

Minutes of City of Dunkirk Finance Committee held on February, 23 2012

**Present:** Councilman Mike Michalski, Chairperson  
Councilwoman Stacy Szukala, Member  
Councilwoman-at-Large Stephanie Kiyak, Member

Mark Woods, City Treasurer

Harry Briggs, City F.A.O.

Gib Snyder, Observer reporter

Kevin Wystup, Auditor – Johnson Mackowiak

Guests: James Muscato, Nick Penque, Jim White

**Opening:** Chairman Michalski opened the meeting at 5:00pm.

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DUNKIRK, N.Y.  
CITY CLERK

**Meeting Content:**

Meeting called to order at 5:00pm. A motion was made by Szukala to accept the minutes of the January meeting, seconded by Kiyak.

Review of memo dated January 30, 2012 from Finance Committee to Mayor et al:

**The loss of revenue totaling \$11,000 due to reductions in CDBG funding affecting Department of Development Administration.** Woods felt it would best to wait until we had preliminary numbers as to how the city ended 2011 before any adjustments were made and see what is available if any. Woods recommended committee wait until March meeting to make adjustments.

**The inability of CDBG funds to pay for a water department truck which will have to be paid from the city budget starting April 1, 2012 totaling \$6,869.34 (\$763.26/month).** Woods explained payments may be tied into excess funds from water meter bonding. Attorneys were looking into feasibility of doing so. It would be charged to a contingency line within the water meter capital project.

**Loss of lease revenue totaling \$20,000 as part of an agreement between the city and Chadwick Bay Marina Holdings, Inc. (Resolution #88-2011).** Woods again recommended waiting to see how city ended 2011 before making adjustments.

Woods explained auditors are currently in city hall now and are very satisfied with how things are progressing with the exception of: the industrial appraisal report and a figure from the county department of Finance.

The increased salary and benefits of new city attorney Ronald Szot and the salary and benefits of Larisa Aldrich and Tom Rozumalski due to their non-retirements which were not factored into the 2012 budget. Woods explained the salary issues were already addressed via council resolution and the benefits of the new city attorney were offset by the current F.O.A. non-enrollment in the city's benefit package.

Line items from memo spreadsheet were addressed next:

**Expenses:**

**Fund I – Streets Admin – Repair to Improved Streets:** Michalski noted the figure in column 6 of the report (Actual 12/31/11 minus 2012 budget) was only \$1,500. Committee felt that difference did not need addressing.

**Fund II – Sewer Fees:** Michalski noted column 6 figure was \$46,587; however this is an inter-department charge within the city (water filtration & waste treatment). Woods explained charges were \$46,587 more than budgeted. Woods recommended we need to monitor this line going forward.

**Revenues:**

**Fund II – Metered Water sales:** Woods explained we will need final numbers from the auditors and revisit at the March meeting.

**Fund III – Waste Hauling Fee:** Michalski noted large discrepancy in column 6 figure (\$108,100) and noted there was not a significant reduction in the amount of waste processed in 2011 versus prior years. Woods explained industry may be taking waste somewhere else to save money. Reduction may also be due to improved operations and/or reduced production at Cott. Line item will be reviewed at March meeting as well.

**Fund I – Fire Department-Personnel Services:** Column 6 figure is \$170,223. Woods noted there were the two retirement cash-outs and some of 2012 payroll may have been included in 2011 figures. We will have to wait for auditors adjustments.

Woods reported on sales tax revenue received from Chautauqua County for the fourth quarter of 2011. \$589,390 was received for the 4<sup>th</sup> quarter of 2011, thus giving the city a surplus of \$171,000 more than was budgeted in 2011. Szukala noted money must stay in Fund I.

Woods then explained he received notice from State Comptroller's Office stating city would be audited and auditors would focus primarily on the city's internal controls for the year 2011. Szukala asked if the industrial appraisal should be completed prior to the State audit. Woods stated it would be helpful and that FAO Briggs is currently working on the appraisal.

Woods explained city would need a bond resolution for the Lakefront Blvd. water line replacement. The bid price is \$1.6 million, now we need to authorize financing. Kiyak thought amount was \$1.2M. Woods explained the actual bid was \$1.2M, a contingency of \$120,800 and preliminary design costs of \$75,000. Woods recommend city bonds for \$1.8M and if we don't need extra money, it can go towards paying

down principle next year. Any extra funds could also be applied towards extra costs associated with the capital project. Resolution will be presented at March 6<sup>th</sup> council meeting.

