



Special/Study City Council Meeting  
6:00 p.m., Thursday, May 31, 2018  
Conference Room  
23600 Liberty Street  
Farmington, MI 48335

## FINAL

### STUDY SESSION MINUTES

A special meeting of the Farmington City Council was held on May 31, 2018, in Farmington City Hall, Farmington, MI. Notice of the meeting was posted in compliance with Public Act 267-1976.

The meeting was called to order at 6:00 p.m. by Mayor Steve Schneemann.

#### 1. Roll Call

Attendee Name	Title	Status	Arrived
Sara Bowman	Mayor Pro Tem	Present	
William Galvin	Councilmember	Present	
Joe LaRussa	Councilmember	Present	
Steve Schneemann	Mayor	Present	
Maria Taylor	Councilmember	Present	

#### City Administration Present

City Clerk Halberstadt  
City Manager Murphy  
City Attorney Saarela

#### 2. Approval of Agenda

Move to approve the agenda as amended.

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Bowman, Mayor Pro Tem
<b>SECONDER:</b>	LaRussa, Councilmember

#### 3. Public Comment

No public comment was heard.

#### 4. Continued Council discussion on next steps regarding the Community Forums on Financial Sustainability

Schneemann set the stage for discussion, requesting Councilmembers be open and candid in their comments.

Murphy reviewed the 3 proposed options for implementation of millage:

1. Council increases the current charter authorized millage rate by 1.5 mills for General Operations effective July 1, 2018 and puts 1.5 mills on the November

ballot for Capital Improvements. The voter approved millage is not subject to our charter maximum.

2. Council authorizes two ballot questions for the November election, 1.5 mil for General Operations and 1.5 mil for Capital Improvement. Both of the voter approved millages are not subject to the charter maximum.
3. Council authorizes on ballot question for a 3 mill increase for General Operations and Capital Improvements. The voter approved millage is not subject to our charter maximum.

Schneemann noted that at the last meeting Councilmembers concurred on a 3 mil increase.

Galvin expressed concern regarding the impact on the City's bond rating if the 1.5 mil is levied by Council. He believes Option 1 will impact the City when it goes out to borrow money, translating into higher loan costs.

Galvin pointed out that all the communities that have had financial issues have at least three things in common: no more taxing authority, no capital funds and high legacy costs. He stated Options 2 & 3 would be the choice in the hands of the voter. He would consider a fourth option of a Headlee Override.

Schneemann clarified that a Headlee Override does not provide more taxes, however it gives the City more room to raise taxes.

Galvin stated a Headlee Override would give the City more taxing authority to raise taxes. It engages the voters and restores council's ability to govern and deliver services the way it is intended.

Schneemann pointed out if a 3 mil Headlee Override was approved by voters and council levied 3 mils as a result, the city would be in the same situation as Option 3.

Discussion followed regarding the ongoing issue with Headlee Override and the continued erosion of the millage cap.

Responding to Schneemann, Galvin reinforced he supports a 3 mil Headlee Override that gives the Council the authority to raise taxes as needed.

Schneemann expressed concern about doing the Headlee Override and that it just punts the tax increase discussion down the road.

Weber provided an analysis of the effect of Headlee Rollback on raising the Charter millage or having a separate voter millage for operations.

Schneemann suggested we could ask voters for both a 3 mil increase and a Headlee Override on the November ballot. He discussed the issue going forward without a Headlee Override. He stated even with a 3 mil Headlee Override and Council increases

by same amount, the City will still be in trouble in the next 3-5 years in terms of being leveraged to the max.

Bowman pointed out that a 1.5 mil leveraged by the City would provide more time to find other cost containment opportunities and additional revenue.

Galvin asked how we want the Council to be positioned financially in 5 years.

Schneemann stated that because of the Headlee Act there is no way we can fix it for the future.

Taylor pointed out the attendees at the forums were made to understand that if a 3 mil was levied, then the City would be "golden" for many years.

Weber noted that the projections presented at the forums were extended out 5-6 years. He stated our revenue should go up by the rate of inflation, noting inflation going up is good for the city.

Galvin noted that the City finances are exactly where they are supposed to be according to certain members of the 2010 Council. He would like to figure out how to position the next Council so that their backs aren't up against the wall. He believes a dedicated millage is an easier sell than a Headlee Override every few years.

