

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
Public Services Director, Meszler
Building Official, Byrwa
Public Safety Director, Woodard

President Stearn called the regular Council meeting to order at 6:07 p.m. in the Village of Beverly Hills municipal building at 18500 W. Thirteen Mile Road.

ADDITIONS TO AGENDA/APPROVE AGENDA

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

Motion passed (7 – 0).

STUDY SESSION TO REVIEW FISCAL YEAR 2009/10 GENERAL FUND BUDGET

Council is in receipt of a memo from Manager Wilson and a copy of the proposed General Fund Budget. Finance Director Wiszowaty has provided Council with a list of budget assumptions and a five-year financial analysis.

Wilson stated that administration has engaged in cost cutting in the last few months in an attempt to balance the budget for this year. The two factors responsible for an increase in General Fund expenditures were an increase of 62.42% (\$224,184) in pension contributions costs and an increase of 36% (\$220,807) in retiree health care costs. The required pension fund contribution is due to significant losses in pension fund accounts during 2008. Increased retiree health care costs are the result of attempts to meet at least a portion of the currently accrued liability for future retiree health care costs. Combined, these two increases account for almost \$445,000 in additional liabilities in the General Fund budget.

The proposed 2009/10 budget reflects a pay freeze for all non-union employees as of July 1 and for all union employees beginning January 1, 2010, which represents the end of their contract. This will be a topic of contract negotiations.

Projected revenue decreased by 1.41% to a total of \$7,150,546. This was driven primarily by a 4.5% decline in property tax revenue for the fiscal year beginning July 1, 2009. Based on Council projections, the Village is looking at a 5% loss next year. Those forecasts are played out in the five year financial projections.

The proposed General Fund budget presented to Council has an operating deficit of about \$300,000 for the next fiscal year. The budget includes an increase of about \$200,000 in retiree health care funding for current obligations. Wilson did not propose this as the final number. Administration has talked to Council informally about other cuts that can be considered. Wilson

has approached the City of Birmingham about the prospect of providing the Village with building department services. Those talks are ongoing. For Beverly Hills to consider this action, it would have to be cost effective and provide a quality level of service for Village residents. This decision would be made at some point by Council.

Council can discuss further budget reductions at this meeting. Considering the five year forecast, the Village's problems are foreboding. It is clear that the Village is not going to be able to deliver services at the level it is providing today five years from now with the revenue streams that it will have.

Stearn stated that the purpose of this meeting is a study session to give administration direction with which to solidify a budget.

Wisowaty reviewed the proposed General Fund Revenues. The Taxable Value for the Village will decrease by 4.5% from \$596,000 million to \$569,000 million in 2009/10. The proposed budget shows no contribution from the General Operating Millage to the Local Street Fund as has been done in previous years. The net effect is that the budget will show a property tax decrease of 3.15%.

Wisowaty pointed out revenue accounts that represent a significant change from the previous year. Projected declines in fees for building related expenses will reduce revenues for building permits by a significant percentage. State revenue sharing is declining by about one percent. Village Administration is recommending implementation of a \$50 fee per household for residential solid waste collection. This will bring in \$210,500 in estimated revenue. Interest from investments will go down. The net effect as compared to the amended budget from last year is a 1.41% decrease in revenue.

Wilson went through the General Fund budget by department noting items that differed considerably from the previous year. The 17.51% decrease in the Village Council department related to the cost incurred in the current year for the manager search. Everything else stayed the same.

The Village Manager/Clerk Department reflects a 15% decrease due to one-time costs related to Mr. Spallasso's retirement. There are also cost savings in terms of health insurance, which Wilson is not receiving. The department reflects a savings of almost \$40,000 next year as opposed to this fiscal year.

Wisowaty reported that the Village Finance Department shows a 3.79% increase next year due to the Treasurer going to a family plan with Blue Cross/Blue Shield. Funds are allocated to bring in part-time help when needed during the Treasurer's maternity leave.

The General Administration area had a significant increase of 87.22% due almost entirely to the retiree health care funding contingency line item in the amount of \$220,480. Wisowaty explained the accounting standard (GASB 45) that requires the Village to report unfunded retiree health care liability in its government statements. It is not a funding mandate, but the financial audit will show, based on the municipality's contribution that year, whether it is funding at a

proper level. Wiszowaty elaborated on the Village's obligations for retiree health care costs for the benefit of the audience.

