Present: Chairperson Koontz; Vice-Chairperson MacDonald; Members: Hitz, Gracely and Mach

Absent: None

Also Present: Village Manager, Hanlin
Finance Director, Wiszowaty
Council Liaison, Stearn
Council members - Craig, Downey, Kennedy and Walsh
Director of Public Safety, Woodard

Vice-Chairperson MacDonald called the meeting to order at 7:00 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road.

APPROVE MINUTES
The current procedure for distribution of Finance Committee meeting minutes to other Village bodies was discussed. It was the consensus of the members to allow unapproved meeting minutes to be distributed to Council prior to their review and approval.

> MOTION by Gracely, supported by Hitz, that the minutes of a regular Finance Committee meeting held on Tuesday, February 9, 1999 be approved as submitted.
>
> Motion passes unanimously.

REVIEW PROPOSALS FOR AUDITING SERVICES
Council authorized administration and the Finance Committee to prepare a Request for Proposal (RFP) for the Village's auditing service for the next three years to include the current fiscal year. Proposals were sent to 12 firms in the metropolitan Detroit area. Four firms responded - Doeren Mayhew; Guest, Olds & West; Plante & Moran; and Rehmann Robson. The firm of Guest, Olds & West has been performing auditing services for the Village for over 15 years.

The quotations range from the low bid of Rehmann Robson of $56,700 to a high quote from Plante & Moran of $60,842. Guest, Olds & West was at $57,025, and Doeren Mayhew quoted $60,000 for the three year period.

Wiszowaty remarked that auditing firms will be required to provide a footnote to the June 30, 1999 audit regarding the Village's Y2K compliance status and note problems in the financial statements. All of the firms would charge extra to conduct a complete Year 2000 study. The auditor will review and comment on the Village's data processing operations as part of the audit report.

Wiszowaty has checked references on the three new firms and found all three to be satisfactory. He mentioned a particularly strong letter of reference evaluating Plante & Moran which was received from Grosse Pointe Farms. Wiszowaty believes that any of these four firms will be able to handle the needs of Beverly Hills. He has met with representatives from each of the firms and will be

comfortable working with any of them. At the Board's inquiry, Wiszowaty indicated a preference towards contracting with Plante & Moran based on the strength of their presentation and thoroughness of their proposal.

Committee members discussed and compared the proposals. Comments and questions were addressed by Wiszowaty.

It was noted that Plante & Moran and Rehmann Robson would access the Village's accounting software and transfer data from our system to theirs. Wiszowaty thinks that Doeren Mayhew has this capability but did not stress this feature during their presentation.

It was taken into consideration that the main office of Rehmann Robson is located in Saginaw and most of their clients are outside of the metro Detroit area.

Additional services were included in some of the audit proposals. It has been suggested previously that any financial planning services required by the Village could be contracted separately by an outside consultant.

It was questioned how Council wishes to proceed with the process of selecting an auditing firm. Hanlin proposed that the Finance Committee narrow its recommendation to two or three firms which would be interviewed by a subcommittee. Craig suggested that a subcommittee be comprised of two Council members, two people from the Finance Committee, and the Finance Director. It is anticipated that the interview process could be accomplished and a recommendation come before Council for a decision at its April 19 meeting.

The Finance Committee discussed which of the auditing firms could offer the most to assist the Village. It was the sense of the Board to recommend that the firms of Plante & Moran and Doeren Mayhew be considered further. Committee members addressed questions and comments from people in the audience.

Koontz entered the meeting at 7:25 p.m.

> MOTION by Hitz, supported by Mach, to recommend that the Village proceed to interview Doeren Mayhew and Plante & Moran as part of the selection process for the Village's auditing service.
>
> Motion passes unanimously.

DISCUSSION OF FIRST DRAFT OF FISCAL YEAR 1999/2000 GENERAL FUND BUDGET
Hanlin explained the budget preparation process. Each year she asks department heads to review where they are and what they need. Internal meetings are held to discuss budget proposals in detail and result in deleted items. Hanlin thinks that the items included in the proposed budget are of the utmost importance to the Village.

Hanlin stated that the Village has held the line with this budget. Health insurance rates will increase approximately 15 percent this year. The Village is at the end of its contractual obligations with all four unions. There will be an increase in labor relations attorney costs due to commencement of contract negotiations. A 4% salary and wage adjustment is budgeted. Director of Public Safety Woodard is present this evening to discuss the major capital outlay proposed in the public safety department budget.

Wiszowaty summarized a handout listing millage and fund balance figures from preceding years and the estimated millage amount for 1999/2000. Prior to tonight's meeting, Wiszowaty received a revised taxable value from the County of $401,559,644. The taxable value on which the Village's property tax revenue is based increased by 3.4% from last year. A 3% increase in the library contribution is anticipated due to increases in taxable value.

Wiszowaty reported an increase in the fund balance for the year ending June 30, 1998 in the amount of $294,000. A transfer from the fund balance of $152,200 has been budgeted to reduce the fund balance percentage from 24.85% to 20.87%.

The General Fund operating millage proposed in this budget is 9.309 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 10.309 mills. Wiszowaty remarked that these figures are based on the taxable value figures available prior to this afternoon. The Village's Charter millage cap is 11 mills.

Wiszowaty outlined the voter approved millage. The public safety debt will be eliminated this year. The voters approved 2 mills for 12 years in August of 1997 for infrastructure improvements. The handout shows 2 mills but the actual number will be somewhat less based on the Headlee adjustment.

