

**City of Port Jervis  
Finance/Insurance Committee  
Minutes for Meeting October 21, 2020**

Present: Committee Members, Kristin Trovei, Lisa Randazzo, Dominic Santini and Gerald Oney Jr. Also, in attendance were: Council members Maria Mann, Regis Foster, Stanley Siegel, Chandler Campbell, Mayor Kelly Decker, City Recreation Director John Faggione, City Clerk Treasurer Robin Waizenegger and Deputy City Clerk Treasurer Bobbie Jo Muller

Finance meeting opened at 6:00 p.m. Chairperson Kristin Trovei opened the meeting with the pledge of allegiance. She noted that there here were no members of the public present.

**Public Comment – None**

**Audit 2021-2023** – Mrs. Waizenegger reported that the advisory committee interviewed 3 firms, RBT, PKF O’Connor Davies, and Bonadio. From the interviews it was narrowed down to two firms RBT and Bonadio. She followed up with reference checking on RBT and received 3 good references. She detailed the references. The follow-up on Bonadio was to have them reconsider their pricing to best value. Bonadio did lower their price to \$42,500 each year for the three years and RBT’s pricing for the three years is \$39,500, \$40,000 and \$40,500. The price differential is not substantial. Mrs. Waizenegger did indicate that a changing of audit firms does require more work on the part of our staff to re-create permanent files for the new firm. However, she feels these firms are neck and neck.

Mrs. Trovei indicated that she was present for the interviews and agreed on narrowing it down to two firms and felt they were both good. She did instruct Mrs. Waizenegger to reach out to Bonadio regarding their proposed fee and to do the reference checking. She indicated that we have had no major problems working with Bonadio and that it is work, to change firms and as well to go into some tumultuous financial times at the end of 2020 and 2021. it may be better to stay with someone familiar with us. Therefore, she recommends Bonadio.

Ms. Randazzo indicated that she has experienced the work involved in changing auditors and as both are similar in qualifications. She would also recommend continuing with the existing firm.

Mr. Oney indicated that he was not able to sit in on the interviews but read and compared all of the proposals. He believes the added work of changing firms during a financially challenging period and now that the prices are close, he would also recommend Bonadio.

Mr. Santini confirmed the fees.

Mrs. Waizenegger did confirm that the committee was correct in narrowing the choices based on conversations with entities that are now with RBT who switched from O’Connor Davies. All entities indicated an improvement with RBT.

A motion was made by Lisa Randazzo and seconded by Gerald Oney to recommend Bonadio to the Common Council at their next meeting.

**New Business:** Mrs. Waizenegger asked to move the new business items of personnel issue up while everyone is present. She indicated that due to a family emergency she will have to travel from Friday to Monday through multiple covid designated states with overnight stays. Therefore, she will not be physically present October 23-26<sup>th</sup>, then will be working from home her first week back during which she will do a telemed appointment and Covid testing. Then if her Covid test is negative she can return to her office only until the end of the 14-day quarantine period. Mayor Decker indicated that this is all being done with the advice of the Orange County Department of Health.

**Cash Flow** – Mrs. Waizenegger indicated that she has left the cash flow as a monthly update item due to the fact that she has already forecast the need for a Revenue Anticipation Note (RAN) for cash flow purposes to be needed in early 2021 and wants to keep the committee updated so that can happen quickly when necessary. She noted that the City has received

capital funds from the sewer CDBG grant and from NYSDOT this month. In the general fund the receipt of 3<sup>rd</sup> quarter sales tax has been received. This will help us through October and November. She also indicated that the sales tax was higher than expected which allowed her to change the 2021 projection and she has already sent an email to everyone on that subject.

**Third Quarter Budget Review**– Mrs. Waizenegger noted that she sent out the budget review and a detailed cover memo. She asked if there were any particular questions. Hearing none she noted that with the exception of utilities all expenses are being held in check and revenues are down all over due to COVID. The problem with the utilities was a large retroactive billing due to the implementation of the solar grid and Orange & Rocklands inability to adapt their billing for the solar credit recognition. We also had a delay with the solar billing as the contracts had to be re-done due to the drop in energy pricing since the contracts were originally done or we would have actually been paying a premium instead of receiving credits.

