

FINANCE

Tuesday, March 31, 2020 – 5:30 p.m.
Council Chambers – Olean Municipal Building

Present: Members: Chairman Gonzalez, Vice Chairman Crawford, Alderman Witte, Alderman Panus, Alderman Dougherty, Alderman DePaolito, and Alderman Anastasia. Others: Mayor William Aiello; Fred Saradin, City Auditor, and Tiffany Taylor, Managerial Confidential Administrative Secretary.

1. Roll Call

Alderman Gonzalez called the meeting to order at 5:30 [a.m. and asked that the record show that all committee members were present.

2. Approval of the Minutes of the Previous Committee Meetings (Tuesday, March 17, 2020)

A motion to approve the minutes of the March 17, 2020 meeting was made by Alderman Gonzalez, seconded by Alderman Witte. Voice vote, ayes all. Motion carried.

3. Unfinished Business

None

4. New Referrals for Consideration

a. 2020-2021 Budget Discussion

Alderman Gonzalez explained that the plan for budget discussion is to begin tonight, and continue the discussion Thursday and again next Tuesday. He explained that the Mayor has provided a handout, and that he knows that there are a lot of new factors to consider given the COVID-19 pandemic.

Mayor Aiello explained that the first two pages of the handout are for the current budget, and the first page provides an idea of possible revenue losses through May 31st. He explained that the Recreation Center is projected to lose \$14,300, and the City is projected to lose \$6,415 from parking meter revenue and parking ticket revenue. In addition, he explained that since court cases are being pushed out 45 days or more, the City is projected to lose \$3,600 in fines and forfeitures. He explained that the City is estimated to lose \$125,000 in sales tax revenue, making the total projected loss to be \$149,315.

Mr. Saradin explained that the Recreation Center figure came from Mr. Shewairy and is for the loss of ice time over the past three weeks. He explained that he used meter violations from last April and May, and took a very conservative approach to the estimated loss.

Mr. Saradin explained that it is difficult to project the loss in sales tax. He explained that the City can't look back a few years to determine the projected loss, because we are in uncharted territory. He explained that the City will get its first payment from the state on April 6th, and this is normally the largest payment, He explained that it is typically around \$250,000 to \$300,000, and then another \$50,000 to \$75,000 is received in the middle of the month. He explained that these payments will be the first indicator of what is to be expected, but this may not be a true indicator because this payment includes money collected in February. He does not believe that stores were affected until the last two weeks of the month, which will not be received until May.

Alderman Crawford explained that his main question was the amount of sales tax revenue that would be lost, and he sees that in April and May, typically \$300,000 per month is received. Mr. Saradin explained that he estimated that sales tax revenue will be down by 35%. He explained that he went to Rieds, and they are booming. He spoke with an employee of Rakuten, who indicated that they're booming and that their internet business is taking off. He thinks that online sales will help. He feels that 35% is a fair estimate.

Alderman Crawford explained that his biggest concern is the loss of auto sales, as these are big dollar items that generate tons of sales tax. Alderman Gonzalez noted that they are open by appointment only.

Mr. Saradin explained that what really doesn't help is the loss of sales at corner stores, and the price of gas being so low.

Mr. DePaolito explained that he thought that the City collected its sales tax on a quarterly basis, and Mr. Saradin explained that the City collects its sales tax revenue monthly. He explained that he doesn't think that the April payment will be hit too hard, and we will have to see what happens in May.

Alderman Witte asked about the loss of income from the Home Show, as she knows that it is being pushed back. Mayor Aiello explained that we receive approximately \$3,000 in income from the Home Show, and he does not think that they will be holding it before the end of the budget year given the circumstances.

Alderman Dougherty noted that all non-essential construction is being held off now too. He does think that we are seeing this loss now, but that when everything reopens, we will start realizing profits because courts will be booked, and people will be shopping.

Mr. Saradin explained that this is all a real learning experience. He explained that we have no history to compare this to.

Mr. DePaolito explained that people are hurting, and he has clients calling him begging for money. He explained that there are businesses that are crying for loans just to get by. Mayor Aiello explained that he has information for businesses that he can send to the Aldermen to distribute. Alderman Witte explained that she's heard that if you have a small business and lay people off, that you are not eligible for grants or loans. Mr. DaPaolito explained that no one knows what is happening.

