

## SPECIAL EMERGENCY MEETING – CITY COUNCIL

-JANUARY 16, 2003-

A Special meeting of the Cranston City Council was held on THURSDAY, January 16, 2003 in the Council Chamber, City Hall, Cranston, Rhode Island.

The meeting was called to order at 5:05 P.M. by Council President Pastore.

Roll Call showed the following members present: Councilmen Fung, Jackvony, Councilwoman O’Hara, Council Member Fogarty, Councilwoman McFarland, Councilman Ferolito, Lanni, McDonough and Council President Pastore –9.

Also Present: Mayor Stephen P. Laffey; Paul Grimes, Director of Administration; Jametta Alston, City Solicitor.

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The City Clerk read the following:

**NOTICE OF SPECIAL MEETING OF THE CITY COUNCIL**

In Accordance with the Home Rule Charter and Section 3.07 thereof, I hereby call a special meeting of the City Council to be held on **Thursday, January 16, 2003** at 5:00 P.M. in the Council Chamber, City Hall, Cranston, RI at which meeting the following items of business shall be transacted:

Presentation and review of 2001/2002 Fiscal Audit with Cayer,  
Prescott, Clune & Chatellier

**Introduction of New Business**

Ordinance 01-03-6S "Establishment of Cranston Financial Review Board"  
For hearing and consideration on January 27, 2003, pursuant to Section 3.12 and  
3.12 of the Home Rule Charter.

I hereby request the City Clerk to notify all Council members of the Call of the  
special meeting.

Executed at Cranston, Rhode Island, this 9<sup>th</sup> day of January, 2003.

/s/ Peter T. Pastore, Jr.  
Council President

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Council President Pastore stated that going forward, he has asked the City Clerk to note on the Docket which individual Council Members is co-sponsoring legislation listed on the Docket.

Jim Prescott of Cayer Prescott Clune & Chatellier appeared to give a presentation of the Audit. He stated topics of discussion will be:

- Audit Opinion
- Financial Statements
- Management Letter
- Required Communication to Audit Committee (City Council)
- Vast Improvement in the Internal Accounting – Mr. Prescott strongly recognized this.

### Audit Opinion

- Very different than prior years
- Modification because of GASB 34
- Unmodified for all other presentation
- Qualified for Police and Fire Pensions

Council President Pastore asked that the Auditors advise the Council of the time frame to get the GASB 34 done.

Mr. Prescott stated that he asks that one thing you can come away with from this meeting is the records are much better.

Mr. Prescott continued his presentation:

### General Fund

- 2001-2002 Operating Deficit of \$240,000 – last year's Operating Deficit was \$8.7 million.
- Undesignated Deficit is \$4.5 million – last year's was \$5.5 million.
- Restatement for School Payables of \$2.4 million
- Increase in reserves of \$1.1 million – increased amounts due to self insured Hospitalization
- Last two months of the year paid directly by Pension Fund
- Healthy Benchmark is 8% of the City budget or approximately one month's expenses according to some of the rating agencies. For Cranston that would be about \$13 million.

### Results of Operations – General Fund

- Revenues short of budget by \$1 million
  - Unfavorable variances:
    - property taxes \$2.3 million less than anticipated
    - investment income \$600,000 unfavorable
    - no amount was transferred from fund balance - \$800,000
- Tax Collection percentage was 97.9% of levy for 2002 (100.2% for 2001)
- Expenditures were \$522,000 under appropriated amounts
  - Favorable Variances:
    - \$2,440 million Debt Service
    - \$400,000 Maintenance
    - Libraries \$136,000
    - Building Maintenance \$215,000
    - Senior Services \$317,000

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--- Unfavorable Variances:

- \$2,135 million Fire Department
    - \$1.8 million salaries
    - \$490,000 Severances
    - \$260,000 Pension
  - \$400,000 City Insurance
  - \$247,000 Public Works
  - \$98,000 City Planning Commission
- In General better monitoring of appropriation accounts

