

FARMINGTON CITY COUNCIL
SPECIAL MEETING
November 1, 2010

A special meeting of the Farmington City Council was held on Monday, November 1, 2010, 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.

ROLL CALL

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

COUNCIL MEMBERS ABSENT: Wright.

CITY ADMINISTRATION: Director Gushman, Controller Norgard, City Manager Pastue, Treasurer Weber.

APPROVAL OF AGENDA

11-10-198 MOTION by McShane, seconded by Wiggins, to approve the revised agenda as presented. MOTION CARRIED UNANIMOUSLY.

INTERVIEW - GERALD WASEN, DDA VACANCY

Council interviewed Gerald Wasen to fill a vacancy on the Downtown Development Authority Board.

Pastue recommended moving the River Glen Paving Improvement Project as the next agenda item as there was a large contingency present for same.

DISCUSSION - RIVER GLEN PAVING IMPROVEMENT PROJECT

Pastue advised next step in establishing a Special Assessment District (SAD) for the River Glen Paving Project would be to bring forth a resolution directing the City Assessor to formally prepare an assessment role. He stated Resolution No. 3 would direct the City Assessor to prepare the assessment role and Resolution No. 4 would present the role and establish a final public hearing on the special assessment. He advised the last resolution would adopt the SAD.

He asked Council's approval to place Resolution No. 3 on the November 15th meeting agenda.

Mayor Buck indicated Council is ready to move forward on Resolution No. 3, but entertained discussion from members. He noted comments from the public hearing were generally supportive of moving forward with project.

Pastue reiterated there would be one more public hearing and a couple of opportunities for Council to reconsider.

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Buck asked if attendees had any questions of City Manager Pastue or Director Gushman. Tom Sanderson, Treasurer of River Glen Association, responded that a vote was held at their annual meeting to move forward with the project.

Pamela Stopper, River Glen resident, asked for clarification regarding when a decision would be made by Council. Pastue advised at the November 15th meeting Council would adopt a resolution to direct the City Assessor to formally prepare an assessment role for this project. He further advised that at the December 6th meeting the assessment role would be accepted and a public hearing would be scheduled for the December 20th meeting. The project would likely be finalized at that meeting.

Pastue indicated up until the last minute Council has the discretion of to change the dollar value of assessment role and how it's spread. He noted his recommendation is on a per unit basis, however, Council can base the assessment role on the number of bedrooms in each unit.

Mayor Buck asked River Glen residents their preference on how the assessment role should be based. Stopper responded that in elections it is one vote per resident and not a percentage basis.

Bess Grover, River Glen resident, asked the City to provide recycling containers to the complex. She noted their garbage is privately contracted and recycling bins would be a nice addition.

McShane responded Ms. Grover's request was a worthy one in that the City would love to have all residents participating in recycling.

Pastue responded they could pursue this recycling accommodation, however, there are challenges presented with condos and multi-family units.

Yocheved Wright, River Glen resident, asked about the choice of blacktop versus cement in paving the street. Pastue responded among other things it is a much easier and less costly maintenance item and is compatible with the paving area just outside of complex. She also expressed concern over the damage a dumpster truck might cause to the paving.

Gushman responded that residential roads have the same trucks traversing them and that they are looking at putting in thicker pavement at area of dumpster.

Thomas Sanderson expressed appreciation to the City for the time and effort involved in setting up a SAD.

FINANCIAL STATEMENT AUDIT PRESENTATION – PLANTE MORAN

Present: David Helisek, Nick Tochman, Kari Shea

David Helisek introduced the members of his team and advised that Council should have three documents related to audit: the financial statement, a letter to the City Council, and a graph package which will comprise the majority of the

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presentation. He advised the financial statement itself is 67 pages, and members of his team met earlier with Vince, Chris and Amy to ensure that disclosures and figures were accurate and that their interpretations were consistent with facts and figures represented in this year's audit.

Tochman advised Farmington once again received an unqualified opinion, the highest level of assurance that an auditing firm can give to a set of financial statements.

Tochman cited one note not included in last year's audit; this note described a change in accounting. During the current year, the City calculated the value of sick and vacation benefits earned by City employees and transferred funds related to these benefits to an internal service fund.

Tochman then explained the graph handout presented to Council. The General Fund on the first graph, revenues were presented comparatively from 2009 to 2010 with a decrease of 1.2 percent or \$96,000 to total revenue of 7.7 million dollars. The City's main source of revenue is property taxes which comprises 56% of total General Fund revenues. Property tax decreased in 2010 by 5% from 4.5 million to 4.3 million dollars as a result of decline in property tax value.

Tochman stated the City experienced a 1% decline in taxable value from 2008 to 2009; however, that was not as significant as the 3.4% decline experienced from 2009 to 2010. He noted Mills were held constant during this period.

Tochman advised Council has been proactive in recognizing these declines and their impact on General Fund revenues. He pointed out a millage increase to 15 mills was levied July 1st, 2010 and will be reflected in revenue in fiscal year 2011.

