

## FINANCE

Tuesday, July 30, 2019 – 7:05 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; Lens Martial, City Clerk; Fred Saradin, City Auditor; Bob Ring, Director of Public Works; Keri Stephen, Community Development Program Coordinator; Bob Bell, Fire Chief, and Tiffany Taylor, Managerial Confidential Administrative Secretary.

### 1. Roll Call

Alderman Witte called the meeting to order at 7:05 p.m. and asked that the record show that all committee members were present.

### 2. Approval of Minutes of the Previous Committee Meetings (Tuesday, July 16, 2019)

A motion to approve the minutes of the July 16, 2019 meeting was made by Alderman Witte, seconded by Alderman Crawford. Voice vote, ayes all. Motion carried.

### 3. Fiscal Year 2018-2019 Year End Summary

Mr. Saradin explained that he recently provided around 950 pages of general ledger to BWB for the purposes of an audit, and the numbers that are being presented tonight are tentative numbers that reflect their findings to this point.

Mr. Saradin explained that the City had a great year in the General Fund for the following reasons:

- Sales Tax revenue was \$256,000 higher than last year and \$121,000 over budget;
- Ambulance revenue was \$24,000 higher than last year and \$24,000 over budget;
- Tax revenue is \$81,000 higher than last year;
- Mortgage Tax revenue came in \$18,000 over budget;
- Ice skating revenue came in \$38,000 over budget;
- Health insurance costs are \$11,000 under budget;
- Pension costs came in \$28,000 under budget; and
- Total expenditures (net of litigation costs) were \$85,000 lower than last year.

Mr. Saradin explained that as a result, the City has the potential to add \$340,000 to surplus.

Mr. Saradin explained that in the water fund, net meter revenue came in \$89,000 under budgeted projections, and expenditures came in \$33,000 under budgeted projections. This results in the Water Fund losing \$205,000, which is \$55,000 more than projected in the 2018-2019 budget.

Mr. Saradin explained that he does not know what is going on with water revenue. Mr. Ring explained that right now funds can be taken from the Water Fund Balance, but that there should be a solution in place to move away from that trend in the future. Alderman Crawford explained that he remembers taking \$150,000 from the Fund Balance to balance the budget, but that he is trying to understand the \$85,000 difference in revenue from where we thought we would be and where we have ended up. Mr. Saradin explained that the Department of Public Works can look at revenues by individual residences, and Alderman Crawford added that it may be worth looking at to see if there is a trend that will be continuing.

Mayor Aiello explained that he just received this information late in the day yesterday, but he will look into this to see if he can figure out what is going on. Alderman Dougherty added that as technology improves, it is easier for losses from leaks to be tracked and property owners notified before their water bill raises an exorbitant amount.

Mr. Saradin explained that in the Sewer Fund, net revenue came in \$25,000 under budgeted projections, and expenditures came in \$52,000 over budget. He explained that this will result in the Sewer Fund losing \$147,000, which is \$77,000 more than the amount projected in the 2018-2019 budget. He explained that part of the difference in expenditures can be attributed to the new Wastewater Treatment Plant costing more to run, including higher electricity costs. He noted that \$55,000 was added to the current budget to prevent a future discrepancy such as this.

Mr. Ring explained that when the Sewer Fund Budget was approved for the 2018-2019 fiscal year, the City did not anticipate completing the generator project or doing additional sewer lining. He explained that the \$95,000 cost for generators, as well as the \$25,000 for additional sewer lining, equals \$120,000 of the \$147,000 difference.

Alderman Witte asked if the solar energy credits are being applied to the electric bill for the plant, and Mayor Aiello responded that the City has 62 different electric accounts. He explained that the solar farm will apply credits to each of these accounts, and he explained that the City is currently in the process of finding out how much in net metering credits the City will receive. He explained that after this is completed, the credits will then be converted so that they only apply to the larger accounts of the City's.

