

# Capital needs could squeeze city's budget

By Joanne Maliszewski  
staff writer

For a city its size, Farmington Hills' total \$23 million debt is not considered large. But faced with growing capital needs, the city could experience "tough times" ahead.

That's an opinion offered by Ken Kunkle, an accountant for Plante & Moran CPAs of Southfield, who recently presented Farmington Hills officials with the 1985-86 audit of city finances. "Relatively speaking, you really don't have a lot of debt," Kunkle said. But he suggested that the city's six-year capital improvements program might have to be financially accomplished through a vote of the electorate because of the city's 10-mill charter limit.

Prepared by the Farmington Hills Planning Commission, the six-year improvements plan provides city officials with a priority list of capital needs. As each year passes, city staff add another year of potential projects to the plan. The state-required plan includes improvements in drains, sanitary sewers, public facilities, sidewalks, equipment purchases and parks and recreation facilities.

"WE PUT THESE projects in with the assumption they would be done on a six-year framework," said City Manager William Costick, adding the plan is feasible based on available financing, immediate need, and construction timetables.

City officials expect to garner help in financing suggested projects through state and federal grants. But Costick estimated the city's share of the current improvement plan's cost at approximately \$25 million.

"The growth we have experienced in the past and hope to experience in the

future, is placing demand for infrastructure improvements in the city. We have to address these needs if we hope to improve," said Charles Rosch, city finance director and treasurer.

The audit shows that "we've been very successful in the past. We have a good tax base — commercial and residential. We've been conservative in the general budget and maintained low millage," Rosch said. In 1984-85, the city's general fund budget totaled \$16.6 million supported by a 8-mill local tax rate. This year, the city's general fund budget stands at \$16.7 million with a 8.3-mill levy.

"The growth we have been experiencing in the past and hope to experience in the future is placing demand for infrastructure improvements in the city. We have to address these needs if we hope to improve," Rosch said.

THE TYPE OF major improvements needed can't be financed by the city's annual general fund budget. "A larger portion of the millage will be needed to fund projects," Rosch said.

"There is a potential impact on the tax rate to fund some of these improvements. But that is mitigated by the growing tax base — development along Northwestern Highway and 12 Mile, for example. Although city officials 'don't want to panic anyone, there is going to be some kind of increase,' Rosch said.

The city's debt stands at \$23 million. Yet, \$7.4 million of it is in special assessments for paving and sewers. Of the remaining \$15.6 million of debt, only \$1.5 million is supported by property taxes. For the 1985 tax roll, 33-mil is for debt retirement (33 cents per \$1,000 of assessed property value). The rest of the debt is repaid through user and tap fees, for example, Rosch said.

Although the city's total debt is not considered large currently, both Kunkle and Rosch expect the situation to change. Financing the city's share of the Gaddell Drain project and the new police building now under construction will increase the city's debt, Rosch said.

In discussing the city's financial future, Kunkle encouraged council members to continue the city's "planned methodical way" of approaching capital improvements.

City officials expect that through "proper planning," debt for capital improvements can be reasonably managed. For example, the \$130,000 annual debt is retired in four years, another project can begin, Rosch said. "We plan that as one (debt obligation) is retired, we'll do another. We plan new issues as the others expire," Rosch said.

"We've got to address the needs now. We are a young city so we are in the growth stage," he added. "We have to pay and develop these improvements. We need to do it now."

Major capital improvements should be made now while the city is growing — increasing its tax base — rather than waiting until it has matured and development has leveled off or reached a plateau when many cities have trouble maintaining an infrastructure, Rosch said.

ALTHOUGH THE city's general fund revenues (for the city's general operations) increased in 1984-85, property taxes accounted for a smaller share of total revenue as compared to previous years, according to the audit.

In 1984-85, for example, property taxes accounted for 56 percent of the city's revenues. In the previous year, 59 percent of revenue was supported by

property taxes. In 1983, property taxes supported 62 percent of city revenues.