Mrs. Waizenegger also noted that she calculated the possible shortfall for 2020 that will impact our fund balance in 2020.

**Moody's rating call** – Mrs. Trovei asked Mrs. Waizenegger to detail the importance of a rating call and what the result of the call was. Mrs. Waizenegger explained the importance of a bond rating as being similar to a person's credit score as an indicator of borrowing ability and financial health. She reviewed the list of information that Moody's evaluates and explained that had Moody's been able to evaluate us in normal circumstances our rating would have increased from Baa to A2 based on the 2019 financials and the progress the City had made. However due to COVID Moody's is also on pause and is choosing not to raise any ratings due to the impending negative outlook for 2020 due to COVID.

**Tax Cap Review** – Mrs. Trovei stated that she put this back on the agenda to be able to have council members ask more questions. Mrs. Waizenegger noted that ironically when she was discussing the tax cap waiver with Moody's they saw the fact that we have had waivers in place as a strength in that we had taken control of our own finances and made improvements in our financial position as needed.

Mr. Oney questioned if he read correctly in the materials re-sent to all council members before this meeting that it will be necessary for both parties to the annexation to have waivers in place to be able to execute any tax sharing agreement. Mrs. Waizenegger indicated that is true and that is why she provided legal counsel with the information regarding the legal advice she received from OSC.

Mr. Oney also clarified that any development will take approximately two years to get into the formula through the growth factor and may not be dollar for dollar. Mrs. Waizenegger indicated that is correct.

Mr. Oney and Mrs. Mann asked if the Council will be getting an update on the annexation which was currently in the scoping process. The Mayor indicated that he will ask the consultant for an update.

Ms. Randazzo also clarified that the growth factor applies to both commercial and residential.

Mr. Oney questioned the ability of the City to do a contingency budget and the deadline. Mrs. Waizenegger indicated that the current budget does not take into account the impacts of COVID and would overinflate expenses and revenue and be useless and the deadline for budget approval is December 31<sup>st</sup>. Mr. Oney discussed various scenarios from overinflating income projections to cutting services and the impacts of those within the City.

Mr. Siegel indicated that he would want to make services like garbage more efficient through the purchase of equipment and more stringent supervision of personnel to create efficiencies. While Mrs. Trovei appreciates his idea the purchase of equipment requires a bond and additional expenses and could not be implemented until 2022. We need ideas for 2021.

Mrs. Trovei indicates that she does not understand why the City should give away the income from growth by not passing a waiver.

Mr. Oney, Mr. Siegel, Ms. Mann and the Mayor discussed the possibility of passing a tax cap if there is a reasonable expectation of a reasonable tax increase of up to 4% and be able to capture the growth immediately rather than wait for the tax growth factor to impact the calculation.

Ms. Randazzo indicated that after the Mayor presents his budget, it is now the Council's job to alter what is more reasonable as more information becomes available.

Discussion occurred that clarified that the tax cap waiver must be done before the approval of the budget and that expenses are not the place to look. The more relevant question is what revenue the Council is willing to gamble on versus cutting personnel. It was noted that decreasing personnel is difficult and the civil service regulations have been forwarded to all council members.

Mrs. Mann questioned the potential cost savings of eliminating dump passes and having the citizens use the Orange County services directly. The committee discussed the history and noted that it was in lieu of a clean-up which did decrease costs but there were various alternatives discussed as well as the DEC requirement to have the brush pile and compost pile monitored.

It was suggested that a compromise be reached with respect to the tax cap waiver by Mr. Siegel, that if the budgeted tax increase was to be no more than 3-4% that we should pass the tax cap waiver so as not to lose immediate benefit from development and facilitate the annexation recognizing that the tax increase is now in the control of the Council.

#### **2021 Budget:**

**Fund Balance/Income review** – Mrs. Trovei put this on the agenda to discuss what other government entities are doing by using inflated sales tax numbers and using fund balance to balance their budgets and discuss if we want to do the same.

