



Special/Study Session Meeting
7:00 p.m., Tuesday, February 12, 2019
Conference Room
23600 Liberty Street
Farmington, MI 48335

STUDY SESSION AGENDA

- 1. Roll Call**
- 2. Approval of Agenda**
- 3. Public Comment**
- 4. City Administration New Millage Initial Recommendation**
- 5. Other Business**
- 6. Council Comment**
- 7. Adjournment**

City of Farmington
City Administration New Millage Initial Recommendation
February 12, 2019

On November 8, 2018 Farmington voters approved a millage increase of 3 mills for 10 years. This vote affirmed what residents and businesses had expressed during several community forums and numerous town hall meetings – the Farmington community wants to invest in their future.

Now that funding is secured, the City must focus its efforts on how to effectively and efficiently put this millage to work. Specifically, we have to answer the following questions:

- How should the millage be split between operations and capital?
- Which capital projects should be funded?
- Should these capital projects be funded on a pay-as-you-go basis or should debt be issued to fund them?
- What changes to operations should be made?

Administration has been working on answering these questions in the years leading up to the millage election and for the last several months since the millage has passed. Significant steps we have taken include:

- Updating the City's 5 Year Plan
- Benchmarking employee wages and benefits
- Creating a Capital Improvement Plan using input from the public, the Administration of the City of Farmington Administration, City Council, Planning Commission, Downtown Development Authority, Grand River Corridor Improvement Authority, and Parking Committee
- Requesting updates on capital needs from all department heads, subsequent to the issue of the latest Capital Improvement Plan

The following pages contain our recommendations.

Operating and Capital Millage Split

The millage requires that at least half of the 3 mills be used for capital outlay, with the remaining to be used for operations. Administration recommends that 1 mill be allocated to operations and 2 mills to capital. This split should provide sufficient funding for operations in the near term and allow more funding for important capital projects in the City. The split may need to be revised in the later years of the millage to 1.5 mills for operations and 1.5 mills for capital, as costs are anticipated to outpace revenues, largely due to the impact of increased funding of pensions.

This recommendation is based on the City's current 5 Year Forecast. It should be noted that this forecast is based on the 2018/19 Budget with any major changes that have come to Administration's attention since the budget was passed. There will be several significant updates to the forecast that will occur in the next few months including:

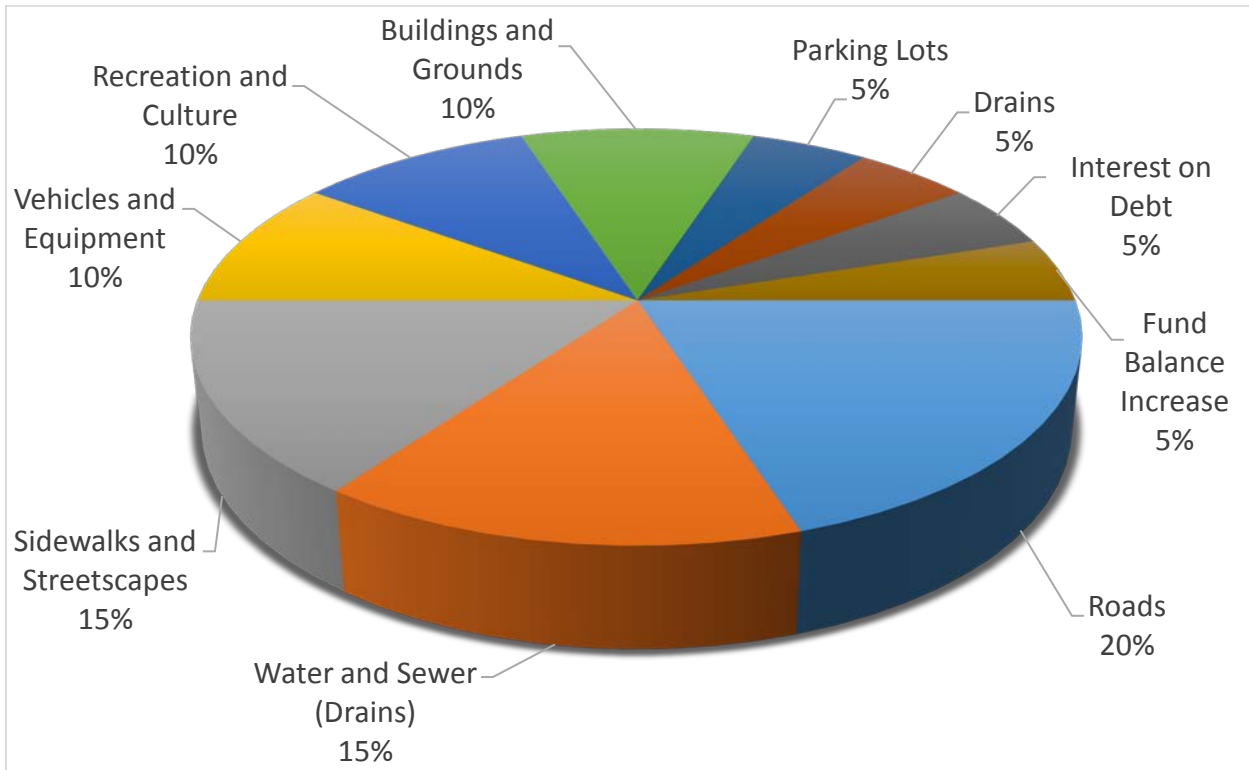
- Department Heads 2019/20 budget submittals by the end of February
- 2019 Property Tax Taxable Value Numbers (pre BOR) by the end of February
- Required Pension Contribution information for the 2020/21 fiscal year and beyond by the end of June.

