

FINANCE

Wednesday, March 21, 2018 – 5:30 p.m.

Police Training Room – Olean Municipal Building

Present: Members: Chairman Witte, Vice Chairman Crawford, Alderman Andreano, Alderman Gonzalez, Alderman Dougherty, and Alderman Smith. Others: Mayor William Aiello; Lens Martial, City Clerk; Nicholas DiCerbo, Jr., City Attorney; Fred Saradin, City Auditor; Bob Ring, Director of Public Works; Jerry Volz, Information Technology; Jason Wells, Information Technology, and Tiffany Taylor, Managerial Confidential Administrative Secretary.

1. Roll Call

Alderman Witte called the meeting to order at 5:30 p.m. and asked that the record show that all committee members were present except Alderman George, who was excused.

2. Budget Discussion Continuation

Mr. Martial began by presenting quotes to the Council for Microsoft upgrades. He stated that if we choose either of the options being presented tonight, we are only solving the issue short term. We are not handling the long term issue that would be solved by utilizing the subscription service previously presented to the Council.

Alderman Crawford asked what the purchase does not solve long term that a subscription would. Mr. Wells replied that the option presented tonight is good until Microsoft says that the product is at the end of its life. At that point, they will have to come back to the Council to request \$60,000-plus dollars for another purchase. Mr. Volz added that in addition, there is a \$6,000 to \$7,000 cost for a new server. Servers aren't required with the subscription option, as everything is saved externally "in the cloud".

Alderman Smith questioned the lifespan of the purchased product. Mr. Wells replied that he estimates four to six years, but it could be shorter or longer. Alderman Crawford asked what the lifespan was on the 2007 version, and Mr. Wells stated that it ended a year ago (in 2017). The 2007 version also no longer works with the inCode software used by many of the City departments. Alderman Gonzalez stated that the 2007 version had a 10 year life, and it seems that there is no reason to assume that the new version won't have a 10 year life as well. Mr. Wells replied that it is really an unknown.

Alderman Gonzalez stated that if the new product has a ten year life, the purchase makes sense. If the life is less, around three or four years, then there may be reason to consider the subscription.

Mr. Wells added that if we use the subscription service and something goes down, then it is their responsibility to get it figured out and get the programs working again. If we purchase the product and something goes wrong, it is the City's responsibility to fix it.

Alderman Andreano stated that if you compare the \$23,000 yearly subscription cost with the \$62,000 purchase estimate, and the product has a life of more than three years, then you get a few years off of payments.

Alderman Smith commented that the second quote is much less, and Mr. Wells replied that this is just for Microsoft Office, and does not include necessary data exchange and email services. The first quote includes everything.

Alderman Crawford asked if the business that we purchase the product from will provide support. Mr. Wells replied that it is just a purchase and he and Mr. Volz will need to install and maintain the product. Mr. Volz stated that the prices shown are strictly for licensing.

Mayor Aiello stated that he has reached out to the County, who is also in need of new software. He will be working with Mr. Volz and Mr. Wells to see if there is a quantity discount available if the City were to make the purchase along with the County. In his opinion, the City should purchase the product outright and split the cost between all three funds.

Alderman Gonzalez stated that, if we make the purchase, we can always consider the subscription down the road. Alderman Smith stated that we more or less "break even" after three years. Mr. Volz stated that with the software assurance, if within two years there is a different version released, then the City will be eligible for the new version for no additional cost.

Alderman Crawford asked if this new program will sync with what the City currently uses, and Mr. Wells stated that it will work with everything, including in Code.

Mr. Volz stated that they looked into products with Google, and their products will not work with inCode. Mr. Wells stated that it is also not free, as there would be a \$120,000 software package purchase required, as well as an \$18 per month fee per user.

Mr. Saradin stated that if we go in this direction, that we need to pull the \$23,000 out of the current budget and drop in the new amount. Mayor Aiello added that the cost should be split between the three funds.

Alderman Smith mentioned that he would rather do business locally, and asked if we could approach the local business to see if they could match the price of the other business we received a quote from. Mr. Volz replied that we can speak with them to see what they can do.

