

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
FINANCE COMMITTEE MEETING – APRIL 7, 2009
CROGHAN, NY - 10:00 AM**

CALL TO ORDER

Finance Committee Chairman Ronald Pintuff called the Finance Committee meeting to order at 10:00 A.M.

PLEDGE OF ALLEGIANCE

ROLL CALL

Present: Finance Committee Chairman Ronald Pintuff; Committee Members John K. Bartow, Jr. and Board Chairman Klein serving as ex-officio in the excused absence of Anne McDonald; Staff Members, Executive Director Glenn A. LaFave; Chief Engineer Robert S. Foltan; Chief Fiscal Officer Richard J. Ferrara; General Counsel Robert Leslie; Hudson River Area Administrator Michael A. Clark; and Black River Area Administrator Carol L. Simpson.

Chairman Pintuff invited Board member Patrick B. Dugan to join the Finance Committee meeting as a participant.

Excused: Anne McDonald

WELCOME AND INTRODUCTION OF GUESTS

Mr. LaFave introduced Sheriff Mike Tabolt of Lewis County and Fire Coordinator and Emergency Manager of Lewis County, James M. Martin. Sheriff Tabolt welcomed the Board and stated his appreciation for them coming to Lewis County.

MOTION TO ADOPT OR REVISE MEETING AGENDA

Mr. Bartow moved to adopt the meeting agenda. Mr. Klein seconded it and the motion was unanimously approved.

MOTION FOR EXECUTIVE SESSION

Mr. Klein moved that the Finance Committee meet for Executive Session. Mr. Bartow seconded it and the motion was unanimously approved.

Mr. Bartow moved to rescind the motion for Executive Session. Mr. Klein seconded it and the motion was unanimously approved.

BUDGET WORKSHOP

a. Review of Preliminary Budget

Mr. Pintuff stated the purpose of the meeting is to conduct a budget workshop to review the preliminary budget.

Mr. Ferrara stated that he has provided the Board with the Regulating District's preliminary budget for the next three years beginning July 1, 2009 to June 30, 2012. He said it includes the Hudson River Area budget, Black River Area budget, General Board budget and the Permit System budget. Mr. Ferrara noted two changes in the budget structure, one that the Permit System Costing is added as a third entity subject to General Board allocation and second there were certain personnel that were reclassified from General Board to the Hudson River Area. He indicated the changes may make some of the variance analysis different than it was in previous years.

Mr. Bartow asked what the actual capital expenditures were for the prior three year budget. Mr. Ferrara said he will research it and provide that information to Mr. Bartow.

Mr. Ferrara pointed out in the first year 2009-2010 contractual expense item under "consultant" for \$165,000 that this is an estimated amount to do a headwater study.

Mr. Bartow commented the contingency of less than 1% is really small for personnel services. He said the standard contingency in any engineering area would be 10%. Mr. Bartow noted there may be unforeseen events in the pension or health insurance items, and therefore an argument could be made for at least a 2% or 3% contingency.

Mr. Bartow asked if the Regulating District contributes towards the employees' involvement in the State pension fund. Mr. Ferrara responded affirmatively. Mr. Bartow said that the cost of this contribution is going up substantially and suggested a higher budgeted amount. Mr. Ferrara said he will look into it.

Mr. Bartow suggested that the salary contingency should be at least 3% as opposed to 0.6%.

Mr. Bartow and Mr. Ferrara had discussion regarding the contingencies for healthcare costs and pensions for the next three years. Mr. Ferrara stated that the \$625,000 was based on estimates provided by NYS State Retirement System office.

Mr. Bartow asked Mr. Ferrara why the workers compensation budget item is high. Mr. Ferrara explained that because the Regulating District is a small public benefit corporation and there are a large number of employees who work in areas of high risk, such as on dams or with heavy equipment the rate is very high.