Alderman Gonzalez asked if \$125,000 in sales tax losses is not worst case scenario or wishful thinking, but rather middle of the road. Mr. Saradin explained that he would say that \$125,000 to \$150,000 would be fair, but that after talking to businesses, he feels that \$125,000 is the best estimate. He explained that there are sectors where pockets are booming.

Alderman Crawford asked if new cars can still be registered with DMV's being closed, and Alderman Dougherty explained that he thinks that a lot of dealers take care of that for you. Alderman Crawford explained that he is not sure if they can still do it for customers and Mayor Aiello explained that a lot of dealerships go to the DMV to register their customers vehicles.

Mayor Aiello explained that the next page are potential savings from April 1st through May 31st. He explained that there are a lot of savings because of travel being delayed, as well as office supplies and equipment not being purchased. He explained that Mr. Ring has indicated that he will probably not spend \$128, 450 of his budget from items such as road repairs, salt, and miscellaneous contracted services.

Alderman Gonzalez explained that the lost profits on the first page were directly tied into the pandemic situation, but while some of these savings are tied to the pandemic, a lot are not. He explained that unused salt, for example, is a result of a mild spring and not because of the pandemic.

Mayor Aiello explained that not all of the shown potential savings are tied to the situation. He explained that he asked each department to come up with what they think that they will not be using this year. Alderman Gonzalez explained that these funds would otherwise go into the fund balance at the end of the year.

Mayor Aiello explained that no one is allowed to attend training or to travel right now, and that accounts for \$23,000 in potential savings. He explained that the Wages and FICA savings of \$30,000 is from part time workers that have been laid off for the time being, and that the next budget will be a different situation.

Mayor Aiello explained that part time workers that have been laid off include airport employees, recreation seasonal workers, a couple of part time cleaners, the vital records clerk and the senior center employee. Alderman Witte asked if Mr. Shaw still opens the doors for Meals on Wheels, and Mayor Aiello explained that they have their own key and let themselves in. He noted that Mr. Shaw is now off of the payroll.

Mayor Aiello explained that the money for auto repairs in the Police Department budget is for the City's deductible if there is an accident that the City is at fault for. He explained that it is the same thing in Fire / Codes budget, and that these funds will be available as long as there are no accidents that Police Officers, Code Officers or Fire Fighters are at fault for between now and May 31st. He explained that the Youth and Recreation budget is saving money because the program is closed for the foreseeable future.

Mayor Aiello explained that the total estimated savings is \$307,030. He explained that these are estimates at this point, and that he does have a spending freeze in place so nothing can be purchased unless it is absolutely necessary. Alderman Gonzalez explained that if Mr. Saradin's numbers are right, that \$150,000 will be put into the fund balance at the end of the year. Mayor Aiello explained that the City has been tracking to put \$200,000 into the fund balance under normal circumstances. If all of this holds, the City will still be able to put some money into the fund balance.

Alderman Crawford explained that we may not see things like this immediately, but he wonders when we will see the pain of things that are market driven, such as pension funds. Mr. Saradin explained that it is a huge actuarial undertaking to come up with the numbers for this, and it is both payroll driven and stock market driven. He explained that he received the City's tentative rate some time ago, and that rate was tentative. The City will be billed in October, and this number is totally unpredictable, He hopes that the market recovers.

Alderman Witte explained that she was looking through the budget last night, and she wonders how much of a savings the City may see if gas prices hold or go down in terms of blacktop and fuel bills. Mr. Saradin explained that he has not analyzed that. Mayor Aiello noted that the Recreation Center has shut down, so the compressors were shut down and the ice is being taken off. The City will not know until we receive bills if there is a decrease in those bills, but right now at the water plant, they are seeing a 10% reduction in production because plants are closing and not using water. He explained that it will take some time to analyze all of this.

Alderman Witte explained that a lot of manufacturers are still open, such as Sol Epoxy, Dresser Rand, and Napoleon Engineering. Mayor Aiello noted that these are not big water users. He explained that he does not know if Indeck has been running lately, but Cutco is shut down and the schools are not running. Alderman Dougherty asked how the water bills work for the

school, and Mayor Aiello responded that they get a water bill. Alderman Witte noted that water bills are the one bill to the City that churches are responsible for.

