

Present: Council: President Woodrow; Members: Berndt, Koss, Oen, Peddie, Pfeifer and Stearn

Finance Committee: Vice-Chair Mooney; Members: Belaustegui, Hitz, MacDonald, Merritt and Westerlund

Absent: Council – none  
Finance Committee - Fassett

Also Present: Village Manager Spallasso  
Assistant Manager/Clerk, Marshall  
Finance Director Wiszowaty  
Director of Public Safety, Woodard  
Public Services Director, Meszler  
Building Official, Byrwa

Council President Woodrow called the meeting to order at 7:06 p.m. The Council and Finance Committee are meeting jointly to review the 2008/09 Village budget.

**ADDITIONS TO THE AGENDA/APPROVE AGENDA**

Motion by Koss, second by Pfeifer, to approve the agenda as published.

Motion passed (6 – 0).

**REVIEW AND CONSIDER REVISED RESOLUTION APPROVING BALLOT LANGUAGE FOR THE AUGUST 2008 PRIMARY CREATING FOUR YEAR STAGGERED COUNCIL TERMS**

Pfeifer reviewed that Council passed a resolution at its April 1, 2008 meeting to approve ballot language for the August 2008 Primary Election creating four year staggered Council terms. The Resolution was submitted to Lansing and returned to Beverly Hills for a correction. This item is before Council tonight in order to adopt a revised resolution with the deletion of the word ‘the’.

Motion by Pfeifer, second by Oen, to adopt the following resolution:

VILLAGE OF BEVERLY HILLS

**AMENDED RESOLUTION**

At a special meeting of the Village Council, Oakland County, Michigan, held at the Village Office at 18500 West Thirteen Mile Road, Village of Beverly Hills, on Tuesday, April 8, 2008, at 7:30 p.m.

Present: Berndt, Koss, Oen, Peddie, Pfeifer, and Stearn

Absent: Woodrow

The following resolution was offered by Pfeifer and supported by Oen:

WHEREAS, on the 5<sup>th</sup> day of February, 2008, a Resolution proposing a Charter Amendment was introduced and tabled at the meeting of 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 on the 16<sup>th</sup> day of March, 2008; 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 Amendment be voted upon by the qualified electors of the Village of Beverly Hills at a special election in the Village of Beverly Hills to be held on Tuesday, August 5, 2008 to wit:

1. Shall Section 3.5 of the Charter of the Village of Beverly Hills be amended to delete the current provision for the election of all seven (7) council members for a two-year term in November of each even-numbered year and to add provisions for a four-year staggered term for council members, commencing with the November 2008 election with a transition two-year term for four (4) members elected in November 2008?

New Section 3.5 shall be amended to read as follows:

**ELECTIVE OFFICERS AND TERMS OF OFFICE:**

Elective Officers and Terms of Office, Section 3.5. The elective officers of the Village shall be a village council of seven (7) members. One of said council members shall be in turn elected by the Council as village president. At each regular Village election, in November of each even-numbered year, three or four council persons shall be elected on a single ballot. Each elector shall be entitled to vote for not more than three or four candidates. All terms shall commence with the Tuesday next following the election. Depending on the number of available council terms, the three or four candidates receiving the highest number of votes shall be elected to a four-year term for the office of councilperson. This provision shall commence in November 2008. To implement this provision, the three candidates who receive the highest number of votes at the November 2008 Village Election shall be elected to terms ending with the 2012 regular Village election. The four council candidates with the next highest number of votes shall be elected to two-year terms ending with the 2010 Village Election.

YES \_\_\_\_\_

NO \_\_\_\_\_

2. That resolution passed by the Village Council on April 1, 2008 is being rescinded.
3. That Village Clerk shall submit the proposed Charter Amendment to Governor of this State for her review as required by law. Before its submission to the electors of the Village, the Clerk shall give notice thereof as required by law.

