



FERNDALE

Finance Review Committee Report

City of Ferndale
2023-24

PRESENTED BY
Resident-led Finance
Review Committee

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PURPOSE STATEMENT

The City of Ferndale's current Voted City Operating millage (commonly called the Headlee override) expires on December 31, 2025. The citizen-led Finance Review Committee was established to study:

1. How a renewal (or non-renewal) of this millage could impact current staffing and service levels;
2. How a renewal (or non-renewal) could impact progress toward the recommendations from the 2022 resident-led Facilities Task Force; and
3. Potential alternatives for the City to explore to reduce our dependence on Headlee overrides in the future.

LETTER TO CITY COUNCIL

Mayor Leaks-May and City Council Members:

We, the members of the citizen-led Finance Review Committee, are grateful to have served the City of Ferndale. We appreciate the City staff who attended meetings, thoughtfully answered our many questions, and explained a vast amount of information. Their support resulted in this informed recommendation.



Through our discoveries, we learned that the major factor affecting property taxes and municipal funding is State policy. First, Michigan ranks last in State revenue sharing in the United States; Ferndale’s estimated State revenue sharing losses since 2002 exceed \$25 million (source: SaveMICity). Missing out on these funds requires the City of Ferndale to seek other sources of revenue.

Second, the Headlee Amendment (1978) and Proposal A (1994) were implemented when no one could have foreseen a recession like we saw in 2008, and when homebuyer habits were very different. While these pieces of legislation have their benefits, they also have drawbacks:



- Proposal A limits the growth in taxable value of existing property year over year. This is a benefit to those who stay in their home for many years. When the property sells, however, the uncapping of property tax puts a considerable tax burden on the new homeowner. Proposal A incentivizes long-term homeownership at a time when people don’t stay in the same house for as long as they used to.

- Headlee limits the growth of taxable value of existing property year over year, but for an entire municipality rather than an individual parcel. This means the additional tax revenue collected from a newly uncapped property is often distributed to other property owners in the form of a millage reduction (“Headlee rollback”) rather than captured by the local government. This leaves little financial safety net to deal with — and recover from — events like the Great Recession or the COVID-19 pandemic.
- Proposal A and Headlee combine to neutralize, in real dollars, any growth in the City's tax revenue from existing property, while continually shifting the tax burden towards the newest homebuyers.

Given this, and until there is policy change at the State level, the Committee understands that the City of Ferndale has to work within these State-imposed parameters.

The following were some other key takeaways from the Committee's efforts:

- **The City of Ferndale has taken steps to operate efficiently and progressively.** In 2010, the City underwent a restructuring following the 2008 recession. This included budget cuts and outsourcing of staff and services. In 2015, following the voter-approved Headlee override, the City began repurposing these new funds in meaningful ways, such as establishing a Human Resources Department and adopting progressive 21st Century Policing policies. Today, the City continually looks for efficiencies using priority-based budgeting. This modern and industry-standard alternative to (though not a replacement for) line-item budgeting considers the City's expenses and looks for those that are mutually dependent.
- **A Headlee override comprises a very small portion of property tax bills for Ferndale residents.** The current Headlee override (4.3638 mills) is only 8.6% of the total mills paid for a resident with a Primary Residence Exemption living in the Ferndale School District and 7.3% of the total for residents in the Hazel Park School District. This means that around 92% of a resident's tax bill is completely unaffected by the Headlee override and will not change.
- **We recognize the importance of providing City employees and community members with up-to-date, safe, and equitable facilities.** We carefully considered the recommendations made by the 2022 Facilities Task Force, paying special attention to the most pressing needs they

identified: a consolidated public safety facility and renovated Fire Station 1 and the Martin Road Park indoor/outdoor recreational center. We are aligned with their vision to "stop throwing good taxpayer money after bad."

- **Sustaining current City service levels and implementing the long-term facilities plan are two things that matter significantly to the community, as indicated by the COBALT survey results.**

Over 90% of survey respondents indicated that the long-term facilities plan was "very important" or "somewhat important" to them as part of a Headlee override, with over 50% saying it was "very important". Over 90% indicated it was "very important" or "somewhat important" to sustain current City service levels, with nearly 70% saying it was "very important".

- **The bulk of the property tax burden in the City of Ferndale falls on residents.** The City of Ferndale is less than four square miles, most of which is residential. Due to Ferndale's small size, community values, and Strategic Plan, the City is inherently limited and also intentionally selective about new commercial and industrial developments. While the City looks for ways to lighten the financial load on homeowners, they are also committed to not compromising on what makes Ferndale great.

Finally, our biggest takeaway: There is no single, perfect, uncomplicated solution. This Committee weighed many different options, all with their unique pros and cons, which we outline in detail in this report. We offer our continued support to you as you undertake these recommendations.

Thank you,
2024 Finance Review Committee



LETTER TO RESIDENTS

To our fellow Ferndale residents:

We were appointed to the 2023-24 Finance Review Committee to serve you, our friends and neighbors, because we are passionate about improving our shared community.

We all brought our own perspectives as residents and our unique areas of expertise as individuals. Some of us are homeowners or have lived in Ferndale for many years, while others of us are renters or have only lived here a short while. We work in various industries — engineering, design, hospitality, and finance, to name a few — and we span multiple generations. Our respect for each other's differing backgrounds and viewpoints helped us have thoughtful, candid conversations, change our minds when presented with new information, and make reasonable compromises. This open-minded approach helped us make recommendations that support our collective values as Ferndale residents.

While we believe we made the best recommendations possible, our biggest takeaways were that municipal finance is very complicated, and there is no single, perfect solution. This report summarizes everything we learned — the good and the bad — in a way that we hope is easy to understand so that you feel equipped to draw your own educated conclusions. The question of whether or not to move forward with a Headlee override is, in essence, a question of trade-offs: high quality and high level of services come with costs. Lower quality or eliminated services mean a different quality of life than the one we've come to love and expect here in Ferndale.

Ultimately, should a Headlee override be on the November 2024 ballot, the decision to approve it or not is entirely up to you, the voters. We ask that you read this report with a curious and open mind. Ask questions, and have the courage to let go of preconceived notions. Share your ideas and your point of view with City staff. Empower yourselves to make the best decision for you and your community. We hope you see the same value as we do in continuing to invest in Ferndale.

Should you someday find yourself with an opportunity to serve on a committee like this, we encourage you to do so. It has been an honor for all of us, and we look forward to working with you toward Ferndale's future.

SECTION 1
EXECUTIVE
SUMMARY



Ferndale is at a crossroads. The City's current Voted City Operating Millage (commonly called the Headlee override) expires on December 31, 2025. If the Voted City Operating Millage expires, Ferndale will need to cut around \$4 million from the General Fund. This budget contains the heart of our City's services, including police, fire, DPW, special events, parks and recreation, communications and outreach, maintenance of our downtown, leaf removal, urban forestry, staff retention programs and professional development, and more. The cuts would be extensive and felt by every Ferndale resident.

In 2023, City Council appointed ten residents to serve on the Finance Review Committee. This group was tasked with evaluating how a renewal or non-renewal of the millage could impact current staffing and service levels and how it could impact progress toward the recommendations from the 2022 resident-led Facilities Task Force. The committee studied the issues, explored alternatives for five months, and created this report. This document is a primer for residents and voters who want to learn how City finance works and make an informed decision on future ballot questions.