### School Funds

- Expenditures exceeded revenues in Unrestricted Fund by \$310,000
  - Cumulative Surplus of \$64,000
  - Reserve for Hospitalization \$2.5 million

### Sewer Fund

- Surplus for year \$840,000
  - Surplus includes one-time revenue of \$2.7 million from US Filter
  - Unfavorable Revenue Variances:
    - \$573,000 for Sludge Disposal Fees
    - \$493,000 for Sewer Assessment Revenue
  - Expense Variances:
    - Favorable:
      - \$1.7 million Privatization Contract
      - \$1.5 million Retirement of Debt
    - Unfavorable:
      - \$1.9 million Depreciation
      - \$670,000 Professional Services
  - Sewer was able to pay \$2 million back to the general fund
  - Because of the rate increase Sewer is projected to pay back another \$1.5 million in the current year

### Other Funds

- City's Insurance Risk Fund
  - Operating Deficit \$160,000
  - Cumulative Deficit \$2.3 million
  - Revenue Variances:
    1. Favorable \$121,000 Investment Income
    2. Favorable \$78,000 Claims Income
    3. Unfavorable \$455,000 Other Income
  - Major Expense Variances:
    1. \$73,000 claims expense
    2. \$61,000 Workers Compensation
- City Hospitalization Fund
  - \$2.2 million Operating Deficit
  - Cumulative Deficit \$2.6 million
- School Hospitalization Fund
  - \$96,000 Operating Surplus
  - Cumulative Deficit \$2.5 million
- No separate Budget Adopted for these funds

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Mr. Prescott addressed the Management Letter:

- Police and Fire Pension – mostly to do with the lack of funding. By allocating funds in the correct line item, it would have the effect of producing a surplus in 2003 in the General Fund.
- Budget Process Variances – issues: 1) transfer of fund balance when you don't have a fund balance; 2) Insurance Risk.
- General Infrastructure Assets not recorded in accordance with GASB – Donna Caccia of Cayer Prescott Clune & Chatellier addressed this issue and stated that the infrastructures were valued at the assessed value of the asset. Mr. Prescott stated that the financial statements are made up of estimates and are not hard and cost numbers.

Council President Pastore entertained a motion to asked Cayer Prescott to complete the GASB 34, since the work in progress is already in place so we don't have to wait another year and it would be one less footnote in the next Audit.

On motion by Councilman Lanni, seconded by Councilwoman McFarland, it was voted to ask Cayer Prescott to complete the GASB 34, subject to the Administration prioritize and financial statements of June 30, 2002 will be restated.

### Under Discussion

Councilwoman McFarland asked what the detail of work would be involved in completing the GASB 34. Ms. Caccia stated that it would involve identifying all the property the City owns, which has already been done and researching Council minutes.

Roll Call was taken on this motion and motion passed on a vote of 9-0. The following being recorded as voting "aye": Councilmen Fung, Jackvony, Councilwoman O'Hara, Council Member Fogarty, Councilwoman McFarland, Councilman Ferolito, Lanni, McDonough and Council President Pastore –9.

Discussion took place on the shortage in the Insurance Risk Fund. Councilwoman McFarland stated that funds were taken from the Insurance Risk instead of the Law Department to pay legal fees. It was not due to the School Department pulling out of the Insurance Risk.

Councilman Fung asked what the \$670,000 for Professional Services in the Sewer Fund is for. Ms. Caccia stated that both the \$.17 million for the contract and the \$670,000 related to the new agreement with US Filter.

Councilman McDonough asked what the total Sewer fees generated by the City is. Ms. Caccia stated that this is \$13.3 million.

Council President Pastore asked if the Charter School should be a separate fund like the Sewer Enterprise Fund and a separate consolidated statement. Ms. Caccia stated that there is a separate fund set up to capture the State Aid the School Department receives for the Charter School. There could be a separate consolidated financial statement. Council President Pastore asked that the Auditing firm work with the School Department to set up a separate consolidated financial statement. Joseph Balducci, School Business Administrator, appeared to speak and stated that the Charter School does have a separate Board of Directors and is mandated by the State and it will be incorporated in the School Budget.

