

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 Safety Director, Woodard

President Stearn called the special Council meeting to order at 6:04 p.m. in the Groves High School Little Theater at 20500 West Thirteen Mile Road.

ADDITIONS TO AGENDA/APPROVE AGENDA

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

Motion passed (7 – 0).

Stearn welcomed everyone to a special session of Council for the purpose of initiating public discourse about the future of the Village of Beverly Hills. The Village is facing a financial crisis. There will be a presentation tonight from Manager Chris Wilson and Finance Director Bob Wiszowaty explaining how Beverly Hills reached this point and what will happen if changes are not made in the future operation of the Village. There will be an opportunity for public comments and questions. The intent of this meeting is to provide information, receive public input, and start down a path of determining where to go from here.

The last general operating millage increase in Beverly Hills occurred in 1995 when the electorate approved a millage cap of 11 mills. It was projected that this millage would last for approximately 10 years. It is 14 years later, and a state-wide economic crisis has led to major financial problems for local governments.

Stearn explained how the Headlee Amendment and Proposal A affects Beverly Hills and every other community in the State. Over the past 14 years, home values increased, taxable values increased and became uncapped. In order to satisfy Headlee Amendment requirements, the millage rate had to be reduced nearly every year to keep the Village Tax Revenue in line with inflation. After years of Headlee rollbacks, the millage rate is currently 9.38 mills. Once a Headlee Reduction occurs, the millage rate cannot be undone without a vote of the people.

As a result of Proposal A and a continued decline in property values, the Village will lose over \$500,000 in Charter millage revenue in 2009. An 8% or more decline in property value is projected by Oakland County for next year. During the same time, costs to the Village continue to increase and State Revenue Sharing continues to decrease. While Tax Revenue was limited to the rate of inflation, costs increased at a greater rate. The Headlee Override ballot proposal defeated by the electorate last fall was intended to close that gap.

Stearn informed those present that this Council has been working to limit Village expenses by making cuts in every department. Two public safety officers have been cut from the Department; the public services director went from full-time to a part-time contract basis; the receptionist position at the municipal office was eliminated; pay freezes were imposed on all non-union employees; non-union employees were transferred to Blue Care Network. Council has placed the Baldwin Public Library on notice that the Village will be cancelling its contract unless it can find an alternative revenue source. While drastic steps are being taken to reduce spending, continued cuts will jeopardize the current level of services. This would affect road maintenance, public safety staffing, park funding, etc. Council is attempting to address its financial problems and keep the community operating with the high level of service that residents have come to expect.

The Public Safety Department operation represents over 50% of the Village's budget. It has been asked why the Village cannot cut salaries and benefits to control Public Safety Department spending. Stearn explained that there are three unions representing public safety employees. When a union contract expires, the Village engages in negotiations with the union representatives and ultimately signs a contract with the unions. These contracts will lapse in December of 2009, and a negotiating committee has been appointed to begin negotiations with the Public Safety Department unions. Council members have been advised by the Village labor attorney not to publicly discuss anything related to those collective bargaining agreements. Stearn outlined the function of the 312 Arbitration process. The Village's negotiating team will be working with the Public Safety Department to achieve some concessions in upcoming union negotiations.

Manager Chris Wilson presented information contained in a PowerPoint presentation consisting of charts and graphs outlining the Village's Future Financial Forecast. He discussed revenue and expenditure issues that Village administration and Council have recognized and have been trying to address. Fiscal problems including a declining tax base are being experienced by all municipalities throughout the State.

The Village receives its revenue from three primary revenue sources: property taxes, state revenue sharing, and charges for services. Wilson referred to a chart showing the Village's property tax revenue forecast. He pointed out a precipitous drop off in revenue between 2009/10 and 2010/11 fiscal years and explained why this significant fall in property tax revenue will occur. In 2009/10, all municipalities will experience the biggest hit from the crash in the housing market. Most of the drop in home values has already occurred, but the effect on property taxes will lag. An approximate 8% drop in taxable value is projected for 2009/10. There was a 4.57% decrease in 2008/09. A 3% decrease is forecasted for 2011/12, but predictions on property tax fluctuation have been inaccurate during this economic slump. Another thing that will affect revenue is that a dedicated millage (1.76 mills) will expire in 2010, which will result in an additional 3% drop in revenue. In 2015/16, another dedicated millage (0.6 mil) will be coming off the books.