See Attachment A for the Five Year Forecast

Capital Projects Funding

If 2 mills are allocated to capital, it is estimated that a total of \$8 million will be generated for capital projects over 10 years. Determining a high level priority for spending is important to ensure the needs of the City are addressed over a 10-year period; and, that resources are allocated in a thoughtful manner at the start of the millage, considering all of the dollars that will be available. With that in mind, Administration proposes that the capital projects portion of the millage be split as follows:

Category	Amount	Percent of Millage	Millage Equivalent
Roads	\$ 1,600,000	20.0%	0.40
Water and Sewer (Drains)	1,200,000	15.0%	0.30
Sidewalks and Streetscapes	1,200,000	15.0%	0.30
Recreation and Culture	800,000	10.0%	0.20
Buildings and Grounds	800,000	10.0%	0.20
Vehicles and Equipment	800,000	10.0%	0.20
Parking Lots	400,000	5.0%	0.10
Drains	400,000	5.0%	0.10
Interest on Debt	400,000	5.0%	0.10
Fund Balance Increase	400,000	5.0%	0.10
Total Expenditures	\$ 8,000,000	100.0%	2.00



** Additional information describing each of the capital outlay categories is found in Appendix B.

Pay as You Go or Debt Issuance

If 2 mills are generated for Capital Projects, approximately \$800,000 would be generated per year. The City could use this funding to pay for projects each year; or issue debt and use the \$800,000 to pay the debt service; or a combination of the two.

If the City chooses to pay for projects on a pay as you go basis, approximately \$800,000 would be available each year for projects. The pros of this approach are that the City would have a great deal of flexibility each year to address needs of the City. The City would also be better able to take advantage of opportunities as they come up. The cons to this approach include a longer time frame to create an impact in the community.

If the City chooses to issue debt and use the \$800,000 to pay debt service, the City could issue approximately \$6 million of bonds. The pros to this approach are that the funds would be available immediately and would have a significant impact on the community. The cons are that once the funds are spent, the City would have no flexibility for future needs and opportunities.

Administration recommends issuing \$2 million in bonds to fund projects immediately. The debt service on this issue would be approximately \$250,000 per year, leaving approximately \$550,000 available each year for ongoing projects. The projects to be completed with this bond issue are open to prioritization by Administration and City Council.

Operational Changes

The City has several operational challenges that need to be resolved. These include:

Staffing

Administrative support for the building department - currently there is one part-time admin requiring the building inspector and economic and community development director to greet the public and answer phones when the part-time person is not present, on vacation, etc.

Grants Coordinator – Funding is likely available for the parks, farmers market, mansion, DDA projects, etc. These grants have not been pursued in the past because of a lack of funding. Now that there is availability for matching funds, it would make sense to have a person skilled in writing grants to work for the City. This would likely be a contractual position.