When considering this millage, it's important to know how much the current 4.3638 mills contribute to your tax bill. Ninety percent of residents pay less than \$54 a month for the Voted City Operating Millage; 63% of residents are paying less than \$28 a month. The Headlee override accounts for just 2.2% to 8.6% of your mills paid. **The remainder of charges on a tax bill are unrelated to the Headlee override and will not change as a result of any decision to expire or renew the current override.**

FINANCE REVIEW COMMITTEE RECOMMENDATION

Based on all the information received by the Finance Review Committee, our desire to both maintain and improve the quality of the City's services, and the clear need to address maintenance issues identified by the Facilities Condition Assessment, we recommend City Council consider a Headlee override millage for the November 2024 General Election to reset the City to its charter amount of 20 mills.

If approved by City Council and voters, residents would see a small increase on their tax bill – 63% of residents would see an increase of less than \$300/year or \$25/month – and they would maintain all current services and make progress on addressing the backlog of maintenance issues identified in the Facilities Task Force report.

This recommendation supports the community’s desire to improve City services, including public safety, the responsiveness of police and fire, downtown amenities, walkability, cleanliness, green spaces, park maintenance, composting, leaf pickup, and more. It also supports the ability to continue our modernized services, which include engaged communication strategies and website maintenance, along with 21st-century policing expectations, such as body cameras.

The funds generated by this recommendation can be used to update City-owned buildings. Ferndale could ensure basic features such as reliable elevator access to City Hall’s main service desk and Council Chambers, equitable locker rooms for our police officers, air quality improvements in areas where our firefighters sleep, voting record and police evidence storage according to modern standards, and ongoing maintenance according to industry best practices. These changes make Ferndale more attractive to new talent and support the retention of existing staff. Appropriate funding for building maintenance can be allocated at industry-standard rates to ensure these buildings are maintained for generations to come.

ADDITIONAL RECOMMENDATIONS

- Smarter spending: additional scrutiny of spending when a proposed expenditure exceeds regional benchmarks and/or industry standards.
- Alternate revenue sources: investigate the feasibility of income tax for Ferndale.
- Economic incentives policy: reporting on the estimated value of an incentive to the community over the short and long terms.
- Home buyer education: eliminate surprising tax bills for new home buyers.

NEXT STEPS

After receiving this report, City Councilmembers will review the recommendation of the resident-led Finance Review Committee. They will then decide whether they will allow the millage to expire, or if a millage question will be added to the ballot. If they put the question to voters, they must choose the millage amount and, if they select less than a full reset, the millage term. If City Council recommends a ballot question for November 2024, a decision must be made by Spring 2024 in compliance with election deadlines.

If Council puts the question to a vote, it is the voters who will make the final decision based on their priorities and community values. We encourage you to read this report to learn more.

SECTION 2

BACKGROUND



ABOUT THE COMMITTEE

The Finance Review Committee was staffed by nine resident members, one alternate member, and one City Council liaison.

Members

Kate Baker
Brook Ciambelli
David Hoppe, Vice Chair
Simrit Jhita, Alternate
Kimberly Lennex
Jeffrey Loftus
Alvita Lozano
Kyle Savoie
Dale Vigliarolo
Quinn Zeagler, Chair
Greg Pawlica, City Council Liaison

MEETING MATERIALS

Agendas, presentations, and meeting minutes are available on the City's website: <https://bit.ly/ferndale-finance-committee>. Interested residents can view the recordings of meeting minutes on the City's YouTube channel, @FerndaleMichigan.

PROPERTY TAXES

Taxation is a complex subject. This section summarizes what we learned about municipal finance and how it affects residents. The information presented in this report focuses on common scenarios and gives easy-to-follow examples in plain language. Residents interested in learning more about specific details or those who have additional questions should reach out to the Finance Department at 248-546-2525 Ext. 121.

KNOW THE TAXABLE VALUE OF YOUR HOME

Taxable value changes over time. The biggest change occurs when the property is sold. In Michigan, the property taxes “uncap” the year after purchase and the taxable value of the property resets to approximately 50% of the purchase price of the home. This can be a sizable jump, especially if the property has been held by a single owner for many years prior to the sale. People looking to purchase in Michigan should be aware that just because the property tax paid by the previous owner was low, that may not be the case after the uncapping.

Residents can find the taxable value of their home at bsaonline.com or on your most recent tax bill. If searching online, choose Ferndale as your municipality, then enter your address in the search bar. Click the entry with your household’s or landlord’s name, then scroll down to the Tax History section and click the arrow next to the most recent tax bill.

Michigan cities like Ferndale collect property taxes and distribute the money according to legal requirements. Ferndale does not keep all the funds it collects. Other jurisdictions and taxing agencies receive a portion of property taxes, including Oakland County, the Public School system, the library, and several outdoor and cultural amenities. You can find a breakdown of these entities listed on your tax bill. Refer to the Appendix for a breakdown of how your tax dollars are distributed to non-City entities.

CALCULATING TAXES: MILLAGE RATE AND TAXABLE VALUE MATH

Each line item on your tax bill is associated with a millage rate or “mill”. Property taxes are calculated by multiplying the taxable value of the property by the number of mills levied, where a mill is \$1 for every \$1,000 in property tax value.

For example, on the Winter 2023 tax bill, the Oakland County Parks and Rec millage was 0.3431. Your tax bill shows the amount owed for your home, but if you want to calculate it for yourself, refer to Table 1 (next page) and replace the taxable value of the sample property with the taxable value of your home.

	Sample Property
Taxable value	\$150,000
Oakland County Parks and Recs millage rate	0.3431 mills
Multiply the two numbers together	$\$150,000 \times 0.3431 = \$51,465$
Divide by 1,000	$\$51,465 \div 1,000 = \51.465
Property tax owed	\$51.46

Table 1

PROPOSAL A

The taxable value of your home increases each year. The amount it increases is tied to the rate of inflation with a maximum annual increase of 5%. This is generally a good thing because it prevents people from being priced out of their homes by property taxes that rise faster than income. When homes are sold, the taxable value uncaps and is reassessed. The uncapping (sometimes called a “pop-up”) often causes significant jumps in annual property taxes and financial shock for new homeowners, and potentially prices them out of the homes they’ve just bought.

HEADLEE AMENDMENT

Because the taxable value of individual homes increases each year, either due to sale and uncapping or due to annual inflation increases, Headlee mandates that the average increase city-wide cannot exceed the lower of the rate of inflation or 5%. If the increase exceeds the rate of inflation (Consumer Price Index, or CPI), then the millage rate must be reduced for all taxpayers so that the amount of money collected by the City is capped at the rate of inflation. A reduction of the millage rate is commonly referred to as a Headlee rollback. A common misconception is that due to the uncapping of recently sold properties, Michigan cities see a windfall of new tax dollars. However, because of Headlee limiting financial growth, this is not the case. Instead, the additional tax revenue collected from a newly uncapped property is often distributed to other property owners in the form of a millage reduction (“Headlee rollback”) rather than captured by the local government.

