COMMITTEE OF THE WHOLE MEETING MINUTES

TUESDAY, FEBRUARY 24, 2026 – 6:00 p.m.
COUNCIL CHAMBERS – OLEAN MUNICIPAL BUILDING

IN ATTENDANCE WERE: ALDERMEN ROBINSON, BENNION, KEARY, FORNEY, McCALL, CRAWFORD, AND ANASTASIA. OTHERS: MAYOR AMY SHERBURNE; JENNIFER FAIRBANKS-BLACK, CHIEF OF STAFF; LENS MARTIAL, CITY AUDITOR; JAMES SPRAGUE, DIRECTOR OF PUBLIC WORKS; KERI KERPER, COMMUNITY DEVELOPMENT PROGRAM COORDINATOR; GREGG PIECHOTA, CITY ASSESSOR, AND TIFFANY TAYLOR, MANAGERIAL CONFIDENTIAL ADMINISTRATIVE SECRETARY.

Alderman Robinson called the meeting to order at 6:00 p.m. and asked that the record show that all Aldermen were present.

1. R. A. Mercer & Co., P.C. Fiscal Year 2024-2025 Audit

Christopher Zera explained he is a partner at R. A. Mercer, the City’s independent financial auditing firm. He explained the independent auditor’s opinion on the financial statements is that the financial statements are prepared and presented in accordance with government accounting standards generally accepted in the United States. He explained they are also required, for governmental entities, to issue an opinion on the internal controls and compliance of the entity, and noted deficiencies are listed in the audit report. He explained they are required to list the condition of the finding, what the effective finding is, what their recommendation is, and management’s response to the finding.

Mr. Zera explained the first finding deals with the preparation of financial statements. He explained in a perfect world, management would prepare these statements on their own and then would bring in the independent auditor for the final audit. He explained this particular audit involved many more journal entries than they consider to be usual, and there were 30 to 35 adjustment needed. He explained the effect of this is that the City is not getting consistent, accurate financial information throughout the fiscal year which helps with the budgeting process and decision making. He explained the City brings in the auditors to fix everything at the end of the year, which is not how it should go. He explained they have discussed this with the City Auditor and going forward we hope to avoid the excessive adjustment entries for next year.

Mr. Zera explained the second finding is a direct association with the general ledger and capital projects. He explained the capital projects is a complicated fund with a lot of money split over a number of projects. He explained there is a lot of tracking that is involved with making sure those funds are reported accurately. He explained the information comes in handy when the funds are spent and the ending balances are appropriately recorded at the end of the year. He explained they have made material adjustments to that level of detail for this particular audit.

Mr. Zera explained the third finding was that bank reconciliations through the year that were done monthly included some months that the reconciliations were not done properly, and explained they were not being tied back to the general ledger trial balance numbers. He explained towards the end of the year they discussed this with the City Auditor to show what to look for and what to do. He explained he believes this process was getting better towards the end of the year where they had less adjustments, but through the year there were some issues with bank reconciliations.

Mr. Zera explained the fourth finding was regarding record keeping personnel, and explained some of the records were not necessarily in great shape. He explained they didn't have the easiest time finding what they needed and they recommend that City management get a better process of looking into trial balance numbers. He explained when management sees a revenue or expense, they should have the support ready for a more efficient audit to prevent digging through information.

Mr. Zera explained the fifth finding is for unreconcilied interfund and transfer accounts. He explained the City has multiple funds, and sometimes money is spent out of one fund for another fund. He explained when this happens, it needs to be reported as an interpayable for one fund and a receivable in the other fund. He explained City-wide, those two numbers should match at the end of the year. He explained they had to do some digging because they found where something was recorded as a receivable on one end but was not recorded as a payable. He explained they were able to reconcile those accounts, but that is something that should be done prior to the audit. He explained a monthly step should be done to make sure those payables and receivables zero out.