LaRussa stated the Capital Improvement millage is the easiest sell on the table. He suggested going for a dedicated Capital Improvement millage and a Headlee Override of 3 mils. He asked what it would take to close the City's current pension plan, noting we need significant funds to address major problems.

Schneemann stated the City received a clear message from voters that they want to fix it now. He stated the options are viable and recommended delaying taking action on a Headlee Override until a few years down the road. At that time the voters can be informed that the City is seeking a Headlee Override, but doesn't necessarily want to increase taxes.

Bowman pointed out that the forum reached a limited number of voters. She does not think it would be confusing to voters if the Headlee Override is introduced.

Schneemann stated the City should keep the levied millage separate from a Headlee Override.

LaRussa supported Option One, otherwise go to the voters for a Headlee Override. He is willing to take the risk of levying to the max and absorb the rollback and take whatever consequences there are for the City's bond rating.

Discussion followed regarding the bond rating and the Capital Improvement Plan.

Taylor expressed support for Option One. She stated it is all about the marketing and what will sell to the voters. She believes a 3 mil request on November ballot is a heavy

lift. She would like to see a dedicated millage. She agreed Council should be talking about a Headlee Override in the next year or so.

Responding to Taylor, LaRussa clarified that he supports Option 1 plus a 3 mil Headlee Override.

Weber pointed out most of the taxing entities on the City's tax bill are at their max. He stated it is rare for communities not to be at the max for levying taxes.

Discussion followed regarding the impact of being at the Headlee Cap and its effect on the City's bond rating.

Schneemann discussed the importance of continuing to develop and improve the City and keeping it attractive. The City needs to continue to be a place where people want to live.

Bowman expressed concerns about Option 1 in that levying 1.5 mil now and then asking voters for another 1.5 mil would be confusing. She is intrigued by the option of the Headlee Override of 3 mils. She supports Option 3 that engages the voters and both millage increases in one.

Taylor stated if a 3mil is voted down, she would be highly hesitant to raise taxes thereafter.

Bowman expressed support for Option 3 and could live with Option 1.

Galvin stated a politician without a tax budget is disabled. We need to embrace and trust our voter base. With Option 1, if things don't work out the way we want the future Council will have no options. The City needs to maintain financial flexibility for future councils. He stated Option 2 is too complicated and Option 3 is not the way to go. He stated if a Headlee Override is passed, Council can point out to voters that they gave us permission to raise taxes. He trusts the voters to do the right thing.

Schneemann stated it sounds like Option 3 answers some of the concerns expressed by Galvin. He asked Galvin if he would support Option 3.

Taylor stated she is dead set against Option 3.

LaRussa expressed support for Option 1 only.

Schneemann stated Option 3 is a compromise between Option 1 and Option 4 (Headlee Override of 3 mil). He believes it would get the support of the voter. It is not as pure as Option 4 and is not as immediate as Option 1. He expressed support for Option 3. He shared his concerns regarding Option 1.

LaRussa proposed Option 5, a 3 mil Headlee Override and 1.5 Capital Improvement millage.

Council recessed at 8:05 and resumed at 8:10.

Taylor stated she supports Option 1 and her second choice is Option 5. She again stated that if Option 3 did not pass she would not support a tax increase.

Galvin suggested city administration make a recommendation that Council can consider. He suggested city administration approach each councilmember to discuss millage options.

## **5. Council Comment**

Galvin stated the City needs to start addressing the pension problem. We need to start transitioning to a defined contribution plan.

Schneemann agreed that the City needs to look at our pension obligation and options for the future. However this should not be tied to the millage increase discussion.

Bowman stated the meeting was a very good exercise. She stated when a final decision is reached, all of Council needs to back that decision with the same message and demonstrate a united front.

Taylor reiterated that the message from the forums was 1.5 operating millage and 1.5 capital improvement millage. She believes Council needs to do their job before asking the citizens to do theirs.

Schneemann agreed with Bowman that Council needs to show a unified front in whatever decision is made.

## **6. Adjournment**

**Move to adjourn the meeting.**

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Bowman, Mayor Pro Tem
<b>SECONDER:</b>	Taylor, Councilmember

The meeting adjourned at 8:35 pm.

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Steve Schneemann, Mayor

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Susan K. Halberstadt, City Clerk

Approval Date: June 18, 2018