This infographic illustrates how Proposal A and the Headlee amendment combine to neutralize any growth in the City's tax revenue from existing property, while continually shifting the tax burden towards the newest homebuyers. While this is a simplified example, the general principles are also at work here in Ferndale.



* Proposal A caps TV increase at 5% † Headlee rollback triggered by Home 3 uncapping ‡ Home 3 uncapping lessens tax increase for Homes 1, 2, and 4

Figure 1
See Appendix pg. 46

PROPOSAL A + HEADLEE AMENDMENT + RECESSION

On their own, both Proposal A and the Headlee Amendment are reasonable ways to approach municipal taxation. Unfortunately, there are consequences to the balancing act between them when there is a recession.

Issue #1: Prior to Proposal A, Headlee allowed tax rates to move up and down to try and provide revenue growth equal to inflation. When Proposal A was later implemented by the Legislature, they eliminated the ability for rates to move in both directions. As a result, rates can go down but not back up, eliminating any logical correction that was intended by the original Headlee Amendment. This makes communities and schools more vulnerable in a recession.

Issue #2: Home values pop up after a property is sold. However, conflicts between Proposal A and Headlee do not allow a community to benefit from these values popping up as they should. In fact, too much real estate activity can trigger a rollback (reduction) in a community's tax rates. This is especially damaging following a recession. As a result, a community is never allowed to catch up and track with the economy during a recovery. (Source: *The Review*, Michigan Municipal League, Sept/Oct 2023 Edition.)

Ferndale experienced these challenges following the 2008 Recession. It took until 2020 for Ferndale's taxable values to return to 2008 levels, even though the economy as a whole recovered much more quickly.

Ferndale Taxable Value Changes 2007-2023



Chart 1

VOTED CITY OPERATING (HEADLEE OVERRIDE)

Cities in Michigan are limited to 20 mills for their operating fund by State law. Recall that in the above example of four houses, the millage was adjusted downward. Due to Proposal A, there is no situation in which the millage would go up again naturally. Automatic increases are not permitted by State law. **The only way the millage can go back up is by voter approval.** This is commonly known as a “Headlee override.”

Ferndale’s 2023 operating millage without a Headlee override is 11.6355 mills. This is listed as CITY OPERATING on your online property tax bill.

In the past 15 years, Ferndale voters have approved overrides for five years and 10 years. Ferndale’s 2023 Headlee override is currently 4.3638 mills. This is listed as CITY OPER-VOTED on your online tax bill. While the online version gives the two millages separately, your paper tax bill lists them together as CITY OPERATING. This report uses “Voted City Operating” and “Headlee override” to mean the same thing. It means that voters have approved a city operating millage which overrides the Headlee Amendment.

When considering the Voted City Operating millage, or Headlee override, it’s important to know how much the current 4.3638 mills contribute to your tax bill. **Ninety percent of residents pay less than \$550/year for the Voted City Operating millage and 99% pay less than \$875.**

What Residents Pay Annually for Current Headlee Override



Figure 2

For Ferndale residents, the Headlee override accounts for just 2.2% to 8.6% of the mills on your combined tax bills. The remainder of charges on a tax bill are unrelated to the Headlee override and will not change as a result of any decision to expire or renew the current override (see Tables 2 and 3 on next page).

	Ferndale School District	Hazel Park School District
2023 Sum of all mills without Primary Residence Exemption	68.6164	78.2057
2023 Voted City Operating Millage (Headlee override)	4.3638	4.3638
Voted City Operating as a percentage of total mills	6.4%	2.2%

Table 2

	Ferndale School District	Hazel Park School District
2023 Sum of all mills with Primary Residence Exemption	50.6164	60.2057
2023 Voted City Operating Millage (Headlee override)	4.3638	4.3638
Voted City Operating as a percentage of total mills	8.6%	7.3%

Table 3

PROPERTY TAX EXEMPTIONS AND FINANCIAL HARDSHIP

If you own and occupy your home, you likely qualify for the Principal Residence Exemption. This exempts a residence from the tax levied by a local school district for school operating purposes up to 18 mills. Download the form on the City’s website: ferndalemi.gov/resources/tax-forms-and-applications.

In the case of financial hardship, the City’s Board of Review must grant an exemption equal to a 25% or 50% or 100% reduction in taxable value if a person meets all eligibility requirements. Learn more details via the application packet available on the City website.

More information can also be obtained by visiting City Hall or calling the Finance Department.

CITY BUDGETING

The City budget is around \$60 million annually. You can view the full budget at ferndalemi.gov/government/finance. This report focuses on a portion of the budget called the General Fund which makes up \$26 million of the budget — less than half the total budget. The other half of the budget has dedicated funding streams. For example, Fund 592 Water & Sewer is funded by our water and sewer bills and the dollars paid must be allocated to that budget. Dollars cannot be reallocated to other portions of the City’s budget.

Looking just at the General Fund, Police and Fire services have a budget of \$13.3 million annually, leaving \$12.6 million per year to fund the Department of Public Works, Parks and Rec, City Administration, the Court, maintenance of our City-owned buildings, and a host of other services. These costs represent the parks we enjoy, the DPW staff who work overtime when windstorms bring down trees, and the backbone of organizing the work occurring across the full breadth of the budget. Seventy percent of the General Fund is spent on personnel. The money in the General Fund comes primarily from property taxes, state revenue sharing, investments, grants, and fees for services.

If the current Voted City Operating Millage expires and no replacement funding is identified, approximately \$4 million must be cut from this budget. See the Impact of No Renewal of the Headlee Override section for more information.

Ferndale General Fund Budget

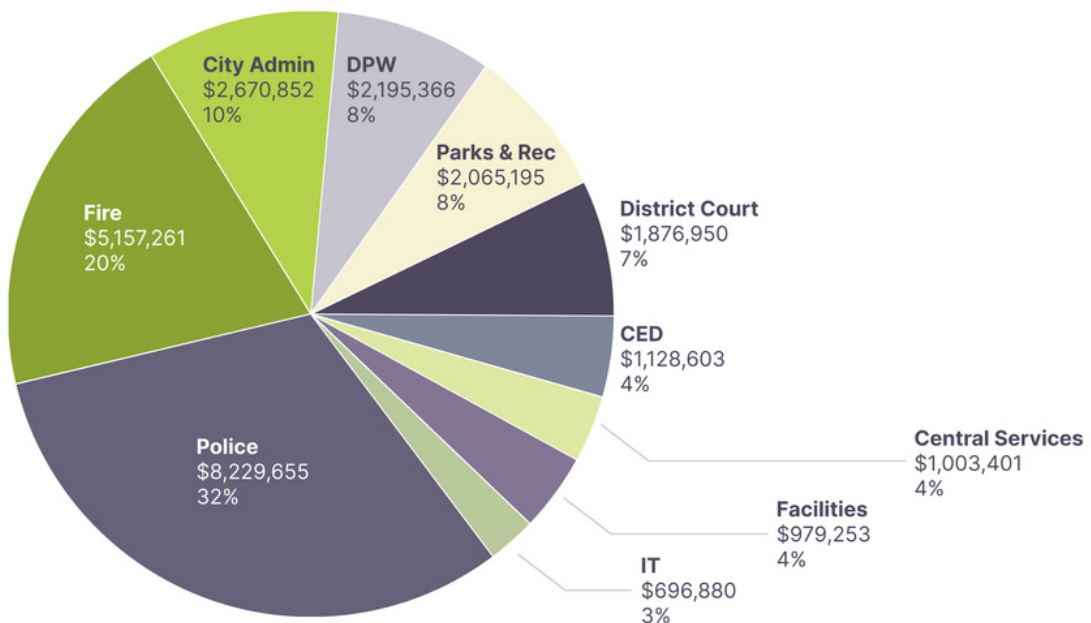


Chart 2

PRIORITY-BASED BUDGETING

In 2020, Ferndale implemented priority-based budgeting, an approach to budgeting that views community needs and goals against the programs currently being offered, and how impactful those programs are in achieving the desired outcomes.

