

# North Tonawanda vows to do better moving forward

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 mayor and council were not receiving, nor did they seek out, monthly financial reports since last year, following the departure of former city Accountant Amanda Reimer. Although Reimer officially resigned Jan. 3 of this year, she is said to have "stopped working for the city" in August 2019. Because of this, financial activity for 2019 is only recorded through August.

"The City's financial activity remained unrecorded and was not monitored by any other City official or employee for more than eight months," the audit says. During that period, officials relied on department heads to monitor spending in their individual departments throughout the year.

"Although we told the mayor, treasurer and several council members that the financial records were incomplete and inaccurate ... they continued to make key financial decisions without adequate information," the audit says.

After city officials were notified about the financial situation at hand and lack of financial records, the audit says they continued to engage in practices that were said to be negatively impacting finances.

After being notified in February that the city would not have the funds necessary to pay for its February and March obligations, auditors say in April, then-treasurer Matthew Parish "improperly" used \$2.5 million in restricted cash from reserve funds to pay them, a move which "depleted all of the city's general fund reserves." He also transferred \$1 million from the water fund, and \$550,000 from the capital projects fund, to the general fund, despite both of those amounts being designated for planned capital projects. The report clarifies that, generally, cities are not authorized to borrow cash from reserve funds for cash flow purposes.

The treasurer's actions are said to have been made "without council approval."

The treasurer in question is former North Tonawanda Clerk/Treasurer Matthew Parish, who resigned from the city position last Wednesday. Parish began his new job as deputy Niagara County clerk earlier this week.

During a phone call Thursday, Parish disputed the audit's claim that his actions were made "without council approval." The meeting minutes from Jan. 2 show a resolution authorizing the city clerk-treasurer "to make temporary loans whenever necessary from various city funds, until

revenues are received and these loans are repaid for year 2020." The motion was made by Alderman (Austin) Tylec, seconded by Alderman (Donna) Braun and passed unanimously.

"That authorized me to make the transfer," Parish said "Although the auditors came back and advised against doing that, there was nothing illegal, and there was no impropriety at any point in time on my behalf."

The audit doesn't paint a very optimistic picture of the city's future, either.

"Unless significant and immediate spending changes are implemented," the audit states the city's financial condition will continue to decline during 2020. It adds, "The adopted budget is not structurally balanced," because it relied heavily on "one-shot" revenues, such as the sale of cell towers and real property, as well as "overly optimistic" expectations regarding increases in revenues, such as sales tax, "which likely will not be realized in the current year."

Elsewhere, it adds, "We estimate that the general fund will incur an operating deficit of at least \$1.4 million, and the sewer fund will incur an operating deficit of \$797,000 ... "As a result, the general fund will have less than \$4 million in total fund balance remaining, and the sewer fund will have less than \$234,000 at the end of 2020. However, approximately \$850,000 of the general fund balance is considered nonspendable and cannot be used to provide cash flow or to help balance the city's budget. Consequently, the city will have only approximately \$3 million in available general fund balance and minimal cash at the end of 2020. As a result, the city will likely continue to experience cash flow problems."

The audit concludes that, because fieldwork for the report ended near the start of the COVID-19 pandemic outbreak, "The city's 2020 and 2021 projections and our audit work do not factor in the pandemic's financial effects."

The full audit report can be read at <https://www.osc.state.ny.us/local-government/audits/city/2020/08/07/city-north-tonawanda-financial-condition-2020m-90>

Following the release of the comptroller's audit, a number of significant and otherwise related developments have occurred.

On Aug. 8, the North Tonawanda Mayor Arthur Pappas and the Common Council released the following statement, which seemed to agree with many of the audit's

findings and recommendations:

"The audit contains many suggestions which have and will be implemented. NT has paid its bills and made all payrolls.

"NT has seen unprecedented growth of business in the past decade by holding the line on taxes while maintaining services including police and fire.

"Home values in NT have increased tremendously (20-50%) in the past five years in all areas of the city.

"Auditor's issue with moving funds between accounts was done to avoid incurring interest on short term tax anticipation loans.

"The city has made proactive steps to balance the budget without raising taxes by restructuring leases on cell towers, etc.

"The city has reduced the fund balance as opposed to raising taxes, while it cannot go on indefinitely, it has kept taxes from going up for many years.

