

REGULAR FINANCE COMMITTEE MEETING MINUTES – DECEMBER 28, 2005 –

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Present: Chairperson Belaustegui; Members: Fassett, Merritt, Mooney, and Piotrowicz

Absent: Nowland and Roberts

Also Present: Village Manager Spallasso
Finance Director Wiszowaty
Public Safety Director Woodard
Council Member, Rijnovean
Council Member, Taylor
Council Member, Walsh

Village Manager Spallasso called the meeting to order at 7:02 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road.

Mooney called for nominations for Chairperson.

Merritt nominated Bob Belaustegui for Chairperson. There were no further nominations.

Voice Vote on nomination of Belaustegui:
Belaustegui was unanimously elected Chairperson.

Belaustegui asked for nominations for Vice Chairperson.

Mooney nominated Dennis Fassett for Vice Chairperson. There were no other nominations.

Voice Vote on nomination of Fassett:
Fassett was unanimously elected Vice Chairperson.

GENERAL DISCUSSION

Belaustegui asked for comments from the council members who were present for their viewpoints regarding the Finance Committee. He feels that Gladys Walsh is not fully onboard with the Finance Committee starting up so early. From her point of view, she feels that there hasn't been enough discussion about what the Finance Committee should be doing. Others feel that it is imperative to get this going because it is part of the Strategic Plan as a Key Strategic Initiative. Belaustegui asked if any council members who were present wished to speak.

Council member Rijnovean stated that she would like to see the Finance Committee move forward since it's been over two and a half years since residents provided feedback on the strategic plan surveys about the Village's fiscal problem. She believes the budget is a problem even though many council members choose not to recognize it. As she looks at the five-year report, the fund balance will be in a deficit in 2006/07 and it needs to be dealt with now. She would like to see the Village move forward as soon as possible to deal with its financial problems. Other communities are doing this and the Village needs to do the same. Birmingham just reduced its millage by cutting costs and being more fiscally responsible. If they can do it, Beverly Hills can do it.

Dave Taylor made a friendly suggestion that the Village to work on a community foundation. It's been talked about for some time. This would be a way of funding some community events that may come up on the chopping block because of cutbacks in the budget.

Gladys Walsh stated that she has not been a proponent of the Finance Committee. The Finance Committee existed sometime in the past and was discontinued. She felt that the current Finance Committee wasn't given a charge. She wondered what reasons made the people who applied to be on the Finance Committee when there hadn't been any direction given as far as what they would be doing on the committee. She wanted to know what drew the applicants to being on the committee. She wondered what the committee members thought the committee would be or do. She believes that it is premature to have the Finance Committee meet because Council has not set specific goals and objectives for the committee to follow. In a sense, it's being unfair to the committee members to have them be on a committee, but not be doing anything. She wants a delineation between who does what. She wants to know the responsibility of Council and the responsibility of administration and where the Finance Committee falls between both of them. It's not to usurp what the administration does or what the Council does as elected officials. She stated that she is not hostile toward the Finance Committee members. She just doesn't think they have good direction and she feels like she was put in a bad situation. The Finance Committee members were quickly put on the committee before the new Council was elected and now they're there and they want some direction. She agrees they should have it. Council needs to be looking down the road, whether it's the library contract or something else. She questions what long term planning the Village needs to do. She wants to know what the Village is going to do with the continuing rising health costs and pensions. She wonders where we'll start. Business cannot go on as usual. We need to start with the new employees. Where the Finance Committee fits into this, she doesn't know. She's trying to find that fine mark.

Belaustegui asked if there was anyone present who actively participated with the Strategic Planning Development Committee (SPDC) and what their reasoning was behind having a Finance Committee. Bunker Kelly responded that the genesis for it was the thought that the Council that was seated during the 18 months that the SPDC was working, didn't appear to want to proactively address issues about finances in the Village. It was more or less, we've always gotten along, and so we'll get along. Council has stated that it is very difficult to make cuts. An example is \$1800 for fireworks. Kelly stated that the fireworks weren't cut because of some Council members receiving phone calls from residents. He felt that Council expressed a fear factor, from a political standpoint. They couldn't make decisions one way or another so they just kept things status quo. One of the points of the Finance Committee was to act as a resource to investigate items and areas and make recommendations to Council because he felt that Council didn't necessarily have the time or the inclination. In his opinion, it was to take it out of their political hands and make some recommendations to act upon.

Spallasso stated that Council adopted a resolution describing the Finance Committee's function.

