

Special meeting of the Board of Trustees of the Village of Brockport was held in the Conference Room, Municipal Building, 49 State Street, Brockport, New York, January 6, 2010 at 4:30pm.

PRESENT: Mayor M. Connie Castañeda, Deputy Mayor Christopher R. Martin, Trustee Kent R. Blair, Trustee Scott W. Hunsinger, Trustee Hal S. Legg, Treasurer Gina M. Tojek, Clerk Leslie A. Morelli,

ALSO PRESENT: DPW Superintendent Harry G. Donahue, Police Chief Daniel P. Varrenti, Chuck Bastian and Karen Freeland of Bernard P. Donegan Municipal Finance, Scott Rightmyer, Jim & Joan Hamlin, Norm Giancursio, Francisco Borryo, Fred Webster, Democrat & Chronicle reporter

EXCUSED: Trustee Hal S. Legg

CALL TO ORDER: Mayor Castañeda called the meeting to order and wished everyone a Happy New Year.

MISSION STATEMENT: "To provide a high quality of life for all residents, exercising fiscal responsibility and preserving Brockport's unique heritage and historic character."

C. Bastian said he last met with a partial Board (Mayor Castañeda and Deputy Mayor Martin) and Treasurer Tojek on November 17th in which they reviewed a draft version of the long-range financial analysis of the General Fund (GF). He said he was glad that more Board members were able to attend today. He distributed an update of the working draft dated January 6th. These are called working drafts as projections unfold and the Village determines what they want to accomplish with Village services. He said he realizes that no one ever wants to raise taxes. There are a couple of key things worked into the new draft including contractual and equipment needs. The Board needs to determine what levels they want to maintain in the fund balance and reserves going forward so that in 2, 5, or 10 years they will be ready to fund particular project(s).

Cash Flow –

Treasurer Tojek provided an updated cash flow based on conversations with the auditors recently. They talked about third party billing (3PB) (ambulance) and how it relates to fund balance and what it can be used for. First – how the ambulance was formed and if it was constituted properly. The Village Attorney has also communicated with NYS OSC and is working on this so that the Village Board can constitute it under General Municipal Law. There are ramifications such as insurance and issues. Second – how it relates to the GF. It IS a GF asset and is correct from a bookkeeping standpoint. However, historically only ambulance related expenses were funded through 3PB. Nothing in the law states that 3PB can't be used in the GF. It (ambulance) is a service that charges user fees which must cover expenses and make a reasonable rate of return. Depreciation costs, administrative costs and such have not been included. Therefore, the ambulance operations need to be evaluated to include all tangible and intangible costs. The onus is on the Board to be sure the rates they set support the costs. The tax rate calculation has always included revenue from 3PB. However, nothing came out of it except for ambulance. It is a huge revenue not applied to GF expenditures. GF cash is being depleted. Had that revenue been taken out of the GF budget, the tax rate would have been much higher. G. Tojek said it is not straight forward and that she and the NYS OSC auditors have spent a lot of time on this. The Village is on the right track. The money belongs in the GF.

There is a \$20,000 annual transfer from the Water Fund (WF) to the GF. If a Sewer Fund (SF) is re-established, the same would happen with it. This is for administrative overhead and is a common practice.

G. Tojek said the cash flow is pretty ugly. The grey block on the left side is the estimated total cash available. She said the Village ran out of money last year and the GF borrowed \$350,000 from 3PB to repay at end of year. Started the fiscal year \$500,000 in the hole. The 3PB is a volatile revenue source. The Village is definitely at a critical financial juncture. It is an opportunity to have a plan. She said she was here only 8 months and had to do a cash flow analysis due to her concern that the Village would run out of money. She has never had that concern elsewhere. She said her analysis is fairly conservative. It is a tool. It is not cast in stone. There are some major expenses coming up including a \$274,000 retirement bill. Should the Village Board implement the proposed spending freeze, it will allow catching our breath and reduction of the deficit. She said she would want the Village to hold \$750,000 ultimately.

Deputy Mayor Martin said he'd be happy to accomplish no red ink this year.

