

FARMINGTON CITY COUNCIL
REGULAR MEETING
June 1, 2009

A regular meeting of the Farmington City Council was held on Monday, June 1, 2009, 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 7:15 p.m. by Mayor Knol.

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

COUNCIL MEMBERS ABSENT: None.

CITY ADMINISTRATION: Director Gushman, City Clerk Halberstadt, Director Nebus, City Manager Pastue, Assessor Sailer, Treasurer Weber.

APPROVAL OF AGENDA

06-09-111 MOTION by Buck, seconded by McShane, to approve the agenda as amended; changing the order of items under Presentations/Public Hearings to B, C, & A and changing the order of items under New Business to E, C, F, B, G, H, I, J, K, A & D.

PRESENTATIONS/PUBLIC HEARINGS

CONSIDERATION TO ACCEPT RETIREE HEALTH CARE PLAN ACTUARIAL VALUATION

Treasurer/Finance Director Weber gave a presentation on the Retiree Health Care Plan Actuarial Valuation for the period ending June 30, 2008.

Responding to a question from Wright, Weber confirmed that if the retiree healthcare liability was recorded like all other liabilities the net equity of the City would decrease significantly.

Wright advised retiree healthcare is a major cost to the City that exceeds all other costs. He stated if the City funded the defined benefit plan as required by law, a combination of reduced services and increase in taxes that would be necessary would make living in this City unattractive. He pointed out this situation in Farmington is no different than other municipalities.

Pastue advised based on the state constitution and collective bargaining agreements the City has an obligation to fulfill its retiree healthcare commitment. He stated the only option left is to find an alternative "gap insurance" to try to reduce the cost.

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Pastue noted there may be some leeway in reducing the liability for terminated vested members. He stated the City is currently addressing active membership costs through a defined contribution plan.

Wright stated the cost of retiree healthcare is simply not affordable.

Buck asked regarding actions the City can take to mitigate future retiree healthcare costs. He noted those costs are 13 -14% of the City's budget.

Pastue responded the City needs to get expenditures in line with projected revenues. He stated a course of action will involve discussions with all of the City's labor groups. He stated the City is looking into options to reduce the annual costs for current retirees.

Buck expressed concern regarding the impact retiree healthcare costs have on the rest of the budget. He noted these costs could swallow up funds for services and create a need for a millage increase.

Pastue responded all costs and revenue sources are on the table for discussion. He stated wage and benefit concessions, millage levels, service levels, are part of an equation to balance the budget. He noted the City has effectively negotiated a defined contribution plan with two of its bargaining units and non-union group.

Buck asked about the likelihood of state or federal legislation that would assist municipalities in addressing the healthcare issue. Pastue responded in his opinion the only beneficial solution would be a single payer system and that seems unlikely.

McShane concurred with comments expressed by Wright. She expressed concern the healthcare liability will tie up City funds, limiting what can be done in other areas. She stated the need to educate the public on the significant challenges faced by the City. She commented the City needs to find alternatives for reducing healthcare costs.

Knol thanked Treasurer Weber for his great presentation. She pointed out the numbers illustrated the reason why it is necessary to convert to a defined contribution plan.

Knol requested a short recess to allow for set up of cameras to videotape the remainder of the meeting.

Council concurred to take a recess at 7:50 p.m. and recommenced the meeting at 8:05 p.m.

06-09-112 MOTION by McShane, seconded by Buck, to receive and file the Retiree Health Care Plan Actuarial Valuation for the period ending June 30, 2008. MOTION CARRIED UNANIMOUSLY.

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PROCLAMATION – FARMINGTON/FARMINGTON HILLS EXCHANGE CLUB 85TH ANNIVERSARY

Council recognized the Farmington/Farmington Hills Exchange Club for their 85 years of service to the Farmington area community.

PUBLIC HEARING – PROPOSED FISCAL YEAR 2009-10 BUDGET AND MILLAGE RATES

City Manager Pastue reviewed the proposed Fiscal Year 2009-10 budget and millage rates.

Mayor Knol requested a motion to open the public hearing.

06-09-113 MOTION by McShane, seconded by Wiggins, to open the public hearing to hear comment on the proposed Fiscal Year 2009-10 budget and millage rates. MOTION CARRIED UNANIMOUSLY.

