

FINANCE

Tuesday, July 16, 2019 – 6:00 p.m.

Room 119– Olean Municipal Building

Present: Members: Chairman Witte, Vice Chairman Crawford, Alderman Andreano, Alderman Gonzalez, Alderman Dougherty, and Alderman Smith.

1. Roll Call

Alderman Witte called the meeting to order at 6:00 p.m. and asked that the record show that all committee members were present except Alderman George, who was excused.

2. Approval of Minutes of the Previous Committee Meetings (Tuesday, June 18, 2019)

A motion to approve the minutes of the June 18, 2019 meeting was made by Alderman Witte, seconded by Alderman Smith. Voice vote, ayes all. Motion carried.

3. Monthly Finance and Bills Review

Alderman Witte asked if the waste services bill under Maintenance of Streets is the final bill for the cleanup week, and Mr. Ring explained that it is, and no further bills will be received.

Alderman Witte noted that she has received the bill for the outside counsel if anyone would like to view it.

4. Fiscal Year 2018-2019 Year End Summary

Alderman Crawford explained that he spoke with Mr. Saradin earlier in the day, and the City is still waiting to hear on some material things from the State. Mr. Saradin added that he believes that he will have some firm numbers available at the next Finance Committee meeting.

5. Unfinished Business

- a. PL #02-19: (Crawford) To amend the City of Olean Code of Ordinances Chapter 2, Article VI, Division 3, Audit and Compliance Committee Reporting Policy.

Alderman Crawford explained that this has been an ongoing situation, and presented a draft to the Committee. He explained that he would like to wrap this up soon. He noted that he has worked with Mr. Ring and Ernest Kallenbach, and what he is presenting is the recommendation of the Audit and Compliance Committee. He read the following:

“Capital Projects Policies

I. Change Orders:

A change order is work that is added to or deleted from the original scope of work of a contract, which alters the original contract amount and/or completion date.

The change order process is established to provide approval authority for the various types of change orders and monetary amounts for capital improvement projects.

All change orders are to be documented on a form by the responsible department head. All change orders must be within the approved project funding and the original scope of the project as authorized by the Common Council. The responsible project manager will notify the mayor, common council and city auditor of any change order execution via email or written notice.

The authorization levels for change orders are described as follows:

A. The department head has final Change Order authority if the following amounts are not exceeded:

A single change order, whether cost or credit, up to \$10,000.

A single contract pay item with a cost or credit up to \$10,000.

An extension of time up to fifteen (15) working days.

B. The mayor has final Change Order authority if the following amounts are not exceeded:

A single change order, whether cost or credit, up to \$25,000.

A single contract pay item with a cost or credit up to \$25,000.

An extension of time exceeding fifteen (15) working days.

C. Any levels that exceed a cost or credit, over \$25,000 must receive mayoral and Common Council approval.

The final/approved change-order value shall also include: 15% contingency, 5% field change allowance and the associated administrative fees.

Change orders authorized by the Mayor will be placed on the Common Council Finance Committee's Agenda subsequent to the approval and the nature of such expenditures must be disclosed and the needs specified by the responsible department head.

After change(s) are approved, financing options (if required) will be discussed and secured by the Mayor, Common Council, department head and the City Auditor.

II. Capital Project Updates:

The reporting of ongoing capital projects will include a project summary, schedule and timeline of all projects in process (in excess of \$50,000) – which will be provided to the Common Council on a monthly basis.

The project financial report will include the following: project budget, approved changes, and actual/incurred costs. Additionally, there will be a reconciliation of project funding received/acquired to total project cost to ensure enough funding for project completion and highlighting any funding shortfalls.

If any project is underfunded, the Mayor and Common Council will be notified immediately and a corrective action plan will be provided.”

Alderman Crawford explained that he is not trying to require Council approval for all Change Orders, but rather provide a threshold that makes sense. He added that for Capital Projects, the concern is for material projects over \$50,000 in cost. He explained that this will allow any project that is underfunded or has shortfalls to be reported to the Mayor and Common Council immediately. He presented a Change Order form created by Mr. Ring.

Mr. Ring explained that he put together this form when he started, although there are a lot of contractors who have their own forms and tracking systems. He explained that there is a system in place already, and he has no issued copying the Council. He added that this does not guarantee that a project will not go over budget, but it does put tracking in place.

Alderman Crawford asked if anyone has any comments or thoughts, and Mayor Aiello replied that he would like to go over the proposed policy with Department Heads and allow them an opportunity for comments and suggestions prior to moving forward.

A motion to postpone PL #02-19 to the next Finance Committee meeting was made by Alderman Crawford, seconded by Alderman Smith. Voice vote, ayes all. Motion carried.