Building & Grounds Maintenance is up by 9.72%, or an increase of \$3,000 from the current year. Every year differs depending on utility costs.

Director Woodard presented highlights of the Public Safety Department budget, which is projected at \$4,459,149. Of the 50 line items in the general Public Safety Department budget, Woodard said that he has control over about 17 items; the other line items determined by contractual obligations. Woodard indicated that a number of accounts were reduced mid-year, and capital expenditures were eliminated.

Woodard identified line items that showed a significant change from the previous year and explained the reasons for the variance. The wage line item will increase by 1.49% considering the wage freeze as of January 1, 2010 for union employees and a wage freeze as of July 1 for non-union people. It was noted that the retirement expense will increase from \$262,000 in the current year to \$473,000 next year, a \$211,000 rise. The increased contribution to the public safety pension fund is due to the loss of 33% in the holdings of the Retirement System in 2008.

Woodard related that the 2009/10 budget represents status quo staffing with 25 officers. Investigation services, school liaison officer, and the NET officer positions are in tact. There will be 20 officers assigned to the road.

The total School Liaison Officer Department expense is \$142,758, with 50% of this expense reimbursed by Birmingham Public schools. Director Woodard explained that the 5.8% increase in this department reflects an 83% increase in retirement expenses. He answered questions about the school liaison officer position and the duties of that officer.

The total expenditures for the Building and Planning Department are \$240,088, which is less than a one percent increase over the previous year's expenditures. Because the amount of anticipated revenue was reduced in terms of inspection activities, expenditures for contracted inspection fees were automatically decreased. The total expenditure amount is subject to change based on information requested from the City of Birmingham on outsourcing the Building Department.

The Village Manager is pursuing an arrangement with the City of Birmingham to provide building department service to Beverly Hills if it would be economically feasible. Stearn asked what that would mean to residents. Wilson responded that people would go to the Birmingham city hall to receive services normally provided by the Village building department, or there may be a Birmingham staff member at the Village municipal building on less than a full time basis. If all inspection services are outsourced, it may result in the elimination of the position of Building Official and possibly the clerical position.

Wilson stated that the code enforcement officer's time is currently split 50% between the building department and public services department. This individual also assists the Public Services Director on an as-needed basis. Birmingham could provide code enforcement services, or these duties could be assigned to the Public Safety Department. Beverly Hills could retain the

code enforcement function at a cost to the Village of about \$35,000. The enforcement officer is a part-time individual who does not receive full time wages nor benefits.

Wilson noted that more than half of the \$835,278 budget for the Public Services Department goes to rubbish collection and disposal. Administration is proposing a \$50 per household fee for waste collection, which would raise about \$210,000. Stearn stated that garbage collection costs are over \$600,000.

Wilson explained that Beverly Hills is one of few communities that fund rubbish collection and disposal out of its general fund. In order to make this expense completely revenue neutral, the cost to residents would be about \$150 per household. The fee of \$50 per household proposed by Administration is subject to an increase that would make it revenue neutral, or it can be eliminated from the budget at the will of Council.

Questions from Council were addressed by Wilson and Wiszowaty. A millage for rubbish collection would be tax deductible whereas a fee for service is not. The State allows Council to impose a millage for rubbish collection and disposal or to establish a fee for that service. Administration thought that a flat fee would be more fair than basing rubbish fees on the value of residents' homes. Other options related to charging for rubbish disposal were discussed.

The Community Action Programs budget will decrease by 2.47%. It was noted that a portion of the \$9,000 budget for the Calendar project is offset by revenue from advertising. Halloween Hoot expenses are budgeted at \$9,500. While the Village contributes \$2,500 toward the event, the finance department manages the revenue and expenses for the Halloween Hoot. The largest line item is the CDBG grant, which is revenue neutral.

The contribution of \$522,762 for the library contract represents a 4.50% decrease, which equals about \$25,000 less than the current year. This is due to a contractual arrangement with the library whereby the Village's contribution is based on a set millage. Since the taxable value will decrease this year, the amount of the library expense will decrease by the same amount. Contract language requires notifying the library two years in advance if the Village decides to opt out of the contract. Notice would have to be given to the Library by June 30, 2009 if the Village plans to end the arrangement by July 1, 2011.

Wilson indicated a reduction of over 50% in the capital purchases budget. Capital spending was cut by administration, which means that the Village will make its capital equipment last a year longer than it otherwise would. Public safety vehicle purchases are an exception. There is no money budgeted for public safety equipment. This may have to be reexamined at some point with an attempt made to use drug forfeiture funds for public safety expenses. The budget sets aside \$15,000 towards purchase of a fire truck. Capital purchases for next year will be minimal; Wilson noted that this is not a path that is sustainable.