Alderman Witte stated that she sees the water usage at Indeck gradually going down, and Alderman Smith questioned why this is. Mayor Aiello responded that Indeck is no longer supplying the grid like they used to before the Five Mile station was built. He stated that in January 2018, their usage was back up; however, representatives from Indeck indicated that the 2018 usage should be similar to that of 2017.

Mr. Ring stated that Indeck is the indicator of where the biggest loss is. They have historically been a sort of driver for the water fund. He stated that we need to go in other directions in order to increase revenue. If we were to increase rates 5% in water and 3 ½ % in sewer, the average residential user would see a monthly increase between \$2.34 and \$2.55. There would also be a more substantial increase for commercial and industrial users. A lot of the commercial and industrial users are nonprofits or have PILOT agreements, so they do not pay City taxes.

Alderman Witte stated that she seems to remember companies considering digging their own wells rather than using City water. Mayor Aiello stated that he seems to remember that the health department would not allow this for the particular entity with the consideration. He also believes that we have a City law that does not allow private wells. Mr. Ring added that you definitely cannot have a residential well. Alderman Smith stated that he believed that Indeck was considering digging a well, but the untreated hard water would be too hard on their machines. They depend on the treated City water.

Alderman Witte questioned how many potential users we could add outside of the City. Mr. Ring stated that he will be in discussion with the Town in the next couple of weeks. A lot of well users are currently unhappy. Mayor Aiello stated that the idea of expanding to include more users has been considered before, but it has been dropped in the past. Every time the City starts conversations, it seems that the towns get new attorneys and the process needs to be started over from scratch.

Alderman Andreano asked why BOCES has sewer, but no water. Mr. Ring replied that the sewer district goes that far, but the water district does not. Alderman Andreano stated that if you try to run the water line to BOCES, you will need to go through property that a private citizen owns. She asked if you will need the citizen's permission. Mr. Ring responded that it may be their private property, but the City controls and maintains an easement. The City would not need the property owner's permission.

Alderman Crawford asked that the approximate cost is of one mile of water line. Mr. Ring replied that the cost is \$100-\$200 per foot. Mayor Aiello stated that Total Piping Solutions on the Haskell Road wanted to run water to their business. The City has water lines to the bank at the end of the road, and it would cost \$1 million to run water lines from the end of the roadway to the business.

Mayor Aiello stated that there is a small area behind Ashley Furniture where the water is tainted. The Health Department is telling residents that they have to do something. The City is looking into running the water line out to the area and connecting to the homes.

Alderman Andreano asked how long it would take to put the line in, and Mr. Ring responded that it would take several years if everything works out just to break ground. The big issue is that we don't have the money for the lines, and the town doesn't have the money for the lines. Mayor Aiello stated that Crystal Abers from the County wanted the City to apply for a CFA for this purpose, and he responded that we would not. The town involved or County can apply.

Alderman Witte asked if there were any grants available, especially one that involves shared services. Mr. Ring responded that there is one that we are looking into.

Mr. Saradin stated that the tentative budget shows a 3 ½ % increase in water. This does not include the support work that Mr. Ring wants to do on Washington Street. He thinks that we should raise rates 5% this year and continue as we did in the sewer fund by raising rates to pay for infrastructure. We are currently down \$180,000 year to date in the water fund revenues, and he doesn't know how close we will come at the end of the year.

Alderman Gonzalez stated that he agrees with using a similar approach to what the Council did with the sewer fund, with increases over a period of several years. He only wishes that we had more of an end game and a goal for when we can stop raising rates. Alderman Crawford stated that increases of 2% to 3% make sense, but constant 5% raises do not. Alderman Dougherty stated that we need to raise rates because we have not for 20 years. Alderman Witte mentioned that we had to raise sewer rates 23% over 5-6 years because we did not touch them, and Mr. Saradin added that this was in anticipation of bond repayments on the project done at the wastewater treatment plant.

Mr. Ring stated that he recommends a 5% increase in water in order to continue to have \$200,000 in Capital Outlay to continue to pay for the infrastructure. If revenue levels off, we will be able to continue to fund this without additional increases. He stated that he feels that we need to match the commitment to infrastructure that we currently make in the sewer fund. He feels that this 5% increase would get us back to a healthy point.