6. New Referrals for Consideration

a. Discussion - \$85,000 Fund Transfer for Additional Sewer Lining

Mr. Ring provided a map to the Council which outlines the sewer lining done last year, as well as the proposed sewer lining for the current year. The area that should be done goes from

manhole to manhole, as it is difficult to quit in between manholes and have to pick up the lining in a later year. He noted that additional funding was used last year on top of the \$250,000 budgeted as well.

Mr. Ring continued that the area consists of corrugated metal pipe, which is subject to erosion and leaching issues. He explained that he does not need to dig up the lines to reline them, but the process does extend their life between 20 and 40 years. The area that he would like to do this year consists of 526 feet, which would cost \$85,000 in addition to the \$250,000 budgeted. He feels that this amount should come from contingency or fund balance.

Alderman Witte asked about the sewer contingency, and Mayor Aiello responded that there is only \$75,000 in that account. Mr. Saradin suggested taking the money from fund balance, as the balance is quite hefty. Alderman Andreano asked how much is in the sewer fund, and Mr. Saradin estimated that amount around \$2 million.

Alderman Witte asked if there is funding left from the Wastewater Treatment Plant Project, and Mr. Saradin explained that while it will come in under budget, there will be no leftover funding, and the City will not borrow as much as anticipated. Alderman Witte explained that she thought this could be another option for funding, and Mayor Aiello explained that as it was discussed before, things such as this are outside of the scope of the project.

Alderman Andreano explained that she is not against using the funding for sewer lining; however, a week prior it was discussed taking \$270,000 out of the fund balance for the Syphon Project.

Mr. Ring explained that it is important to put funding towards the project in order to follow the DEC's Consent Order. Alderman Crawford explained that he feels that the \$250,000 that is already committed per year for sewer lining seems pretty material.

Alderman Dougherty explained that the City needs to keep maintaining the sewer lines, and that \$250,000 is just a drop in the bucket compared to where the City should be. Alderman Crawford responded that there is only a finite amount to deal with.

Alderman Smith asked if the need for this money is pressing or convenient, and Mr. Ring explained that replacing 1,000 feet of line when there are 500,000 feet of line in the City is not really making a dent. He explained that he feels that this could be an immediate concern, as he does not know the condition of the lines.

Alderman Andreano asked what the City will do in the case of an emergency if we keep taking from the fund balance, and recommended waiting and keeping the \$85,000 for potential

emergencies. Mr. Ring explained that this is a problem now, and that is why this section of lines is prioritized.

Alderman Crawford explained that the fund balance was built up to help pay for the Wastewater Treatment Plant so rates didn't have to be raised 20% per year, and Mr. Saradin explained that he did not know the total project cost years ago, but that perhaps the Council didn't have to raise rates so much, He explained that it is the Council's decision how to use the funding.

Alderman Andreano asked if rates will now be doubled to replenish the fund balance, and Mr. Ring replied that they will not be. He explained that this project needs to be done, and then funding needs to be reevaluated. He noted that the Syphon Project will not be completed in the current year, and it is possible to take funding from two separate budgets to pay for the match.

Alderman Dougherty asked what will happen if the sewer lines are not lined, and they being to seep and leak, if they are not already. He explained that the City has saved this money, and now can start covering payments for the Wastewater Treatment Plant and use the fund balance for infrastructure. Alderman Andreano explained that she could get behind that if sewer rates weren't raised each year.

Mr. Ring explained that he feels that it is possible to go out for grant funding for sewer lining, and this is something that the new Water and Sewer Superintendent would be able to do once they are hired. Alderman Andreano asked if a grant can be awarded when a municipality has a Consent Order, and Mr. Ring explained that the Consent Order actually makes it more likely for the City to receive the funding.

Mr. Saradin explained that next year, \$100,000 will fall off of the debt service, and that \$200,000 was used from the fund balance to balance the current budget. He explained that the City is almost at a point of breaking even in the sewer fund budget.

Alderman Crawford explained that there will always be a project. Alderman Witte added that it seems that the Council is always looking back and wondering why a previous Council didn't do something when a project was small and had a simpler solution than what is needed because they waited to fix things. She explained that this is by the river. The Council can sit on this, but we are only kicking the can down the road.

Alderman Smith asked how soon Mr. Ring wants an answer, and Mr. Ring responded that he does not need to know next Tuesday, but would like a response by the July 30, 2019 committee meeting. Mr. Saradin noted that he will have a better idea of the fund balance at that point as well, as numbers will be back from the State.

7. Approval of Committee Reports

None

8. Adjournment

A motion to adjourn was made by Alderman Witte, seconded by Alderman Smith. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 6:35 p.m.