Motion by Mooney, second by Oen, to recess in order to have dinner at 7:00 p.m.

Motion passed (7 – 0).

The meeting was reconvened at 7:28 p.m. Stearn asked Council members for their suggestions on the budget proposed by Administration.

Briggs proposed eliminating the Village calendar with consideration given to publishing calendar information online with a link from the Village web site. He suggested a move to fund the Halloween Hoot through private donations through the creation of a community foundation rather than keeping it in the budget. There was agreement by Council members that establishing a community foundation is a good idea.

Briggs withdrew his suggestion to cut the calendar and Halloween Hoot line items from the budget following criticism about eliminating items of little overall significance to the budget. He concurred that Council should start talking about structural changes that will effect the budget five years out.

Mooney stated that the budget set forth by administration without consideration of the full cost of funding retiree health care next year anticipates a \$500,000 deficit. He maintains that there is nothing to cut and proposed transferring \$500,000 from the fund balance, taking it to a 15% of expenditures level.

Stearn asked for discussion on the proposal from administration to implement a \$50 per household fee for residential solid waste collection. Administration is requesting direction from Council on how to proceed with the budget.

Opinions from Council members ranged from imposing a millage that is tax deductible to charging a fee for the entire amount to cover rubbish collection. There were members who thought that the defeat of the millage restoration proposal signaled that the majority of the voters did not want Council to raise taxes; the direction was to cut services.

The floor was opened for public comments. Paul Kleppert of West Fourteen Mile Road questioned whether there were alternatives to a weekly trash pickup. He was informed that the Village is under a long-term contract for rubbish collection and removal.

Mike Belware of Georgetown South voted against the millage with the intent to direct administration to lower expenses and not generate revenue through taxes.

Bob Walsh of Smallwood Court said that he voted not to increase revenues or taxes but to look at costs and the structure of the Village.

Andy Craig of Sunset stated that he voted in favor of the millage restoration but agreed that Council should not impose a fee for rubbish collection based on the defeat of the ballot proposal. He thought that charging a fee would be more equitable than a levying millage for trash collection.

Pat Westerlund of Devonshire said that the user fee for rubbish collection would amount to \$3 a week per household.

Kathleen Berwick of Kennway Court suggested that Council look at payroll and the number of employees. Pam Rijnovean of 32420 Evergreen commented on the SOCRRA consortium.

Bunker Kelly on Corsaut said that there would be a disparity in the fees charged for trash collection if Council levied a millage for that service. He expressed the view that the Village's health care costs should be addressed.

Stearn proposed delaying a vote on how to proceed with a trash collection fee until after Council determines how much can be cut from this budget.

Koss proposed Council action to separate the Public Safety Department out of the General Operating budget, giving public safety millage its own share of the projected drop in taxable value in 2009/10.

At a previous meeting of Council, the Village Manager introduced the concept of millage reallocation of the General Fund, which would have the effect of separating revenues and expenditures for public safety from the remainder of the general fund operations. There is currently a general operating fund deficit. The proposal would be to allocate a proportional amount of the proposed operating deficit to public safety and to non-public safety functions based on their current share of the general fund. Public safety would be receiving an operational millage plus any revenue the department brings in directly through fines or charges for service. This would help to protect public safety funding and allow the Village to separate those costs from other administrative costs for finance, administration, building department services, clerk services, etc.

Accounting changes would have to occur in order to separate the public safety department from the general fund and dedicate a specific revenue source for public safety. Wilson stated that this format was not proposed in the budget presented to Council. It is a valid concept, and implementation would be at the discretion of Council.

Stearn calculated that the Public Safety Department would have to cut about \$300,000 out of the proposed 2009/10 budget, considering the total amount of the budget and the traditional percentage allocated to public safety (60%). He asked Director Woodard what this would entail.

Woodard stated that he is looking for direction from Council on the amount of the public safety budget. He responded that reducing the proposed budget by \$300,000 would mean the loss of three officers. Woodard affirmed that the police presence on the road would be maintained. There is a requirement for a minimum of 20 people on the road in order to maintain a legal fire fighting strength for the community. Woodard addressed questions from Council on what the elimination of various personnel would mean in terms of level of service to the community.

