

FINANCE

Thursday, February 8, 2018 – 5:30 p.m.

Police Training Room – Olean Municipal Building

Present: Members: Chairman Witte (arrived late), Vice Chairman Crawford, Alderman Andreano, Alderman Gonzalez (arrived late), Alderman Dougherty, Alderman Smith, and Alderman George. Others: Mayor William Aiello; Lens Martial, City Clerk; Nicholas DiCerbo, Jr., City Attorney; Fred Saradin, City Auditor; Keri Kerper, Community Development Program Coordinator; Bob Ring, Director of Public Works; Tiffany Taylor, Managerial Confidential Administrative Secretary; Jeff Smith, Municipal Solutions, and Mary Chappell, Municipal Solutions.

1. Roll Call

Alderman Crawford called the meeting to order at 5:30 p.m. and asked that the record show that all committee members were present except Aldermen Witte and Gonzalez, who arrived later in the meeting.

2. Approval of Minutes of the Previous Committee Meeting (Tuesday, January 16, 2018)

A motion to approve the minutes of the January 16, 2018 meeting was made by Alderman Crawford, seconded by Alderman George. Voice vote, ayes all. Motion carried.

3. BAN / Bond Financing Discussion

Mr. Smith stated that it is not unusual to need to finance money up front for a project until grant reimbursement comes in. This can be funded with a BAN, where the local match can be funded for a longer term.

Olean Creek Bicycle and Pedestrian Crossing Project

Ms. Kerper stated that this project is fully funded, including DOT funds and the local match committed in 2014, and a change order costing \$35,000 can be covered internally.

Alderman Crawford asked how quickly funds are reimbursed by DOT, and how long we would need to pay interest on money borrowed for that purpose. Ms. Kerper replied that the turnaround time is different for each agency. Empire State Development (ESD) can be slower. Mr. Ring added that DOT can begin some reimbursement during the design phase.

Mr. Smith stated that, cash flow-wise, the DOT has historically been good about reimbursements. The City may not need to borrow the full amount of the project, only enough to “prime the pump” and cover the local share.

Ms. Kerper stated that the City has paid Fisher Associates over \$100,000 to date for the design phase of the project, and we have begun asking the DOT for reimbursement for this.

Mr. Smith recommended that the City only borrows what they need, and not overborrow.

Alderman Crawford questioned if these BAN and Bond numbers could be rolled into upcoming budget discussions if decisions are made this evening. Mr. Smith stated that he recommends waiting until after June 1st to borrow, as the first payment would not be due then until the next budget year.

Alderman George questioned if a delay in borrowing could delay could jeopardize the grant portion of the project. Ms. Kerper stated that the project was bid in October, and a contractor is set to begin in March. The project is already underway. Ms. Chappell responded by asking when the first draw is anticipated, and Mr. Ring replied that he is not sure. The draws will be based on when work is done, and very little work is going to be done in the first couple months of the project. Mr. Smith recommended looking into using existing City funds to cover the cost of the first draws, and then borrowing after June 1st to reimburse City funds until after grant funding is reimbursed. Mr. Saradin stated that the City could fund \$50,000 internally, and then reimburse ourselves at a later date.

Mr. Smith questioned if a meeting has been scheduled to discuss the project, including cash flows, and Mr. Ring responded that a meeting will be coming up during which he can get more financial information on the project. Ms. Chappell stated that if we are able to draw some of the design funds from DOT, this may aid in borrowing less.

Walkable Olean Phase II

Ms. Kerper stated that the project cost totals \$1,071,913, and funding comes from the DOT Transportation Alternatives Program (\$541,913), ESD (\$280,000), and CHIPS funding (\$250,000), leaving a City match of \$357,907. Mr. Smith stated that funding up front for the DOT portion may be lessened down a little bit due to their timeline for reimbursement; however, ESD could be two or more years out on reimbursement. He stated that, if this is put into a BAN with the other two projects discussed tonight, there are options to BAN for another year in 2019 or convert to a BOND, depending on when the project is closed out.

