

JOINT SPECIAL COUNCIL MEETING WITH FINANCE COMMITTEE - APRIL 12, 1999

Present: **Council** - Buterbaugh, Craig, Downey, Kennedy, Lison, Stearn and Walsh  
**Finance Committee** - Gracely, MacDonald and Mach

Absent: Koontz and Hitz - Finance Committee

Also Present: Village Manager, Hanlin  
Finance Director, Wiszowaty  
Public Services Director, Spallasso  
Director of Public Safety, Woodard  
Assistant to the Manager, Pasieka  
Building Official, Byrwa

President Craig called the meeting to order at 7:34 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road. The agenda was amended to include public comments.

**Public Comments**

Dorothy Pfeifer of 31287 Heath Court thanked administration for posting notice of tonight's meeting on the sign in front of the Village offices. Pfeifer is not able to remain for the entire meeting but commented on budgeted expenditures for the next fiscal year. She questioned a few large salary increases in the administrative and public safety areas.

Pfeifer remarked that Beverly Hills has been referred to as being a low-taxed government unit. Previous councils have operated under the philosophy of getting the most for our dollars. This Village is composed of a wide spectrum of people in various financial situations. She would not like to see spending get to the point where property taxes prohibit young families from settling in the community or elderly people on fixed incomes from remaining in the Village. Beverly Hills is a bedroom community with only three percent of its tax income coming from businesses. The residents are what sustain the community.

**Discussion of proposed Fiscal Year 1999-2000 budget**

Council and Finance Committee members received a copy of a Draft Capital Improvement Plan. Also distributed this evening was information on Alternative Approaches to Funding Storm Water and Sanitary Sewer System Improvements which Hanlin received from the legislative affairs coordinator of the Michigan Municipal League. Hanlin remarked that it is an informational piece on the status of the law in terms of financing storm sewers as result of the Supreme Court ruling for the City of Lansing.

Hanlin stated that Wiszowaty will present an overview of the General Fund budget, the Major and Local Road Fund budgets, and the Water and Sewer Fund budget. She hopes to discuss the status of the funds in the context of the capital improvement program draft document.

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Wisowaty referred to the supporting material relative to projected 1999-2000 combined millage. The taxable value on which the Village's property tax revenue is based will increase by 3.4% from last year to \$401,559,644 even though the CPI increased by only 1.6%. The General Fund budget is balanced with estimated revenues and expenditures of \$5,712,673. This budget contemplates transferring \$160,000 from the fund balance, bringing the fund balance from \$1.299 million to \$1.139 million or 19.95% of the total budget which is a safe cushion for the Village.

The General Fund operating millage proposed in this budget is 9.765 mills. One mill will continue to be allocated at Council's direction from the General Fund operating millage to the Local Road Fund. The proposed General Fund operating millage is 10.7650 mills subject to Headlee calculations. The Village's Charter millage cap is 11 mills.

Public Safety Debt has expired. In the past it was approximately 0.6 mills. The Headlee Reduction Factor will bring the voter approved 2 mills down to 1.9573 mills. The CSO debt payment is 0.9625 mills, an increase from the current year due to additional special assessment charges to the CSO debt.

The total proposed millage rate for the 1999-2000 fiscal year is 13.6848 mills which is an increase of 0.0429 mills from the current total millage rate. The increase is due to the additional special assessment charged to the CSO debt and a \$200,000 transfer from the General Fund for water main repair and replacement.

Wisowaty stated that 1999-2000 revenues will increase by 9.24% from 1998-99. Property tax revenue will increase by \$374,983. The Village is expecting an increase in state revenue sharing of approximately \$146,000.

The budget reflects maintaining the same staffing level as in the current fiscal year. Salary and wage adjustments are budgeted at 4% for non-union personnel and 5% for union employees. Five percent is used for budget purposes due a 2% increase in all union contracts except for AFSCME on July 1, 1999 and a 3% increase for January 1, 2000. Wisowaty stated that the Village's primary carrier that deals with Blue Cross/Blue Shield has informed us of a projected 15% increase in health insurance costs.

Wisowaty highlighted the General Fund budget by department and addressed questions from Council and Committee members. Council members questioned a 19% increase in salary proposed for the manager's secretary and the change in personnel from a combined secretary and clerk position to a part time clerk and full time secretary. Hanlin recommends the salary adjustment based on the fact that this employee was hired at a low wage and has proven herself to be trained, reliable and helpful. It is appropriate to bring her salary up to that of the union clerical employees in the office. Hanlin remarked that having a full time secretary makes her a more efficient manager. Council weighed the benefits of retaining a good people and agreed to the increase proposed.

