

(The following is not a verbatim transcript of comments or discussion that occurred during the meeting, but rather a summarization intended for general informational purposes. All motions and votes are the official records).

FINANCE COMMITTEE

Regular meeting of the Finance Committee was held on Thursday, January 17, 2013, in the Council Chambers, City Hall, Cranston, Rhode Island.

CALL MEETING TO ORDER:

The meeting was called to order at 6:40 P.M. by the Chair.

Present: Councilman Steven A. Stycos, Chair
Council Vice-President Michael J Farina, Vice-Chair
Councilman Mario Aceto
Councilwoman Sarah Kales Lee
Councilman Donald Botts, Jr.
Councilman Paul H. Archetto
Council President John E. Lanni, Jr.

Also Present: Councilman Richard D. Santamaria, Jr.
Carlos Lopez, Chief of Staff
Evan Kirshenbaum, Assistant City Solicitor
Robert Strom, Finance Director
Roy Damiano, City Council Internal Auditor
Salvatore Saccoccio, City Assessor
Maria Medeiros Wall, City Clerk
Rosalba Zanni, Assistant City Clerk/Clerk of Committees
Ron Ronzio, Stenographer

MINUTES OF THE LAST MEETING:

On motion by Councilman Aceto, seconded by Council Vice-President Farina, it was voted to dispense with the reading of the minutes of the last meeting and they stand approved as recorded.

CORRESPONDENCE:

OLD BUSINESS:

- **Administration Update: City litigation cost to date in Bello v. City of Cranston, and funding source (Councilman Archetto)** (Cont. from 12/6/2012).

Mr. Strom stated that at this time, total expenditure, which is for two attorneys combined, one that represents the City and one represents the City Council, is \$45,348.

Councilman Archetto asked that this item be continued to next month for update.

Mr. Strom stated that the Legal Department provides the Council with breakdown of legal expenses and going forward, this will be part of the packet.

Councilman Aceto asked that at some point, possibly at a Special Council meeting, in Executive Session, the Council be provided with details and documents and update the new Council members of what is going on with this case.

Chair gave a brief synopsis of how this case came about. He stated that the City Council, during the past Budget process, passed a Resolution proposing to eliminate the Personnel Department and have the School Department handle some of the City's Personnel functions. This was passed 7-2. Subsequent to that, a Resolution was proposed putting a proposed Charter change before the voters proposal to eliminate the position of the Personnel Director. This was defeated by the City Council 4-3. Prior to this, the Personnel Director initiated suit. Councilman Aceto asked what the reason is for her lawsuit. Solicitor Kirshenbaum stated that an injunction was filed to stop the City from not paying her or firing her. Also part of the lawsuit, she is looking for the City to pay her legal counsel fees.

Councilman Aceto asked what was done to defend the Mayor and City Council that cost \$45,000. Solicitor Kirshenbaum stated that he does not know, that is a good question. Councilman Aceto asked that this be discussed in Executive Session at the next meeting. Chair stated that he would be in favor of looking at the bills before discussing this in Executive Session. Solicitor Kirshenbaum stated that he would object to disseminating copies of the legal bills for strategy purpose. He would be in favor of an Executive Session to look at the bills and answer any questions.

Councilman Santamaria stated that he would like to know how many attorneys are on this case and how much they charge per hour.

Councilman Aceto asked if there has been any lapse or lack of services from this department and if this department has performed its duties it is supposed to. Solicitor Kirshenbaum stated that there has not been because no one has been layed off.

Chair stated that there will be an Executive Session at the next meeting and the Committee members will be able to view legal bills and Solicitor will answer questions of what the attorneys have done for this fee.

- **Resolution directing that a portion of the proceeds from the sale of the Police Station be expended equally in each of the six Wards of the City for the repair of streets and roads. Councilman Archetto (Cont. from 12/6/2012).**

On motion by Councilman Aceto, seconded by Councilwoman Lee, it was voted to move discussion and/or vote on this Resolution to the end of the meeting. Motion passed on a vote of 6-1. The following being recorded as voting "aye": Councilmen Stycos, Botts, Aceto, Archetto, Councilwoman Lee and Council President Lanni -6. The following being recorded as voting "nay": Council Vice-President Farina -1.

PUBLIC HEARING:

Richard Tomlins, 400 Farmington Ave., appeared to speak regarding the use of proceeds of the sale of the former Police Station property. He also spoke regarding the Bello vs. City of Cranston case and suggested that the Council ask for a legal opinion as to where this case is and what it means to the City and what it is going to cost the City. He also addressed the unfunded liability for the pensions.

NEW BUSINESS:

- **Real Estate and Tangible Tax Abatements**

Chair asked Mr. Strom to explain the process of the Real Estate Abatements.

