

**MINUTES
CITY OF FARMINGTON HILLS
FARMINGTON HILLS CITY COUNCIL
THE HAWK – 3rd FLOOR CONFERENCE ROOM
APRIL 28, 2025 – 6:00PM**

The study session of the Farmington Hills City Council was called to order by Mayor Rich at 6:00pm.

Council Members Present: Aldred, Boleware, Bridges, Bruce, Dwyer, Knol and Rich

Council Members Absent: None

Others Present: City Manager Mekjian, Assistant City Manager Mondora, City Clerk Lindahl, Directors Skrobola and Schnackel, Police Chief Piggott, and City Attorney Joppich

DISCUSSION ON AMENDMENT TO THE SMOKING LOUNGE ORDINANCE

Referencing her April 28, 2024 background memorandum, Clerk Lindahl introduced this agenda item, explaining that the Clerk's office recently received an application for both a liquor license and a smoking lounge license for a proposed upscale cigar bar at 28970 Orchard Lake Road. Although City Council previously eliminated the bona fide restaurant requirement from the liquor license ordinance to accommodate such establishments, the current smoking lounge ordinance still prohibits alcohol consumption. In 2022, Council acknowledged this restriction might unintentionally exclude cigar bars and agreed to revisit the issue. Given the recent change to liquor license eligibility and past discussions, Council is now being asked to consider amending the smoking lounge ordinance to permit alcohol consumption in such venues. A draft amendment and related meeting minutes have been provided for review.

City Attorney Joppich explained that the draft ordinance will remove 5 words from the existing ordinance: "The use of marijuana products, of any kind, shall not be allowed."

Council discussion:

- Council supported allowing alcohol consumption in cigar bars, viewing it as an opportunity to attract younger residents and modern, upscale businesses. This was a long-overdue step toward making the city more competitive with surrounding communities.
- In response to questions, City Attorney Joppich explained that a Class C license alone does not prevent smoking, but cigar bars must comply with both state tobacco regulations and the city's smoking lounge ordinance. Two separate regulatory tracks are involved: one for alcohol and one for smoking.
- Clerk Lindahl noted the applicant is currently working with state departments to clarify certification requirements, particularly regarding health department regulations linked to indoor smoking.
- The city's smoking lounge ordinance limits operating hours to 10 a.m.–11 p.m.; this will remain in place.
- Only one Class C license remains, but the city may seek additional licenses through redevelopment-based opportunities.

Council reached consensus to place the amendment to the smoking lounge ordinance on the May 12 regular meeting agenda for a first reading.

REVIEW OF BUDGET PROCESS

Finance Director Skrobola recommended shifting the City Council's annual goal-setting session from January to September to better align with the City's internal budget development timeline. By January, departments have already submitted most personnel and capital improvement requests, limiting the ability for Council's priorities to influence the forthcoming budget cycle. Early strategic input would help departments plan more effectively and align projects and personnel with Council's direction.

Council Member Bridges requested that future budget presentations include analysis of the City's financial condition, surplus management strategies, and legacy cost obligations.

Knol noted that moving goal setting to September would allow Council priorities to inform the Capital Improvement Plan (CIP) process, which begins in November and is reviewed by the Planning Commission in January. This timing would improve coordination for large capital items such as parks, facilities, and infrastructure projects.

Council supported the rationale in non-election years but noted challenges during election years when new council members seated in November could significantly change goals set by the previous Council only two months before. A two-step approach was suggested: initial goal setting in September with a follow-up session in January if warranted. It was also suggested to alternate goal-setting dates – September in non-election years, and January following the election in election years.

Mayor Rich asked staff to investigate what the City's benchmark communities do regarding goal-setting timing and provide a summary memo for Council review. She also suggested scheduling a special meeting to discuss this potential change.

DISCUSSION ON COST SHARE WITH CITY OF FARMINGTON

Referencing his April 23, 2025 memorandum, Finance Director Skrobola reviewed the cost-sharing arrangements between Farmington Hills and the City of Farmington:

- Information Technology and Fire/EMS: recently updated, with no adjustments recommended.
- Share Police Dispatch: Agreement is over 10 years old, with the City of Farmington paying ~14% of dispatch personnel costs, which is commensurate with the City of Farmington's share. No adjustments recommended.
- Special services: The current approach dates to a 2008 study by Plante Moran. The arrangement allows City of Farmington residents to participate in Recreation Programs, Senior Programs, and Cultural Arts offered by the City of Farmington Hills at the resident rate. In exchange, the City of Farmington contributes to the overall cost of these programs and provides an annual \$30,000 stipend for maintenance of the Hawk Facility. There was no documentation showing how the \$30,000 amount was determined.
- In fiscal year 2023–24, the total cost of the three programs (Recreation, Senior, and Cultural Arts) was \$6.44 million. Farmington's share of the cost is calculated using a formula based on the average of the two cities' Taxable Values and Populations, which resulted in a 10.74% allocation—or \$692,407—for Farmington. However, due to a 3% annual inflation cap on cost increases, Farmington's actual financial obligation is limited to \$362,608. Continuation of this cost-sharing model is not recommended.