Mr. Smith continued in stating that he is unsure if it is certain that rates will continue to go up. It is possible that, by the end of the year, rates could go back down. Alderman Andreano responded by stating that she doesn't see rates going down, only up. She wants to jump on financing while interest rates are low. Mr. Smith stated that it will depend on the flow of funds how fast the project can be closed out and a BAN can be converted to a Bond. The City could go

to a Bond after one year and keep the ESD portion of the funding in a BAN, or the City could borrow the ESD portion from themselves and reimburse when the grant funding is received.

Alderman Andreano stated that it seems that a lot of CHIPS funding is going to these larger projects that are not needed, such as what was discussed at a DRI meeting earlier in the week, rather than the CHIPS money going to roadways that need to be fixed due to hazardous conditions. Alderman Gonzalez replied and stated that the DRI funding requests for City projects were 1400%, and CHIPS money was only listed for supplemental funding to the DRI grant. Mr. Ring added that CHIPS money was listed as a possible funding source, as possible funding sources were requested by the DRI committee, but it is not being factored in when calculating the DRI funding to be requested for a project. In addition, projects with CHIPS funding would probably not be done in the same year, so there would be leftover CHIPS funding to fix roadways after projects such as these are considered.

Mr. Ring mentioned that he would like to discuss a plan for CHIPS money and roadway repairs in the future.

Alderman Gonzalez stated that, from a DRI prospective, he would like to see public money go into public infrastructure projects. This would leave CHIPS money to fund roadway repairs that are necessary.

Mr. Smith stated that he will work on nailing down the flow of funds for the DOT piece of this project, which would allow the City to back off a little bit on the borrowed funding. He stated that he just did a bond issue this afternoon for a 26 period at a 3.39% rate, so he used higher numbers on his presentation to the Council to be safe.

Farmers' Market

Ms. Kerper stated that the project cost for the Farmers' Market is \$1,020,000 total, with \$220,000 from ESD, \$600,000 assembled by Senator Young, \$200,000 committed from the County, and a \$230,000 match required by the City.

Mr. Smith briefly explained the history of the DASNY (Dormitory Authority of the State of New York) funding, and he stated that he would expect it to be close to two years before the City is reimbursed for this funding. Mayor Aiello added that the City is waiting for \$150,000 funding from DASNY for Bradner Stadium, and it has been close to three years.

Alderman Smith questioned if DASNY is money that the State borrows to give to Cities, and Mr. Smith stated that he is correct. He explained to Ms. Kerper that there is a worker that had gotten reimbursement for another project in one and a half years, and encouraged her to reach out to this contact when working on this project.

Alderman Crawford mentioned that if the City carries the \$600,000 through a BAN while waiting for reimbursement, that the City would be responsible for interest on this amount. Mr. Smith stated that we cannot lock the \$600,000 in funding long term. We can BAN for the \$600,000 while we wait for reimbursement, but according to funding guidelines, we will lose the grant if we were to Bond at any time for this \$600,000. Mayor Aiello mentioned that the City will need to send a letter to DASNY stating that the \$600,000 in funding is not being bonded or reimbursed from other grants.

Mr. Smith stated that this is a great program, which will probably go away in the future. He encourages the City to use this funding now rather than think the opportunity will be here forever.

William O. Smith Recreation Center

Mr. Smith stated that the BAN renewal for this project is coming up in May. Last year, the Council opted to roll over the BAN, with the intentions to Bond this year. Preliminary indications show that we should have the final cost numbers in order to do this, although the project may not be completely finished. He recommends that the Council try to Bond now to lock in rates.

Alderman Crawford questioned if it would be better to do the Bond with the BANs in June, and Mr. Smith replied that BAN for the Recreation Center expires in May.

Alderman Crawford questioned if the Wastewater Treatment Plant has already been Bonded, and Ms. Chappell replied that it has been.

Mr. Smith stated that he could use one Official Statement for the BANs and Bond, and have the BAN sell later than the bond. He could look into one Cost of Issuance and let the Council know if that would work. It could be doable, but he will need to look at the exact dates of everything.

