



**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**ELLIOTT AUERBACH**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

September 25, 2020

Honorable Michael Cinquanti, Mayor  
Members of the Common Council  
City of Amsterdam  
City Hall, 61 Church Street  
Amsterdam, NY 12010

Report Number: B20-5-8

Dear Mayor Cinquanti and Members of the Common Council:

Our Office has recently completed a review of the City of Amsterdam's (City's) adopted budget for the 2020-21 fiscal year. The objective of the review was to provide an independent evaluation of the adopted budget. Our review addressed the following question related to the City's adopted budget for the 2020-21 fiscal year:

- Are the significant revenue and expenditure projections in the City's adopted budget reasonable?

To accomplish our objective in this review, we requested your adopted budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the adopted budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The adopted budget package submitted for review for the 2020-21 fiscal year consisted of the following:

- 2020-21 Mayor’s Budget Message
- 2020-21 Adopted Budget
- Supplementary Information

The adopted budget submitted to our Office is summarized in Figure 1:

<b>Figure 1: 2020-21 Adopted Budget</b>				
<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Financing Sources</b>		
		<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$19,998,668	\$12,136,973	\$2,064,820	\$5,796,875
Water	\$6,989,258	\$5,939,011	\$1,348,629	\$0
Sewer	\$5,129,511	\$5,129,511	\$0	\$0
Refuse	\$2,388,998	\$2,388,998	\$0	\$0
Recreation <sup>a</sup>	\$772,821	\$772,821	\$0	\$0

<sup>a</sup>The recreation fund is used to account for the operations of the Amsterdam Municipal Golf Course.

Based on the results of our review, we found that certain significant revenue and expenditure projections in the 2020-21 adopted budget are not reasonable and other matters that require City officials’ attention. For example, as indicated in Figure 1, the City’s adopted water fund budget is unbalanced because the budgeted financing sources exceed the appropriations by \$298,382. In addition, the adopted budget includes:

- Estimated revenues for Federal aid, State funding for Aid and Incentives for Municipalities, property registration fees, metered sewer rents and golf course fees which may not be realized.
- General and recreation funds that are not structurally balanced because they include subsidies from other funds to finance their operations.
- Inadequate appropriations for debt service.
- Appropriations for health insurance and Social Security and Medicare taxes that may not be sufficient.
- Allocations of appropriations for personal services, contractual expenditures and employee benefits between the operating funds using unsupported allocation methods.
- Minimal funding for equipment and capital outlay and does not appropriate enough money for contingencies in the refuse and recreation funds to provide adequate flexibility for unanticipated costs.

A capital program report was also not prepared by the City Controller (Controller) and submitted to the Common Council (Council) as required by the City Charter (Charter).

Our review considered City officials' projections in response to the potential impact of the COVID-19 pandemic (pandemic). However, due to the continuous evolving circumstances caused by the pandemic, City officials should carefully monitor revenues and expenditures and make adjustments to the budget as needed throughout the year as more information becomes available.

Our review disclosed the following findings which should be reviewed by the Mayor and Council for appropriate action. Good management practices require that City officials take prompt action concerning our recommendations, which we believe will help improve the City's financial condition.<sup>1</sup>

## **Unbalanced Budget**

The adopted water fund budget is unbalanced by \$298,382 because the budgeted financing sources totaling \$7,287,640<sup>2</sup> exceed the appropriations of \$6,989,258. The Council should not adopt water fund budgets that are unbalanced and include anticipated financing sources in excess of the projected expenditures and other uses.

## **General Fund Revenues**

Federal Aid – The adopted general fund budget includes estimated revenues of \$1.2 million for Federal aid anticipated to be received by the City through future stimulus legislation to offset revenue shortfalls caused by the pandemic. City officials told us the \$1.2 million estimate consists of the City's reductions in estimated revenues from the 2019-20 to the 2020-21 adopted general fund budget of \$900,000 for sales tax<sup>3</sup> and \$300,000 for State funding for Aid and Incentives for Municipalities (AIM). However, as of the time of our review, the Federal government had not approved this aid. Due to the significance and uncertainty of this estimated revenue, City officials should develop a plan to balance the budget in the event this revenue projection is not fully realized.

