

FINANCE

Tuesday, March 12, 2019 – 5:30 p.m.

Council Chambers – Olean Municipal Building

Present: Members: Chairman Witte, Vice Chairman Crawford, Alderman Andreano, Alderman Gonzalez, Alderman Dougherty, Alderman Smith, and Alderman George. Others: Mayor William Aiello; Fred Saradin, City Auditor; Bob Ring, Director of Public Works, 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.

2. Unfinished Business

None

3. New Referrals for Consideration

a. Budget Presentation – Water Fund and Sewer Fund

Mr. Saradin explained that it was decided to wait until this week to go over the proposed Water and Sewer Fund budgets in order to take time to review the numbers.

Mr. Saradin explained that they are requesting a 1.5% increase in the water fund budget, and he is also suggesting that the Council approve taking \$95,000 from the Water Fund Surplus to balance the budget. Mr. Saradin noted that the Council used \$150,000 from the Water Fund Surplus to balance the last budget. He explained that the City is still not where they need to be revenue-wise in order to balance the budget without dipping into the Fund Balance.

Alderman Crawford asked if the driving force for this is debt service, and Mr. Saradin replied that it is only partly. He explained that Mr. Ring would like to also put \$200,000 in Capital Outlay, as has been done in the past two years, in order to fund water projects throughout the City. He explained that if this amount was cut in half, that the budget could be balanced without taking money from the Water Fund Balance.

Alderman Crawford asked how long is left on the debt service payments, and Mr. Saradin responded that it is approximately ten years. Alderman Crawford asked how much longer the City expects to continue the trend of using the Water Fund Balance to balance the budget, and Mr. Saradin responded that the answer has two parts. First, he explained that although constituents are upset by rate increases, it is important to raise the water and sewer rates. He explained that there was a long period of time when this was not done, and it has now caught

up to the City. He explained that rates need to be raised, or the City needs to decide not to do fund Capital Outlay more than what can be afforded without pulling from the Water Fund Balance. Alderman Crawford noted that this is impossible because the water infrastructure throughout the City is deplorable. Mr. Saradin continued that the City could also attempt to find new revenue streams.

Alderman Gonzalez explained that it is not best practice to use Fund Balance to pay for “grocery” expenses, but he feels that using the Fund Balance to fund Capital Outlay projects could be considered funding capital expenses, so he does not feel that this is “groceries”.

Alderman Witte asked what the \$200,000 will fund, and Mr. Ring replied that it will fund the matches necessary for the Stardust Pump Station, a fluorination project, and a portion of the Washington Street Project. He explained that there is still \$200,000 from the current City budget that he would like to move into a capital fund to use in conjunction with the additional amount that is proposed for these three projects.

Alderman Gonzalez stated that the Water Fund is not like the Sewer Fund, and that the DEC does not require that the City spend a certain amount each year on Capital Outlay projects through the City.

Alderman Crawford asked if the \$200,000 that was put into Capital Outlay for the current budget for Washington Street is still being used for the Washington Street Project, or if that idea has been tossed out. Mr. Ring responded that \$200,000 was used two budgets ago for the cost of equipment, and with the estimated \$75,000 that will be left after the other two projects are paid for, engineers can start working on a plan. Alderman Andreano asked if the project will only cost \$75,000 to do, and Mr. Ring responded that it will cost much more than that. He explained that since the City did not receive the grant that was applied for to do the project all at once, that the project will need to be done in phases.

Alderman Witte asked when the next round of grant funding for water projects will be, and Mr. Ring replied that he is unsure. He explained that grant applications are usually done during the summer and that awards are made in the late fall or winter.

Alderman Andreano explained that if \$200,000 is committed to Capital Outlay in the new budget that she would like to see a breakdown of where the funding is going. Mr. Ring explained that \$200,000 from the current budget would be combined with \$76,000 from the proposed budget to complete the Stardust Pump Station Project, \$50,000 would be the local match contribution for the Fluorination Project, and about \$75,000 would be left for the Washington Street Project. He noted that he needs to have a conversation with the City’s Engineers in order to discuss costs for phases on the Washington Street Project.

Alderman Crawford asked what the anticipated total cost for the Washington Street Project is, and Mr. Ring replied that he is unsure; however, he believes that it is around \$700,000. He explained that the City already has almost all of the material for the project and that it did come in under budget. Alderman Crawford asked if this Project is considered a ticking time bomb that the Council may want to borrow funding for to complete all at once. He would like to see a cost benefit analysis done to make a decision. Mr. Ring explained that he would have an estimate prepared for the committee in the next couple of weeks.

Alderman Andreano asked if the CHIPS money for next year has been committed, and Mr. Ring replied that he will be meeting with the acting Street Supervisor and City Engineer to discuss plans. Alderman Andreano mentioned using CHIPS funding towards the Washington Street Project.

Alderman George asked if the Washington Street Project could be done in a year's time if the funding was there, and Mr. Ring replied that it could be.