Alderman Crawford explained that he is comfortable looking at potential savings versus lost revenue, and he feels that there is a cushion there. Mr. Saradin explained that if his sales tax estimate is off by \$50,000, then the City will still be adding to the surplus. Alderman Witte explained that she does not think that the City will see an impact until later in the coming year, and Alderman Crawford explained that we don't know how long this is going to last. Alderman Dougherty explained that this could be over before the next budget begins, or it could go into October.

Mayor Aiello explained that he feels if we can pass the budget at a zero percent tax increase with a zero percent increase in water rates and zero percent increase in sewer rates, that the City can adjust things down the road if things keep deteriorating. He explained that his department heads have done a wonderful job cutting fat out of their budgets, and the next thing that we will have to do is reduce staff. He explained that the City will have to cut \$100,000 out of the budget to get to a zero percent increase. He feels that this is something that we can do, but he wants to make sure that the Council is considering what kind of cuts need to be made to do this. Alderman Gonzalez noted that the 1.65% increase accounted for approximately \$125,000 in the budget.

Mr. Saradin explained that the City currently pays 7.65 percent of everyone's wages to Social Security. He explained that the government is allowing employers, including the City, to defer 6.2 percent of that payroll tax expense in order to save cash. He explained that the City would need to pay this back in 2021, but it is a way of saving money on this coming budget and to help with cash flow. He explained that this would help the City save around \$10,000 a week from June 1, 2020 through December 31, 2020. He explained that the City would save almost \$300,000 in these 28 to 29 weeks. Mr. Saradin explained that the City would have to pay this back, but that it is something for the Council to take into consideration if they would like to opt in. He explained that the payback period is two years. He noted that there is a chance that the government will waive the requirement to pay these funds back.

Alderman Witte asked if there is a time frame in which the Council needs to make this decision. She asked if we can wait to see what happens before we make a decision. Mayor Aiello explained that Representative Tom Reed feels that in Phase IV of the Stimulus Package, that the payback of these funds could be waived.

Alderman Crawford explained that he feels in favor of taking this option. He explained that this would give the City latitude in its cash flows, and we don't know how long this pandemic will last. He feels that we should take this security blanket and plan for this in the budget up

through December. He does not feel that this would be a detriment or a risk to the City. Alderman Dougherty noted that the City will need to plan accordingly. Alderman Gonzalez explained that it is like paying yourself rather than the government.

Mr. Saradin explained that if the City takes this option, the City could always set the money aside to pay it back if we decide to. Alderman DaPolito explained that the City could commit half of the amount to savings to pay back, and it could be liquidated if the City needs the funding, but if not it is saved in case it needs to be paid back. Alderman Dougherty noted that it is almost as if the City has an extra contingency fund.

Alderman Gonzalez asked if we are over simplifying it, and Alderman DaPolito explained that it is basically a loan. Alderman Gonzalez explained that the Council will take the “loan”, and not spend the money. Rather, the City will just have it in case we need it. Alderman Dougherty explained that we are not paying interest on this loan, but we have the funding if we need it, and if not we can cut the check to pay it back. Mr. Saradin explained that if we don’t have to pay this funding back, that the City will have extra cash.

Alderman Crawford asked if this option is interest free, and Mayor Aiello explained that he would get additional information for the Council. He noted that we definitely have this option. Mr. Saradin explained that the option might be retroactive and that the City could receive credit for what we paid from February 15th through today.

Alderman Dougherty explained that his only hesitation is that at the County tax auction, there are people who forget to pay, and if we don’t pay this tax and then have to pay it back, what if we aren’t prepared for it. Alderman Crawford explained that he would be in favor of not spending the funds, and putting it into a reserve as an interest free security blanket.

Alderman Crawford explained that income tax deadlines are being extended. He asked when City taxes are due. Mr. Saradin explained that they are due by June 1st, Mayor Aiello added if the budget is passed by April 15th. Alderman Crawford asked if it makes sense to give residents a month or two delay. Mayor Aiello explained that he would have to look into whether or not the City could even do that. Alderman Witte asked if other municipalities are looking at doing this, and Mayor Aiello explained that it hasn’t come up. He noted that one municipality raised water rates and asked if they have to rescind the raise, and they do not. Alderman Witte asked if there is an extension for County taxes, and Mayor Aiello explained that he hasn’t heard.