**Roll Call Vote:**

Oen - yes

Peddie - yes

Pfeifer - yes  
Woodrow - no  
Berndt - yes  
Koss - yes

Motion passed (5 – 1).

**STUDY SESSION TO REVIEW FISCAL YEAR 2008/09 BUDGET**

Spallasso stated that a draft budget for 2008/09 has been provided to Council for review. In order to submit a balanced budget, it is proposed to reduce the fund balance amount to a level that the Village has not experienced in recent years. This is necessary in order to continue providing the current level of services to residents for the upcoming fiscal year. Spallasso remarked that utilizing the General Fund reserves to balance the budget can be done only for a limited amount of time. He urged Council to consider available options for the preparation of future balanced budgets. At some point, a decision will have to be made relative to cutting, reducing, consolidating services or increasing revenues. This will be difficult, but Beverly Hills will have to address decreasing revenue along with other municipalities in this region.

Woodrow asked the Finance Committee members to join Council in its review of the budget. Everyone is aware of the flat revenue and increase in costs. Council would like the Finance Committee to look at this year's budget to ascertain if there are changes that could be made but to primarily address the issue of what can be done to balance next year's budget.

Finance Director Wiszowaty reviewed that Council held a study session in January to review 2008/09 budget assumptions. The budget assumptions approved at that meeting along with new information that has been received since that time have been incorporated in the draft budget presented to Council.

Wiszowaty stated that the projected budget draws \$487,000 from the General Fund balance, which will bring the fund balance down to 13.3% of the annual operating expenditures. Since the budget document was distributed to Council, the final taxable value was published by the Oakland County Equalization Department. The draft budget shows a decrease in taxable value of 1 percent. Actual numbers received from the County indicate an increase of 1.15%, increasing the Village's taxable value to \$596,058,110.00. Rather than experiencing a \$51,000 decrease in property tax revenue from the previous year, there will be a \$59,000 increase in property tax revenue. It was noted that the Village's State Equalized Valuation (SEV) decreased from \$760,000,000 to \$725,000,000.

The net change in the budget based on this information is an increase of \$99,289.00, which could lessen the amount taken from the General Fund balance. Wiszowaty stated that not all the information necessary to preparing the budget was available. It is expected that the figure for the Public Safety Pension contribution will be available from Gabriel, Roeder, Smith & Company on April 18. The amount is anticipated to be approximately \$250,000.

The Village has received notice from Blue Cross/Blue Shield that their cost increase this year will be 12% rather than the 15% anticipated in the budget distributed to Council. Based on recently ratified union contracts, employees will be changing plans effective May 15. Wiszowaty

will calculate the new premiums of employees who participate in that plan when he receives new rates from our insurance carrier. It is anticipated that overall health care costs may decrease by \$50,000-\$60,000 this year. He has not reconstructed the budget as yet to reflect these changes.

As far as salary and wages, the Village had been budgeting a 2% increase in preceding years. Outstanding union contracts going back to 2005 and 2006 were settled in January with 2.5% annual increases. Wiszowaty stated that unfunded increases will come out of the 2007/08 budget and reflected in budget amendments. The same applies to health care costs. From a numbers standpoint, the budget will reflect higher percentages of salary increases than normal.

In answer to an inquiry, Wiszowaty stated that the adjusted fund balance amount will be in the area of 16%. He added that the OPEB (Other Post-Employment Benefits) liability has not been taken into account nor has money been designated in the budget for retiree health obligations above actual costs.

Stearn entered the meeting at 7:28 p.m.

Council and Committee members reviewed a sheet entitled 2006-2009 Comparison of Expenditures by Activity/Line Item. Belaustegui related the proposed budget shows that Village revenue has gone down by 2% or \$136,000. Administration expenses excluding trash have gone up 3.2%; public safety has gone up 6.2%; trash collection and disposal has increased by 7.1%; community action programs have gone down by 12.4%; the library contract went down by 1%; capital expenditures are up by 17%. Against the reduction in revenue, expenditures have increased by 5.11%, or \$351,000. The revised budget based on health care expense changes may reduce that number to about \$300,000. Expenditures will increase by about \$110,000-\$115,000 with a reduction of income of about \$25,000.

