

Special Village Board Meeting
Tuesday, February 3, 2015 - 9:00 a.m.

A special Village Board meeting was held on the above date at 9:00 a.m. with the following members present:

PRESENT: Mayor Patricia Abato
Trustee Frank Hagen, Trustee Robert Morris
Trustee Matthew Byrne, Trustee Ed Markunas

ALSO PRESENT: Virginia Menschner, Village Clerk
Terry Rice, Village Attorney

ABSENT: None

The Mayor said this is an emergency meeting on Tuesday, February 3, 2015 at 9:00 a.m. requested by the Treasurer's office to discuss the bond resolutions.

Treasurer Michael Genito, who was on the telephone, said there are three resolutions. One is a resolution for a budget vote for \$600,000. One is a resolution for a revenue deficiency note in the amount of \$600,000. And the third is a revenue anticipation note for sewer revenue in the amount of \$345,000.

He said that over the past couple of weeks, he and Terry have been in touch with bond counsel as well as our auditors as well as financial advisors in terms of the serious financial situation that the Village is in and has been in for some time. But it really is coming to a head and has been impacting our cash flow ability to pay vendors and payroll. It has gotten to the point of being a critical stage that if we are very likely - with the upcoming payroll it is going to be extremely tight. In discussions with our bond counsel and our auditors we have come to some kind of conclusion, as the Board is aware, that we are looking to do as much as we can in terms of short term financing to get us through the end of May in whatever means possible and then that would lay the ground work for us to go with long-term deficit financing over a payback period of about ten years. And for that we have to get state approval on that for long-term financing. Our legislators are already aware - our assemblyperson and state senator - Carlucci and Jaffee - and for that to happen we not only have to have legislation passed locally but they have to adopt it in the state and then if we are allowed to borrow some money in advance to that it should be a lump sum thing to take all of the deficits that we have - all of the funds - and combine them - all of the accumulated deficits for the last two years - combine them into one major borrowing that we will then allocate over a ten year payback period and make sure that we never get in this mess again. That is it in a nutshell. As he has mentioned to the Board, if we don't adopt it

- oh, by the way, if we do adopt these there is still some time to actually get the money in hand. And that involves contacting the banks to see if they are interested in bidding on it. If they are not interested in bidding on it, then we have to go through a financial advisor and complete a term sheet which goes out to investment bankers that would be willing to provide us with the cash. But either way it can take anywhere from a week to a few weeks. And we are very, very short of time to make all of that happen. So that is it in a nutshell.

The Mayor asked if there were questions from the Board. The Village Clerk said she had a question. She said she doesn't have the third bond. The Mayor said it is a revenue anticipation note. The Village Clerk said yes, but she doesn't have it. The Mayor said okay, we will take care of that later.

Trustee Markunas asked Mr. Genito who the auditing firm is that reviewed this and the financial advisor and the bond counsel. And do we have any details. Mr. Genito said bond counsel is Hawkins Delafield and Wood and the gentleman who is our bond counsel, our representative there, is Robert Smith. Trustee Markunas said right. He asked if we had any type of communication from him in writing indicating the necessity of this short-term note. Mr. Genito said we tell him the necessity. He wouldn't know what the necessity is. Trustee Markunas said then does he make a recommendation? Attorney Rice said what bond counsel does, and it is Hawkins Delafield and Wood which is a firm that does this type of stuff - that is their bread and butter. So they are a good bond counsel. We have used them for years. They go - Mike and the auditor go to them and say this is what the situation is and what do you suggest. And we batted it around and that is how we came up with the revenue and the deficit notes. So they do the mechanics. They don't do the financial part. Trustee Markunas said but they make a suggestion. Attorney Rice said yes - they laid out the various alternatives. Trustee Markunas asked if we had those alternatives in writing - some type of documentation. Attorney Rice said no. Trustee Markunas said no, okay. He asked if we had any documentation from the financial advisor and who is the financial advisor. Mr. Genito said the financial advisor we use is Capital Markets and her name is Beth Ferguson. Once again - he said let me explain what the roles are - let me answer the question first. He said the auditing firm is O'Conner Davies - Trustee Markunas said right. Mr. Genito said our representative there is Chris Cox. He is the audit manager. The role of each individual - the bond counsel, as Terry just explained, basically what they do is they specialize in the law of borrowing money for municipalities. And essentially they would give us advice when we tell them that we need to have money for whatever purpose and they will advise us as to the appropriate legal way of going ahead and borrowing that money and any constraints we have on the use of the money or things like that. That is what the bond counsel does. The financial advisors - they simply have access to

