

Present: President Stearn; President Pro-Tem Koss; Members: Berndt, Briggs, Mooney, Oen and Peddie

Absent: None

Also Present: Manager, Wilson  
Assistant Manager, Marshall  
Finance Director, Wiszowaty  
Director of Public Safety, Woodard  
Building Official, Byrwa

President Stearn called the special Council meeting to order at 7:00 p.m. in the Village of Beverly Hills municipal building at 18500 W. Thirteen Mile Road. This is a study session to review Village finances.

#### **ADDITIONS TO AGENDA/APPROVE AGENDA**

Motion by Oen, second by Berndt, to approve the agenda as published.

Motion passed (7 – 0).

#### **STUDY SESSION TO REVIEW VILLAGE FINANCES**

Stearn related that Council asked Manager Wilson to look at a five year projection of the Village's finances. His report revealed that, for the five year period covering July 1, 2008 to June 30, 2013, the Village will have a projected operating deficit of \$4 million unless Council implements some drastic changes. A meeting was held on Saturday, November 22 to establish Council direction and priorities for the year. Today's study session was called to start looking at Village finances, specifically to determine where we can start making cuts. Wilson prepared a memorandum outlining deficit reduction possibilities.

Wilson referred to his memo outlining possible courses of action to reduce future General Fund operating deficits on a short term and long term basis. As currently projected, the Village is looking at a deficit of about \$285,000 for FY 2009/10. That projection does not include a \$600,000 contribution to pre-fund retiree health care benefits. The \$285,000 deficit is based on past expenditures and the assumption that the Village will maintain the current service level. The ballooning deficit will put more pressure on the budget this year and years going forward as revenue decreases due to declining property values. The trend is that expenses are increasing at a quicker rate than revenues increase; this is accelerated by a continuing decline in revenue.

Wilson proposed that Council reach a consensus on things it can do to address the immediate deficit for next year. A number of items were discussed at the November 22 goal setting session. He asserted that the decline in property tax revenues will exacerbate and will require more structural changes over time.

Mooney asked whether the proposed deficit takes into account the annual employer contribution to the Public Safety Retirement Fund and what that contribution will be this year. Mooney had doubts as to whether the \$285,000 is a realistic number considering that the contribution next year will reflect reductions in the value of Retirement System investments due to a decline in the stock market.

Wilson responded that an estimate is included in the budget projections. The actual amount of the retirement system contribution is determined by the annual actuarial report prepared by Gabriel, Roeder, Smith & Co. This number will be available by early March, 2009.

End General Fund Contribution to Local Street Fund - A course of action that is suggested to reduce the operating deficit is to end the General Fund contribution to the Local Street Fund at a savings of \$78,000/year. This amount has already been removed from the 2009/10 budget.

Wilson explained what the elimination of this contribution would mean for the local roads. Every year the State of Michigan provides money through the State Gas and Weight Tax to local communities for use on major and local roads. Historically, the Village has supplemented the Local Street Fund with a portion of the General Fund Operating Millage to provide adequate revenue for needed maintenance and repair of local streets. That contribution has been declining for the last several years due to budgetary difficulties. On July 1, 2009, all General Fund contributions to the Local Street Fund will cease. Road repair on residential streets will not continue at the pace it has in past years if the Village does not find ways to supplement Local Street Fund monies.

Koss suggested that money saved by cutting back on overtime for snow removal services would go back into the Road Fund to supplement the loss of General Fund revenue.

Changes in Building Department/Increase Fees - Another suggestion for deficit reduction was a 10% increase in building department fees. Preliminary calculations indicate a savings of \$15,000 - \$20,000 in additional revenue. The memo includes a possible course of action to reassign code enforcement to Public Safety for a savings of \$30,000 per year. Wilson also suggested the possibility of structural changes within the building department to make that department more sustainable. This could include reassigning services, changing it to a part-time department, or contracting out with another agency. Wilson mentioned that reduction in manpower and expense would lessen the ability of the Village to increase fees for services in this department. Council can raise fees to meet current expenses or lower expenses to meet current revenue. It cannot raise fees to meet current expenses and then cut those expenses. This should be a topic of discussion.

Reconsider Commitment to Maintenance of 20% Fund Balance Reserve – By lowering the minimum General Fund Reserve level to 15% from 20%, Council could free up over \$350,000 in additional revenue for FY 2009/10. This revenue would be available on a one time basis, assuming Council would not want to lower this level any further. It could serve the purpose of “buying time” to pursue more long-term structural changes to Village operations. There would be merit to reducing the fund balance to 15% if the Village could implement revenue changes that would bring the reserve back up to the 20% level over time.