AIM Funding – The adopted general fund budget includes estimated revenues of \$2,566,670 for State funding for AIM,<sup>4</sup> which is \$300,000 or approximately 10 percent less than the State Fiscal Year 2020-21 Enacted Budget amount. However, we caution City officials to be mindful that due to the continuously evolving circumstances caused by the pandemic, the Enacted State Budget generally authorizes the Executive and the State Legislature to withhold<sup>5</sup> or reduce State aid as necessary at given times throughout the year should the State Budget be deemed out of balance.<sup>6</sup>

---

<sup>1</sup> Chapter 531 of the Laws of 2019 authorizes the City to issue debt not to exceed \$8.3 million to liquidate the cumulative deficits in the City's general, transportation, sewer and recreation funds accumulated as of June 30, 2018. On June 25, 2020, the City issued bond anticipation notes totaling \$7,689,034 for this purpose, which consisted of \$5,091,424 for the general fund, \$1,321,091 for the transportation fund, \$512,675 for the sewer fund and \$763,844 for the recreation fund.

<sup>2</sup> \$5,939,011 in estimated revenues and \$1,348,629 in appropriated fund balance

<sup>3</sup> The adopted general fund budget includes estimated revenues of \$4,050,000 for sales tax, which is approximately \$1.2 million (22 percent) less than the recorded revenues realized in 2019-20.

<sup>4</sup> The City typically receives AIM payments in June, December and March.

<sup>5</sup> 20 percent of the City's \$698,895 scheduled AIM payment in June 2020 was withheld.

<sup>6</sup> The Budget is deemed out of balance for the fiscal year, and these powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The

As a result, City officials should closely monitor this revenue estimate throughout 2020-21 and develop a plan to balance the budget in the event this revenue projection is not fully realized.

Property Registration Fees – The adopted general fund budget includes estimated revenues of \$75,000 for property registration fees that the City has not previously assessed. The estimated revenues are to be realized by assessing owners of properties with vacant buildings a proposed registration fee of between \$275 and \$300 per property. While the estimated revenues appear reasonable, the realization of these revenues is contingent upon the Council’s authorization of this new fee. The Council did not authorize this fee prior to the adoption of the general fund budget or as of the time of our review. If the fee is not authorized, or is authorized and approved at a different amount than the proposed rate, the general fund budget should be modified accordingly.

Interfund Transfers – As in recent years, the adopted general fund budget is not structurally balanced because the City is relying on a \$1,348,629 subsidy from the water fund through an interfund transfer to finance the general fund's operations.<sup>7</sup> The general fund’s continued reliance on the water fund to cover operating expenses has and could continue to negatively impact the water fund's financial condition. We caution City officials that the water fund's continued appropriation of fund balance to finance interfund transfers to the general fund could eventually result in the unhealthy depletion of the water fund's fund balance.

### **Sewer Fund Revenues**

Metered Sewer Rents – The adopted sewer fund budget includes estimated revenues of \$809,745 for metered sewer rents, which is an increase of \$177,131 (28 percent) from the 2019-20 adopted budget. The City recorded metered sewer rents of approximately \$430,000 in 2019-20 and only increased the sewer rates in 2020-21 by 2.25 percent. Based on this, we project that the City will realize metered sewer rent revenues of approximately \$440,000 in 2020-21, resulting in a revenue shortfall of approximately \$370,000, or 46 percent of the budgeted revenues.

This occurred because the Controller estimated revenues based on the 2019-20 budgeted revenues, which were overestimated by approximately \$200,000, and a 28 percent change in rates, instead of using historical revenues realized by the City and the 2.25 percent change in rates.<sup>8</sup> City officials should ensure future sewer fund budgets include estimated revenues for sewer rents based on historical revenues realized and accurate calculations related to any rate changes.

