

***DRAFT UNAPPROVED MINUTES***  
of the Regular Meeting of the City Council of  
the City of Rye held in City Hall on  
November 9, 2016 at 7:30 P.M.

PRESENT:

KIRSTIN BUCCI  
EMILY HURD  
JULIE KILLIAN  
TERRENCE McCARTNEY  
RICHARD MECCA  
DANIELLE TAGGER-EPSTEIN  
Councilmembers

ABSENT:

JOSEPH A. SACK, Mayor

1. Pledge of Allegiance.

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

2. Roll Call.

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

Deputy Mayor Killian congratulated Senator Latimer for his win in the 2016 election. She was also happy to report that the position of Public Safety Commissioner passed by referendum.

3. Presentation of the FY 2017 Budget by the City Manager.

City Manager Serrano stated that the budget was the most important item for a City Manager to do. He said he was proud and honored to present the 2017 budget. He thanked the department heads for the months of work they put into the budget. He announced that there would be budget workshops scheduled for November 14 and 16, 2016, with a budget hearing on December 7, 2017. The 2017 proposed budget recommends a 6.73% tax increase, which exceeds the state tax cap. City Manager Serrano stated that revenues would remain stagnant. He also gave an overview of salary and benefits and the current situation of the NYS Retirement System, which had stabilized somewhat. He said that he recommended looking at additional revenues in the future, or overriding the tax cap. He said that Rye's taxable value remains strong, the housing market is strong, and building permits remain strong. However, Mr. Serrano

said that the City has a number of tax certiorari and claims. There is also a number of unsettled contracts with the unions. He also said that the City has binding arbitration with the Fire Department and Police Department, which result is currently an unknown number. He further mentioned that the the stabilization of retirement rates is currently positive, and the State will be creating a new tier for new employees. This will increase contributions and later retirement, while reducing the overtime attributed toward retirement.

City Manager Serrano recognized Deputy Comptroller Joseph Fazzino, who worked many months and evenings on this budget. He also said that the assessment roll had a .47 increase, which is positive, but very small. Mr. Serrano then said that the City must plan for the future. In terms of revenues, the real property tax is 6.12% of overall budget. Parking rates will change and the parking permit structure will also change. What the fee sources are and the recommendations. He said that the City also has a fund balance policy, to increase it slightly more to protect the City in the future. Further, the City has a separate fund for Rye TV from the franchise agreement. City Manager Serrano then discussed the property taxes. For an average house assessed at \$1.5 million, the assessed value is \$22,600. The increase per household is \$240/year. Mr. Serrano then discussed paving as an operating expense. He said that the State tax cap is 2%, or the CPI, whichever is less. The CPI was less and would have raised only \$500,000. However, the City needs \$1.6 million to balance the budget. He said that the CSEA and DPW unions are still up for negotiation. The PBA contract has also expired. He stated that the City needs to be sustainable and have new employees pay a bit more. He announced that the City and the Fire Department are going to arbitration. There have been good starting points, such as the switch to a less expensive health insurance plan.

City Manager Serrano discussed capital projects and taking money out of fund balance. He also said that he was proud and happy that the City Council amended the debt limit in 2016. He then stated that the City has other funds, such as the Boat Basin. He discussed the mooring fees. He said that the Boat Basin changed the fee structure and found a company that did a survey of all the moorings. City Manager Serrano then said that with the Rye Golf Club, the City is seeing the light at the end of the tunnel, due to a great manager a great staff. He also said that with Rye TV, he is proposing to take \$25,000 from the franchise fund. He thanked the department heads for their work to provide the best resources they can with limited resources. He thanked the City Council for the opportunity to work in Rye with the Council, staff and volunteers. Finally, he thanked to thank Joe Fazzino, Deputy Comptroller, who has been doing a fantastic job. With Joe's leadership and the staff, the City has been able to maintain a AAA rating.

Deputy Comptroller Fazzino thanked City Manager Serrano and the Council. He made the following statement:

“Before we get into the 2017 budget information, I would like to give a summary of where the City will be at the end of 2016.

Based on our 2016 projections, we expect the City to have a loss of roughly \$1.55 million. As was the case in the last few years, this is actually a positive item as the City's 2016 Budget had planned to use Fund balance of over 2.6 million dollars, so the 2016 projections show the City to be around 1,100,000 better than originally planned. In 2016, this is a combination of City revenues and expenditures performing better than budget.