There will be no millage levied for Drains at Large due to sufficient money in the fund balance to pay the outstanding debts. The CSO debt will increase this year from 0.9111 mills to 0.9663 mills due to Bond Issue D which resulted in additional costs for the CSO basin as required by the federal government and the Department of Environmental Quality.

The total estimated millage for the 1999-2000 fiscal year is 13.2753 mills, a reduction from previous fiscal year's millage rate of 13.6419 mills. This budget will show a total decrease in the millage of close to 0.4 mills.

Director Woodard presented an overview of the capital purchases for the Public Safety Department included in the proposed 1999/2000 budget.

The proposed budget shows a $15,000 contribution in the fire vehicle replacement fund. The Finance Committee has discussed the financing of fire apparatus including the consideration of building the reserve fund for future replacement of equipment. Wiszowaty stated that there will be

discussion at the beginning of the new fiscal year about the method of payment for the fire truck that will be delivered this fall and for future replacement of apparatus.

Questions were asked about two large decreases in General Fund revenue. Last year the budget included $156,000 as revenue from the COPS MORE grant for upgrading record management technology. The grant money will be supplied through Oakland County. The decrease is due to the grant to Oakland County supplying all except $52,200 of cost for capital equipment.

Wiszowaty explained that in previous years the Village received money from Southfield Township for providing public safety service to The Corners shopping center through a special assessment district. There is now a Section 425 Agreement in effect which includes the benefiting property as part of the Village tax roll. It will be part of Village revenue and part of the increase in the taxable value of Village property.

There was discussion of an anticipated 15% increase in health insurance premiums, primarily with Blue Cross and Blue Shield. Hanlin commented that the increase is industry driven. The Village is contractually obligated to provide specific types of health care. Every community is faced with looking at containing health care costs when going into contract negotiations.

Finance Committee members questioned the objective of this budget review. Council can decide whether it wants to see more from the Finance Committee earlier in the process in terms of putting more tasks into the budget review.

Hanlin commented that this session is a cursory review of the budget for the Finance Committee and Council members present in the audience. It is an opportunity for the Committee to point out any major flaws in the budget. A joint Council and Finance Committee meeting will be scheduled for April 12 to go through budget detail and discuss policy issues.

Committee members commented that over 60 percent of the budget is related to salary or fringe benefit costs with another 25 percent of the costs being contractual or fixed. There is only a small discretionary portion of the budget of about 10 percent. The Committee was concerned with drafting a five year plan and setting goals. They were interested in discussing policy issues and methods of funding projects.

Wiszowaty stated that the Village just received a current post-employment health care actuarial study. The assumptions have been reviewed by administration and will result in a decrease in post retirement health care contributions.

Hanlin addressed the issue of reserve funds for fire truck replacement. The Village is about to take delivery on a new fire truck which would put the Department about ten years out from having to buy the next piece of equipment. Hanlin feels strongly that the Village should look at accelerating its funding of water main replacement. This is an issue she will address with Council. The water mains are 40 years old. Beverly Hills experienced an extraordinary number of main breaks over the winter

and there is concern with weather patterns becoming more erratic. The Village needs to fund water main replacement at a higher level.

Wiszowaty anticipates having the water and sewer and the road fund budgets available for the April 12 budget meeting. He reviewed that, until approximately ten years ago, surplus water and sewer revenue in a given year was transferred into the Water and Sewer Improvement Fund. Water main repairs were funded through that fund. Since that time, the Village has directly charged projects against the Water and Sewer Operating Fund. The Water and Sewer Improvement Fund is down about $10,000 at present.

Questions on the proposed budget, millage cap, and five year plan were addressed by Wiszowaty and Committee members. The millage rate will reach the Charter limit of 11 mills within a couple of years. An increase in the millage cap will have to be considered in order to maintain the current level of services with current staffing.

A draft of a five year plan prepared by administration was reviewed by the Finance Committee and will be considered further after the work on the budget for the next fiscal year is completed. There were comments and concerns expressed about the need for planning into the future in order to address requirements such as fire truck replacement, water main repairs, and sewer and road projects. Policy decisions will have to be made on methods of funding.

It was questioned whether the Village can levy the 11 mill cap this year to fund needed capital expenditures. Wiszowaty answered that the Headlee maximum millage must be determined. It would be a Council decision whether to incorporate the difference between the proposed millage rate and the Headlee maximum millage into the budget. It was calculated that the most that could be raised while staying within the Charter limit is $200,000.

Resident Norm Downey recommended that the Village levy the maximum millage permissible under Headlee and raise sewer and water rates to pay for sewer and water repairs.

COMMITTEE MEMBER COMMENTS

Hitz questioned the status of the five year financial plan discussed at the February Finance Committee meeting. The Committee recommended a process for building a five year forecast.

Wiszowaty stated that he has been preparing the budget for the next fiscal year and will begin work on the financial plan when the budget is completed. Hanlin added that she has obtained the capital improvement plan from the City of Farmington which will be distributed to Council and Finance Committee members. She views it as a workable model which deserves consideration.

Hitz assumes that the open items listed at the conclusion of the Finance Committee meeting minutes are being passed along to Council. The Finance Committee talked about contacting the Village insurance carriers and requesting cost estimates for the next three years. Wiszowaty stated that he contacted them and was informed that they cannot speculate on year two and year three.

Craig informed the members that newly elected Council member Todd Stearn will serve as liaison to the Finance Committee.

MOTION by Hitz, supported by Koontz, that the meeting be adjourned at 8:32 p.m.

Motion passes unanimously.

Don MacDonald, Vice-Chairperson
Finance Committee

Ellen E. Marshall
Village Clerk