the capital markets - meaning the markets that you would go out to borrow money from. They would help you develop the documents that would be needed by somebody willing to bid on or interested in bidding on the borrowing. So we have two choices. The one is the choice that you go to your local bank, which we are allowed to do, and say that we would like to borrow money for a budget bond for \$600,000. Would you be willing to bid on it and submit a bid to us. And if they say yes, then we accept whatever bid the banks give us and we look for the one willing to give us the lowest interest rate to pay back and that is what we do. The last time we went to borrow money the local banks did not want to do that. Trustee Markunas said that is just what he was going to ask him - with a follow up with regards to that. A few months ago you indicated in an e-mail that they wouldn't, that they were not interested in this type of bonding or note. Mr. Genito said that was for a revenue anticipation note. Trustee Markunas said it was a different note. Mr. Genito said the banks, for whatever reason, and they have their own reasons why they decided not to give extra money and there could be a lot of reasons for it. He said his understanding was at least from one of the banks was that we didn't do a lot of business with them and they didn't want to bid. But others may take a different approach on it. So the bottom line is if the banks decide they don't want to bid on it the other way that you go about it is with the financial advisor. These are trained professionals. They have to have certain criteria - they have to meet criteria from the SEC - the Securities Exchange Commission - and be allowed to call itself a municipal advisor and there are a lot of rules they have to follow. The bottom line is those people, the financial advisors and they do - okay, this is what you want to borrow. And they ultimately determine the timing of the borrowing, the amount of the borrowing, whether you are going to borrow for a year or less and anything else that they might suggest that might help you get the money that you need when you need it. And then they would put together the information and go out to the bidders and say this is the amount that they want to borrow and here is the other information about the Village and they would take in the bids and once the bids came in they would tell us who bid the best price. The lowest interest rate. And you have to pay for that service. And that is the service that they offer. And that is the only other way you are going to go about to borrow money in New York State if the banks don't do it directly with you.

Mr. Genito said the auditors role is very simply to provide an opinion on your financial statement once you publish them. Those financial statements are ours. We develop them. They audit them to make sure that they are appropriate and then they will write an opinion to that or if they don't think that they will write an opinion on that. The other thing that auditors will do is in cases like this when we ask them for advice in terms of what do they see other communities doing in terms of borrowing and they can help us develop a plan along with your bond counsel and financial advisors as to how to proceed to pick yourselves up. Potentially, Suffern

is, as you know, in severe financial crisis. How we got there - there are all kinds of reasons as to how we got there but we are here. And what we have to do - how to get out of this situation - and to keep ourselves out of that situation going forward. And so that is why all of this stuff is very dramatic and drastic. It is what we have to do to get ourselves back into some stability and some amount of ability to pay our debt.

Trustee Byrne asked Mr. Genito if it was fair to say then that the rates offered by the banks would be lower than those obtained through the financial advisor or is that not necessarily the case. Mr. Genito said it is not necessarily the case. The last time we went out we actually got pretty good rates through the financial advisor. The difference is you do need to pay the financial advisor about \$3,000 each time we borrow. So that is a cost that you have to pay. But the rates - no it is not true either way - that you are going to get a better rate or a lesser rate.

Trustee Byrne said the other question is. No matter what we do today is it also fair to say that no money is going to be coming into Village coffers from these loans Friday to meet payroll. Mr. Genito said that is probably a true statement. Trustee Byrne asked then where do we stand on meeting payroll for Friday. Mr. Genito said he was just talking to Barbara. He asked if she was in the room. The Mayor said yes. Mr. Genito said to Barbara that yesterday she sent him a report even though she didn't have a chance to look at the current daily cash balance and he thinks we have \$450,000 in total in the general fund and he thinks she told him this morning that we have an outstanding health care bill that is going to hit sometime soon for \$175,000. Ms. Cottiers said yes. Mr. Genito said that if that is where we are and that is why we will probably sneak by the payroll this week. He said he thinks that doesn't include overtime. Ms. Cottiers said right. Trustee Markunas asked what is the payroll. The Mayor said it is not complete yet. Ms. Cottiers said she doesn't have the actual number yet. Trustee Byrne asked what is our average payroll. Ms. Cottiers said about a \$225,000 for general fund. The water and sewer are fine. The general fund runs around \$225,000. Trustee Byrne said without a snowstorm. Ms. Cottiers said right. From what she understands it is going to be over \$50,000 for the DPW. The Mayor said so we can make regular payroll most likely however with all the overtime that was incurred that we would not make. Trustee Hagen asked if they were asked to hold off on the overtime. The Mayor said yes. She spoke to Scott Brown and initially he thought that they could work it out with the union where they could hold off on overtime. But CSEA is not allowing for that. Trustee Markunas said he thought the overtime was being taken in time. The Mayor said the thing is we cannot force them to do that. Trustee Markunas said no, but that was his understanding. The Mayor said but voluntarily some of them do and continue to do that because they care about what is going on. Trustee Markunas said not everyone is doing that. The Mayor said

