

Present: President Taylor; President Pro-Tem Walsh; Members: Burry, Koss, Pfeifer, Rijnovean and Woodrow

Absent: None

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

President Taylor called the special Council meeting to order at 6:30 p.m. in the Village of Beverly Hills municipal building at 18500 W. Thirteen Mile Road.

ADDITIONS TO AGENDA/APPROVE AGENDA

Motion by Pfeifer, second by Walsh, to approve the agenda as published.

Motion passed (7 – 0).

STUDY SESSION TO REVIEW FISCAL YEAR 2006/07 BUDGET

Taylor commented on the large number of people present at this meeting. A show of hands indicated that tonight's attendance was motivated by a flyer that was mailed to residents by a group of individuals called the Beverly Hills Citizens Research Committee. The flyer contained content concerning the proposed 2006/07 budget and invited people to attend the April 17 budget session. Taylor asserted that there are a number of misleading statements in the notice, and he proceeded to address a number of issues listed in the piece. Taylor stated that he appreciates public input, and he invited those in attendance to be heard following a brief presentation on the budget from the Village Manager and Finance Director.

Spallasso stated that he has presented Council with a balanced 2006/07 budget for the Village of Beverly Hills with a projected fund balance of 20.87% at the end of the year. Revisions were made to the budget following the March 23, 2006 Council budget session. Spallasso asked Council to consider the budget at this meeting and advise administration of any changes by way of a motion. It should be kept in mind that the budget must be approved by a super majority of Council.

Finance Director Wiszowaty outlined recent changes to the budget. Council has held three study sessions, and each department head has had an opportunity to speak to Council regarding department line items. Since the last budget meeting, information has been received from the Oakland County Equalization Department indicating that the taxable value for the Village increased by 5.19%. An actuarial study has been completed that determines the Village's contribution to the Public Safety Retirement System for the fiscal year. The pension plan contribution increased from \$203,000 last year to \$257,000. This is a substantial increase that has been incorporated into the revised budget.

The Village also received information on final numbers for workers' compensation, which was a reduction of \$6,000. The library contribution will increase by 4.12%, or \$20,000 from the preceding year. The proposed budget reflects a 2% salary increase for all employees. A full-time administrative position has been eliminated from the Public Safety Department.

Taylor opened the floor for public comments on the budget. The following residents voiced their views on the budget and asked questions that were addressed by members of Council and administration. Topics of discussion included the following: employee wages and benefits; Village debt; Public Safety Retirement Fund contributions; Beverly Hills tax rate compared with surrounding communities; status and use of Village fund balances; funding for asphalt road resurfacing; taxable value; response to fear-based literature; current outsourcing practices in Beverly Hills; employee labor agreements; combined police and fire department; public safety department staffing; park maintenance costs; employee contributions towards health care premiums; divert cable company PEG fees to the Village; maintain Village services; and bid practices.

Bert Mularoni	22236 Village Pines
Carl Cutright	19116 Hillcrest
Don Thompson	30077 Fox Run
Lawrence Needham	15588 Kirkshire
Bunker Kelly	21526 Corsaut
Janet Mooney	19111 Devonshire
Bob Walsh	20655 Smallwood Ct.
Hildreth Buterbaugh	18171 Dunblaine
W. A. Zimmerman	22191 Camelot Court
James Delaney	18129 Riverside Dr.
Frank Worrell	32123 Bellvine Trail
Rose McLennan	19977 Sunnyslope
Kris Gates	16046 W. Thirteen Mile
Norm Downey	23042 Nottingham Drive
George Nordenholt	31479 Bellvine Trail

Rijnovean stated that the Village policies and procedures manual as well as information from the auditors state that the fund balance is only supposed to be used for capital improvements and emergencies and not for everyday expenses in the Village.

Wisowaty responded that the Village auditor, in a presentation to Council, indicated that the fund balance has always been part of the formula for preparing a balanced budget. According to state law, a balanced budget is defined as the fund balance at the beginning of the year plus estimated revenues minus budgeted expenditures, which must be greater than zero. In accounting terms, you cannot budget to go into fund balance deficit.

Employee wages and benefits were a topic of discussion. It was noted that the majority of Village employees are covered by collective bargaining agreements, and that Council and administration are currently addressing wage and benefit issues in labor negotiations. Spallasso has drafted a reduced benefit package for new hires, which he will bring to Council

for consideration. The document will revisit the structure of the benefit package including health care contributions, longevity, COLA, life insurance, tuition reimbursement and vacation time.

Walsh remarked that the revised budget contains a 2% salary increase for all employees. Previous discussions on limiting salary increases from 3% to 2% did not include union employees. She questioned whether the Village would have enough money to meet expenses should the four union contracts go through with a 3% wage increase.