Town of Florida Sewer Rents – The adopted sewer fund budget includes estimated revenues of \$450,000 for sewer rents assessed to the Town of Florida,<sup>9</sup> which is the same amount as the 2019-20 adopted budget. However, the City recorded sewer rent revenues of approximately \$612,000 in

---

*FY 2021 Enacted Budget Financial Plan* is available at: <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>

<sup>7</sup> The 2018-19 and 2019-20 adopted general fund budgets both included a \$1.6 million interfund transfer from the water fund to be financed through appropriated balance.

<sup>8</sup> The variance in the percent increase in sewer rates came from a formula error that calculates the percentage change in the sewer rates from 2015-16 to the current budget being prepared, instead of the percentage change from year-to-year. The same formula error has occurred and remained undetected since the 2017-18 budget.

<sup>9</sup> The City assesses sewer rents to the Town of Florida for use of the City's sewer system at one and one half times the City’s metered sewer rates.

2019-20 and increased the sewer rates in 2020-21 by 2.25 percent. As a result, we project that sewer rents have been underestimated by approximately \$175,000. City officials should ensure future sewer fund budgets include estimated revenues for sewer rents based on historical revenues realized and any rate changes.

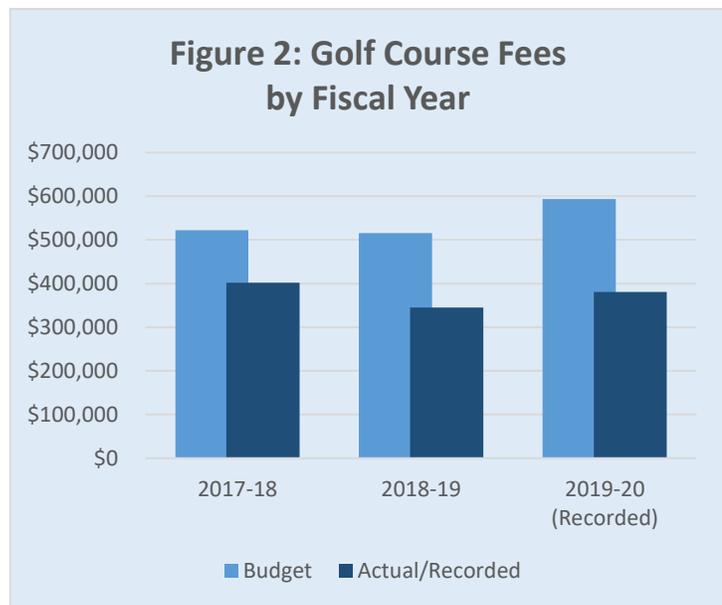
While the underestimation of these revenues will offset a portion of the revenue shortfall for metered sewer rents, we project that the adopted sewer fund budget will result in a revenue shortfall of approximately \$190,000. City officials should closely monitor sewer fund revenue estimates throughout 2020-21 and make modifications to the budget as necessary.

### Recreation Fund Revenues

Golf Course Fees – The adopted recreation fund budget includes estimated revenues of \$625,000 for golf course fees,<sup>10</sup> which is approximately \$245,000 (64 percent) more than the recorded revenues realized in 2019-20. The City did not change the non-member rates from 2019 to 2020<sup>11</sup> and only increased season passes by \$25, which represents less than a 4 percent increase for most categories of season passes. However, in 2020, the City established a new model for customers that were not grandfathered in to the previous season pass model<sup>12</sup> to try to increase revenues. The new model consists of customers paying a fee for a players card that then allows them to pay reduced green fees each time they golf. For example, a Montgomery County resident age 30 to 61 could purchase a players card for \$400 and then pay a reduced green fee of \$20 for each subsequent round of 18 holes of golf on a weekday compared to the regular rate of \$40.

