

Present: Chairperson MacDonald; Vice-Chair Hitz; Members: Donnelly, Jallad, Kleppert and Westerlund

Absent: Lanigan

Also Present: Finance Director, Wiszowaty
Council liaison, Mooney
Southfield Township Treasurer, Mooney

Chairperson MacDonald called the meeting to order at 7:02 p.m. in the Village municipal building at 18500 W. Thirteen Mile Road. MacDonald welcomed newly appointed member William Donnelly.

APPROVE/AMEND AGENDA

Motion by Hitz, second by Jallad, to approve the agenda as published.

Motion passed.

PUBLIC COMMENTS

None

REVIEW AND CONSIDER APPROVAL OF MINUTES OF THE FINANCE COMMITTEE MEETING HELD MARCH 10, 2009

Motion by Hitz, second by Jallad, that the minutes of a Finance Committee meeting held on March 10, 2009 be approved as submitted.

Motion passed.

RESEARCH UNFUNDED HEALTH INSURANCE FOR RETIREES

Jallad distributed a report at the last meeting outlining issues related to unfunded health insurance for retirees in terms of the Village's post-retirement GASB 45 (Government Accounting Standards Board) requirements. The objective was to provide a concise presentation of this topic that can be posted on the Village's web site. The report explains GASB 45 accounting standards, recommendations resulting from a 2007 actuarial study, where the Village stands now, and current recommendations and ideas. The report concludes with development of action items and benchmarking data.

Jallad outlined the history of retiree health care funding and provided background information on GASB 45 accounting standards. The Village's accrued liability for retiree health care costs as of 12/31/2007 is \$15.9 million; the funding or valuation of assets is \$1.1 million; the unfunded liability is approximately \$14 million. The Annual Required Contribution (ARC) necessary to pay current "normal costs" of health care requirements and an amortized portion of the unfunded liability is \$1.19 million if the Village chose to be compliant with GASB 45 accounting standards.

The new GASB 45 reporting and accounting requirements will substantially affect the Village's financial statements. The unfunded liability must be posted on the Village's balance sheets. If Beverly Hills is unable to address this OPEB (Other Post Employment Benefits), it will affect the

Village's ability to borrow money in the bond market at favorable rates. Wiszowaty added that this is a national dilemma.

Hitz questioned whether the bond market would react negatively to all communities if the nation and states are facing this issue. Jallad thought that having a plan in place to reduce unfunded liability over a period of time would assist a community in obtaining favorable treatment.

It was noted that GASB 45 is an accounting requirement and not a funding requirement. Wiszowaty said that the pay-as-you-go method is acceptable because it covers current costs. If a municipality totally neglected its retiree health care obligation, the state would step in at some point. Wiszowaty added that there are many municipalities that have not conducted an actuarial evaluation and do not know the amount of their liability. Beverly Hills has done four actuarial evaluations. Jallad proposed that a lender would have better insight into the Village's risk as opposed to a city that had never had an actuarial study.

Jallad summarized recommendations from the 2007 Finance Committee report on Post Retirement Obligations. An actuarial study was completed in 2003 in order to expose retiree health care costs and define the OPEB and ARC. It was recommended to continue the practice of funding contributions to retiree health care in the 2006-2007 budget. Wiszowaty stated that the Village funded retiree health care in 2006-07 on a pay-as-you-go basis rather than on an accrual basis. The Village adopted GASB reporting for 2007-2008 budget. The recommendation to expand the role of the Pension Board to incorporate financial oversight of the retiree health care benefit has been adopted. Creation of a Pay and Benefits Board was recommended.

Current recommendations include reviewing the remaining 2007 suggestions. It appears that all of the previous recommendations have been adopted other than creation of a pay and benefits body. Jallad stated that it is recommended to obtain an updated actuarial valuation at a cost estimated at \$8,000-9,000. Wiszowaty related that there is an option of doing an internal actuarial valuation if a municipality has under 100 participants. Wiszowaty has worked with a template and has found that the current valuation is fairly close to the 12/31/2007 valuation report. He proposed having another actuarial valuation after the next union contracts are approved.

Other recommendations include ways to decrease OPEB liability through: changes to eligibility provisions and length of service requirements; changes to current benefit programs/obligations; and changes to contributions. It was noted that changes to union contracts would require negotiation. The last ten pages of the report have to do with benchmarking and summary of a local government survey.

Jallad suggested that his presentation could be condensed into several slides to inform the public that the Village Manager, Administration and Council have compiled a number of items to decrease our future liability through contract negotiations and business management proposals. Whether the liability goes down will depend on health care costs and return on investments realized in the pension fund. Items that affect liability include the number of employees, benefits received, cost of benefits, and return on investments.

Committee members discussed how to best present the information. It was agreed that information related to proposed changes in the program and union negotiations should not be

referenced in this document. It was proposed that the report explain that there is a retiree health care liability and that not funding it would effect the Village's ability to borrow. The Village proposes to take steps to fund that liability. Jallad will work on a more concise presentation that addresses the situation, the Village's liability, what the Village has been doing and plans to do. The report could include what other communities are doing.

Hitz read the assignment from Council outlined in a memo from John Mooney. He believes that the Finance Committee has completed the assignment and was not asked to make a recommendation. This was an educational assignment that Council can use at a Council meeting or post on the Village web site.

