

**APPROVED MINUTES** of the Budget  
Workshop of the City Council of the City of Rye held  
in City Hall on November 22, 2010 at 8:00 P.M.

PRESENT:

DOUGLAS FRENCH Mayor  
RICHARD FILIPPI  
PAULA J. GAMACHE  
PETER JOVANOVIICH  
SUZANNA KEITH (arrived at 8:14 p.m.)  
CATHERINE F. PARKER (left at 9:30 p.m.)  
JOSEPH A. SACK  
Councilmembers

ABSENT: None

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.

3. Discussion of the FY 2011 Budget

- Departmental Operations

The workshop began with a discussion of the Rye Golf Club budget. Mayor French said that a unique aspect of the Golf Club is that they are in competition with other clubs while making a substantial contribution to the City and paying off a bond. He noted that fees are at the top of the market and increasing fees could have an impact on overall revenue. He said it might be time to review the long-term strategic direction of the Club. Golf Club Manager Scott Yandrasevich said that it was the non-resident fees were at the top of the market, but not the resident rates. There was a discussion among the Council about the fee structure and keeping the Club affordable for residents. Mr. Yandrasevich said the Club must prepare its budget without knowing what its membership will be for the following year and if the Council asks them not to increase membership dues for residents, the Club should be allowed to determine the best way to meet that goal. He said that the Club has a \$1 million obligation each year due to debt service, General Fund charges and retiree benefits which they must generate before anything goes back into maintenance. City Manager Pickup said that the cost structure the Club operates on is in place until 2018 when bonds are paid off. There was also a discussion regarding the Club's method of forecasting its revenues and expenses for the operation of Whitby Castle, with a

suggestion that the forecasts should be more realistic as to what is actually expected. Mr. Pickup pointed out that there have been discussions held regarding the form of the Club's budget but that there are still issues relating to how their business model works, which does not follow the City's traditional process. Mr. Yandrasevich said they decrease their expenses if they do not believe they will meet their revenue projections, but if they estimate too low they are required to come to the Council to approve any changes. Mr. Pickup pointed out that there are competing philosophies on how the business should be run, which need to be resolved. Mayor French proposed that the Council and the Golf Commission hold a discussion about the issues in January. Additionally, Mr. Yandrasevich addressed a question regarding membership projections by saying that estimates are based on prior years. He said there may be a 4 to 5% decrease in non-resident members, because smaller private clubs were reducing their fee requirements and making them more attractive to non-residents. He added that some private clubs have closed and that would eliminate some of the competition, which might make their numbers increase. Mr. Yandrasevich was congratulated on the Club's policies that promote environmental sustainability and asked if this could further reduce the golf course maintenance figures. He responded that although there are savings by using organic products, he does not think there will be more savings until organic products are further developed. However, the Club is working with a wetland consultant on Phase I and Phase II stormwater runoff requirements that will allow the Club to capture all of its stormwater runoff and use it for irrigation, which will save on water costs. He said that the Club has looked into alternate energy sources and, although wind energy might be beneficial, the requirement of a windmill is an aesthetic negative for many in the community. He also said that they have not found a solar system that would produce enough energy to make the project worthwhile. Mr. Yandrasevich was asked to provide the Council with information on the trends for the various membership categories. He said that membership dues only make up about 60% of the Club's budget and said that if there was no increase in membership fees for 2010 it might result in maintenance projects being deferred that could eventually result in larger increases. He was asked by the Council to provide a list of the projects the Club was anticipating for 2011 indicating the ones he believes cannot be deferred. Mr. Yandrasevich said that, although not the most popular with residents, the best solution for the Club would be to increase resident fees to bring them closer to non-resident fees.

Former Councilman Mack Cunningham addressed the Council about his belief that the Maximus Report which was done in 2002 and allocates costs for departments to the General Fund was based on a flawed model and hurts the Enterprise Funds. He suggested that following a model used by the Airport, which breaks out individual department costs, would be more appropriate in allocating interdepartmental costs to the Enterprise Funds. It was noted that the City owns the golf course and is entitled to charge reasonable expenses.

