

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

Absent: Briggs

Also Present: Village Manager, Wilson
Assistant Manager, Marshall
Finance Director, Wiszowaty
Director of Public Safety, Woodard

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. He welcomed everyone to a special session of Council for the purpose of reviewing the proposed fiscal year 2010-2011 Village of Beverly Hills Budget.

ADDITIONS TO AGENDA/APPROVE AGENDA

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

Motion passed (6– 0).

STUDY SESSION TO REVIEW FISCAL YEAR 2010/2011 BUDGET

Finance Director Wiszowaty used a PowerPoint presentation to provide background on the Village's financial situation and the proposed budget for FY 2010-2011. The Village receives its General Fund revenue from three primary revenue sources: property taxes, state revenue sharing, and charges for services. Contribution from fund balance is another revenue source. Wiszowaty referred to a chart to explain what is occurring in the Village regarding the taxable value versus State Equalized Value. The significant decrease in property tax revenue is due to a continued drop in home values since 2008/09. An 11.95% reduction in property taxes is projected for the fiscal year beginning July 1, 2010. The revenue base of the General fund will decrease by over \$637,000 compared to the previous year.

State Revenue Sharing has been decreasing since the year 2000. There has been a decade long decline in State Revenue Sharing (from \$1.08 million in 2000 to \$697,000 this year). Wiszowaty summarized 2010/2011 General Fund Revenues indicating that Beverly Hills is anticipating to spend about \$6.9 million in the General Fund compared to \$7.3 million last year. He outlined General Fund Expenses, the percentage of the total expenditures, and the dollar amounts.

In the current year (2009/10), tax bills reflect 11.8042 mills. The 2010/11 millage rate will decrease to 10.1924 (a 1.6118 mill reduction) for the reason that a dedicated millage for infrastructure improvements will expire after 12 years. This is in addition to the taxable value decreasing an average of 11.96 percent. Wiszowaty explained why the CSO (Combined Sewer Overflow) Debt Millage Rate is increasing slightly this year in order to cover the debt payments due to a decrease in taxable value.

Wiszowaty summarized that the General Fund Property Tax Revenue will decrease by \$637,987. State Revenue Sharing will decrease by \$130,247. Full time employees will remain the same as

current levels in both Public Safety and Administration. The Village will charge a \$100 service fee for rubbish collection and disposal. The Fund Balance will be reduced to 15% of expenditures, or approximately \$1.4 million.

Wisowaty addressed the projected revenue and expenses for the Major and Local Street Funds. The Major and Local Road Funds will be balanced using money from their respective fund balances. The Water & Sewer Operating Fund budget will increase by \$37,948 from last year primarily due to increases in CSO maintenance costs. Administration recommends no increase in water and sewer rates this year. The average customer will pay the same as last year based on usage; however, the split between water, sewer and debt service will be revised. The Water and Sewer Fund Budget is balanced at \$3,849,825 by taking \$211,000 from the fund balance. It is anticipated that there will be \$2.6 million available in the fund balance, or 68.9%

Manager Chris Wilson talked about what administration set out to accomplish in the draft budget. This year's budget deliberations will focus on revenue problems and the need to address service provision in some way. Council has committed to placing a millage question before the voters in November. Voters will have a choice between maintaining the services that they currently have or experiencing a serious reduction in services should the millage proposal fail. This would include library services and public safety department staffing.

Administration attempted to prepare a budget that will operationally get the Village through fiscal year 2010-2011 if the millage passes in November. If the millage is approved, additional revenue will not be realized until July 1, 2011. It will be a stopgap budget for this year. Due to the precipitous drop in revenue, this budget will include transferring money from the fund balance in order to maintain services. Administration recommends that the fund balance go no lower than 15 percent.

Wilson explained how the proposed budget will maintain service levels and retain a 15% fund balance. This was done by altering the amount the Village would contribute in 2010-2011 to OPEB (Other Post Employment Benefit) costs, which is mainly Retiree Health Care. The Village will make its payment based on a pay-as-you-go method, but it will not be able to contribute the full amount towards actuarially calculated accrued liability. Council has made a commitment to pay for as much of that liability in the present as it can. Administration attempted to maintain services and present a balanced budget for this year until more revenue becomes available.

Council and Administration will develop alternatives for reducing costs in the Village General Fund in the event that the millage proposal should fail. The budget numbers would be altered significantly as would the services provided to residents. If the millage proposal passed, Beverly Hills could operate and maintain service for this fiscal year based on the number in the budget and reassess its position based on additional revenue that will be available on July 1, 2011.