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Council discussed the manager's proposal to double the contingent/advancement line item. The Council has traditionally allotted \$10,000 in a contingency fund for a bonus program for administrative, non-union employees to be disbursed by the Village Manager. Hanlin remarked that she has developed an employee evaluation program and she is attempting to apply objective standards to allocating this money to the administrative staff who report directly to her. There was some discussion on how this discretionary fund should be distributed. Craig suggested that the fund be used for meritorious reasons. There was some opposition to an increase in this fund.

The Village Attorney fees were discussed. It was questioned whether the Village should go out for competitive bids for legal services at some point in the future. A change in this area is not proposed for this budget. It was suggested that a change in legal service could be reviewed as part of the five year financial plan.

The area of General Administration is expected to increase 16.47% as a result of substantial increases in health insurance rates and increases in retirement contributions.

Council and committee members discussed options with respect to exploring changes in the Village's health care plan. The Village is reaching its maximum millage rate, and health care costs are increasing. Hanlin stated that all of the Village's union contracts expire December 31, 1999. Health care coverage is specified in union contracts. Hanlin will meet with Council in closed session to discuss bargaining strategy before sitting down with the public safety department to negotiate a contract this fall. Traditionally, the public safety officer's union sets the pattern for local government employees.

It was the consensus of Council that the Village Manager should investigate health care costs prior to going into collective bargaining in the fall. Hanlin will bring information to Council in closed session to talk about options and strategy. The suggestion was made that changes in employee health care plans could be dovetailed into the five year financial plan.

There is an overall increase in the Public Safety Department budget of 7.43 percent. Salary and wages plus health insurances and other fringes reflect the largest portion of the increase. Other increases include \$10,000 for labor relations attorney due to contract negotiations; \$3,000 for liability insurance; \$5,218 for utilities and \$7,176 towards retirement. Decreases include a reduction of \$27,553 for post retirement health care contributions due to the revised actuarial study. Contributions to the public safety pension fund remain at zero due to over-funding due to strong corporate stocks.

Norm Downey of 23042 Nottingham Drive questioned why the school liaison officer expense appears in the General Fund budget and not in the School District budget. He maintains that the City of Birmingham's general fund budget does not include this expense. Downey was informed that the Village is reimbursed by Birmingham Schools for 50% of all costs associated with the school liaison

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officer. Wiszowaty will look into how Birmingham funds its portion of the school liaison officer and inform Downey.

An increase in the planning consultant fees is due to an anticipated master plan for bikeways and walkways totaling \$7,750. Council has agreed to the priority list of projects for the year submitted by the Planning Board.

Walsh recalled that Council approved the expenditure of about \$20,000 over a year ago for engineering studies on sidewalks along Evergreen and Fourteen Mile Road. He asked that the information be made available to the Planning Board, planning consultant, and Council to assure that there is no duplication of efforts and that everyone has the same information.

The increase in the Public Works Department was questioned. This budget reflects a 3% increase for collection and 5% increase for disposal. Hanlin will be asking for Council authorization to go out for proposals on rubbish collection service at an upcoming Council meeting. Craig reviewed that the Village's rubbish contractor was given a one-year extension last year and did not increase rates. Costs are going down in that industry and the Village may receive a reduction in rates through competitive bidding.

Downey questioned the \$10,000 budgeted for River Rouge Maintenance in the public works area. Spallasso explained that the Village will have to accumulate a fund for Rouge River needs. The Village submitted an application for a General Storm Water Permit from the Michigan Department of Environmental Quality which allows communities to develop activities and projects that will help restore the river. The idea of this voluntary permit was to demonstrate to the federal court that the watershed communities could get together and develop a program cooperatively that would amount to watershed management within the Rouge River. By the year 2001, storm water management will not be voluntary. Spallasso indicated that \$10,000 will be sufficient this year. The Village may have to inspect all of the outlets that go into the river. More funding may be needed in the future depending on what is found.

Wiszowaty commented that this money will be transferred to the Capital Projects Fund and held in reserve until the Village incurs costs associated with River Rouge maintenance. There is currently \$6,000 in that fund.

Craig referred to the \$30,900 budgeted for Island Landscaping. He recalled that the Village undertook the responsibility of cutting the grass on islands in the community many years ago. Craig questions spending \$30,000 of taxpayer money to mow islands in certain areas of the Village while other subdivisions maintain their own islands. This practice will be reconsidered.

Spallasso suggested that Council could change the policy to only maintain islands where there are site distance problems. The Village owns the rights-of-way and roads and has to keep them safe.

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Council requested that Spallasso prepare an inventory of the islands and indicate those that are mowed by the Village. Alternatives to the current program will be discussed as an agenda item. It was agreed that the policy should be changed gradually in order to inform area residents and assure that the islands continue to be maintained.