The second part of the workshop dealt with recommendations for possible ways to lower spending rates and decrease the tax rate. The topics included:

Legal Services – The Corporation Counsel position should be treated as an independent contractor rather than an employee of the City, which could save approximately \$25,000 in benefit costs. City Manager Pickup said that IRS regulations may preclude the City from doing so because of the service expectations placed on the Corporation Counsel such as maintaining an

office in City Hall and holding regular office hours. A suggestion was made that office hours could be held on Skype or by virtual conferencing and that the agreement with the Corporation Council should be structured in such a way that would allow for independent contractor status.

Materials and Supplies – There could be a potential savings of \$50,000 to \$100,000 in this area, especially in the areas of public safety and transportation, which show a proposed increase.

Permits and violations - The increases proposed by the Council at the last meeting could produce an additional \$10,000 if enacted. The City should look at the entire list of fees and consider cost of living type increases. City Manager Pickup said that it may not be a good idea to increase all fees across the board and Comptroller Gribbins said she could not budget increases in fees that were not approved by the Council prior to the adoption of the budget. There was a discussion by the Council of setting a date at their next meeting for an additional public hearing to raise fees not already addressed. The Council should be provided with a list of fees that have not been raised in years for their consideration. Increasing additional fees could result in another \$50,000 in revenue.

Staff Raises – \$172,000 is budgeted for raises, but, in the current economic environment and with the increases in pension and health costs, it is not a good idea to give raises or bonuses. The amount allocated for bonuses to the APG group (\$44,000) should be eliminated. City Manager Pickup pointed out that some employees have already experienced a net loss in salary due to increases in health care costs. He said that due to the expectations placed on staff by both the Council and the public, he would be hesitant to endorse the Council proposal. Comptroller Gribbins said the bonus is a one-time payment that does not get added to the salary base and is non-pensionable. There was a discussion among the members of the Council regarding this proposal, with opinions voiced in favor and against. Another suggestion was made that bonuses for the APG could be tied to the balance in the Contingency Fund at the end of the year.

Mortgage Tax Revenues and State Aid - The proposed budget is too conservative in forecasting mortgage tax revenue for 2011 and based on assumptions in the real estate market it should be increased by \$50,000. It was suggested that due to the current low mortgage rates, more people may be looking to refinance their mortgages, which could increase the revenue. Comptroller Gribbins reiterated that she did not feel comfortable increasing her projections. There was also a discussion of how the City might cope with a reduction of up to one-third in State aid. Comptroller Gribbins and City Manager Pickup said there is \$300,000 in Contingency but after that is used the City would have to look to cutting projects such as street resurfacing or at consolidating services.

Police Overtime – The City should not incur overtime costs for private events such as the Triathlon or other charity walks. It was pointed out that Not-for-Profit groups that run events expect that there are costs associated with running their events.

Additional Council suggestions included:

- If the Council wants to get to a 0% tax rate it should be done by cutting services or raising fees. The Council should go back to the original proposals for increasing revenue

made by staff in June, such as doubling parking permits, increasing the percentage of return by the Recreation Department and reducing the contribution to the Library by \$190,000, and put them back into the budget.

- The Library has been cut by \$100,000. An additional \$90,000 cut would be too drastic.
- People who depend on Recreation Programs like the camps may not be able to pay increased fees.
- The Council should look to increasing fines and fees before making further cuts to the Library and Recreation.

City Manager Pickup said that in order to get to a 1% tax increase the budget would have to be reduced by \$209,000 and between now and the December 1<sup>st</sup> public hearing staff will look at what would be required to get to that figure.

4. Adjournment

There being no further business to discuss Councilman Filippi made a motion, seconded by Councilwoman Keith and unanimously carried, to adjourn the meeting at 10:51 p.m.

Respectfully submitted,

Dawn F. Nodarse  
City Clerk