

The special meeting of the Village of Arcade (VOA) Board of Trustees, Wyoming County, New York was held on Tuesday, October 13, 2010 at 7:00am there were:

**PRESENT**

Mayor Paul Burkett, Trustee Joanne Offers, Trustee Jay May, Trustee Ken Rule, Trustee Donna Schiener, Superintendent of Public Works Larry Kilburn, and Clerk/Treasurer Pam Beiersdorf

**ALSO PRESENT**

Deputy Clerk/Treasurer Jennifer Kraft, Jill LaBoissiere and George Person (BST Representatives)

**PLEDGE OF ALLEGIANCE**

Mayor Burkett opened the meeting with the Pledge of Allegiance.

**RESCHEDULE NOVEMBER 2, 2010 BOARD MEETING**

Motion by Trustee Offers and seconded by Trustee Rule, Clerk/Treasurer Beiersdorf be hereby directed to reschedule the regular meeting scheduled for Tuesday, November 2, 2010 to Wednesday, November 3, 2010, due to Election Day.

The motion was passed upon the following vote:

<b>VOTE</b>								
Mayor Paul Burkett	X	Yes		No		Abstain		Absent
Trustee Jay May	X	Yes		No		Abstain		Absent
Trustee Joanne Offers	X	Yes		No		Abstain		Absent
Trustee Ken Rule	X	Yes		No		Abstain		Absent
Trustee Donna Schiener	X	Yes		No		Abstain		Absent
<b>VOTE TOTAL:</b>								
	5	Yes	0	No	0	Abstain	0	Absent
<b>RESULTS</b>								
	<b>X</b>	<b>PASS</b>				<b>FAIL</b>		

**INTRODUCTIONS**

Clerk/Treasurer Beiersdorf introduced George Person and Jill LaBoissiere from BST.

**REVIEW THE VILLAGE'S 2009-2010 FISCAL YEAR END REPORTS AND THE VILLAGE'S FINANCIAL POSITION**

George Person provided the Board with an overview of where the village stands financially for the General, Water, and Sewer funds. Mr. Person further explained the concept of transferring money from one fund to another fund.

Mr. Person explained that since there is no NYS law governing its funds, the Water Fund can transfer money to or receive money from any other Village fund. NYS law states that the Sewer Fund money can only be used for the benefit of the Sewer Fund, meaning that money can not arbitrarily be given to another fund. However, if a fund is providing services to another fund for example labor costs for elected officials or clerical staff, those costs can be allocated and redistribute based on some reasonable formula. The Electric Fund also has legislation restricting contributions to other funds in addition to the rules and regulations set forth by the Public Service Commission (PSC).

Mr. Person reminds the Board that this whole concept of why money is taken and separated by funds is a determination referred to as a benefit basis. Operations should be financed on a benefit basis, meaning whoever uses the most water should be paying the most for the service.

As of May 31, 2010, the General Fund had an operating surplus of \$89,966.31, with an \$87,700 unappropriated unreserved fund balance. At the of the prior fiscal year (May 31, 2009), the General Fund recognized an unappropriated unreserved fund deficit (due to timing) of approximately \$161,000 caused by the expenditures made for the heavy rescue truck. Financing wasn't issued or recorded until the 2009-2010 fiscal year. The 2008-2009 fiscal year was restated by taking the rescue truck expenditures out of the General Fund and moved to a Capital Project Fund to eliminate the large deficit before the 2009-2010 fiscal year started.

Mr. Person explained that the Capital Projects Fund must be used for the acquisition or construction of capital facilities and equipment purchases whenever financing in whole or in part through the use of debt and not from the operating funds.

Reserved fund balance is created by the Board through a resolution. By law moneys in a legal reserve fund can only be used for the purpose by which the reserve was created. Mr. Person explained that finance laws were amended to permit Villages to retain up to a reasonable amount (not clearly defined by law) of any remaining unappropriated unreserved fund balance for each fund. Mr. Person recommended that the VOAs maximum fund balance (reserved and unreserved) should not exceed twenty percent (20%) of the budget for each fund. In addition, local officials need to be mindful not to over appropriate fund balance and to use it as a last resort. In an example, Mr. Person illustrated that appropriating \$400,000 fund balance in one year would automatically cause a \$400,000 deficit in the following year because most likely the same expenditures would exist. It would be more reasonable to use \$50,000 over several years rather than the \$400,000 in a single year. Using unreserved fund balance is considered a one-shot revenue and only delays the tough decisions Boards need to make. Mr. Person reminded the Board that it is important to maintain a healthy fund balance and to manage that fund balance.