Council proceeded with its review of the budget document. General Fund Revenue for the fiscal year beginning on July 1, 2010 will be \$6.9 million, which is the lowest level in several years. The decrease in revenue is primarily attributable to property tax revenue decline and decrease in State Shared Revenue. The proposed combined millage rate for 2010/2011 is 10.1924 mills, down from last year's 11.804 mills. Stearn noted that taxable value in the Village this year is

down from a high level of \$600 million to \$500 million. State Shared Revenue is down from its high level in 2001 from \$1.1 million to under \$700,000.

Stearn commented on changes to government accounting standards requiring that municipalities account for legacy costs on financial statements. The current actuarial valuation report specifies 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. This budget includes the required pay-as-you-go amount of \$600,000 plus another \$100,000 towards meeting actuarial assumptions for post employment retiree health care obligations. Stearn thought it was important to note that Beverly Hills has put \$1.4 million aside towards prefunding its retiree health care liability.

Council went through the budget by department noting any significant changes from the previous year. The General Fund budget projects a \$345,000 decrease in overall expenses. There were little to no increases in General Fund expenses other than in the areas of health care and dental insurance.

Questions from Council and members of the public were addressed throughout the budget review. The following audience members had questions on topics including the Village's revenue stream, expenditures, unfunded liabilities, renegotiation of union contracts, status of public safety union negotiations, qualifications of the code enforcement officer, library use by residents, and routine maintenance of roads.

Mike Maiman	31500 Eastlady
Kevin Byrnes	18007 Kirkshire
Kathleen Berwick	31381 Kennoway Court
Bob Walsh	20655 Smallwood Court

There were a number of inquiries about changing union contracts to move employees to a different health care program or to require contributions from employees. Council responded that a large percentage of employee salaries and benefits are covered by union contracts. The Village cannot unilaterally change a contract without voluntary concessions. A state arbitrator must be contacted to decide issues in a dispute between public safety unions and the Village. Beverly Hills is in the midst of contract negotiations with its three public safety unions.

The Public Safety Department budget total is \$4,291,773,000, an increase of 1.43% from last year, or \$600,000. Health insurance costs make up \$43,000 of that increase. It was noted that the Village is down to 23 sworn officers from earlier years. The Department eliminated participation in a regional task force earlier this year in an attempt to save money. Wilson related that the increase in the retirement contribution to Public Safety Retirement System was because of losing money in the pension plan portfolio due to recent market conditions.

A resident questioned the fact that about 62%-65% of the budget is spent on the Public Safety Department. Stearn remarked that Beverly Hills government has historically made it a priority to have a safe community. If the millage proposal fails, it is projected that the Department will be cut by six officers, which would take the Village down to 16 officers. The point was made that, if

PSO staffing levels do not allow the Village to assist another community, Beverly Hills would no longer be included in mutual aid pacts in Oakland County.

The Building and Planning Department Budget total is \$149,000 compared to \$242,500 in the 2008/09 budget, primarily due to the elimination of the building official position.

The Public Services Department budget was reviewed. Stearn mentioned that Walter Briggs, who could not be present tonight, has asked that Council reconsider the amount of the rubbish fee. It has been proposed by Administration that Council institute this fee over three years in an amount of \$50, \$100, and \$150. A fee of \$150/year per household would fund almost the entire garbage collection and disposal cost. Briggs suggested that the proposed \$100 fee in this year's budget be changed to \$150. It was not the consensus of Council to increase the fee to \$150 this year. In response to a resident's inquiry about eliminating or rolling back the rubbish fee if the millage proposal were passed, Council members said that they would consider this.

Throughout the budget review, Council members noted areas where the Village has shared services or consolidated costs including the following:

- Village code enforcement officer provides code enforcement and rental inspection service for Bingham Farms on as-needed basis.
- The Village has privatized its Public Services Department for about 30 years by contracting with Comeau Equipment Company for manpower and equipment at a huge costs savings to the Village. The DPW contractor provides certain services to Bingham Farms, and they reimburse the Village for the service plus administrative costs. Maintenance and repair of water and sewer infrastructure is provided by the Oakland County Water Resources Commissioner.
- The Village's Public Services Director has agreed to work on a part-time contractual basis. He provides professional services upon occasion to Bingham Farms for a reimbursement fee.
- The Village is part of a 12-community consortium called SOCRRA (Southeast Oakland County Resource Recovery Authority) that contracts at a cost savings for rubbish collection and disposal as well as recycling services.
- The Village received cost savings by being a member of the South Oakland County Water Authority (SOCWA).
- The Village contracts with Baldwin Public Library for access to their library plus libraries in other communities at a cost lower than the Village could provide on its own.