Alderman Crawford questioned the cost. Mr. Smith stated that there are the following approximate costs:

\$12,000	Bond Rating (BANs require no rating);
\$1,800	Advertisement of Bond sale in Daily Bond Buyer;
\$8,600	Cost of Issuance, putting Official Statement together;
Up to \$500	Printing;
\$9,000-\$12,000	Bond Counsel (Mr. Saradin anticipates closer to \$15,000).

Mr. Smith stated that there is only a Cost of Issuance when you go over \$1 million on a bond. He stated that, when we go to Bond these previously discussed projects down the road, issuing a Bond amount for less than \$1 million (which is anticipated) will mean no Bond Rating or Official Statement costs.

Alderman Crawford questioned if the BAN on the Recreation Center could be renewed for another year. Mr. Smith stated that it is an option; however, the last time this discussion was had, everyone was afraid that interest rates would increase. We need to decide if we are willing to risk a rate increase on a 15 to 17 year payment. There is, however, no wrong decision. Alderman Crawford replied that, regardless, when we bond the smaller projects down the road, if we will save \$30,000 on the Cost of Issuance. Mr. Smith replied that this is correct.

Mr. Saradin asked Ms. Chappell to go over Debt Service changes as discussed previously. She stated that in the Sewer Fund, a VacCon lease is coming off in the 2018-2019 budget. Lawnmower and snow plow leases are coming off in 2020, and another snow plow lease comes off in 2021. The next large change is in 2024, when EFC Serial Bonds come off of the Water Fund.

Mr. Saradin added that a \$150,000 reimbursement for the North Third Street project could reduce the principal and interest payment on the Bond for that project. Recreation Center grant funds that the City is currently waiting for could reduce that payment due as well. Ms. Kerper stated that, due to the kind of funding received for the Recreation Center, reimbursement will not occur until the project is complete. There is still pool work to be done.

Mr. Saradin questioned if Mr. Smith and Ms. Chappell need direction from the Council at this time. Mr. Smith stated that, from what he's heard, he will see if he can refine cash flows and skinny the amounts that need to be borrowed to determine BAN amounts. He will also look into Bonding for the Recreation Center project. He will look into doing the BANs and Bond together to save costs. He will bring additional information back to the Council when these are prepared.

4. Executive Session

A motion to enter into executive session to discuss pending litigation was made by Alderman Crawford, seconded by Alderman Andreano. Voice vote, ayes all. Motion carried. Executive session entered into at approximately 6:15 p.m.

A motion to adjourn from executive session was made by Alderman Crawford, seconded by Alderman Andreano. Voice vote, ayes all. Motion carried. Executive session adjourned at approximately 6:35 p.m.

5. Unfinished Business

a. Walkable Olean Phase II

Alderman Crawford asked the committee if, after tonight's review, Walkable Olean Phase II will be continued. The State has been in contact with Mr. Ring on many occasions, and we need to get an answer for this as soon as possible. Resolutions to approve the grant acceptance and design contractor would need to be passed next Tuesday, February 13, 2017.

Alderman Gonzalez asked to be reminded of the City's match, and Ms. Kerper responded that the City is responsible for \$357,907. Mr. Ring stated that the entire project cost is \$1.43 million. Alderman Gonzalez stated that he supports continuing with the project.

Alderman Andreano questioned if the project that is being considered takes into account the City Garage demolition or roundabout at Front Street, and Mr. Ring stated that it does not. These items are not a part of this project and are not on the schedule to be completed. He stated that there is a lot of CHIPS money going into the first two blocks of Front Street for repairs, but no roundabout is being considered at the current time.

Alderman Witte questioned if any work is to be done on Madison Avenue, and Mr. Ring replied that it is a priority; however, it is more work than what the City has money budgeted for.