Alderman Anastasia asked if Alderman Crawford is just looking to waive the late fee for property tax payments, and Alderman Crawford explained that is his intention. Alderman Gonzalez explained that he thought Alderman Crawford was looking to move the due date altogether, and he misunderstood.

Mr. Saradin noted that the Council needs to keep in mind that this late fee is a revenue source. Mayor Aiello explained that the County makes the City whole when taxes are not paid, and moving the due date could delay the County making the City whole. He explained that he has been getting calls asking if the City is going to waive late fees on the City's water bills, and he thinks that we need to take this all on a case by case basis. He feels that there is a difference between a resident losing their job or just taking advantage of the situation. He explained that we need to take a real, hard look at this all.

Alderman Dougherty explained that there are a lot of people who pay in the City building because they do not do things online. Mr. DaPolito explained that someone asked if rent will be deferred. His comment was that these things are what the stimulus check are for. People are also still getting Social Security. Alderman Witte explained that she thinks that people are really going to be hurting who lost their paychecks. Mayor Aiello explained that he received an email from the State regarding loans for small businesses, and he will send that information to the Aldermen. He explained that everyone on unemployment will be receiving an extra \$600 a week, and Alderman Dougherty noted that this is until the money runs out. Alderman Witte explained that no one knows when the stimulus check will come.

Alderman Gonzalez explained that he thinks the idea of going to the public with 0% increases in the budget would be good. Alderman Witte explained that it shows that the Council is looking out for their constituents.

Alderman Dougherty asked if it will hurt the City to not raise water and sewer rates. He explained that twenty years ago, no one was raising rates and then all of a sudden the City had to impose giant raises to make up for that. He asked if a zero percent raise will put the City in a bad position. Mayor Aiello asked what the proposed raises were, and Mr. Saradin responded that it was for 1.5 percent in water, and 0.5 percent in sewer. Mayor Aiello explained that these are extraordinary circumstances, and we might have to tell the DEC that we cannot fulfill their requirement to do \$250,000 in infrastructure work this year. Alderman Gonzalez explained that he feels that this is the best decision for us.

Mayor Aiello explained that the third page of the handout which he provided includes project asks that are not included in the budget. He explained that the building repairs for the Municipal Building is for the outside handicapped ramp area that the Council has been discussing extensively. He explained that there is \$196,000 left in contingency after money was taken out to demolish two houses, He asked if we want to forgo the demolitions at this point, or to continue with the demolitions. He explained that he has the contracts for signing if we want to continue. Alderman Dougherty asked if this is considered essential or nonessential and if it can be done now, and Alderman Crawford explained that he thought that the fire chief declared the houses dangerous and ordered them down.

Mayor Aiello explained that the estimate to fix the concrete outside of the City building is \$125,000. He asked if the City should consider getting one police car instead of two. He explained that the City needs to take a hard look at if the Main Street restriping is needed, and if the boiler is needed for the fire station. He explained that the request for the radio tower by the water tanks is to replace the antenna on the Community Bank building, and it would make the City more self-sufficient. He explained that the City could wait a year on that. In addition, the City could hold off on the new entrance to Franchot Park. He explained that these are just some of the things that we wanted to put forth and come up with ideas on how to fund.

Alderman Witte asked if the Main Street restriping is part of Walkable Olean Phase II, and Mayor Aiello explained that it is part of the safety plan in front of the hospital. Alderman Witte explained that this, and the ADA ramp at the City building, are the top two thing that she feels need to be done.

Mayor Aiello explained that the ADA ramp can be funded with the current budget's contingency, and we can cut one police car and probably get the boiler with the current contingency for the fire hall. Alderman Dougherty asked how pressing the boiler is, and Mr. Saradin explained that Mr. Richardson let them know that it is pretty bad. Mayor Aiello explained that they are pretty concerned about it.

Alderman Anastasia asked if the City actually needs to get a police car, and Mayor Aiello explained that the Police Department does a rotation and gets two cars a year. He explained that they get a lot of miles on the cars, and rotate old ones out to other departments. He explained that we could cut to one new police car, or we could take a chance and get no new police cars. Alderman Gonzalez explained that he does not know if we should do this.