Because this is a new model for charging fees, the City did not have any historical data to support how this would impact revenues for golf course fees in 2020-21. Based on this, and the City’s revenues realized and significant overestimation of golf course fees over the last three years (Figure 2), we question the reasonableness of the City’s projection that revenues in 2020-21 will be approximately 64 percent more than the recorded revenues realized in 2019-20.

City officials should closely monitor revenue estimates for golf course fees



<sup>10</sup> This includes membership, green, golf cart and other golf-related fees charged to customers at the City’s golf course.

<sup>11</sup> Because the Council annually approves golf course fees to be charged for the calendar year, the fees do not change during a golf season. As a result, the fees approved for 2020 may change for the portion of the City’s 2020-21 fiscal year during 2021. The City had not approved golf course fees for 2021 as of the time of our review.

<sup>12</sup> The season pass model consists of customers paying an annual fee for a season pass that then allows them unlimited rounds of golf at no additional charge. Customers who paid for a season pass by July 1, 2020 were grandfathered in to this model for future years, as long as the customer pays for a season pass each year without interruption.

throughout 2020-21 and develop a plan to balance the budget in the event these revenue projections are not fully realized.

Interfund Transfers – As in recent years, the adopted recreation fund budget is not structurally balanced and the recreation fund is projected to not be self-sufficient. Specifically, the City is relying on a \$114,821 subsidy from the general fund through an interfund transfer to finance the recreation fund's operations.<sup>13</sup> However, we found that the City historically has not made the budgeted, or any, interfund transfers from the general fund to the recreation fund. This has contributed to the decline in the recreation fund's financial condition.<sup>14</sup>

City officials should closely monitor the recreation fund's actual results of operations throughout 2020-21 and make any interfund transfers from the general fund to the recreation fund that are necessary to prevent a further decline in the recreation fund's financial condition. However, City officials should also continue to evaluate and explore ways to make the recreation fund self-sufficient.

## **Appropriations**

Health Insurance – The City pays predetermined premiums to an insurance provider for medical coverage for retirees and spouses age 65 or older. The City self-funds the remainder of its health insurance plan. Under this type of plan, the City pays for claims as they are presented, instead of paying predetermined premiums. As a result, health insurance expenditures can be unpredictable from year-to-year and the City is exposed to the risk of significant expenditures related to catastrophic claims.<sup>15</sup>

The adopted budget includes approximately \$4.4 million in health insurance appropriations, which is approximately \$900,000 (17 percent) less than the recorded expenditures incurred in 2019-20. The Controller told us that he calculated the \$4.4 million estimate by using a projection provided by the City's insurance broker of approximately \$5.0 million in costs for the City's self-funded plan and subtracting approximately \$375,000 for anticipated contributions from employees and surviving spouses of retirees, and \$183,000 for an anticipated net savings in prescription drug expenditures.<sup>16</sup> However, the Controller's projection did not include any of the approximately \$300,000 in projected expenditures for insurance premiums for medical coverage for retirees and spouses age 65 or older. As a result, the adopted budget underestimates health insurance appropriations by at least this amount.

---

<sup>13</sup> The adopted recreation fund budgets included interfund transfers of \$65,700 in 2016-17, \$53,137 in 2017-18, \$37,695 in 2018-19 and \$34,425 in 2019-20.

<sup>14</sup> The recreation fund had a deficit fund balance of \$481,153 at the end of 2015-16 that increased to a deficit fund balance of \$1,029,543 at the end of 2018-19. Based on the recorded results of operations, the recreation fund will realize another operating deficit in 2019-20.

<sup>15</sup> The City has a stop-loss policy from an insurer to cover claims in excess of \$200,000.

<sup>16</sup> The City anticipates these savings by utilizing a prescription drug rebate program in 2020-21 that has not been previously used. Because this is a new program, we could not verify whether these anticipated savings will be realized.

