

Present: President Mercer; President Pro-Tem Briggs; Members: Burry, Kelly, Oen, LaFerriere and Mooney

Absent: None

Also Present: Village Manager, Wilson
Finance Director, Wiszowaty
Public Safety Director, Torongeau

President Mercer 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.

ADDITIONS TO AGENDA/APPROVE AGENDA

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

Motion passed.

STUDY SESSION TO REVIEW FISCAL YEAR 2013/2014 BUDGET

Council is in receipt of the proposed 2013-14 fiscal year budget for their review. Included in the budget book are complete preliminary budgets for the General Fund, Public Safety Fund, Library Fund, Major and Local Street Funds, Special Revenue Funds (Drug Enforcement, Retiree Health Care, Vacation Reserve and Sick Leave Reserve) and Water and Sewer Operating budgets.

Manager Wilson presented an overview of the General Fund budget. Total Revenue is projected at over \$2.5 million based on a millage rate of 1.5843 mills; Expenditures are estimated at \$2.486 million with a surplus of \$57,893. The beginning Fund Balance is projected at \$1.26 million; the ending fund balance will be \$1.32 million. General Fund plus Public Safety expenditures combined is about \$7.5 million. The fund balance is 17.5% of combined General Fund and Public Safety expenditures.

The proposed budget will fully fund all OPEB and Pension Costs, both current and accrued. Administration is waiting for a report from Gabriel, Roeder, Smith & Co. on a health care actuarial study; estimates are being used at this time. Also included in the General Fund budget is a transfer of \$300,000 to the Major and Local Street Funds for road construction. This budget remains short of the 20% target Fund Balance reserve (General Fund + Public Safety funds) by \$180,000.

Wilson addressed Council regarding the millage rate and the rate that is currently charged for rubbish collection. The amount of revenue generated and reflected in the General Fund budget is less than the 2.1 mills currently allowed by the Village Charter. The Charter Amendment passed in 2010 established a maximum millage rate of 2.1 mills for the General Fund and 9.9 mills for Public Safety. The General Fund rate levied last year of 1.5843 mills would leave over \$250,000 of potential revenue uncollected.

Mooney entered the meeting at 7:30 p.m.

The Village currently has a \$100 fee per house for rubbish collection, which generates about \$410,000. The total rubbish collection costs are \$630,000; the Village is not collecting for this

service to the extent allowed by State Law to fully cover rubbish collection costs. If the rubbish collection fee were increased to \$150 per household, it would generate \$620,000, which would essentially cover the cost of the service.

Council discussed the practice of collecting a per household fee for rubbish collection and whether to continue in the same manner. Curbside leaf collection service was discussed. The point was made that residents will pay for the service either through a fee or the millage rate.

Wilson commented that \$450,000 of potential revenue could be generated by levying the full 2.1 mills allowed by Charter and fully assessing the maximum allowed rubbish fee. He listed items that could be funded if this millage was levied. An appropriation could be made to the Fund Balance to reach the 20% of expenditures level; OPEB Liabilities could be funded; funds could be allocated for infrastructure needs (roads, parks, water and sewer, etc.). Wilson noted that the Charter maximum will return to 11.00 mills for General Fund, Public Safety, and Library in 2021. Council input will be sought on General Fund Policy Decisions including charges for services, the millage rate, and operation of the Village building department.

Wilson talked about research undertaken on options for operating the Village's building department. Administration has looked at bringing back a building official in house as well as the possibility of contracting for building department services. Wilson has had discussions with the cities of Royal Oak and Birmingham. He outlined the revenue and expense aspects of the alternatives. The Village would not generate enough money in fees to cover the cost of a full-time building official along with a part-time code enforcement officer. Contracting out for building department service would minimize losses but would result in a loss of service and one clerical position in the building.

Council discussed the pros and cons of hiring an in-house building official versus contracting for building department service. In response to an inquiry, Wilson expressed the view that contracting for building department service may be the best option assuming that Beverly Hills could reach an agreement with Royal Oak. All building department activity would be handled through the City of Royal Oak, and the current building clerk position would be eliminated if that occurred. This situation is not reflected in the proposed budget. Wilson will require Council feedback on this matter. He will prepare a report for Council including data on options and costs.