Rate for Fire department emergency vehicle would be slightly over 1% on a \$125,000 note for a one to two year period versus a lease-to-own option (3.8%). Woods explained that if council decides to purchase vehicle by March 6<sup>th</sup> Council meeting, city could tie emergency truck and Lakefront Blvd. water line project together and save \$1,800 to \$2,000 in legal fees because the bonding agent would work two issues as one. Woods felt it was possible to pay for vehicle in one year. Actual money set aside for equipment in Fire Department was close to \$50K from insurance billing revenue.

Woods stated in discussions with Public Works Department, that monies probably wouldn't be needed until mid-May for water line project. Accounting wise, repayment of each project would be a separate line item.

**Woods introduced Kevin Wystup, auditor from Johnson Mackowiak.** End-of-year budget modifications were discussed by Wystup. Questioned posed by Woods "Should we leave budget lines where they stand as of Dec. 31<sup>st</sup> or should we try and "zero out" those lines. Wystup recommended to make budget modifications before hand, prior to over spending, although this is not what the city has done in the past. The purpose of the budget is to limit what you spend.

Questions raised by Szukala & Kiyak as to how to best control spending before hand, rather than after the fact. Wystup explained purchase orders must be reviewed & approved by FAO Briggs before money is spent.

Michalski questioned how the city can better control personnel and overtime lines. Wystup recommended base pay should already be established according to union contracts and overtime is to be approved by the Mayor.

Briggs questioned when budgets modifications would be ready. Wystup stated expense modifications were ready, however not all revenues have been collected from 2011.

Woods stated that when a purchase order comes in, there is a line the department head is requesting be charged. Briggs is then verifying legitimacy and dollar amount. If there was a question, Briggs would address the purchase with the department head and justify the amount. Any over spending of lines would need approval of Mayor.

Woods again posed question of leaving budget lines where they ended the year or zero them out with budget modifications? Szukala saw advantages to doing both methods. Wystup stated that a problem with making changes to the 2011 budget now may lie in the city encountering same problem in 2012. Knowing that the 2012 budget was developed using those end of year figures from 2011. We may want to address those issues now instead of February 2013 with the same type of problem.

Woods stated in the past, those budget lines have always been brought down to zero. If that were to change, what effect would that have on the city's financials? Wystup answered that the city's financials would look worse overall. Woods asked how a financial institution would view those changes. Wystup was uncertain of the effects of those changes.

Michalski again questioned issue of zeroing-out budget lines and what was best course of action. Woods recommendation is there should be no adjustments made to the budget throughout the year. If the line is negative, it should be left negative and then at the end of the year, you know there is a problem. This method would eventually give a true picture of operating expenses. Woods stated this should also mean for 2012 as well, with no budget modifications to the current budget. Wystup did not agree with Woods statement regarding budget modifications because conditions change and if you do not make modifications, you are taking away the FAO's authority because you know that line is going to go over (negative). Woods countered in saying it is not ok to go over budget, but it indicates there is a problem and what was the reasoning for the overage. Wystup then stated it is the "reasons" for the overages that need to be addressed.

Committee agreed, based on past practices, the budget lines would be zeroed-out with budget modifications.

**Budget drops were then discussed:**

**Fund I – Equipment non-capital - Central Garage:** was questioned by Szukala, line already at 80%.

**Fund I – Building City Hall – Overtime (Police):** already at 47% only 1/12<sup>th</sup> into year. Woods stated he may have been something that was incurred in 2011 and needs to be adjusted out for 2012. Woods would provide more details.

**Fund III – Waste Water – Repair & Maintenance:** Szukala stated line at 172%. Woods stated this is a good example of warnings a negative balance indicates without making modifications.

**Treasure's Report:** Resident Jim White questioned the budget process, if budget is annualized or quarterly and if we take past years into consideration when forming next year's budget?

Revenue matching was brought up by Jim White. Recent Border Patrol grant was used as an example as to what happens when revenues are exhausted, does the program still continue? Woods replied when expenses for that grant are met, then program is ended. Court Security officers and DHS police officer also cited used as examples.

Meeting adjourned at 6:30pm.