the water department does not do it. They do not take comp time. They feel as though they work and they want to get paid. Trustee Markunas said but we are fine with them. The Mayor said they are okay. The Mayor said the sewer department - some do and some don't. And the DPW some do and some don't. But again we can't make them do it. Trustee Markunas said he understands that. The Mayor said and we can't pay - just for instance, we can't pay overtime to the police department but not to the CSEA. We can't pay the CSEA and not the police department. We can't pay some people but not all of the people. It's one or all. Trustee Byrne asked when do we have to have payroll in. The Mayor said today. Trustee Byrne said so those numbers - Ms. Cottiers said she is getting all the time sheets today so Ms. Cottiers really wouldn't have any info on it until later. Trustee Byrne asked if that was through - what date is that through. The payroll that you would submit today would be last week, right? Ms. Cottiers said the police department is through Monday and the rest of it is through Friday. Trustee Byrne said then it wouldn't have included - this pay period will not include this week's overtime. Ms. Cottiers said right. She thinks there were two other storms. Trustee Byrne said there were. Trustee Markunas said some of those storms we are being reimbursed by the state. The Mayor said right, unfortunately - Trustee Markunas said by the state under the emergency declaration. The Mayor said because there was an emergency declaration we can submit for reimbursement on that and that is what we were kind of hoping that if we could work it out with the union that we could pay them the overtime over a couple of pay periods and we could have that money back in and it would take care of that. But unfortunately it is not working out that way with the CSEA. But she has to tell them in all fairness - the employees were totally onboard with it. Trustee Markunas said right. The Mayor said they were fine with it. They had no problem with it. When Scott took it to the CSEA the CSEA said no way. Not happening. Ms. Cottiers said we also have to take into account that we have checks that we had written that are out there that we don't really know when they are going to clear. And we held back some of the checks on the last check run and we do have vendors that are going to be cashing checks. Trustee Markunas asked how does all of this - Ms. Cottiers said it comes out of the general fund. Trustee Morris said we have checks outstanding that we are hoping doesn't hit the system now. So the number that we actually have in the general fund is not a true number. Ms. Cottiers said the number she has are the balances now - Trustee Morris said taken out for all those checks that we hold. He said there shouldn't be any checks coming in that would impact the balance. Ms. Cottiers said she doesn't know until they are cashed. Trustee Byrne said are they put in the system as a reduction in the account. You are running a check off - you are writing a check and you still deduct it. Is that part of your balance or is that not part of your balance. Ms. Cottiers said no. Trustee Markunas said so we don't know how much cash on hand we have on the balance sheet.

Trustee Byrne asked Mr. Genito if that is the way it is normally done. Mr. Genito said well we use the cash sheets in order to see what our actual cash balances are. What we have - as you are probably well aware because he has sent it out before - when he first got in there our bank reconciliations were not done, at least the general fund, they were not done from June 2014. We are caught up on all of those up to - he has to check because we have one other person helping us with the bank recs. They were all done through - sorry, it was June of 2013 that they weren't done. And we got them all done through June of 2014 and hopefully there are another three or four that are done. So that is why - you asked the question if that is normally done. Normally we should have every single bank - every month every bank statement should have a bank reconciliation with it and you can tie it in to where the cash balance is on any given day. Unfortunately, as he mentioned because the bank recs are so behind we are more dependent on the cash balance sheet that Barbara has for what we really have out there. Trustee Markunas said so we have \$450,000 on hand. Mr. Genito said right now. But he thinks that Barbara mentioned that - Trustee Byrne asked how many checks do we have outstanding. Mr. Genito asked when did that check go out. Ms. Cottiers said that should clear today or tomorrow, she thinks. Trustee Byrne asked what check is that. The Mayor said the health insurance. Trustee Byrne said oh that has already gone out, the health insurance. He said the health insurance is a big check - what did you say - \$170,000. Trustee Markunas said and that will come off of the \$450,000. Ms. Cottiers said yes. Trustee Markunas said to him it is unclear. Especially the borrowing itself with the notes. He said he knows that he has it itemized - the budget note for \$600,000, the revenue deficiency note, the sewer revenue note but we are sitting here discussing not meeting payroll or bills.