#### 4. 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 he wanted to bring this up again, as the Change Order Policy and Capital Project Reporting Policy were discussed at the previous meeting. He explained that he reached out to Mayor Aiello, who replied that he does not have any changes. Mayor Aiello added that he shared this policy with department heads, and there were no comments or requested changes.

A motion to approve PL #02-19 was made by Alderman Crawford, seconded by Alderman Dougherty. Voice vote, ayes all. Motion carried. Referred to City Attorney for Resolution.

#### 5. New Referrals for Consideration

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

Mr. Ring explained that this is the second time that the committee is having a discussion regarding additional funding for sewer lining. He explained that the work needs to be done, and as it is a major concern environmentally, he feels that it is very important that it be done. HE explained that the City is supposed to spend \$250,000 per year on sewer line relining or replacement, and this \$85,000 will allow for the lining to be done to the end of the line. He noted that this is a priority project that will not just go away.

Alderman Witte explained that she feels that the City really needs to do this project, and she feels that we are just holding our breath and hoping that something doesn't happen. She noted that this is very close to the river. Alderman Dougherty agreed.

Alderman Andreano explained that she supports the idea, and that she feels that this probably does need to be done. Her concern is using Fund Balance and going over budget, and that one day the City could run out of fund balance. Mayor Aiello responded that corrective action has been taken in the current budget so that the City should not go over budget in the Sewer Fund.

Alderman Crawford explained that earlier in tonight's discussion, it was mentioned that the Sewer Fund Balance was being reduced partially because of the necessary expense of replacing generators. He is concerned that there will always be something that needs to be done.

Alderman Crawford explained that he is not necessarily against spending the additional funds; however, he is concerned regarding the long term effect on the fund balance. He explained that when revenues are down and costs are up, you have to raise rates faster than you would like to, and he would prefer to take a more conservative approach.

Mr. Ring explained that it seems dangerous to wait to do this until sewage is running into the river.

Alderman Smith explained that he feels that the decreased water and sewer usage is a trend that will continue, as each time the City raises rates, it discourages people from using water. He feels that water and sewer usage will be either stagnant or will decrease. He added that if this line breaks, it will be a big, expensive "I told you so", and it seems that there are ticking time bombs in the water and sewer lines all over the City that the Council cannot predict with a crystal ball.

Alderman Witte asked if the expense would be the same or higher if the line breaks, and Mr. Ring responded that he assumes that it would cost more. He explained that this is in the plan that the DEC laid out for the City, and he suggests that the City get to Fourth Street this year. He explained that these lines are not only next to the sewer, but also in the flood plain.

Alderman Gonzalez asked if sewage would be in people's basements if the line breaks, and Mr. Ring responded that it would not, and the worst case is that it ends up in the river. Alderman Gonzalez explained that he could live with that possibility for now.

Alderman Andreano asked why this was not discussed as an addition while the current budget was being discussed.

Mr. Ring explained that according to the Fund Balance Policy, the balance should carry an amount equal to 15% of the budget. He explained that he does not want to spend excess funds just to spend them, but he wants to know what the City can spend the money on.

Alderman Witte added that the City can pay for the relining of this section now or they can pay later, but either way the City is going to pay.

Alderman George explained that he is in favor of relining this additional section of roadway. He explained that the Council should take the recommendation of the expert who put the plan in place, and whether it is done this year or next year, it is coming from basically the same source.

Alderman Witte explained that it would be nice to see a three or five year Capital Plan in place, and she feels that this is the direction in which Mr. Ring is trying to steer the Council.

Alderman Crawford explained that he is concerned about depleting the Fund Balance, and asked how long this will be sustainable if the City takes from the Fund Balance each year.

Alderman Dougherty responded that he sees his point, but that Mr. Ring is in a very hard place right now.

It was decided to continue the discussion on a later date.

## 6. Approval of Committee Reports

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

#### 7. Adjournment

A motion to adjourn was made by Alderman Witte, seconded by Alderman Andreano. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 7:40 p.m.