Administration is not recommending adding staffing at this time. Although additional staffing is important, if only 1 mill is allocated to operations, we will not be able to afford the additional staffing. Administration will consider contracting with a grants coordinator to pursue grants.

Pension Costs

Pension costs continue to be an issue for the City as it recovers from the Great Recession. Pension benefits will have to be addressed. Ideas include increasing employee contributions, reducing or closing down the benefit for new hires, and contributing more than the required contribution each year to improve the City's funded percentage

APPENDIX A

**CITY OF FARMINGTON
FIVE YEAR FORECAST**

Assuming 3 Mill Levy Allocated 1 Mill to General Operations and 2 Mills to Capital

GL NUMBER	DESCRIPTION	2015-16 ACTIVITY	2016-17 ACTIVITY	2017-18 ACTIVITY	2018-19 Amended	2018-19 PROPOSED BUDGET	%Incr.	2019-20 FORECAST	2020-21 FORECAST	2021-22 FORECAST	2022-23 FORECAST	2023-24 FORECAST
Fund 101 - GENERAL FUND												
<u>Revenues by Source</u>												
	Property Taxes	4,370,311	4,439,690	4,634,575	4,847,324	4,847,324		5,392,863	5,574,883	5,739,900	5,909,846	6,084,868
	Licenses and Permits	203,230	152,324	139,355	161,300	161,300		163,010	164,754	166,533	168,348	170,199
	Federal Grants	22,720	36,138	32,876	23,622	23,622		23,622	23,622	23,622	23,622	23,622
	State Shared Revenues	1,057,740	1,140,455	1,082,827	1,104,199	1,162,715		1,162,382	1,170,810	1,190,627	1,210,840	1,231,457
	Charges for Services	2,051,924	2,009,507	2,069,720	2,028,283	2,017,976		2,043,098	2,066,785	2,082,853	2,099,173	2,116,008
	Fines and Forfeits	429,913	482,539	453,667	480,500	480,500		490,100	499,892	509,880	520,067	530,459
	Other Revenues	211,516	320,394	240,668	189,800	218,800		207,472	209,177	210,917	212,691	214,501
	Transfers, Capital Improvements	112,326	0	0	223,000	191,000		0	0	0	0	0
		8,459,680	8,581,047	8,653,688	9,058,028	9,103,237		9,482,547	9,709,924	9,924,332	10,144,588	10,371,113
<u>Expenditures by Function</u>												
	General Government	1,737,533	1,814,038	1,749,868	1,859,049	1,852,434		1,824,331	1,912,298	1,963,554	2,030,462	2,062,907
	47th District Court	478,689	465,397	528,260	511,545	511,545		506,479	516,609	526,941	537,480	548,229
	Public Safety	3,451,850	3,597,880	3,745,243	3,888,572	3,871,923		4,078,019	4,253,905	4,440,708	4,579,726	4,700,619
	Public Works	1,078,706	1,072,616	1,123,646	1,332,231	1,341,306		1,188,892	1,217,493	1,246,886	1,274,893	1,303,273
	Economic/Community Development	274,026	194,217	166,773	216,158	217,899		201,513	205,490	209,568	213,750	248,038
	Health Welfare	5,864	5,978	6,992	6,930	7,014		7,151	7,291	7,433	7,578	7,727
	Recreation and Cultural Services	707,668	830,867	736,086	767,842	756,680		760,914	780,469	800,596	820,384	840,584
	Transfers to Other Funds	695,471	693,200	717,693	724,489	724,489		727,620	740,030	750,738	764,042	775,391
		8,429,807	8,674,193	8,774,561	9,306,816	9,283,290		9,294,920	9,633,583	9,946,423	10,228,314	10,486,767
	NET OF REVENUES/APPROPRIATIONS - FUND 101	29,872	(93,146)	(120,873)	(248,788)	(180,053)		187,628	76,341	(22,091)	(83,727)	(115,654)
	BEGINNING FUND BALANCE	2,621,335	2,651,207	2,558,061	2,558,061	2,558,061		2,378,008	2,565,636	2,641,977	2,619,886	2,536,159
	ENDING FUND BALANCE	2,651,207	2,558,061	2,437,188	2,309,273	2,378,008		2,565,636	2,641,977	2,619,886	2,536,159	2,420,505
	Total Fund Balance as a % of Expenditures	34.3%	32.1%	30.2%	26.9%	27.8%		29.9%	29.7%	28.5%	26.8%	24.9%

