

***APPROVED MINUTES*** of the City Council  
Budget Workshop of the City Council of the  
City of Rye held on November 13, 2006 at  
7:00 P.M.

PRESENT:

STEVEN OTIS, Mayor  
ANDREW C. BALL  
MACK CUNNINGHAM  
MATTHEW FAHEY (arrived at 7:10)  
DUNCAN HENNES  
GEORGE PRATT (arrived at 8:20)  
HOWARD G. SEITZ  
Councilmen

ABSENT:

1. Pledge of Allegiance

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. Resolution scheduling a public hearing on the tentative 2007 budget

Councilman Hennes made a motion, seconded by Councilman Cunningham, to adopt the 2007 Tentative Budget as the 2007 Preliminary Budget and to adopt the following resolution setting the public hearing on November 29, 2006.

**WHEREAS**, it is now desired to call a public hearing on the proposed 2007 budget, now, therefore, be it

**RESOLVED**, by the Council of the City of Rye as follows:

Section 1. Pursuant to Section 20 of the Municipal Home Rule law and the Charter of the City of Rye, New York, a public hearing will be held by the Council of said City on November 29, 2006 at 8:00 P.M. at

City Hall, Boston Post Road, in said City, for the purpose of affording interested persons an opportunity to be heard concerning such budget.

Section 2. Such notice of public hearing shall be in substantially the following form:

**CITY OF RYE  
PUBLIC NOTICE**

**PLEASE TAKE NOTICE** that a public hearing will be held by the Council of the City of Rye on Wednesday, the 29th day of November, 2006, at 8:00 p.m. at City Hall, 1051 Boston Post Road, in said City, on the Proposed Budgets of the General Fund, Cable TV Special Revenue Fund, K.T. Woods Permanent Fund, Debt Service Fund, Capital Projects Fund, Boat Basin Enterprise Fund, Golf Club Enterprise Fund, Risk Retention Internal Service Fund, and Building and Vehicle Maintenance Internal Service Fund of the City of Rye for the ensuing fiscal year, January 1, 2007 through December 31, 2007, and at such time and place any person interested in said Proposed Budgets will be given an opportunity to provide written and oral comments on any and all of the aforementioned budgets.

**CITY OF RYE SUMMARY OF PROPOSED BUDGETS**

<u>Fund/Program</u>	<u>Proposed Budgets</u>
General Fund	\$29,541,798
Rye Cable TV Special Revenue Fund	226,789
K.T. Woods Permanent Fund	1,200
Debt Service Fund	138,553
Capital Projects Fund	1,137,000
Boat Basin Enterprise Fund:	
Operating	523,877
Capital	<u>100,000</u>
Total - Boat Basin Fund	623,877
Rye Golf Club Enterprise Fund:	
Operating	7,615,578
Capital	<u>-0-</u>
Total - Golf Club Fund	7,615,578

Risk Retention Internal Service Fund	616,600
Building and Vehicle Maintenance Internal Service Fund:	
Operating	3,780,014
Capital	<u>1,373,050</u>
Total - Building and Vehicle Maintenance Fund	5,153,154
 TOTAL - All Funds	 <u>\$45,054,549</u>

ROLL CALL:

AYES: Mayor Otis, Councilmen Ball, Cunningham, Fahey, Hennes,  
Pratt and Seitz

NAYS: None

ABSENT: Councilman Pratt

3. Discussion of 2007 Budget

Mayor Otis inaugurated the first workshop by saying it was a time for the Council to refocus their questions; to ask for feedback: and delve into specifics as they wished. He turned the floor over to City Manager Paul Shew who said he and the staff appreciated getting questions from the Council in writing so responses can be made in a complete and consolidated manor. He welcomed a round robin format so each Councilman could raise questions but said no decisions would/should be made this evening. He said the major topics to discuss appeared to be the future funding model for the Rye Free Reading Room (RFRR), the Rye Golf Club (RGC) and the Maximus Study, (a study done in 2001 to determine the appropriate level of RGC payments to the General Fund for administrative services), the future of the police/court facility and the 1999 Public Safety and Court Facilities Study by Kaestle Boos Associates Inc, and the examination of the Capital needs matrix (a chart or table prepared by Finance listing current and proposed capital projects and their sources of funding.

**Workers Compensation Self Insurance.** (Councilman Hennes) *Won't we be saving \$300,000 next year with the implementation of our self-insured workers compensation program?* For 2007 we are assuming that our workers compensation costs are the same as budgeted for 2006. We have only been self insured since June 2006 and we would need at least a year of experience to determine whether or not any anticipated savings would materialize. We will also be using the services of an actuary to determine the estimated "incurred but not reported" (IBNR) claims and the proper minimum reserve we should maintain to cover significant claims that might arise. We must remember that our self-insured retention (SIR) is \$150,000 per occurrence, and while we do not anticipate breaching that amount too often, our program funding must be sufficient to cover such unexpected amounts. We will have a better idea in preparing the 2008 budget as to what, if any, savings can be reflected in the budget.