In addition, we caution City officials that if the City incurs health insurance expenditures in 2020-21 similar to the average costs of approximately \$5.3 million over the last three fiscal years,<sup>17</sup> appropriations for health insurance could be underestimated by approximately \$850,000. Due to the significance and volatility of these appropriations, City officials should closely monitor these appropriations throughout 2020-21 and make modifications to the budget as necessary.

**Debt Service** – The City is required in 2020-21 to make debt service payments for principal and interest related to tax anticipation notes, bond anticipation notes, serial bonds and installment purchase debt. The adopted budget includes total debt service appropriations in each of the operating funds that are either underestimated or overestimated (Figure 3).

<b>Figure 3: Debt Service Appropriations</b>					
<b>2020-21 Adopted Budget</b>					
<b>Fund</b>	<b>General<sup>a</sup></b>	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Recreation</b>
Principal	\$4,059,302	\$405,531	\$418,560	\$33,000	\$127,340
Interest	\$565,167	\$79,561	\$180,041	\$14,975	\$39,386
<b>Office of the State Comptroller Estimate</b>					
<b>Fund</b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Recreation</b>
Principal	\$4,102,785	\$330,531	\$459,833	\$33,000	\$130,392
Interest	\$569,545	\$79,561	\$169,699	\$24,372	\$39,228
<b>Variance Between 2020-21 Adopted Budget and OSC Estimate</b>					
<b>Fund</b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Recreation</b>
Principal	(\$43,483)	\$75,000	(\$41,273)	\$0	(\$3,052)
Interest	(4,378)	0	10,342	(9,397)	158
<b>Total</b>	<b>(\$47,861)</b>	<b>\$75,000</b>	<b>(\$30,931)</b>	<b>(\$9,397)</b>	<b>(\$2,894)</b>

<sup>a</sup> The adopted general fund budget includes appropriations of approximately \$2.1 million to retire tax anticipation notes that the City has annually issued since 2017-18.

These discrepancies occurred for various reasons. For example, the adopted water fund budget includes an appropriation of \$50,000 for a principal payment on bond anticipation notes related to a water capital project that is not due in 2020-21. In addition, the adopted budget includes an appropriation of \$25,000 for a principal payment on serial bonds in the water fund, although the sewer fund is responsible for the payment. Similarly, the adopted budget includes an appropriation of \$9,397 for an interest payment on bond anticipation notes in the sewer fund, although the refuse fund is responsible for the payment.

The adopted budget also does not include debt service appropriations totaling \$47,861 in the general fund and \$3,660 in the recreation fund for installment purchase debt payments owed. Instead, these appropriations were incorrectly included for equipment and capital outlay in each fund’s budget. We also found that, although the adopted general fund budget properly included debt service appropriations for installment purchase debt payments for four police vehicles and a fire truck, the budget also incorrectly included \$49,500 in equipment and capital outlay appropriations and \$75,000 in contractual appropriations intended for the same debt payments.

City officials should modify the adopted budget to ensure debt services appropriations are available in each fund for all required debt service payments. In addition, City officials should ensure that future budgets include debt service appropriations in each fund that agree with debt service schedules and supporting documentation of the amounts owed.

<sup>17</sup> The City incurred health insurance expenditures of approximately \$4.8 million in 2017-18 and \$5.7 million in 2018-19 and recorded incurring health insurance expenditures of approximately \$5.3 million in 2019-20.

Social Security and Medicare Taxes – The City’s share of the Social Security tax is 6.2 percent of wages to a certain limit<sup>18</sup> and is 1.45 percent of wages for the Medicare tax, or generally a combined 7.65 percent of all wages. The adopted budget includes total appropriations of \$828,438 for Social Security and Medicare taxes, which the Controller calculated by multiplying \$10,829,256 in budgeted appropriations for salaries and overtime by 7.65 percent. However, the Controller’s calculation excluded \$989,663 in additional budgeted appropriations for other payroll payments (e.g., longevity pay, out of title pay, on-call pay, unused leave time and health insurance buy outs) for which the City is required to pay Social Security and Medicare taxes. Based on this, we project that Social Security and Medicare taxes have been underestimated by \$75,709.<sup>19</sup> City officials should ensure future budgets include budgeted appropriations for Social Security and Medicare taxes based on all payroll payments projected to be made by the City.

