

City of Olean
Multi-Year Financial Plan
Fiscal Improvement Plan – Narrative
Fiscal Years 2010/2011-2013/2014

General Fund Goals:

1) **Reduce negative fund balance.**

Local Actions:

- a) **Effective Budgeting** – Per the OSC report dated March 2007, the “Council aggressively estimated revenues and used overly optimistic expenditure projections in adopting its budget.” The City of Olean has made it a priority to remedy this problem. While preparing the 2009/2010 budget, a historical estimation process was used. To estimate revenues and expenses, we analyzed a straight average of the prior five years, a weighted average of the past three years, and also took into consideration any known changes, such as contractual obligations. Also, due to the outstanding deficit financing, the NYS Comptroller has reviewed the 2008/09 and 2009/10 budget, and made recommendations on improvements. The City had to either accept these recommendations, and modify the budget before adoption, or write a response as to why these changes were not instituted.

Performance Measures: The City’s goal for each budget is to expend the exactly the same amount of revenue derived during the year. We have exceeded our expectations for the past two years, and the City expects to have unreserved, unappropriated fund balance¹ in all three major funds for the first time in over five years. By the end of the 2013/2014 budget year, we would like to have unreserved fund balance, equivalent to 5% of operating expenditures, in accordance with the City’s Fund Balance Policy. (This does not take into account the liability derived from the Deficit Financing.)

- b) **Timely Reporting** – Per the OSC report dated March 2007, “the City Auditor did not maintain timely, sufficient, and accurate accounting records or provide the Council with periodic budgetary and cash flow reports.” The OSC report also states “the last audit report prepared by the City’s independent public accountants was for the fiscal year ended May 31, 2004, which was issued more than 600 days beyond the fiscal year end.” Since this time, the City Auditor resigned, and a new Auditor has taken his place. The Council has received monthly reports for each month since the new Auditor took office. Also, since the time of OSC report, the City’s independent public accountants have issued the May 31, 2005; May 31, 2006; May 31, 2007; and May 31, 2008 reports. Work is currently begun on the May 31, 2009 report. By giving the Council timely and necessary information, we anticipate this will assist us in creating and maintaining a fiscally sound budget, as well as fulfilling the fiduciary duty of the Council to oversee the fiscal operations of the City.

Performance Measures: To achieve success in this local action, the Council will have monthly reports from the City Auditor no later than 30 days after the end of each month. An annual audited report, prepared by the City’s independent public accountants, will be issued no later than six months after the end of each fiscal year. Also, any additional reporting required will be filed within given time constraints.

- c) **Deficit Financing** – Once the magnitude of the finances of the City of Olean were uncovered, it was clear that the City could not meet current or future cash needs due to the negative fund balance. The Council agreed to go to the State to ask for special "Home Rule" Legislation to allow the City to borrow up to \$4.3M over ten years to cover the deficit in the General, Water, and Sewer, and Capital Funds. The City issued Bond Anticipation Notes in September 2007. Once the City transfers the debt to Bonds, the "revenue" derived will eliminate the negative fund balance in all four funds on the fund financial statements. However, on the Consolidated financial statements, the City will still show the liability. The City will include the interest and principle payment into the budget for the next 9 years.

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Performance Measures: With each principle payment, the City will effectively be paying off a portion of the deficit. The outstanding balance of the BAN or Bonds will be the remaining portion of the deficit to be repaid. By September 2017, the deficit financing must be paid off, and the negative fund balance and associated liability will be eliminated.

2) **Expand shared services.**

Local Actions:

- a) **Renegotiate School Resource Officer Program with School System** – The City currently has a contract with the Olean Schools to provide an officer to the school. The School reimburses the City 65% of the cost of the officer’s salary and benefits. This contract is due to expire on 7/1/09. Due to the budget crunch felt by the school system, they have indicated they will not be able to pay their portion. The City is in the middle of negotiating terms that are mutually beneficial to the School and the City.
- b) **Continue / Expand sharing of Equipment** – The City of Olean, Cattaraugus County, and other neighboring communities currently share equipment, and labor, so that no municipality is required to rent or purchase pieces of equipment that may only be used once or twice a year. For example, the City lends out the use of our Vac-Con, and the laborers that know how to use it, in exchange for use equipment we do not own. We intend to continue this arrangement, and strive to expand whenever possible.