Wilson presented a forecast of homeowner property tax bills based on a house with a \$300,000 SEV as of 2005/06. There were slight increases in taxable value from 2005 through 2008. Property tax bills for most homeowners in the Village hit a high point in 2008/09. This year tax bills will decrease and the next year taxable value will fall precipitously. There will be another

slight decrease in 2011/12. Over time the tax bills will increase by about 3% per year. For an average home, a property owner's tax bill five years from now will be about \$400 less than it was last year.

Wilson commented on a graph showing General Fund revenue and expenses. Up until recently, expenditures and revenues have been roughly equal. In 2009/10 expenditures will decline due to some tough decisions made by Council; but that will be somewhat offset by a decline in revenue. In the future, expenditures will increase much more rapidly than revenue. This has been going on in most municipalities in the State for a long time. Wilson emphasized that Village administration cannot economize or cut enough to maintain services with the projected decrease in revenue.

The Village has maintained a fund balance at a level of 15%-20% of expenditures over time. A graph depicting Village fund balance projections shows that the fund balance will decrease to zero in 2012. The only way to prevent this is to change the way we provide services, provide less service, or generate additional revenue. Wilson commented on a chart showing the decline in State Revenue Sharing funding from 2001 to the current year, noting that it is likely to decrease further.

Finance Director Bob Wiszowaty presented updated five year revenue and expense projections including the following assumptions: an 8% taxable value reduction in 2010/2011 and an additional 3% taxable value reduction in 2011/2012; wage freeze for all employees (union and non-union); increase the public safety pension contribution; reduction in staffing levels in 2009/10 fiscal year; a \$50 per household service fee charged to residents for rubbish collection and disposal.

Wiszowaty related what has been done this year to reduce expenditures:

- One Public Safety Officer retired and was not replaced
- One PSO was laid off
- Village office receptionist was laid off
- Village office employees did not receive a pay increase
- Village office employees transferred to HMO Health Plan
- Building Official was given early retirement and not replaced on a full-time basis
- Public Services Director is now a part-time employee
- Residents are charged a \$50 per household service fee for rubbish collection/disposal
- Contacted Baldwin Library regarding contract withdrawal
- Continue to investigate shared services with other communities

The Village contracts with Baldwin Public Library for library services. The quarterly payments are calculated based on a fiscal year formula as follows: Taxable Value X 1.077 mills (reduced by Headlee 0.8527). For 2009/10 the value of the millage is 0.9183.

Wiszowaty concluded that the Fund Balance of the General Fund will have a deficit by the end of the 2012/2013 fiscal year. By June 30, 2014, the projected Fund Balance deficit will be \$1,438,228. The Village will need additional revenue to maintain services the Village residents receive today.

President Stearn affirmed that the Village Council has been aware of these financial issues for over two years. Council attempted to seek voter approval for a Headlee Override ballot proposal last November when the electorate was asked to bring the Charter millage cap back to the 11 mill level that was approved by the voters in 1995. The Headlee Amendment requires a taxing jurisdiction to roll back maximum authorized tax rates if the taxable value, excluding new construction, increases faster than the rate of inflation. The Village's millage rate has been rolled back over the years and is now 9.38 mills. A Headlee override would increase revenue by allowing the Village to collect up to the full 11 mills approved by the voters in 1995.

Council gave notice to the Baldwin Library that the Village would be opting out of its contract for library service at the end of 2010. Beverly Hills has the right to rescind this withdrawal any time before the end of 2010 if it can acquire funding to maintain the library contract.

Stearn stated that a dedicated infrastructure millage was passed by the electorate a number of years ago to fund sewer and road construction and repairs. That 2.0 mills will expire at the end of this current fiscal year.

Beverly Hills has continued to explore consolidation of services with various communities. A proposal was received from the City of Birmingham to provide building department services for the Village. The proposal was declined for the reason that acceptance of the proposal would increase expenditures. Village representatives were recently talking to the City of Southfield about providing fire service to Beverly Hills. Southfield has since declined further discussion with the Village regarding expanding their service. Stearn stated that Beverly Hills will continue to look at other communities for sharing services.

Stearn stated that Council is considering various options. Ongoing cuts in expenditures would mean changing how public safety services are delivered, eliminating library service, and possibly other services. Council will contemplate a dedicated millage for funding either the library or public safety; there will be further discussion regarding proposing another Headlee override ballot question. Stearn asked for comments from the public.