Council discussed the feasibility of reducing the 20% minimum General Fund reserve level. It was understood that, if there were structural changes in the way services are provided that would become a reality, Council could justify use of those revenues to bide some time until the Village realized anticipated cost savings.

Stearn listed the ideas for deficit reduction included in the Manager's memo for the benefit of the audience.

- Eliminate \$78,000 General Fund contribution to Local Street Fund
- Revisit all current contractual arrangements – *public services, audit, attorney, IT, engineering, forestry, rubbish collection, planning consultant, banking.*
- Eliminate contributions to Community Action Programs – *calendar, newsletter, special events, Halloween Hoot, Birmingham fireworks, contracted contributions.*
- Institute fee for rubbish collection – *State law allows the Village Council to pass along a portion or all rubbish collection charges to residents as a user fee.*
- Elimination of jobs in the Village.
- One percent administrative fee for the collection of property taxes.
- Increase building department fees
- Changes in library services – *the Village could place a proposal on the ballot for a dedicated millage for library service*
- Reassign code enforcement function to Public Safety
- Alterations to health care package
- Elimination of 25<sup>th</sup> officer in Public Safety Department
- Changes in Building Department services
- Changes in fire service – *separate public safety department into police and fire departments.*
- Revisit Headlee Override (Millage Restoration)
- Reconsider commitment to 20% Fund Balance reserve to 15%
- Elimination of School Liaison officer
- Elimination of all capital purchases
- Look to merge or consolidate services with neighboring communities
- Ask voters to dedicate millage for particular services

Stearn stated that he received an email from former Council member Dan McCleary with a suggestion to investigate whether the Village could contract with Southfield Township to perform the duties of the Village Treasurer. He also suggested eliminating the Village's water meter reader.

Wilson explained that the Village finance department is run by three people – the Finance Director and two clerks, one of whom has the title of Treasurer. They handle all tax collection and disbursement, utility billing, and payroll. There is a fee for these services. If you contracted those services, it would eliminate a position but may not realize potential savings. He will look into this.

Council members have received emails from Walter Briggs and Ron Berndt offering their thoughts and opinions on deficit reduction.

Elimination of 25<sup>th</sup> Public Safety Officer/School Liaison Officer – Council discussed possible cuts in Public Safety Department personnel. The cost of the School Liaison Officer is partially offset by a 50% contribution from Birmingham Public Schools. Any cost savings would assume that there would be further decrease in personnel within the department along with the school liaison position.

The 25<sup>th</sup> officer approved by Council has been assigned to work with the Oakland County Narcotics Enforcement Team (NET). Elimination of the 25<sup>th</sup> officer position would save around \$85,000 per year beginning in FY 2009/10. Removal of this position would result in a layoff of the least senior ranking officer in the Department.

Mooney stated that there is a \$285,000 deficit for 2009/10 plus the \$600,000 annual expenditure if Council decides to budget to pre-fund retiree health care benefits in addition to the contribution that is made on a pay-as-you-go basis. His point was that Council and administration have to find an additional \$300,000-\$900,000 in the budget. That is a 20% cost reduction if there is a contribution towards the unfunded health care liability.

Berndt provided information to the public on government accounting standards dealing with pre-funding the retiree health care fund obligations. He clarified that GASB 45 is a recommendation that is considered the best practice; it is not a budgetary requirement.

Koss expressed the view that Council should address the short term problem of taking steps to eliminate the budget deficit for 2009/10. There are long term initiatives on the table that require investigation and further discussion at a later date. She does not want to reduce the General Fund reserve. Koss proposed asking administration to make comprehensive 10%-15% cuts in the budget and bring a recommendation before Council.

Briggs concurred that Council should focus on the short term as long as it does not lose sight of long term problems, which are potentially more challenging.

Stearn suggested that administration needs policy decisions and direction from Council in order to prepare a budget for the next fiscal year.

Mooney proposed giving direction to administration to adhere to all contracts the Village is obligated to fulfill and cut all other departments by 10-15 percent. Berndt thought that administration should be given direction on what Council priorities are in terms of services that need to be cut.

Oen agreed with the need to cut costs but cautioned against destroying the character of the Village. He mentioned the improvements made to Beverly Park with dedicated millage money and the fact that Council has not set aside funds to maintain or replace those capital improvements.

Wilson proposed recommendations for eliminating the \$285,000 deficit for 2009/10 as follows: Eliminate the 25<sup>th</sup> public safety officer (\$85,000); One percent administrative fee (\$55,000); and 10% increase in Building Dept. Fees (\$15,000). This would total \$155,000, leaving a \$130,000 deficit to be addressed. The choices would be to use a portion of the fund balance or levy a garbage collection fee of \$30-\$35 per year for all residences. This would fund a portion of the rubbish collection and disposal costs. These four items with an option on the fifth item would eliminate the deficit for the 2009/10 budget. However, anything is on the table for consideration. Wilson asked for Council direction on what would be acceptable deficit reduction options that would allow him to issue a balanced budget.

