

APPROVED MINUTES of the Special Meeting of the City Council of the City of Rye held in City Hall on November 12, 2001 at 8:00 P.M.

PRESENT:

STEVEN OTIS, Mayor
CAROLYN CUNNINGHAM
ROBERTA DOWNING
ROSAMOND LARR
DOUGLAS MCKEAN
ARTHUR STAMPLEMAN
Councilmen

ABSENT:

ROBERT H. HUTCHINGS
Councilman

1. Pledge of Allegiance

Mayor Otis called the meeting to order and invited the Council to join in the Pledge of Allegiance.

2. Presentation by the City Manager and City Comptroller of the proposed 2002 budget

City Manager Novak said it was her duty to present the proposed budget for 2002 to the City Council and the community. She said this marks the end of an internal process to balance and account for the City's finances and the beginning of the Council's deliberations and decision-making process which will lead to adoption of the 2002 budget on December 19, 2001.

The combined budget for all City funds is \$28,307,507, the majority of which is accounted for in the \$20,802,298 General Fund. The Boat Basin and Golf Club are accounted for in municipal enterprise funds; the Cable TV and Nature Center are accounted for in Special Revenue Funds. Two internal service funds (the Risk Retention and Building and Vehicle Fund) account for the remaining expenses.

The General Fund is off-set by anticipated revenues of \$18,417,298, leaving a deficit of \$2.3 million which is balanced by a transfer from Fund Balance (\$930,500 for non-operating capital, and \$1,369,500 to balance the operation budget).

General Fund Revenue Projections are as follows:

- \$12,351,726 in Property Taxes
- \$ 1,660,000 in non-property taxes (Sales & Use Tax and Utility Taxes)
- \$ 1,719,227 in Intergovernmental Revenues (Mortgage Tax and per capita revenue sharing)
- \$ 885,002 in Licenses and Permits
- \$ 383,960 in Fines and Forfeitures
- \$ 303,900 in Interfund Transfers (charges to the Enterprise Funds for administrative services)
- \$ 266,188 use of money and property (primarily interest earnings)

This year we face special challenges. A softening economy, loss of \$1.1 million in “elastic revenues” (sales tax, mortgage tax and interest earnings) and relatively flat assessment rolls, compounded by increasing benefit costs and debt service and an already existing operating deficit of \$1.3 million caused us to begin the budgeting process \$3.2 million dollars in the red. Because it was an election year and the Council was not available to provide collective input on policy, we made the assumption that the budget should maintain existing services and increase property taxes as little as possible. To fully balance the budget would require a 32% tax increase so, in order to minimize the tax increase, this proposed maintenance budget provides no service enhancements for any City departments or outside agencies. It eliminates almost all of the planned investments in technology, defers capital projects, issues additional debt; and continues to transfer from fund balance to cover the operating deficit. Even so, an 18.2% tax increase is still necessary. But, as the City’s portion of the total tax bill is only 16%, the effective increase for City tax payers is really only 2.9%

Highlights in Operating Budget – Other than converting one police position to a full-time computer network position for the Police Department and adding two full-time employees at the Golf Club, most of the highlights are what the operating budget *doesn’t* include. No supplemental resources or personnel are added, year three of the Master Technology Plan is almost totally un-funded, and there are no increases for outside agencies. The Rye Free Reading Room will not receive the requested a 12.9% increase or the Capital Campaign contribution [prohibited by State Constitution]; the Rye Youth Council will not receive the requested 50% increase; and the Rye Historical Society will not receive operating funds of \$83,000 requested for the first time.

The Capital Improvement Program assumes the Recreation Master Plan will be approved in March; reduces the initial recommendation by \$350,000, and anticipates the need to issue \$1,018,000 in debt. This year, salaries for managing capital projects will be allocated to the projects, and a second Code Enforcement Officer will be added to the operating budget so that the Building Inspector will be able to assist the City Engineer in getting some of the

existing back-log of capital projects completed. A building analysis will be conducted so that we can have a better handle on assessing future needs.

Included in the Capital Improvement Program are: the Police Range (\$400,000); Police Headquarter Upgrades (\$288,000); Police Headquarters Building Study (\$50,000); Gagliardo Picnic Shelter (\$60,000 required to match CDBG Grant); Disbrow Park Playground (\$20,000); Annual Drainage Program (\$75,000); Annual Street, Sidewalk and Traffic Safety Programs (\$365,000); High/Maple Streetscape CDBG Grant (\$12,000); City Hall Refurbishment (\$16,500); City Hall HVAC system (\$280,000); demolition of Anderson structure (\$20,000); and maintenance of Friend's Meeting House (\$15,000).

Not included are: resurfacing the Rye Recreation Tennis Court Parking Lot (\$20,000); Disbrow Tennis Court and Fence (\$65,000); Grainger Field House Resurfacing (\$15,000); Sewer Rehabilitation Program (\$100,000); Record Storage Attic HVAC (\$100,000); and DPW Garage Room (\$50,000).