Wilson commented on pay equity issues particularly with clerical staff. There is currently an AFSCME (American Federation of State, County and Municipal Employees) contract that covers two clerical staff members, the building clerk and utility billing clerk. That contract excludes basic clerical office staff who are performing other secretarial type jobs that are functionally no different. Wilson proposed pay equity among those positions. He was not suggesting significant changes in the benefits package, but that there be more equity in salary, wage and time off issues. Wilson will provide Council with a more detailed memo indicating what this means for the budget.

Wilson has received funding requests for BASCC (Birmingham Area Seniors Coordinating Council) and for the Halloween Hoot. There has been a request of \$5,000 for BASCC services and \$4,500 for the Halloween Hoot event. Those can be accomplished in the current budget if there are no objections. The majority of Council members were in favor of the proposed funding for those two items.

Wilson reviewed the Public Safety Department Budget. Revenues generated will be just over \$5 million based on full levy of 9.9 mills; expenditures are anticipated at \$5,018,000 leaving a surplus of \$45,000. The budget calls for adding over \$120,000 to the budget stabilization fund in an effort to allow the Department to create its own fund balance. The budget fully funds all OPEB and Pension costs, both current and accrued. It includes a payment for the fire truck of \$90,000. It was the consensus of Council to retain the \$20,000 per year contribution to a fire truck reserve fund. Staffing levels are remaining the same in the public safety department. Wilson announced that PSO Tom Danielson has received a release to return to light duty.

Wilson talked about pension plan changes and ongoing discussion with the public safety unions regarding adoption of the MERS pension plan. This could occur within the next 60 days. Final actuarial numbers will be reviewed upon receipt of a current report. Administration received a plan document from MERS, which is being reviewed by Attorney Ryan. Ryan is in contact with MERS counsel regarding how to proceed with adoption of the plan. This change could result in a significant cost savings. There will be upcoming discussion with Council on this action as well as coordination with the public safety unions. A question that will be considered is the best way to handle Retirement Fund investments – joining with a professional group of money managers like MERS or continuing to make investment decisions through the Village's Retirement Board.

Wilson stated that there are ongoing contract negotiations with the PSO union at this time. There has been discussion on how to address legacy costs for new hires. Wilson added that there is a need to be aware of the reversion to 11.00 mills in 2021. At the request of Council, staffing levels and the possibility of hiring an officer were discussed.

There followed an extensive discussion by Council on the uncollected revenue from the millage rate authorized by the Village Charter. A few members of Council referred to long term debts and obligations incurred by the Village that could be paid down. Other members presented arguments against taking that action.

Wilson addressed comments and questions about the Village's debt. The total outstanding debt is \$4.1 million (with interest \$4.64 million) through 2029. There are two remaining years of Debt Service on the CSO millage, which is 32% of entire debt. In 2015, that 0.8757 mills will expire. The remainder of the debt is funded through the Water & Sewer Fund and is being met through user rates. Debt schedules are laid out in the budget book. Wilson summarized that long term debt is limited; the vast majority of debt will be paid off in the next 6-7 years.

Wilson stated that the Water and Sewer operating budget revenues and expenses are balanced at \$4.5 million. This is based on a proposed rate increase of 8% for both water and sewer. This takes into account costs that will be passed along to the Village from SOCWA for water and through the Detroit Water & Sewer Department. The increase is also due to volatility in sewer charges related to the new billing methodology from the Oakland County Water Resources Commission.

The Water & Sewer Department has an estimated Fund Balance of \$901,226 (32.57% of current expenses). The budget includes depreciation expenses in excess of \$500,000. The Village is working with consulting engineers Hubbell, Roth & Clark in pursuing grant funding opportunities for capital repair, particularly for sewers.

Wilson talked about billing issues and the impact of moving to monthly billing as rates continue to increase. Billing monthly will result in smaller bills going out more frequently; there will be increased staff time and increased postage costs. A benefit from the meter changeover done about five years ago is that the cost for reading meters has decreased substantially. Cash flow issues will improve by going to monthly billing. Wilson hoped to encourage more people to use the automatic bill paying system that is in place.

There has been discussion on allowing residential customers to have an outside meter for sprinkling. Wilson suggested that the Village pursue this due to the change in billing methodology. The Village is now billed on what goes through the sewer system. The vast majority of water used for outside sprinkling is going back into the ground and not through the metering system. It was noted that there will be a cost for using an outside meter. Wilson proposed that the Village continue to monitor the impact of the meter based billing.