Members of Council suggested that priorities should be established in terms of funding for public safety, library and staffing and that structural changes should be examined.

Koss suggested that Council tell the Public Safety Director what he has to work with and let him come back to Council with a proposal. She did not think that the Village could continue to support the public safety department at the same level based on the current revenue stream.

Council may have to look at combining services with other municipalities or delivering them differently to residents.

Stearn asked for input from the public on the issue of the public safety department.

Paul Kleppert said that there are communities that have levied a dedicated millage to pay for their police, fire and pension fund.

Ken Faber of Fox Run thought that Council should ask the Director to provide alternatives for cutting the public safety budget by a certain amount.

In response to an inquiry from Eric Jallad of Warwick, Council indicated that they are aware of the items that they can vote on and change.

Andy Craig suggested that Council set priorities and focus on discretionary budget items before cutting public safety.

Mike Belware of Georgetown South proposed looking at public safety first because it is the largest component of the budget with the most exponential growth in expenses due to associated costs such as health care and retirement benefits. He asked if the Village has considered asking for concessions from public safety officers in terms of salaries and benefits.

Bob Walsh of Smallwood Court commented on the ratio of supervisors to officers in the Public Safety Department. He remarked that the 25th officer works outside of the Village and questioned the cost of the NET officer. Walsh said that it is within Council's authority to reduce personnel.

Steve Tyler of Lincolnshire West was not in favor of cutting police officers, but was in support of a separate budget whereby the public safety department would be accountable for expenditures rather than drawing from the general operating fund. Stearn clarified that the public safety budget is broken down by line item and is available for public review.

Brandon Love of Georgetown South asked if Council was willing to ask public safety employees for concessions with regard to salary or benefits. He understood that Council has the option to reduce staff if efforts at arbitration do not work.

Stearn responded that Council and Administration will attempt to negotiate new terms when public safety contracts are up in December. Stearn explained how 312 Arbitration works if both sides cannot agree on a contract.

Bill Donnelly of 18714 Chelton asked if Council has considered asking the Oakland County Sheriff to take over the Beverly Hills Public Safety Department. Stearn responded that everything should be on the table, but Council has determined at this point that this would not be in the best interest of the community.

Kathleen Berwick of Kennoway Court was in favor of the Oakland County Sheriff's Department taking over the Village's police function. She expressed opposition to retaining the NET officer

on the basis that he does not police the Village. Berwick suggested that outsourcing the dispatch department would be an efficiency.

Matthew Kuofie of 18141 Saxon Drive thought that the Public Safety Director should be allowed to come up with different options for cost cutting.

Paul Kleppert stated that the library contract will remain in place for the next two years and should not be raised as a solution.

Bunker Kelly expressed the view that the Village should look at the best practices of other communities in terms of managing the police department in a cost effective manner.

Eric Jallad suggested that Council give direction to administration on how to proceed.

Elaine Galin of Georgetown South asked about the Village's obligations in terms of the level of health insurance that is provided to employees. Stearn responded that attempts can be made to renegotiate the contract in December.

Wilson stated that the Village has contractual obligations with three different public safety unions that expire on December 31 of this year. It is not in the best interest of Administration and Council to negotiate these contracts in public. Wilson said that everything has to be on the table at this time.

Pam Rijnovean of Evergreen related research she did on outsourcing dispatch services in surrounding communities.

Mooney commented on issues and costs associated with 312 arbitration. Berndt remarked that Council has not been ignoring the option of structural changes within public safety including outsourcing, consolidations and mergers.

Motion by Koss, second by Stearn, to separate revenues and expenditures for the Public Safety Department from the General Fund operating budget.

Wilson reviewed that Council was presented with a worksheet last month showing a breakdown of what the budget would look like if Public Safety was separated out of the general fund. The model given to Council allocated approximately 7 of the 9.3 mills to public safety in addition to all the revenue that public safety generates.

Wilson stated that the amount allocated to public safety could be changed at the discretion of Council because it is not a dedicated millage voted on by the residents. It is basically an accounting method. The approach would guarantee a minimum level of funding for public safety going forward, and the Department would be insulated from further cuts in state revenue sharing.

Briggs asked about the dollar figure involved. Stearn said that administration would draft a proposal for Council on the millage allocation to the Public Safety Department.

Mooney asked if the goal was to separate the Public Safety millage so that Council could ask for a millage increase at some point. Wilson said that it is not likely to presume that the Village will approve additional millage any time soon.

