



# Farmington Hills 2020 Vision

Taxes & Services Committee

# Farmington Hills 2020 Vision Taxes & Services Subcommittee Team Members

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# Taxes & Services Subcommittee

## Mission

- *Develop a vision for revenue and expenditure levels in Farmington Hills which will provide financial stability and meet resident expectations for public service, safety and quality of life through 2020.*

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## Goals

- *Recommend solutions to address immediate and short term (0-4 years) deficit projections resulting from property tax and revenue sharing reductions*
- *Recommend long term solutions to allow Farmington Hills to maintain and improve services, public safety and quality of life through both challenging and prosperous economic conditions*

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## Methodology

- Benchmark revenue and service levels in Farmington Hills to similarly-sized, desirable communities, regionally and nationally
- Review and utilize current planning models
  - Financial projections
  - Sustainability study
  - 2011 resident survey
  - Master Plan
  - County and regional models
- Perform detailed analysis of selected city departments
- Brainstorm short and long term revenue and cost strategies

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## Findings

- Farmington Hills provides citizens with outstanding services, which are appreciated by the taxpayers.
  - Citizens rank Farmington Hills services as better than national benchmarks in 28/31 categories
  - Businesses appreciate parks and recreational facilities for their employees
  - Perceived as an affluent, well educated community
  - Various awards, such as “Best Places to Live”
  - 89% of citizens rate Farmington Hills quality of life as “good” or “excellent”
  - 93% indicate it’s a “good to excellent” place to live

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## Findings

- Farmington Hills cost structure is/was already competitive with other outstanding cities.

### Peer Benchmark data (2010)

(includes: Novi and Rochester Hills MI, Beaverton OR, Overland Park KS, Plymouth MN, Scottsdale AZ)

	Farmington Hills	Peers
Total revenue per citizen	\$1,189	\$1,336
Amount funded by property tax	44%	31%
Total spending per citizen	\$1,379	\$1,544
Average shortfall in 2010/citizen	<\$190>	<\$208>

(see Attachment A)

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## Findings

- The average Farmington Hills homeowner is paying 29.4% less in city property tax (savings of over \$325) in 2011 than in 2007.

	Average Home Value	Average City Property Tax
2007	\$222,300	\$1,114
2011	\$156,842	<u>\$ 786</u>
Taxpayer savings		\$ 328



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## Findings

- Current statutes and court funding mandates put Farmington Hills at a disadvantage with some neighboring communities, most notably Rochester Hills (a peer benchmark city), which has no directly comparative court costs.
- Lower property tax valuations and resultant lower property tax revenue has a “snowball” effect.
  - Example: **At 2007-08 property values, the existing 1.4764 public safety millage funded 49 public safety positions (27 police and 22 fire positions). At present valuations, the same millage funds 40 positions (22 police and 18 fire positions). Fewer police officers on patrol results in fewer traffic cases at the 47<sup>th</sup> District Court.** Cases have decreased from approximately 20,000 to 11,000 per year. At \$100 per case, potential lost revenue is \$900,000. Cost to maintain court operations and facilities becomes a larger financial burden for the city.

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## Findings

- The city has been proactive with cost cuts. 2011 spending is 10% lower than 2007, 16% after adjusting for inflation (see attachment B).
- Most cost cutting options have been exhausted. We need to restore about half of the **\$328** taxpayer savings to maintain present service levels going forward (about 2.0 mils total).
- 2.0 mils will:

• Cost the average homeowner	\$157
• Return to the city <b>(FY 2012/13)</b>	<b>\$6,020,000</b>
• Continue to save the taxpayer from 2007:	<u>\$171</u>

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## Recommendations

- ***Solutions to address immediate and short term (0-4 years) deficit projections resulting from property tax and revenue sharing reductions:***
  - Submit for voter approval an increase in city operating millage of 2.0 mils. This is the most effective method to maintain service levels, credit rating, public safety and resident quality of life in the immediate future. Thoughtfully communicate the message for any millage proposal, emphasizing actual dollars versus rates.
  - Include a “sunset provision” for any millage proposal, emphasizing the solution as a bridge until property valuations rise and until we can restructure our financial model to reduce reliance on property taxes for operations.

***\*\*City Council passed a resolution on August 22, 2011 to ask voters for a designated Public Safety millage of 1.7 mils on the November, 2011 ballot.\*\****

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## Recommendations

- ***Short term solutions (continued)***
  - Allow paid advertising on city website
  - Investigate corporate naming rights options and/or sponsorships for events and city-owned properties
  - Investigate leasing unused space at 47<sup>th</sup> District Court building
    - Attorneys
    - Small Business Owners
  - Capture revenue from non-resident and transient emergency **non-transport** response calls (I-696/I-275/M-5 corridors)
  - Institute a rental inspection fee on tenant-occupied single-family residential properties in defined zoning districts
  - Reduce city cost share of road improvement special assessment districts
  - Establish and/or increase non-resident user fees for golf course, ice arena, parks, Special Services activities, classes
  - Discontinue low-usage recreational and Special Services programs
  - Consider an employee and/or department furlough program (i.e., reduced hours/day, days/week, days/month)

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## Recommendations

- ***Long term solutions to allow Farmington Hills to maintain and improve services, public safety and quality of life through both challenging and prosperous economic conditions***
- Fund city government and services through revenue sources other than property taxes
  - ✓ Pursue grants – Homeland Security, Environmentally-friendly energy corridor development, DNR, Michigan Natural Resources Trust Fund
  - ✓ Initiate dialogue with the state to establish a directed local sales and/or occupancy (hotel) tax
  - ✓ Invest in or develop revenue-producing property (e.g., hotel, retail)
  - ✓ Identify services we do best or better than most and investigate contracting those services to other municipalities
    - EMT training
    - DPW services
    - Parks maintenance

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## Recommendations

- ***Long term solutions (continued)***
  - Optimize property utilization
    - ✓ Relocate or consolidate personnel for efficiency gains
    - ✓ Evaluate city-owned facilities and property for revenue-producing potential
    - ✓ Sell or develop unneeded and underutilized buildings and parcels
  - Investigate fire consolidation strategies with adjacent communities (see attached grid diagram)
  - Initiate investigation of statutory changes to court funding requirements to result in more consistent and equitable county/state funding of district courts
  - Pursue county-managed consolidation of public safety dispatch
  - Pursue increased consolidation of services and buying consortiums with other municipalities to comply with expected state incentives

# Attachments