question 6: What new development/redevelopment is in the pipeline?

- Single family residential at the old 47th District Court Building.
- Multi-family residential at the MTC site.
- Repurpose of Grand Bakery café and teardown and rebuild at Ginger's Café site for new restaurants.
- Bellacinos to Dan's Sub.
- Sidecar Sliders Bar into Bellacinos at Village Commons.
- Site plan approval for new medical office at former Paramount Health Care at Lakeway and Grand River.

Question 6: What new development/redevelopment is in the pipeline?

- 2 Story medical office addition at Farmington Professional Pavilion
- Reconstruction of existing 9 Mile gas station for reopening as a new service station
- Proposed retail commercial building at Farmington Crossroads (Farmington and 9 Mile)
- Proposed out-lot building at World Wide Center
- New tenants at Freedom Plaza – Digital Terrain, Vindhu Restaurant, Law Office

Question 6: What new development/redevelopment is in the pipeline?

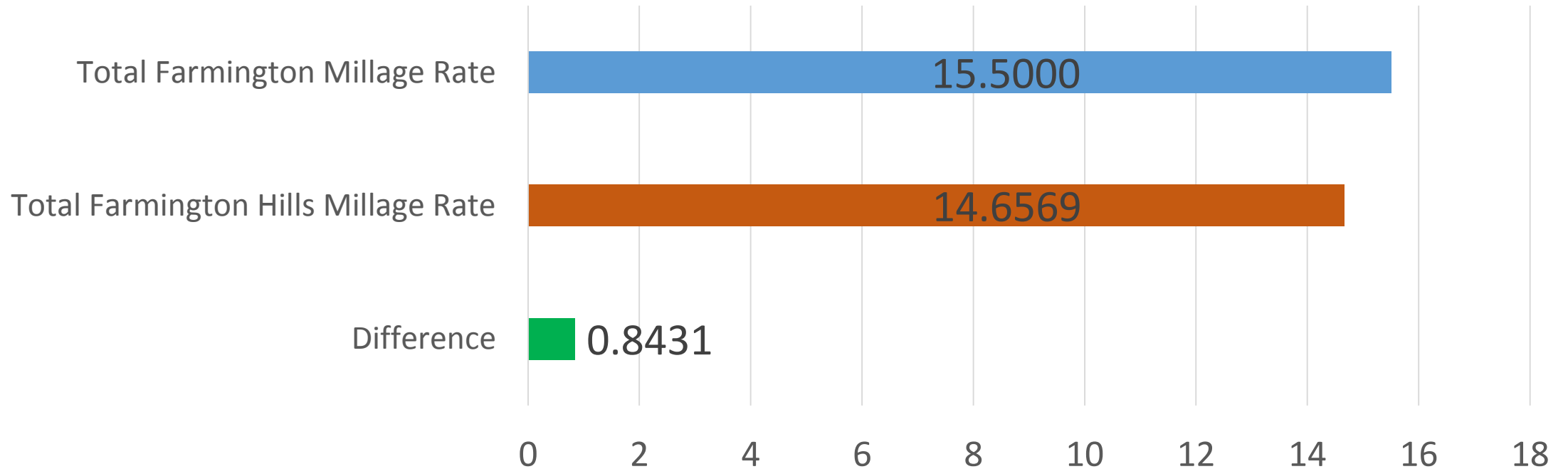
- New development/redevelopment will provide additional funding for the City, but not enough.
- \$64,000,000 would be needed to make the City's general operations sustainable.
- \$28,000,000 would be needed to provide a base level of infrastructure funding.
- \$92,000,000 total development/redevelopment needed.
- Projects currently in development represent a small fraction of what is needed

Question 7: Why no option presented to consolidate with Farmington Hills?

- Farmington Hills, like most communities in southeast Michigan, has their own budget issues.
- Would Farmington Hills even want us?
- Option was discussed in 2008 and feedback was that residents were not interested.
- One of the primary reasons it was discussed in 2008 was the difference in millage rates between the 2 cities (4.4 mills), but that difference has narrowed.