Treasurer Tojek stressed the importance of funding the reserves to preserve the Village's fixed assets (properties, vehicles, equipment). Do it by plan, not by accident. There is little in reserves as they have been depleted. For a Village this size, having \$40,000 to \$50,000 in reserves is insufficient. It will be a challenge to build up the reserves. What are the priorities? How much debt can we take on? We would need to run a surplus each year while keeping the tax rate at a reasonable level. The most important objective today is to make sure the Board knows the status so it can make informed decisions. It is a collaboration of the Board and Department Heads. She said it can be done, but it

won't be easy and not everyone will be happy.

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Treasurer Tojek reviewed the cash flow analysis and indicated that January and February are rough months and will be approximately \$300,000 short. Enacting a spending freeze on non-essentials will help.

C. Bastian referred to the revenue and expenditure budget codes for the year which help give a picture of where we are over or under budget. Are any revenues missing? Was the budget built with a structural imbalance? Maybe an inner-fund loan is necessary? He shared that there are 4 options:

- a revenue anticipation note – when you expect a revenue, but it is not in yet – negative does not disappear at end of fiscal year
- a tax anticipation note – by law no earlier than 10 days before the close of the fiscal year
- a budget note – raises a flag to the credit market – lenders may not want to lend, laws on how to pay back – needs a definitive plan
- a deficit bond – is an extension of a budget note – pay over ~ 5 years – special legislation is needed.

C. Bastian said he feels a budget note is the only viable option if the Village can't cut spending this year.

Trustee Blair commented that any of the options are really "robbing Peter to pay Paul".

C. Bastian said once the Village builds back its fund balance to a safe cushion, it needs to plan its budget (revenues and expenditures) to match.

T. Lauffer reminded the Board that he came out and presented the audit report. He said he is pleased to see the Board at the table ready to begin to lay out a plan to address the issues. The budgeting situation didn't happen overnight. The Village can limp along putting off projects or equipment purchases, but that is not recommended as the assets need to be kept viable and useful. When you think about freezing spending, realize that as we head to February, a lot of expenses (payroll and benefits) are set in stone. How much savings can you realize with a spending freeze? It will be a difficult road to hoe, but it's one the Village must walk down. A short-term and long-term plan is needed. He said it is nice to see a 4-5 year capital replacement plan. That is a great tool. Regarding a budget note, it is a way to get at short term, but he said he thinks there is a 2 year (not 5 year) payback. He said that would just be pushing off the issue another year. He is all for mapping out a plan.

Trustee Blair asked Treasurer Tojek why payroll jumps in March. Treasurer Tojek said there are 3 payrolls in March.

Treasurer Tojek said most of the departments are on target at 50% halfway through the fiscal year. The Village will be short on revenues (sales tax, fines, etc.) They will be over on medical and retirement. Treasurer Tojek shared that she proposed a 22% tax rate increase last year. That was taken down 10.

Treasurer Tojek said \$30,000 in expenditures will be eliminated with the elimination of dispatch in March. Deputy Mayor Martin said that is partly Sweden and Clarkson. Treasurer Tojek said \$110,000 was the dispatch budget. The Board will need to discuss.

Treasurer Tojek said she was probably conservative on 3PB revenues. She looked at historical information, but who knows how many ambulance calls there will be.

Treasurer Tojek estimated that \$150,000 to \$200,000 may be able to be saved if the Board were to implement a non-essential spending freeze at this point in the fiscal year. C. Bastian said that's a good start – chip away.

Mayor Castañeda said the cash flow analysis has been an eye opener. She commended Treasurer Tojek for all of her hard work on this and the numerous hours with the auditors and financial consultants. She said this is a significant piece of information. Treasurer Tojek agreed that it is a very useful tool.

Working Draft - long-range financial analysis of the General Fund (GF).