Unlike the traditional incremental approach in which the current year's budget becomes the basis for the next year's spending plan, priority-based budgeting allows communities to understand their core values and then budget accordingly. The principle of the framework is to question past patterns of spending and prioritize resources to achieve the community's long-term strategic goals. It also reveals the true cost of providing services and enhances transparency and accountability within the budgeting process.

Ferndale's Priority-Based Budgeting data can be found at openpbdata.net/Ferndale.



Each program is rated on five categories:

1. **Mandate:** Is there a Federal or State mandate to provide this program? A self-mandate like a City Council resolution? Or no mandate?
2. **Reliance:** Is the City the only provider of the service? Could other entities provide this service?
3. **Cost Recovery:** Does the program generate revenue?
4. **Demand:** Is demand for this service increasing, decreasing, or remaining flat?
5. **Population Served:** Does the majority of the community benefit from this program? Less than 50%? Less than 10%?

COST REDUCTIONS PAST AND FUTURE

Restructuring of the Ferndale City government took place in 2010 to eliminate a \$3.1 million deficit. This restructuring was necessary due to the impact of the 2008 recession and the way Proposal A and Headlee hinder the speed of recovery when combined.

Restructuring meant severe cuts to staffing and increased expectations of the remaining staff. Thirty employees were cut, including a combined 20 police and fire. While the City reduced payroll and benefits costs with this headcount reduction, they also lost institutional knowledge and public safety coverage. The lives of these employees were also altered by the decision. A pay freeze was in place from 2010–2015, resulting in no annual pay increases for staff. The freeze resulted in cost savings, but also lower employee retention as staff sought alternate employment. It also made it more difficult to recruit qualified applicants for vacant positions.

During this time, the Police Department transitioned from three 8-hour shifts to two 12-hour shifts per day. This resulted in more efficient patrol and command operations and reportedly a better quality of life for Ferndale officers.

Animal control and property assessments were outsourced to Oakland County, taking advantage of the financial benefits provided by regional partnerships. Ferndale residents occasionally advocate for the return of animal control services to local oversight, particularly as Oakland County assists exclusively for domestic and livestock animals. This is an example of how regionalism can reduce costs but may have a negative impact on services delivered locally. Care must be taken to consider the tradeoffs when outsourcing or consolidating services.

A traffic control unit dedicated to proactive patrol was established, resulting in increased citation levels. This program was discontinued several years ago as the Police Department restructured toward the 21st Century Police Task Force Service Model.

As the City recovered from the recession and voters approved an operating millage in 2015, those funds were deployed to backfill and modernize City services.

In addition to disbanding the traffic control unit, the Police Department also created a Community Engagement Officer position, invested in body cameras, set new standards for policy and transparency, established the Transparency Dashboard, and is involved with the Community Policing Advisory and Review Board. The body cameras, in particular, have added substantial cost to the Police Department's technology budget, as equipment must be kept in good working order and recordings retained for a specific period of time. Video recordings are large files resulting in data storage costs. Meanwhile, citations have declined. Fees paid as a result of citations are a dedicated funding stream for Court operations. If the Court cannot meet its budgetary needs using citation revenues, money from the General Fund must be allocated for this purpose.

In addition to changes in the Police Department, office services were modernized. Centralized departments were created for Human Resources, Information Technology, and Communications, reducing the burden of individual departments to fulfill these tasks. In 2019, the City hired its first dedicated Facility Manager to centralize oversight of all buildings and facilities. Centralization ensures that quality is improved for these functions, which require certain skill sets. Alternatively, some City services now rely on outside contractors, including IT and trade inspectors.

GROWING THE TAX BASE & AFFORDABLE HOUSING

New construction is one of the few ways a municipality can grow its tax revenue, as newly constructed buildings do not factor into Headlee rollback calculations. Ferndale is a desirable place to live for both home buyers and renters, which raises prices and in turn, makes Ferndale attractive for development. While developers understandably seek to maximize profit, recent City Councils have sought to keep housing affordable for people with a wide range of incomes. They have accomplished this by offering incentives – agreeing to lower the property taxes levied against newly constructed buildings for a period in exchange for reduced rents for a portion of the units. The arrangement is essentially a subsidy to the lower-income residents rather than a giveaway to the developer, who would otherwise collect the same net revenue from an entirely market-rate building. For its part, the City usually collects more tax revenue on the improved parcel than it did before, and then it collects the full value when the arrangement expires. The payback period is dependent upon the type of incentive.



THE ROLE OF THE FINANCE REVIEW COMMITTEE

The group was asked to study and advise on the following questions while considering cost of living via property tax bill impacts: the impact of a non-renewal, the impact of a millage renewal, and the impact on facilities/buildings.

KEY CONSIDERATIONS

The Finance Review Committee reviewed options related to the expiration or renewal of the Headlee override, as well as several ideas brought forth by committee members. The members jointly created a list of pros and cons for each of the recommendations. Each recommendation had tradeoffs associated with them. Table 4 (next page) summarizes the pros and cons for each.

General Categories	Specifics	SCENARIO 1: No Renewal of Headlee Override	SCENARIO 2: Maintain Current Headlee Override	SCENARIO 3: Reset to charter amount of 20 mills	SCENARIO 4: City Operating Fund + Special Purpose Millage	SCENARIO 5: City Operating Fund + Facilities Bond
Property Taxes	Change to property tax bill	Reduce (63% of residents save <\$330/year)	No change	Increase (63% of residents would pay ≤\$330/year more)	Same as Scenario 3	Same as Scenario 3
City Budget / General Fund	Solution term	Short term	Short term	Longer term	Short term	Short term
	Subject to rollback (decrease over time)	Yes	Yes	Yes	Yes	No
	Flexibility	No	Some	Yes	No	No
	Voter choice on funding allocations	N/A	No (\$ goes to General Fund)	No (\$ goes to General Fund)	Yes (requires two ballot questions)	Yes (requires one ballot question)
City Services / Programs	Change to City services	Yes (~25% budget cut to staff & programs)	No change	Yes (expanded services)	Yes (expanded services)	Yes (construction of new buildings)
	City leads by example	No	No	Expand services, improve buildings for health and equitability, attract & retain staff	Expand services, improve buildings for health and equitability, attract & retain staff	Construct new buildings for health and equitability
Property Values		Decrease	No change	Increase	Increase	No change
Cobalt Survey Results	Sustain current service levels	<10% said not important	>90% said important	>90% said important	>90% said important	>90% said important
	Implement long-term facilities plan	<10% said not important	>90% said important	>90% said important	>90% said important	>90% said important
	Ability of city to recruit & retain workforce	~10% said not important	~90% said important	~90% said important	~90% said important	~90% said important
	Reducing property tax bill	~80% said important	~20% said not important	~20% said not important	~20% said not important	~20% said not important

Table 4

See Appendix pg. 46

WHAT IS A SPECIAL PURPOSE MILLAGE?