Tochman explained another significant portion of General Fund revenues came from monies received from the State. State sources, made up mostly of state shared revenues, increased approximately \$115,000 in the current year. The increase is due to the statutory portion being reported in the General Fund in the current year. He noted the amount was previously recorded in the capital improvement fund. In total, state shared revenue actually declined around \$100,000 or 11% from prior year.

Tochman noted revenues from Federal grants increased 77% from \$27,000 in 2009 to \$119,000 in 2010. The increase was a result of two grants the City received, both for the Public Safety Department.

Tochman reviewed General Fund expenditures noting a slight increase from 2009 to 2010 in the amount of \$2,000. He pointed out the General Fund was budgeted to use 2.2 million dollars of fund balance in current year, however, only 1.9 million was used. This was primarily a result of cost containment in general government, public safety and the public services department.

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Further discussion was held about the variances between both years. General government costs decreased approximately \$72,000 mainly due to the elimination of the Assistant City Manager position and less expenditures surrounding elections and legal fees. Public Safety remained fairly constant, while Public Services decreased approximately \$85,000 mainly due to several small positive budget variances being highlighted by DPW's pension allocation.

Tochman stated the City also incurred some additional expense in repairs in 2009 that it was not required to incur in 2010. He pointed out Community and Economic Development increased approximately \$23,000 in the current year, driven from an appraisal of the old court building and the funding of a Corridor Improvement Authority Study.

Tochman explained the graph reflected restructuring costs for 2009 and 2010. In 2009 there was a one-time contribution of \$527,000 in order to convert the City's DPW Dispatch and Non-Union employees with less than 20 years of service from a defined benefit to a defined contribution Retiree Health Care Plan. In the current year the City incurred a charge of \$629,000 for employee benefits. The charge for the employee benefits is in conjunction with the establishment of the accrued employee benefits internal service fund. The purpose of such was to provide funding for earned, but unused sick and vacation time, for which employees are entitled to be paid based on certain union contracts.

Tochman explained the final graph again depicted General Fund expenditures in a different format. Whereas the previous graph breaks out expenditures by department, this looks at it based on actual types of expenditures. People costs comprise 67% of General Fund expenditures and are similar to other like sized communities. These people costs include salaries, fringes, retirement contribution, retiree health care contribution and the accrued employee benefits expense that was referenced previously.

Tochman indicated the break out of expenditures was relatively consistent with the prior year.

Tochman explained the final graph shows cash flows generated in the Water and Sewer Fund presented by activity over the last three years. He pointed out that cash generated from operations and investment income had been positive for the City up until 2009. In 2009 and 2010, cash generated from operations and investment income is negative, citing rising costs from Detroit coupled with declining consumption from its users. He stated that the use of \$30,000 cash in 2010 was down from the \$230,000 used in 2009, but volatility still remains.

Tochman stated cash used in the Capital and related financing activities demonstrates the City has invested in significant improvements to the Water and Sewer System. He stated these improvements were performed concurrently with road projects. He discussed the number of road projects that have occurred over the last three years.

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Tochman advised the Capital and related financing activities also shows debt service payments. He stated the City currently has three outstanding debt issuances and one millage dedicated to a 1990 bond debt issuance, which will expire as well as the property tax millage in 2011.

Tochman pointed out the final line indicated a cumulative decrease of 1.3 million dollars over the past three years. He pointed out that although City maintains sufficient funds to operate on a day-to-day basis, it should be cognizant of consumption levels going forward.

Helisek discussed Water and Sewer Rate Structure his office developed to use as a tool in setting future rates. The City is still in relatively healthy shape regarding Water and Sewer costs, but they should be closely monitored on an annual basis.

Helisek and Shea then presented the Auditor's Letter to Council.

Shea advised that as part of the audit process internal controls of City are reviewed and utilized to determine audit procedures but opinions of those controls are not usually expressed. He stated any concerns would be brought to Council's attention. He advised no difficulties were encountered in performing the audit and no other significant deficiencies or material weaknesses in reviews were found. He stated this is not the norm since most communities have some deficiencies. He commended the City's accounting staff on their ability to prepare and keep records organized.

Helisek stated relative to revenue sharing, the State is trying to maintain the same level of funding in the State's upcoming Fiscal Year as it was in the prior year. He stated that may not be possible due to the State's financial position. He recommended the City continue to be conservative on revenue sharing and be cognizant of any changes coming out of Lansing.

In summary, Helisek noted the decrease in the General Fund balance was anticipated and budgeted for and at the same time the City was able to set aside monies to cover known liabilities. He commended the City for taking these actions.

Helisek discussed upcoming changes in accounting procedures under GASB 54.

Responding to a question from McShane, Helisek stated the undesignated fund balance of 19.17% is in a nice healthy range and factors in reactionary time for the City to cover unanticipated revenue losses.