Mr. Zera explained the sixth finding is regarding capital assets. He explained the City, like every governmental entity, keeps its books on a fund accounting basis where capital acquisitions are expenses and then at the end of the year a PS34 statement is presented for the capital assets. He explained they make adjustments and turn them into financial statements that you would see more for a for-profit entity. He explained they put the capital assets on the balance sheet as an asset, and they depreciate over time. He explained the City should have a process of better tracking capital assets that it has on its books. He explained in the past the city has relied on external auditors to track capital assets and the depreciation of those assets, and that is something management should really be doing. He advised some entities hire that out to an outside firm to get a better handle on their capital assets. He explained the City should get a better handle oin their capital asset acquisition and especially capital asset tracking.

Mr. Zera explained the seventh finding deals with the netting of revenues and expenditures and, by extension, budget monitoring. He explained there was some moving around of budgeted amounts and there were revenues from a credit from an energy company that were reduced from an expenditure line rather than being listed as a revenue. He explained when the amounts are netted it skews the budgeting process. He explained the recommend that we really focus more on the budgeting process and reporting revenues and expenses at actual, and if budget transfers need to be made, that is fine, as long as they are approved by the Council.

Mr. Zera explained the eighth finding is the reconciliation of water and sewer fund receivables. He explained the water and sewer fund bill the residents for services. He explained at any time management should be able to look and say what the total amount that the City is owed by residents that is unpaid in water and sewer bills, and say that number is comprised of this list of residents who each owe how much. He explained it was a bit of a process to come to that number to agree to the trial balance. He explained that is something management should be doing every month to make sure they have a detail of all of the outstanding water bills and sewer bills, and to be able to tie back to receivable reporting for those.

Mr. Zera explained that is their list of findings. He explained as far as compliance findings, they did not have any issues with non-compliance with grants or anything like that. He explained the assets and deferred outflows of the City exceed liabilities and deferred inflows, and that resulted in an increase in net position at the end of the year of $4.6 million. He explained revenues exceeding expenditures in the financial statements by about $3.3 million was a large part of that increase. He explained additionally, the City made principal payments on bonds which for governmental financial statements is considered a reduction in lability and therefore an increase in the overall net position.

Mr. Zera explained total assets in the general fund of $12.6 million exceeded the total liabilities of $10.1 million, which results in the ending fund balance increasing from $1.8 million to $2.5 million. He explained for fund balance purposes, there was a trend with the fund balance decreasing and it went back up this year, which is good. He explained revenue4s from all major categories, including real property taxes, other tax items and sales tax, are up, and expenditures have also increased which is not a surprise given the cost of living increases. He explained public safety is the largest expenditure category, and employee benefits is a large expenditure as well.

Mr. Zera explained the fund balance in the water fund increased over the prior year from around $385,000 to $945,000 due to both an increase in revenue and a decrease in expenditures. He explained there was a trend of the water fund balance going down and this year it increased quite a bit based on increased usage and water rats increasing. Mr. Zera explained in the sewer fund, the fund balance increased from $3.1 million to $3.3 million, again due to greater revenues than expenditures.

Alderman Crawford asked if Mr. Zera actually performed the audit, and Mr. Zera explained he did. Alderman Crawford explained the reason we saw a jump in all three funds is because the Council passed a spending freeze and there was a significant reduction in expenditures that helped to build fund balances. He asked how Mr. Zera would characterize the City's current financial position, excluding internal controls, and Mr. Zera explained he would characterize it as steady.

