COMMON COUNCIL
October 16, 2008
Special Meeting

Mayor Joseph Maiurano presided at a special meeting of the Common Council held at 6:00 p.m. on October 16, 2008, in the Common Council Chambers at One Court Plaza.

Present:
Mayor Joseph Maiurano
Ald. Robert Carey
Ald. Terry Bresina
Ald. John Deierlein
Ald. Walter Schermerhorn
Ald. Paul Laughlin
Ald. Robert Jeffrey

Also:
Clerk/Director of Finance William Roberts
DPW Superintendent Carl Ivarson
HR Director Deborah DeForest
Police Chief Joseph Angelino
Fire Chief Tracy Chawgo
EMO A. Jones
Youth Bureau Director Robert Mason
Deputy City Clerk Brian Drake

Absent
None

Call to Order
The meeting of the Common Council was called to order by Mayor Maiurano at 6:08 p.m.

Mayoral Designation
Mayor Maiurano designated Halloween "Trick or Treat" as Friday, October 31, from 5:30 p.m. to 8:00 p.m. The Council members concurred.

Budget Discussion
Mayor Maiurano prefaced the discussion of the working draft of the 2009 Budget with the following statement:

> In developing the 2009 budget there were several guideline principles at work. Working with Council input and the department heads, the focus was on preserving core City services while advancing initiatives consistent with our comprehensive plan and the City's mission and goals. The budget also reflects the updating of the Wastewater system and future upgrading of the water treatment plant. Finally, this budget directs the City's limited resources to do our core services well, versus the traditional budget approach of simply "thinning the soup" due to the lack of focus on priority service areas.
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> Within this foundation, major themes for the City's 2009 budget include (1) fund core services within available resources, (2) focus on the City's priority projects, such as the RBCs project, new water treatment facility, downtown parks and business improvement district, (3) hold the line and look for ways to decrease utility costs when possible, (4) invest in the City's future by having healthy reserve accounts.
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> This budget was extremely challenging because of the state of the economy, so we had to be realistic on revenue projections. We did not include in the budget $80,000 due to the City in State revenue sharing for 2009, because of the budgetary crisis at the State level. Also, we have projected that sales tax revenues will remain flat. Our operations have been lean for many years and contracts and personal services (61% of the budget) increase automatically by 3% annually. Other issues, such as the increased costs of fuel, heat, and utilities, also added to the challenge.
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> With the input from department heads and Council members, we are now able to present a budget that is responsible, provides quality services, and will not put an undue burden on taxpayers.
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> > Budget at a glance:
> > Unappropriated, unreserved fund balance will be preserved at $553,000
> > General fund capital reserves will be at $647,000
> > Tax increase to the average taxpayer will be $2.34 per month General Fund and $4.33 per month water and sewer
> > We have also increased the property tax exemption limits for senior citizens.

We must continue to work together in a positive manner to assure the City will grow and prosper even in these challenging times.

Finance Director William Roberts explained that work on the draft budget had begun in August and was focused on staying within the parameters set by the Common Council. A first rough draft of the budget, even with continuing the lean, austerity model of many years now, still projected a tax-revenue increase of 15%, but the proposed budget has an increase of only 3%. Ald. Schermerhorn asked which significant items were affected to effect such a large reduction. W. Roberts explained that the reduction was necessary because the City will not be able to depend on the $80,000 increase in revenue sharing promised by the State for 2009, although that increase may in fact occur. Therefore, small cuts were made in many items. Typical examples of just a few included travel expenses for the Mayor and incidental expenses for the Council. The Fire Chief instituted additional reductions in materials costs, supplies, approximately $8,000 for operational equipment, and overtime expenses. Attorney costs, other than the usual costs of the City Attorney and the attorneys handling the Chenango Lake lawsuit, are also reduced. Public Works was able to reduce equipment costs, and utilities expenses were reduced by $7,000. The contingency line item was reduced by $26,000, and Street Trees - Contracted Services was reduced by $7,000, because contracted services for this item in 2008 were lower than anticipated and the City hopes that trend will continue. In all, up to 30 line items were reduced to keep the tax-revenue increase as low as possible.

Ald. Carey asked for an explanation of the projected State revenue sharing program. W. Roberts explained that the State had agreed to increase revenue sharing 7% each year starting in 2007 for three consecutive years. However, because of the economic problems at the State level, he feels that revenue sharing is unreliable and should not be included in the proposed budget. Mayor Maiurano said that he is working hard to ensure the City does receive that revenue, but it would be irresponsible to include it in the tentative budget at this time. W. Roberts explained that existing revenue sharing could possibly even be reduced by the State, but of course that cannot be projected. This is why keeping a healthy fund balance is so important.