Belaustegui related that the increased expenditures are basically in the area of administration and Public Safety. Salary and wages went up 5.9% due to contract changes, fringe benefits, and pension costs. He thought that decisions made last year and this year contributed to these costs. Other than changing those items, budget cuts would mean reducing services. He maintained that there is a need to discuss strategy and tactics. Going through budget line items will deliver no relief.

Woodrow agreed that major changes to this budget will not be an option. He anticipates that the Finance Committee will assist Council with a strategy for next year's budget preparation.

Belaustegui mentioned that the Village will face an additional set of circumstances next year in terms of a mandate to fund retiree health care costs. New Government Accounting Standards require the Village to identify and report its annual required contribution, which equals the cost of retiree health care plus the amortized portion of its 30-year unfunded liability. That will cost at least another \$600,000 per year. Belaustegui added that the Village faces other expenditures in terms of funding critical assets such as fire apparatus. Eventually, Council will have to ask for a tax increase. The alternative is major changes in Village services or how services are delivered.

Woodrow said that Council's solution in past years was to ask departments to find ways to cut expenses, which cannot continue. He understands that the solution to decreasing revenue and the

increasing cost of services is to find an alternative revenue source, which is raising taxes or instituting a separate rubbish charge or library millage. The question will be to determine how much is needed and where it will come from.

Mooney stated that the Village is operating under a millage that was supposed to last until 2001; it is now 2008. Looking over the history of this Village, the same arguments are made going through budget line items. Beverly Hills is at a point where either the character of the community will change or the people will have to decide if they want to retain the character of the Village and pay for it. Council can put a millage increase on the ballot or it can levy a charge for public safety or trash collection. A determination will have to be made as to how much revenue is needed over the next five years, which is a question that the Finance Committee may be able to help with.

Koss agreed that there is no other option than to go to the people. Beverly Hills residents will realize that, when costs go up and revenue decreases, the next thing to go is services. People have said that they want to maintain the level of services in the Village, which can no longer be done with the revenue received. Money is coming from the reserves to balance the budget this year. The Village is reaching the point where major cuts will have to be made; and Council has to make a decision. Koss said that she is willing to spread the word to the people.

Oen concurred that Council will have no choice but take the issue to the voters. We live in a great community. He will work to educate the public about the need for increased revenue.

Spallasso interjected that, historically, when Council has gone to the voters and explained why money was needed and how much, residents have responded in a positive way. He agreed that this is the time to do it.

Merritt recalled that the Village's strategic planning group prepared a strategic plan for the Village based on citizen input. People responded overwhelmingly to a resident survey that they wanted to maintain services at the current level. Merritt added that the issue of combining services should be explored further. The Village missed an opportunity to combine the Beverly Hills dispatch service with Birmingham. Merritt proposed that Council show the public that the Village has done everything it can do to share services and cut expenses.

Berndt emphasized that it is of prime importance to explain to residents where the Village is at and what it needs. Council owes it to the residents to examine every possibility to increase revenue or decrease expenses. There is a large population of the Village that would feel the burden of increased taxes. Berndt stated that the 11 mills approved by the voters in 1995 is currently worth 9.38 due to Headlee rollbacks.

Belaustegui sensed that there was agreement that the Village has reached the point where line item tweaking is not going to balance the budget. Council is now talking about how to proceed. He agreed with Berndt that residents will find it difficult to pay more property taxes. The Village has an opportunity for them to pay the same amount by replacing a dedicated millage that will expire on 6/30/2010. The Village will still have to save money on its operations. Belaustegui remarked that the Village needs to do a lot of things before putting a ballot question before the

electorate to demonstrate that Council and administration have done everything that could reasonably be done to reduce expenses.