Jallad related benchmarking information related to health and OPEB funding strategies obtained through a 2008 National Survey of Local Governments; 7500 local governments were surveyed with a 20% response rate. The information includes approaches taken by responding governments with regard to financing the OPEB liability, various approaches to controlling health care costs, changes in health care plan designs, and health care purchasing changes that have been implemented or planned. A comparative review of similar municipalities could be included in the study and used as a source.

Donnelly asked if administration has looked into bonding for health care costs, which was done by Oakland County.

UPDATE FROM SUBCOMMITTEE TO EXPLORE ALL RELEVANT ACTIONS THAT COULD BE TAKEN BY THE VILLAGE TO INCREASE TAXABLE VALUE

A report prepared by Kleppert listing possible opportunities for generating revenue for the Village was reviewed by the Finance Committee last month. The Finance Committee offered its assistance on any of the items that the Village Manager deemed to be feasible. Discussion of a Beverly Hills income tax was removed from the list for the reason that Beverly Hills does not have enough residents to seek an income tax through the State Legislature.

Dedicated volunteer programs was a topic of discussion at the last meeting. Hitz sent an example to the Village Manager about a community that uses volunteers and offered to research this if more information was requested.

In response to an inquiry from Donnelly, Janet Mooney, Southfield Township Treasurer, stated that the Township along with the County is monitoring foreclosures to make sure that homes remain owner occupied.

Jallad questioned whether the Village is researching opportunities for federal subsidies. Wiszowaty responded that staff has attempted or is in the process of sending out applications to receive federal aid wherever possible. There are public safety grants that are being actively pursued.

PREPARE AN UNDERSTANDABLE EXPLANATION OF MILLAGE RATES

Westerlund commented that he incorporated suggestions offered at the last meeting into his presentation on the affect of a declining real estate market on the Village. He has prepared the report in a "Frequently Asked Questions About Taxes" format. He asked that Committee

members review the updated material and email their comments to him. It is likely that the presentation will be made at the next Council meeting.

Janet Mooney asked whether it is proposed to compare Village millage rates with other communities. People tend to make incorrect comparisons of the value of one mill in Birmingham with one mill in Beverly Hills. Committee members addressed the complexities of comparing millages.

PUBLIC COMMENTS

John Mooney explained that the Village must have a revenue stream in order to secure a bond. The Village is now in a deficit situation. He clarified that Southfield, Bingham Farms and Franklin will assist Beverly Hills with fire fighting. The reason that the Village has mutual aid pacts with Oak Park and Berkley is because they are also public safety departments. Mooney thought that a comparison of how much one mill generates in different communities is relevant to an explanation of Village finances.

Mooney commented on an alternate way to approach the explanation of retiree health care obligations. The GASB 45 accounting requirement is in place to suggest to municipalities that they should be prefunding what will occur. Mooney stated that, out of the Village's \$15 million unfunded liability, about \$9 million is probably unchangeable for the reason that it involves negotiated contracts.

Mooney thought that the community should understand the following. During the time periods when those health care benefits were negotiated, nearly everyone in the country negotiated similar health care benefits for their retirees, specifically police and fire. The Village has entered into contracts with people who are now retired and it has to honor those contracts.

The Village has a \$6 million obligation that could possibly be decreased in terms of a possible reduction in the health care obligation for retirees who are currently working. There is a contract with union employees that includes health care. Mooney thought that an employee contribution will have an insignificant impact on the retiree health care obligation that exists.

Mooney expressed the view that the Finance Committee exists to assist the Council. He disagreed with the premise that the Committee should adhere to the exact assignment given to it without imparting suggestions that would help the Village during these critical financial times. If the group sees a direction in which the Council should be going, it is incumbent on the Finance Committee to offer that input.

Jallad commented that the difference between the \$9 million and \$6 million amount of the health care obligation is an important point. The \$9 million unfunded obligation has to do with retirees that are already out of the system. There is a percentage of the \$6 million unfunded liability that the Village may be able to impact through reductions in staff and reductions in benefits as the Village goes through contract negotiations. Any suggestions made are going to affect only 33%-40% of the total liability. Jallad thought it was important to present Council and administration with all the options they have to work towards fully funding the OPEB.

COMMITTEE COMMENTS

Jallad asked how the Village will bill residents for the garbage fee. Wiszowaty said that the tentative plan is to add a \$50 per household charge for service onto the tax bill in 2009/10. It is anticipated that the charge will be increased to \$100 in year two and \$150 per household in the third year.

Jallad expressed interest in improving relations between Council and the Finance Committee. It was suggested that he could call a Council member to talk or meet for coffee.

Hitz responded to John Mooney's remarks about the Finance Committee's charge to provide helpful suggestions in addition to completing assignments. He referred to past instances when suggestions from this body were not well received, and he commented on the lack of clear direction to the Finance Committee. The Finance Committee is honoring its assignments from Council. As its liaison, Mooney can advise the Committee if there is a request to do more at future meetings.

Mooney commented on the impending budget cuts that are being proposed to balance the budget and the huge impact they will have on the Village in terms of public safety officers, roads, loss of municipal staffing and services.

Kleppert suggested that Council has the opportunity and authority to fix the budget deficit for 2009/10 and the following year by charging for rubbish collection in an amount up to \$180 per household. He believes that people can afford this. Council can also consider placing the library issue on the ballot. MacDonald stated that this will be an agenda item for the May Finance Committee meeting.

MacDonald stated that next month's agenda will include discussion of the following: 1) Rubbish collection fee; 2) Review of report on available grants; and 3) Library contract issue.

Motion by Hitz, second by Jallad, to adjourn the meeting at 8:52 p.m.

Motion passed.