

Present: President Mooney; President Pro-Tem Peddie; Members: Abboud, Delaney, Mueller, Nunez and Oen

Absent: None

Also Present: Manager, Wilson
Finance Director, McCarthy
Public Safety Director, Torongeau
Clerk, Marshall

Council President Mooney called the special Council meeting to order at 6:00 p.m. in the Village of Beverly Hills municipal building at 18500 W. Thirteen Mile Road.

AMENDMENTS TO AGENDA/APPROVE AGENDA

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

Motion passed.

Nunez arrived at 6:01 p.m.

REVIEW AND CONSIDER SECOND RESOLUTION TO ESTABLISH BALLOT LANGUAGE FOR THE AUGUST 2018 ELECTION AMENDING TWO SECTIONS OF THE VILLAGE CHARTER; 3.11 NOMINATIONS AND 4.2 REMUNERATION OF MEMBERS OF THE VILLAGE COUNCIL

The following Resolution was offered by Delaney and seconded by Oen.

WHEREAS, on the 20th day of February, 2018, Charter Amendments were proposed by the Village Council; and

WHEREAS, in accordance with the statute in such case made and provided, such Resolution was published in the Observer-Eccentric, a newspaper circulated within the Village; and

WHEREAS, said Resolution has been duly laid on the table for at least thirty (30) days:

NOW, THEREFORE, BE IT RESOLVED as follows:

That the following Charter Amendments be voted upon by the qualified electors of the Village of Beverly Hills at a Special Election to be held on Tuesday, August 7, 2018, to-wit:

BALLOT PROPOSAL 1

It is proposed that Section 3.11 of the Charter of the Village of Beverly Hills be amended to read as follows:

NOMINATIONS:

SECTION 3.11. The method of nomination of the elective officers shall be by petition signed by not less than twenty-five (25) nor more than fifty (50) qualified electors of the Village. All nominating petitions shall be filed with the Clerk as required by state election law preceding such election. The form of the petition shall be substantially as that designated by the Secretary of State for nomination of nonpartisan judicial officers. Signing of petitions shall be governed by general election statutes.

Shall this amendment as proposed be adopted?

YES _____

NO _____

BALLOT PROPOSAL 2

It is proposed that Section 4.2 of the Charter of the Village of Beverly Hills be amended to read as follows:

REMUNERATION OF MEMBERS OF THE COUNCIL:

SECTION 4.2. The President and each Councilmember to receive as remuneration for service to the Village the sum of One Hundred Dollars (\$100.00) per meeting of the Council actually attended, not to exceed in total Two Thousand Four Hundred Dollars (\$2,400.00) per year, excepting that the President shall also receive the sum of One Thousand Dollars (\$1,000.00) per year for additional duties. Such salaries shall be payable monthly and shall constitute the only salary or remuneration which may be paid for services performed by the President or any Councilmember for the discharge of any official duty for or on behalf of the Village during their term of office. Upon authorization of the Council reasonable expense may be allowed when actually incurred on behalf of the Village. The provisions of this amendment will take effect December 1, 2020.

Shall this amendment as proposed be adopted?

YES _____

NO _____

That prior to the submission of the vote of the electors of the Village, such Charter Amendments shall be presented to the Governor of this State. That before its submission to the electors of the Village, the Clerk shall give such notice thereof as is required by law.

AYES: Abboud, Delaney, Mooney, Mueller, Nunez, Oen, and Peddie (7)
NAYS: None (0)

RESOLUTION DECLARED ADOPTED.

STUDY SESSION TO REVIEW FY 2018/2019 BUDGET

Council has been provided the proposed budget for FY 2018-19 and FY 2019-20. Included in the budget book are complete preliminary budgets for the General Fund, Public Safety Fund, Library Fund, Major Road Fund, Local Street Fund, Drug Law Enforcement Fund, Retiree Health Care, Vacation Reserve Fund, Sick Pay Reserve, Capital Projects and Water and Sewer Operating budgets.