Allocation of Appropriations – The adopted budget includes the allocation of certain appropriations for personal services, contractual expenditures and employee benefits between the operating funds using various allocation methods. The City has historically used the same allocation methods each year in its adopted budget.<sup>20</sup> However, City officials could not provide us with support for all of the allocation methods, such as the direct relationship between the services to be provided to the funds and the appropriations allocated to them.

Due to the City’s lack of detailed analysis for determining the actual amount and cost of services provided to each fund, we could not determine the amount of appropriations that should have been allocated to each fund. Additionally, we question the equity of some of the City’s allocations in the adopted budget.

For example, appropriations for personal services for 13 of the City’s departments<sup>21</sup> totaling approximately \$1.6 million are allocated in the adopted budget between the general, water, sewer and refuse funds in equal allocations of 25 percent, or approximately \$400,000 each. The Controller told us this is done to allocate administrative costs between the funds. However, this is not an adequate method of allocation because it assumes that each of these departments will provide equal amounts of services to each of the funds. In addition, based on the functions performed by each of these departments, we question whether they are all providing services to support the City’s water, sewer and refuse operations. The approximate \$400,000 allocation to the water, sewer and refuse funds represents a significant percentage of each fund’s total budgeted appropriations for personal services, or approximately 23 percent, 25 percent and 44 percent, respectively (Figure 4).<sup>22</sup>

---

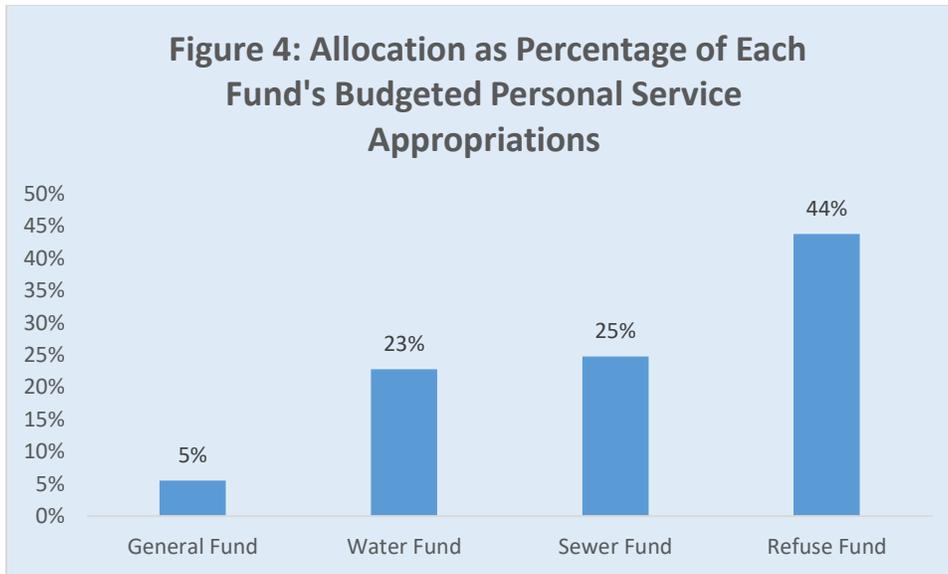
<sup>18</sup> Wages up to \$137,700 for 2020.

<sup>19</sup> The \$75,709 was calculated by multiplying the additional budgeted appropriations for personal services of \$989,663 by 7.65 percent. The \$75,709 underestimation of appropriations consists of \$60,005 in the general fund, \$8,916 in the water fund, \$5,232 in the sewer fund, \$1,173 in the refuse fund and \$383 in the recreation fund.

<sup>20</sup> The allocation methods used in the adopted budget are also used to record expenditures incurred during the fiscal year to the operating funds in the same manner.