Sales Tax will come in at \$2.15 Million or \$50,000 better than budget.

Penalties and interest on delinquent property tax payments up \$85,000 (we began the foreclosure process more late payments overall).

Parking Permit revenues are up almost \$104,000. Building Permit revenues are \$86,000 more than budgeted.

Traffic Enforcement has increased as shown by a forecast of \$80,000 more in fines than originally budgeted for.

Police overtime reimbursements are expected to be up \$140,000 better than budget.

The largest component of this performance comes as a result of settlement with Travelers as the City was reimbursed for its numerous legal costs pertaining to the Rye Golf Club investigation of roughly \$595,000.

Salaries are expected to be down City-wide, about \$542,000. This is mostly due to vacancies in certain positions throughout the course of the year. There were 11 retirements and two resignations from the end of 2015 and during 2016. While these positions were eventually filled, in most cases they were done so with employees earning lower salaries than their predecessors. Part-time and seasonal salaries are also down across various departments.

Employee health care costs are down and retiree health care costs are up which is a direct result of the situation above. Obviously with 11 retirements the cost of retirees, healthcare will increase. Even though these employees were replaced, there is a lag in time for their replacement, which creates savings along with the savings from our fire fighters switching to the New York State Health Insurance Plan. As you can see, the net effect of these 2 variances is almost zero.

Due to the appropriation of fund balance for the Hewlett Avenue Pump Station, approved at your last meeting, transfers to Capital are \$500,000 more than the original Budget.

The 2017 City budget proposes expenditure increases of 917,584 over the originally budgeted 2016 expenditures.

The largest component of the increase are Salaries and benefits. The City has budgeted for some type of increase for the settlement of currently expired contracts as all 4 union contracts will be expired as of December 31<sup>st</sup> of this year. Other major changes in expenses affecting the budget are listed here: I will highlight a few and I'd be happy to answer questions on any other ones.

Fire salaries are up \$210,000, representative of the settlement of the Firefighter Union's contract, which was expired for 7 years.

Legal costs are up \$229,000 as a result of the several large cases that the City is currently involved in.

Workers Compensation costs also increased in 2017, by \$238,703 compared to \$37,358 in 2015 as the City continues to deal with the effects resulting from the large claim in 2011 coupled with a 13% increase from the Workers' Compensation board throughout the state. This will be discussed more later on.

The cost of health insurance overall unfortunately for both current employees and retirees continues to increase; up \$347,844, combined for 2017. This graph does a good job of showing where health insurance costs were prior to the recession and where they are today. You can see since 2007 the cost has more than doubled.

In a positive turn, for the fourth consecutive year NYS employee retirement rates for 2017 have decreased after experiencing double digit rate increases from 2010 through 2012. These decreased rates along with new tiers for new employees, have resulted in retirement costs overall being down \$53,731 for 2017. Similar to health insurance, you can see the huge spike in costs at the time of the recession.

These next charts show the different component of General Fund expenditures.

Salaries and benefits are the largest portions making up overall expenditures at a combined 64%.

The next slide shows expenditures by program, with Public safety being the highest function.

Police and Fire services are the biggest portion of public safety, but programs such as parking enforcement, crossing guards, EMS and Building inspection are also included here.

As for the revenue side, revenues other than property taxes are up about \$217,000 over the 2016 budget. While there were no major increases in any of these revenue streams, we looked at historical data and were comfortable making these increases. Parking permit revenues have the largest increase, and that's due not only to historical trends, but also there are some proposed rate increases. We can discuss this further at next week's workshop.

Please see the charts below depicting the City's current major revenues other than property taxes. Sales tax, mortgage tax and building permit revenues have been the largest contributors to major revenues over the last few years. This next chart shows how Major revenues have been consistently at least 25% and in recent years over 30% of all City Revenues compared to total expenditures.

Given the changes in expenditures and revenues mentioned above, how did we balance this budget? For 2017, we use the same formula has been used to balance the budget over the past few years:

1. The use of fund balance
2. Increase the property tax levy.

In terms of the use of fund balance, the budgeted use of General Fund fund balance is consistent with last year.

In addition to the use of fund balance for Capital Projects, of \$700,000, there is a planned use of fund balance for miscellaneous equipment purchases in the amount of \$394,400. We have also appropriated fund balance to fund our contingency budget of \$350,000.

In 2016, the City used \$310,000 of fund balance to offset some of the costs associated with workers compensation. In order to keep in line with 2016 we have decided to appropriate \$310,000 of fund balance in 2017 as well.

