

APPROVED MINUTES of the Budget Workshop of the City Council of the City of Rye held on November 9, 2004 at 8:00 P.M.

PRESENT:

STEVEN OTIS, Mayor
FRANKLIN CHU
ROBERT CYPHER
MATTHEW FAHEY
DUNCAN HENNES
ROSAMOND LARR
HOWARD G. SEITZ
Councilmen

ABSENT:

None

1. Pledge of Allegiance

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

2. Roll Call

Mayor Otis asked the City Clerk to call the roll; a quorum was present to conduct official city business.

3. Discussion of 2005 Budget

The Mayor opened the meeting by noting that the Comptroller had provided additional information about the budget and said tonight would be to look at that information and hear from outside agencies. He turned the floor over to City Manager Paul Shew who provided answers to some frequently asked questions, as follows:

Q. Why had the budget increased over 9% if the City is economizing?

A. Even with best efforts, costs increase. The three largest areas are increased operations and maintenance (30% more salt, higher energy costs); not all revenues (such as County funding) increase each year; and last year fund balance money was used to cover equipment, debt service and some retirement costs. This is not the case this year accounting for 5.5% of the increase.

Q. What is the City doing to keep costs down?

A. Rye has one of the lowest municipal taxes in the County. We have 1) fully engaged in recycling; 2) workers compensation costs are low, 3) energy costs are monitored with fuel-efficient vehicles; and 4) the workforce has been reduced by one full-time employee and other positions have been down scaled to less expensive positions.

Q. Is there anything I can do to help keep taxes low?

A. Volunteer and participate. Each scrap of paper you pick up is one DPW doesn't have to. Support the concept of Challenge grants that leverage City funds.

Michael Genito, City Comptroller, handed out a series of worksheets which 1) summarized the budget (2004 to 2005) in terms of area of responsibility, Debt Service Payments, Building and Vehicle Projects, revenues, etc.); a budget comparison by major category (i.e. Salaries and Wages, Equipment & Capital, etc.); comparison by major program category (i.e. General Government, Public Safety, Community Environment, etc.); an explanation of how Recreation recovers 45% of its costs; a list of frequently asked questions (FAQ's) as found on the City's web site; and a list of specific questions from Councilman Seitz and the Comptroller's responses to those questions.

A large portion of the conversation during the evening revolved around the level of the undesignated fund balance. The tentative budget recommends taking out \$1,448,000 leaving the balance at 8.8%. Each year, should the budget be prudent, there are funds left over at the end of the year that are used to replenish the fund balance. Councilman Hennes would like to see the balance at 10%. It will take about \$246,000 to change the fund balance by 1%.

The Building and Vehicle (B&V) Fund also had an undesignated balance of about \$200,000 (unrestricted funds which have not been counted in the fund balance of the General Fund but are available for use and have been traditionally used for B&V Fund projects) that could be transferred to the General Fund. The Mayor, citing the City's need to maintain our buildings and vehicles, said the idea of taking funds from the B&V Fund is dangerous and the City should maintain this cushion. Councilman Hennes said it would be easier to understand if all the funds were consolidated and said he would like to see a trend in the available B&V Funds over the past years. Comptroller Genito noted that it would be difficult to establish this trend, as it was not until fiscal 2003 with the implementation of Governmental Accounting Standards Board (GASB) No. 34 that net assets in the B&V Fund were reported on a restricted and unrestricted basis.

Councilman Hennes said the net cost summary distributed earlier was great and actually made it clear that if you add in revenues, gross expenses are only going up by 4.4%, but the problem is revenues are going up more slowly than expenses, so they may have to look at the proposed projects. The Mayor said our goal and challenge is how to reduce the tax rate, get the fund balance back to 10% and maintain quality services. He said the most likely projects to look at would be Peck Avenue, Smith Street (perhaps Commerce Bank will be contributing?) and the School Street parking lot (being

considered for decking). He would like more detail about why each of these is essential. He warned, with the recent flooding problems, the Council should be careful about removing the drainage projects. They could also look at the list of proposed vehicle acquisitions. Councilman Chu reaffirmed that projects listed are a priority for the City and asked if some projects could be deferred and the funds used to support equipment costs included in the General Fund. It is unclear as to whether or not this approach would be in line with the City's financial policies.