Alderman Panus asked where the funds are coming from for these projects, and Alderman Dougherty explained that when there are leftover contingency funds at the end of the year, the Council uses it for funding to purchase items that the City should have budgeted for. Mr. Saradin explained that the City has contingency funding in case something really terrible happens,

Mayor Aiello explained that the leftover contingency is possible funding, and there are other things the Council can consider. He explained that there is \$2,589,168 in the unassigned fund balance, and if we consider that the Council would like to have 15% in the fund balance, we are \$98,400 over the 15% amount. In theory, he explained, this money could be used to do various projects. He explained that we could also consider the funding that will be rolling into surplus when the year is over, and the Council could even consider bundling projects together and looking at a BAN to fund them.

Alderman Crawford explained that he would be more in favor of identifying which of these projects we feel more comfortable in saying are a guaranteed “yes”. He explained that the Council has talked about the foundation and entrance enough, and he feels that is a priority. He feels that one police car is okay as well, but with the uncertainty that we are facing, he doesn’t want to tap into fund balance. He wants to ensure that we have that cushion there in case we need it. He explained that if the Council lists what we feel good moving forward with, and then we can look at using the \$150,000 that is projected to go into fund balance at the end of the year as well for capital projects.

Alderman Gonzalez explained that if we are talking about a zero percent increase in taxes for this budget, that it will make it difficult to put money into the fund balance next year.

Mayor Aiello explained that he feels that the priorities are the entrance repairs, the boiler at the fire hall, and the concrete work at Fire Station 1. He feels that the other things can be put off until next year. He noted that the City may be able to do the striping ourselves rather than just hire it out, and Alderman Witte explained that we could even just stick to the hospital area.

Alderman Gonzalez asked what the Franchot Park entrance project is, and Mayor Aiello explained that it is for the entrance where the two houses were demolished on Green Street. Alderman Gonzalez agreed that it is not a priority for this year. Mayor Aiello explained that there are some things that can be done in house.

Mayor Aiello explained that there is \$196,000 in contingency. Alderman Dougherty asked if this amount is if we don’t tear the houses down, and Mayor Aiello explained that it is with the houses being torn down. He explained that it leaves about \$28,000 to come up with to do the three projects he suggested.

Alderman Panus explained that one thing that comes to mind that we haven’t talked about, while we are talking about savings and extra revenue, and that is extra expenses. He asked if there will be overtime for DPW for everything that is being put off right now. Alderman Gonzalez asked if streets is still working, and if parks has any staff working, Mayor Aiello explained that no division is at full staff, but parks and streets are still working. He explained that when all is said and done, we are just going to have to do what we are going to have to do. Alderman Panus explained that he just wanted to put it out there, that we are going to have to get caught up. Mayor Aiello explained that that’s why he said if we come in at zero, that if things get better, he can come to the Council and ask for money, and then the Council will have the option to take the funding from fund balance.

Alderman Witte explained that even if this goes out a little further, that she thinks that the City will see savings in fuel.

Alderman Panus explained that in his experience, the cost of labor seems to add up.

Mayor Aiello explained that this is not something that is going to be pleasant. He explained that the longer that this goes, the more of a possibility there is that we will be laying people off. We will have to keep an eye on everything as it progresses and move forward. He explained that negotiation is beginning with both police unions, and the Fire Department and CSEA get raises on June 1st. He explained that there are obligations with collective bargaining agreements. He explained that the Police Department is shifting around to reduce the amount of overlap.

Alderman Crawford explained that as it pertains to the next year's budget, he feels that it is a valiant effort for all to stay with a zero percent increase, but we have contractual increases. HE feels that cuts need to be made in areas that are not considered essential services. HE explained that he would hate to see road repairs cut. Mayor Aiello explained that if the City needs to start to reduce staff, that the Council will have a role in that. Alderman Witte explained that if the Council looks back, Mayor Carucci had a difficult time as well, having to lay people off, eliminate positions, and the unions gave up a raise one year. She explained that if you look back on the notes, you will see how tough it is.

Mayor Aiello asked if it is fair that he has to the Council by Thursday what 0% looks like, and Alderman Gonzalez replied that it would be. Mr. Saradin explained that he will assume that on June 1st the City will be fully operating. He explained that if sales tax could continue to decrease, and he wants to make sure that we are all on the same page, He wants to know if the Council is willing to take the risk that we will be back on June 1st.

