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

Absent: Mach

Also Present: Finance Director, Wiszowaty
Council Liaison, Stearn

Chairperson Koontz called the meeting to order at 7:05 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road.

APPROVE MINUTES OF FINANCE COMMITTEE MEETING HELD ON MONDAY, MAY 4, 1999

Hitz suggested that meeting minutes be more specific as to the action taken on issues being discussed. It was agreed that the record should be clear as to whether the Finance Committee is making a recommendation to Council or administration, or whether it is considering an item for discussion at future meetings.

The minutes of the last meeting state that the Finance Committee suggested allocating $10,000 a year for park improvements as part of the five year capital improvement plan. Reference made to this statement led to discussion on whether recommendations for an annual allocation for park improvements should come from the Parks and Recreation Board or from Village administration. The Parks and Recreation Board has developed priorities for capital improvements to Beverly Park based on the park master plan. It was the sense of the Committee that it expects the administration under the direction of Council to propose recommendations on all types of capital improvements including park priorities and how much to set aside for park capital improvements.

Stearn commented that Council is generally responsible for deciding policies and priorities for allocation of funds, and administration executes those policies.

> MOTION by Hitz, supported by MacDonald, that the minutes of a regular Finance Committee meeting held on Monday, May 4, 1999 be approved as submitted.
>
> Motion passes unanimously.

CONTINUE DISCUSSION AND REVIEW OF THE FIVE YEAR CAPITAL IMPROVEMENT PLAN DRAFT

Committee members are in receipt of a work sheet that was prepared using information discussed at the last meeting. Wiszowaty prepared a schedule showing timing of revenue and capital needs. He also prepared a comparative fund balance worksheet which was distributed this evening.

Wiszowaty explained that the chart outlines where the Village stands financially with projects that have been identified over the next six to seven years. He noted that the Village will receive approximately $1 million a year from the dedicated millage for another four years following the term

of this financial plan. The Committee asked Wiszowaty to add a footnote to the plan indicating that additional revenue totaling almost $4 million will be collected from the dedicated millage until 2012.

Wiszowaty stated that money will be dedicated from charter millage to fund some of the projects listed in the plan. Fire trucks, park improvements, and administrative technology will be charged against the charter millage cap. There are road and infrastructure projects that will be financed partially by local road fund money, State gas and weight tax, and transfers from charter millage. Other infrastructure projects will be funded from the dedicated millage.

Wiszowaty commented on the projected shortfall indicated for each year. Serious decisions will have to be made in the year 2001 when the $5.3 million Acacia Park Interceptor project is scheduled to commence. The purpose of the discussion today is discuss how to fund these shortfalls and to begin investigating funding alternatives.

Stearn stated that Birmingham will be proceeding with bonding its portion of the Acacia Park Interceptor in the next couple of months which will bring this issue to the forefront for Beverly Hills. If Beverly Hills were to proceed with a bond issue, voter approval would be required at the March election. A decision would have to be made by August in order to execute the paperwork for preparation of a ballot question.

The Finance Committee requested that administration make the following changes to the chart as prepared. It should be footnoted that the report assumes that any revenue the Village receives from other sources is allocated for either maintenance items, administration, or salaries and benefits. Wiszowaty was asked to add a footnote to the plan indicating that additional revenue totaling almost $4 million will be collected from the dedicated millage until 2012. Wiszowaty was asked to provide a cumulative year-to-date figure at the bottom of the page. The forecasted June 30 fund balance will be added in a column for each area of expenditures.

This financial forecast will confirm that there is an overall shortfall based on the priorities and the cash flow, and will quantify that shortfall.

It was suggested that Wiszowaty fax or e-mail the revised chart to Committee members for their review prior to next month's meeting.

DISCUSSION OF LEASING VERSUS PURCHASING ADMINISTRATIVE VEHICLES

Stearn raised the question of leasing versus purchasing Village administrative vehicles at a recent Council meeting during consideration of the purchase of a new vehicle for the building department at a cost of almost $21,000. The Village currently purchases four administration vehicles with one vehicle replaced approximately each year. These are vehicles driven by the village manager, public services director, building official and a shared vehicle used for deliveries and errands. Stearn commented that this is an exercise to see if the Village can save money by leasing instead of buying.