Woodrow stated that Council is looking to the Finance Committee for assistance with analyzing numbers, determining options, and suggesting a plan on how to proceed. It is his view that Plan A would be to go to the people and tell them how much the Village needs to operate. It would not make the voters happy to be charged for rubbish collection or library services. Woodrow did not think there were any nonessential services that could be eliminated.

MacDonald entered the meeting at 8:10 p.m.

Hitz commented that the discussion has moved away from the topic of the 2008/09 budget. The unanimous opinion appears to be that next year's budget will be more of a financial challenge than this year's budget. If the majority of Council agrees that it will be necessary to ask the voters for a tax increase sometime in the next couple of years, the only issue related to this year's budget is for Council to be able to say that it has done all it could to be as fiscally conservative as possible.

Administration and possibly the Finance Committee should be charged over the next few months to look at alternatives in terms of either combining services, library assessment, trash assessment, etc. so the conclusions can be presented to the voters. Timing is a consideration. There will probably be tax increases from various places over the next 3-4 years. Where does Beverly Hills want to fall in the chronology of tax increases. Hitz would submit that Council should begin working on preparing a strategy and charging people to consider alternatives so all the facts can be presented when Council goes to the voters.

Pfeifer suggested that the Finance Committee look at the potential of bonding for the retiree health care liability obligation with the bonds paid off by the interest earned.

Hitz suggested that Council needs to provide the Finance Committee with specific ideas or numbers. Council should tell the Committee what the budget needs to achieve and within how many years. Mooney added that the Finance Committee also needs direction from Village administration on items such as funding retiree health care liability.

Spallasso stated that administration will put something together for distribution to the Council and Finance Committee for their evaluation.

A recess was called at 8:38 p.m. The meeting reconvened at 8:48 p.m.

The discussion returned to the topic of the 2008/09 draft budget. Stearn had questions regarding the Public Safety Department budget.

Director of Public Safety Woodard presented a 2008/09 budget for the Public Safety Department in the amount of \$4,220,128, a 6.29% increase over the past year. He gave an overview of significant changes from the current year's budget. Woodard commented on staffing levels, part-

time wages, and longevity and addressed questions regarding the amount of officer overtime. He indicated that a reduction in overtime cost did occur after the institution of the 12-hour shift.

Koss took issue with the need to set aside \$20,000 for overtime for the new Oakland County NET unit position. It was mentioned that the NET organization makes a federal grant available each year whereby communities can recoup overtime expenses.

Stearn asked the Director why the Public Safety Department budget is increasing by \$250,000 in this budget. Woodard responded that there is some contract correction going on that is the responsibility of the Department; health insurance is part of that.

Stearn commented that Council could request that the Director cut the Department budget by 3% and come back to Council with a revised version. Woodard remarked that 3% of the budget would be \$120,000, or the cost of one officer. Further questions from Stearn were addressed by Woodard.

Dave Byrwa came forward. There were no issues raised relative to the Building Department budget.

Tom Meszler was present to address inquiries on the public services portions of the budget. Stearn had questions pertaining to the Major and Local Road Funds. Wiszowaty explained that money contributed from the General Fund to the Local or Major Road Fund cannot go back into the General Fund. However, money can be transferred between the Major and Local Road Funds. In previous years, there has been money transferred from the General Fund Balance to the Local or Major street fund to advance projects. A portion of the Village's general operating Charter millage (.632 mills) or \$368,000 is allocated to the Local Street Fund in the 2008/09 budget. In response to an inquiry, Meszler stated that the money is spread out in various line items in the Local Road Fund.

Spallasso stated that it is a decision of Council whether or not to allocate general operating millage to the Local Street fund.

