

Present: Chairperson Belaustegui; Vice-Chair Fassett; Members: Hitz, Merritt, Mooney, Piotrowicz and Westerlund

Absent: None

Also Present: Council Members – Koss, Pfeifer, Walsh and Taylor (late)

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

APPROVAL OF AGENDA

The agenda was approved as published.

REVIEW AND CONSIDER MINUTES OF A FINANCE COMMITTEE MEETING HELD ON AUGUST 8, 2006

Motion by Mooney, second by Merritt, that the minutes of the August 8, 2006 Finance Committee meeting be approved as submitted.

Motion passed (7 – 0).

REVIEW AND CONSIDER MINUTES OF A FINANCE COMMITTEE MEETING HELD ON SEPTEMBER 12, 2006

Motion by Mooney, second by Merritt, that the minutes of the September 12, 2006 Finance Committee meeting be approved as submitted.

Motion passed (7 – 0).

REVIEW AND DISCUSS COMMENTARY ON MAJOR ROAD AND LOCAL STREETS

Gary Piotrowicz presented a commentary on the topic of major roads and local streets in the Village as follows:

OVERVIEW

The Road Commission for Oakland County (RCOC) has jurisdiction and maintains a number of primary roads in the Village. These include Lahser Road, Southfield Road, Greenfield Road, and 14 Mile Road (from Southfield Road to Greenfield Road). The Village also shares several roads with the Cities of Birmingham and Southfield. Additionally, Southfield owns a small section of 13 Mile Road between Southfield and West Rutland.

The Village's major roads include 13 Mile Road, Beverly Road, Fourteen Mile Road (west of Evergreen), Saxon (west of Southfield to Balmoral), Pierce Road, Riverside Drive, Norchester Drive, Evergreen Road, and a continuous route along Bellevine, Hampton, and Hampstead Drive between 14 Mile Road and Lahser Road. All other roads within the Village are considered local streets with exception of a few private streets. Private streets receive no public funding. (see attached map for summary of road jurisdiction and classification)

The Village has nearly 11 miles of major roads and over 44 miles of local streets.

The responsibility of major roads and local streets is with the Public Services Director. He has two part-time employees to help with inspection, contracts, and technical services. Routine road maintenance, traffic services, and winter maintenance are sub-contracted. The sub-contractor has a foreman plus four workers. Some road maintenance is contracted to the Village by City of Southfield on shared sections of road. RCOG maintains traffic signals. Roadway paint markings are bid out every year.

The Village has four major assets within the road infrastructure. They are road surfaces, traffic signals, traffic signs, and drainage. Recently, a consulting firm rated the pavement condition of every road in the Village. This study showed that the pavement quality for nearly 70% of the roadway mileage is in “good” condition or better as defined within the study. This is a direct result of continual and adequate funding being budgeted to the road funds.

The Village pays a portion or all of the capital improvements and maintenance for 15 traffic signals and two school flashers. The traffic signal at Country Day School is paid for 100% by the school. In general, the traffic signals are in good condition which is mainly a result of Federal funds that have been used to upgrade seven of these signals. The Village solely owns one signal which is at 13 Mile Road and Lincolnshire/Old Stage. This signal is also the oldest at 22 years.

Drainage is also a key component of any road infrastructure. This item is difficult to provide a condition on, but is continually being addressed through yearly road maintenance, sewer upgrades, and road reconstruction.

The last major asset is the many traffic signs throughout the Village. These are in various conditions. Some signs are also not up to current standards. The Public Services Director will be looking at this asset in the coming years.

The budget has a Major Road Fund and a Local Street Fund. Below is a summary of the revenues and expenditures in each of these funds.

MAJOR ROADS

Revenues

Major roads are primarily funded through the State Gas and Weight Tax. On a typical year this is over 90% of the revenues. There is a State formula that distributes these monies based on population and miles of road. The gas tax continues to be a concern as high gas prices and more fuel efficient vehicles caused this revenue source to level off. The gas tax is based on a percent per gallon. Therefore, even as gas prices go up, no more tax is generated. In fact, the higher prices cause less gas to be bought and therefore reduce the revenue.

Other revenue comes from interest, Build Michigan, City of Southfield, and contributions from other Village accounts. Revenues have showed a slow growth. Revenues generated by the State Gas and Weight Tax can only be used for roadway purposes.