Trustee Byrne asked which of those proposed bonds relates directly to our cash flow for payroll and bills. Mr. Genito said some of the problem with the cash flow, and again in a very highly summarized form, we have these rolling deficits that have come forward. They come forward from one year to the next. And if you think about it going back to 2010 when the Village first took out a revenue anticipation note for water and sewer basically what they were saying was at that time, in that year, they didn't have enough money to finish their year without borrowing against next year's budget. It is really this year's revenue but they are borrowing into next year. So at the same time the water and sewer fund owed money to the general fund so there is no way that they could pay back the general fund because they are stretching to make their own. And that practice continued from that time forward. In the meantime the general fund itself started running into financial problems because there were a bunch of revenues that didn't come in and expenditures that were higher than they should have been. So the question as to what this money is really related to? The budget note and the deficiency note are related to this year's budget

because of things that we believe won't come in or they might not come in by May 31 when we need the money. So we are allowed to borrow that money to get us out of the budget hole so we will have to pay it back next year and part of paying that back is that we are hoping that we could put it in together with a deficit financing on the bigger picture with a much bigger borrowing.

Trustee Byrne said the sewer bills that were just due at the end of the month - the solid waste bills. Have they been borrowed against? Mr. Genito said we borrowed everything except \$345,000 against those. Yes. He said the way they work that - when we borrowed money back in October - a water and sewer revenue anticipation note came due and it was paid off typically by the general fund because water and sewer didn't have the money. The water and sewer fund in the meantime had to borrow that money to pay back the general fund. So that is why those two RAN's were taken out and the way the formula works is the amount you borrow kind of goes against you in the amount of your borrowing power. So the water has no more borrowing power and the sewer has about \$345,000 worth of borrowing power. If we had done this way back in the beginning and known that this was the situation - probably back around October instead of borrowing this for a half a year's worth, we probably would have been just as well off borrowing it for a full year's worth. Because then we would have had all that cash up front to work with. Be that as it may that is the maximum we can borrow - \$345,000.

Trustee Byrne asked if we thought at the time when we did the last borrowing if that was going to carry us longer than it has. Mr. Genito said yes. We thought monies coming to the water and sewer would make up the difference to the end of the year. But again hindsight if we had done that they would have been able to pay back the general fund a lot more but then they would have been in trouble again. Trustee Markunas asked who made the recommendation previously on the note that didn't carry us through. Mr. Genito said the recommendation was to borrow the same amount that we borrowed the previous year. Trustee Markunas said right. And that was based on - Mr. Genito said what we needed at that time to pay off the note. Trustee Markunas said and the same process - Mr. Genito said the general fund paid it off. Trustee Markunas said but the process. Mr. Genito said that is why we borrowed that money to pay it off. Trustee Markunas said but the process didn't allow us to get through the whole year without borrowing - is it the same process that we are going through now with the financial advisor, the auditor and bond counsel? Mr. Genito said the bond counsel and financial advisor - but again it is not the same process. A budget note and a budget deficiency note and the other note which is a revenue anticipation note for the sewer - that is similar to what you borrowed before but the other two are different. Trustee Markunas asked what would leave us to believe that this is going to be enough now. Mr. Genito said he doesn't know if it is going to be enough. Trustee Markunas said no. Mr. Genito said he thinks the problem here is that we are trying to make our way to the end of

May. And it means stopping all purchasing unless it is absolutely critical - which he knows that the Mayor has told the department heads but we still see stuff coming through. Now some stuff is critical. And you have people out there doing what they have to do. But again we get back to the same issue. It has gotten down to a point - making decisions such as cutting out programs entirely. Other places - he works in White Plains - when he came here they had similar difficulties and they had lay offs. So that is the kind of stuff that happens throughout the state. It is not a secret. And he is not saying that - it is the Board's decision on what they want to do and go forth but the fact of the matter is there are only so many things that you can do to control your costs. These continuing deficits throughout all these years affected not only what you show on paper as your revenue that may have come in but what happens is it now affects the cash flow. And as he mentioned - in 1984 when he started out with the Village of Suffern - back then they had not a severe problem but they had a deficit in the general fund and they had problems in the water and sewer fund but they never had a cash flow problem. We have it now with a cash flow - how do we get through to pay our bills. And it didn't happen overnight. It happened over a period of years. So to answer that question - no, he doesn't know if it is going to be enough. But we are trying everything we can to find a way to inch us along through May because when June comes the tax bills will be out there and we will have cash coming in and hopefully we will have this longer term deficit financing in place and that we do get enough money to cover these deficits and we don't have to worry about being in this situation in the forthcoming year.

Trustee Byrne said if he is adding the numbers correctly - with payroll this week - the outstanding check for health insurance which is the biggest vendor expense out there, he guesses - there might be some others. We very well may not have enough money to meet payroll this week. And what do we do. You are saying that it is likely that we won't get the money no matter what we do today that we won't have the money by Friday. What are we going to do. Mr. Genito said if we don't have the money by Friday we are going to have to - there is some money in the water fund that we can probably lend to the general fund. We can probably get by with that. The water fund does owe the general fund money anyway. But we don't want to take too much out of that because they are going to have their bills to pay too. So that is what we have to do to inch by this payroll. Trustee Byrne said and the next payroll? Mr. Genito said why does it have to be today versus waiting until Thursday or Friday. Well the sooner we get out to the banks and if necessary to the financial advisor the sooner we are going to get that money in. And if it is a matter of a few days - it can mean the matter of a few days for an important vendor payment. And we are going to continue to look into whatever else we can do on the revenue side to help ourselves out but we are also going to have to look at the expenditure side of things and that is where the Board

comes in to really determining what action they should consider taking to reduce the costs to an absolute minimum just to get by to May.