Mayor Decker provided information on what several entities are doing to balance their budget including, several revenue assumptions. The City of Newburgh is increasing all of their fee-based charges instead of taxes. Bottom-line, still increasing the cost to the taxpayers.

Mr. Oney indicated that bottom-line, if it wasn't for COVID we would be having a whole different conversation.

Several items of the actions of the Governor and the State legislators were discussed with respect to impacting the City such as the attempt to intercept internet sales tax, sales tax reductions off the top by NYS, 20% state aid reductions and inflated NYSHIP health insurance costs.

The problematic nature of dealing with the Unions was discussed for any changes. Mr. Siegel wants to try to talk to the Unions again despite the Mayor having already had discussions with them. Mrs. Waizenegger did indicate that the PBA has worked with us to a degree but the CSEA has not. However, we eliminated two vacant positions from the budget in DPW.

**Process of employee cuts/layoffs** – Mrs. Trovei indicated that the laying off civil service is not simple and referred to the regulations disseminated. Mrs. Waizenegger discussed and displayed the grid of criteria that have to be considered in order to layoff staff members.

Mrs. Trovei asked what the Fund Balance really is. She explained that at the end of every year the unrestricted Fund Balance is reflective of the City's net worth. Basically, if everybody paid you what they owe you and you paid everyone you owe it should be the amount of cash leftover, or your net worth. As of December 31, 2019, it was approximately 1,400,000 but that number is not all in cash as some is the excess of receivables versus payables plus whatever you have in the bank. It was also noted that depleting the Fund Balance will cause lack of financial stability, borrowing and increased costs for the borrowing.

The impact of the required waiver of water and sewer penalties was discussed as well as the possibility of not being able to collect the base fees in a timely manner if NYS extends the state of emergency. The deferred payment plan option will extend collection and cause us another level of administration.

The discussion went back to potential layoffs and Mrs. Trovei asked that members familiarize themselves with the process. It was discussed that all full-time employees are covered by Civil Service regulations. Chandler Campbell asked about the potential of offering retirement incentives. It was discussed that retirements can be a double-edged sword due to the amount of the payouts required. It is good if you can use the incentives to negotiate a multiple year payout versus the lump sum.

Maria Mann requested a listing of part-time positions for the budget workshops.

**Budget Workshop Dates** – The following workshop dates and times were set:

11/4/2020 @ 6:15pm, 11/16/2020 @ 6:30pm and 11/18/2020 @ 6:15 pm

Mrs. Trovei will follow-up with department assignments later via email.

It was discussed that if there is consensus to reconsider the tax cap waiver the timing will be to set a public hearing date of 11/9 at the 10/26 Council Meeting, open the public hearing and keep it open until the 11/23 meeting after the budget workshop for potential passage at that time when more budget info will be known. The budget passage would potentially be the first Common Council meeting in December.

**Old Business:** Gerald Oney brought forth the discussion of the roof on the Franklin Street storage building and Fuller's proposal for doing a structural analysis and plan for what is necessary to replace the roof is \$5,000 which would have to come out of contingency. This will have to be approved at the Common Council Meeting. There was discussion of other available structural engineers and the availability of same and the likelihood of additional costs. It was noted that a time constraint will need to be placed on his work. The committee then instructed Mr. Oney to have the DPW Director solicit a couple other quotes before a final decision gets made.

Mrs. Waizenegger brought to the committee the revised invoice from ServPro with respect to their charges for 1 hour of service at 39 Church Street Unit 21 when they refused to do or cooperate with a clean-up. We had subsequent exterminations and clean-up done by another firm. The amount of the bill has been revised down to \$2,017.50 for their one hour of service. The committee discussed the charges and unanimously decided to reject the invoice due to their refusal to do the work contracted.

**New Business:** No additional new business.

**Executive Session:** None

The meeting was adjourned at 8:05 pm. Next month's meeting – November 18th @ 6:00pm with budget workshop at 6:15 pm.