Rijnovean stated that she was on the SPDC's ad hoc budget committee and one of the things they thought about with regard to a finance committee is that a lot of what needs to be done takes a lot of time and is very detailed and a lot of research is necessary. She agreed with Kelly that a lot of people on Council aren't inclined to do that and Mr. Spallasso and the Village staff doesn't have the time to get into stuff like that. So she is looking for somebody with expertise and time and inclination to get into the details.

Walsh takes exception with what Rijnovean said because she doesn't agree that administration or Council doesn't have the time. She feels that being part of Council means reviewing the budget and that's what she will do and expects other council members to do as well. The voters will determine whether they want people to stay in office who are doing what they were elected to do. She takes the time to research things. If someone is needed to do more in-depth research, that's another thing. She does not think that absolves a person from doing their job. She thinks administration has done considerable work as far as getting grants and making cuts so the fund balance isn't dipped into perhaps as greatly as it could have.

Spallasso stated administration is finalizing the five-year plan. It's going to be a draft, but it will be a document that is shared with Council as an informational item at the next Council meeting. If Council wants to share it with the Finance Committee, which he suggests, that would be a starting point.

Kelly said that Walsh brings a degree of dedication and/or work ethic to Council that may not have existed before which is what many villagers wanted. He feels that previous council members really didn't have the inclination to look at something, either good or bad. The term "cut" is overly used. He does not believe the only thing to do is straight cuts, there are many ways of consolidating, and using technologies to be more productive. Cuts may be one of those things in the big picture. He agrees that there is a basic responsibility of Council, it just didn't appear to be that way in the past.

Fassett asked what the role was of the prior Finance Committee and why it fell by the wayside. Spallasso responded that the Finance Committee was formed in the late 1980s as the Village was approaching some major needs with regard to infrastructure. The Finance Committee was put together so they could help figure out how to pay for these projects. They were instrumental in helping determine that the Village did have funds available at that time, and those funds were utilized for infrastructure projects. That was the first reason the Finance Committee existed. After that, they were given assignments primarily to look at budget items and make recommendations to Council.

Mooney stated that there has been a view in this Village for a number of years (probably a couple of decades) which is represented by people in the audience tonight that the goal in this Village is to keep taxes as low as humanly possible. The reality is that in 1986, there was an attempt to raise the millage cap, which is the maximum amount the Village can impose, but that proposal failed. Council responded by passing a temporary millage cap that was a little bit higher. The Finance Committee was chosen to help with public relations development, to indicate that a permanent or 10 year millage cap should be imposed upon the Village sufficient to allow it to continue to operate at present levels in 1986. The failure of the millage cap in March of 1986 took the Village from a 10-mil cap down to a 7.5-mil cap that would have resulted in dramatic cuts. In 1986 and into 1987, there was a genuine effort to get a temporary millage cap in place. In an effort to make it permanent, the Finance Committee was utilized for their financial expertise through various public relations efforts.

Over the years, the changes on the Finance Committee leaned more toward financial expertise, not at looking at what the Village was doing. At that point we had a Finance Director who was much weaker than the one we have now. We also had a different kind of auditor. When

Wisowaty was hired a more intense review of the auditing process took place. First administration would review the audit then the Finance Committee would review it.

Eventually, Council was looking at other serious problems in the Village and one of those problems was infrastructure and how to sell a dedicated millage to the residents. The Village had some serious problems in the mid 1990's and the Finance Committee provided their views, as citizens, as to how different approaches would work with regard to an infrastructure millage, a dedicated millage, how it would be assessed, what kind of deficit the Village could run, and why it was appropriate. Actually it has worked out very well. Unfortunately, a number of people who were not involved in that process have subsequently come in and told subsequent Councils that there were deficits on the millage. Those deficits were all built in. It was anticipated that sewer improvement funds would be utilized, but other actions were taken. Mooney stated that he was a proponent of higher taxes over other alternatives suggested by the Finance Committee over a long period of time. He thinks that's been their major contribution.