The Building and Vehicle Fund supports the maintenance of the investment the City has in its buildings and fleet. The operating budget of \$2,468,232 includes \$1.3 million in equipment replacement and \$619,000 in other needs, all of which meet guidelines consistent with sound fleet maintenance practices (based on age and mileage factors and the recommendation of the Garage Foreman).

Projects included in the recommendations are: replacement of the 1946 Snow Loader, fire Ladder 26 (lease); 4 marked patrol vehicles, a detective (unmarked) vehicle; two outboard engines for PB1 and an inflatable boat for use during floods for the police Dept; a Fire Department Marine Vessel; a riding mower, off-road vehicle, small dump/plow, field van and wood Chipper for the Recreation Department; a dump/plow, dump/plow/salter, dump with lift gate and dump/plow/crew cab for DPW; one staff vehicle; two turf Utility Vehicles and a dump truck for the Golf Club.

The Cable TV Fund finances the operation of our RCTV services. Revenues of \$165,500 are anticipated to offset expenses of \$174,013 with a fund balance of over \$100,000 available for the purchase of equipment.

The Nature Center Fund is responsible for the operation and maintenance of the Rye Nature Center. The proposed budget reduces expenditures by more than 5% over 2001; fees are increased and revenues are expected to net \$138,902. The City's contribution from the general fund remains at \$130,225. Because there is no fund balance, there is a projected deficit of \$68,160. Over the past three years grant revenues have declined, the annual operating support of the Friends has been eliminated, and general fund contribution has been level. Reserves have been reduced over the last few years and are now at zero. A solution must be

found either by increasing general fund support, reducing services, increasing fees or doing some of each.

The Debt Service Fund takes a transfer from the General Fund to pay debt not associated with Enterprise or Internal Service Funds. In 2002, the appropriation is \$142,023.

The Boat Basin Fund is responsible for the operation and maintenance of the Depauw Municipal Boat Basin. This year revenues (which anticipate an approximate 5% user fee increase) are forecast at \$418,450, while expenses are budgeted at \$388,898.

The Rye Golf Club Enterprise Fund is responsible for the operation and maintenance of the Rye Golf Club. Revenues (which include an approximate 5% increase in user fees) and expenditures are forecast to be roughly equal at \$3,634,452. As mentioned above, the Commission has recommended the addition of two FTE's (an assistant manager and a laborer). The manager is retiring in 2002 so transition is important.

The Risk Retention Internal Service Fund is used for insurance reserve funds to pay claims, judgments and losses by the City and to acquire outside insurance. The appropriation for 2002 is \$496,100.

Manager Novak, returning to the subject of the recommended 18.2% tax increase, pointed out that in the past, tax increases have been kept low (2001 was \$78.05; 2000 was \$76.44; 1994-1999 was \$73.72; 1993 was \$71.72; and 1991-1992 was \$70.45). Now the change in the economy, the need to use our surplus, and the increase of debt all point toward a need to increase taxes to \$91.52. From 1991 to 2001, City of Rye taxes increased 10.79%, combined Westchester County taxes increased 10.04% and Rye City School taxes increased 68.86%. During the same period the CPI-U (or inflation) increased 26.16%. In addition, Rye's taxes at \$78.05 (based on the bill for a \$700,000 home) compares with \$135.05 for Scarsdale, \$168.26 for Harrison, \$101.39 for New Rochelle, \$207.31 for Larchmont, \$149.18 for Bronxville, and \$214.39 for Mamaroneck.

Manager Novak said that looking forward there are a couple of things the Council might consider. Shifting services from the tax levy by setting up a solid waste enterprise fund and providing financial incentives to practice environmental common sense could remove \$2 million from the tax levy. Moving to a two-year budget could assist with the budgeting process.

Manager Novak said it was particularly important to develop a plan to eliminate the Operating Deficit which has grown from \$322,836 in 1988 to a projected \$1,369,500 in 2002. While in the past, we had not had to make a transfer from the fund balance despite it being budgeted to balance the budget, this year we will, so the money we had hoped to use for the Capital Program is now being used to offset the Operating Deficit. Therefore, the City needs to issue another \$1 million in debt. As of 12/31/2000, the fund balance was 21.1%; this

year by 12/31/2001 the fund balance is projected to be down to 5.5% and by the following year, down to 5%. It is more prudent to use surplus for capital needs so we need to eliminate the deficit. If the budget were to call for eliminating the deficit this year, an additional 13.1% in property tax increase would be required.

Manager Novak said there are a series of policy questions the Council will need to discuss during the next several weeks: 1) should we explore the creation of a solid waste enterprise fund in 2002? 2) should we explore the concept of a two-year budget? 3) what plan can we develop to eliminate the deficit in the operating budget? 4) how should unmet organizational needs be addressed? 5) how should unmet community needs be addressed? and 6) how do we address the deficit in the Nature Center Fund?

She announced that the budget process would be as follows: workshops on November 14th at 7:00 PM and November 26th at 8:00 P.M.; the public hearing on December 3rd at 8:00 P.M. and adoption of the budget on December 19th at 8:00 P.M.