Robert Deneweth of 32321 Arlington said that he spoke with Bob Wiszowaty about the consequences of not passing the millage restoration proposal last fall. He learned that the full 11 mil cap approved in 1995 was never fully assessed. Deneweth commented that the Village lost the opportunity to raise almost \$1 million in revenue or about \$275 per year for the average homeowner. Much of the community was misinformed about what was really going on. He suggested that people should think about a millage proposal in terms of living in a community with adequate police protection and library service. Voters would risk a tremendous drop in their property values by defeating a millage proposal.

Deneweth and others have formed a community organization called Save Our Services (SOS). Sign up sheets to join this effort are available at this meeting. He encouraged people to keep informed on what is happening in terms of raising revenue to maintain the quality of life that people are used to in Beverly Hills and to provide the safety that is needed.

Robert Strong of 31109 W. Chelton asked if converting to city status would provide cost savings and if this is still being considered. He questioned whether the Village is facing an unfunded pension liability.

Mooney and Stearn addressed these issues. It was clarified that the Beverly Hills Public Safety pension fund is 100% funded. The issue facing Beverly Hills and other communities is the unfunded liability for retiree health care. Beverly Hills provides a post-retirement health insurance for full-time employees. This was assumed through collective bargaining agreements and contracts that were negotiated over the past 40 or more years.

Prior to 1994, the Village used a “pay-as-you-go” accounting method to pay for these benefits. Beginning in 1994, the Village began funding future retiree health insurance liabilities based on actuarial valuations. Beverly Hills was one of the first communities in the area to begin funding future retiree health insurance. Over a period of 30 years, retiree health care must be funded to an extent of approximately \$14 million. New Government Accounting Standards now require the Village to identify and report its annual required contribution, which equals the cost of retiree health care plus the amortized portion of its 30-year unfunded liability.

The pay-as-you-go contribution for the current year is approximately \$619,000. The current actuarial valuation report specified that the Village’s annual required contribution to fund both the current year health care requirements and an amortized portion of any unfunded 30-year OPEB liability is approximately \$1.2 million. The proposed budget allocates \$400,000 in addition to the “pay-as-you-go” amount to get closer to the amount of the Annual Required Contribution (ARC) identified in GASB 45 accounting standards.

It was explained that Village Councils have periodically looked at the city versus village issue. It remains debatable whether it would save money or cost money over time. There would be some efficiencies of scale by having Southfield Township provide some village services. City status would give the Village greater taxing authority. It was suggested that interested residents review the last study that was conducted on this topic about a year ago and come to their own conclusions. Changing to city status would require a village-wide vote.

Matt Mason of 32410 Sheridan stated that he is working with Bob Deneweth on the Save Our Services campaign and that help from residents is welcomed. It appears from the information presented that a revenue increase is the only solution to the current fiscal problems. The Village will not be able to cut its way out of the budget crisis. Mason asked for a show of hands from those who generally support an increase in revenue through a millage. Most of the people in the audience raised their hands.

Mason thought that the problem with the prior election may have been organizational in terms of getting the word out to the electorate about restoring the millage level to the Charter cap approved in 1995. If Beverly Hills residents want to preserve their present quality of life, people will have to put some effort into it.

Candy Repa of 22868 Shagbark mentioned that a clear presentation like the narrative given by the Village Manager tonight was needed prior to the election last fall. She noted that a list of residents interested in assisting with community awareness was compiled at a previous Council

study session on the library issue. It was indicated that the annual cost of the Baldwin Library contract is \$522,000. This would equate to \$130/year per household. Repa suggested that community information regarding budget issues be placed on the Nixle website.

Stearn clarified that the Public Safety Department has initiated a new community information service called Nixle designed to deliver current alerts, notices, and information to residents in the area. The service now includes Beverly Hills Village office notifications. Electronic messages will be generated at the Public Safety Department and Village office and will be sent instantly to email addresses and/or cell phones by way of text messages to those individuals who have registered for the program at www.Nixle.com.

Stearn stated that he is specifically looking for input from residents on how to proceed and whether they would be more likely to support a Headlee override, dedicated millages, or anything else. Council will have to make a decision on how to address the Village's financial issues and would like input from the public.

Candy Repa stated that she would favor a dedicated millage that includes both public safety and library services or a Headlee Override.