<sup>21</sup> The 13 departments include the Council, Mayor's office, Controller's office, Assessor's office, City Clerk's office, Corporation Counsel, Civil Service, Employee Relations, City Hall maintenance, Animal Control Officer, Code Enforcement office, Engineer's office and Community and Economic Development office.

<sup>22</sup> The allocation to the general fund represents approximately 5 percent of the general fund’s total budgeted appropriations for personal services.



Contractual appropriations for the same 13 departments totaling more than \$300,000 are also allocated in the adopted budget between the operating funds.<sup>23</sup> However, the City does not use the same allocation method that is used for personal services appropriations. The allocation consists of each fund's total budgeted appropriations as a percentage of the total budgeted appropriations for all funds, rounded to a whole percent.<sup>24</sup> In addition, other miscellaneous contractual appropriations (e.g., postage and City Hall utilities) totaling more than \$525,000 are allocated in the adopted budget in the same manner.<sup>25</sup>

Appropriations for personal services for 24 employees in the Department of Public Works totaling more than \$1.1 million are also allocated in the adopted budget between the general, water, sewer and/or refuse funds in various percentages.<sup>26</sup> The Controller told us this is done because these employees perform work for multiple funds. However, City officials do not maintain records of the actual work performed by these employees to support these allocations.

Most of the budgeted appropriations for employee benefits (e.g., New York State and Local Employees' Retirement System contributions and non-police and fire department workers' compensation) are allocated to the operating funds based on the budgeted appropriations for personal services. As a result, the manner in which the City allocates appropriations for personal services to the operating funds also directly impacts the allocation of appropriations for employee benefits.

<sup>23</sup> Ten of the 13 departments' contractual appropriations are allocated between the general, water, sewer and refuse funds, but contractual appropriations for the Corporation Counsel, Civil Service and Employee Relations departments are also allocated to the recreation fund.

<sup>24</sup> The calculated percentages were not all rounded to the nearest whole percent. For example, for allocations between the general, water, sewer and refuse funds, the Controller rounded the general fund's allocation from 57.94 percent down to 56 percent and the sewer fund's allocation from 14.86 percent up to 17 percent.

<sup>25</sup> The allocations of the contractual appropriations totaling approximately \$840,000 consisted of approximately \$466,000 to the general fund, \$166,000 to the water fund, \$141,000 to the sewer fund, \$59,000 to the refuse fund and \$8,000 to the recreation fund.

<sup>26</sup> The allocations consisted of approximately \$550,000 to the general fund, \$65,000 to the water fund, \$345,000 to the sewer fund and \$170,000 to the refuse fund.

Without allocation methods that are supported, certain funds may assume an inequitable burden for costs that do not apply to their operations. This could result in taxpayers or ratepayers being inequitably charged for the actual services provided by each fund. City officials should develop an allocation plan based on detailed analysis that ensures costs allocated to each fund are directly related to its operations.

Equipment and Capital Outlay – The adopted budget includes appropriations for equipment and capital outlay (capital expenditures) of approximately 1 percent or less of the total budgeted appropriations for each of the operating funds (Figure 5).

<b>Figure 5: Equipment and Capital Outlay Appropriations</b>						
	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Recreation</b>	<b>Totals</b>
Equipment and Capital Outlay Appropriations	\$239,036 <sup>a</sup>	\$27,890	\$29,544	\$224	\$2,340 <sup>a</sup>	\$299,034
Percentage of Total Budgeted Appropriations	1.20%	.40%	.58%	.01%	.30%	.85%
<sup>a</sup> These amounts do not include equipment and capital outlay appropriations that were incorrectly included in the adopted budget for debt service payments and will be needed for that purpose.						

The budgeted appropriations do not include the purchase of any vehicles or heavy equipment.<sup>27</sup> In addition, we found that the City has historically used a portion of the budgeted appropriations for the purchase of supplies and materials, which should be included in the adopted budget as contractual appropriations. Further, City officials have not developed a multiyear capital plan identifying future capital needs and the means of financing those needs.