The Community Action Program will increase by 44 percent. It was noted that community organizations submit funding requests in a letter and make a presentation to Council before contributions are released. Special event programs that take place primarily in Beverly Park will increase by 46.35%. The budget proposes a \$2,000 contribution to the Birmingham fireworks display. This will be a topic for discussion as a Council agenda item.

The Parks and Recreation budget will increase by 5.99% from the previous fiscal year primarily due to the cost of a sled hill study at \$2,000.

A 3.40% increase in library contribution is due to an increase in taxable value. The library cost represents 1.077 mills against the Village's total operating millage. This led to discussion of why Beverly Hills spends \$400,000 supporting the Birmingham library. It was indicated that this issue was studied in depth by Council and a citizens' committee about nine years ago and the results of the library study are available for review.

Council asked that representatives of the Baldwin Public Library be requested to make a presentation to Council on services and resources that are available. Administration was asked to obtain a copy of the library's budget in order to understand the total budget and what percentage the Village's contribution represents.

Wisowaty stated that it is proposed to spend \$255,617 on capital purchases, a decrease of \$88,000 compared to the previous fiscal year. Office equipment expense will decrease due to the COPS grant to Oakland County. Included in the budget is a new telephone system for public safety that will be Y2K compliant totaling \$25,000. The budget anticipates year one of a five-year lease payment for a new fire truck in the amount of \$24,000. Wisowaty remarked that only \$15,000 is being allocated to the fire truck reserve fund. The Finance Committee and administration will be discussing building the reserve fund for future fire truck replacement.

Stearn proposes allocating \$40,000-\$60,000 towards Parks and Recreation capital purchases to start implementing the park master plan. He believes that this community should have a better park and would like to go into the next millennium fixing up our park. He commented on the limited equipment in the playground area.

Council will be talking about a \$200,000 transfer from the General Fund to the Water & Sewer Improvement Fund for water main repairs. Stearn expressed the view that maintenance of water mains should be financed through water bills and should not be a part of the General Fund budget. Many other municipalities finance water main repairs through water rates and tap-in fees. Removing

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that \$200,000 from the budget will decrease the budget by 0.5 mills. He proposes increasing the budget by 0.1 mill and allocating money to the Parks and Recreation budget.

Craig was concerned that raising water rates to finance water main repair and replacement would cause the taxpayers to pay more out of pocket because they are not able to deduct their water bills from their taxes.

Stearn made the point that the schools and churches in the Village do not pay property taxes yet receive the benefit of water main repairs. Those entities do pay water bills.

Wisowaty estimates that water rates would have to increase an additional \$3.35 times the number of units that a customer uses in order to generate \$200,000 this year. The water rates are currently \$2.793 per unit. MacDonald stated that a 12% increase in the water rates is required to fund that kind of an increase.

It is acknowledged that the water mains in the Village are old and in need of repair. Water mains are 70 years old in some areas of the Village. The Village will either be repairing water mains as they fail or allocating money in a fund for water main replacement.

MacDonald expressed the view that there should be a better understanding of the Village's priorities before dollars are shifted to accommodate a capital expenditure which is just one portion of the total capital the Village needs over the next five or ten years.

Spallasso mentioned that the Village will receive an increase in water and sewer rates from the City of Detroit in one or two years. This could be a 20% increase, depending on the methodology of distributing the cost of the improvements to the Detroit Combined Sewer Overflow facilities.

Buterbaugh expressed the concern that raising water rates is discriminatory to low income people. Stearn responded that raising the millage by 0.5 mills to generate the \$200,000 for water main repairs will increase property taxes.

Craig remarked that property taxes are based on the value of the home. People with fixed incomes who live in smaller homes with less value will pay a smaller increase than people with larger homes. Water rates are flat across the board while millage is based on the value of the house.

Stearn questioned the increase in water rates proposed in this budget. Wisowaty responded that the proposed water and sewer budget reflects an increase in water rates from \$27.93 to \$29.64 which is 6.12% increase from the preceding year. In order to generate an additional \$200,000, the bill for an individual who receives a minimum bill would be \$32.99 plus a meter charge of \$6. This would be a \$20 increase a year for a person with low consumption.

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Craig feels that Stearn's suggestion to shift revenue from a tax base to a user fee is an option worth exploring further. It is a separate issue from increasing capital purchases for the park. Craig is not opposed to the idea of setting aside money for Parks and Recreation. There is a master plan and a priority list outlining how the Parks and Recreation Board would like to proceed. Council can anticipate being approached by the Parks and Recreation Board with a request for funds at the end of the summer after they have engaged in a variety of fund raising efforts. The park is where the community gathers and Craig agrees that it needs attention.