Stearn expressed the view that Council should not allocate money from the General Fund to the Local or Major Road Funds this year. The current Major and Local Road fund balances are at a 40% level. If there is a need for additional money for some unforeseen reason in one of the road funds, money can be transferred from the General Fund balance. Wiszowaty stated that the Local Road Fund balance is projected to be \$234,000; the Major Road Fund balance is in the 40% range.

Motion by Stearn, second by Berndt, to request administration to revisit the amount of money taken from the General Fund to contribute to the Major or Local Road Fund and to revamp the numbers on the Major and Local Road Funds and arrive at a savings in the \$150,000-\$250,000 range.

Berndt stated that his reason for supporting the motion is to demonstrate to the public that Council is attempting to seriously scrutinize the budget.

MacDonald remarked that the Village was in a situation 10-15 years ago when it skimped on infrastructure improvements and ran into problems with subdivision roads. There was a need for substantial spending in 1995 and 1996 to bring the roads up to standard. He thought that cutting infrastructure costs is the wrong target because of the harsh winters. Cutting costs may result in the need to repair roads at an inopportune time. MacDonald suggested that Council look seriously at some of the Village's legacy and structural costs going forward.

Belaustegui suggested that taking the Major and Local Street fund balances down to 20% would free up \$346,000. He concurs that the Village should not let its assets deteriorate.

Spallasso affirmed that the Village has been keeping up with major and local road repairs in recent years. At Council's direction, administration will revise the numbers in those funds. Road conditions will not be in jeopardy unless something unforeseen occurs.

Roll Call Vote:  
Motion passed (7 – 0).

The Water and Sewer Fund Budget was the next topic of discussion. Belaustegui related that money has been taken out of the fund balance of the Water and Sewer Fund to avoid increases in water and sewer rates from the City of Detroit. Spallasso stated that the Village is only absorbing the increased sewer charges; there were no water rate increases.

Wisowaty stated that the biggest increase in the Water and Sewer Fund budget is the CSO maintenance contract. Spallasso explained that the County claimed that this increase is necessary because they have not been charging the Village properly over the years for storm water treatment. The Village continues to protest this increase.

Stearn asked if any capital improvement money has been allocated to the park this year. Meszler responded that money was budgeted for routine maintenance of the park. Wisowaty stated that there is over \$100,000 remaining in millage money and \$20,000 in a capital projects fund. Stearn stated that the park is a fundamental part of the community.

Stearn asserted that the Village needs money for retiree health care unfunded liability. He would like to see an allocation in this budget. Belaustegui responded that there is a tactical issue because the contribution of communities will not be a measurable action until the 2009/10 budget when funding will be required. The Village could create an internal fund that would prepare for this expense.

The suggestion was made that creating a situation where the Village is not tapping into the fund balance would reserve money for the contribution towards its unfunded health care liability next year. There was further discussion regarding retiree health care costs and requirements of GASB (Government Accounting Standards Board) 43 and GASB 45. Council has authorized Gabriel, Roeder, Smith to perform an actuarial study of the Village's health care liability. By the end of the fiscal year, Council will have an idea of what the Village's obligation is and what its contribution to the fund will be for the following year.

Council set another budget session to discuss the updated budget for Tuesday, April 29 at 7:00 p.m.

**PUBLIC COMMENTS**

Norman Rubin of Rivers Edge Court stated he heard discussion tonight about the need for increased revenue and a tax increase. There is no question that the Headlee Amendment has had a corrosive effect on Village revenue. Rubin remarked that he heard nothing about the Village changing the way it does business other than a brief mention of the Village's failed attempt to combine its dispatch service with those of Birmingham.

Stearn commended administration for a good effort at preparing this budget. Significant cuts have been made in a number of areas.

Motion by Berndt, second by Pfeifer, to adjourn the meeting at 9:55 p.m.

Motion passed (7 – 0).

**Hugh Woodrow**  
**Council President**

**Ellen E. Marshall**  
**Village Clerk**

**Susan Bernard**  
**Recording Secretary**