Public Safety Department and Retiree Health Care

With the passage of the 2010 Charter Amendment the way Village services were financed changed significantly. Previously, all General Fund and Public Safety activities were financed from the General Fund, as were Library Services to the Baldwin Library. All revenues from the Village's general tax levy as well as all constitutional and statutory revenue sharing from the State of Michigan were assigned to this General Fund. The 2010 Charter Amendment established separate millages for the Public Safety Fund and Library Fund as well as the General Fund. The total millage rate for these three functions as established by the 2010 Charter Amendment was 12.9184 mills allocated as follows: 9.9 mills for Public Safety, 2.1 mills for General Fund, 0.9184 mills for Library Fund.

A majority (76.6%) of the millage rate established by the 2010 Charter Amendment was allocated to Public Safety for a few reasons. One reason was that as an organization, a significant portion of the Village's employees and expenses are dedicated to Public Safety. Accordingly, it was agreed that the Public Safety Department should receive a significant portion of the dedicated revenue from property tax collections. The General Fund was left with a significantly smaller portion of the approved millage rate, but also received 100% of the revenue sharing monies provided by the state.

This allocation method, recommended by Village Administration and approved by the Council, was based on the existing situation in 2010 – property values had declined significantly but were first beginning to stabilize, yet Constitutional revenue sharing had declined while statutory revenue sharing declined significantly and was threatened with eradication. It was believed that allocating most of the available property tax revenues to the Public Safety Department would stabilize the revenue stream for this operation and any further reductions, declines or eliminations of revenue sharing would not impact Public Safety operations in the Village. Additionally, it was believed that because of the precipitous decline in property tax values, prior to and around the time of the passage of the Charter Amendment, the Village would not be subject to reductions in our millage rate due to the Headlee Amendment. While reasonable and logical at the time, these basic assumptions have not been completely realized.

Around 2012-13 property values in the Village, values that had declined by significant amounts during the previous recession, began to improve. The recovery of the value of residential home prices was more rapid and robust than could have been predicted in 2010. One of the impacts of

the strong recovery in property values around this time was that the Village began to experience declines in the maximum allowable millage rate per the terms and interpretation of the 1976 Headlee Amendment. By FY 2013-14 the Village had a reduction in the overall maximum allowable millage rate of .1240 mills, or 0.95 percent (0.95%). Of this reduction, .0950 mills were reduced from the Public Safety Millage. This resulted in a loss of property tax revenue to the Public Safety Department of \$47,608. Finance Director Sheila McCarthy documented the impact of Headlee reductions to the Village and Public Safety Department.

The cumulative effect of these reductions for the Public Safety Department has been a reduction in the overall millage of .7761 mills, or six percent (6.00%) of the levy of 9.9 mills in 2010. For FY 2018-19 the loss of revenue in the Public Safety Fund due to the cumulative impact of Headlee reductions is \$449,181. For FY 2013-14 through 2018-19 the cumulative lost revenue to the Public Safety Department from Headlee Amendment millage reductions is **\$1,159,669**.

This is being brought to the attention of the Council because these factors are beginning to have an impact on the budget for the Public Safety Department, particularly the establishment of a fund balance. The goal was to eventually have a fund balance of \$1,000,000 in the Public Safety Department by the expiration of the dedicated millages established in 2010. The assumptions referenced earlier that were used to establish the current funding methodology, while logical at the time, have turned out to be inaccurate. Property values increased dramatically while inflation rates remained low. This resulted in some significant reductions to the millage rate as mandated by the Headlee Amendment. At the same time, revenue sharing amounts have stabilized, and the Public Safety Department has faced some significant one-time capital costs, most notably the replacement of fire apparatus.

Since the inception of the Retiree Health Care Fund (RHCF), there have been changes including the elimination of RHC for all new hires after 2013, and the requirement that eligible retirees sign up for medicare at age 65. Currently there are less than forty retirees that are part of this program, and most of them are over 65. All retirees, spouses (widows), and children to age 26 are provided health care plans that are equal to that of current employees. It is anticipated that as these retirees age, the needs of this account will go down; it will require \$7 million more over the next 30 years to reach its fully funded status. There is no added liability with new hires, as this fund does not provide for anyone hired after 2013.