Expenditures

Construction – This includes bridges and roads. Expenditures vary depending on what project is ongoing. Next major project will occur in 2007, and it is 13 Mile Road between Southfield Road and Greenfield Road. Money has been already reserved for this project. Concrete repairs and asphalt overlays also come from this category. Only concrete repairs have been budgeted as most of the asphalt overlays occur under major projects.

The remaining following account expenditures have shown moderate increases:

- Routine Maintenance – This includes typical minor maintenance done to road surface, shoulders, and ditches. Also includes street sweeping, equipment, and tree removal.
- Traffic Services – This includes installation and maintenance of street signs, traffic signals, pavement markings, and traffic counts.

- Winter Maintenance – Funds for labor and materials needed to remove snow and ice from roadways.

LOCAL STREETS

Revenues

Local Streets are primarily funded through the State Gas and Weight Tax and a general fund transfer. In a typical year this is over 90% of the revenues. Similar to the major road revenues, there is a formula that distributes State Gas and Weight Tax monies that is based on population and miles of road. The other major source is the fund transfer from property taxes. In the past this amount was based upon 1 mill. Beginning in budget year 03-04, a decision was made to reduce this by the amount of the Headlee reduction. As a result of this change, these monies will continue to lower until they are eliminated. This is projected to occur in budget year 09-10. Other revenue comes from interest.

Expenditures

Construction – The major items of expense in this account are asphalt overlays and concrete repairs. Recent history shows up and down expenditures but this is primarily due to the fiscal year occurring in the middle of the construction season. Depending on when bids and work were done, this will make one year look high and another low.

The remaining accounts are similar to the work done in Major Road Fund, except done on local streets. Routine maintenance, traffic services, and winter maintenance expenses have all held steady with moderate increases.

FINAL COMMENTS

At this point in time both the Major and Local Road Funds are in very good shape. The Major Road Fund currently has a balance over 100% (over \$500,000). The Local Road Fund looks good right now with a balance also over 100% (over \$600,000). However, with the general fund monies being removed, the balance is expected to drop to 15% (about \$50,000) by budget year 10-11.

The other major item of concern regarding the future of the Major Road and Local Street Funds is the continual stagnate growth in the primary funding source which is the State gas and weight tax. In combination with dramatic increases in materials costs in the road industry, this revenue source will continue to lose ground against inflation. While the roadway assets are in good condition, this can quickly decline as revenues do not keep up with costs. Budgeting in future years should look closely at projections for the gas and weight tax.

There followed questions and comments from committee members. It was noted that the majority of funding for the major and local road funds is received from State Gas & Weight Tax. Hitz clarified that the State allocates these funds and Council has the authority to apportion available money between the major and local road funds.

Merritt questioned the miles of private roads in Beverly Hills, noting that they result in savings to the Village because they are maintained by abutting property owners and not the Village. The decision on whether a street is designated as a private road is generally made by the developer. Merritt remarked that it is important that private roads be constructed according to County specifications in the event that the road is turned over to the Village at some point. He mentioned that roads are well maintained in Beverly Hills, which is not the case in all communities. Road maintenance and snow plowing are reasons for residents wanting to live on a private road. Another factor is that private roads can be gated.

It was questioned whether there was a mechanism whereby Beverly Hills could turn Thirteen Mile Road over to Oakland County if it no longer wanted to pay for road maintenance.

Beverly Hills shares jurisdiction over Thirteen Mile Road with the City of Southfield. Piotrowicz responded that a road would have to be brought up to County specifications before it was turned over to Oakland County.

The point was made that Thirteen Mile Road is a heavily traveled road that is deteriorated badly in some areas. It will require major expenditures to repair the road. There is a political component to the Village having jurisdiction over Thirteen Mile Road. Three major issues that municipalities cannot control if a road is owned by the County are road widening, speed limits, and traffic signals.

Pfeifer made the point that taxpayers living on private roads pay taxes, a portion of which go into the Village Road Fund. She questioned whether funds received under the Metro Act to be used for rights-of-way purposes go into a municipality's Road Fund or General Fund. There was discussion on applicable uses for the Metro Funds.

There was discussion of how the decreasing allocation from the General Fund to the Local Road Fund will effect local street maintenance. This will be an issue for the next Council.