MacDonald commented that it is generally better to lease if you want a new car every two or three years. If cars are kept for four to six years, it is better to buy them. He related that corporations tend

to lease vehicles to free up capital for other uses. If a company is not capital constrained, chances are it is buying fleet cars. It all has to do with cash reserves and capital on hand.

Wiszowaty understands that the only government body that leases rather than purchases vehicles is the Oakland County Road Commission.

Stearn stated that Village vehicles are currently purchased through a competitive bidding process conducted by Oakland County.

MacDonald questioned whether the municipal sector would receive the same lease terms as the retail sector. There may be no incentive money for municipalities that lease.

Koontz suggested that the Finance Committee receive more information and discuss this at the next meeting.

Review of Five Year Capital Improvement Plan Draft (continued)

Hitz stated that Wiszowaty was given direction on making minor modifications to the financial forecast document. Hitz thinks the Committee should clarify what it will do between now and the next meeting in terms of moving forward to give Council recommendations on funding alternatives.

The financial forecast shows that there is shortfall. It is the sense of the Finance Committee to request that administration formulate specific alternatives and costs beginning in the year 2000. The Committee will be prepared to review the revised chart and a preliminary listing of alternative funding proposals at its next meeting. It may forward the revised document to Council along with recommendations on funding.

The Finance Committee discussed alternatives for generating additional funds for capital improvements. The Committee requested information from administration that establishes whether forecasted expenditures are in the proper year, and if there are expenditures that can be pushed out in 2000, 2001 and 2002.

Administration was asked to provide the Committee with a model of what it would cost in the 2000/2001 fiscal year for a bond issue including timing. Other alternatives for funding include dedicated millage, a special assessment directed at those benefiting from the improvement area, borrowing from the Public Safety Retirement Fund, and a combination of these alternatives. Water rates were considered as a funding source but rejected as having to be raised too high to be effective.

The Finance Committee will review the data furnished by administration and make a recommendation to Council. The Committee will be looking for Council direction before investigating specific funding alternatives.

ADMINISTRATIVE COMMENTS

Wiszowaty outlined Plante & Moran's schedule for conducting the audit for the Village. Plante & Moran staff will be at the Village office to work on internal controls and testing on July 7 and 8.

They will return the day after Labor Day for two weeks with a full crew and submit a draft report by the end of September.

Koontz asked Wiszowaty to look into the hourly cost of Plante & Moran's consulting services and inform the Finance Committee.

COUNCIL LIAISON COMMENTS

Hitz referred to the open items listed at the end of Finance Committee meeting minutes requiring either direction from Council or administration. Committee members would like to have a response from Council and administration on the open items.

The first item is a request by the Committee that a clear conduit of assignments be established from Council with priorities. Stearn remarked that Council assumes that the Finance Committee is working on the five year financial plan, which is probably its number one priority for this body. Stearn thinks the five year plan is going well.

Hitz responded that there are other matters that the Finance Committee can be reviewing at the same time such as a cafeteria plan or investment plan.

MacDonald suggested that the Finance Committee place the following open item on its agenda for next month's meeting: "Finance Committee discussion and review of the Village's investment posture regarding short and long term investment options." Members agreed that this is a top priority item. It is the sense of the Committee that the last time the investment policy was reviewed was probably in 1991. It may be time to revisit this issue considering the change in economic conditions.

Stearn commented that it would be helpful to have a member of the Finance Committee present when Council is discussing alternative financing for sewers.

Next month's Finance Committee meeting was tentatively rescheduled for Tuesday, July 13.

MOTION by MacDonald, supported by Hitz, that the meeting be adjourned at 8:30 pm.

Motion passes unanimously.

Open items:

1 - Finance Committee request for a clear conduit of assignments be established from Council with priorities. (10-13-98)

2 - Submit a list of annual approvals to Village Manager (investment policy, loan policy, all contractual agreements whether expiring or not) - Gracely (12-15-98)

3 - Finance Committee discussion and review of the Village's investment posture regarding short and long term investment options. (12-15-98)

4 - Review Cafeteria Plan when available. (12-15-98)

5 - Five year capital improvement plan (5-4-99)

Thomas Koontz, Chairperson
Finance Committee

Ellen E. Marshall
Village Clerk