Mooney does not know why the original Finance Committee was disbanded. Their job has never been what he's heard a lot of people say tonight. He does not feel the Finance Committee is here to look at the budgets of the various departments because the Village has staff members to do that. The real reasons for the existence of the original Finance Committee had dissipated and it was no longer needed. When the current Finance Committee was formed earlier this year he opposed it because he did not understand the concept of what was being done. However, his feeling is that there are people in the community who would like to have a position on the Finance Committee to promote their agenda. That's not an agenda that he shares. While serving on Council he does not remember appointing anyone to the Finance Committee who had a particular agenda, but rather the good of the Village in particular. The things that Rijnovean and Kelly have said is not what Mooney thinks should be done. It is administration's job to do those tasks, as pointed out by Gladys Walsh. He thinks what should be done is probably some review in more of a policy nature. When a suggestion is made such as getting rid of the library, he feels that is going to be a problem, because that is a political decision. That is not a finance decision. There are mechanisms, different than what are used now, to address that type of situation. That's a political decision. So if the goal is to take political heat off Council, which is what he asked at the time this committee was created, then he can accept that and will do that to the best of his ability. But they may not necessarily want to take the heat off the Council and we may not agree with them. He is certain that Council hasn't appointed them to be "yes" people. Additionally, from his point of view, he assumes Council will let the Finance Committee know what the community needs from a financial standpoint and how to get it.

Kelly wanted to fill in a couple of blank spots regarding the demise of the previous Finance Committee. One of the reasons that the Finance Committee was dissolved is that prior Councils wanted them to be perform in more of a public relations role and the Finance Committee resisted that. The Finance Committee said they were in the financial field professionally, and they had many suggestions, some of which were implemented in different areas in the village, such as retirement items, etc. He agrees with Mooney that at the beginning, the Finance Committee was formed to help justify the millage. That went away but then it came back again years later and they resisted it and they were pushed out because of it.

Belaustegui asked for Bob Wiszowaty, Finance Director, to give his history with the Finance Committee. Belaustegui mentioned that prior to the dissolution of the Finance Committee, they met very infrequently. Wiszowaty stated that the Finance Committee was not given tasks, as far as direction. They were a group that was to report back to Council and Council would occasionally give them a project, such as millages. Occasionally they reviewed other things like leasing or buying vehicles and they provided comparisons. For the most part, they were part of the budget process and for the Manager it was his/her first opportunity to do a budget presentation in front of the Finance Committee to receive their input.

The same type of process was used when it came to changing auditing firms. The Manager and Council wanted to see if the Village was getting what it needed with regard to auditing services. At that time, a special subcommittee was set up of two Council members, two Finance Committee members and Wiszowaty. The subcommittee interviewed three firms and they were reviewed by the Finance Committee and Council, who concurred with their selection. In addition, the Finance Committee reviewed the preliminary audit report before it was presented to Council. As time went on, there were less and less things for them to do.

Bob Walsh also indicated that there was less and less for the Finance Committee to do. Once the millage situations were addressed there was no need for them. The Council is very involved in the budget process and the Finance Committee stayed away from it. They didn't want to be involved in it. Now we are at another point in our history where we need to take a serious look at changing some of the patterns with respect to fringe benefits. It is a reality and we have to start with it. If it has to start with new employees, then we have to start with new employees.

Belaustegui is interested in getting everybody started at the same place. He wants everyone to know what the Finance Committee did before and where it's going from here. Because several people have expressed what they think is expected of the committee, Belaustegui read the resolution that was adopted to create the Finance Committee:

“ SECTION 4. Committee Function. The Finance Committee shall:

Carry out studies as assigned by the Village Council. Time limit for all studies shall be established by the Village Council.

Prepare and present a report to the Village Council outlining their findings, analysis, conclusions and recommendations.

SECTION 5. Scope of Authority. The Committee is a non-administrative Committee serving solely in an advisory capacity. In that capacity, the Committee may make recommendations to the Village Council but may not assume any legislative or administrative authority in the operation of the Village Administration.”

Belaustegui asked for comments from the Finance Committee about what they think they should be doing. Jim Merritt thinks that cumulatively everybody has shared some good ideas tonight. Because he is a small business owner, he wanted to be involved in the Finance Committee to help bring a business approach to the Village's situation. As a business owner, he too is affected by the things referred to by Bob Walsh and hopefully his experience will be helpful. That's the reason he wanted to be on the Committee. He thinks other things could be looked at,

perhaps additional resources to produce income. He complimented Spallasso on taking advantage of numerous grants that have provided a source of income for the Village. He thinks there might be other areas to help Beverly Hills go from a 1955 community to a 2005 community. The Village not only faces problems, but positive changes are occurring as well. Those are the things he's looking forward to getting involved in with this committee, members of Council and Beverly Hills citizens. When he moved here he wanted to see the community progress. Beverly Hills is going through a re-birth in many ways, and if that is ignored other communities, who are looking ahead and have cohesiveness, will look good as compared to Beverly Hills. Birmingham was mentioned as cutting their taxes. That's a neat thing to see another community that has that kind of a budget to figure out how they can cut back and give something back to the residents.

