

Minutes of City of Dunkirk Finance Committee held on June 25, 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.
AJ Dolce, Mayor
Ron Szot, City Attorney
Andelino Gonzalez, Councilman
Guests: Gib Snyder, Observer
Kevin Wystup, Auditor - Johnson & Mackowiak

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

Meeting Content:

Michalski turned meeting over to Wystup for his review of the 2011 City Audit. Wystup explained there were surpluses in each of the three funds. There are budgetary surpluses and actual surpluses (money took in vs. money spent). Fund I actual surplus was \$63K, Fund II was \$70K and Fund III was \$490K, totaling approximately \$625K among all three funds. Even though the city finished the year with surpluses, when considered over the past several years, Funds II & III were still in an accumulated deficit. The auditor's opinion is a "clean" opinion according to Wystup.

Szukala questioned Wystup on the use of the tax stabilization fund. Wystup explained the city had anticipated tapping that fund to prevent further increases of the tax rate. Wystup explained there must be a raise in taxes (at least 2%) before those funds can be accessed for future use.

Wystup reviewed the following audit findings:

Reconciling bank accounts for timely general ledger entries - There was \$50K error- in- deposit in Feb 2011 which carried through to November. Bank accts must be reconciled on a monthly basis and G/L adjustments made accordingly.

Bank of America Accounts - These accounts are not being used and are being service charged. Wystup recommended accounts be closed and monies moved to main accounts.

Reconciliation of accounts receivable - Utility billings and general ledger is on two different software systems. There needs to be a reconciliation of these billing totals to the general ledger entries, so that if there are differences, it can be located and a more accurate picture reflected in the city's G/L. A person needs to be assigned to perform this duty on a regular basis, preferably (but not required) someone outside of the treasurer's office so a proper system of checks & balances is achieved.

Tax Receivables – accountability sheets should be balanced to the g/l entries. Again the need for proper checks & balances within the department exists.

Budget modifications - Modifications should be made on an ongoing basis, before the money is spent. They should be done on a minimum of a quarterly basis. One time purchases and seasonality should also be taken into consideration.

Repayment of Inter-fund loans (Due to's and Due froms) - According to Wystup, the city has a ridiculous amount of "loans" between funds. A plan should be devised to repay past transfers down. The majority were done in the past and not recently. Temporary loans are not inter-fund transfers according to Wystup. The goal should be to give back the money from where it originally came from and have the funds show a surplus. The State audit should recommend the proper course of action to clean these funds up.

Sizable deficit balances still exist in Fund II & III. Szukala asked about future rate increases (water & sewer) if it is recommended the city does so in small increments vs. one large increase. Wystup stated that expenses will continue to go up as well as the future debt expense the city will be incurring with capital improvements. The city will have to increase rates to the consumer. The sooner the better and smaller increments would be recommended.

Capital Projects - According to Wystup, the city has a number of capital projects completed and these funds should be closed out. Boardwalk project should be moved to the general fund. In the 2013, all Boardwalk revenues & expenses should be moved to Fund I.

Fixed Asset Inventory Records - Assets should be maintained on a regular basis over the \$1,000 minimum value. No formal policy/procedure is in place to update the city's fixed asset records.

Document Agreements - Lease agreement with currently in place with Palmer-Bryant for office space. The DLDC is currently paying on that lease. There needs to be something in writing (letter of understanding) stating this fact on behalf of the city.

Payment in Lieu of Worker's Compensation - City continues to issue a W-2, even though it is not a W-2 item. This should be cleared up this year.

Michalski then opened the meeting to questions.

Wystup explained the difference between "budgetary surpluses" (comparison between anticipated revenues and anticipated expenditures) versus "operating surpluses" (comparison of revenues to expenditures).

Kiyak requested a written response to her list of questions directed to Wystup, Woods & Briggs.

Michalski asked for a clarification between the duties & responsibilities of CDBG monies between the DLDC and the common council, as well as clarification of "sub-recipients". Wystup explained the DLDC is a sub-recipient of monies (loan payments) from loans made to various businesses. There is reporting involved in these activities and ultimately the city is responsible for this record keeping. Communication between departments is a major problem within the city according to Wystup.

Szukala questioned Dolce on auditing of DLDC books. Dolce stated there is a meeting within the coming weeks and that HUD has various concerns.

Schedule of Findings & Questioned Costs was addressed by Szukala. City needs to sit down, perhaps in an Economic Development Committee, where these concerns could better be addressed with the Department of Development.

Meeting adjourned 6:10pm.

Briggs updated committee regarding the progress of independent auditors (Johnson & Mackowiak). There were no budget modifications available for review at this time.

Revenues Fund I

Kiyak questioned Boardwalk lease payments, as to why there were no payments made during the current month. Woods stated all tenants were up to date. Szukala questioned nuisance abatement. Woods replied it represents any property related fines. Kiyak questioned why line was negative. Woods will run a detail on the line.

Szukala questioned \$6,000 for miscellaneous Police grant. (line currently at zero). Woods explained it was a timing issue which typically has to go through the State of County first.

Szukala questioned Public Works and other government; both were at 0% and 4% respectively. Woods explained the Public Works line will be reimbursed by the County and the Other Government was reimbursement for snow removal of County roads within the city.

Szukala questioned the fireworks and festivals lines. Target for fireworks was around \$10,000 due to the carryover from the prior year. The festivals line was currently at zero, while budgeted for \$10,000.

Szukala questioned State Revenue Sharing. Woods stated NYS would reimburse the city \$170,000 in September and the balance on December 15th.