Walsh brought the discussion back to water main repairs. In answer to an inquiry, Wiszowaty stated that the Water and Sewer Operation Fund has an estimated fund balance of \$490,000 as of June 30, 1999. Walsh does not support user fees.

Craig directed Council's attention to the draft capital improvement program prepared by administration. There are 13 items including some ongoing projects. A priority list for the replacement of water mains was developed by the public services department. The estimated annual cost of maintaining the replacement program is \$200,000. The priority improvement projects discussed in the 1998 Park Master Plan are listed in the capital improvement plan.

Hanlin commented that she and the Village staff identified in this document what they believe the Village needs to accomplish immediately and in 20 years from now. It is based on what we know relative to the status of funding from various agencies. The document will be the starting point for Council and Finance Committee discussion on a capital improvement plan. Council could use this as a guide to decide what it will fund in terms of capital improvements for purposes of this budget discussion. Associated costs will be added to the capital improvement plan as the document matures. The items will be prioritized and included in a five year financial plan. The document should be reviewed every year and a determination made of what is needed to reach a specific goal.

Buterbaugh suggested preparing a status chart listing the projects, time frame, dollar amount, and method of payment to assist in judging priorities. Downey has volunteered to work with Spallasso on a status project plan.

Council members agree that the capital improvement projects should be prioritized with rough estimates given to each activity. Council encouraged the Finance Committee to begin work on a five year financial plan and come back to the Council with recommendations. It was suggested that a joint meeting of the Council and Finance Committee be scheduled this summer to discuss the five year plan.

Stearn asked if there is Council consensus on increasing the allocation to the Parks and Recreation for park improvements. The majority of Council agreed to double the Park Capital Improvement Fund for a total of \$24,000.

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Gracely commented that the issue of user fees could be explored as part of the five year plan discussions. He thinks a study should be done to determine what a person is saving when they itemize the amount spent on water for the year through their taxes.

There was further discussion on the suggestion of increasing water rates to pay for water main repair and replacement. The point has been made that there are non-profit organizations that do not pay taxes but derive use from the system. Spallasso will estimate the consumption for the schools and churches in the Village.

Craig concluded that there is more information needed before a decision is made on this matter. The issue of increased water rates or increased taxes to fund water main replacement will be discussed further by the Finance Committee and Council. The assignment to the Finance Committee is development of a five year capital plan.

Wisowaty outlined the Major Road Fund budget and summarized variances from the preceding year's budget. This budget anticipates taking \$195,000 from the fund balance which will deplete that fund and spending it on the 13 Mile Road Bridge replacement. The total budget in the major road fund is \$612,135.00.

Craig questioned whether Spallasso anticipates any other major infrastructure expenditures in the next five years. Spallasso stated that the Evergreen Bridge repair is not included in this budget. The actual cost is not known but a figure of \$350,000 was used to apply for state and federal emergency funds for repair of this bridge.

Repair or replacement of the Evergreen Bridge will be funded by transfer from the Local Road Fund balance and by money allocated for the resurfacing program. Spallasso stated that this year's resurfacing program may have to be delayed by one year or done on a limited basis. He related that 3.3 miles of roads in the Village were resurfaced and capped last year. Spallasso stated that the Village will be saving a substantial amount of money from the estimated cost of critical structural repairs which could be transferred to the local or major road fund to keep the resurfacing projects on schedule.

Council and Committee members discussed the financing of water main repairs, Evergreen bridge repair and road resurfacing. The bridge replacement is of primary importance and it will be added into the budget document before it is adopted by Council.

Wisowaty summarized the Local Road Fund budget which is balanced at \$617,242.00. There was some discussion on the policy of resurfacing concrete roads with asphalt because of the cost of concrete replacement. Craig suggested that this is an issue that should be addressed with respect to available options.

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The Water and Sewer Budget is \$1,937,908.00. The increase cost of the CSO maintenance contract was questioned. Spallasso stated that it is a result of new federal Environmental Protection Agency regulations regarding testing of water before it is released into the river. Council asked for an explanation of these charges from Oakland County.

The budget document includes Wiszowaty's calculation of water and sewer rates. Water, sewer, and debt service costs are separated to determine how much is needed to charge back to the customers for a balanced budget. The budget reflects an increase in water rates of 6.12% from \$27.93 to \$29.64.

Council will hold a public hearing and consider approval of the 1999-2000 budget at its May 3 Council meeting.

MOTION by Lison, supported by Walsh, to adjourn the meeting at 11:00 p.m.

Motion passes unanimously.

**Andrew Craig**  
**Council President**

**Ellen E. Marshall**  
**Village Clerk**