Hearing no public comment, Mayor Knol requested a motion to close the public hearing.

06-09-114 MOTION by Buck, seconded by Wiggins, to close the public hearing. MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS

CONSIDERATION TO AMEND DOWNTOWN DEVELOPMENT AUTHORITY'S FISCAL YEAR 2008-09 BUDGET

RESOLUTION 06-09-115 Motion by Wright, seconded by Wiggins, to amend the Downtown Development Authority's Fiscal Year 2008-09 budget by a reduction of \$95,000 as recommended by the DDA Board. [\[SEE ATTACHED AMENDMENT\]](#).

ROLL CALL

Ayes: Knol, McShane, Wiggins, Wright, Buck.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO ADOPT FISCAL YEAR 2009-10 47TH DISTRICT COURT, BROWNFIELD REDEVELOPMENT AUTHORITY AND JOINT AGENCY BUDGETS

RESOLUTION 06-09-116 Motion by Wiggins, seconded by Wright, to adopt a resolution approving the Fiscal Year 2009-10 budgets for the 47th District Court, Brownfield Redevelopment Authority, and Joint Agencies. [\[SEE ATTACHED RESOLUTION\]](#).

ROLL CALL

Ayes: McShane, Wiggins, Wright, Buck, Knol.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

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CONSIDERATION TO ADOPT RESOLUTION TO AMEND REFUSE/RECYCLING USER CHARGE

RESOLUTION 06-09-117 Motion by Wiggins, seconded by Buck, to adopt a resolution to amend a Residential Refuse/Recycling User Charge effective July 1, 2009. [SEE ATTACHED RESOLUTION].

ROLL CALL

Ayes: Wiggins, Wright, Buck, Knol, McShane.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO ADOPT DOWNTOWN DEVELOPMENT AUTHORITY'S FISCAL YEAR 2009-10 BUDGET AND ESTABLISH 2009 PRINCIPAL SHOPPING DISTRICT SPECIAL ASSESSMENT

RESOLUTION 06-09-118 Motion by McShane, seconded by Wiggins, to adopt a resolution to approve the Fiscal Year 2009-10 Downtown Development Authority Budget and establish 2009 Principal Shopping District special assessment. [SEE ATTACHED RESOLUTION].

ROLL CALL

Ayes: Wright, Buck, Knol, McShane, Wiggins.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO ADOPT RESOLUTION TO FORGIVE LOAN FROM THE CAPITAL IMPROVEMENTS FUND TO THE CIVIC THEATRE FUND

Responding to a question from Councilmember Wright, Pastue confirmed revenue from the theatre covers all of its operating expense, but has been insufficient to meet its debt obligation.

RESOLUTION 06-09-119 Motion by Wright, seconded by McShane, to approve forgiving the loan from the Capital Improvements Fund to the Civic Theatre Fund in the amount of \$118,924.

ROLL CALL

Ayes: Buck, Knol, McShane, Wiggins, Wright.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

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CONSIDERATION TO INTRODUCE ORDINANCE C-744-2009 TO AMEND CHAPTER 2 OF THE CITY CODE DEALING WITH RETIREE HEALTH CARE CONTRIBUTIONS

06-09-120 MOTION by Wiggins, seconded by McShane, to introduce Ordinance C-744-2009 to amend Chapter 2, Administration, Article V, Employee Benefits, Division 3, Retiree Health Care Plan, Section 2-430, Declaration of Retiree Health Care Fund, of the City Code, in order to change the funding requirements for the Retiree Health Care Fund. [SEE ATTACHED ORDINANCE]. MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO APPROVE SPECIAL EVENT PERMIT FOR OUR LADY OF SORROWS CHURCH PICNIC

06-09-121 MOTION by Buck, seconded by Wright, to approve a special event request from Our Lady of Sorrows to hold a picnic at Shiawassee Park on Sunday, June 7, 2009. MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO ADOPT RESOLUTION FOR JOHN COWLEY & SONS IRISH TAVERN FOR OUTDOOR SEATING LIQUOR LICENSE

RESOLUTION 06-09-122 Motion by McShane, seconded by Wiggins, to adopt a resolution approving the expansion of the liquor license for John Cowley & Sons Irish Tavern to allow for outdoor seating and service, and authorize the City Manager to sign an agreement for the use subject to approval by the City Attorney. [SEE ATTACHED RESOLUTION]. MOTION CARRIED UNANIMOUSLY.