This type of millage takes from the pool of existing mills and allocates the money generated by that mill to a special purpose, such as public safety, facilities, or parks and recreation. Since it sets aside a portion of the existing funding for the designated purpose, this type of millage does not increase taxes. In 2023, Oak Park voters approved a special purpose millage for recreation and Birmingham voters approved a special purpose millage for senior services.

Special purpose millages require two questions on the ballot. The first question is for voter approval for a charter amendment that would enable the millage. The second is for the special purpose millage itself. For the special purpose millage to be enacted, a majority of voters must approve both changes. If either fails, the funding remains in the General Fund rather than becoming dedicated to a special purpose.

Dedicated funding via a special purpose has tradeoffs that must be carefully considered. They provide a consistent stream of funding for the special purpose, which cannot be reallocated to other programs. For example, a Facilities special purpose millage would provide funding that could only be used for the maintenance of Ferndale's City-owned buildings. This would prevent future disinvestment, ensuring our publicly-owned buildings are kept in good repair for the long term. On the other hand, locking up funding for a special purpose means less flexibility for the remainder of the budget. When unforeseen circumstances occur, City Council will not be able to reallocate the special purpose funds to where they may be most needed.

WHAT IS A BOND?

There are two types of bonds mentioned in this report. The first type, shown in Table 4 above, is a voted general obligation bond. Bonds are an additional millage and these mills do not count toward the 20 mill City Operating cap. Scenario 5 would include a renewal of the Headlee override at around the current rate and would add several mills dedicated to the construction of a public safety headquarters and a new community recreation center at Martin Road Park. The ultimate outcome for taxes would be around the same cost as Scenario 3.

Alternately, if City Council chooses Scenario 3, they can opt to issue general obligation bonds by Resolution. This type of bond uses voter-approved millage funding. It would also be dedicated to the construction of a public safety headquarters and a new recreation center. Both paths require a measure of voter engagement and result in the same outcome.

In instances where City Council votes to issue general obligation bonds via resolution, a notice of intent to issue bonds must be published at least forty-five (45) days before the issuance of bonds; this period empowers residents to raise petitions that would force the bonds to a ballot initiative.

IMPACT OF NO RENEWAL OF THE HEADLEE OVERRIDE

If City Council or voters opt for Scenario 1, a non-renewal of the Voted City Operating Millage, residents would see a small decrease in their property tax bill. Recall that the Headlee override accounts for just 2.2% to 8.6% of your total mills paid on your tax bill. The remainder of charges on a tax bill are unrelated to the Headlee Override and will not change as a result of any decision to expire or renew the current override.

Residents Affected	Taxable Value of Home	Decrease Amount
63% Mostly long-term residents	\$0 - \$75,000	Less than \$330/year
27% Mostly residents who bought in the past 4-10 years	\$75,000 - \$150,000	\$330 - \$545/year
9% Mostly residents who bought recently	\$150,000 - \$200,000	\$545 - \$875/year
1% Mostly residents who bought high-value homes recently	\$200,000+	More than \$875/year

Table 5

A non-renewal of the existing Voted City Operating Millage would reduce the General operating fund by approximately \$4 million. This committee reviewed the priority-based budget to understand what programs may be cut if this were to occur. Our understanding is recorded here, as it informed our thinking; however, it is beyond our scope to recommend any specific cuts.

CUTS BY MANDATE TYPE

Referring to the priority-based budgeting tool, some members of the committee filtered programs primarily by mandate. Cuts may be more likely to occur when the City has no mandate or a self-mandate to provide these services. Programs with no mandate include Parks and Rec, including the dog park and the maintenance of our greenspaces; the quarterly resident newsletter; communications and community engagement, including website and social media outreach; and City staff retention programs like professional development. This is not an exhaustive list and interested residents should refer to the priority-based budget tool for more information.

Selecting only no-mandate programming, however, does not yet achieve the \$4 million in cuts needed. Ferndale would almost certainly be required to cut self-mandated programming. This could include maintenance/landscaping in the downtown core, community engagement, fall leaf removal, neighborhood traffic calming, special event management and services, street sweeping, urban forestry, and maintenance for our buildings and vehicle fleet (including DPW and police). Cuts to public safety, including the number of staff and maintenance of buildings and vehicles, are also likely.

In addition to cuts are the overdue repairs that cannot be accomplished even within the current budget; these would be pushed even further out of reach by the non-renewal of the Headlee override. These include maintenance and capital improvements to our police and fire stations, DPW yard, and other City-owned buildings. Buildings will fall even further into disrepair and future repairs will be more expensive. Hiring qualified staff and retaining current staff will become more difficult as applicants seek out better opportunities elsewhere.

Cutting all these program areas will result in a savings of \$4 million from the General Fund. Voters must decide if the cost savings on their property tax bill are worth losing all of these services. They must ask themselves if Ferndale would look the same to them without special events, without a dog park, without proactive communications, and without environmental initiatives. Is it aligned with Ferndale's values to have our public safety employees working in inadequate facilities? See the Cobalt Study section for more on resident priorities.

Residents should also be aware that cutting some programs will require customers to pay more out of pocket. If leaf pickup is ended, customers will need to bag their leaves for pickup. Residents will have to purchase yard waste containers and take time to bag the material. The small businesses in our downtown corridor operate on thin margins already — will they take upon themselves the maintenance and landscaping of our downtown to keep it inviting to visitors? Or will the curb appeal of our downtown be diminished and negatively impact our businesses?

CUTS BY RELIANCE TYPE

Returning to the priority-based budget tool, some members of the committee filtered programs primarily by reliance. In this method, members looked at programs where cost savings could be achieved by reaching out to Oakland County, surrounding cities, or private companies. The total cost of all programs where an alternate service provider exists is \$1.8 million. Outsourcing all of these programs would still come at a cost, and total savings is unknown.

Care must be taken to consider the tradeoffs when outsourcing or consolidating services. Consider the previous example of Animal Control, which was outsourced to Oakland County after the Great Recession. Ferndale residents occasionally advocate for the return of animal control services to local oversight. This is an example of how regionalism can reduce costs but may have a negative impact on services delivered locally.

COMMITTEE UNDERSTANDING OF NO RENEWAL

This committee recognizes that if there is no renewal of the Headlee override and no other funding source is secured, property tax bills will go down slightly for Ferndale residents, but the quality of life will be fundamentally impacted. Services will be cut entirely and/or outsourced in ways that result in less local control.

If additional funding is secured at a later date, the damage will be hard to undo. Many City employees will have left their roles, either through layoffs to reduce budget or voluntarily as they seek more stable opportunities. There will be a massive loss in institutional knowledge. Programs will be difficult to restart, costing more time and money as capacity and support structures are rebuilt, and the result might not be to the same level of quality as delivered today.