Trustee Markunas asked what type of recommendation does that entail. Mr. Genito said as he said - typically what programs are out there that are not critical or absolutely needed programs that you can stop now. Do you have any kind of things going on for more people that aren't working that you don't need to have on staff. Trustee Markunas said what does that mean. Mr. Genito said you need your things on the street. You need to talk to the department heads and the police chief and finding out how we can control the overtime better and that. The fire department - they are volunteer and they are great people and he knows they are buying a lot of stuff and he has talked to Mike Stark - if it is OSHA required and it is a life situation you don't want to jeopardize anybody but at the same time if you don't have to buy something let's not order it. So that is the kind of thing that has to be looked at. The Mayor said we have done that. Just so the Board is aware you and I have done that in monitoring and questioning and kind of sometimes not authorizing some things to be done. Mr. Genito said yes and he thinks it may need to be a little more firm than it has been. Possibly not ordering anything unless it is absolutely critical for the operation. We had a situation - he noticed a vacancy in the garbage/refuse department that Charles brought up at the workshop and that was the first he heard of that. Any vacancy that pops up - we should be looking at that vacancy and not filling it if we don't absolutely have to fill it. Even if you hire someone that is making 35,000 at year - by the time you add medical benefits and retirement benefits you are up to \$55,000 a year. The Mayor said just to let Mike know, she did meet with Joe Hunt and Charles and she expressed to them her wish - if at all possible - unless it is absolutely detrimental is to not fill that position until the next budget year. Mr. Genito said that is all he is saying. There should really be a strong need - it is nothing against the department. They are just trying to do their job. It is just an issue of where we are today and whether or not we can afford another person. If we can get by. If there is a little overtime. The department head would have to justify that type of position. And decide if we absolutely need this.

Trustee Morris asked if there was any benefit in seeking protection under the bankruptcy laws. Mr. Genito said bankruptcy is not something in New York State. He thinks Terry could probably give a better breakdown on that. He said he will call the state comptroller's office to see what they can do to assist us in this situation. First of all they don't want anybody in New York to go bankrupt. Because that affects the whole state. And they don't follow the normal bankruptcy rules anyway.

Trustee Markunas said we recently acquired the Suffern Parking Authority. Did they transfer any funds to us or into the general

fund or whatever happened to their balances. Mr. Genito said he thought Barbara could clarify that but he thinks we have them in specific funds that mirrored the funds that the Parking Authority had and we were under the impression that the Board wanted them operated as a Parking Department similar to a separate department so that the funds that we get in the beginning are separate. Ms. Cottiers said they are separate accounts. Trustee Markunas asked how much money that is. The Mayor said about \$80,000. Ms. Cottiers said about \$80,000 but that is going to cover their costs and payroll. Trustee Markunas said so we don't have the complete detail. Ms. Cottiers said she doesn't have it with her.

The Mayor said the bottom line is then you are going to get yourself into another problem. The Mayor said we just took this over so historically we don't know because we were never involved in their operating expenses so we are working on actually a budget that is kind of going to work its way the rest of the year on its own - just keeping all the money in tact knowing that that money covered the expenses. So to start taking out of there until we have a whole picture and a sound budget going forward that we know is going to work is ludicrous because then you are back to borrowing from Peter to pay Paul and that is not where we want to be. That is what we are trying to get away from.

Trustee Hagen asked what would the state comptroller do? They actually have funds they could funnel to us? Mr. Genito said he understands they have funds but he knows they look at things - for instance, we have a retirement bill that we haven't paid that was due February 1 - actually February 2. That bill with all the funds involved being water and sewer and as well as general is probably close to 1.4 million dollars. He said he saw last year that the Village didn't pay that on time. They actually paid that in March and they paid some interest on it. And it seems like that is something we can call the state comptroller and say look, we have a real financial situation here. What might you be able to do that you can help us pay that in payments or something of that nature. The other thing that we can look at is if there is any type of state aid out there that the state could speed up to us, in other words, accelerate for us although he is not that confident that there is too much really out there. What we receive isn't necessarily that large but those are the other things - they don't have money to loan us.