The general consensus of the Council was to go ahead and have PL's and Resolutions submitted for the next meeting to approve the grant funding and design consultant for the project. Alderman Crawford stated that he will sponsor the PL's.

b. Bradner Stadium / Forness Trail Funding

Ms. Kerper stated that, as requested, she researched to find out if the grant that was awarded by ESD for the Bradner Stadium / Forness Trail Project, which is no longer being considered, could be used for a different project. ESD has notified Ms. Kerper that the funding cannot be used for a different project. She let the Council know that she needs to update ESD regarding what they would like to do with the funding that was awarded to the City. The general consensus of the Council was to have Ms. Kerper respond to ESD that we will not be accepting the funding, as other funding applied for, for the project, was not awarded. Therefore, the project is not financially feasible at this time.

c. PL #03-18: (Crawford) To amend the City of Olean Code of Ordinances Section 2-41, Standing Committees, to include "Audit and Compliance Committee" consisting of five members.

Alderman Crawford stated that he asked the City Attorney to draft verbiage for this committee, which he presented in a handout to the committee. He stated that his intentions are to leave the Finance committee with the purpose of analyzing budget versus actual amounts and things

of that nature. The purpose for this new committee will be to address shortcomings, provide feedback and policy suggestions to the Council in response to State and independent audits, and ensure that internal controls are being monitored.

Alderman Andreano questioned if there is an ethics statement that citizen members could sign. Mr. DiCerbo responded that he does not feel that this is needed, as the Committee has no legislative authority and will only be making recommendations to the Council. He stated that with only two or three members on the committee, meetings will not be required to be open to the public.

Alderman Crawford added that anything that flows through this committee will still need to go to the Council for approval. Mr. DiCerbo stated that the committee will not have the legal ability to make or change laws or to make or change policies. The Council will have final approval.

Alderman Crawford stated that he likes the idea of additional external eyes on internal controls. The whole purpose of the committee is to work with and meet the expectations of State and independent auditors to make sure things get done and weaknesses are taken care of.

Alderman Andreano stated that she does not have feelings either way of the makeup of the committee. Mr. DiCerbo stated that it is up to the Mayor, with Council approval, to appoint members to the committee from outside the Council.

Alderman Gonzalez stated that he is inclined to agree with a committee composed of three Aldermen, plus two external members. He feels that it is very important that financial experts are recruited. Alderman Andreano added that a set of eyes with a financial background could see things differently than the Aldermen do.

Alderman Crawford asked if it is up to the Council or Mayor to determine a stipend for community committee members. Mr. DiCerbo stated that it is up to the Council and Mayor to determine the stipend during the budgeting process.

Alderman Smith stated that this could be a good resume builder for young accountants, and Mr. DiCerbo added that it would be a good position for retired finance professors and retired accountants.

Alderman Andreano stated that the Council could always revisit this down the road if the committee does not work out. Mayor Aiello stated that he sometimes thinks that this additional committee is overkill, but a different set of eyes might be a good thing.

Alderman Crawford stated that the proposed committee, as presented to the Council, is ready for a vote, with the exception of changing wording to include three Aldermen rather than two on the committee. Mr. DiCerbo stated that this committee will be renewed every year.

A motion to approve PL #03-18 was made by Alderman Crawford, seconded by Alderman Witte. Voice vote, ayes all. Motion carried. Referred to City Attorney for Resolution.

6. New Referrals for Consideration

- a. PL #05-18: (Crawford) To authorize the closing of seventeen (17) Capital Funds, and to authorize the transfer of funds associated with said closings.

Alderman Crawford stated that the idea behind this PL is to clean up a backlog of projects that has come to an end. Mr. Saradin stated that the closings will have no effect on the General Fund, while the Water Fund will add \$34,000 into its surplus, and the Sewer Fund will add \$5,000 into surplus. Alderman Crawford questioned if this was a recommendation of BWB, the City's independent auditors, and Mr. Saradin stated that it is.

A motion to approve PL #05-18 was made by Alderman Crawford, seconded by Alderman Smith. Voice vote, ayes all. Motion carried. Referred to City Attorney for Resolution.

7. Approval of Committee Reports

A motion to approve committee reports was made by Alderman Crawford, seconded by Alderman Smith. Voice vote, ayes all. Motion carried.

8. Adjournment

A motion to adjourn was made by Alderman Andreano, seconded by Alderman Witte. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 7:00 p.m.