To ensure voters have the most accurate information possible, City Council should consider publishing a list of cuts they intend to implement in order to balance the budget if voters choose not to renew a Headlee override. This will enable voters to weigh the financial benefits of a non-renewal against the value of services lost.

IMPACT OF RENEWAL OF THE HEADLEE OVERRIDE

Scenarios 2 through 5 include some form of Voted City Operating Millage. Scenarios 2, 4, and 5 maintain the millage at 4.3638 mills. Scenario 3 resets the City Operating Millage to the charter amount, an increase of 4.007 mills above the current rate.

If City Council and voters opt for Scenario 2, keeping the current millage rate, property taxes will remain the same for all residents.

Residents Affected	Taxable Value of Home	Change Amount
All Residents	All values	Stays about the same

Table 6

If City Council and voters opt for Scenario 3, resetting to the charter amount of 20 mills total, residents would see a small increase in their property tax bill.

Residents Affected	Taxable Value of Home	Increase Amount
63% Mostly long-term residents	\$0 - \$75,000	Less than \$300/year or \$25/month
27% Mostly residents who bought in the past 4-10 years	\$75,000 - \$150,000	\$300 - \$500/year or \$25-\$42/month
9% Mostly residents who bought recently	\$150,000 - \$200,000	\$500 - \$800/year or \$42-\$67/month
1% Mostly residents who bought high-value homes recently	\$200,000+	More than \$800/year or more than \$67/month

Table 7

If keeping the current millage amount, the City will be able to maintain current services for the time being. This will retain the fundamental services that make Ferndale a place where residents want to live. In the near future, however, cuts or new revenue streams may be necessary as additional Headlee rollbacks occur and the millage amount continues to decrease. This may result in continued deferment of building maintenance, ultimately resulting in higher costs due to emergency repairs.

If resetting to the charter amount, Ferndale will be able to address the backlog of facilities needs (see next section). At this millage amount, City Council could choose to issue facility improvement bonds via Council resolution to fund the construction of a new recreation center and a combined public safety headquarters. At a minimum, Council could issue a resolution dedicating the new funding to the repair and replacement of City-owned buildings.

City Council could also opt to select a millage amount in between the current millage and the charter amount. If the millage amount is less than a reset to the charter limit, sufficient bonding capacity no longer exists. For major construction projects, a bond may be needed on a future ballot.

Once the millage is reset, Headlee rollbacks will once again begin reducing the millage amount. By choosing a reset, the runway is longer for identifying new revenue streams and identifying efficiencies in programming. This gives Council the ability to thoughtfully investigate alternative opportunities rather than reacting to urgent budget needs.

HOW MIGHT A MILLAGE RENEWAL IMPACT FACILITIES?

In 2022, the resident-led Facilities Task Force prepared a long-term plan that prioritizes facility improvements for essential government services. They considered and evaluated facility issues that impact employee health and welfare, disparities between male/female facilities, forecasted budget needs for each facility, accessibility standards, and climate and sustainability impacts.

Many residents on the Facilities Task Force had specialized experience in construction, architecture, or sustainability.

The Task Force reviewed several options, including:

- **Make the necessary repairs to building systems.** This results in buildings with working mechanical, plumbing, etc., but does not address larger issues like overcrowding, inadequate storage for required document retention, gender inequalities, or sleeping areas above engine bays in our fire stations. Making the minimum necessary repairs results in building systems that work, but it does not mean the building itself is appropriate for users or occupants. It is difficult for Ferndale to attract highly qualified candidates without quality working conditions. This is especially true for our first responders, who work long shifts and overnights in their stations.
- **Make the necessary repairs and expand buildings to add more space.** The additional space would be used to address issues not covered by building repairs alone. Existing space would not be updated beyond necessary repairs or replacements, resulting in some spaces that are not ideal for occupants.
- **Replace buildings.** This would address both concerns with modern building systems and additional square footage built to accommodate a modern workforce.

The 2022 cost estimates for each of the options are shown in Table 8, below. Note that the cost to replace buildings is slightly lower than the cost to repair/expand existing buildings and will result in higher-quality facilities overall. Estimates for current costs are likely to be 10-15% higher due to inflationary impacts on cost increases to labor and materials.

Building	Repairs Only	Repairs + Expand	Replace
Public Works	\$3,231,333	\$5,904,740	\$6,408,800
Fire 1 (Livernois)	\$2,819,779	\$9,922,906	\$10,453,165
Fire 2 (9 Mile)	\$1,516,900	\$5,548,801	\$5,707,189
Police	\$4,943,105	\$11,584,686	\$10,077,596
City Hall	\$7,551,390	\$12,564,460	\$12,688,448
TOTAL	\$20,062,507	\$45,525,593	\$45,335,198

Table 8

The Finance Review Committee reviewed the Facilities Task Force recommendation and toured City Hall, Police Headquarters, and Fire Station 1. The Committee recognizes that funding is not currently available in the General Fund to implement any of the options above, and maintenance is being deferred until funding becomes available. The Committee also recognizes that these maintenance items will not go away if ignored. Instead, the costs will increase due to inflation, emergency failures/ replacements, and damage remediation.

It is also important to adequately fund the ongoing maintenance of buildings once improvements or replacements occur. The industry standard for facilities maintenance is 2-6% of the total budget, yet Ferndale is currently funding maintenance at only 0.5%. Adequate long-term funding is needed to ensure Ferndale's buildings are kept in good repair.

COBALT STUDY

Cobalt Community Research is a Michigan-based 501(c)(3) nonprofit organization with a mission to provide research and education through high-quality surveys.

Ferndale sought out community surveying services from Cobalt in 2023 to gain an understanding of the community since the last survey administered by Cobalt in 2020. Fifteen hundred citizens were randomly selected and surveyed by mail. Responses were received from 306 residents with a margin of error of +/- 4.7% at 90% confidence. You can view the complete survey results at ferndalemi.gov/resources/cobalt-community-survey.

Residents were asked, "If a vote were held today, would they support a Headlee override?" Of the responses received, 49% said yes, 19% said no, and 28% were undecided. Respondents also stated that the most important effects of any renewal of the Headlee override are to sustain current service levels, implement the long-term facilities plan, and attract talent when hiring.

When asked what they like best about Ferndale, residents responded with five main themes:

- Inclusivity and diversity: Sense of community, friendly neighbors, and open-mindedness
- Walkable nature: Proximity to downtown, accessibility of various services within walking distance
- Public services and safety: High regard for public safety, responsive police and fire departments
- Culture and entertainment: Vibrant downtown with diverse businesses
- Location and access to amenities: Proximity to necessary services, grocery, and other amenities

When asked about desired improvements, residents responded with:

- Desire for new offerings: Variety of shops and specialty stores
- Cultural and entertainment enhancements: More options, like new businesses, alternate forms of recreation, and activities to appeal to younger audiences
- Transportation and connectivity: Improved public transit options, including more permanent routes on Woodward, along with more pedestrian-friendly modifications to roads
- Community facilities and services: Desire for a more diverse range of events, including those for special needs and seniors, along with more urban green spaces.
- Mixed feelings on existing features: Concerns about changes in the downtown area, a desire for more curb appeal

And, when asked about the effects of the Headlee override:

- Over 90% of respondents said sustaining current service levels is very important or somewhat important.
- Over 90% said implementing the long-term facilities plan is very important or somewhat important.
- Almost 90% said preserving the City's ability to recruit and retain workforce talent is very important or somewhat important.
- Meanwhile, just over 80% said reducing their property tax bill is very important or somewhat important. Only around 40% stated this is very important.