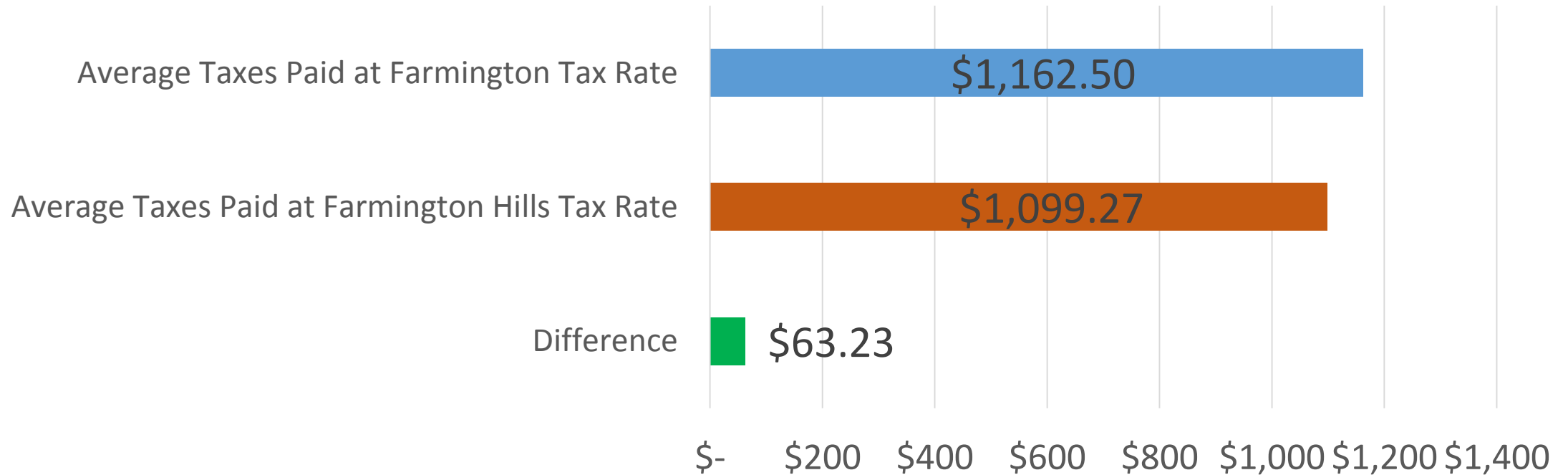
Question 7: Why no option presented to consolidate with Farmington Hills?

Comparison of Farmington and Farmington Hills Millage Rates 2018



Question 7: Why no option presented to consolidate with Farmington Hills?

Comparison of Farmington and Farmington Hills Property Taxes 2018



Question 8: What services can be shared or contracted with Farmington Hills and Oakland County:

Current Shared Services

District Court	\$ 465,000	IT	\$ 39,000
Dispatch	\$ 222,000	Arts Commission	\$ 11,000
Senior Services	\$ 150,000	Personal Property Tax Collection	\$ 8,000
Parks and Recreation	\$ 68,000	Youth Assistance	\$ 5,000
Assessing	\$ 65,000	Multi-Cultural Multi-Racial	\$ 1,000
Youth and Family Services	\$ 44,000	Total	\$ 1,078,000

Note: In addition to the shared and contractual services with Farmington Hills and Oakland County, the City contracts with individuals for the Civic Theater, Farmers Market, and Warner Mansion.

Question 8: What services can be shared or contracted with Farmington Hills and Oakland County:

- Administration
- Elections
- Police
- Fire
- Economic and Community Development
- Building Department/Code Enforcement
- Public Works
- Remainder of Parks and Recreation

Question 8: What services can be shared or contracted with Farmington Hills and Oakland County:

- Most discussed service to contract has been Fire service
 - Farmington Hills estimates that it would need to hire 5 new firefighters to provide an adequate level of service.
 - The cost for an employee is similar for Farmington and Farmington Hills.
 - Therefore, for the contract to be cost neutral, if Farmington Hills adds 5 firefighters, Farmington would have to reduce it's staffing by 5 officers - from 23 to 18.
 - The average number of police officers is 20 for a community with our population and geographic size.
 - Without realizing any savings, Farmington's police force would be below average for a community with our population and size.