Council discussed the proposed 2% wage increase and what constitutes a realistic number. There were no changes made to the budget. Council talked about the feasibility of placing a cap on Longevity and Cost of Living Allowance (COLA) payments to current employees. It was noted that longevity pay is capped at 8% according to the Village's Policy and Procedure Manual.

Spallasso informed Council that non-union employees have a letter of employment in their files signed by the Village Manager at that time stating that they would be treated as the AFSCME (American Federation of State, County and Municipal Employees) union employees. Council asked Spallasso to schedule a closed session to discuss employee letters of understanding and receive advice from the Village labor attorney as to whether Council can establish a new benefit policy.

Rijnovean referred to Village Charter, SECTION 8.3. *The budget documents shall present a complete financial plan for the ensuing fiscal year. It shall include at least the following information: (a) Detailed estimates of all proposed expenditures for each department and office of the Village showing the expenditures for corresponding items for the current and last preceding fiscal year, with reasons for increases and decreases recommended, as compared with appropriations for the current year; (b) Statements of the bonded and other indebtedness of the Village, showing the debt redemption and interest requirements, the debt authorized and unissued, and the condition of sinking funds, if any;*

In answer to an inquiry from Rijnovean, Wiszowaty explained that there is a \$9 million unfunded accrued liability with respect to the Public Safety Retirement System. In 2008, the Government Accounting Standards Bureau (GASB) will require an additional auditing procedure, GASB 45, which involves retiree health care liability. This unfunded accrued liability will be noted in the Village financial statements and not on the debt page of the audit.

Motion by Rijnovean, second by Burry, that the Village implement the GASB 45 requirement at this time with regard to the funding status of the Public Safety Officers Retirement System and the Retiree Health Care account and include this information in the 2006/07 budget.

Roll Call Vote:

Koss - yes
Pfeifer - yes
Rijnovean - yes

Taylor - yes
Walsh - yes
Woodrow - no
Burry - yes

Motion passed (6 – 1).

With regard to Rijnovean’s reference to Charter Section 8.3 (a), it was explained that Council conducted a line by line review of the budget and received explanations and responses to questions.

The fact that the 2006/07 budget does not allocate one mill of General Fund money to the Local Road Fund as in previous years has been a source of concern expressed by members of Council. Spallasso clarified that money is not being taken from the Road Fund. The proposed budget does not contribute as much as in previous years from the General Fund to the Road Fund. Both Major and Local Road Funds have healthy fund balances. Council can proceed with a road resurfacing program this year and still maintain a healthy fund balance.

Spallasso stated that the Village will take advantage of a federal grant (80%) to conduct a comprehensive evaluation of the Village’s road system with a report due in mid-summer of 2006. The survey will generate a new plan and current priorities for road resurfacing projects. Spallasso emphasized that the Village conducted substantial road resurfacing programs in the last few years. There are a few segments remaining that need resurfacing.

Burry remarked that the 2006/07 construction expenses account has zero budgeted for asphalt repairs this year. There are still five miles of road that require work or resurfacing according to the existing road condition survey.

Spallasso clarified that the contribution to the Local Road Fund from the General Fund will be \$289,753 this year. Woodrow added that there is money in the fund balances of both the Major and Local Road funds that could be used for asphalt resurfacing.

Burry did not think the Village could afford not to do any asphalt resurfacing in the next fiscal year. The Village has money available that can be used without undermining the fund balance. The General Fund fund balance is anticipated to be 20.87% as of June 30, 2007. Burry suggests retaining the fund balance at 20% and transferring 0.87% (\$58,000) as a contribution from the General Fund balance to the Local Street Fund; transfer \$150,000 from the Major Road fund balance; and contribute \$100,000 from the Local Road fund balance towards asphalt resurfacing projects. That total would be about \$308,000. Act 51 requirements allow the transfer of money between major and local road funds by Council resolution.

Pfeifer mentioned that the Village has had an aggressive program of asphalt road repairs in the last three or four years based on a road condition audit. The Village has recently contracted to receive an updated report on road conditions.

Spallasso commented that there are three segments that need resurfacing out of five miles remaining in the eight-year road resurfacing priority plan. He would support this budget change.

Council members concurred with transferring money from the Major and Local Road fund balances to be used for asphalt resurfacing but did not support a transfer from the General Fund fund balance.

Motion by Burry, second by Koss, to transfer \$100,000 from the Local Road Fund fund balance and \$150,000 from the Major Road Fund fund balance to the Local Road Fund for asphalt resurfacing.

Roll Call Vote:

Motion passed (7 – 0).