The Mayor said before she forgets - did Mr. Genito come up with a date to reschedule the department head meeting. Mr. Genito said he doesn't have that right now. He will take a look at the calendar. With the snowstorm - the Mayor said she understands that. Just let her know. The Mayor said that what she and Mike are going to do is that they had planned to meet with them but with the snowstorms we kind of had to redo our dates. But what their plan is is to meet with the department heads again, to sit down with them not only to

kind of look at their budgets and look at those programs and look at monies that they have in their budgets to be used for different equipment and so on and so forth to identify those that we can kind of let them know that we are not doing them. Mr. Genito said he thinks they should come up with a plan that significantly impacts the budget. The Mayor said right - that is what she has instructed them to do. To look through their budgets to identify things that they are not using. And then the things that we could potentially stop. Trustee Morris said he is not quite clear why this wasn't done. It has been a number of months now that we know this is going on and again he understands that the city is a different operation but he also knows that when they had a budget shortfall every bureau was called in and was told there is a 10% budget cut. Figure it out. You know the impact. The Mayor said we did do that. We did meet with them. Trustee Morris said Mr. Sawicki was just up at the last meeting looking to hire somebody and change a title again. So if he is at a 10% budget cut how would you propose hiring somebody. The Mayor said right. That is why she did what she did. The point of the matter is like Mike said some of them get it and some of them don't. Some of them take the stance that hey, I have a department to run and it is my responsibility to run it to its fullest - Trustee Morris said again - it is not a valid point. The Mayor said agreed. Trustee Morris said if a department head is told to cut a budget 10% that is the end of the discussion. The Mayor said and here is the thing. Mike has kicked back things to him. Terry has sat down and tried to explain it to him. The Mayor has sat down and explained it to him. Right now we are just making sure that we are monitoring that. What we are doing going forward is things of this nature. A good part of it is he has to come through the Board with everything. It has to be approved.

Trustee Markunas said he thinks that all of these expenditures or spendings or requests or whatever it is because previously looking back at how it got so out of control is nothing is documented, nobody has - we sat him down and spoke to him and told him he can't do it or did he come to you and say I want to buy a set of tires for a fire engine or what is it. Nothing in writing? Trustee Markunas said he thinks that all of these requests or denials or communications - the Mayor said they are all in writing. Trustee Markunas said they are all in writing. The Mayor said of course they are. They have to - Trustee Markunas said there are all memos that the department heads were notified that they have to stop spending in writing. The Mayor said yes they have to. In other words Mike has it set up now which was never done before that you have to requisition for something. Trustee Markunas said right. We went through that whole process with a requisition. The Mayor said they can requisition but that doesn't mean it is going to get approved. And that is what we are doing on our end. We are not approving. Trustee Markunas said were they notified. Were they notified in writing saying that the spending has to stop or however this memo went out. The Mayor said yes. They were notified and we also had meetings with them. The Mayor said she has to explain to

Trustee Markunas that there is nothing to prevent them from asking. Trustee Markunas said he understands. The Mayor said because in their mind it is important. And what may be critical to them may not be critical to us. Trustee Morris said that is very true. But if a guy is a department head - and Mr. Sawicki is the head of the DPW here - and he can't rationalize and make that kind of a decision then what is he doing as a department head. The Mayor said to the point. She said she is not defending him whatsoever. Trustee Morris said that is just totally ineffective leadership. The Mayor said but you have to understand when you are in your job and you are trying to do your - and she is not defending him because she doesn't believe it is right - but what she is saying to Trustee Morris is when you are in your job what may be critical to him when we look at it from the outside looking in we may not find it so critical. Okay? It is just like this laborer position. Trustee Morris said it is one of the reasons why when you have these kind of issues you go to the department head, think about a 10% reduction without cutting services, and come back to me with your plan. But that isn't being done by anybody. The Mayor said what we did was we did a spending freeze and for only critical expenses were going to be approved. Trustee Morris said again - a spending freeze with only critical expenses. The Mayor said right. Trustee Morris said so there was no cut. The Mayor said we froze it. Who cut. We froze it. Trustee Morris said you are not really freezing because you still have expenditures going on.

Trustee Markunas said we just tried to hire a policeman. We just tried to hire a full-time parking employee. The Mayor said no, no, no. Settle down. She said what we were trying to do was to look at how to cut the overtime in the police department. So what we were looking at was is it more financially beneficial to hire that person or is it financially better to pay all of the overtime. Will it make the difference. That is what we looked at. And you know that as well as I do because Mike put together a spread sheet. Trustee Markunas said under his request. He asked Mike to do it. If we were in such serious financial condition there would have been an answer of no way, even though you are saying to offset the overtime and everything else, no way. We went and hired a part-time employee to a full-time position under these conditions. The Mayor said we hired nobody. Trustee Markunas said okay. Trustee Markunas said all he is doing is bringing out these certain facts that are alarming to him - the Mayor said you are saying things that are not true. Trustee Markunas said not relevant or not true. The Mayor said not true. We did not hire anybody. Trustee Markunas said okay. He will call the employee. He said he doesn't want to be - you are saying that he is speaking untruthfully. The Mayor said you are. Trustee Markunas said he is not. When he spoke to the employee he told him that the Mayor said I can start working full-time. The Mayor said that is not what I said to him. I said to him that that is the position that we were looking for - it has to go to personnel and all the other stuff. Trustee Markunas said we are