Wilson addressed questions from Council on changing to monthly billing. He was asked if the rate increase will make water and sewer charges to the Village revenue neutral. The response was that this is the intent based on the analysis of sewer charges. In answer to an inquiry, Wilson said that Council will have to address the current rate structure if there is agreement to proceed with monthly billing. The suggestion was made to incentivize people by offering a bonus or credit to change to the automatic bill payment method.

There was concern expressed that one neighbor's use of an outside meter would mean that another neighbor would be subsidizing that sewer cost. Wilson explained that, historically, the sewer charge was based on water consumption; that was changed about five years ago. Costs for sewage consumption are no longer based on how much water is used in the Village. It is based upon a series of meters that were installed by the County to monitor sewer flow. In a combined sewer system, there is far more potential for sewage flow based on how much it rains and the resulting runoff. The communities with separated systems do not have the volatility in sewer charges that the Village does. Internal water use has become a small component of sewer cost. The conclusion was that residents who do not have those meters would not be subsidizing the sewage rate of those with outside meters.

Major Street revenues and expenditures are \$472,214. The expenditure amount includes a proposed \$193,339 for construction, the majority of which will fund a project on Beverly Road. The budget includes a transfer of \$38,890 from the General Fund. The total maintenance costs are \$278,875. Revenues cover basic maintenance costs plus about \$154,000 remaining. The current fund balance in the Major Street Fund is about \$458,000, almost 100% of expenditures.

Local Street Revenue and Expenditures equal \$467,477, which includes \$101,327 for construction. The budget includes a transfer from the General Fund of \$261,000. Wilson made the point that annual maintenance costs are \$366,000. Revenues (minus General Fund contribution) are short of maintenance costs by \$159,783. The cost of maintaining streets, patching, plowing, street sweeping, and bridge maintenance will exceed the Local Street revenue before the Village does any paving. That is why the budget provides a \$300,000 transfer from the General Fund to roads each year. The current Fund Balance in the Local Street Fund is \$73,779 (15.8% of expenditures). Inadequate State funding for local streets was a topic of conversation. Wilson stated that additional road funding will be needed.

Wilson remarked that he has received some direction on the building department issue. He will work on obtaining a firm proposal from Royal Oak. Council will be provided with a report showing the financial impact of bringing a building official in house versus entering into a contract with a neighboring community for building department service. It is a policy decision that will be made by Council with a recommendation from administration.

Council members raised several issues, which were addressed by Wilson. There is \$60,000 in capital expenditures primarily reserved for a new software package, server, and hardware for the Village office. Funding for the park was brought up. The Parks and Recreation Board has requested that the budget include park capital improvement funds as has been done in previous years. The Michigan Municipal League noted that the Senate has passed a 4.8% increase in the EVIP program. Wilson and Finance Director Wiszowaty addressed questions from Council on funds budgeted for dispatch service, retiree health care costs, public safety lockup facility, a volunteer appreciation dinner, and continued publication of the annual Village calendar.

Council members discussed whether to increase the millage levy to the maximum allowed millage rate of 2.1 mills for the General Fund. There was a lengthy exchange with some members of Council opposed to levying the maximum 2.1 millage rate on the basis that they did not want to charge more than needed to fulfill the obligations that Council said it would meet on an approved timetable. Council had pledged that it would work on structural reforms through contract negotiations and consolidation opportunities during the 10 year millage period.

Other members asserted that Council has the authority to levy the 2.1 mills authorized in 2010 to fund necessary services and long term debt. There was a request for data from administration on where the additional revenue would go and how it might result in cost savings in terms of paying off debt. The thought was that the Village should shore things up now in case there is another economic downturn. Wilson stated that, if Council levied 2.1 mills, the decision on where to spend the extra revenue would be a policy decision of Council.

Mercer discerned that there was not enough support to assemble five Council votes to levy the entire 2.1 mills approved by the Charter Amendment.

PUBLIC COMMENTS

None

COUNCIL COMMENTS

None

Motion by Mooney, second by Oen, to adjourn the meeting at 10:17 p.m.

Motion passed.

Tim Mercer
Council President

Ellen E. Marshall
Village Clerk

Susan Bernard
Recording Secretary