Koss questioned whether there is enough money budgeted for utilities under Building and Grounds Maintenance, considering the power outage that occurred last year. Wiszowaty related costs over the last nine months and proposed that the 2% increase would be safe based on current costs.

Public Safety Director Woodard answered questions from Council regarding the crossing guard salary and the budgeted longevity figure. It was noted that the Command Premium line item is budgeted at zero. Woodard stated that his operational policy will be not to have a PSO in charge of a shift even if it is determined that the department is not going to remain on a 12-hour shift schedule. A supervisor will be in charge of the shifts.

Rijnovean asked that Public Safety and all Village departments be critical of all the memberships and dues as well as conferences attended.

Taylor understands that the Village pays 100% of health care premiums for non-union employees with no contribution from employees. The Village is anticipating a 10% increase in health care costs over the next fiscal year. He suggested that Council consider requiring employees to contribute 10% towards health care premiums.

Wiszowaty explained that the only employees who contribute towards health care are those who have opted for a higher cost plan. They are paying 50% of the difference in premiums compared to the base plan.

The employee letters of employment will be reviewed at a closed session with the village labor attorney to determine Council's authority with respect to requiring an employee contribution to health care costs. It was suggested by a member of Council that this discussion take place before the budget is finalized. Another comment was made that the budget can be amended following its adoption.

Walsh questioned the proposed increase in legal fees and raised the topic of contract reviews. Spallasso responded that Village Attorney Ryan has requested that he be treated like the

employees, who are receiving a 2% increase in fees. Council is not required to go out for bids for professional services. It was noted that administration has compared attorney rates and fees with other communities, and ascertained that Ryan's rates are reasonable.

The Community Action Programs were a topic of discussion. Walsh proposed cutting back on some of the items. She stated that there has been conversation about not funding organizations without a contract. Thought should be given to whether Council wants to continue providing a Village calendar or if the number of *Villager* newsletters should be reduced. Walsh asked how Council feels about allocating money to Birmingham Youth Assistance (BYA) and Birmingham Community Coalition (BCC) considering that there may be other funding programs available for receiving those services.

Rijnovean thought that there should be research into whether some of these services are covered within the Birmingham School District. Director Woodard stated that BYA receives no money from the Birmingham School District.

It was mentioned that the Birmingham Community Coalition is more of an education based group and does not provide counseling. Woodard stated that he spoke with representatives from BYA and BCC, and both organizations are interested in making a presentation to Council about their programs at the budget public hearing and providing the Village with a contract for services.

Resident Jill Sickles commented on the valuable services provided to youth in the community through Birmingham Youth Assistance.

Pfeifer expressed the view that Council has the obligation to protect the health and welfare of its residents. Both of the organizations provide services that the Village is not able to extend. She proposed that the best way to proceed would be to initiate a contract with these organizations to provide services to Village residents for a certain amount of money.

Rijnovean was concerned that services provided by the BYA and BCC may be duplicated by services provided through state programs. She mentioned that most people have health insurance. Rijnovean suggests that research be done to determine if there are other means for receiving the services provided by these groups.

Walsh commented that Council should consider what it needs to provide for the residents. She believes that the health and welfare of residents refers to water, utilities, and other basic services that a community would provide. The Village will be headed towards levying a tax increase in the future if Council does not cut costs. Walsh thought that people have ways and means to provide for counseling services for their children.

Walsh asked that Council consider cutting the contribution to Birmingham for fireworks. She proposed eliminating the Halloween Hoot expenses, suggesting that the event could be financed through donations and fund raising.

Taylor commented that Council reduced its contributions to service organizations by 15% about two years ago, and further reductions to these amounts would not make a big impact on the budget. Koss added that she would rather see budget reductions elsewhere than cut or eliminate the community action programs.

Woodrow recalled that the Village's fireworks contribution was cut from the budget in a previous year, which resulted in a large outcry from residents.

Motion by Rijnovean, second by Walsh, to eliminate the Village of Beverly Hills contribution to Birmingham Fireworks from the 2006/07 budget and to ask residents who attend the fireworks display to make a donation to the City of Birmingham.

Roll Call Vote:

Rijnovean	- yes
Taylor	- no
Walsh	- yes
Woodrow	- no
Burry	- yes
Koss	- no
Pfeifer	- no

Motion failed (4 – 3).

Taylor stated that administration was asked to prepare a balanced budget that maintains a 20% fund balance; the document before Council is a balanced budget. If Council members want to propose further cuts, they should make them known.

Taylor suggested that Council ask Director Woodard to come back with a proposal on how the Village could contribute to the Public Safety Retirement Fund to a greater degree. He would like Woodard to find \$50,000-\$100,000 from the public safety department budget to contribute to that fund.