"NT has not raised water and sewer rates for 10 years.

"As noted by the auditors, the accountant position was vacant during their field work, making it difficult for them to obtain accurate information.

"Also noted in the auditor's report, 'The mayor, treasurer and council members were not fully aware of the city's deteriorating financial condition or its significant cash flow issues,' all due to a vacant accountant position.

"Also noted in the auditor's report, 'The mayor and council did not receive monthly financial reports, which hindered their ability to actively monitor the city's financial position. Without guidance and timely monitoring, the mayor and council could not effectively manage the city's financial condition.'

"We acknowledge that throughout the years covered in the audit, there were various budgetary practices that need to be improved and that we currently are, and will continue to take the appropriate actions which will address the specific recommendations noted in the report."

On Aug. 10, in a message sent out to media outlets, North Tonawanda Alderman-at-Large Tylec announced he would introduce a measure at Tuesday's Common Council meeting to create a Fiscal Stability Committee "tasked with developing and implementing the changes recommended by New York state auditors."

"Our community will face difficult decisions about taxes and services when it comes to next year's budget," Tylec says in the message. "Given the mismanage-

ment on the part of our recently resigned clerk-treasurer, we cannot truthfully say we grasp the state of our finances. This makes honest discussion with the public impossible at this point."

Elsewhere Tylec says, "We have to act now if we want to avoid an even greater catastrophe. ... One of the comptroller's key findings was that the city's general fund will be depleted by the end of January 2021, and the audit did not take into account the impact of the COVID-19 pandemic on sales tax revenue. A fiscal stability committee, openly available to the public in the name of transparency and accountability, can help us implement the changes recommended by the audit. But we have to act fast. ...

"The comptroller has provided a roadmap that we can use to begin to remedy our situation. ... But at this point, I believe that the public must play a role. As the independent minority, I have often been the lone voice of dissent in city government, and it hasn't been enough to prevent the meltdown we are facing. A Fiscal Stability Committee will enable members of the public to get a clear picture of where our finances stand, and to help enact reforms that will prevent a future crisis."

Later that same day, Tylec sent out another message to Facebook. This time he shared a job listing for the city clerk/treasurer position, which he said had been forwarded to him by a resident and was said to have been found on the city's website. The listing was dated Aug. 5 and listed the deadline for applications as Aug. 11.

Tylec indicated he had no knowledge that the position had been posted.

"As you may know, our city clerk/treasurer has resigned. Per our city charter, the council will fill the vacancy by majority vote. I have not been told of any information on interviews to fill said vacancy, but a resident pointed out a "legal notice" that is surreptitiously placed on our city website. There were no notifications on the council president's page,

nothing was mentioned about this during last week's meeting, no news postings, or emails ... or else I would have told the public sooner," Tylec wrote.

"The deadline is apparently (Tuesday) at noon. It's unclear if the applications can be emailed, but the notice provides a mailing address. I'd advise dropping it at the City Hall drop box by noon tomorrow if interested!"

To the best of the Tribune's knowledge, the only discussion regarding the filling of the clerk/treasurer vacancy during the Aug. 4 meeting occurred at the meeting's close. Tylec read a question posted by a viewer on the meeting's live stream (hosted on the North Tonawanda clerk/treasurer Facebook page) asking whether the city would be holding open interviews for the position.

Parish responded, "That's something (the council) should discuss," to which Common Council President Eric Zadzilka added, "Yeah. Going forward."

Tylec noted Parish's imminent departure from the position, to which Parish responded, "Is that something we need to decide at the end of the meeting? Right now?"

Tylec responded that the issue could've been handled earlier, adding "We should think - unless there's some other plan, but I haven't heard anything."

After a pause, Parish asked Tylec if that was the only comment. The meeting proceeded with the issue unresolved.

•In response to the audit, city Accountant Jeffrey Zellner addressed the council Tuesday night and refuted some of the audit's findings. He also referred to the audit as being "politically motivated" and criticized the auditors themselves as being "unprofessional."

Tuesday's meeting marked Zellner's first time speaking to the board since beginning the position on March 7, per the mayor's office.

Read the full report online at [www.wnypapers.com](http://www.wnypapers.com).



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