getting off topic - you are right. He is sorry but the situation - the Mayor said what we are doing right now and what she was trying to say before that we are meeting with the department heads to identify, like Mike suggested, programs - Clarke has a couple of positions that he is not using - police and clerk positions. We are trying to identify where the money in the budget is that will not be utilized this year. So that is one of the things that we are doing to try to get some more money in the budget that we would be able to utilize.

Trustee Markunas said he thinks this whole plan should be laid out thoroughly. Especially what you are telling me now is that we are going to start to identify through everyone, every department, how much money they are not going to use. The Mayor said why does this surprise you. We talked about this before. Trustee Markunas said he didn't understand that portion of it - that we were going to go through the budget and identify money that they are not going to use that we can use. The Mayor said we sat together and Mike explained that. Trustee Markunas said we should lay it out a little more clear. He said if he is unclear then he is sorry. Maybe it needs a little bit more of an explanation to him.

The Mayor said okay. Let's get back to the issue on hand Mike. She asked if there were any more questions with regards to the bonds. Trustee Byrne said he doesn't know if this is directly related to the bonds. But perhaps we as a Board, maybe in conjunction with Mike, look at whether or not the Village has any assets that can be sold. Whether that is buildings - he is thinking Leo Lydon - whether that is other assets, whether it is water, whatever it might be. Because we really have to start thinking outside the box here. Mr. Genito said that is an excellent suggestion. He said that many, many years ago - the police are now in Village hall but they used to be where the State Farm Insurance building is. That was an asset and a discussion came up with the Board and at that time it was Mayor Scarr and they talked about whether or not they needed a separate police station. And they sold that along with the parking area. If we have an asset that is not being used there is no sense in having it. And certainly water is just one. If we can sell water, sell additional water without any threat to the water supply for ourselves in the Village then we should look into it.

Trustee Morris asked Mr. Genito if he would be available tomorrow night to explain this at a public meeting. Mr. Genito said tomorrow night? The Mayor said at the Board meeting. Trustee Morris said at the Board meeting. In other words, there is nobody here that can give a clear concise - what you are saying today is pretty concise and clear that even he can figure out now. But what he would like is if Mr. Genito could explain it to the public at the Board meeting because he does have some concerns that we look like we are going ahead and doing everything the same as we did before and people say you are borrowing another million and a half dollars. What for. We can say something but we are not going to be as clear

and informative as his statements are.

Trustee Markunas said even bond counsel and the financial firms - he said he believes they should have been included in this meeting. And he believes the taxpayer is definitely entitled to a thorough explanation and it needs to be laid out in some type of format or writing. Mr. Genito said to let him first suggest that sometimes when that first started - he thinks it was in August - and he asked for any comments or letters from the auditors and he was told that the Board had never received them or never saw them. The auditing firm engaged by the Village is now finishing up the 2013 audit. When they issued the 2010 audit they advised that they did not issue letters but they did that as a verbal report. He said he has an e-mail saying they issued a verbal report which was their standard way of doing it on their first year of auditing. During the audit years of 2011 and 2012 they did issue management letters. They sent him copies of those management letters which he sent to the Board. If you read those letters, in addition to the financial statement, you will see and it is not a lot of language that is very difficult to understand that there are some significant issues in the Village in 2011 and 2012 not only in helping towards the deficit but also in the office of the Treasurer. So there is that. This information was right there. He doesn't know if the Board was not given the information or never saw it.

Trustee Markunas said just to be clear we don't have the 2013 management letter or the 2014 management letter at this time. Mr. Genito said the reason is that they weren't close to finishing the 2013 audit. He said he worked with them - with the auditing firm - to get to a final review stage which means that it should be a couple of weeks at the most that we will get it and we will get a management letter with that.

Trustee Markunas said and along with that, with the 2013 - he just wants to be clear with that again - that we paid an additional cost to the auditing firm for this audit - for that audit - 2013. Mr. Genito said we paid them \$44,000 and the Village paid the full amount in April of 2014. He said he himself would never have recommended that. You don't pay the full amount until you receive at least a draft financial statement. Again the fact of the matter is that 2013 was not completed. He said he worked very hard with getting it done with the former auditing firm and one of the complications there is that the partner who was in charge with our audit apparently left the firm and as a result it created problems with the auditing firm in getting the audit complete. In the meantime the Village has engaged a new auditing firm - O'Conner Davies - which is a large firm and they are going to start on the 2014 and the 2015 audits together because it is not their fault but ours because we went out late in the market to get an auditing firm.

