

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

Absent: Belaustegui

Also Present: Finance Director, Wiszowaty

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

APPROVE/AMEND AGENDA

Motion by Merritt, second by Fassett, to approve the agenda as published.

Motion passed.

PUBLIC COMMENTS

Council member Rosanne Koss stated that Council will be discussing the topic of becoming a city at its May 20 meeting. She was expecting that the Finance Committee would review the financial implications of becoming a city at today's meeting. Koss would like to bring several items to the attention of the Finance Committee.

Koss related that she did some research, which raised questions relative to the benefits of Beverly Hills becoming a city. She learned that the revenue currently received from The Corners shopping center through an Intergovernmental Agreement to provide Village services may end if Beverly Hills becomes a city. This contract brings in \$100,000 per year.

Koss learned from making inquiries at the Southfield Township office that the Board of Review costs of about \$25,000-\$30,000 were not taken into account in the City Study report. Fassett responded that this factor was considered by the ad hoc committee, but the numbers were estimated at under \$10,000. Koss indicated that State Shared Revenue is not anticipated to increase if the Village becomes a City according to her conversations with Department of Treasury staff. Another thing to consider is the cost benefit of owning the Acacia Cemetery property, which is in receivership and is currently for sale.

Koss believed that there is no benefit to Beverly Hills becoming a city at this point. She requested that that the Finance Committee address the financial implications of becoming a city so Council can have all the necessary information before them for consideration.

CONSIDER APPROVAL OF FINANCE COMMITTEE MEETING MINUTES HELD MARCH 11, 2008

Motion by Mooney, second by Merritt, that the minutes of Finance Committee meeting held on March 11, 2008 be approved as submitted.

Motion passed.

CONSIDER APPROVAL OF MINUTES OF A JOINT FINANCE/COUNCIL MEETING HELD APRIL 8, 2008

Motion by Mooney, second by Merritt, that the minutes of a joint Finance/Council meeting held April 8, 2008 be approved as submitted.

Motion passed.

REVIEW FIVE YEAR REVENUE AND EXPENSE FORECAST FOR THE FOUR PRIMARY FUNDS – GENERAL, MAJOR ROADS, LOCAL STREETS AND WATER & SEWER

Wisowaty provided Committee members with copies of updated assumptions for the five year revenue and expense forecast for the General Fund, Major Road Fund, Local Road Fund and the Water & Sewer Fund. The 2008/09 budget and millage rate approved by Council on May 6, 2008 were incorporated into the numbers.

Wisowaty related that the projections show that revenue is straight lined and expenses are increasing above the rate of inflation. One of the options exercised to balance the budget has been to use the fund balance. The 2008/09 budget shows a contribution of \$78,203 from the General Fund balance, which brings the fund balance down to \$1,376,202 or 19% of General Fund expenses. Wisowaty affirmed that there will not be sufficient revenue to offset expenditures to balance the budget in the near future, and the fund balance will be spent down.

Wisowaty summarized the Road Funds and Water & Sewer Fund five year projections noting the decline in fund balance amounts. Looking into the future, the fund balances will not be there to help offset budget shortfalls.

At its last meeting, the Finance Committee agreed to explore recommendations including:

- 1) Reduce fund balances;
- 2) Increase taxes/revenue;
- 3) Decrease expenses/services;
- 4) Consolidation of services/expenses with other communities;
- 5) Examination of the assumptions.

It was noted that the 2008/09 budget reflects reductions in the fund balance. The other items should be investigated.

Hitz observed that the assumptions are all straight lined. He questioned whether Wisowaty had any knowledge or inclination that would cause him to forecast fluctuations in specific items. Wisowaty explained that a straight lined forecast based on assumptions worked for the previous five year financial forecast. The option remains to reconsider assumptions based on new data.

Fassett questioned what size tax increase it would take to recoup the \$1.5 million gap between the present budget and five years out. Wisowaty stated that the Village would need about 3 mils. The estimated post retirement benefit contribution would require another mil, or \$600,000 annually.