Council President Pastore spoke regarding overdue Motor Vehicle, Real Estate and Sewer taxes. Mr. Prescott stated that there is a collection agency now going after the Motor Vehicle taxes. Real Estate and Sewer money will eventually be received.

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### PUBLIC SPEAKERS:

**Susan Arelia**, 62 Glenview Dr., appeared to speak and stated that she experienced a sewer backup and she found out that it has been five years since US Filter has cleaned the catch basins, which they should have been done more often. She suggested that the City should go after US Filter for not doing their job.

**Garry Vieira**, 11 Applehill Dr., appeared to speak and questioned whether we should take into account all the other deficits in all the other funds.

**Aram Garabedian**, 173 Belvedere Dr., appeared to speak. He asked that the Administration and the Council determine the legalities of transferring funds. Another issue is taxes owed. He stated that there is an Ordinance on the books that we go to Small Claims Court first before we spend any money.

**Albert Benetti**, 24 Concord Ave., appeared to speak. He asked what the solid number is that the Sewer Plant owes the City. Mr. Prescott stated that the City is owed a total of \$4 million. Mr. Benetti asked what the total debt is the City has this year. Mr. Prescott stated it is approximately \$7 million. Mr. Benetti also asked how much is left in the Pension Fund right now. Mayor Laffey stated that it is approximately \$9 million.

### **“RESOLUTION MEMORIALIZING THE GENERAL ASSEMBLY TO ENACT THE QUALIFIED BOND ACT.”**

Council President Pastore asked that the Solicitor render an opinion on the Un-Docketed Resolution to be acted on at this meeting, whether it meets the Open Meetings Law. Ms. Alston stated that due to the public health and safety and finances of the City, it was necessary to have this Resolution heard today and she quoted Sections 3.13 and 3.12 and stated that this meets the Open Meetings Act. She also stated that if any Council member have any questions regarding Open Meetings Law, this must be brought to her attention as the Attorney General will not address individual requests. She also stated to the Council to feel free to bring any questions to her attention.

Council President Pastore asked if there were any objections to this Un-Docketed Resolution. No one objected.

On motion by Councilwoman O’Hara, seconded by Councilwoman McFarland, it the above Resolution was adopted on a vote of 9-0. The following being recorded as voting “aye”: Councilmen Fung, Jackvony, Councilwoman O’Hara, Council Member Fogarty, Councilwoman McFarland, Councilman Ferolito, Lanni, McDonough and Council President Pastore –9.

Council President Pastore asked that certified copies of this Resolution be sent to the entire members of the State Delegation.

**-JANUARY 16, 2003-**

On motion by Councilwoman McFarland, seconded by Councilwoman O'Hara, the following introduced Ordinance be advertised for hearing before the Cranston City Council on MONDAY, JANUARY 27, 2003 at 7 PM pursuant to Sec. 3.12 of the Charter on a vote of 9-0. The following being recorded as voting "aye": Councilmen Fung, Jackvony, Councilwoman O'Hara, Council Member Fogarty, Councilwoman McFarland, Councilmen Ferolito, Lanni, McDonough and Council President Pastore -9.

Ordinance No. 1-03-6SS In amendment of Chapter 2 of the Code of the City of Cranston, 1970, entitled "Administration" (New Section 25.5 'Cranston Financial Review Board').

Council President Pastore stated that this Ordinance was reviewed by the Solicitor and this qualified as an emergency Ordinance based on the recommendation of the Auditor General. He also stated that copies were sent to the School Department and to the Auditor General.

The meeting adjourned at 6:45 P.M.

Rosalba Zanni

Assistant City Clerk/Clerk of Committees

Maria Medeiros Wall

City Clerk

(See stenographic notes of Ron Ronzio, Stenotypist).