A majority of Council members did not support imposing a fee for trash collection, a one percent administrative fee for the collection of property taxes, or an increase in building fees.

There was discussion of reducing DPW costs. It was the consensus of Council to approach Comeau Equipment Company and ask for a 15% reduction in overall fees.

Council agreed to reduce all contributions to Community Action Programs for next year up to 20% at the discretion of the Village Manager.

Council discussed the Building Department in an effort to provide some direction to administration in terms of consolidation of services in the department, outsourcing the department, or reducing the department to a part time operation. Council asked administration to come up with proposals to cut the building department costs by 10%-15% or more and submit a proposal for Council consideration.

Public Safety Department budget reductions were a topic of discussion. The total public safety budget is \$4.2 million. Stearn expressed the view that Council should not micro-manage the public safety department, but should instruct Director Woodard to arrive at an appropriate way to reduce the budget for 2009/10. Council will work on longer range issues in the coming months.

It was the consensus of Council to instruct the Director of Public Safety to either: a) Reduce the 2009/10 public safety budget by \$100,000-\$150,000; or b) cut the budget by 5 percent. Council would like the Manager's input on the Director's proposal.

The Capital Improvement budget was discussed. There was Council agreement to direct administration to prepare a budget with a 20% reduction in capital improvements for Council consideration.

### **PUBLIC COMMENTS**

Rukni Abboud asked if Council would accept input from residents who have ideas on how to resolve some of the Village's financial issues. Stearn responded that residents can provide input by attending a Council meeting, emailing him, or arranging a meeting with the Village Manager or Finance Director.

Mary Lou Flatter urged Council to eliminate the library funding of \$540,000 every year. The Village needs necessities, and the library is a frill. She suggested requiring employee co-pays for medical care. In answer to an inquiry about park improvements, Stearn explained that funds from the park dedicated millage were allocated to renovate the ball diamonds in the park.

Jerry Sherbin expressed the view that use of the Baldwin library is one of the things that make the community what it is. He asked the Village to review its employee health insurance costs.

Sandy Landau asserted that the library is an important asset of the community. She asked when the millage restoration proposal would come before the electorate again, because there were a lot of people who did not understand the proposal.

Janet McAuliffe, new resident, stated that one of the things that she liked about the community was that it had access to the Baldwin Library.

Greg Bator gave Council credit for its work on reviewing the budget and being prudent. Beverly Hills is a great community with great people. He said that failure of the millage is history, and people have to get over it. Bator made specific suggestions that he thought would save money: rubbish pickup every two weeks; cut grass in the Village every two-three weeks; negotiate an escape clause in every Village contract if future funding sources are cut. He questioned why there was only \$1,500 for public education in the Public Safety Department budget. If citizens were educated about public safety techniques, it could reduce the number of officers. Bator suggested combining the Village municipal office with the Township office and selling a building.

Kathleen Berwick expressed the opinion that government is doing more than it should. The things that are most important to residents are roads and snow removal, water and sewer, trash collection, and public safety. She would like to see cooperation between the police and code enforcement officer. Berwick suggested eliminating frills such as entertainment in terms of special events, community action programs, and the library.

Pamela Rijnovean stated that it was nice to hear different ideas proposed tonight. She would like the Village to look at its neighboring communities and see what they have been doing in the last few years to put them in a better financial situation.

Bunker Kelly commented on the high cost of employee health care insurance. He assumed that the Manager would initiate a relationship with the Village's insurance broker that would save money in terms of insurance costs and retiree prescription reimbursement. Kelly commented that the public safety department operational studies did not include an empirical analysis of where crime is centered in the Village. He supported the use of police reserve officers comprised of community members and a mobile watch program. Kelly commented on a newspaper article about Beverly Hills being broke and made positive remarks on action taken by Oakland County to reduce its debt.

#### **COUNCIL COMMENTS**

Oen clarified that the Village does not have a fund for future repairs and replacement of park facilities.

Berndt commented that he is encouraged by residents who say that they love living in Beverly Hills. If someone can find a better town, they should move there. While we are facing challenging decisions, people need to bear in mind that it could be a lot worse. Beverly Hills is a great place in which to live.

Motion by Oen, second by Mooney, to adjourn the meeting at 8:48 p.m.

Motion passed (7 – 0).

**Todd Stearn**  
**Council President**

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

**Sue Bernard**  
**Recording Secretary**