C. Bastian referred to the working draft dated January 6th which includes the following:

- Unreserved Fund Balance History
- Estimated Reserve Balances as of May 31, 2010
- History of Reserves
- Proposed Replacement Schedule – Capital Improvement Plan
- Projections of Revenues, Expenses and Fund Balance
 - Option C – With Future Equipment Purchases
 - Option D – With Future Equipment Purchases and Increase Real Property Taxes

Route 19 Water & Sewer Line Replacement

- Financing Timeline
- Proposed 29-Year Maturity Schedule

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Proposed 10-Year Maturity Schedule for \$850,000 Ladder Fire Truck
Proposed 5-Year Maturity Schedule for \$140,000 6-Wheel Dump Truck
Proposed 5-Year Maturity Schedule for \$180,000 6-Wheel Bucket
Proposed 5-Year Maturity Schedule for \$140,000 6-Wheel Dump Truck 2
Proposed 5-Year Maturity Schedule for \$140,000 6-Wheel Dump Truck 3
Proposed 10-Year Maturity Schedule for \$395,075 Monroe Avenue Storm Sewer Piping
Proposed 5-Year Maturity Schedule for \$135,000 Ambulance
Current Municipal Bond Rates as of January 4, 2010

Mayor Castañeda shared that it will be posted to the Village website and copies will be available at Village Hall beginning tomorrow.

C. Bastian reviewed the document section by section and made various comments throughout including:

- \$167,000 is the unreserved fund balance
- Fire Department equipment reserve is the largest. The rest are quite small.
- It is up to the Village Board and Department Heads to determine how much each reserve should have. What purchases or projects are coming up? Are those, indeed the years the Village needs to make the purchase or do the project? Utilize money in reserves or finance?
- Fire Department equipment (trucks) and DPW rolling equipment typically need a long range replacement plan as such equipment is quite expensive.
- Referred to replacement schedule and period of probable usefulness.
- Now that there is a capital improvement plan, it is important to update it each year.
- Does the Village know of any revenues that will decrease?
- Take the historical percentages with a grain of salt, as a % increase or decrease could seem large or small depending on the dollar amount.
- Village doesn't have \$800,000 to \$850,000 for a ladder truck. Refer to debt service options.
- One option is a projected 18% tax increase each of the next 5 years to get from point A to point B, but it doesn't fund the reserves.
- Finances need to be monitored and managed monthly. Treasurer Tojek concurred that it takes constant diligence on everyone's part.
- Something else will have to give.

Mayor Castañeda said the Board has discussed the possible elimination of the water department. She said her concern is funding from the General Fund (GF) those that would remain that are currently paid from the Water Fund (WF). How does the GF absorb those salaries and benefits? Deputy Mayor Martin said that adds another \$500,000. Mayor Castañeda said if Monroe County Water Authority (MCWA) were willing to take over the water system with the debt service from the recent water project, it may be worthwhile to consider.

Superintendent Donahue reminded the Board that a lot of equipment has been purchased for use by DPW through the WF.

C. Bastian commented that if the Village was to sell an asset (water department), MCWA might be willing to take some or all of its debt, as it can't take an asset for free.

Scott Rightmyer (a former Treasurer) cautioned the Board to compare its rates to MCWA rates, as MCWA has extra charges. Treasurer Tojek said they have that information and have conducted a thorough water rate analysis.

Water / Sewer Project –

C. Bastian referred to the \$2.6 million water/sewer project. Treasurer Tojek shared that the project is essentially complete and is under budget. C. Bastian said the Bond Anticipation Note (BAN) comes due in May. If the Village is ready, it could convert to permanent financing. If not, it could wait another year. C. Bastian asked if the Village received any grant assistance with the project. Treasurer Tojek said no. C. Bastian reviewed the bond process. For a May 15, 2010 bond closing, the bond sale would be May 1st with notice sent to banks by mid – April. A credit rating agency will assign a credit rating and assign interest rates based on financial condition. The rating agency is like an underwriter. They will look at a 5 year history and demographics and employment in the area. If trending down, it is not the end of the world as long as the Village has a plan (to build fund balance, etc.). He can arrange a sit down with rating agencies for a subsequent bid for an interest rate. If the Village does not want to lock in a bond rate for the next 28 years, it can wait until spring 2011. By law, it must go from BAN to Bond

by the end of the 5th year.

Deputy Mayor Martin asked if the credit rating can change. C. Bastian said yes, but once you lock in to a bond rate, it's locked in. Deputy Mayor Martin said so once you're in the process, you're in? Or, can you get a credit rating and then decide not to go to bond? C. Bastian said the CFO can reject the bids if

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interest rates are too high. However, you've just bought a credit rating. That's not ideal. A lot depends on the market, who the bidders are, and the Village's relationships with banks.