REVIEW AND DISCUSS STATUS REPORT TO COUNCIL REGARDING UNFUNDED FUTURE RETIREE HEALTH CARE LIABILITY

Belaustegui prepared a written report outlining his initial findings and recommendations on Retiree Health Care. He distributed copies of the analysis prepared in the form of a power point presentation for review and discussion by members of the Finance Committee. The intent is to forward this preliminary report to Council for its next meeting on October 17.

Belaustegui recapped that this issue has been a topic of discussion following the 2003 actuarial study of the Village's retiree health care funding. Council unanimously approved a motion on September 5, 2006 to assign the Finance Committee the task of researching the issue of unfunded retiree health care facing the Village and report on their findings and available options. Belaustegui agreed to come back to Council in a month with an initial report, although the Finance Committee was given 90 days to prepare its recommendations.

Belaustegui reviewed the report with committee members and provided added details and explanations. The report is attached to the meeting minutes.

The Committee commented on the draft report and recommendations and engaged in a discussion of various views expressed by its members.

Hitz commented that the 2003 actuarial study makes certain assumptions, and he questioned whether the Committee members believe that these assumptions are accurate and logical and consistent with trends of past health care costs. Hitz questioned whether the health care actuarial study should be updated before the Finance Committee presents its recommendation to Council on how to proceed with funding future health care costs. He suggested that there be some benchmarking as to how surrounding communities are dealing with the issue.

Hitz also brought up the question of whether there are other “unfunded” liabilities or capital expenses facing Beverly Hills and if they should be funded over the coming years.

Fassett concurred that the assumptions in the actuarial report should be examined because they are driving the numbers. He commented on the Village’s limited options with respect to post retirement employee benefits considering its unionized base. Fassett questioned whether the Village can do something to reduce its \$9 million liability going forward.

Mooney inquired as to how much more will it will cost the Village per year to fund future health care costs than it is paying now, assuming that the most recent actuarial figures are correct. Belaustegui estimated the figure at \$100,000. Mooney expressed the view that this amount represents only 0.3% of the Village’s \$6 million budget.

Westerlund commented that the landscape will fluctuate if benefit packages change and result in decreasing funding requirements.

Belaustegui remarked that the actuarial numbers referenced will not be precise because these are actuarial studies and represent risk analysis. It has been recommended to receive annual actuarial updates going forward to keep the Village headed in the right direction. Belaustegui emphasized that the purpose of the GASB (Government Accounting Standards Board) rules are to force the issue but not to establish funding for retiree health care contributions. The Village needs to establish the facts so that the issue of health care funding can be discussed and addressed. The task of the Finance Committee is to create a strategic view of what has to be done to make things happen in a smooth way.

Belaustegui stated that the Finance Committee was asked to provide its review and recommendation on the topic in 90 days. He agreed to present a status report to Council in one month. Belaustegui is looking for acknowledgment from Council that there is a need for an actuarial study and an employee pay and benefits study. Due to the upcoming Council election, a response will be forthcoming when the new Council is seated and is able to consider implementation of the Finance Committee’s initial recommendations.

Motion by Mooney, second by Merritt, to forward the Review of Initial Findings and Recommendations report dated October 11, 2006 to Council and to postpone the official Committee recommendations for further consideration at the next regular Finance Committee meeting.

There was discussion on the motion. Committee and Council members present discussed how the preliminary report will be presented to Council.

Motion passed (7 – 0).

PUBLIC COMMENTS

Dave Taylor commented that the Finance Committee is doing a wonderful job.

Gladys Walsh suggested that it would be preferable if the Committee's initial findings could be included in Council's information packet rather than as an agenda item for the next meeting.

Pfeifer noted that Bob Belaustegui made a commitment to appear at the second Council meeting in October with a progress report.

COMMITTEE COMMENTS

Hitz recalled that there was a consensus at the August meeting that funding for fire truck replacement should be a topic of further study. He proposed adding a heading to the meeting minutes entitled "Open Items" to list topics to be researched by the Committee.

Mooney addressed comments made at the recent Candidates Forum held in the Village municipal building. He believes that there was a lack of substantive issues discussed by the candidates.

OPEN ITEMS

- a. Study funding of fire truck replacement

The meeting was adjourned at 9:12 p.m.