The projections for these funds is good and will continue to grow and fund the RHC. Therefore, it is proposed by Administration and supported by the auditors that \$300,000 of the \$800,000 allocated towards retiree health care be directed to the Public Safety Department budget to allow them to operate in the black. It is recommended that this be a 3-year commitment to a lower contribution and then reassessed at that time.

Council agreed with this assessment and support the Public Safety Department; there is very little excess in their budget, and to continue to provide the level of service expected of them, they need revenue to do so. Even with the reallocation, the Council will continue to fulfill their commitment to fund Retiree Health Care.

Roads

Fourteen Mile west of Lahser is scheduled to be completely redone in July and August 2018, including the installation of better underground side drainage. There are currently no major projects scheduled for FY 2019-20; waiting on the results from the PASER analysis of the Village roads. There are no funds allocated to local roads or concrete, however there will be repair work done to the concrete in front of Groves High School.

Federal grant money totaling \$1.1 million has been allocated for a complete rebuild of 13 Mile in 2020, until then they will continue to perform maintenance.

The Council discussed that in other communities Road Repair Millages are being placed on their ballots. Over the next few years, the state additional monies will equal what has been allocated as subsidies to the Road Fund. However, without the allocated subsidies from the budget, the Village would be hard pressed to complete or continue any larger road projects. The money from the State allows for continued basic maintenance.

Water and Sewer

The Water and Sewage Budget is currently operating in the red. The suggestion by the auditors and Administration is a 5%, 7%, or 10% increase in water and sewage rates. Administration provided a breakdown of what each percentage increase would look like on a bill that currently averages \$300 on a quarterly basis. A 5% increase would result in an \$11 increase on the average bill, 7% would result in a \$15 increase, and a 10% increase would result in a \$21 increase.

The Council discussed the various increase options and the merits and drawbacks to monthly water billing. They would also like to ensure that money is being brought in to build the sinking fund for needed water and sewage projects. This increase will result in a positive amount in the year end cash balance.

General Fund

The garbage collection fee rate of \$140 per home is recommended for FY 2018-19. The rate will increase to \$150 for FY 2019-20. These changes in charges will help to make this account self-sustaining at the expiration of the current millage.

The cable franchise fees revenues have been changed, and local governments are seeing more money back.

A two-year buckthorn eradication project is planned for Beverly Park, with the cost reflected in the budget. This project is necessary to ensure the growth and plant life in the wooded areas of the park.

The final draft of the budgets for FY 2018-19 and FY 2019-20, reflecting the changes discussed at this session, will be made available for the May 1, 2018 Council meeting.

In 2020 the current Village Millage will be on the ballot for renewal, and the Council needs to begin to consider what the Millage will entail.

PUBLIC COMMENTS

Walter Briggs, Reedmere, feels the revised budget design with footnotes is very easy to follow and understand. He expressed concern about the condition of the roads and the declining availability of funds available for repair. He supports the increase in water and sewage charges.

COUNCIL COMMENTS

All of Council thanked Wilson and McCarthy for their work on the budget.

Nunez believes Council is within reason in asking that all funds in the Village operate in the black.

Delaney requested that past Council members and HOA leaders from the Village be extended an invitation to the budget presentation.

Mueller would like to discuss how the Village is communicating to residents about the identification of lead service lines, and how the water will be tested.

Abboud would like to see the Council move forward with a volunteer appreciation dinner.

Peddie believes that in the budget presentation attention should be given to what the Village will be facing in 2020 when the current millage expires.

Mooney reiterated the importance of Village Administration identifying all homes built in the Village with potential to have lead service lines. Administration should continue to take calls and compile the list of residents who are requesting water and service line pipe testing. He spoke regarding his vision for the future of the Village and his support of this budget and the need for work on the millage that will be up in 2020.

Motion by Oen, second by Peddie, to adjourn the meeting at 9:17 pm.

Motion passed.

John Mooney
Council President

Ellen E. Marshall
Village Clerk

Elizabeth Lyons
Recording Secretary