Future Equipment Purchases –

C. Bastian referred to the sample maturity schedules for various future equipment purchases. Regarding the Fire truck (ladder truck); he believes the Village will be able to do a nice down payment from reserves, not having to finance all \$850,000. However, since reserves elsewhere are depleted, other purchases would have to be financed in entirety.

Next Steps –

Treasurer Tojek said that takes care of the agenda with the Bernard P. Donegan Municipal Finance folks. She thanked them for the very useful document. It is a great guide for the Board as it moves forward. C. Bastian said the better information the Village gave them, the better the document. He thanked Treasurer Tojek for her help. C. Bastian offered their assistance in walking the Village through preparation of its 2010 – 2011 budget.

Deputy Mayor Martin said that would be helpful and asked if a motion to keep BP Donegan Municipal Finance involved through the budget process would be appropriate.

Treasurer Tojek said she'd like to give it some thought and talk further with C. Bastian. She is experienced with budget and just created and put out budget input sheets to the Department Heads. She created all new foundations so it's pretty well built. She is not sure what level of involvement would be needed, as they call her for the numbers anyway. She said she welcomes and appreciates experts, but the reality is that she knows the Village's operations. Trustee Hunsinger concurred that is her job. Deputy Mayor Martin said he had heard horror stories of recent budget prep years and domination by single Board members. He said most Board members do not have years of experience in this. Treasurer Tojek said oversight is a good thing.

Trustee Blair asked if Treasurer Tojek would be putting together the WF numbers. Treasurer Tojek said yes and she would have C. Bastian review them. C. Bastian said they are more than willing to be flexible as to their level of involvement.

Mayor Castañeda said the last 4 years the person in the Treasurer position had to endure the Board's reluctance to meet as a group or meet with Department Heads and work together. She said working together is vital, as is the importance of having brought in new auditors and municipal consultants. She said she has made recommendations in the past that had fallen on deaf ears. It is time to make some tough decisions, to not spend more than is coming in, and to hear back from constituents.

Mayor Castañeda commented that she feels DPW is at bare bones as it is. Cutting spring clean up won't get us where we need to be. Are residents willing to pay higher rates to keep the Water Department? Are residents willing to pay higher taxes to keep the Police Department? She said the Police Department is not getting cheaper to run. It costs \$2 million and the tax levy was \$2 million.

At 6pm Deputy Mayor Martin suggested excusing the auditors and financial consultants. Board thanked them for their assistance thus far.

Actions –

→ Mayor Castaneda moved, Trustee Blair seconded, carried 4/0:

RESOLVED, that the Village Treasurer is hereby authorized and directed to transfer funds in the amount of \$400,000 from Third Party Billing (Money Market Consolidated Account) to General Fund Savings as a temporary loan between General Fund cash assets. It will be paid by 5/31/10.

→ Mayor Castañeda moved, Trustee Hunsinger seconded, carried 4/0:

RESOLVED, that the Village Board hereby imposes a spending freeze effective immediately on all expenditures with the following exceptions:

- Payroll
- Employee Benefits
- Debt Service

- Utilities and Postage
- Commodities (including fuel, heating oil, road salt and sand)
- Contractual Obligations (lease payments, etc.)
- Legal Compliance Expenditures
- Emergency Expenditures for health, safety and welfare of citizenry
- Other Necessary Expenditures, upon approval from the Mayor

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Requests for expenditures identified as “Other Necessary Expenditures” shall be submitted by Department Heads in writing to the Mayor with a detailed explanation of 1) item to be purchased/service to be provided, 2) estimated or actual cost, and 3) reason why this purchase is considered necessary. Notice of expenditures approved by the Mayor will be forwarded to the Village Board.

Note: this covers all departments with the exception of Fire and Ambulance

Public Works Capital Projects & Equipment Replacement Needs -

Superintendent Donahue reviewed infrastructure projects he believes necessary over the next 5 years. The top priority is the Perry Street sanitary sewer replacement. He plans to attend the upcoming Monroe County Community Development Block Grant information session in an effort to obtain some CDBG funding. The next priority is the Monroe Avenue sanitary sewer replacement. Other projects include several street rehabs (surface and curbing).

Trustee Blair thanked Superintendent Donahue for the detailed report. Superintendent Donahue said some of the data came from the draft Capital Improvement Plan that Chatfield Engineers assisted with, but the Board never adopted.

