

APPROVED MINUTES of the Budget
Workshop of the City Council of the City of Rye held
in City Hall on November 15, 2010 at 8:00 P.M.

PRESENT:

DOUGLAS FRENCH Mayor
RICHARD FILIPPI
PAULA J. GAMACHE
PETER JOVANOVIK
SUZANNA KEITH
CATHERINE F. PARKER
JOSEPH A. SACK
Councilmembers

ABSENT: None

The Council convened at 7:30 p.m. Councilman Filippi made a motion, seconded by Councilman Jovanovich and unanimously carried to immediately adjourn into executive session to discuss attorney/client matters. Councilwoman Gamache made a motion, seconded by Councilman Sack and unanimously carried, to adjourn the executive session at 8:30 p.m. The regular meeting convened at 8:42 p.m.

1. Pledge of Allegiance

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

2. Roll Call

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

Mayor French began by saying that if the City held the forecast for 2010, government spending would be flat from 2009 at \$29.5 million. The 2011 proposed budget is an increase of \$500,000. He added that there is a strategic move toward flattening the organization and using technology and other service contracts to help obtain long-term sustainability for the City.

3. Discussion of the FY 2011 Budget

- Debt Schedule

City Comptroller Gribbins outlined the City's debt policy regarding mandatory and permissive referendums. In October 2003, the City Council passed a Resolution stating that the City will go out for mandatory referendums only at general elections, believing it was best for the City's financial position. There are no funds budgeted for a special election in 2011. In 2011 the City can only borrow about \$104,000 by Council vote. It will only increase to \$203,000 in 2012 if nothing is borrowed in 2011. Therefore, any significant borrowing would be subject to permissive or mandatory referendum. In either case, the Council must identify exactly what projects will be done, what it wants to bond for, and what to borrow and then pass a specific Resolution. The Resolution must be adopted at least 60 days prior to the election, so, in order to bond for 2012 capital, a bonding resolution would have to be passed in August 2011. A permissive referendum allows the public the opportunity to file a petition at the City Clerk's Office indicating that they are opposed to the proposed bonding. The number required for the petition is determined by a formula based on votes cast in the last general election. If the required number is reached it would require that the referendum become a mandatory referendum at a general election. In 2011 the Council can borrow \$1.8 million under permissive referendum and \$1.9 million in 2012. Ms. Gribbins added that there are no major drop offs in the City's debt until 2021. She said that until revenues exceed expenses and money can be added to Fund Balance, the City must finance all capital projects with debt. City Manager Pickup added that if the Council was looking at a referendum, the capital project discussions should be held in May or June. He added that most capital projects since 2007 have been reimbursement projects, which have caused cash flow problems because the money had to be laid out by the City.

Comments and questions included:

- The City borrowed money for capital projects in the last year. Would any of the money the City used to pay off 1037 Boston Post Road have been used for capital projects? (The new borrowings were not used to pay for 1037 Boston Post Road. The bonding was to replace cash that was laid out for capital projects.)
 - Would it be beneficial to consider borrowing the \$1.8 million that that City must pay out for the Central Avenue Bridge prior to being reimbursed? (This was done when the Revenue Anticipation Notes (RAN's) were approved by the Council. The money will be borrowed when the work begins.)
 - Why is there a discussion of referendum when there are no projects that will require bonding in 2011? (Preparation must be started in 2011 if projects for 2012 will require bonding.)
 - The page in past budgets that shows capital projects that are underway or pending should be included in the 2011 Budget document.
 - Is it unprecedented for a City to be as close to their borrowing limit as the City presently is? (The limits are based on City of Rye practice. The Finance Committee was asked for a recommendation and indicated that they did not feel comfortable with changing the limits.)
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- Fund Balance Review

Ms. Gribbins said there is only \$1.3 Million between where the City expects to end 2011 and the lowest level of Fund Balance defined by the City's financial policy of 5% of appropriations. Maintaining a Fund Balance of 2011 appropriations means the City will only be keeping \$1.5 Million in Fund Balance. If the City goes all the way down to the 5% amount, any big event such as the 2007 floods could wipe out the Fund Balance and could not be absorbed by the City. City Manager Pickup said that there is a reserve in the Fund Balance that is designated for tax certioraris. An issue going forward is that there has been a high trend in tax certioraris in the last two years and if the trend continues, the Council may have to consider other options.

Comments and question included:

- How can Fund Balance be raised? (The best case is that revenues come in higher than anticipated and are left in Fund Balance.)
- Does the City establish "Sinking Funds"? (The City does not have "Sinking Funds". Current year debt service is budgeted in appropriations.)
- How different are the forecast numbers for Fund Balance from the original 2010 budget numbers. (The 2010 budget anticipated \$2.4 Million at the end of 2010. That number is now anticipated to be about \$3 Million.)
- What will happen to money in the Contingency Account that is not used by the end of the year? (It goes back into the Undesignated Fund Balance. \$82,000 is projected to go back in.)
- Will the tax certiorari fund have to be increased? (There is money currently available to pay for what is considered to be our existing liability. If the volume of cases continues, the number may have to be increased in the future.)
- Explain the changes to the Risk Retention Fund. (In 2010, fund balance from the Risk Fund was used to lower the tax rate. There is not enough money in that fund to be used for 2011.)

- Revenue Assumptions

City Manager Pickup said that issues from other levels of government, such as aid to municipalities or pension obligations, have directly impacted the City's bottom line. They are out of the City's direct administrative operation and control and in most cases, decisions on these matters occur after the City's budget has been established. It gives the City a limited window to adjust revenues. City Comptroller Gribbins said the City does not know how the state shortfall will affect the City. State aid is projected to come in \$27,000 under budget for 2010 and for 2011 the amount has been reduced by another \$90,000 or 95% of what we expect to get in 2010. She added that all City revenues such as mortgage tax, sales tax, building fees and parking fines, are at risk and, therefore, she did not feel comfortable increasing any of the budgeted revenue numbers at this time.

Comments and questions included:

- Realtors expect the volume of sales to go up but prices to remain stable, which could mean an increase in mortgage tax revenue.

- Month-to-month mortgage tax figures are volatile even in good years.
- Why haven't we budgeted for the possibility that state aid might be cut by 1/3? (There has been no proposal from the Governor-elect. We are working off figures from the current Governor.)
- When do we receive the mortgage tax money? (We get the money twice a year but it is allocated to when it is assigned.)

Mayor French said he believed the City had three separate economic models. The Enterprise Funds are self-sustaining and their rates should be based on competition. A second model is the subsidized model, such as user groups who provide a service. Their fees have not kept up with the rising costs of government. The third economic model is the cost of services provided by the government. He said the costs of violations and fees should be increased on a regular basis in order to keep up with the cost of running the government and providing the service.

Additionally, City Manager Pickup answered a question about positions that have been targeted for elimination in the 2011 budget and said that although the positions reported in a newspaper article as targeted were correct, some of the actual positions are yet to be determined due to collective bargaining and bumping rights. In response to a question about how people can equate the median value of their homes to the assessed value, City Comptroller said she would look into providing that information.

4. Adjournment

There being no further business to discuss Councilman Filippi made a motion, seconded by Councilwoman Parker and unanimously carried, to adjourn the meeting at 9:54 p.m.

Respectfully submitted,

Dawn F. Nodarse
City Clerk