McShane asked about the strength of the City's AA Bond Rating. Helisek responded the City's bond rating is strong due to funding debt service, funding sick and vacation time, making scheduled pension contributions and so forth. He stated the City has done some very positive things to position itself well in the eyes of rating agencies. He encouraged the City to continue to be proactive in this regard.

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Further discussion was held on this topic. McShane commended staff for their proactive stance in handling these issues.

Wiggins asked about the 4.5 inflation rate used in calculating the City's pension contribution and what impact it had on the numbers. Helisek stated he was not sure, but that they could contact an actuary for more accurate info.

Further discussion was held on this subject.

Helisek commented that a service Plante Moran continues to provide are webinars which are open to the Finance Department and Council. He noted an upcoming webinar is "Ideas on balancing your budget".

Pastue thanked Plante Moran and City staff for their hard work and appreciated the good working relationship between the two entities.

Mayor Buck also commended everyone for their hard work.

DISCUSSION - FILLING DEPARTMENT OF PUBLIC WORKS VACANCY

Pastue discussed the need to fill a position in the Department of Public Works that was vacated after Founder's Festival. He asked for Council's approval to fill the position.

Knol asked about outsourcing or shifting of positions to fill this need. Discussion followed regarding skill levels necessary to fill this opening.

McShane expressed concern over reduction in staff numbers and the ability to keep up with maintenance and provide quality service.

Pastue responded that was a reason the position wasn't filled immediately and all factors were considered before making the decision to fill the vacancy.

Further discussion was held concerning hiring part-time or contract workers and the pros and cons were discussed regarding insurance and other issues.

Pastue further explained that this is not a change in the budget, it would only be filling an existing position.

Council agreed to allow Pastue to move forward in finding a candidate for position.

DISCUSSION OF BOARD AND COMMITTEE APPOINTMENTS

Pastue reminded Council of the two vacancies open on the Downtown Development Authority Board.

Discussion followed regarding the qualifications of the candidates.

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11-10-199 MOTION by McShane, seconded by Wiggins, to appoint Gerald Wasen to the Downtown Development Authority Board for a four-year term ending February 28, 2014. MOTION CARRIED UNANIMOUSLY.

11-10-200 MOTION by Wiggins, seconded by Knol, to appoint Maria Jewitt to the Downtown Development Authority Board to fill an unexpired term ending February 28, 2013. MOTION CARRIED UNANIMOUSLY.

Pastue indicated there is a vacancy on the Construction Board of Appeals and Historical Commission.

McShane indicated that a candidate that interviewed for Historical Study Commission and also Historical Commission, Kari Vaughn, would be a good fit for the Historical Commission. Discussion was held concerning same.

11-10-201 MOTION by McShane, seconded by Knol, to appoint Kari Vaughn to the Farmington Historical Commission for a three-year term ending 10/31/13. MOTION CARRIED UNANIMOUSLY.

Pastue indicated there are two vacancies on the Planning Commission.

Discussion followed regarding state statute and a Councilmember's ability to serve on the Commission which would mean a third position would be open in July. Discussion continued concerning possible candidates for open positions.

ECONOMIC AND REDEVELOPMENT ISSUES

Pastue commented that an individual from the Michigan Economic Development Corporation (MEDC) has provided information about available block grant programs. He is anticipating bringing him to Council in February to talk about what would be a good fit with the current program. Discussion was held concerning state allocation and availability of same.

Mayor Buck commented that DDA is trying to step up recruiting efforts for businesses and is looking at ways to accomplish this and may ask for Council's help in the recruitment process.

OTHER BUSINESS

No other business was heard.

PUBLIC COMMENT

Hank Borgman commented on the timeliness of leaf pick-up in the City and recommended making the first round later in season.

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COUNCIL COMMENT

McShane recommended developing criteria whereby background checks would be performed on groups that come before Council to hold special events in the City.

Buck noted background checks would give indication of responsible use and verify charitable aspects of group and funding.

Pastue cautioned that First Amendment rights may be a factor involved.

McShane expressed concern regarding goal setting criteria being established and put into use. Pastue responded goal setting will be addressed at the December 6th Study Session.

Mayor Buck reminded Council of the November 10th Civic Theater presentation in Council Chambers. He also commended Manager Pastue and his staff on the successful audit.

Pastue praised members of his staff on the successful audit. McShane indicated concessions made from employee groups were a large part of the City's success and all should be commended.

Knol announced a fundraising event, "Bowling for Helping Hungry Hands", to benefit the Gleaners Food Bank of Southeastern Michigan. The event will be held Saturday, November 13th at Drake's Lanes.

Mayor Buck also reminded everyone of Farmington Hills City Hall Revitalization Rededication to be held Wednesday, November 17, 2010 from 5:00 - 8:00 p.m.

ADJOURNMENT

11-10-202 MOTION by McShane, seconded by Knol, to adjourn the meeting.
MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 8:55 p.m.

J.T. (Tom) Buck, Mayor

Susan K. Halberstadt, City Clerk

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