Cash and fund balance are completely different. Being on a modified accrual basis of accounting, the VOA must consider outstanding assets and liabilities to determine the actual amount of cash available to spend on other expenditures. It is key to remember that a positive fund balance under the modified accrual basis of accounting means that cash is or will be available within the first 90-days of the next fiscal year. The bill paying cycle is the twelve (12) months fiscal year and the 60 or 90-days of the following year.

Mr. Person also noted that revenues in the General Fund were significantly higher in 2009-2010 than in the prior fiscal year primarily because the Noble Environmental Power annual payment of \$345,000 was recorded in the General Fund. A larger expenditure was also recognized because a portion of this annual payment was transferred out of the General Fund to the Electric, Water, and Sewer funds. According to Mr. Person, the Noble Environmental Power annual payment should be recorded in the fund that generates the revenue, in this case the Electric Fund because the payment was for use of electric lines. If one fund does a service for another fund, then making reimbursements is legal providing there is justification.

As of May 31, 2010, the Water Fund recognized a \$219,900 operating surplus mainly because of revenues received from Noble Environmental Power for use of the water tower, not because of increased sales. A decrease in expenditures occurred in debt service payments and water distribution. Unappropriated unreserved fund balance is \$293,700 and reserved fund balance is an additional \$77,500. The Water Fund operates with a \$805,000 budget and is over the recommended twenty percent (20%) fund balance.

As of May 31, 2010, the Sewer Fund reported net income of \$14,000 (meaning that revenues exceeded expenditures in the fiscal year). Sewer Fund revenues and expenditures were not too much different than in the prior fiscal year. Cash at the end of the fiscal year was approximately \$97,000. This was an increase of \$51,000 over the prior fiscal year primarily because of a large accounts receivable that was recorded in 2008-2009 and cash was actually received in 2009-2010. Unappropriated unreserved fund balance \$76,000 and reserved fund balance is an additional \$13,000. The Sewer Fund operates with a \$500,000 budget.

Clerk/Treasurer Beiersdorf reported that of the \$76,000 unappropriated unreserved fund balance just under \$55,000 was appropriated for the 2001-2011 fiscal year budget.

Jill LaBoissiere reported that she is finalizing the Electric Fund financials but initial review indicates there is a profit which is consistent with prior years and contributed to the Noble Environmental Power activity.

Trustee Offers asked if there was a formula that should be used to calculate in lieu of taxes paid by the Electric, Water, and Sewer Funds to the General Fund. Mr. Person suggested that the value of the land/property be assessed and multiplied by the tax rate. This will produce a fair and equitable amount that should be paid to the General Fund in lieu of taxes. Ms. LaBoissiere commented that since the same amount had been used for several years, the amounts should be reevaluated to determine if the amounts remain reasonable.

Trustee Schiener asked BST representatives to point out any strengths or weaknesses. According to Mr. Person, there are no major weaknesses at the VOA. Overall, Mr. Person cautioned the Board about dependency issues in case revenues go away at some point, for example the Noble Environmental Power annual payment. Ms. LaBoissiere added that labor and benefit costs are the major concern throughout NYS local governments, but that overall the VOAs expenditures don't appear to be out of line.

Clerk/Treasurer Beiersdorf requested BST representatives explain how to address tax increases and utility rate increases to senior citizens or other folks on a fixed income. Mr. Person commented that when social security and retirement were taken from employees 40-50 years ago, life expectancy was 65. Folks today must realize that they are living well beyond those years and that someone has to pay for the additional social security, retirement, and health insurance costs.

Trustee May asked BST representatives if a draft was available. Ms. LaBoissiere replied that each Board member will receive a letter of the findings and recommendations. Clerk/Treasurer Beiersdorf commented that copies of the Annual Update Document (AUD) and PSC annual reports are on file and available for review once they have been filed with NYS. Ms. LaBoissiere suggested that the Board review a budget to actual report at least quarterly to compare the approved operating budgets to the actual revenue and expenditures for the current fiscal year. Mr. Person also made Board members aware of the 5-year financial data comparison available from the Office of the State Comptroller office.

Clerk/Treasurer Beiersdorf requested BST representatives to clarify the use of a contingency. According to Mr. Person, Village's are allowed to include an appropriation for contingencies, but this amount may not exceed ten percent (10%) of the total of other appropriations excluding debt service and judgments. Furthermore, expenditures should not be made directly out of the contingency appropriation, rather a budget adjustment should be approved to move funds from contingency to the appropriation where the expenditure actually occurred.

**ADJOURN**

There being no further business to come before the Board the meeting duly adjourned at 8:13am upon motion by Trustee Offers and seconded by Trustee May.

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Clerk/Treasurer