Kiyak question unclassified revenue and why it was negative. Woods explained it would have to wait for

the auditors entries to zero out this line. Woods will run a detail on this line.

Fund II Revenues:

Michalski requested a report which will summarize where each fund stood regarding actual to budgeted percentages and net income (revenues less expenses) of each fund. Michalski stated such a report, which was done in the past, will the committee a better picture of each fund now that we are 3 months into the year.

Fund III Revenues:

Kiyak questioned what actions the city can take with the Waste Hauling Fees essentially being non-existent even though \$155,000 was budgeted in 2012. Kiyak asked how this revenue could have been considered given the last activity was in May 2011. Woods recommended committee sit down with Tony Gugino and get his explanation. Woods was not aware of the inactivity of the account during 2012 budget meetings.

Michalski stated that during his discussions with WWT plant supervisor Sean Raynor, Cott had not been to our facility since March 2011. Michalski stated Gugino had received a letter from Cott giving the city a two week notice of their intentions to take waste elsewhere.

Woods felt the issue that needed to be addressed was where COTT was currently taking its waste and what rate are they being charged. Then evaluate if the city can offer it at a lower rate and get the revenue back.

Kiyak asked who the city's top ten revenue accounts regarding waste water & water filtration. Woods replied Cott, Fieldbrook, Nestle Purina, Brooks Hospital, Carriage House and the County Home. In addition to revenues, Kiyak requested a listing of delinquent accounts and an aging schedule.

Kiyak questioned what procedures the city is following regarding delinquent industrial accounts. Woods replied it would entail a discussion with the Mayor & a phone call to the business. Delinquent utility bills in general are sent to the customer and after that, any remaining amounts still owed are levied on the city tax bill. Zeroing out the water/sewer/tipping feel and added to the tax bill.

Fund I Expenses:

Szukala questioned why there were four city employees listed on the overtime report for the recently held Chautauqua County Rabies Clinic. Kiyak volunteered to question the Mayor / Tony Gugino as to why overtime was incurred.

Michalski questioned **Central Data Processing** at 56% of budget. Woods felt it may be a timing issue and will update committee.

Kiyak questioned **City Hall - Building Services** and if \$50,800 represented one person's salary to clean the building. Woods explained there were two individual cleaning city hall currently with the second individual's salary being split between the General Fund & the Water Fund. Kiyak felt spending a combined total salary of \$75,000 to clean city hall was too much. Szukala stated she would like to see this individual in Streets Dept. were labor was needed. Committee felt a discussion was necessary with the Mayor regarding this issue.

Michalski questioned Szukala on status of new street signs since \$5,000 was allocated for the expense. Szukala will verify status with Tony Gugino.

Animal Control was addressed regarding mileage reimbursement to the ACO and where specifically funds were coming from. Prior to discussing mileage issue, Szukala felt committee needed to discuss recent veterinarian bill of \$500 which was paid from the general fund for an injured dog. Currently there is no line to pay emergency medical bills incurred when stray animals are injured and the city must pay to have the animal treated.

The \$800 in mileage reimbursement would come from: \$400 **Gas** line, \$200 **Spay & Neutered Program** and \$200 **Electric**. A resolution would have to be drawn up to establish a Fuel line within the department. A separate line for Fuel versus a pay raise would be preferred by the committee so that the amount could be adjusted year-to-year without effecting salary. Receipts would have to be presented with a quarterly cap of \$200. The first payment would be made October 1, 2012.

Szot questioned timeline of new ACO contract (expires 06/30/2012), establishing new Fuel line and funding of line with budget modification. Michalski felt that establishing account via resolution should be done now with funding completed with other budget modifications from city audit. The new ACO Contract would need to be presented prior to 06/30/2012.

Szukala questioned **Snow Removal – Repair to Equipment**. Woods will run a detail report.

Personnel Services – Parks Department was questioned by Michalski as to why line was already at 56%. Woods will run a detail report.

Szukala questioned why the **Parks Department – Summer Help** line was already charged (\$739) so early in the year. Woods will run a detail report.

Szukala question **Supplies & Maintenance – Rec. Center** was at 392%. Woods explained the 21st Century grant via the high school will reimburse this line when submitted by rec. center.

Kiyak questioned festivals. Woods explained the process of collecting donations & paying for entertainment goes through the DLDC. Kiyak expressed there was concern among DLDC board members as to who (city or DLDC) manages the revenues & expenses incurred from promoting city events. Woods & Szukala confirmed that festival finances are managed by the DLDC.

Treasurer's Report:

Woods stated current tax collections were at \$1,022,141.66. This is \$180k – \$200k ahead of where the city was last year at this time or about 20% of the total tax levy (\$4.695M).

CAC Auditors Rotation Recommendations:

Michalski discussed the city's Procurement Policy for the purpose of soliciting bidders and dollar limits in regards to questions about the city appointing Johnson & Mackowiak as auditors for a period of five years. Jim White said the contract ran from \$35,000 to \$37,000 per year. Kiyak stated there are certain services that do not have to go out to bid and that Auditors were one of them. Woods agreed.

White stated while state laws do not mandate it, it is highly recommended by the NYS Comptroller's office as a best practice.

Michalski felt that although it was a good idea, this subject was more of a charter reform issue. Kiyak also felt that the State Auditors may have some recommendations from their current audit of the city.

Szukala felt we have to be careful in any future auditor policy such that we do not have to change auditors if not in the best interest of the city cost or performance meeting.

Meeting adjourned at 6:20pm