3) **Level tax base throughout the City.**

Local Actions:

- a) **Reassessment:** The City of Olean had not had an assessment of all properties since 1961. This made our tax base bias. The City contracted a firm to reevaluate all properties within the city. We will be using these values for the 2010/2011 budget year. Although we do not anticipate receiving any additional revenue from this process, we will level the playing field, as all properties will be assessed to the same standard. To keep the assessment up to date we anticipate receiving grant funding of \$5/property in fiscal year 2010/11 through 2014/15.

Performance Measures: Receive grant funding, and keep assessments up to date.

4) **Evaluate Buying Cycle of Equipment:**

Local Actions:

- a) **Create Vehicle Repairs / Replacement Plan** – The City currently has several pieces of equipment well beyond their scheduled useful life. It is expensive to repair this equipment, and even more costly to replace it. The City plans to create a policy to dictate whether a piece of equipment should be repaired, or if the cost outweighs the benefit, and the repair cost should be saved and put toward replacing the vehicle or equipment.

Performance Measure: The City will institute and follow this policy by the end of fiscal year 2010.

- b) **Mass Purchasing:** The City currently makes purchases without input or discussion with other local municipalities. If we could work together, and purchase in greater quantities, we may be able to reduce costs for all involved.

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Performance Measure: The Mayor or Council Members will reach out to other local municipalities by the end of fiscal year 2010 to see if a centralized purchasing could be instituted.

5) **Create Capital Plan**

Local Actions:

- a) **Collaboration to create Capital Plan:** The City had started the process of creating a Capital Plan in 2004, however, with the lack of funding, and the unwillingness to raise funds through borrowing or taxing, the plan was quickly forgotten. On page 21 of report 2007M-6, the OSC report states, “Capital planning is an essential and fundamental component of a local government’s budgetary process.” This report and each subsequent report has indicated the City’s lack of a plan.

Performance Measure: Council Members, Department Heads, and the Mayor will collaborate to complete the plan by the end of Fiscal Year 2010. This completed plan will include projects to be completed, timelines for completion, estimated funds necessary for the projects, and identify funding sources for the project.

Water and Sewer Funds Goals:

1) **Increase efficiency of Water and Sewer Meters.**

Local Actions:

- a) **Replace Water/Sewer Meters:** The City of Olean had a Comprehensive Energy Audit prepared to identify projects the City could undertake to improve efficiencies and reduce costs. The audit identified several areas where the City could become more efficient, one area that we have discussed at length is the replacement of water/sewer meters. Currently, many of our meters are old, with corrosion on the inside that causes them to “run slow”, and therefore, under estimates water usage. We have started to replace these meters with new electronic read meters. In addition to a more accurate read on usage, these meters will transmit readings directly to our Water/Sewer Department, and therefore eliminate the need to have a worker go to the homes to do individual readings. We will increase our revenues, because the usage will go up with the new meters. We will also reduce the manpower needed each month to read meters.

Performance Measures: If the Council agrees to move forward with the project, we would like to have all the new meters installed during the by the end of summer 2009. This project will cost approximately \$3,200,000, but the anticipated increased revenue will be approximately \$650,000/year. The increased revenue will pay for the meters over the course of the following 5 years.

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¹: 2008/2009 audit is not complete, and year-end adjustments have not yet been made. Any figures for the 2008/09 year are based on the third quarter projections made at 2/28/09. Expected completion date of audit is 11/1/08. Any statements regarding 2008/2009 figures are unaudited and unadjusted.