Gary Piotrowicz would like this committee to be something more than "looking for a reason for it to be here." No one wants to be here looking for work. We're all busy people. The Finance Committee needs to find a good reason to be at the table with a good discussion moving forward. Beverly Hills is a great community and he wants to make sure that the future is great. He has young kids and he would like to continue to live here while they grow up, but one of the reasons he wanted to be on the committee is to make sure that 20 years from now Beverly Hills is as good as it is now. He has some concerns about that, so that's why he's here on this committee.

Dennis Fassett agreed with Piotrowicz. One of his concerns, which is shared by his neighbors is that the Finance Committee needs to have goals and objectives. He's heard everything from staff augmentation to special projects and everything in between that it is supposed to be working on. He's fine with whatever needs to be worked on, but he'd just like to have it narrowed down and defined.

Mooney isn't certain there's a great need for this committee. He attended at least three meetings of the Council to get an understanding of exactly what the Finance Committee is supposed to be doing and it's still not clear to him. Maybe that will be established at the joint meeting on January 10. He thinks that there could be a role for a Finance Committee, but his goal is a little bit different than Piotrowicz's. Mooney has lived in Beverly Hills for 22 years and 22 years from now he'd like the community to be better. He thinks that Beverly Hills is a lot better now than it was 22 years ago.

Mooney said we need to recognize that Beverly Hills is going to be an even more attractive community in the future for a variety of reasons. The Village is in a very key location whether traveling to Brighton, Sterling Heights or downtown Detroit. He also believes that we may have a greater need for public safety due to the village's location in the Detroit metropolitan area. Beverly Hills provides the kind of services that people want who can afford houses in this neighborhood. Today's wants are not nearly what they were in 1955. No one who moves into a house in 2005 can survive with one bathroom and three bedrooms. They must have the opportunity to improve their home. That might not be a Finance Committee decision, however, when talking about the ability to increase income to a community, changes in ordinances that permit adding on to property to make it more desirable would be something that should be looked at or at least crosschecked with other boards. He does not believe the Finance Committee should be flyspecking or inspecting the budget to determine what telephone company to use, whether to lease or buy a car, or whether to take certain types of periodicals.

That isn't the job of the Finance Committee. He thinks that the Council philosophy will change from time to time. Right now, he believes there is a more conservative philosophy than in the past. He's not sure that's the correct way to go. The amount of taxes one person is paying on their house and the amount of taxes being paid by someone else is so disparate that it is difficult to get people to move and change their residency. That's because of Proposal A. To suggest that the Village is in dire straights; he does not think that's true. The Village has close to \$2 million in the bank. That \$2 million is for a rainy day fund...a surplus. It's pouring cats and dogs out there. He asked what level of surplus the Village should maintain. That's something to be considered. It might be in the Council's best interest to think about how things can be funded. The library has been suggested. There might be other mechanisms to fund the library other than out of the general fund. It's been done in the past. Those are things that the Finance Committee could look at. Negotiations with regard to union contracts are best left to the professionals. He isn't a labor negotiator and the Village has top-notch labor negotiators who should be handling this. He views the Finance Committee's role as determining what services the people of the village want and how we can provide them. That could mean tax cuts or dedicated millages or it could mean a lot of different things. If we're in a crises, those are some of the things we could be looking at.

Belaustegui noticed that there were two things happening. There was clearly an agenda on the part of some that Council was not flyspecking and micro-managing the budget. There has been a long history of people stepping up to the podium and questioning items on the bills and getting a variety of answers. Most of the time the questions were not given to administration ahead of time or to anybody else. There was a little bit of grandstanding going on about how people felt they were in control of the numbers. From his perspective, most of those, he doesn't know if the number is 85%, 90% or 95%, went away anyway. There were good reasons for why the bills were the way they were. Perhaps they weren't itemized in the books as succinctly as possible, but that's the way it was. So there's been this agenda that the Council is not micromanaging the budget. In his view, that's more a reflection of the budget process.

MOTION by Mooney, supported by Merritt, to adjourn the meeting at 8:07 p.m.

Motion passes unanimously.

Bob Belaustegui, Chairperson
Finance Committee

Ellen E. Marshall
Village Clerk