Woodard stated that one of the assumptions in the preliminary budget was a contribution to the public safety pension fund. The recent actuarial report determined that the Village's contribution would increase by \$53,000 from the previous year. That increase cost the department one civilian employee, who had a paper value of \$60,000. Woodard inferred that an additional contribution to the pension fund would necessitate a further reduction in personnel.

Burry questioned whether the proposed contribution to the public safety retirement fund is adequate. Wiszowaty responded that the budgeted amount reflects the pension contribution requested by the actuaries, which is \$257,000. Wiszowaty added that retiree health care costs are being funded on a pay-as-you-go basis. The Village is paying the current cost based on the lowest assumption plus an additional \$30-\$40,000 in this year's budget. Wiszowaty stated that employees are now contributing to the fund in terms of 1% of salary.

Rijnovean brought up the topic of consolidating Beverly Hills dispatch service with the City of Birmingham. Council looked into this proposal for sharing of services in 2005. Council voted down a motion made on May 17, 2005 directing the Beverly Hills and Birmingham managers to prepare an agreement for the delivery of joint dispatch services for review and consideration by the Beverly Hills Council. Spallasso stated that the Birmingham City Manager would be willing to reopen discussion with Beverly Hills on this subject only after Council gives Spallasso direction to talk to Birmingham about consolidation of dispatch services.

Koss proposed researching the option of Beverly Hills providing dispatch service for one of the surrounding communities to determine whether it was feasible and provide cost savings. She suggested investigating this aspect of the topic before reopening consolidated dispatch talks with Birmingham.

Woodrow remarked that a further investigation into sharing dispatch services will not effect this budget. He suggested that Council should be discussing whether there will be changes to specific line items.

Rijnovean proposed that Council eliminate one detective from the public safety department as suggested in the Public Safety Department Operational Study conducted in 2004. Taylor commented that he would prefer giving Director Woodard an amount to cut from the budget rather than telling him how to decrease his budget. He thinks that there is room for reductions in the budget other than cutting staff.

In response to an inquiry from Rijnovean, Director Woodard stated that one of the functions of the third detective is to cover overtime if there is a shortage of staff for overtime. He stated that drug investigations would suffer if the department lost the third detective. Woodard related that the department was recently involved in a multi-agency surveillance, arrest, and seizure of drugs that could not have happened with a school liaison officer and one sergeant in the detective bureau.

Woodrow reasoned that Council already told administration that it wanted costs cut from each department where it can. That is what this budget represents. If Council disagrees with the budget presented, it is his view that Council should suggest specific cuts.

Koss asked if there is \$50,000 in the budget as a whole to trim. Spallasso responded that elimination of necessary expenditures will result in paying for them at a later time.

Pfeifer commented that Council has given direction to administration relative to pursuing changes in employee benefits. Administration has provided the product requested by Council, a balanced budget that does not reduce the General Fund fund balance. A revised budget has been submitting reducing employee wages from 3% to 2% and reflecting the loss of one full-time public safety employee.

Walsh commented that Council has not made reductions in the community action programs. There is money set aside in line items for these groups. She did not think organizations should be named in the budget.

Motion by Pfeifer, second by Woodrow, to initiate contracts between the Village and the Birmingham Youth Assistance and the Birmingham Community Coalition organizations to be received at the budget public hearing.

There was further discussion on budgeting for community service organizations that provide a service to the Village.

Roll Call Vote:

Taylor - yes
Walsh - no
Woodrow - yes
Burry - no
Koss - yes
Pfeifer - yes
Rijnovean - no

Motion passed (4 – 3).

Spallasso mentioned that Council has set a budget public hearing date for May 2, 2006. Administration is required to publish that date and budget figures on Thursday, April 20. Burry stated that Council has until May 17 to approve a budget.

Motion by Taylor, second by Walsh, to direct Village Administration to find an additional \$50,000 in savings in the 2006/07 budget.

Council discussed the motion. It was clarified that the \$50,000 would go back into the General Fund fund balance. There were members of Council who indicated that they would not vote in favor of budget reductions that involve eliminating a public safety officer.

Administration will submit a proposal for a budget reduction by tomorrow night's Council meeting. Spallasso asked Council if it would attempt to come to a consensus tomorrow night on accepting a budget with the changes proposed. Council discussed holding a budget session on April 18, following its regular Council meeting agenda.

Roll Call Vote:

Walsh - yes
Woodrow - no
Burry - yes
Koss - yes
Pfeifer - no
Rijnovean - yes
Taylor - yes

Motion passed (5 – 2).

Motion by Pfeifer, second by Burry, to adjourn the meeting at 11:08 p.m.

Motion passed (7 – 0).

Dave Taylor
Council President

Ellen E. Marshall
Village Clerk

Susan Bernard
Recording Secretary