

**City of Port Jervis
Finance/Insurance Committee
Minutes for Meeting September 16, 2013**

Present: Committee Members Frank Bell, Robert Ritchie and Michael McCarthy. Also in attendance were: Stanley Siegel, Gerald Oney Jr., Carl Hendrick, and Robin Waizenegger City Clerk-Treasurer.

Excused: Kelly Decker

Finance meeting opened at 7:43 p.m. by Frank Bell who referred to Mrs. Waizenegger for the first Agenda item.

CDA A/R – Mrs. Waizenegger referred to the revised summaries provided of the Accounts Receivable from CDA. She noted that the summary as of 9/16/2013 reflects payment of May and June payrolls by the agency and that the IRS refund was received.

Councilman Siegel questioned the legality of the use of taxpayer funds to pay expenses on behalf of the CDA. Councilman Oney indicated that this practice has been in existence for 25 years and under audit scrutiny therefore it would have been red-flagged previously should it have been an illegal practice. Mrs. Waizenegger indicated that as the CDA and the City of Port Jervis are related corporations that the use of cash functions similar to an interfund transfer and is a legal transaction. Councilman Hendricks asked what cash is used for this purpose. Mrs. Waizenegger responded that General funds are used. The transaction results in a credit to cash and a debit to accounts receivable, it does not create an expense transaction to the taxpayers but rather functions like a loan. Councilman Siegel indicates that he still considers it a use of taxpayer monies.

Councilman Hendricks questioned from a previous analysis the opening receivable balance on 1/1/2013. Mrs. Waizenegger indicated that the items on the current analysis are similar or in some cases the same as the composition of the 1/1 balance as previous period retirement, disability and audit fees are still open with the balance being the payroll receivable at the end of the year. Councilman Hendricks questioned when these amounts in receivable would impact the budget of the City. Mrs. Waizenegger explained that that would occur at the point at which the receivable was determined to be a bad debt.

Councilman Hendricks inquired if there was previous concern. Mrs. Waizenegger indicated that she has continuously red-flagged this issue with the audit firm and the CDA Director. Councilman Siegel asked when the comments by the auditors first appeared in their report that there were problems associated with the access and recording of the accounting at the CDA with respect to her office. Mrs. Waizenegger indicated that for the past two years there were comments on the report of internal controls also referred to as the management letter issued by the auditors. She also reminded the committee that as the comments were directed at the work of the CDA she indicated in her response to the management letter that the CDA Director would have to answer for those issues.

Councilman Siegel questioned if the CDA board reviewed the financials at their CDA board meetings and why this issue was not known to the CDA board members. CDA board members indicated that the financial reports presented to them were not prepared in a manner that conveyed this issue to the board.

Councilman Hendricks questioned why this concern was not previously raised with the Council. Mrs. Waizenegger indicated that she had previously expressed concern with the Chairman of the CDA, the CDA Director, the Mayor and the audit firm. After the audit this year as the auditor did not express concern regarding the receivable as his opinion was that there was sufficient funds on deposit to repay the debt as he did not know of any restrictions on the use of the funds on deposit.

Mrs. Waizenegger expressed that she did not agree with that position and has subsequently brought this matter to the forefront for resolution as she feels the City can no longer continue the drain on their cash flow and doubts the viability of the CDA as an ongoing business concern which she expressed to the auditors. Her doubt is based on claims by the Director that the funds on hand are not available for payment of the debt.

She indicated to the committee that she had been inquiring regarding some concerns regarding the funding structure of the CDA after attending the most recent CDA Board meeting. Her research indicates that some or all of the funds on deposit may be available to pay the amount due to the City dependent on the historical sources of the funds. Loan or grant repayments and the amount of the funds which represent payments of interest from loans may now be unrestricted based on the original sources. This historical accounting data is unknown to Mrs. Waizenegger. It may be known by the CPA employed by the CDA who audits the HUD funds, Gary Weidleman, or he may only function with respect to review of Housing assistance payments. In this case the auditors work on this may be considered as insufficient to render an opinion. As his job functions are not fully known to those present, the CDA members are advised to pursue his involvement in the resolution of this issue.

She also gave the committee a copy of a March 3rd memo from HUD, given to her by the CDA Director, outlining the impact of sequestration on the HUD program funding. The housing assistance funds were cut by 5.9% and the administrative funds by 31.5%. In her research she has found the permanency of these cuts to be uncertain as previously portrayed by CDA Director Kathleen Hendrickson. Operationally a cut to funds disbursed with respect to aid payments should have already been implemented out of housing payment monies and Mrs. Waizenegger expressed grave concern over the administrative cuts and the lack of action on the part of the CDA in this regard. She also indicated the uncertainty of the current information with respect to the federal budget between the President and the GOP controlled House. She is aware that several agencies in Westchester County have basically given control of the housing funds to the County. She has no knowledge of reactions of other Orange County agencies.

While she recognizes that determining the availability of funds for debt payment is important to resolving the short term repayment issue with the City it is not a long term resolution with respect to the other funding cuts.

The CDA Chairperson Ritchie states that it was the CDA Director's belief was that the cuts would be restored, however the CDA attorney is researching all issues on behalf of the CDA Board. The committee discussed the fact that these issues do need to be resolved by the CDA Board and actions need to be taken by that entity.

Old Business: Mrs. Waizenegger informed the committee that the cell phone conversion from Sprint to Verizon is complete.

New Business: Mrs. Waizenegger informed the committee that City Budgeting will required additional meetings in November and that members should be prepared for a tough budget year given the lack of any financially positive trends. The City continues to work towards additional cost control measures but she does not at present have anything that would be ready for impact on the 2014 costs for budgeting.

Yvonne Duryea is requesting a budget transfer of \$900 between lines to accommodate an emergency need with respect to her computer network. This is seen as necessary due to business needs and does not represent any additional budgetary expense.

Mrs. Waizenegger reviewed a listing of the 2011 tax lien properties that will convert to deeds to the lienholders after November 16th 2013.

She informed the committee that Thompson Casson Development LLC has approached her regarding their tax liens due to his financial constraints at present and the impending transfer in November. Mrs Waizenegger indicated that she has consulted the City attorney with respect to said issues and has received some information from him with respect to the issues raised by Mr. Casson that would be considered attorney-client privileged and should be conducted as executive session material. The committee agreed to go into executive session for this issue.

Members continued to review properties on the list.

Public Comment: Mr. David Bavoso asked of the City Clerk Treasurer what the procedure would be to turn the housing funds over to the County for administration. She responded by indicating that she does not know the exact procedure with respect to that action.

Mr. Bavoso then inquired that as she does not have access to the books and records of the CDA is there a way for her to request them. She indicated that as they are a separate corporation that she could ask for them and they could say no. It would however be the responsibility of the Common Council to issue any formal demand for such information. Mr. Bavoso asked of Mrs. Waizenegger if she was aware of the source of funds that paid for the May and June payroll. She indicated that the source was unknown to her as she does not maintain their books.

Mr. Bavoso then questioned as to what the accounting standard is for the determination of when an amount due becomes a bad debt. She indicated that the evaluation is done as part of the annual audit and is done on a case by case basis.

Executive Session: Committee adjourned to executive session for discussion of attorney client privileged information with respect to the tax liens from 2011 presently held by Thompson Casson Development LLC at 8:37 pm.

Committee reconvened and adjourned with no further action at 8:41 pm
Next month's meeting – October 21stth at or about 7:00pm following DPW & Fire.