Mr. Strom stated that if a taxpayer has an issue with their assessment, they meet with the Tax Assessor and present their case to him with any data or information to support their case. The Tax Assessor will then make a decision. If the taxpayer does not agree with the Assessor, they can go to the Tax Assessment Board of Review. The Board will either accept the taxpayer's appeal and ask for an abatement or they can reject it. If rejected, the taxpayer can take it to Superior Court. Mr. Strom stated that the list of abatements provided to the Council indicates the reasons for the abatement.

Councilman Aceto asked how much is budgeted in the current budget for abatements. Mr. Strom stated, approximately \$275,000. Councilman Aceto asked what happens to what is left in that account at the end of the Budget year. Mr. Strom stated that it goes back into the General Fund as a positive variance.

On motion by Councilman Aceto, seconded by Councilman Archetto, it was voted to recommend approval of the above list of Real Estate Tax Abatements. Motion passed unanimously.

- **Motor Vehicle Tax Abatements**

Mr. Strom stated that there are a number of different categories that create an abatement on motor vehicles.

Councilman Aceto asked if this is still part of the \$275,000. Mr. Strom stated, yes.

On motion by Councilman Aceto, seconded by Councilman Archetto, it was voted to recommend approval of the above list of Motor Vehicle Tax Abatements. Motion passed unanimously.

- **Board of Tax Assessment Review for taxes assessed December 31, 2011 (informational only)**

Chair stated that these abatements are listed on the agenda for information only.

Mr. Strom stated that the Tax Assessment Board of Review is a three member board, which meets twice a week for approximately 4-5 months, depending on how many appeals there are.

Council President Lupino asked how long these meetings last. Mr. Strom stated approximately one hour.

Mr. Saccoccio stated that the Board reviews the applications during the week on their own time prior to the meeting.

- **Tax Interest Waiver Approvals**

Mr. Strom stated that a taxpayer who wishes to apply for a Tax Interest Waiver, files a form with the Treasurer's Office and the Treasurer reviews any supporting documents and meets with the taxpayer, if necessary, and a decision is made on whether the interest should be approved or denied.

On motion by Councilman Archetto, seconded by Councilman Aceto, it was voted to recommend approval of the above Tax Interest Waiver Approvals as recommended by City Treasurer. Motion passed unanimously.

- **Tax Interest Waiver Denials**

On motion by Councilman Archetto, seconded by Councilman Aceto, it was voted to recommend approval of the above Tax Interest Waiver Denials as recommended by City Treasurer. Motion passed unanimously.

12-12-1 Ordinance in amendment of Title 3 of the Code of the City of Cranston, 2005, entitled "Revenue and Finance" (Tax Assessment Board of Review Compensation). [\[click here to view\]](#)

Councilman Aceto asked how many hearings the Board holds in a year. Mr. Saccoccio stated that during the revaluation year, the board meets 150-250 times. The year after the revaluation, they may meet 80-100 times.

Councilman Botts asked when the compensation for the Board members was taken away. Councilman Stycos stated, two years ago.

Council President Lanni asked how many cities and towns pay their board members. Mr. Saccoccio stated that most do pay their members. Most pay \$50 per meeting.

Chair stated the issue of compensation should be discussed during the Budget process. Council President Lanni agreed.

Councilman Archetto withdrew this Ordinance.

12-12-2 Ordinance amending the Budget for the Fiscal Year commencing July 1, 2012 and ending June 30, 2013 (Tax Assessment Board of Review). [[click here to view](#)]

Councilman Archetto withdrew this Ordinance.

- **Resolution directing that a portion of the proceeds from the sale of the Police Station be expended equally in each of the six Wards of the City for the repair of streets and roads. Councilman Archetto (Cont. from 12/6/2012). (CONT.)**

On motion by Councilman Archetto, seconded by Councilman Stycos, it was voted to recommend approval of this Resolution.

Under Discussion:

Council Vice-President Farina stated that his understanding was that the intent of this Resolution was to give the School Department \$1 million from the sale and place the remainder of the funds in the General Fund.

Mr. Strom stated that Council Vice-President Farina is correct. A few years ago, an arrangement was made with the School Department and the City gave them \$1 million and once the former Police Station property was sold, that money would come back to the City and we adjusted their debt to the City. Although he does agree that roads do need repair, this should come from the Capital Budget. Tentatively, the closing for the former Police Station property is in March. Once this occurs, his suggestion is that those funds will be distributed to the City into the City's General Fund.

Councilman Aceto stated that this is a Resolution of the City Council. No money would be spent. That would have to be done by Ordinance.

Council President Lanni stated that the money from the sale belongs in the Rainy Day Fund. That is where it came from. During the Budget process, money can be appropriated for road repairs. That is the correct way to do this.

Mr. Strom stated that there is a \$6 million Bond, which he plans to work with Bond Counsel to go out to bonding this Spring for road repairs.

Councilman Santamaria stated that if we go out to Bond, that would satisfy Councilman Archetto's issue and the proceeds from the Police Station property can go into the General Fund to pay for the debt service.