He explained the general fund is where most of the focus is on for a municipality such as Olean, and explained the water and sewer funds should be self-funding. He explained fund equity is a good item to monitor the City's finances, and although we saw it go down for a few years, it increased this year which is moving in the right direction. He explained he knows the City has a goal to have fund balances funded at 15% of the City's annual operating budget. Alderman Crawford explained the general fund balance is now at 13.3% and asked where we are in comparison with other municipalities. Mr. Zera explained it is hard to say since each entity is different, but he did some research on other cities in New York similar in size to Olean. He explained he saw some fund balances as low as 5% and one as high as 40%. He explained he feels 15% is a good target. Alderman Crawford explained additionally, he wants to clarify something. He explained when we talked about material weaknesses, they were related primarily to internal processes, and explained they have talked about a number of journal entries, account classifications, and reconciliations. He asked if there was any fraud, any misuse of funds, out of control debt, or inability to meet financial obligations. Mr. Zera explained there were not any cases on these things.

Alderman McCall explained one of the things she has found between this audit and meeting with the State Comptrollers is that we have a healthy amount of capital funds that the Council created and funded due to insecurities that the money might not be there when they are needed with the prior administration. She explained we need to move money from those capital funds that are not multi-year projects back into the general fund and that could put the fund balance percentage above 15%. Mr. Zera explained the way capital funds work is that it is used to track a capital project and when the project is completed excess funds are transferred back into the appropriate fund, which would increase the fund balance. Alderman McCall explained capital funds are something the Council is committed to looking at, and are also looking into restricted and unrestricted funds in the general fund so funds can be secured in the general fund like they were the capital funds. Alderman Crawford explained expenses in the past were earmarked not for true capital projects, such as the sidewalk program, and the money was put into a capital fund rather than putting restricted funding in the general fund. Mr. Zera explained capital funds are for multi-year projects and recurring maintenance and similar things should be budgeted for in the general fund. Alderman Crawford explained something the State Comptroller's Office mentioned was for future Councils to discuss restricted versus unrestricted for the fund balance policy. He explained moving recurring funds into the general fund would help us easily meet the 15% in the fund balance.

Alderman McCall explained she encourages everyone to read the audit report, and explained she appreciates the breakdown and description of things. She explained her takeaway is that overall, the City is doing okay, and we have a growing fund balance with assets exceeding liabilities. She explained in our day-to-day we have some areas of deficiency that we need to correct.

2. Not-for-Profit PILOT Letters

Alderman Robinson explained some Aldermen have received some questions from organizations that have received letters. He asked the Mayor to shed more light on this topic. Mayor Sherburne explained after some discussions that occurred numerous times with the City, it was a conclusion, especially after last year's budgeting, that we should look into the number of not-for-profits in the City. She explained we do have some PILOT agreements with some not-for-profits, and some we have had in the past that have since fallen off. She explained this was a way to open up a dialogue with the not-for-profits and in consulting with the City Attorney, we felt it was appropriate to send a letter to all and not cherry-pick which entities we reached out to. She explained we have these not-for-profits in a City with a relatively small tax base, and it would be fair to allow them to share in the expenses for services that are offered to them every day of the week that taxpayers financially support.

Mayor Sherburne explained the letter was very open-ended and asked for voluntary payments, and the takeaway from them has been varied. She explained she has had discussions with the not-for-profits that have reached out and they understand why we are asking and they see everything the City does. She explained she feels we have had fruitful conversations and the letter was to initiate those types of conversations. She explained if there are any not-for-profits in the City that find it in their budget in the future to think of Olean and the services we offer them, that would be a welcome conversation to have. She explained as we look at the budget and needs, we need to be responsible to allocate funds for all services we provide and can hopefully expand upon, and her thought process was to ask everyone to share in that burden rather than knocking on the same door and asking the same property owners that are already paying.

Alderman Anastasia explained the Common Council was not notified that the letters were going out and he had no idea what to say when people were asking questions. He explained this caused a lot of stir and he thinks the Council should have been notified beforehand. Mayor Sherburne explained as a new mayor coming into office, she feels communication will be different moving forward. She explained she did have a discussion about this to give the Council a heads up that she was initiating the letter, so it has been discussed in the past, She explained the letter was very open ended and asked not-for-profits to contact her office to speak with her. She explained they were very thorough in the description to give an idea of what they would actually pay if they were to pay property taxes. She explained there is a tremendous footprint of not-for-profits in the City and she wanted to give them idea of what other property owners with properties their size would pay. She explained some not-for-profit letters were sent to people who don't even reside here, so they really have no idea what the property taxes would look like. She explained she can send the list to the Aldermen if anyone would like to see it, and apologized if anyone was caught off-guard.