Mr. Ring explained that there is a 0.9% increase in the Water Fund's proposed budget, and Alderman Gonzalez added that is if the Council passes a 1.5% water rate increase.

Alderman Witte asked if water usage has increased across the board, and Mr. Ring responded that he does not feel that there have been any major increases. He explained that it would benefit the City to tap into additional potential sources of revenue.

Alderman Andreano explained that if the Council is going to allow \$200,000 to be put into Capital Outlay, that there needs to be a project that the Council has committed to. Alderman Crawford replied that the funding is committed, though, and Alderman Andreano responded that there are three different projects it would be used for, and that \$75,000 is not nearly enough for the Washington Street Project. Alderman Crawford noted that the \$275,000 of funding for the Stardust Pump Station Project wraps up the Project.

Mr. Ring explained that he expects to do \$1 million of infrastructure improvements this summer because of the \$200,000 that the Council has made over the past two years, and with the \$200,000 that the Council hopefully approves this year. He explained that some projects need to inch forward because of the cost, but he is trying to leverage City funding with grants in order to take a bigger bite out of what needs to be done.

Alderman Crawford asked the estimated completion dates of the Stardust Pump Station Project and the Fluorination Project, and Mr. Ring responded that they should both be done this summer.

Alderman Crawford noted that there is \$90,000 in Capital Outlay in Purification, and Mr. Ring responded that this is for funding for other projects associated with the Filtration Plant. He explained that this would cover costs associated with pump replacement, replacement filters and a study on the back wall. HE explained that there is also a valve that he would like to see replaced. He noted that the funding would be used for six or seven smaller projects at the plant or on above ground infrastructure.

Alderman Crawford asked what the condition of the sewer lines are on Washington Street, and Mr. Ring replied that he is unsure. Alderman Crawford mentioned working on the sewer lines at the same time the road has been dug up for the water project, and Mr. Ring responded that the road does not need to be dug up to work on the sewer lines, so it is not necessary to coordinate doing the two at the same time.

Mr. Saradin explained that the proposed Sewer Fund budget includes a 1 ½ % rate increase, as well as a \$259,682 transfer from the Sewer Fund Balance. He explained that this is because in prior years, a balance of \$275,000 that was sent to Debt Service was comprised of a leftover balance from three major projects that had closed out and came in way under budget. He explained that it is not the case this year, and that there is only \$70,000 left from the balance of completed projects. He explained that the difference from debt service from last year to this year is approximately \$200,000, and that \$250,000 is in the Capital Outlay line item for sewer line improvements as mandated by the DEC. He explained that next year, \$100,000 will be coming off of the debt schedule, and an additional \$65,000 will come off the next year. He noted that the Sewer Fund has a terrific balance of approximately \$2.5 million.

Alderman Crawford explained that taking money from the Fund Balance is alright for a while, but that it is not sustainable. Mr. Saradin explained that if the City will continue to need \$250,000 for sewer line improvements that we need to find an additional source of revenue. He explained that no one wants to raise rates 5%, but the Council needs to make a decision. Alderman Crawford noted that new customers could be found as well.

Alderman Gonzalez inquired about the Sewer Debt Service, and Mr. Saradin replied that it is everything that the City has borrowed for, for sewer-related projects. Alderman Gonzalez asked why the amount fluctuates and why we were not aware of the cost of debt service for the upcoming year, and Mr. Saradin replied that we were aware. He explained that he will present a long-term debt service schedule for each fund to the Council.

Alderman Gonzalez explained that the Council has spent the last five to six years increasing sewer rates in order to absorb the cost of the new debt service. He asked when this would level off. Mr. Saradin explained that the rates were raised 5% over three to four years based on an estimate of what a new plant would cost. He explained that in hindsight, the Council probably

should have raised the rates 6% each year. However, there has been a lot of outcry about the raising rates.

Mayor Aiello explained that the City is getting there. Alderman Gonzalez explained that he feels more comfortable taking out \$259,000 this year because it will decrease to around \$159,000 the next year, and will be \$65,000 less the year after that due to the decreasing debt service. Mr. Saradin added that if the Council raises rates 1 ½ % each year, that the number could get to zero.

Alderman Crawford explained that the City cannot maintain 0% raises, as costs are continually rising. There is also the solution of finding more customers, although he knows that it is a large capital investment. He asked if anything has been done regarding this. Mayor Aiello replied that he has met with area towns and villages, and there is still a plan to move into Westons Mills. He explained that the Town of Olean did get a grant to do a sewer project as well to run lines off of Indiana Avenue right outside of the City. He explained that Crystal Abers is compiling everyone's needs and is looking to go after a shared services grant.

Alderman Crawford explained that it is his understanding that the water and sewer plants in the City can handle more than what they do, so the City should look for more customers. Mr. Saradin noted that the Olean Gateway Project will increase revenue as well. He added that the City cannot maintain 0% raises, as the City needs to keep up with the aging infrastructure.

4. Approval of Committee Reports

None

5. Adjournment

A motion to adjourn was made by Alderman Gonzalez, seconded by Alderman Witte. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 6:15 p.m.