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FIVE YEAR FORECAST**

Assuming 3 Mill Levy Allocated 1 Mill to General Operations and 2 Mills to Capital

GL NUMBER	DESCRIPTION	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
		ACTIVITY	ACTIVITY	ACTIVITY	Amended	PROPOSED BUDGET	%Incr.	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
		2,651,207	2,558,061	2,437,188	2,309,273	2,378,008		2,565,636	2,641,977	2,619,886	2,536,159	2,420,505
	LESS RESTRICTED FUND BALANCE											
	Prepaid/Inventory	(91,880)	(69,398)	(69,398)	(69,398)	(69,398)		(69,398)	(69,398)	(69,398)	(69,398)	(69,398)
	Drakeshire Debt	(184,000)	(174,400)	(84,800)	0	0		0	0	0	0	0
	Theater Debt	(30,000)	0	0	0	0		0	0	0	0	0
	Next Year's Budget Appropriation	0	(248,788)	(180,053)	187,628	187,628		76,341	(22,091)	(83,727)	(83,727)	(115,654)
	Cemetery	(46,259)	(46,259)	(46,259)	(46,259)	(46,259)		(46,259)	(46,259)	(46,259)	(46,259)	(46,259)
	Other	(45,900)	(459,000)	(459,000)	(459,000)	(459,000)		(459,000)	(459,000)	(459,000)	(459,000)	(459,000)
	UNRESTRICTED FUND BALANCE	2,253,168	1,560,216	1,597,678	1,922,244	1,990,979		2,067,320	2,045,229	1,961,502	1,877,776	1,730,194
	Unrestricted Fund Balance as a % of Expenditures	26.7%	18.0%	18.2%	22.4%	23.3%		24.1%	23.0%	21.3%	19.8%	17.8%

APPENDIX B
CAPITAL OUTLAY PROJECTS

Roads

Administration is recommending that \$1.6 million of millage funding be allocated to roads.

The City has a dedicated millage that generates approximately \$520,000 per year. In addition, the City's Act 51 road money generates approximately \$280,000 per year in excess of operations that can be spent on capital outlay. If \$200,000 is allocated from the new capital millage on a yearly basis, the City would have \$1 million per year to fund road programs.

The City Engineer is preparing a report that will document how much funding will be required going forward to improve road conditions in Farmington. The last time a report of this nature was created was 2014. At that time, \$600,000 was needed for status quo and \$900,000 was necessary to improve the roads by 1 point on a 10 point scale over 10 years. Due to a lack of funding, the City was not able to fund the roads at either of the recommended amounts.

The City's road committee would recommend to Council which roads to fund.

Water and Sewer (Drains)

Administration is recommending that \$1.2 million of millage funding be allocated to water and sewer.

The City Engineers are currently completing a report on the causes and potential fixes for the flooding on Manning and Mayfield. The solution will likely require construction of additional drainage. The only funding for this would be through the capital improvement millage or the General Fund. Any additional millage funding could be used for water main replacement and/or sewer lining. It should be noted that the water and sewer rates are set to generate about \$600,000 per year to fund capital improvements. The water and sewer fund may issue bonds to pay for upgrades to the water and sewer system in the near term, but these would be repaid from rates and would not be part of this millage.

Sidewalks and Streetscapes

Administration is recommending that \$1.2 million of millage funding be allocated to sidewalks and streetscapes.

The City has discussed a streetscape project on Farmington Road for a decade. The project is 75% designed and is anticipated to cost \$3 million. Grant funding is likely available for \$1 million. The City could contribute \$1 million to this project with the other \$1 million coming from the DDA or private property owners. As an alternative to Farmington streetscape, the City could improve streetscapes in other areas of the City.

The additional \$200,000 could be used on sidewalks throughout the City to supplement the current program of spending \$50,000 per year on sidewalk repairs.

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CAPITAL OUTLAY PROJECTS

Recreation and Culture

Administration is recommending that \$800,000 of millage funding be allocated to recreation and culture.