Patrick Westerlund of 18540 Devonshire asked questions about the retiree health care liability issue, which were addressed by Council. It was his understanding that the Village is doing what it can to the best of its ability to fund its future obligations.

Westerlund expressed the view that it was in the best interest of the Village to ask for an increase in the general operating millage rather than propose one or more dedicated millages. Proposals for dedicated millages would be subject to personal preferences in terms of what residents think is most important and could result in the defeat of both dedicated millage proposals. He suggested that Council propose a millage that covers what is necessary to keep the Village running with the current services into the future. Westerlund explained that his property tax is the only tax he pays that goes directly towards supporting his quality of life in Beverly Hills. Property taxes are the only taxes that voters can control by electing officials who will listen to them about how to spend that money.

Steve Gale of 16916 Buckingham questioned whether taxable value had caught up with fair market values for most Village property.

Wisowaty responded that the gap between the assessed value and the taxable value in the Village is now 8.97% . That means that about 9% of the residents in Beverly Hills still have an assessed value greater than their taxable value. In four years, the Village has gone from a 38% gap down to 8 percent. Next year with the gap falling by another 8%-9%, there will be very few homeowners remaining who have an assessed value greater than the taxable value. Homeowners pays taxes based on taxable value. As your property values drop going forward, the taxable value and the amount of your tax bill will also decrease.

Gale stated that he would prefer a dedicated millage for the library in order to provide stability for that multiple community service. The other services that are village-specific could be included within the General Operating millage.

Dennis Page of 30470 Lincolnshire East asked if we would be here today if the Headlee Override proposal had passed last fall. He questioned whether the revenue raised would have covered the expenses under discussion. Stearn responded that the Village would probably have been able to go out four or five years if the millage restoration proposal had passed.

Page maintained that residents need clear information in terms of a presentation showing what tax rate is necessary to provide current services.

Manager Wilson responded that he cannot state definitively what the millage rate would have to be to retain Village services. There is outstanding information that will be available in the next six to nine months. Wilson has estimated that revenue would decline by 8% next year. Due to extreme market fluctuations in the last two years, the Village will not receive the taxable value figure from Oakland County until March of 2010. The unpredictability of that number hampers Council in making revenue projections 5-7 years in the future.

On the expenditure side, the Village is not certain about how it will fare with public safety union negotiations. That will be known shortly after the end of the year. Act 312 gives public safety unions in the state of Michigan the right to binding arbitration. The Village negotiating committee will do the best it can to reduce costs. Wilson believed that the unions are willing to work with us. The revenue question will be resolved and the expenditure issue will be decided to a large degree in six to nine months. At that point, Administration will be able to reassess the picture and inform residents as to what revenue the Village needs for the next 5-7 years to maintain the current level of service.

Page expressed the view that the correct approach is for residents to decide what they want. They now have a clear picture of what happened as a result of not passing the millage proposal. Page did not support the idea of dedicated millages. He suggested that Council place a Headlee Override millage proposal on the ballot, explain what services the voters will get for that, and let the electorate decide.

Kathy Westerlund of 18540 Devonshire supported a ballot proposal for general millage when the revenue and expense numbers become available. She thought that Council should take a road show like today's presentation out into the community. Keep the message simple and show people what is needed to provide the current level of services.

Pete Kelly of 31220 Sunset commented that the Village had foresight to implement a public safety department and a privatized DPW service. A public safety department is inherently efficient in that one work force provides both police and fire services. If the contract with Southfield came to pass, it would result in a decrease in patrol strength. Fewer officers on the road would lead to less apprehension of criminals such those who committed the recent larcenies from autos. Kelly supported the public safety department concept and the Headlee Override proposal.

Kathleen Berwick of 31381 Kennoway Court was concerned that 56% of the budget goes to the public safety department. She does not see a high visibility of police patrols in her neighborhood. Berwick thought that shared services was the answer and would welcome the Oakland County Sherriff's Department in the Village.

Vincent Borowski of 31115 W. Chelton thought that tonight's presentation was helpful. He did not think that the Village has seen the bottom as far as home prices. As a long time resident of Beverly Hills, he did not observe waste in the government. He commended this council and every council before it for being diligent and doing a good job of managing Village expenses. Borowski urged Council and administration to maintain tough labor union negotiations and to continue to be frugal. He urged Council to maintain the current public safety department and the library service contract. He would like to see the millage proposal come up for another vote.