Trustee Markunas asked what was the additional cost. He said so we are working off a management letter from 2012. Mr. Genito said correct. Trustee Markunas said and now the additional cost for the 2013 audit? Mr. Genito said the 2013 audit in total was about \$44,000. They wanted an additional, he believes they said \$15,000 or \$20,000 to complete it and we basically negotiated that down to about \$7500. Trustee Markunas asked what is the 2014 audit - what is the usual cost on that. Mr. Genito said about the same. About \$44,000. They are charging about the same rate as the old auditing firm.

Trustee Morris asked if we could get a copy of those management letters that were sent out. Mr. Genito said he can resend them. He will make sure that they get them again. Trustee Morris asked Mr. Genito if he was able to attend tomorrow's meeting. Mr. Genito said yes, he will. The Mayor said 7:30.

Trustee Markunas said he is just kicking around the thought - he said that Mike will be at the meeting tomorrow. Do we need any type of - anything from the bond counsel like he asked before or from the financial advisors to - Mr. Genito said perhaps - the resolutions were prepared by bond counsel so you have a copy of them. The Mayor said to Mike that Virginia only has two. She doesn't have the revenue anticipation note. Mr. Genito said that she was cc'd on it. The Village Clerk said she also called about the top sheet that has to be changed to February 3 and to put a special meeting instead of a regular meeting. Mr. Genito asked Virginia if she had Bob Smith's number. He said to give him a call and let him know that you are going to change those dates on them. The Village Clerk said the budget note is for \$600,000 and the deficiency note is \$600,000. Those are the only two that she has. Mr. Genito said there are two for \$600,000. He said there is a revenue anticipation note and he will make sure she gets a copy of that.

The Mayor said to Mr. Genito that she is going to let him go. The Village Clerk said before you go. Does she have to call the banks. Mr. Genito said he thinks that it would be a good thing to call the banks to see if they would be willing to bid on these things. And if no one is willing to bid on it then we will go directly to the financial advisor. The Mayor said she will have the Village Clerk call him when we are done here.

The Mayor said we will do one at a time. The first one is the \$600,000. Trustee Markunas asked if we need to make a motion for this. Attorney Rice said he is going to read the caption. The caption is Budget Note Resolution of the Village of Suffern adopted February 2nd, should be 3rd, authorizing the issuance of budget notes in the principal amount of not to exceed \$600,000 in renewals thereof pursuant to local finance law to provide funds for expenditures for which an insufficient or no provision has been made in the annual budget of the Village for the fiscal year ending

May 31, 2015.

The Mayor said she needs a motion. Trustee Byrne said he is not speaking for anybody else but himself he thinks and he is reading a concern about today versus tomorrow. Tomorrow the public is there. Today they are not. Those kinds of things and he understands that. And he doesn't necessarily disagree with that. However, his concern is we don't have enough money to get through to the end of the week if we are not borrowing from the water fund. And what we do here today or even tomorrow is not going to take effect until next payroll period. It is a tough thing. One day. He would like to know everyone's opinion. He thinks we should all speak to the issue on whether we vote today or whether if somebody wants to make a motion to table.

A motion to table the resolution was made by Trustee Markunas, seconded by Trustee Morris. Upon vote, the motion was carried, with Trustee Byrne saying he would be the only descending vote because he just thinks we need to vote on it and he respects the opinions of his co-members of the Board and he completely understands where they are coming from. Mayor Abato also voted no.

The Mayor said okay. Let's go to the next one.

Attorney Rice said this is a Deficiency Note Resolution of the Village of Suffern - authorizing the issuance of a deficiency notes in the principal amount of not to exceed \$600,000, and renewals thereof, pursuant to the section 29.20 of the local finance law, to finance a deficiency arising from revenues being less than the amount estimated in the annual budget of the Village for the fiscal year ending May 31, 2015.

A motion to table the resolution was made by Trustee Morris, seconded by Trustee Markunas. Upon vote, the motion was carried, with Trustee Byrne and Mayor Abato voting no.

The Mayor said the third one is for the Revenue Anticipation Note in the amount of not to exceed \$345,000 in anticipation of the receipt of sewer revenues to be received during the fiscal year ending May 31, 2015.

A motion to table the resolution was made by Trustee Morris, seconded by Trustee Hagen. Upon vote, the motion was carried, with Trustee Byrne and Mayor Abato voting no.

A motion to adjourn the meeting at 10:10 a.m. was made by Trustee Morris, seconded by Trustee Hagen. Upon vote, the motion was carried.