The majority of recreation and culture funding will go toward comprehensive improvements to Shiawassee and Drake parks. The most significant project would be to connect Shiawassee park to the downtown, which would include a switchback pathway. The scope of these improvements will need to be defined in upcoming months/years. Other specific projects are listed below. Note that some of the items will be eligible for grant funding.

Description	Amount
Shiawassee Park Comprehensive Improvements	???
Drake Park Comprehensive Improvements	???
Riley Park Floor Resurfacing	\$ 10,000
Riley Park Pavillion Painting	10,000
Riley Park Lighting	15,000
Riley Park Paver and Approaches	15,000
Shiawassee and Drake Park Bathroom Renovations	30,000
Flanders Path	25,000
Mansion Painting	20,000
Mansion Brickpavers	10,000
Mansion Roof	<u>24,000</u>
	\$ 159,000

APPENDIX B
CAPITAL OUTLAY PROJECTS

Buildings and Grounds

Administration is recommending that \$800,000 of millage funding be allocated to Buildings and Grounds. A list of projects is below.

Description	Amount
HVAC and Boilers	\$ 185,000
Drake Park Storage	50,000
City Hall Entryways	60,000
Roof Replacements	300,000
City Hall Carpet Replacement and Paint	25,000
Public Safety Front Desk Ballistic Glass	25,000
South Truck Bay Door Replacement	14,000
Training Room Upgrade	24,000
Offsite Property Room Upgrade	10,000
City Hall Furniture	30,000
DPW Hoist	50,000
	<u>\$ 773,000</u>

APPENDIX B
CAPITAL OUTLAY PROJECTS

Vehicles and Equipment

Administration is recommending that \$800,000 of millage funding be allocated to vehicles and equipment.

The most significant purchase administration proposes to make with millage funds is a used fire truck to replace the City's oldest engine, which is currently 24 years old. A list of the other equipment recommended to be purchased is below. Note that the total of the list is greater than the \$800,000. The reason for this is that many of the items on the list are eligible for partial grant funding.

Description	Amount
Voting Equipment	\$ 50,000
Computer Network/Equipment	100,000
Public Safety Equipment	
Fire Truck	250,000
Thermal Imaging Camera	24,000
Firearms	22,000
Fire Turnout Gear	85,500
In-Car Computers	20,000
Emergency Lights & Siren Controls	36,000
Body Cameras	80,000
In-Car Cameras	40,000
Self Contained Breathing Apparatus	130,000
Phone Recording System	18,000
Portable Radios	75,000
Additional Security Camera Upgrades	10,000
Portable Light Trailer	10,000
Live-Scan Fingerprinting Upgrade	10,000
	<u>\$ 960,500</u>

Parking Lots

Administration is recommending that \$400,000 of millage funding be allocated to parking lots.

Significant parking lot projects include micro-surfacing and restriping the downtown center, a complete rebuild of the parking lot at Drake Park, and repair of the DPW parking lot.

APPENDIX B
CAPITAL OUTLAY PROJECTS

Drains

Administration is recommending that \$400,000 of millage funding be allocated to drains.

Last year the City was notified by the Oakland County Drain Commissioner that repairs would need to be performed at 9 Mile and Drake Road on the Caddell Drain. Farmington's share of the work being performed is \$400,000. This work will be performed in the 2019/20 fiscal year.

Interest on Debt

Administration is recommending that \$400,000 of millage funding be allocated to interest on debt.

Issuing \$2 million of bonds to pay for various projects will cost the City approximately \$400,000 in interest over the life of the bonds. The projects to be funded by the bond would include the \$400,000 for Caddell Drain, which must be paid for in the 2019/20 fiscal year; as well as any other projects considered a high priority by Council.

Fund Balance Increase

Administration is recommending that \$400,000 of millage funding be allocated to increase the Capital Improvement Fund fund balance (savings account).

The City has a financial policy that sets the minimum fund balance for the Capital Improvements Fund at \$500,000. Due to the Great Recession and financial needs of the City, the fund balance has been drawn down to approximately \$200,000. Adding \$400,000 to fund balance would put us in compliance with our policy and provide a modest contingency for future projects that may arise.