Alternate Approach A – Full Allocation (not recommended):

Under Alternate A, the City of Farmington would help pay for the entire budget of Farmington Hills' Special Services Department, not just the Recreation, Senior, and Cultural Arts programs.

For fiscal year 2023–24, the total cost of Special Services was \$16.64 million. Based on Farmington's share of population and property value, their portion would be 10.74%, or about \$1.788 million. Farmington would receive credit for what its residents already pay directly for the programs currently included in the agreement (Recreation, Seniors, and Cultural Arts). This credit is estimated to be about \$500,000, with the potential for additional credits if resident usage of other services like golf or the ice arena is tracked.

After applying these credits and comparing to the current payment of \$362,000, this would result in an estimated annual increase of around \$900,000. To manage future costs, a 3% cap on annual increases would continue. Any large new expenses—such as the cost of building a new facility—would be negotiated separately.

Alternate Approach B – One-Time Adjustment (recommended)

This approach keeps the focus only on the Recreation, Senior, and Cultural Arts programs already included in the current agreement, but removes the 3% annual inflation cap *just once* to allow for a fairer cost-sharing arrangement. This one-time adjustment is proposed because these programs have grown significantly in size and quality since the opening of the Hawk facility, and Farmington residents have benefited from this by continuing to pay resident rates.

Under this proposal, Farmington would begin contributing the full 10.74% share for just those three program areas. That would increase their contribution from \$362,608 to \$692,407—a rise of about \$330,000 per year. This increase could be phased in gradually over three to five years to ease the financial impact.

Unlike the first option, no additional credits would be given for resident usage—Farmington residents would continue to get resident pricing for these programs. As with Option A, the 3% annual cap would resume after the adjustment, and any major new expenses would be discussed and agreed upon separately.

A full explanation of these options is given in the background memo, and Assistant City Manager Mondora added that as a courtesy a copy of the memo was given to the City of Farmington.

Council discussion:

Dwyer suggested that the City talk to the City of Farmington, get input from them, and then come back to Council for further discussion.

In response to questions regarding available data that might track City of Farmington Use, Special Services Director Schnackel said that precise data regarding City of Farmington use was not available, but she could generate more detailed information if requested. The City did know that roughly 71% of registered users are from Farmington or Farmington Hills combined and that more detailed data could be generated through existing systems.

Council expressed appreciation to the City of Farmington for the value it brings to area, and reaffirmed the importance of preserving the cooperative relationship between the two cities. However, the City of

Farmington needs to pay its fair share. The current Farmington contribution of \$362,000 is disproportionately low compared to the \$6.44 million in services offered.

Council Member Knol pointed out that Farmington Hills made significant decisions—such as expanding services and building new facilities—without first consulting Farmington. While fiscal fairness is important, Knol cautioned that the cities must also preserve the trust and strength of their long-standing partnership.

Council Member Knol highlighted the cultural and economic value that Farmington brings to the region, citing events like the Founders Festival and Harvest Moon as key community draws that benefit both cities. Knol noted that a vibrant downtown Farmington increases demand for housing in Farmington Hills and enhances quality of life for all residents. While a new funding proposal should be presented to Farmington, it must be done with an appreciation of mutual benefit and shared interest, emphasizing negotiation over imposition.

Council Member Bridges agreed with Knol's remarks, reiterating the reciprocal nature of the relationship and supporting Council Member Dwyer's suggested approach—presenting the analysis to Farmington for review and feedback before returning to Council for further discussion.

Mayor Rich offered additional context, pointing out that the current \$30,000 contribution from Farmington was added in 2020 when the Hawk facility opened, without actually doing a comprehensive reassessment. Adjusting the original \$362,000 contribution from 2009 for inflation would have brought the total to \$438,000 in 2020, suggesting that even the augmented contribution falls short. She emphasized that Farmington Hills residents may not realize the extent to which they are subsidizing services for Farmington and called for a thoughtful renegotiation based on fairness. Mayor Rich confirmed she had already reached out to Farmington's mayor as a courtesy and expressed strong support for continuing the conversation collaboratively.

The Council collectively supported engaging Farmington in a respectful, data-drive discussion to help determine a revised and equitable funding model.

ADJOURNMENT

The Study Session meeting was adjourned at 6:52pm.

Respectfully submitted,

Carly Lindahl, City Clerk