Roll call was taken on motion to recommend approval of this Resolution and motion failed on a vote of 2-5. The following being recorded as voting "aye": Councilmen Aceto and Archetto -2. The following being recorded as voting "nay": Councilmen Stycos, Botts, Councilwoman Lee, Council Vice-President Farina and Council President Lanni -5.

Orientation/Presentation on Finance Department by Robert Strom, Finance Director

- **Process for granting interest waivers, motor vehicle tax abatements, tax abatements** (including the board of tax assessment review) and major tax breaks (elderly, low income elderly, business tax treaties).

This item was discussed earlier in the meeting during the Tax Abatement and Interest Waiver portion of the meeting.

- **Tax Rates:** explanation of different rates for commercial, tangible and residential property.

Mr. Strom stated that during the Budget process, the Tax Assessor looks at the assessed values, based on that, he looks at what the collection rate is going to be and compares it to what our expenses are going to be. Currently our tax rates are: \$22.84 per \$1,000 for residential, \$34.4 per \$1,000 for commercial and tangible and \$42.44 per \$1,000 for motor vehicle.

Councilman Aceto asked how the City stands with other communities in regards to the commercial rate. **Mr. Strom** stated that whatever the residential rate is, commercial can't be any more than 1½ times that. **Councilman Aceto** asked what the commercial rate is in Cranston compared to Warwick. **Mr. Saccoccio** stated that he is not sure Warwick has a commercial rate, they have one rate.

- **Fourth quarter budget transfers**

Mr. Strom stated that during the course of the year, we transfer money within departments and within sub-departments. When fourth quarter arises, if a transfer needs to be made, that would require City Council approval.

- **City's Bond ratings.** How City is evaluated and ratings significant/effect.

Mr. Strom stated that when we go out to bond, we always have to go before three bonding agencies: S & P, Fitch and Moody's. Ratings are assigned based on our finances, the concerns of our debt.

Councilman Aceto asked how many bonds we have that we are paying debt service on. **Mr. Strom** stated that the amount is \$84 million. The debt service on the \$84 million is approximately \$9-10 million a year. We have approximately eight bonds.

- **Summary of "rainy day fund," bonded indebtedness, unfunded pension liability**

Mr. Strom stated that last Friday, the Administration met to present the City's scenarios to the active and pensioners. A follow-up meeting will be held soon.

- **School department's current indebtedness to the City**

Mr. Strom stated that for a six month period, the School Department is at a balance budget at this point. They are on schedule in making payments to the City.

2014 Budget Hearings – Discussion regarding holding hearing in different sections of the City.

Councilman Stycos stated that he would be in favor of holding hearings on the budget throughout the City.

City Clerk indicated that she is opposed to making changes, but there is a cost incurred when meetings are held off site. There is overtime incurred for School custodians, city custodian and electrician which the Committee might want to consider. She stated she would obtain a cost breakdown. Also, holding meetings off site and changing locations, causes confusion not only for the public but the Council as well.

Council President Lanni stated that in a typical budget process, there is a very small public turnout. Keeping meetings in one location would eliminate confusion and would keep the costs down.

MISCELLANEOUS BUSINESS:

Councilman Santamaria stated that for the next Council meeting, he would like a list of tow companies the City uses and copies of list of private vendors the City uses for snow storms with financials the City pays per hour.

Councilman Stycos stated that Mr. Damiano has indicated to him that several accounts in the Budget are considerably over-budget, primarily the Overtime Accounts. He, Council President Lanni, Mr. Damiano and Council Vice-President Farina would like to meet with the Administration to discuss those items. Mr. Strom stated that the Mayor should also be part of that meeting. He also stated that he would need to check his schedule to see what date he is available, since next week he has contract negotiation meetings.

Councilman Aceto asked that Councilman Stycos obtain information from this meeting and provide the remainder of the Council members with this information. Councilman Stycos stated that his plan is after the meeting with the Administration, he will have this item placed on the agenda for the February Committee meeting so the Committee can discuss it. He asked that the Clerk place item on next month's Committee agenda.

- **Budlong Pool**

Councilman Aceto addressed the Budlong Pool and from a financial standpoint, he asked if the City made money on this last year. Mr. Strom stated that this year we broke even, due to some repairs that needed to be made.

- **Bubble Rink**

Councilman Aceto questioned the status of the Bubble Rink contract. Mr. Strom stated that the last two years, the rink has been running in a positive in profits with a new management company. He also stated that he is provided with monthly financial statements from the management company and the ratio is 75% to the City and 25% to the management company, plus their fee. This contract is coming up for renewal. He indicated that when the City ran the rink without a management company, it was not being run efficiently. With a management company, it is an incentive for them to run it efficiently because it would benefit them.

The meeting adjourned at 8:45 P.M.

Respectfully submitted,



Rosalba Zanni
Assistant City Clerk/Clerk of Committees