Mayor Aiello explained that if we pass the budget with the 0% increases by April 15th we can send out tax bills, and if everything continues to drop the Council can reconvene and go from there. He explained that if he has to impose a spending freeze on June 3rd he will do it. Mr. Saradin explained that when he does the presentation Thursday, he will do it with the sales tax not being affected. Alderman Gonzalez explained that we should assume that everything will be back up and normal but if not, we will have to figure out how to go from there, Alderman Dougherty explained that he would figure less because even when this ends people will be going back to work and adjusting.

Alderman Crawford explained that he doesn't think it's a power that the Council needs to have as the Mayor has already taken the initiative to do a spending freeze, but that the Council has the ability to stop spending and adjust the budget as need be. Alderman Gonzalez explained that if this is still going on in June, then there is going to be a lot more to worry about than our budget, Alderman Dougherty explained that he would like to go into the budget more conservative in terms of sales tax. Alderman Gonzalez explained that he would like to assume that everything is back up and running in June.

Alderman Dougherty asked what the yearly sales tax is, and Mayor Aiello responded that it is \$4.4 million. Mr. Saradin explained that if it comes in at half, we will have a 30 percent tax increase. Alderman Crawford asked if sales tax revenue is included in the non-property tax income, and Mr. Saradin explained that it is included in that line. Alderman Crawford explained that the line item includes \$7.8 million total, and Mr. Saradin explained that page 42 of the budget lists what the \$7.8 million includes.

Alderman Crawford explained that to say that we are going to have equal to what we had this past year is overly optimistic. He explained that it's a valid point that we will not experience sales tax at the same level. Alderman Gonzalez asked if this is not the whole point for the fund balance, that if the sales tax revenue is 10% off we can fall back on the fund balance if we have to. Mr. Saradin explained that then the fund balance will be at 12% instead of 15%, and we will need to rebuild. Alderman Gonzalez explained that we have been putting money into the fund balance for several years.

Alderman Witte explained that she is fine with the original plan of assuming that business will be as usual on June 1, 2020, and keeping zero percent increases in taxes, water and sewer.

Alderman Anastasia asked if as spring gets closer and parks get busier, that we can have DPW go into the parks and work instead of sitting at home and getting paid. Mayor Aiello explained that there is still a mandate from the Governor that 50% of staff needs to be at home or working from home. Alderman Anastasia explained that he thought DPW was essential, and Mayor Aiello explained that they have been getting some pushback. He is trying to get more of our staff out there and is trying to take care of the pushback.

Alderman Dougherty asked if DPW can be sent to work straight from home and be considered to be "working from home", and Mayor Aiello explained that only office staff is able to work from home.

Alderman Crawford asked about budgetary shares from New York State, and Mayor Aiello explained that there has been no talk about any of that being cut. He explained that the governor hasn't given any increase, but nothing has been cut either. He explained that all the direction he has gotten on this is that it is not even being discussed. AIM and CHIPS funding is steady so far. He noted that he does not know if the City will receive the additional \$65,000 this year related to the winter weather as we had last year, and he will probably not know until the governor's budget comes out. Alderman Crawford asked if this means that it might not come out on time. Mayor Aiello explained that it is supposed to come out tomorrow, but he doesn't know if it will. He explained that if there is an indication that funding will be cut, that NYCOM will have people calling and lobbying to have it restored.

Alderman Gonzalez explained that the take home today is that we will reconvene Thursday, and basically have a summary roadmap to zero percent increases in property taxes, water and sewer rates.

Alderman Crawford asked if the Council is in agreement on the three capital projects, and Mayor Aiello explained that those are to be funded outside of the tentative budget. He explained that we can discuss these projects in May when we decide how we are going to use the remaining contingency funding.

Mr. Saradin noted that the City will need to renew a BAN soon, and if the Council is thinking of taking out more funding, we could include this in the renewal. If not, he can indicate that we are going to renew the BAN with no additional borrowing. Alderman Gonzalez explained that it is a safe assumption for now that the City will not be taking out any more funding.

5. Committee Reports

None

6. Adjournment

A motion to adjourn was made by Alderman Gonzalez, seconded by Alderman Crawford. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 6:45 p.m.