Ald. Carey asked about the status of the State's pension plan and the City's contributions to that plan. W. Roberts explained that the State pension plan locks in the City's employer contributions almost two years in advance, so the contribution amount in the tentative budget is set. The City made its contribution to the State pension plan for 2008 in 2007, which resulted in a small savings, and the tentative budget will make this possible for the 2009 contribution as well. Sales tax revenues for the current year-to-date of 2008 are $150,000 higher than anticipated, so it may be possible for this trend to continue. Ald. Carey asked what percentage of payroll constitutes the pension payments. W. Roberts reported that pension payments constitute approximately 14% of Police and Fire payrolls, and 11% for other departments. The projection for payments in 2010 is slightly lower, approximately 13.7% for Police and Fire and 10.5% for other departments. Ald. Carey asked if these projections were made before the market downturn. W. Roberts affirmed that was so, and risk is always inherent, because the State may change its parameters at any time. Mayor Maiurano explained that the State changed its parameters for investment after market downturns in 2000-2001, so that investments are now more diversified across multiple asset classes, investment types, markets and industries. State Comptroller Thomas DiNapoli issued a statement this month on the strength of the New York State Common Retirement Fund.

Ald. Jeffrey noted that with the tentative budget, every department is expected to do more with less money, but that employee benefits are rising dramatically. He asked how this might be brought under control. W. Roberts reminded the Council that the current increase in health care premiums is 17%, and the tentative budget reflects the same increase in 2009.

Ald. Deierlein remarked that the City's role is to provide services, and expressed concern that the tentative budget may not be sufficient to provide those vital services and to keep reserves at a safe level. W. Roberts reviewed the capital reserves account, which was $504,000 in 2007, $551,000 in 2008, and projected at $647,000 for 2009. While this is not perhaps ideal, it is significantly higher than in years past, and provides a safe and stable cushion against emergencies. He reminded the Council of a new capital reserves account created recently for General Fund infrastructure purposes (e.g., curbing, sidewalks, and parking lots), which will be funded at $20,000 this year. Money will need to be found for this in 2009, no additional deposits for this account are earmarked for 2009. Ald. Jeffrey confirmed to the newer Council members that the General Fund unappropriated balance had been projected to fall with a range of about $300,000 only a few years ago. Mayor Maiurano commented that City employees in all departments are aware of the economic situation and are working hard to save money in all areas. Ald. Jeffrey asked about member item grants received in 2008. Mayor Maiurano mentioned such grants from 2007 were received this year, which replenished the DPW's Equipment Reserves, and hopes more such grants will be forthcoming.

Ald. Schermerhorn questioned the overall impression of the proposed budget showing less revenue and larger expenditures. W. Roberts explained that $330,000 is in unappropriated funds to make up the apparent shortfall, made possible by a higher beginning fund balance from 2007, plus higher revenues in 2008. He explained the delicate balance required in keeping taxes low while maintaining fund balances.

Ald. Carey questioned accrued liability on employee benefits. Human Resources Director Deborah DeForest explained that these funds are accrued to cover those Fire and Police employees who opt for retirement and qualify for retirement bonuses. The fund was established several years ago. Not all those eligible for retirement take it, but a few have over recent years. Current practice is to try to make these payments from current funds rather than draw from reserves. Ald. Carey asked how the City is contractually bound regarding health insurance. D. DeForest explained that the current contracts specify the current Excellus Blue Cross Blue Shield or better as the coverage to be offered. She noted that some bargaining groups have recently expressed a willingness to entertain coverage from other insurers in order to mitigate rising health care costs. Ald. Carey noted that Excellus has announced it will no longer offer the current plan to the private sector, and asked what the consequences will be if plan is terminated by Excellus for the public sector as well. D. DeForest said this would obviously impact negotiations with contract units if the specified plan is no longer available, and this would help open the possibility of negotiating with other insurance providers.

Executive Session
Ald. Jeffrey **moved** to enter executive session at 6:43 p.m. to discuss the employment history of particular individuals. Seconded by Ald. Carey, duly approved ayes all.

Ald. Jeffrey **moved** to exit executive session at 7:43 p.m. Seconded by Ald. Laughlin, duly approved ayes all.

Motion

Determination of Tentative Budget Status Ald. Carey **moved** to designate the working draft and receive it as the tentative 2009 Budget and set a public hearing for October 28, 2008, at 7:00 p.m. Seconded by Ald. Deierlein, duly approved, 6-0, on a roll call vote.

W. Roberts reminded the Council that the Special Grants Budget, which has no impact on taxes or water/sewer rates, will be completed and included in the Tentative Budget by next Monday.

Adjournment
Ald. Deierlein **moved** to adjourn at 8:06 p.m. Seconded by Ald. Jeffrey, accepted ayes all.