There was also a discussion about when to issue bonds and bond anticipation bonds. Councilman Seitz recommended that the City should consider issuing variable rate debt. Councilman Hennes noted that the budget did not anticipate technically defeasing a portion of the Damiano Center bonds, and the interest earned by investing the funds in laddered U.S. Treasury Notes would more than repay the interest expense on the bonds. Mr. Genito confirmed that the debt interest expense for the full amount of the Damiano Center bonds is still in the budget so, should a portion be defeased, the tax rate would be reduced. Mayor Otis stated that a number of these ideas should be discussed with the finance committee for their advice on issues including taking funds from the B&V Fund, the timing of borrowing and the Damiano Center funding issue.

More specific comments and questions included:

- Do we need to include money to support the LISWIC (Long Island Stormwater Costs) in the budget? Not yet although these costs are going to continue to rise in the future.
- The correct personnel list should be 173. Is there any chance of attrition this year with anyone retiring?
- Demolition permits – how many this year vs. the past couple of years?
- How do we know Sales and Use Taxes will really be higher? Based on recent quarterly payments which show a substantial increase (\$470,000 per quarter this year compared to \$370,000 per quarter last year), so we are confident we can budget \$1.8 million for 2005.
- The Friends Meeting House – the \$75,000 is from retained earnings in the B&V Fund. Donations from “the Friends of the Friend’s Meeting House” cannot be counted as part of revenue until something actually happens. If the City were to think of selling this landmark it would probably not be popular and would require alienation of parkland. At the moment we would have to repay the State \$400,000.
- Why does the Police Department show an increase when the Commissioner indicated he had cut the budget each year for the past three years?
- What is the increase in the Fire Department? Primarily the cost of the bonds for the renovation of the Locust Firehouse and the standard salary and benefit increase (not based on the new contract, because it has not been settled).
- What are the revenues in the Department of Public Works (DPW), as found on page 3-46, so much compared to other areas of the budget document? Comptroller Genito responded that this page included activity of the B&V Fund.
- What if DPW picks up trash from commercial properties? Would we increase revenues? Yes, but would also increase costs.

- Where is the \$150K in the Recreation Department Gift Catalog shown? It used to be accounted as an expendable trust fund, but GASB Statement No. 34 eliminated those funds, and this amount is included in amounts reserved for recreation purposes.
- Revenue: What is the prognosis for getting the occupancy tax passed? The Mayor said this bill is on Senator Oppenheimer's priority list, and we are waiting for a response from the Finance staff of each house. It is up to the State. If it makes it onto an agenda it will most likely pass, but it has to get to the agenda first. Re: Parking revenues - the status as of now is the Council is awaiting specific specifications from the consultant and once the specifications are approved, the City can go out to bid. The timetable (and even whether those specs will be approved) is uncertain, so in both cases (meters and the occupancy tax) it would be imprudent to include this anticipated revenue in the budget.

Lauren Miscamarra, Treasurer of the Rye Youth Council, made an impassioned plea to the Council to restore another \$1,525 to the budget so that the City could contribute 10% of their total. Of their total \$350,000 budget, the organization raises 90% from other sources. She pleaded with the Council not to penalize them for being good at raising their own money and said the importance of their role in the community cannot be underestimated.

Betty Teoman from the Rye Free Reading Room requested her pleas be deferred to another workshop.

As there was no further discussion on the budget, Councilman Cypher made a motion, seconded by Councilman Hennes and unanimously carried, to adjourn the budget workshop at 10:30 P.M.

Respectfully submitted,

Susan Morison
City Clerk