Regarding capital expenditures, Mr. Bartow noted from past experience he would recommend a 10% contingency line. Mr. LaFave said that the contingency amount is there for the engineering projects and a lot of the time the contingency is built in. He also indicated that the Regulating District for "other money" has capital reserves besides contingencies.

Mr. Bartow expressed concern that there is no budgeted expense for vehicles other than maintenance and repair over the next four years. Mr. Ferrara said there is one vehicle that has been budgeted that is not yet reflected in the budget which is a \$30,000 hybrid for the Hudson River Area. Mr. LaFave said in the monthly senior staff meetings over the past few months there have been separate budget meetings held in which the Regulating District fleet of vehicles was discussed. Mr. LaFave noted senior staff went through the vehicles and if there were any vehicles that were questionable, the Chief Engineer did the necessary research to determine whether the vehicle(s) should be replaced. Mr. LaFave noted a general practice in the Regulating District is that vehicles are passed down to be used in an area where there is not a need for high miles.

Mr. Bartow asked in the area of material and supplies if erosion control has been budgeted at an accelerate rate. Mr. Foltan said this does not reflect the four year plan but only the continuation of the continued rate of placement. He noted that the four year plan with material, equipment and personnel was in the neighborhood of \$2 million dollars. Mr. LaFave noted that it was previously decided to continue on the rate of placement instead of an accelerated plan. Mr. Foltan said that in his memo to the Board at the January 2009 Board meeting the total cost was \$2.83 million dollars. He said it would be \$1.35 million in the first year and approximately an average of \$490,000 for the remaining three years for a total of \$2.83 million dollars. Mr. Foltan said the accelerated four year plan was not approved by the Operations Committee at the January 2009 Board meeting and therefore, it was not recommended to the Board.

Mr. Bartow said in regard to contractual expenses a number of the budgeted items seem to have jumped significantly. He noted in particular the computer consultant line which is a 500% increase. Mr. Ferrara stated the computer consultant is a proposed network managed staffing solution because the Regulating District's network has expanded to include the Districts four major locations making it more cost effective to hire a computer consultant that is available 24 – 7 instead of paying per call as the Regulating District is currently doing.

Mr. Bartow said the other big jump he saw was relating to data communications which is the T1 lines. Mr. Ferrara said the biggest cost is for the Hudson River Area due to the most expensive T1 line up at Conklingville Dam, which is approximately \$915.00 a month. Mr. Ferrara said there are not a lot of alternatives but he will explore all available options. Mr. Bartow said once again there is no contingency here and there is a lot of potential variable costs under this item. Mr. Ferrara said he will revisit the contingencies across the board

Mr. Bartow asked if the Indian Lake house project is contractual or capital expense. Mr. LaFave said the Indian Lake House project is on the agenda for the regular Board meeting and will be discussed at that meeting.

Mr. Bartow noted the taxes have an overall increase of 1.03% and asked Mr. Ferrara what he factors in between years. Mr. Ferrara said he looks at what he can discern from some of the localities and what the Regulating District spends which is about four to four and a half percent. Mr. Ferrara said there are reserves for that specific item.

Mr. Ferrara stated under general accounting principles you cannot arbitrarily budget something simply by the statement, "I want to reserve this". He said the reserves come from surplus and wherever that surplus originates is where specifically it is reserved.

Mr. Ferrara responded to Mr. Bartow's inquiry regarding directors and officers liability indicating that this is covered under regular insurance.

Mr. Klein asked that the information discussed during the Finance Committee meeting be made available to excused member of the Finance Committee Mrs. McDonald and Board members Ms. Beyor and Mrs. Dunning for their input and comments.

ADJOURNMENT

There being no further business to come before the Finance Committee, Mr. Klein moved to adjourn the meeting. Mr. Bartow seconded it and the motion was unanimously approved. The meeting adjourned at 10:45 A.M.

Respectfully submitted,

Richard J. Ferrara
Secretary-Treasurer