BOARD AND COMMITTEE APPOINTMENTS

Planning Commission

06-09-123 MOTION by Wiggins, seconded by Buck, to reappoint Terri Jean Sutton to the Planning Commission for a three-year term ending June 30, 2012. MOTION CARRIED UNANIMOUSLY.

Commission Aging

06-09-124 MOTION by McShane, seconded by Wright, to appoint Jeanne Atkinson to the Commission on Aging to fill an unexpired term ending June 30, 2010. MOTION CARRIED UNANIMOUSLY.

Millennial Mayor's Appointment

06-09-125 MOTION by Buck, seconded by Wiggins, to appoint Nicole J. LaVake as Farmington's representative to the Millennial Mayor's Program. MOTION CARRIED UNANIMOUSLY.

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CONSIDERATION OF RESOLUTION TO ADOPT FISCAL YEAR 2009-10 BUDGET AND MILLAGE RATES

Wright asked how approval of the budget influences the outcome of retiree healthcare benefits. Pastue stated there is a separate appropriation for the proposed retiree healthcare benefit, however, the budget can be amended if Council prefers to go in a different direction.

Wright confirmed with administration the budget includes a retiree healthcare combined defined contribution and defined benefit plan.

Wright advised not all employee groups have agreed to the defined contribution (DC) plan which is a better solution than the defined benefit (DB) plan. He stated both are probably more expensive than the City can afford. He noted agreement to a DC plan by all collective bargaining units could take years and expressed concern regarding unfair treatment to all employees.

Wright expressed concern that approval of the amendment to the current budget may be negated by approval of next year's budget. Pastue responded this would not be the case.

Knol asked if the City would pay more for retiree healthcare in FY2009-10 if Council did not approve the DC Plan for Dispatch, DPW and the Non-Union Group.

Weber responded under that scenario the actuary would have to recalculate the numbers and provide a new annual required contribution (arc). He stated Council would have to determine whether to fund that amount.

Responding to a question from Knol, Weber confirmed the actual liability would go up significantly if all employee groups remained in the DB plan. He further confirmed the longer the City waits to make a change the higher its liability.

Wright asked if it would increase the contribution requirement to remain fully in the DB plan. He pointed out implementation of the DC plan would cause a larger cash outflow initially, but recognized it would result in reduced long term costs.

Pastue pointed out the part of the rationale for not fully funding the annual required contribution to retiree healthcare was due to the implementation of the DC plan. He advised the Council is required by Charter to adopt next year's budget. He noted the Treasurer needs to provide the millage information to the assessor and the county for the purpose of tax bills.

Pastue recommended Council adopt the budget if they agree with all other elements other than retiree healthcare. He stated if Council takes a different policy direction with retiree healthcare then a budget amendment can be made after July 1st.

Knol stressed the importance of looking at the long term benefit of the DC plan. She stated given the current economic crisis the City cannot afford to wait. She expressed support for the DC plan.

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Wiggins stated it is not unusual for employee groups to have different levels of benefits. He stated eventually through negotiation benefits tend to equalize between the groups.

RESOLUTION 06-09-126 Motion by Wright, seconded by McShane, to adopt a resolution approving the Fiscal Year 2009-10 budget and millage rates as presented. **[SEE ATTACHED RESOLUTION].**

ROLL CALL

Ayes: Knol, McShane, Wiggins, Wright, Buck.

Nays: None.

Absent: None.

MOTION CARRIED UNANIMOUSLY.

CONSIDERATION TO APPROVE COMPREHENSIVE AMENDMENT TO FISCAL YEAR 2008-09 BUDGET

Pastue reviewed the proposed amendments to the FY 2008-09 budget.

Wright noted the amendments result in a budget deficit. Pastue responded the deficit is due to implementation of the retiree healthcare DC plan.

Wright pointed out that without the implementation of the DC plan, the budget would be amended to a surplus. He stated this is a one issue problem.

Pastue recognized the change in the retiree healthcare plan is a significant one. He stated staff would be happy to meet with Council to talk about this change. He advised action on the proposed amendment could be delayed until the June 15th meeting.