Superintendent Donahue referred to the equipment replacement schedule. There is a formula from New York State on how long certain equipment should be used.

Trustee Blair referred to the current bucket truck and asked if it is still functioning. Superintendent Donahue said 26 deficiencies were noted and the major ones were addressed. It is due for re-inspection next month. Trustee Blair asked the possibility of sharing some equipment (such as a bucket truck) with other municipalities. Superintendent Donahue said the Village and Town of Sweden jointly applied for a Shared Municipal Services (SMSI) grant a couple of years ago, but were denied.

Clerk Morelli shared that SMSI is now called Local Government Efficiency Grant Program. She recently reviewed the cumbersome materials and forwarded a review for the Board. The grant program is no longer geared toward equipment purchases, but consolidation of services. Trustee Hunsinger said he also reviewed the information and concurred that it is a very involved process.

Trustee Blair said he reviewed the fuel usage reports and noted that 1 truck used a particularly large amount of fuel and wondered if that truck were being worn out.

Mayor Castañeda reminded the Board that the DPW has lost out the last couple of years and had to postpone equipment replacement. Delaying purchases of needed equipment catches up after a while. Trustee Blair said it can also be a safety issue. Mayor Castañeda re-iterated what Superintendent Donahue said earlier about the Water Fund funding some of the equipment also used by DPW. This needs to be taken into consideration if the Water Department were to be turned over to MCWA.

Mayor Castañeda commented on the balance in the Water Fund 2/28/02 and only withdrawals made since then. She said she would provide a copy to Superintendent Donahue. Trustee Hunsinger said there were a lot of interesting things happening with the Water Fund and commented that former DPW Superintendent Elliott Reynolds is a wealth of information. Mayor Castañeda said she has also spoken with E. Reynolds.

6:25pm – Superintendent Donahue left.

Sewer User Fee -

Mayor Castañeda referred to the possibility of re-implementing a sewer user fee. It is based on water consumption. She said she feels it is an additional burden on the taxpayers. Deputy Mayor Martin said by billing a sewer user fee rather than putting it on the tax bills, you can't deduct it off your taxes. Mayor Castañeda encouraged the Board get all the facts before making a decision on imposing a sewer user fee or on turning water over to MCWA.

Equipment –

Trustee Blair commented that \$180,000 is a lot of money for a bucket truck. He would need to know how much it is really used. If it can't be shared between municipalities, he suggested leasing such a truck when needed.

Trustee Blair commented that \$850,000 is a lot of money for a ladder truck. He suggested budgeting properly for repairs to the existing truck to extend its life.

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Police Department –

Mayor Castañeda said while she appreciates the Police Department budget reductions worked on by Trustee Hunsinger, she urged the Board to seriously consider looking at the Police Department by looking at call volumes and either eliminating a shift, reducing hours, reducing manpower to see what savings could be realized. She asked the Board to allow for research and not shut down the possibilities.

Trustee Hunsinger suggested the Board enter into executive session as some of these issues could impact contract negotiations.

Executive Session:

Mayor Castañeda commented that it is her understanding that the Board entered into executive session at the beginning of the last meeting in which she was absent and that it lasted almost 2 hours. She said she would hope that whenever possible that executive sessions would be held at the end of the meeting out of respect for those citizens and employees who take their time to attend the meeting.

Trustee Hunsinger concurred and shared that the executive session with Chief Varrenti in which they phone conference the Mayor was brief. They began on another topic and it went much longer than they had anticipated. He said he was sorry that citizens were kept waiting, but that it was justified and productive.

⇒ At 6:35pm, Trustee Hunsinger moved, Trustee Blair seconded, carried 4/0 that the Board of Trustees of the Village of Brockport enter into an executive session to discuss (e) collective negotiations pursuant to Article 14 of the ?civil service Law (the Taylor Law).

⇒ At 6:53pm, Trustee Blair moved, Trustee Hunsinger seconded, carried 4/0 that the Board of Trustees re-enter the regular meeting.

ADJOURNMENT:

→ Deputy Mayor Martin moved, Trustee Hunsinger seconded, carried 4/0 that the meeting be adjourned at 6:53pm.

Leslie Ann Morelli, Village Clerk