From these responses, priorities start to become clear. Ferndale residents want to maintain the City services in the form of a vibrant business district, recreation for all generations, responsive public safety, special events, and urban green spaces. These services are the core of what Ferndale residents love and, based on these survey results, appear willing to continue to fund via their tax dollars.

ADDITIONAL OPPORTUNITIES

In addition to making a recommendation on a ballot question, the committee also considered these options which can be explored with or without a Headlee override.

INCOME TAX

This option is for City Council to investigate the feasibility of implementing an income tax similar to those in other Michigan cities.

Pros

- Moves the city towards a more equitable tax system by shifting the burden away from residents with a shorter tenure and towards those with greater ability to pay. In some/many cases these will be the same people. However, such a change could also make homeownership in Ferndale more affordable for those with lower incomes or fixed-income seniors interested in downsizing to our walkable city, resulting in more diversity in our community members.
- Could raise around \$6.5 million per year – eliminating the need for future Headlee overrides.
- Gain revenue contributions from those who use city services but live outside the city/don't pay property taxes here.
- Guaranteed revenue stream not tied to any rollback, or property values.
- Interviews with other cities stated no observed disruption in business recruitment or retention.

Cons

- Many complications and challenges to consider; not a near-term solution.
- Optics around cities with income tax might deter people and businesses from moving/staying here.
- Overhead costs of collecting/managing this tax.
- Per interviews, not all employers are willing to collect local taxes for employees.

EFFICIENCY OPPORTUNITIES

This option considers ways of reducing spending as a potential solution.

Pros

- Potentially reduces General Fund expenditures by identifying areas where current services and programming can be delivered more cost-effectively.
- Aligns with Ferndale's commitment to integrity and transparency.
- Increases public trust through a transparent process and annual reporting that confirms to residents that spending is appropriate and that the City is looking for ways to decrease spending where possible.
- An internal review process, using peer-city benchmarks and industry best practices, would keep costs low (no outside consultants) while ensuring that reductions are in line with resident desires and values.

Cons

- Cost in time and money to research and identify areas of improvement.
- If an outside contractor is used, proposed cuts may not be in line with resident values.
- Possibly a duplicative effort since efficiencies are already carefully considered, by multiple people, each year during the budgeting process.

PROPERTY TAX AWARENESS

This option would increase awareness in new home buyers of how the taxable value of a property will change after the sale.

Pros

- Ferndale homebuyers would be informed of property tax implications before purchase.
- Allows Ferndale to lead by example, going above and beyond what's required to do right by its citizens.
- Aligns with Ferndale's commitment to integrity and transparency.
- Higher new-resident satisfaction — no surprises when they get their first new tax bill.
- Home buyers choose the property they can afford in the long term — possibly reducing the level of turnover and building community.

Cons

- Might not be favorable with realtors or others involved in home sales.
- Cost in time and money to communicate effectively to the right people.

SECTION 3
FINAL
RECOMMENDATIONS



IMPACT OF RENEWAL OF THE HEADLEE OVERRIDE

Based on all the information considered by the Finance Review Committee, our desire to both maintain and improve the quality of the City’s services to residents, and the clear need to address maintenance issues identified by the Facilities Condition Assessment, **we recommend City Council consider a Headlee override millage for the November 2024 General Election to reset the City to its charter amount of 20.0000 mills.** This is an increase of 4.007 mills above the 2023 rate.

This millage recommendation was approved by the Financial Review Committee with a 7-2 vote. The committee’s alternate also submitted a vote in favor of this recommendation for a final 8-2 vote.

If approved by City Council and voters, residents would see a small increase on their tax bill.

Residents Affected	Taxable Value of Home	Increase Amount
63% Mostly long-term residents	\$0 - \$75,000	Less than \$300/year or \$25/month
27% Mostly residents who bought in the past 4-10 years	\$75,000 - \$150,000	\$300 - \$500/year or \$25-\$42/month
9% Mostly residents who bought recently	\$150,000 - \$200,000	\$500 - \$800/year or \$42-\$67/month
1% Mostly residents who bought high-value homes recently	\$200,000+	More than \$800/year or more than \$67/month

Table 9

KEY COMMUNITY BENEFITS

This recommendation supports the community’s desire to improve City services, including public safety, responsiveness of police and fire, downtown amenities, walkability, cleanliness, green spaces, park maintenance, compost, leaf pickup, and more. It also supports the ability to modernize services, which includes engaged communications and website maintenance, along with 21st-century policing expectations such as police body cameras.

The funds generated by this recommendation can be used to update City-owned buildings, making them more attractive to new talent, supporting the retention of existing staff, and ensuring basic features such as equitable locker rooms. Appropriate funding for building maintenance can be allocated at industry-standard rates to ensure these buildings are maintained for generations to come.

Finally, Ferndale's Strategic Plan is progressive and dedicated to supporting residents for the long term. These tax dollars will support economic prosperity; a safe, protected, engaged community; supported infrastructure; accessible transportation; strong regional partnerships; organizational and financial excellence; healthy, connected, invested neighborhoods; and climate adaptation and resiliency.

The committee also recommends the following changes for City Council consideration. These recommendations did not require a committee vote and were approved by general consensus.

Prioritize funding for facilities improvements as recommended by the Facilities Task Force. By resetting the millage to the charter amount, City Council will have sufficient funding to improve workspaces. These improvements will ensure the construction of a new recreation center, adequate space for election documentation and police evidence retention, healthier air quality and up-to-code sleeping conditions for fire stations, and gender equity in existing locker room accommodations. The committee recommends a Council resolution dedicating funding to these improvements.

If voters approve a millage rate of 20 mills, sufficient funding capacity will exist to address facility improvements via General Obligation bonds issued by City Council Resolution. However, if City Council selects a lower millage rate, or if voters do not approve this proposed millage, we draw City Council's attention to a facilities bond as a potential future strategy. This bond could be for the creation of a combined Police and Fire headquarters and a recreation center at Martin Road Park. Because there are still unknowns regarding these projects, our recommendation is to wait until more information becomes available on the feasibility of implementing them (land availability, cost increases, etc.) before a public vote.

We recommend the City reduce existing spending and seek new revenue streams to reduce dependence on a Headlee override. We recommend regular reviews of City spending, comparing proposed expenditures to regional benchmarks and/or industry standards. Reviews should be ongoing and incorporated into both the annual budget process and applied to new expenditures. In areas where Ferndale's spending is higher than these baselines, spending should receive additional scrutiny.

Ferndale should also identify and consider the strengths, weaknesses, opportunities, and threats (SWOT analysis) of regionalization, consolidation, or alternative service model initiatives. By partnering with neighboring communities and Oakland County, Ferndale may reduce spending while upholding the delivery standards expected by residents. If public safety consolidation is considered, particular care must be taken to ensure response times remain fast. Slower response times affect human outcomes and may affect homeowner insurance premiums.

