

**VILLAGE OF SKANEATELES
MUNICIPAL BOARD
MINUTES OF REGULAR MEETING – February 24, 2016**

Present: Chairman Moffa, Commissioners Blackler, Hall, McQuaid and Palmer, Advisor Dienst, DMO Harty, Trustee Stokes-Cawley.

Chairman Moffa called the meeting to order at 6:02 pm.

Approval of Minutes. Upon motion of Comm. Blackler, seconded by Comm. McQuaid, the minutes of the January 27, 2015 regular meeting were approved as submitted by a 4-0 vote in favor of the motion. Comm. Hall abstained.

SEWER SYSTEM/WWTP. The Board had agreed to consider the issue of sewer rates first on the agenda. DMO Harty had furnished the Board with the presentation in advance. Comm. Hall quickly raised the issue as to the role of the Municipal Board in considering the finances of the utility funds, thinking that the Board's purview is limited to consideration of just technical issues and lending its expertise to that area alone. Following the ensuing discussion of the Board's charter, historical roles and appropriate & necessary scope, Chairman Moffa concluded that the "going forward" financial capability of the Village's utility operations to continue operating and providing for replacements and upgrades was an integral part of an effective asset management approach. With regard specifically to a rate increase recommendation regarding the sewer fund, the Board felt that a recommendation on "how much" was within the Board's scope but that a political determination regarding "how" (structuring the increase) is best left to staff and the Board of Trustees to determine.

DMO Harty presented an historical look at revenues, expenses and fund balances and explained how many non-recurring revenue events led to a substantial fund balance during the 2002 through 2012 period. In 2002 and 2003 there were insurance recoveries that were structured as annual payouts through 2007. In 2002 the Village received a large Federal grant. In 2003 the fund received a \$90,000+ I&I fee from the Parkside subdivision. During these years the fund was also earning substantial amounts of interest on its cash balances. The volatility led to an illusion of financial solvency -- however during 2008 the fund hit the inflection point when expenditures exceeded revenues year-by-year. Without any rate increases in the last 14 years or one-time events and given the current nominal interest rates, the fund has eroded, hastened by the expenditure of \$500,000 for the RBC replacement in 2013. The Fund required a loan from the General Fund of \$162,000 in 2014 to maintain solvency.

DMO Harty then reviewed her budget projections for FYE 2017. Those projections include a four year repayment of the General Fund loan as suggested by the auditors. Expenses have been rising at a rate of 2% per year. Revenues are forecasted at \$408K with expenditures of \$580K, leaving a shortfall of \$172K. DMO Harty cautioned that the Village needs to get revenues up to

cover operating expenses and external debt service. Additionally the Sewer Fund is required to make timely repayment to the General Fund under state law.

The Board quickly concluded that a rate increase is necessary as a key budget component. The last rate increase occurred in 2001. DMO presented two alternative increase scenarios. The Board concluded that asset management includes the financial capability to handle improvements and that its role should be to recommend the magnitude of increase necessary to ensure the health of the system, but leave it to the Trustees to determine the timing and political impacts. The Board should recommend steps that make the system less vulnerable and better able to absorb shocks. Chairman Moffa wants to make this as good a system as we possibly can. Comm. Blackler is uncomfortable with zero reserve balances in FYE 2017, 2018 and 2019. The recommendation should both right the ship and provide for some accumulation of emergency reserve funds in FYE 2017. Advisor Dienst said that residents need to know the projected rates beyond the FYE 2017 budget year.

In considering the magnitude of the increase, the Board asked several questions about the ability of the modeled rate increase to keep the fund solvent as well as to finance planned or unplanned improvements. The Board also queried possible operating efficiencies. DMO presented the need to produce thicker sludge so we are not trucking water to Auburn. This expense is consuming more of the budget each year. This is something that may be within our abilities to improve.

Near term capital/maintenance improvements include replacing the bar screen (\$150K), repairing the clarifiers (\$250K) and modifications at the West Elizabeth pump station (TBD, but likely \$50K). Many on the Board feel that steps must include building some fund reserves in FYE 2018 or sooner. Bonding should be used whenever prudent in order to protect reserves. DMO will prepare a list of capital investments and potential cost savings for the Board's further consideration.

The Board will consider this matter further at a special meeting to be held on Thursday March 10 at 6 pm, with the goal of having a recommendation for the Trustees to discuss at their March 19 budget work session. DMO will prepare new projections for consideration at that meeting.

Electric System Improvements and AMR.

DMO Harty said that the Phase 2 electric meters, even though here, will not be installed until April given other priority work for the electric department.

NYMPA/MEUA/IEEP. No update.

Water System. DMO Harty reported that the Village had another Treatment Technique reportable water quality turbidity event on February 3 and is having another one today. If it resolves prior to midnight it will be Treatment Technique; if it goes into tomorrow it will be Maximum Contaminant Level and our second MCL in a year. The Village may experience no more than two MCL events in 12 months or 5 events in 2 years; more could jeopardize our filtration waiver.

Village Hall/NYSERDA Grant. DMO Harty reported nothing new.

LED Street Lighting. DMO Harty reported that she is still awaiting the lighting plans promised by our two potential vendors

Utility Finances. Given the focus on fund performance, the Board requested that financial data be provided to the Board routinely by DMO Harty.

Meeting Agendas. In discussion, the members expressed a preference to have the most important/substantial topics addressed first.

Next meeting. After discussion, all agreed that the next meeting will be held March 23, 2016 at 6 pm.

Upon motion of Comm. Hall seconded by Comm. McQuaid, the meeting was adjourned at 7:30 pm.

Respectfully submitted,

Dennis Dundon, Clerk to the Boards