In 1984-85, property taxes represented a smaller share of revenues because increases occurred in other revenue-generating activities, particularly construction fees and permits, Rosch said.

Construction-related activity accounted for \$2 million worth of the city's total \$13.9 million revenue compared to \$1.6 million in 1983-84, Rosch said. That's a 27.6 percent increase.

The city's \$13.9 million revenues in 1984-85 exceeded expenditures of \$12.9 million. But with the revenue increases received through construction-related activities the city is committed to the

subsequent building inspections that will result in expenditures, Rosch said.

In 1984-85, unappropriated surplus stood at \$2.1 million, according to the audit. "That's large on an individual basis. But it's not large for a city our size," Rosch said. The surplus represents approximately 10 percent of the city's budget. A 10 percent surplus is considered necessary by financial experts and analysts, according to city officials.

"TEN PERCENT is not that much of a reserve to keep," Rosch said. "The fund balance allows us to cover expenditures that are not covered in the budgets. This allows us to take care of

things as they arise." Reserves are also used when the city receives matching state and federal grants for road projects, for example.

With the state's cyclical economy, it's also wise for the city to have surplus on hand in case state shared revenues are reduced or late in coming, Rosch said. In addition, as federal officials struggle with reducing the country's deficit, local governments will more than likely receive less or nothing at all. Currently, the federal government provides approximately \$250,000. "We'll have to look in the future with replacing that revenue with our revenue," Rosch said.

## Hills pride

### Ford dealer helping spruce entryway

Ford's "Detroit Pride" has now become "Farmington Hills Pride."

Local Ford dealer Tom Holzer, owner of the newly relocated Holzer Ford, announced his firm's contribution of \$2,500 to Farmington Hills for highway/median improvement and beautification.

Farmington Hills has designated the Holzer funds for the clean up and beautification of the entrance to the city at the Grand River-McCord interchange. Ornamental trees, flowering shrubs and appropriate landscaping will be established at this highly traveled Farmington Hills intersection.

The money was presented to City

Manager William Costick at the dedication of the new Tom Holzer Ford Auto Dealership, 10 Mile and Haggerty, Farmington Hills. The \$20,000 square feet offers new and used car and truck sales, updated service department, a body shop with infra red paint booth, a parts department, leasing and rental.

"THE HOLZER donation will certainly assist us in keeping our city beautiful. The new landscaping at this busy intersection will become a point of pride for our residents. We wish to extend our sincere appreciation to Mr. Holzer and to the Ford Motor Co.," Costick said.

The Tom Holzer/Farmington Hills cooperative project is one of the 32 metro Detroit Ford Dealers' individual clean up/beautification campaigns within their communities.

This summer, Ford Division and its 32 Metropolitan Detroit Ford dealers joined forces with the state and with Detroit to launch a summer clean up/ youth employment program called "Detroit Pride."

The program provided summer employment for 250 young people (up to 75,000 hours of labor), who helped clean up 600 miles of Detroit-area freeways in Wayne, Oakland and Macomb counties.

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## Hills man appointed

Farmington Hills resident Michael McCarthy, vice president of Trans-Overseas Corp., Detroit, was appointed to the Michigan District Export Council (MDEC) by U.S. Secretary of Commerce Malcolm Baldrige.

The council is an export promotion comprised of local business leaders, educators, state and municipal officials who volunteer their time and expertise to foster greater interest and participation in the national export expansion effort. Members are appointed by the U.S. Secretary of Commerce for two-year terms. They work closely with the U.S. and Foreign Commercial Service.

McCarthy also serves on the board of directors of the World Trade Club of Detroit, the board of governors of the Propeller Club of the U.S. Port of Detroit, and is an active member of the U.S. Coast Guard Auxiliary. He holds the U.S. Coast Guard Life Saving Medal.

In the past, McCarthy was president of the World Trade Club of Detroit, vice president of the Ocean Freight Agents' Association and director of the Greater Detroit Chamber of Commerce.

McCarthy was born in Pennsylvania but raised and educated in Michigan.

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