Manager Novak concluded by saying that the preparation of the budget had been a special challenge and she realizes that digesting it and coming up with a budget to adopt will be a challenge for the Council. She and the department heads are here to help. She thanked all of them who tried to find places to reduce operating budget, and who worked together to develop priorities and strategies and to come up with a new look to make the document more user friendly. She expressed special appreciation to City Comptroller Michael Genito and his staff, to the staff in her office and especially to Carol Johnson. She thanked the Council for their attention and said she and the staff will do their best to address any questions they might have about the substance or process as we look toward the study sessions.

Councilwoman Larr began the questions by asking about the annual leasing cost for the new ladder truck and the length of the lease. *It is \$52,500 per year for 15 years, about the expected useful age for a new vehicle. We need a back-up ladder to meet our aid to other communities and to keep our insurance rating. Every year the existing vehicle needs many expensive repairs. The old vehicle would be sold and that revenue realized in 2003.* The Mayor said the question appears to be whether to lease or buy.

Councilwoman Downing questioned the need for a new fireboat and asked what it is used for. *We use it to patrol Playland fireworks, for private party fireworks, and to put out boat fires. It is of particular importance for Hen Island. It is used about 5 times/year for fires. Could we ask the County to help if it is for their fireworks? Yes, but...It is a mutual aid situation. Can we charge for private functions? Yes. Would a Navy or Coast Guard decommissioned boat be possible? No, too big.*

The Mayor requested the staff total the amount of revenue collected per fee.

Councilwoman Larr asked more about the Rye Nature Center saying it is highly regarded and she feels more information is needed. *The fees and revenues have increased slightly and there has been no increase from the City for years. The Friends have donated to the capital fund rather than to the operating fund, but have not been as active in fund raising in recent years.* George Pratt, Chairman of the Finance Committee, said he would like to see more background as to how the Rye Nature Center budget has increased from 1993. He said the cost of salaries and benefits is way up and services may not be supporting this. He said he would like to compare the number of users now to 1993.

Councilman-elect Chu discussed the fund balance issue saying he is not a fan of unbalanced budgets and asked why we were proposing the same thing as last year. He suggested perhaps the City should take its medicine all at once. *As there was no input from the Council because of the election year, the procedure of the prior year was followed.* The Mayor said he feels the problem lies with the economy. Mr. Chu also asked if the reserve drops, will our current credit rating drop? *This is only one fact, but a very important one and 5% is the absolute minimum. It is important that the community support its needs. It is also important to hold onto the Aaa rating for many reasons.* Mr. Pratt said agencies also look at gyrations and the continuity of financial management. He also said we should review a graph which shows the speed with which the balance was built up versus the speed with which it is being drawn down and take a look at the percent of revenues which are elastic. Councilman McKean suggested that we should maintain a large fund balance just for years like this but *Comptroller Genito said, in his opinion, fund balance should be used for capital improvements rather than to buffer the operating budget.*

Mayor Otis said there are a variety of “pills” the City will have to take including the tax increase. They will have to look at other areas of expense to defer, including positions to be filled until they can ride out the current economic storm. Councilwoman Cunningham asked what would happen if we took the whole “pill” this year and was told it depends on the economy and the effect on elastic revenues.

Councilman McKean questioned the theory that licenses and permits were “reaching capacity” saying that this is what we have been saying for the last 30 years. He also questioned whether the estimate for mortgage taxes was too low. *This year’s mortgage payments are lower (by \$18,000) and we anticipate a trend.*

Councilwoman Downing said she was resistant to a biannual budget because the Council might not have enough current information and suggested that maybe the budget should be reviewed semi-annually. *Mr. Genito said it was more to help develop a spending plan which would be carefully reviewed each year and that he provides reviews of the budget status throughout the year.* Mr. Pratt said in his opinion a biannual budget empowers the City’s professions to manage and that it can be of such great benefit that it will increase efficiency and allow for better strategic planning.

Councilman McKean inquired about the wastewater tank discovered under the firehouse and was told it was 100% our responsibility to dispose of it. Councilwoman Cunningham confirmed that the sewer project being postponed did not have anything to do with the County mandated program

Councilman-elect Cypher asked about the shortfall in investment revenue. *The Fed has lowered interest rates 10 times and less balance is available so the anticipated income will be reduced from \$700M to only \$200M.*

Councilman Stampleman asked by what date proposals need to be made? *Up to the last minute. Even after the public hearing, changes can be made with a simple majority unless budget revenue or expenditures are increased.* He also asked to see the latest balance sheet information and was told it would be *available after the next quarterly report was prepared.* He asked how the number of unfilled Full Time Employee positions was determined. *The positions are based on the status as of October 1st. Two vacant positions were available in the police; there is a vacant office position in Public Works/land use and a vacant mechanic's job. They are asking for a new Code Enforcement Officer (at Grade 10) who would join the Building Department as an additional Assistant Building Inspector so that the Building Inspector can assist the Engineer in getting some of the capital improvements completed.*

Councilwoman Cunningham said they might have to look at further cuts so some items can be reinstated.

3. Adjournment

There being no further business to discuss, Councilwoman Larr made a motion, seconded by Councilman McKean and unanimously carried, to adjourn the meeting at 9:45 P.M.

Respectfully submitted,

Susan A. Morison
City Clerk