Alderman Bennion asked what the total assessment value of the City is. Mr. Piechota explained the total assessed value is between $750 and $800 million, and the total taxable amount is $474 million.

3. 02/15 Budget Deadline

Alderman Robinson explained the City Charter Section 2.002 states that by February 15th, the proposed budget should be submitted to the Common Council. He explained there were complications that arose, and for the sake of City residents that seemed to have more complaints than the Council did, he hopes we can shed some light on this.

Mayor Sherburne explained we were dealing with new budget software which posed some complications. She explained she could have given the proposed budget to the Council on the 15th, but there were some indications that Mr. Martial was struggling with two things in the budget that were not matching. She explained with new software that is quite complicated from certain aspects, she did not want to give the budget to the Council without having it be accurate. She explained during the time we had to work with the new software, we had not only the outside auditors here for the first two weeks but also the State Comptroller's Office in the Auditor's Office continually asking questions. She explained we also needed to wait for the final audit report from Mr. Zera, which they did not get until the 12th. She explained they had to reevaluate the budget with those numbers and felt the extra couple of days would allow them to produce definitive answers, especially with inaccuracies in the numbers. She explained they had to wait for OpenGov to contact them with a solution for issues before they could fix them.

Alderman Anastasia explained he is not complaining it is late, but he does not think it is an accurate document at this point. He explained he sent a text to all of the Aldermen last week as he saw Buffalo received an additional $40 million in funding. He explained he said we should look into this and see if there is any additional funding for the City of Olean. He explained he contacted the Council Clerk who advised the City received $780,000 from New York State, so a PL asking for funding would be fruitless. He explained that is not anywhere in this budget document, so the document is false. He explained we are calling for an 18% tax increase but $780,000 is nowhere in the budget. He explained he realized we just found out about the funding, but the budget should be reworked to put that funding into it to see what the new tax rate would be with that amount included. He explained it is probably 10% less of an increase. He explained to him, this is a fake, false document that should be sent back to the Mayor and Auditor and be reissued to the Council with appropriate numbers.

Mayor Sherburne explained we received the letter and call from the Governor's Office the same day the draft budget was released. She explained the reason we see these announcements coming out after the draft budget is due is because while the City has a 60 day period between the draft budget being due and the adoption being required, most municipalities only have 30 days. She explained if she had an idea that was coming, though, she would not have changed things. She explained we are looking at a budget without that raise, as we currently do not have a definitive answer if we will have those funds next year and we need to look at a budget without that amount to see what it would require. She explained with the new software she is prepared to go line-by-line with the Council to go over the costs of everything. She explained we want an accurate number of what we are at as far as supporting services in the budget. She explained she hopes in the future the City will not again have to do a spending freeze because that means the budget was not accurate. She explained she thinks we did as well as we did in the past because of spending freezes. She explained we need a procedure in place to get us accurate numbers moving into the next year.

Alderman McCall explained while she understands where she is coming from, she has concerns and we will discuss these more when we get into the budget meetings. She explained taking $780,000 for granted and putting it in there for annual expenses could end up with the same issue next year if we do not get the funding and don't make adjustments now. She explained she appreciates the funding, but we need to be mindful about if we can count on something even close to that amount down the road. She explained we also need to determine how to account for that funding in this year's budget while being mindful how it will impact next year's budget. Alderman Robinson explained we really should not rely on this dollar amount for next year.

4. Adjournment

A motion to adjourn was made by Alderman Robinson, seconded by Alderman McCall. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 6:45 p.m.