Roll Call Vote:

Berndt - yes
Briggs - yes
Koss - yes
Mooney - yes
Oen - yes
Peddie - yes
Stearn - no

Motion passed (6 – 1).

Stearn asked Council for direction on reductions to the proposed Public Safety Department budget. He proposed that Council make a policy decision to eliminate the Department's assignment of an officer to duty with the Oakland County Narcotics Enforcement Team (NET). Other members of Council thought that the staffing decision should be left to the Public Safety Director.

Motion by Briggs, second by Koss, to direct the Public Safety Director to reduce the Public Safety Department budget by \$200,000 and present Council with options on how this might be done.

Comments on the motion were forthcoming from members of the public. Residents thought that the Public Safety Director should have an opportunity to present a plan for budget cuts. Three individuals thought that Council had the right to suggest that the Department withdraw its NET officer from the program. Residents who offered their views were Janet Mooney, Andy Craig, Paul Kleppert, Steve Tyler, Ken Faber, Matthew Kuofie, and Bob Walsh.

Roll Call Vote:

Motion passed (7 – 0).

Wilson stated that he had formal discussions with the City of Birmingham and is awaiting a proposal on consolidation of Building Department services. Council authorized the Village Manager to contact the City of Southfield and request a proposal for building department services. Southfield currently provides this service for Bingham Farms.

Motion by Mooney, second by Koss, to direct Administration to present options for cutting 10% from each of the following department budgets: Village Council, Village Manager/Clerk, Village Finance, and General Administration.

Ayes - Berndt, Briggs, Koss, Mooney, Oen, Peddie
Nays - Stearn

Motion passed (6 – 1).

Council discussed the recommendation from Administration to implement a \$50 per household fee for residential solid waste collection. Koss did not think that Council should impose this fee for rubbish collection if the proposed \$200,000 reduction in the Public Safety Department budget and 10% cuts by administration in General Fund departments will make up the difference. Briggs countered that the Village needs to increase revenue, and it should start with this fee for rubbish collection.

Members of the public spoke on this topic, with the majority of comments in favor of imposing the rubbish fee. Those who spoke were Paul Kleppert, Eric Jallad, Pam Rijnovean, Janet Mooney, and Steve Tyler.

Stearn stated that Village residents were not willing to reinstate the millage cap, but he heard people say that they would have agreed to a lesser amount. He views this \$50 per household fee for rubbish collection as responsible government. Mooney commented that the community has indicated that they do not want to pay any more taxes.

Motion by Briggs, second by Koss, to accept the recommendation of Administration to implement a \$50 per household fee for refuse collection.

Roll Call Vote:

Koss	- yes
Mooney	- no
Oen	- no
Peddie	- no
Stearn	- yes
Berndt	- yes
Briggs	- yes

Motion passed (4 – 3).

Wilson related that he and Wiszowaty established the fund balance at 15% of expenditures, which differs from past practice. Council had no objection to the establishment of a 15% fund balance.

PUBLIC COMMENTS

Andy Craig would like a sense of Council on the library contract issue. He suggested that the Village may be able to secure a better contract from Baldwin Public Library if they give notice to opt out of the contract. Stearn stated that there will be a dedicated agenda item on this topic in the next couple of months prior to the June 30th deadline for giving notice to terminate the contract.

Brandon Love thought that the same budget problems would recur if difficult cuts are not made in terms of wages and benefits for union and nonunion employees. He suggested that everyone sacrifice a little.

Ken Faber complimented members of Council for doing an outstanding job at tonight's meeting.

Paul Kleppert commented on difficult economic conditions and said that there may come a point when Council has to make a tough decision and do what they think is right.

Bob Walsh asked if there was a meeting scheduled between the Council and the library board.

Steve Tyler suggested that Council make a decision to bill residents for the total cost of rubbish collection.

Pam Rijnovean was encouraged that the Council was listening to what two-thirds of the people said.

Janet Mooney commented on an upcoming ballot proposal in November whereby people will vote on whether taxes cannot go up if their assessment does not go up.

COUNCIL COMMENTS

Stearn thanked everyone in the audience for attending the budget session. He commended Administration for an excellent job of preparing the budget and said that there will be another budget meeting.

Motion by Oen, second by Koss, to adjourn the meeting at 9:28 p.m.

Motion passed (7 – 0).

Todd Stearn
Council President

Ellen E. Marshall
Village Clerk

Susan Bernard
Recording Secretary