Alderman Dougherty stated that every project gets us closer to finding out where the millions of gallons of water that the City loses are going to.

Alderman Andreano stated that she knows that Washington Street is a huge project, and she asks what is next. If usage continues to go down, then the Council will need to continue increasing rates. She doesn't buy that we won't be in this predicament next year. She feels that

if we don't have money in the water fund then we shouldn't be using money for infrastructure. We need to stop raising rates.

Mr. Ring stated that he feels that the sewer rate increases were indications that we can do this with rates. Alderman Andreano responded that people are on limited budgets and cannot afford rate increases each year. We are not lavish, we are not a big city.

Alderman Crawford stated that in the general fund, until revenues swing the other way, we need to look at areas to cut costs. We cannot cut costs in the water in sewer funds, as everything is already pretty tight. This leaves us with the option of raising rates.

Alderman Andreano stated that she does not want to see funds taken from the water and sewer funds to buy vehicles and other equipment. Mayor Aiello asked if this means that she wants to put the cost on taxpayers, rather than on users. Alderman Andreano stated that everyone in the room is both a taxpayer and a user. Alderman Witte stated that she believes that 45% of users don't pay property taxes for various reasons.

Alderman Dougherty stated that although we are not a utility, we need to look at this like a business. Gas and electric costs go up because the cost for the utility to operate goes up. Alderman Witte mentioned that the water and sewer funds also pay for staff and maintenance, and not strictly infrastructure. Mr. Ring stated that there is currently a water main break in the City and when he was there, there was a crew there and equipment there.

Alderman Dougherty stated that the only other option he sees in the long term, from a business aspect, is to get out and privatize the water and sewer funds. This seems like it is a slippery slope, though. Mayor Aiello stated that this was previously looked into briefly, and he heard that water rates would double if the City went in this direction.

Alderman Crawford stated that if water and sewer was privatized, rates would increase, and people would complain. They would still pay. They will still pay for water and sewer even if we increase rates. It is a necessity.

Alderman Smith asked if the DEC's Order on Consent was built into the sewer budget. Mr. Ring replied that it is. Alderman Smith asked if this is for \$250,000, and Mr. Ring replied that it is, and the Master Plan that the City has with the DEC requires this until 2044. Alderman Smith asked if the \$250,000 will pay for the issues on Washington Street. Mr. Ring replied that it is a water line issue, where the \$250,000 in the sewer fund is dedicated for sanitary sewer repair and replacement.

Alderman Crawford asked if the DEC mandates that we spend the \$250,000 each year. Mr. Ring responded that he has to send documentation every March to the DEC showing what the City

has done with the funding. Alderman Smith stated that he feels we need to appeal this amount. The \$250,000 commitment each year will kill us.

Alderman Witte stated that we will be voting on water and sewer rates, and we need some consensus. Alderman Crawford questioned if the Council is comfortable with the 5% and 3 ½ % increases. Alderman Witte stated that we can't just set this aside and worry about it later. Mayor Aiello stated that we need to make a decision before we adopt the budget.

Alderman Smith stated that we know what debt we have and we know what payments are due. He questions why we can't forecast the future. Mr. Saradin stated that he has taken the tentative budget and broken it down into each department. He has put it into a spreadsheet and worked out what if's for a five year period. He is continuing to work on this and will present it to the Council at the next Finance meeting.

Mayor Aiello stated that we based the 2017-2018 budget on the previous year's water usage. It is coming in much lower. Alderman Witte stated that we need to base the 2018-2019 budget on the lower numbers. Alderman Andreano stated that we cannot be positive with revenue. Mayor Aiello stated that water conservation is promoted; however, it is hurting the City's finances. Mr. Saradin stated that the major factor in revenue changes is Indeck.

Mayor Aiello asked if we have made a decision on the water and sewer rates. Alderman Witte stated that we need to couple the rate increases with an explanation of why we need to raise rates. Alderman Crawford stated that he lives off of Washington Street, and it is very scary. What if his house catches on fire? This is a public safety issue.

Alderman Crawford summarized that a 5% increase in water allows the Washington Street project to begin, starting at Fourth Street by the high school and going to Tenth Street.