The outcome of these reviews should be increased efficiency in program operations while keeping service levels as-is or better. Any changes or efficiencies implemented should be in line with the values of the community. This review process should be as transparent as possible to the public, and at a minimum, we recommend an annual report to residents on the number of opportunities explored, the number implemented, savings achieved, and the impact, if any, on service levels.

The goal of this recommendation is two-fold:

1. Ensuring our purchasing, processes, and delivery channels are in line with regional benchmarks and industry best practices, and
2. Building community trust in the financial governance of the City in an easy-to-read report. This report will also provide a historical record of service changes over time and the reasoning behind those changes.

Seek Alternate Sources of Revenue. The goal is to build a stable source of revenue that does not rely on future increases to property taxes. New revenue should be included in the above annual report on program efficiencies.

1. In the next two years, investigate and produce a report on the feasibility of income tax for Ferndale. Any potential new revenues from income taxes should reduce the operating millage. The feasibility report should be made available to the public. The Finance Review Committee recognizes that an income tax could provide significant additional funding and that administering an income tax program is labor-intensive. Further study is warranted.
2. Seek funding like grants from regional, state, and federal programs.
3. Identify and pursue additional sources of funding.

We recommend that the City draft an economic incentives policy. The policy should consider how a development benefits the community and how it affects current and future property taxes. Council should also require a property tax report with any incentive. The report will clearly state the dollar value of the incentive, incentive term, the amount of annual property taxes uncollected by the City during the incentive payback period, and the estimated value of the benefit provided both short- and long-term.

We recommend that the City's Communications Department produce a one-page educational document for prospective home buyers. The document should provide clear, plain language on how to calculate their expected taxable value, how to look up current millage rates for the property, and how to estimate their Summer and Winter tax bills the year after the sale is complete (after the uncapping). This document could reference the State's online property tax estimation tool. After reading the document, home buyers should know 1) that property tax uncapping is state-wide, not just in Ferndale, and 2) how to estimate their future property tax liability.

At a minimum, this document should be made available on the City's website and sent to known local real estate agencies annually. City Council may also consider a property tax disclosure ordinance requiring real estate agents to provide this document to buyers. This committee recognizes that enforcement capabilities for such an ordinance are limited.

ALTERNATE OPINIONS

Documented here are alternate opinions from the committee which did not achieve majority approval. They are included here as part of the public record and to further inform Council’s decision-making.

MILLAGE AMOUNT

The minority opinion is the renewal of the Headlee override for a lower amount, bringing the sum of the City Operating and Voted City Operating to 18 mills. Reasons for this amount varied by person, but generally fell into one of two categories. First, the opinion that by selecting a millage amount below the charter limit, the City may be motivated to find ways to decrease spending in other areas. Second, that a ballot proposal of 6.3645 mills is more likely to be approved by voters than the majority opinion of 8.3645 mills. While this opinion recognizes 6.3645 mills will be insufficient to fully address the recommendations of the Facilities Task Force, it allows some improvements while maintaining current service levels. If the ballot proposal is not approved by voters, Ferndale would face the drastic budget cuts outlined in the Impact of No Renewal of the Headlee Override section, reducing the current quality of services. Therefore, selecting a ballot proposal with a high likelihood of voter approval is critical.

If approved by City Council and voters, residents would see a small increase on their tax bill.

Residents Affected	Taxable Value of Home	Increase Amount
63% Mostly long-term residents	\$0 - \$75,000	Less than \$150/year or \$13/month
27% Mostly residents who bought in the past 4-10 years	\$75,000 - \$150,000	\$150 - \$300/year or \$13-\$25/month
9% Mostly residents who bought recently	\$150,000 - \$200,000	\$300 - \$400/year or \$25-\$33/month
1% Mostly residents who bought high-value homes recently	\$200,000+	More than \$400/year or more than \$33/month

Table 10

MILLAGE TIMEFRAME

Because a timeframe is required for any millage less than a reset to the charter limit, the minority opinion was to recommend eight years with the intention that, if another override vote takes place in the future, it would occur during a presidential election year. The highest number of voters cast ballots during a presidential election, therefore including any future millage vote on this ballot will ensure the question is decided by the largest group of residents possible.

SET A TARGET

One minority opinion was for the City to set a specific goal of \$1.5 million in combined cost-cutting, alternative funding methods, and new development. Any targeted savings or efficiencies should directly reduce the number of mills imposed as part of any proposed increase in mills. Any use of consulting services should be at the best price possible using a person skilled in providing something tailor-made for the City. This opinion recognizes that \$1.5 million is aspirational and may not be an achievable goal; however, having a target in mind may result in a more motivated search for opportunities.

SECTION 4
NEXT STEPS



NEXT STEPS

After receiving this report, City Councilmembers will review the recommendation of the resident-led Finance Review Committee. They will then decide whether or not to put a millage question on the ballot. They must choose the millage amount and, if they select less than a full reset, the millage term. If City Council recommends a ballot question for November 2024, a decision must be made by Spring 2024 in compliance with election deadlines.

To ensure voters have the most accurate information possible, City Council should consider publishing a list of cuts they intend to implement in order to balance the budget if voters choose not to renew a Headlee override. This will enable voters to weigh the financial benefits of a non-renewal against the value of services lost.

This committee recommends that City Council and City staff make every effort to communicate the contents of this report with residents. We recognize that City staff are required to remain impartial and cannot express a preference on the outcome of the vote. The Mayor and Councilmembers are different and can make voting recommendations.

And to residents at large: we would be honored if you share this document widely with your neighbors and encourage them to vote in accordance with their hopes for the community.

For information on registering to vote and other voting matters, visit michigan.gov/vote.

APPENDIX





EXPLORE FURTHER

Page 3: Information Sourced from SaveMICity

SaveMICity is a campaign to educate residents, decision-makers, and business owners about how municipalities are funded in Michigan, and to advocate for reform of the existing system.



www.savemicity.org

Page 3: Census Data Tells a Richer Story

For the full picture, check out Ferndale's census data.



bit.ly/ferndale-census

Page 4: Cobalt Community Survey

For the full picture, check out Ferndale's census data.



www.ferndalemi.gov/resources/cobalt-community-survey

Page 19: Priority-Based Budget

The City of Ferndale uses priority-based budgeting (PBB), an approach that views community needs and goals against the programs currently being offered, and how impactful those programs are in achieving the desired outcomes. Dive in to the City's online PBB to learn more.



www.ferndalemi.gov/resources/budgets

Page 21: Ferndale Police Transparency Dashboard

The Ferndale Police Department's Transparency Dashboard is an open resource for data and statistics relating to investigations, arrests, policies, and more.



www.ferndalemi.gov/resources/transparency-dashboard



COMMITTEE MEETINGS & RESOURCES

Committee Webpage



bit.ly/ferndale-finance-committee

Meeting Agendas and Minutes



bit.ly/Finance-Committee-Agendas

Meeting Video Recordings



bit.ly/YouTube-Finance-Committee

Supplemental Meeting Materials



bit.ly/Finance-Committee-Agendas

Full-Scale Version of Figure 1, Tax Scenario Infographic



<https://bit.ly/ferndale-figure1>

Full-Scale Version of Table 4, Scenario Table



<https://bit.ly/table-4>