Please note that the 2016-2017 workers comp premium will be the 5<sup>th</sup> and final premium reflecting the large claim from 2011. According to conversations with our insurance broker, we can expect substantial savings with the removal of this claim from our experience. He has also informed us of some insurance coverage options we can take advantage of further reducing our costs. These savings will hopefully allow to us no longer rely on this use of fund balance to cover workers' compensation.

Finally, to further offset some of the above mentioned costs that are beyond the City's control, proposed by the City Manager in this budget, we are using \$350,000 of Building & Vehicle Fund Balance to cover some of the operating expenditures of that fund.

In 2016, the City was able to use \$200,000 of fund balance from the risk retention fund. This practice was followed from 2013 through 2016. Unfortunately due to the City's reliance on this source of revenue, over the last few years, it is no longer available for 2017. For this reason, the use of the Building & Vehicle Fund balance was increased from \$150,000 in 2016 to \$350,000.

A list of capital projects will be discussed in further detail at next week's capital projects workshop. One important item to note is the funding of Street resurfacing in

2017. This year's proposed tax rate includes \$600,000 in annual street paving, which was previously funded from the General Fund's unassigned fund balance. Had street paving not been included in the tax rate, and funded from General Fund unassigned fund balance, the proposed tax rate increase for 2017 would have been about 2 ¾ percent less than the tax rate that is being proposed.

For the 2017 Budget and most recent budgets, the property tax levy is two-thirds of our total revenues. The 2017 property tax levy is \$23,632,420, a levy increase of \$1,593, over the 2016 Budgeted tax levy. This translates to a 6.73% tax rate increase. This is an annual increase of roughly \$240 to the average home in Rye with a market value of \$1,500,000.

Not surprisingly, the 2017 total levy amount is \$1,097,184 over the tax levy cap. I thought it was important to show how we arrived at 1.6 Million dollar tax levy increase, and I think this slide does a good job of this. The tax levy has increased by more than 5% five times in the last 17 years. The tax rate had not increased by more than 3.5% since 2010. The City tax for an average home in the City of Rye is lower than neighboring communities.

However, there are some concerns going forward:

1. Looking forward to 2016, it is important to remember that we cannot expect our elastic revenues to increase significantly enough for us to conservatively budget increases going forward.
2. The use of appropriated fund balance at this level is not sustainable. A large portion of fund balance usage is to fund capital fund projects. If fund balance is no longer available for Capital projects, the City might have to turn to debt to fund future projects."

Councilwoman Bucci noted that with the 6.73 % increase in taxes, this will continue unless the City finds a way to keep its biggest expense down, which is employee benefits and salaries.

Councilwoman Hurd noted that under capital projects, there was no allocation for the Forest Avenue sidewalk grant.

Councilman Mecca inquired about the Blind Brook Sewer District, and there was general discussion about expenses for that district.

Councilwoman Hurd asked that in terms of process, if there is something that is not in the proposed budget, such as Forest Avenue sidewalks/ paving, how can the Council discuss putting it in. Deputy Comptroller Fazzino responded that the proposed budget can be amended.

Councilwoman Tagger-Epstein brought up the proposed five-points intersection capital project and there was discussion about it costing the City an additional \$200,000. There was also discussion about revenues generally. Councilwoman Tagger-Epstein that asked where the Master Plan fits into all of this.

4. Consideration to set a Public Hearing on the 2017 Budget for December 7, 2016.

Councilman Mecca made a motion, seconded by Councilwoman Tagger-Epstein and unanimously carried, to set a Public Hearing on the 2017 Budget for December 7, 2016.

5. Consideration to set a Public Hearing to adopt a Local Law to override the State enacted tax levy limitation for December 7, 2016.

Councilman Mecca made a motion, seconded by Councilwoman Tagger-Epstein and unanimously carried, to set a Public Hearing to adopt a Local Law to override the State enacted tax levy limitation for December 7, 2016.

Joseph Murphy, Rye resident, discussed the Senior Advocacy Program budget for 2017. He asked when that item would be discussed. City Manager Serrano responded that it would be considered at the budget workshop.

6. Adjournment.

Councilman Mecca made a motion, seconded by Councilman McCartney and unanimously carried, to adjourn the regular meeting of the City Council at 9:00 P.M.

Respectfully submitted,

Carolyn E. D'Andrea  
City Clerk