

Present: Vice-Chairperson Fassett; Members: Mooney, Nowland, Piotrowicz and Roberts

Absent: Belaustegui and Merritt

Also Present: Finance Director Wiszowaty
Council Members, Walsh and Pfeifer

Fassett called the meeting to order at 7:00 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road.

ADDITIONS TO AGENDA/APPROVE AGENDA

Fassett stated that Chairperson Belaustegui has requested that the Committee defer discussion on the Five-Year Financial Forecast matrix (Agenda Item #3) until the next meeting.

Motion by Mooney, second by Nowland, to amend the agenda to remove item #3, “Discuss Five-Year Financial Forecast Study Matrix” and defer this matter to the next Finance Committee meeting.

Motion passed.

APPROVE FEBRUARY 6, 2006 FINANCE COMMITTEE MEETING MINUTES

Motion by Mooney, second by Piotrowicz, that the minutes of a Finance Committee meeting held on February 6, 2006 be approved as submitted.

Motion passed.

REVIEW THE ASSUMPTIONS OF THE FIVE-YEAR FINANCIAL FORECAST

The General Fund Revenue Assumptions are as follows:

- Property tax revenue will increase by 3% annually. At this time we will access the maximum allowed Charter Operating Millage Rate as we have for the last seven years and transfer surplus revenues to the Local Street Fund.
- State Revenue Sharing will remain constant for the next five years.

Wiszowaty outlined administration’s rationale for the revenue assumptions. He indicated that Council has requested that the budget submitted by the Village Manager meet three goals: 1) Balance the budget; 2) Do not raise taxes; and 3) Do not draw from the fund balance.

Wiszowaty related that the Village has been transferring one mill from the General Fund to the Local Road Fund for about seven years to supplement the 2 mill dedicated millage for infrastructure improvements (used primarily on sewer programs) and accelerate local road improvement projects. The 2006/07 budget will not show a transfer of that one mill as reduced by Headlee to the Local Street Fund. It is proposed to transfer to the Local Street Fund only that money available after achieving a balanced budget without contributions from the Fund Balance.

Wisowaty stated that the 3% figure was used for the anticipated annual property tax increase because the number is close to the CPI for the last few years. Property tax limitations under the Headlee Act were discussed briefly.

It is expected that state revenue sharing will not change next year. Wisowaty remarked that there could be future changes in legislation that may eliminate statutory state revenue sharing money. He will forward a web site to the Committee that provides an explanation of the state revenue sharing formula used to determine the amount allocated to municipalities. Wisowaty related the amount of constitutional and statutory revenue received from the State this year and what is expected for next year.

Federal revenue received by Beverly Hills includes Community Development Block Grant funds and Drinking Water Revolving Fund money. Reimbursements to the General Fund are received from the State for public safety educational costs. Wisowaty projects an increase in revenue from investments next year.

Wisowaty commented on the amount budgeted for fees received from building permits. The State Construction Code Act says that a municipality can collect permit fees based on the direct costs of its operations. Administration reviews its user fees annually. Beverly Hills' expenses exceeded fees by approximately \$150,000 this year, which means that the Village can raise its permit fees to recover expenses. A concern has been raised relative to increasing permit fees to the point where people do not choose to make renovations.

Revenue that may decrease or disappear in the future depending on factors such as pending legislation are cable franchise fees and Metro Act Funds.

In response to an inquiry, Wisowaty stated that he anticipates the General Fund balance to be at 20% of expenditures at the end of this fiscal year. The \$307,159 amount projected in the 2005/06 budget to be transferred from the fund balance will probably be reduced to \$135,000. It was noted that another five years of transferring \$200,000 from the fund balance would deplete it.

Council receives a revenue and expense report on a monthly basis for the four major funds with explanations given for variances from the budgeted amounts.

Committee members reviewed and discussed the Expense Assumptions:

- Personnel levels both full and part-time will remain steady.
- Salaries & wages will increase by 3.00% annually.
- Health insurance for active employees will increase by 12% based on current estimates
- Retiree Health Care will increase by 12% annually.
- Other fringe benefits will increase by 5%.
- Retirement contributions will increase at the same level as payroll.
- Rubbish collection has been adjusted for the new plan that will take effect in 2007/2008 and will increase 3% annually thereafter.
- Library contribution will remain at 1.077 mills level using a Headlee reduction fraction of 1.0.
- Liability and property insurance will increase 10% annually.
- Most accounts not mentioned above will assume a 3% annual increase.

Wisowaty presented the reasoning for these assumptions and supplied members with supporting information including the number of union and non-union employees, existing contract provisions, status of union negotiations, and the current condition of the public safety department pension fund, MERS retirement fund, and employee health care fund. There was discussion on the health care plans being offered to employees, future direction of health care costs, and alternative plans being considered by administration.

Wisowaty outlined the agreement with SOCRRA effective July 1, 2007 to allow contracts to be let by the organization for trash collection and disposal. It is anticipated that this action will save the Village approximately 10% of the overall costs of trash collection and disposal. He related upcoming increases in the Village's liability and property insurance and commented on the nature of claims.

Committee members compared the Village's budget assumptions with what is occurring in businesses. There was agreement that there are a couple areas of disparity from industry in terms of guaranteed annual raises and 100% funding of health care premiums. Wisowaty was asked to look into Gas & Weight Tax increases and provide that information to the Committee.

There was discussion regarding upcoming contract negotiations with the Village's union groups and consideration given to restructuring non-union contracts. Wisowaty stated that he has been in contact with finance people from other communities regarding what they are doing in terms of employee benefits and implementing changes.

Wisowaty informed the Finance Committee that a Council study session is scheduled for Monday, February 27 to discuss the 2006/07 budget.

COMMITTEE COMMENTS

Mooney remarked that he supports the path outlined by Chairperson Belaustegui to meet twice a month in an effort to examine the financial operation of the Village in a timely manner beginning with an analysis of the five year forecast. Mooney does not think that the Village is in poor financial shape but that it is faced with the difficult task of looking at the future. We want to keep the Village as it is now and maybe even improve it.

Nowland questioned whether there is strategic planning underway in the Village to generate more revenue. The prospect of tax revenue from home additions or renovations was explored along with the move towards changing the zoning on the east side of the Village to reduce the number of non-conforming lots. Mention was made of vacant buildings on Southfield Road.

PUBLIC COMMENTS

None

Motion by Mooney, second by Nowland, to adjourn the meeting at 8:25 p.m.

Motion passed.