

TOWN BOARD
SPECIAL BUDGET MEETING
February 8, 2005 - 7:00 PM

The meeting was called to order by Supervisor Hundt at 1:00 p.m.

Salute to Flag was conducted.

Emergency Exits were pointed out by the Supervisor.

Roll Call:

Councilman Devine	Present
Councilman Russell	Present
Councilwoman Doyle	Present
Councilman Carroll	Present
Supervisor Hundt	Present

Supervisor Hundt opened this special meeting with an explanation of why the meeting had been called. She went through a brief history of the budget preparation process that was followed to produce the 2005 Town budget. She then introduced Mark Semo of D'Arcangelo & Co.

BUDGET PRESENTATION

Mark Semo began his presentation by noting that he had spent the past month reviewing the budget process in Amenia. He used overhead transparencies to illustrate various points in his presentation:

1. Cash Balance is the same thing as Fund Balance. This is a tool that is used to help you go into the following year. If money from the Fund Balance is used to offset the budget, it is like spending from your savings account.
2. During 2004, the Debt Service went up to pay off debts quicker and the money came out of the Fund Balance. \$315,000 of the reserve was used (amended budget 2004).
3. During 2004, taxes came in as expected, however other revenues were \$200,000 higher than anticipated. By year end, \$9,400 of the Fund Balance was used.
4. The Fund Balance had over \$600,000 going into 2005.
5. An alternative to the approved 2005 budget could have been achieved by lowering the Contingency line item by 50%. This would have resulted in a .4% tax increase.
6. At the end of 2005, Amenia will have an excess Fund Balance.
7. The Highway Fund had its own Fund Balance of approximately \$250,000, which was earmarked for a new truck. Money for the salt shed was sitting in the Highway General Operating account. Because there were not distinct line items for 'salt shed' and 'new truck', confusion resulted. The money in the Highway Fund Balance was not sufficient to cover both of these expenses. These two large capital projects were put into the budget for one year, necessitating a tax increase.
8. In 2006, when the salt shed and new truck are not in the

budget, the budget (and thus the taxes) will go down. This method of purchasing capital projects out of the operating budget creates a yo-yo effect of alternating tax increases and tax decreases. Most towns use bond issues at a very low interest rate (2 - 3%) to finance capital projects. The Bond Anticipation Notes (BANs) can be used to pay for the capital projects.

9. Amenia has two options for next year:
 - a. huge tax relief; or
 - b. look at a long-range strategy to use the money.
Currently the Town is sitting on \$900,000 to \$1 million. Any funds not from special districts, go back to the General Operating Fund.
10. Recommendation: Pull out the salt shed money and put into a special capital reserve account.

Mark then responded to various questions from the audience:

1. Councilman Carroll commented on a \$50,000 DEC grant that was not put into the budget.
2. Arlene Iuliano, former Town Supervisor, related the history of the capital funds created by the sale of the TRI-Wall property. \$200,000 was put into the General Fund and \$100,000 was put into the Highway Fund.
3. Councilman Carroll explained the confusion in the Highway Budget. The Town Board was told that they had \$180,000 in the Highway Fund Balance that was going to be used for the new truck. However, the money for the new truck ended up being added to the budget and raising taxes.
4. Janet Reagon asked how grants should be recorded in the budget. Sometimes you spend the money first and sometimes there is a budget amendment to add the grant line item later.
5. Rose Greer, Bookkeeper, said that the NYS Department of Audit and Control advised her not to anticipate grant money until the Town had the money in hand. Mark Semo remarked that he had a different interpretation of handling grant money. If you create a line item expenditure, but have not recorded the grant money, then it looks strange. School districts handle this situation by amending their budgets during the year.
6. Councilwoman Doyle asked how many times a budget can be amended. Mark Semo responded "as often as needed if justified."
7. Jean Rebillard asked Mark to comment on the importance of abiding by a budget. Mark stated simply that if you don't abide by the budget, you end up with a budget deficit. By law, you must abide by the budget.
8. Mark cautioned that the Town must be concerned about overdrawing on the total budget. Normally, money should not be appropriated (expended) out of department accounts before the Town Board has transferred the money.

9. Sharon Kroger commented on the expense of the old Amenia dump clean-up. This big ticket item was budgeted as "contractual" and amounted to about \$350,000.
10. Mark clarified the difference between Bond Anticipation Notes and Serial Bonds:
 - a. Bond Anticipation Notes (BAN) are short-term and must be renewed every year for a maximum of five years. BANs have the lowest rate of interest, as low as 2 - 3%.
 - b. Serial Bonds are longer term and for a larger principal. They require a look at cash flow over 5 - 20 years and carry an interest rate of 4 - 5%.
11. Supervisor Hundt mentioned that the Town Board is aware of the big projects for the next five years. Mark suggested that we create financial models on a spreadsheet.
12. Councilwoman Doyle and Arlene Iuliano commented on the history of the salt shed grant, originally for \$58,000 ten years ago. The salt shed was never built and the money was almost taken back. Fortunately the use was extended.

Supervisor Hundt thanked Mark for his informative presentation. She summed it up by stating that we have a good news- bad news situation. The good news is that the Town is in sound financial health; the bad news is that the taxes went up.

Councilwoman Doyle presented a resolution for the Town Board to authorize Attorney Michael Hayes to spend \$500 on legal advice to the Street Scape project on Mechanic Street. After brief discussion, the resolution was not seconded and will be held until the February Town Board workshop meeting.

Councilman Carroll acknowledged that he did not know that the \$165,00 for the new truck was coming out of this year's budget. If he had known that, he would not have voted for the budget.

Supervisor Hundt brought the meeting to a close by reminding everyone that it is a good idea to open everything up and have a full Balance Sheet budget. She then moved that the meeting be adjourned.

ADJOURNMENT

MOTION: S/Hundt
 SECOND: C/Carroll
 ROLL CALL: C/Carroll - AYE C/Devine - AYE
 C/Doyle - AYE C/Russell - AYE
 S/Hundt - AYE
 MOTION CARRIED 5 to 0.

Meeting was adjourned.

Respectfully submitted,

Gail Hermosilla,
Amenia Town Clerk

E:\Town Clerk\minutes\2005-02-08.Special Budget mtg.doc, 3/24/05