John McGrath of 16210 Beverly Road said that he is getting up to speed on Village operations and finances. In answer to a question, he was told that the reality could be worse than the revenue projections presented today. Wilson thought that the Village would have a better handle on its expenses than revenue.

McGrath asked several questions regarding retiree health care benefits. Council and the Manager addressed inquiries related to previously negotiated retiree health care benefits and how they relate to the Medicare program. It was reiterated that the Village is going into contract negotiations with the current public safety unions at the end of the year. The negotiating team is attempting to work with the unions in order to reach an agreement and avoid arbitration.

Sandra Landau of 20010 Carriage Lane thanked the public safety department for saving her husband's life twice. She has observed that the Baldwin Library is well used by the community.

Jim Calder of 18215 Birwood commented that Beverly Hills is not like other communities in Oakland County because it relies heavily on residential property for its tax base as opposed to commercial property. He commented on the low cost per resident for specific services.

Richard Norling of 16299 Beechwood stated that one of the biggest problems with the millage restoration proposal was that people did not understand what would happen if the millage did not pass. He suggested that Council provide stark contrasts showing what residents will get for a specific tax rate and what they will receive without that tax increase.

Jean Ruth of 32264 Sheridan questioned the time frame for a millage proposal election and the timing of a grass roots effort to promote the proposal.

Stearn stated that the times available for a ballot proposal would be November of 2009, February of 2010, May of 2010, August of 2010 and November of 2010. It is too late to prepare for a millage proposal in November. The Village would have to pay for a special election in February or May of next year. There is a primary election planned for August and a general election scheduled for November of 2010. It would save money to place a ballot proposal on one of those elections. This will be a future Council decision.

COUNCIL COMMENTS

Koss thanked the public for their input. She thought that it would be in the best interest of the Council and the community to work diligently on the union contract negotiations. Those results will be available by next March as well as County projections on property values. There is a need for regular communication with the community to advise people about the critical problems facing the Village so they can make informed decisions.

Oen thanked everyone for attending and for their support. He commented on the importance of the public safety department to the residents and their property values. Oen did not want to lose the library or discontinue park maintenance. Council needs the support of the community.

Berndt commented that there were about 60 people in the audience tonight, which represents only about 1% of those who will decide on a ballot proposal. The Village is a mature bedroom community that does not have the commercial base to fund the current level of services without raising revenue. Council needs the help of residents to maintain the character of this community.

Stearn asked that interested residents sign up with the Save Our Services group after the meeting. The Village is also compiling a list of people who may want to volunteer in some way to help Council present this issue to the community.

Peddie expressed the view that the most common sense approach for raising revenue would be to place a question on the ballot next year following contract negotiations and receipt of County figures on property values. Council will prepare a revenue and expense forecast and determine the specific tax rate needed to maintain the current level of services. If a ballot proposal does not pass, Council needs a viable option to provide the best level of services with the money available.

Briggs commented that there is a significant portion of the community on a fixed income who are concerned about how they will pay their taxes. It is important to keep that in mind and for Council to continue to explore the best way to deliver services in the most efficient manner. Briggs agreed that the timing for a ballot proposal would be next year after contract negotiations and budget deliberations so that Council has a clear understanding the amount of revenue needed to maintain services.

Mooney commented on the small number of residents in the audience considering that Council is discussing the future of services such as public safety and the library. The presentation at this meeting was similar to one given last November. Mooney outlined the major events that occurred at that time as a result of the severe the economic downturn. It is only now that residents can see the result of not approving the necessary amount of taxes. Due to declining house values, Mooney thought that about 3 mills would be needed to keep Beverly Hills the way it is and preserve Village services. It will cost residents about a dollar a day. If residents lose the library and the public safety department, house values will decrease significantly.

Stearn thanked everyone for attending. This Council is dedicated to preserving Village services in a way that is palatable to the community. He asked everyone present to get involved and be one of a group of people who go out into the community and spread the message. It is likely that

Council will be going out for a millage proposal some time next year. These discussions will continue.

Motion by Mooney, second by Koss, to adjourn the meeting at 8:13 p.m.

Motion passed (7 – 0)

Todd Stearn
Council President

Ellen E. Marshall
Village Clerk

Susan Bernard
Recording Secretary