Alderman Andreano asked what the next big project is. Mr. Ring stated that he has not thought that far ahead. Washington will take a couple of years to complete. Alderman Crawford stated that Mr. Ring has a map with red and green indicating what is good and what needs work or replacement.

Alderman Andreano stated that it is important to give the general public a reason why we are raising rates.

A PL and Resolution will be introduced at the next Regular Meeting reflecting a 5% increase in water and 3 ½ % increase in sewer.

Mr. Saradin stated that while he was away, it was found that Mr. Ring desired to include funding in the budget for the restriping of West State Street. For this reason, \$45,000 was taken from 1620.300 and moved to 5110.301. Alderman Andreano asked what the funding was cut

from, and Mayor Aiello replied that it was cut from the repairs to the ADA ramp and sidewalk at the Municipal Building.

Alderman Andreano brought up a concern that was had during the last budget discussion that there is a \$30,000 charge twice in a section of the budget. Mayor Aiello replied that the backhoe was to be split 1/3, 1/3, 1/3 between the three funds at \$30,000 each. The mower was to be taken out of contingency for \$45,000. Mr. Saradin stated that he did not know where to include the funding in the water and sewer funds for the backhoe, so he included it under miscellaneous contracted services.

Alderman Dougherty reminded the Council that the State Comptroller continually makes the recommendation that we budget vehicles and equipment, and not take them from the contingency or fund balance.

Alderman Smith asked if a truck that was discussed in Fleet Management is in the budget. Mr. Ring stated that it is not, but it is possible that the mower can be bought in the next year or two and the truck could be purchased now instead. He does not believe that the truck will pass inspection.

Alderman Andreano stated that every year we go into the budget, it seems that there is something out there that is a large unexpected expense. She asked if there is anything else out there this year. Mayor Aiello replied that he hopes that there is not.

Alderman Witte asked if there are any streets that are in immediate need of repair. She can think of one in her ward that is particularly horrible, and she is sure that there are others as well. Are they on the radar? Mr. Ring replied that he is working on a five year plan for street work throughout the City.

Mayor Aiello stated that we can put the mower off for another year and look into purchasing a truck. Mr. Ring stated that the truck costs are \$58,000 used and \$65,000 new, and Mayor Aiello mentioned that we would only need to fund the difference between \$45,000 and the cost. Alderman Smith stated that the truck is filled with asphalt and is used to fill potholes. He hopes that we can repair the truck or replace it with a beater. He doesn't see the point in purchasing a new truck to fill with asphalt.

The Council discussed different ways to go through the budget to voice comments or concerns about various line items. It was decided to have the Aldermen each present their comments and recommendations to Council President Crawford by the end of the weekend, who would then forward a consolidated report to Mayor Aiello for consideration. Mayor Aiello stated that he could then submit it back to the department heads in each respective department. He stated that they know their budgets best and know if certain cuts or fund moves are feasible.

Alderman Crawford stated that he doesn't feel we need to get into the nitty gritty with each line item. Alderman Witte added that there are a lot of small departments in the budget that really don't change from year to year.

Alderman Gonzalez stated that at the end of the last year, he had brought forth a discussion regarding broadcasting Council meetings online. Alderman Smith asked what the quote was for, and Alderman Gonzalez replied that \$10,000 was for necessary equipment. It is a one-time cost. He questioned if the Council would still consider this. Alderman Andreano stated that they would really need to think about it. She would like to look into the statement issued by a County official, as they were looking into this as well.

Mr. DiCerbo stated that he is curious to know what the archive costs for videos would be. IF we are creating a record, we need to maintain it, and we have no control over YouTube "records" (videos). The reason we don't have to save the TV broadcasts is because the City and Council are not producing the broadcasts, the cable company is.

A motion to enter into executive session to discuss pending litigation was made by Alderman Witte, seconded by Alderman Andreano. Voice vote, ayes all. Motion carried. Executive session entered into at approximately 7:00 p.m.

A motion to adjourn from executive session was made by Alderman Witte, seconded by Alderman Smith. Voice vote, ayes all. Motion carried. Executive session adjourned at approximately 7:18 p.m.

3. Adjournment

A motion to adjourn was made by Alderman Andreano, seconded by Alderman Witte. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 7:20 p.m.