**Available Debt.** (Councilman Hennes) *Why are we keeping \$138,000 in the Debt Service Fund? Couldn't we use it for capital projects?* When we have the opportunity to produce a sound budget with a reasonable tax rate increase and ample provision for capital improvements as we have in the proposed 2007 budget, we traditionally allow the fund balance in the Debt Service Fund to remain for use in a future year budget that is not as positive. It is a matter of saving it for a rainy day as the City really doesn't need it this year. Debt Service Fund money can only be used to pay down debt. We could use those funds rather than General Fund money, thus reducing the tax rate increase or providing more General Fund money for capital projects. *After the new handicapped entrance to Damiano is built, how much will be left from the bond and where is that balance?* About \$900,000 will be left, sitting in a fund earning interest and available to be used for recreation buildings. It can not be used to pay legal settlements or court judgments. *Why is such a large amount in the Cable TV Fund?* The Cable TV Fund was established to account for the receipt of cable television franchise fees and the costs associated with programming for the government, educational, and public access channels. The amount in the fund balance is the accumulation of years of net positive results (revenues exceeding expenditures). While the amount in the fund balance may seem high, franchise fees are in jeopardy. Verizon has entered the high-speed communications business, including television, and lobbied strongly but unsuccessfully on a national level to eliminate the power of local governments to collect franchise fees. While Verizon lost its bid to change the system on the national level, they are now going state-by-state, and with some initial success, so we may need the fund balance to offset losses going forward. You have the authority to appropriate the funds for uses other than our RCTV operations, but RCTV has its own capital needs and there will be some contributions needed for the studio space in the high school. In addition, we should be looking ahead on ways to get more revenue without the franchise fees, and be careful not to do anything that would give away the right of way. *What are the retained earnings in the Building and Vehicle (B&V) fund?* Mostly left over amounts and interest earnings. (Mayor Otis) *What about the \$144,000 in the B&V Fund for new election machines?* It was approved in the adoption of the 2006 budget in anticipation of having to pay more than the Federal Government was allocating to have new machines. The finances of running elections are not entirely clear at this time as the County says they are paying everything, but there are rumors that municipalities will be charged back a certain amount. This fund could be released, but it would be risky. (Councilman Seitz) *How much money is available before the Council would have to go to permissive referendum?* \$1,024,000 plus \$900,000. If the bonds authorized for the police building renovation could be reclassified as under the Charter exemption for public safety purposes they could be considered exempt from our other Charter limits. Mayor Otis is looking for a combination of funds (undesignated fund balance, bonding, and other funds) to see if there is a combination of funding sources that would allow the Council to authorize certain projects without the need for a referendum.

**Rye Free Reading Room (RFRR) Proposal and Discussion.** (Florence Kraut, President of the RFRR Board, Mark Moore, Treasurer, and Betty Teoman, Director). Chairman Kraut said they had worked hard and well with the City and with their own consultant to come up with a new model that will give them the funding stability they need. She thanked City Manager Paul Shew for helping them take a creative look at a

potential solution. She said they will need to talk to their Board, but the three of them are excited. In essence, the RFRR would, under the provisions of Chapter 414 of the Laws of New York, 1995, submit a petition to the City Council for a referendum seeking voter approval for a specified minimum level of funding for the library. The request from the RFRR for 2007 is for \$1.4 million, but only \$1,144,000 (a 4% increase over 2006 funding) is included in the proposed budget, with the proviso that upon a successful referendum the City would release \$293,000 currently held in fund balance designated for the RFRR. The \$293,000 would be allocated on a one-time basis to get the organization up to the \$1.4 million platform. To change the level of funding, the RFRR would have to present a petition to the City Council (signed by a number of people equal to 10% of those who voted in the previous November election) asking permission to hold a referendum. It would be up to the voters to decide if they wanted to approve the amount (equivalent to 100% of its operation and maintenance costs) requested by the RFRR. The referendum would take place during the November election so there would be no incremental moving/inspection/machine voting costs. The voters will provide the discipline for the Board not to spend too much. The Council asked if the slate of candidates for the RFRR board could be part of the referendum as well. The RFRR and the City will look into the issue, as we may or may not be allowed to add a ballot for a private association on a public election machines. The RFRR Board would have to amend its by-laws to allow a public vote on the slate of candidates. Private donations would still be solicited for things like collections and capital improvements. The general feeling was that, while more information was needed, this was an intriguing idea.

**Fuel Costs** (Councilman Cunningham). *Are there anticipated increases in the budget for electricity and heating oil, and does the City pay more than the Rye City School District for these line items?* Electricity (which we get from the same consortium as the School) is anticipated to increase by 30%. Heating fuel is anticipated to increase 11-12%. The City buys heating fuel under a state contract and, based on the last bill, paid \$.12 less than the school system.

**Miscellaneous.** Councilman Seitz wants to know how much is in cash and short term investments. Councilman Fahey clarified that there are Sept 11 donations in a separate escrow fund. *How have we budgeted for the Mortgage Tax and the Sales Tax?* Conservatively. We always think the mortgage tax will go down, but for the past three years it has gone up. Rye's housing market does not reflect the estimates predicted by the Mortgage Bankers Association of America for the past few years, so it is difficult to find an appropriate predictor. We estimate the sales tax: at an amount approximating the last four quarters' receipts plus three percent. Councilmen Ball and Cunningham were content to have their questions reviewed and answered in writing.

4. Next workshop

The main topic for the next workshop will be the operations of the Rye Golf Club. It will take place at 7 P.M. prior to the City Council Meeting at 8 P.M. on Wednesday, November 15, 2006

5. Adjournment

As there was no further discussion on the budget, Councilman Hennes made a motion, seconded by Councilman Fahey and unanimously carried, to adjourn the budget workshop at 9.15 P.M.

Respectfully submitted,

Susan Morison  
City Clerk