We are concerned that the City is deferring capital expenditures that it will be forced to incur in the future, possibly at a higher cost, at a time when the City is inadequately prepared to fund such costs. City officials should develop and annually update a multiyear capital plan,<sup>28</sup> and the plan should become an integral part of the budget process. In addition, we encourage City officials to identify financing sources for capital expenditures and to include these funding sources in future budgets.

Contingency Accounts – Local governments use contingency accounts as a budgetary means to provide funding for unexpected events. The amount needed for contingency depends on the amount of uncertainty with budgeted amounts and economic conditions. Given the findings noted in this report and the uncertainty in State and Federal aid as a result of the pandemic, the City should use contingency accounts to offset some of this risk. The Charter authorizes the inclusion of contingency appropriations in each fund, but does not establish a maximum amount. New York State statutes generally set the maximum for such accounts at 10 percent of a fund’s budget

<sup>27</sup> In recent years, the City has acquired vehicles and equipment through leases or by financing their purchase by entering into installment purchase contracts or issuing bond anticipation notes. For example, during 2017-18 through 2019-20, the City executed leases totaling approximately \$700,000, entered installment purchase contracts totaling approximately \$950,000 and issued bond anticipation notes totaling \$725,000 for the purpose of acquiring vehicles and equipment.

<sup>28</sup> This multiyear capital plan would be in addition to the capital program report required by the Charter.

(excluding appropriations for debt service and judgments), which can serve as a general guideline for the City. The refuse fund budget includes a \$13,060 contingency appropriation, or approximately 0.5 percent of the total budgeted appropriations of approximately \$2.4 million. In addition, the recreation fund budget includes a \$15,000 contingency appropriation, or less than 2 percent of the total budgeted appropriations of \$772,821. This provides the City with minimal flexibility in the event of unforeseen circumstances that may require additional funds in the refuse and recreation funds.<sup>29</sup>

### **Capital Program Report**

The Charter requires the Controller, at the Mayor's direction, to prepare a capital program report concurrently with the submission of the budget and for the report to be submitted to the Council. The Charter requires the capital program report to include, for each approved capital project, the status of the project, the funding amount actually received, the amounts actually expended, the future funding required, the projected future expenditures and appropriations required, and a five-year plan of proposed capital projects.

A capital program report for 2020-21 was not prepared by the Controller and submitted to the Council as required by the Charter. As a result, City officials lacked a valuable resource that would have allowed them to make more informed financial decisions during the budget process and plan for the City's potential future capital needs. City officials should ensure that a capital program report that includes all of the elements required by the Charter is prepared with all future proposed budgets and submitted to the Council.

### **Tax Cap Compliance**

General Municipal Law Section 3-c establishes a tax levy limit on local governments, which was effective beginning with the City's 2012-13 fiscal year. The law generally precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board first adopts a local law to override the tax levy limit.

The City's adopted budget includes a tax levy of \$6,047,472,<sup>30</sup> which exceeds the allowable tax levy limit by \$187,957. However, the Council adopted a local law to override the tax levy limit prior to budget adoption and, as such, was authorized to adopt a budget that included a levy in excess of the tax levy limit.

---

<sup>29</sup> The adopted budget includes a contingency appropriation of \$650,000 in the general fund, \$700,000 in the water fund and \$350,000 in the sewer fund.

<sup>30</sup> This amount includes the City's actual 2020-21 tax levy and pro rata taxes.

We hope that this information is useful as you monitor the City's financial operations and budget throughout the 2020-21 fiscal year and for the preparation of future budgets. If you have any questions on the scope of our work, please feel free to contact Gary G. Gifford, Chief Examiner of the Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Elliott Auerbach  
Deputy Comptroller

cc: Matthew A. Agresta, City Controller  
Stefanie Lenkowitz, City Clerk  
Gary G. Gifford, Regional Chief Examiner