Major Road Fund revenues and expenditures were reviewed. Administration is proposing to use \$197,000 from the Major Road fund balance, which would allow for minimal maintenance and resurfacing of major roads. Only \$150,000 has been budgeted for asphalt resurfacing on major roads. Stearn suggested that Village roads cannot be sustained at this level over a number of years. The budget includes a \$90,000 transfer to the Local Road Fund, which will drop the Major Road Fund balance to 23% or \$135,000.

Wilson related that the State Gas & Weight Tax revenue is down over \$35,000 from the previous year. He addressed why Gas & Weight Tax revenue decreases when the price of gas is increasing. The Gas & Weight Tax money is a per volume and not a per dollar assessment; as the price of gas goes up, people buy less. Plus, there has been increased fuel efficiency of vehicles. Gas volume purchases are actually declining at a depressed rate. Wilson made the point that a lot of what municipalities spend on construction other than labor is asphalt, which is directly tied to petroleum prices. Most municipalities are finding that major and local road fund budgets are adequate for maintenance, but they are not adequate for construction.

Wilson said that it is no longer possible to supplement Major Road Fund construction with General Fund money. He mentioned that there is about \$1.4 million remaining in the dedicated millage money for infrastructure use after completion of the Acacia Drain project. The Village can utilize some of that money for the next two or three years to subsidize construction needs on major and local streets. There will be further water and sewer main work. At some point, the Village is going to have to take a look at capital money for road construction needs.

Local Street Fund budget revenue and expenditures were reviewed. A maximum amount of 25% can be transferred from the Major Street Fund to the Local Street Fund. The budget proposes a transfer of \$90,000 from the Major to the Local Street Fund. The Local Road Fund balance will decrease from \$137,000 to \$49,000, or 13.72 percent. Stearn noted that there was no money budgeted for local street construction.

Stearn proposed a motion to direct administration to find \$90,000 in the budget to allocate towards asphalt resurfacing and concrete replacement on local streets. Mooney supported the motion. After further discussion, Stearn withdrew his motion. It was the sense of Council to direct administration to prepare a proposal for including funds for improving local streets in the 2010-2011 budget for Council consideration.

The Water & Sewer Fund Budget shows \$3.8 million in revenue. Administration is proposing no increase in water and sewer rates even though an increase in fees from the City of Detroit is anticipated. The fund balance is estimated at \$2.6 million. This money can be used for water main replacements in the future as needed. It was pointed out that \$200,000 will be appropriated from the fund balance to balance the Water & Sewer Fund Budget.

Wilson remarked that operational revenue should generally meet operational costs. He explained why a water rate increase is not recommended. Village Administration continues to be concerned about the eventual impact of changes in sewer charges implemented by the Water Resources Commissioner. Current funds are sufficient to cover anticipated charges from the Water Resources Commissioner for sewage disposal. Should the sewer “metering” scheme proposed by the Water Resources Commissioner be fully implemented in coming years, rate increases to Village residents will be inevitable. Upward pressure on water rates will increasingly be felt due to a decline in overall usage within the Village and the high proportion of fixed costs (over 50%) tied to debt within the Detroit Water and Sewerage Department.

Stearn congratulated Administration on a well done job of preparing a balanced budget.

PUBLIC COMMENTS

Bob Walsh of Smallwood Court read a letter dated April 13, 2010 from William and Betty Sturley of 20705 Smallwood Court regarding the 2010-2011 Village Budget and the proposed millage increase. The Sturleys expressed opposition to a millage increase and suggested that the Village look into different ways of providing required services. The letter offered possible solutions to the Village budget crisis.

COUNCIL COMMENTS

Mooney remarked that Council and Administration will be faced with operating the Village with \$1 million less than the amount of money it received last year. The Village has to collect \$1 million in order to maintain Village services at the same level. If the millage proposal passes and the millage rate goes from 9 to 13 mills, the taxes for almost everybody in the Village will increase by \$110 - \$200 a year. This will be a bridge loan to some point in the future when the Village can reach out to other communities in an effort to combine services.

If the millage fails, the library contract will end and personnel will be lost. Mooney affirmed that Council is going to renegotiate with the Public Safety Department and take a hard line. He explained what happens if the contract goes into binding arbitration. It was Mooney's view that it was a moral imperative that a community support its library. If the library contract is terminated, property values will decrease. Property values will also suffer if the Public Safety Department staff is cut by five or six officers. Mooney said that we will find out what kind of town we live in following the November election.

Stearn thanked everyone for attending tonight's meeting and appreciated their time and effort.

Motion by Mooney, second by Oen, to adjourn the meeting at 9:42 p.m.

Motion passed (6 – 0).

Todd Stearn
Council President

Ellen E. Marshall
Village Clerk

Susan Bernard
Recording Secretary