Wiggins stated he does not see where there is more room for further discussion regarding the DC plan. He advised the City has negotiated in good faith with employee groups regarding this plan. He further advised if the City decided not to go with the DC plan it could lead to an unfair labor practice. He stated the DC plan is the right direction to go.

McShane concurred with Wiggins, noting the City has made a commitment to employees regarding the DC plan. She expressed her support for the plan and adopting the amendment resolution.

Buck advised the City faces a number of budget challenges. He would like more time to fully understand all the implications of benefit changes and not just related to the DC plan. He would like a greater understanding of the City's strategy going forward in dealing with potential deficits. He requested a couple more weeks to further study budget implications before taking action on the proposed budget amendment resolution.

Knol expressed support for taking action on the proposed amendment resolution. She stated taking action that evening does not preclude Council from having additional budget discussions. She anticipated there would be several budget amendments over the next year.

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Knol noted there has been extensive discussion regarding conversion to the DC plan already. She expressed support for the plan stating it is the best choice for the City. She recommended making the decision in the current fiscal year because budget constraints will only worsen over the next year. She advised conversion to the DC Plan will provide long term savings and it is the right thing to do for the employees.

Wright pointed out that once the funds are transferred from the City's coffers to the employees' accounts there is no turning back. He noted current employee benefits are not comparable to the private sector. He stated retirement healthcare does not exist in the private sector. He noted everyone qualifies for medicare benefits at age 65.

Wright stated the retiree healthcare benefit represents 10-20% of a resident's property tax bill. He advised this is a significant number that the City is unable to fund and as a result an increase in property taxes would be needed. He discussed other changes that would need to take place in order to pay for this benefit.

Wright recommended the City competitively bid out the current healthcare coverage. He stated the City needs better healthcare expertise to find providers other than just Blue Cross. He discussed possible changes in the City's current healthcare plans, such as a higher deductible or an HSA plan.

Knol expressed support for bidding out healthcare, but noted it is a separate issue from the decision on a DC plan. She stated the City cannot continue providing all employees with a retiree healthcare defined benefit plan.

Wright stated he does not believe the City should provide employees with retiree healthcare coverage. He advised this is the most critical issue the City has faced in the last ten years or longer.

Buck stated the world, particularly in Southeast Michigan, has changed in the last 60 days. He expressed concern that Council has not fully reflected on all of those changes as they relate to challenges faced by the City. He would like two more weeks to fully understand the commitments under consideration by Council.

Pastue stated retiree healthcare is just one of many issues the City needs to consider for long term viability. He expressed support for the DC plan, noting it is the best of a number of bad alternatives. He supported scheduling an additional meeting with Council to discuss the direction of the City. He confirmed the DC Plan has already been negotiated with DPW and Dispatch. He advised Council could postpone implementation with the non-union group.

Knol noted delaying a decision does not change the cost of the plan.

Wright stated the DC plan is a good idea given the other choices available. He stated when the employment benefit package is enhanced the City is then forced into negotiating with the employee groups on other benefits such as hourly wage. He stated the implementation of one benefit restricts the options available for other benefits. He

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again noted the core benefits the City provides to employees is not competitive with the surrounding market. He advised the City does not have a lot of choices given the revenue reductions it is facing. He requested the City provide a healthcare expert to participate in benefit discussions.

06-09-127 MOTION by McShane, seconded by Buck, to table a resolution approving a comprehensive amendment to the Fiscal Year 2008-09 budget. MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENT

No public comment was heard.

COUNCIL COMMENT

McShane announced a free prescription card program offered by the Michigan Retailers Association. She noted there are more than 2000 pharmacies participating in the program.

Buck thanked fellow Councilmembers for the depth of deliberation and City staff for their support and guidance in facing these challenges. He commended the DDA on the excellent job they are doing in publicizing the businesses are open during construction.

Wright suggested discounting Civic Theatre tickets during construction. He recognized the professionalism and commitment of the City and DDA staff. He noted the City's administration is far ahead of other municipalities in addressing benefit issues.

ADJOURNMENT

06-09-128 MOTION by McShane, seconded by Wiggins, to adjourn the meeting. MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 9:45 p.m.

Valerie S. Knol, Mayor

Susan K. Halberstadt, City Clerk

APPROVED: June 15, 2009