There followed an energetic exchange of ideas among committee members on how to approach the upcoming financial crisis facing Beverly Hills. Looking at the expense side of the equation, it was suggested that employee benefits are out of control and could force the Village into bankruptcy. Members contemplated how the issue of negotiated union contracts could be addressed in the future.

Members advocated that the people of Beverly Hills need to consider the facts, which do not dismiss bankruptcy. Merritt proposed that consolidation of services with other communities makes sense and should be seriously addressed. Fund balances have been decreased; expenses have been reduced. Union contracts are in place. Something the Village can explore before increasing taxes or in conjunction with increasing taxes is to look at consolidation of services. Administration was asked to prepare a list of Village services that could be considered for consolidation.

Hitz referred to the motion passed at the last meeting stating that the Finance Committee will prepare a report exploring recommendations to avert increasing deficits and financial crisis. The idea is to provide Council with information and alternatives to present to the voters in whatever manner they choose. Fassett added that residents should be made aware of the five year financial forecast that demonstrates that Beverly Hills will be insolvent in four years if nothing changes.

Committee members asked Wiszowaty to provide them with information on possible opportunities to consolidate services and/or departments and how much money could be saved. In order for Council and the voters to consider consolidation, they should be offered a proposal that has potential. It may be a matter of considering consolidation, a tax increase, and decreasing expenses.

MacDonald recapped the Finance Committee discussion in the following areas:

Consolidation of services: Committee members talked about looking at the dispatch department, building and planning department, public safety, public services director/engineer, and library.

Reduce fund balances: This has been done.

Decrease expenses/services: There was discussion on expense control with the point made that some of the current benefits should not be ongoing. The report to Council can outline the issues and challenge the Village to implement changes.

Mooney advocated that Beverly Hills should continue to be the type of community it is currently into the future. Westerlund recalled that the village-wide survey conducted as part of the strategic planning process determined that the majority of residents wanted to maintain current services.

Increase taxes and revenue: Options discussed were a 3 mill tax increase, a trash removal millage that would reflect actual costs, and a Headlee override (1.7 mills) to affirm the 11 mills voted on by the electorate in 1995. Wiszowaty was asked to look into a millage related to public safety pension.

City vs. Village: Merritt expressed the view that the focus should not be on Beverly Hills becoming a city. He and Fassett did not think that there was a financial incentive to pursuing city status.

PUBLIC COMMENTS

Norman Rubin commented that the biggest item in the budget is the Public Safety Department. The last contract provided Public Safety with a 2.5% salary increase, a Cost-of-Living Allowance, promotions, and the windfall from a 12-hour shift. Those are structural costs that will remain with the Village. Rubin thought that the Village needed a labor attorney who would negotiate seriously.

Rubin questioned how the City of Birmingham and Bloomfield Township, with much larger tax bases than Beverly Hills, can come to the conclusion that their police and fire costs are not sustainable. Those communities are exploring consolidation.

Janet Mooney stated that the 1.7 dedicated millage for infrastructure will expire in 2010. That may be the time to request a millage increase.

COMMITTEE COMMENTS

The next meeting of the Finance Committee will be held on Tuesday, June 10. MacDonald stated that the agenda will include review and discussion of information provided by administration that will be the basis for a Finance Committee report to Council regarding consolidation of services, controlling expenses, and potential areas for increase in revenue. Another agenda item will be to review the financial implications of becoming a city.

MacDonald commented that Dennis Fassett, Jim Merritt and Bob Belaustegui have not requested to be reappointed to the Finance Committee at the completion of their term on June 30, 2008. MacDonald thanked these individuals for their time and effort and asked them to reconsider their participation on the Committee.

Hitz asked Wiszowaty to prepare a simple explanation that will make it clear to people that the Village will be running in the red by a certain amount starting next year.

Motion by Fassett, second by Mooney, to adjourn the meeting at 8:55 p.m.

Motion passed.